Pension Trust
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www.SLOPensionTrust.org

San Luis Obispo County
Pension Trust
SLOCPT

AGENDA

Monday, March 23, 2020 9:30 AM
Board of Supervisors Chambers
County Government Center
San Luis Obispo, CA 93408

PENSION TRUST BOARD OF TRUSTEES

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

A) PUBLIC COMMENT

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

B) CONSENT

2. Minutes of the Regular Meeting of February 24, 2020 (Approve Without Correction).

3. Reports of Deposits and Contributions for the month of February 2020 (Receive and File).

4. Reports of Service Retirements, Disability Retirements and DROP Participants for the month of February 2020 (Receive, Approve and File).

C) ORGANIZATIONAL

None

D) APPLICATIONS FOR DISABILITY RETIREMENT

None

E) OLD BUSINESS

None

F) NEW BUSINESS

5. 2020 Actuarial Valuation Planning - Presentation by Paul Wood, Plan Actuary - (Discuss, Direct Actuary and Staff as necessary).

6. Employer Contributions Prefunding (Discuss, Direct Staff as necessary).

7. Administrative Budget for Fiscal Year 2020-2021 - Proposed – (Review, Discuss, and Direct Staff as necessary).

8. Board Educational Presentation – Fiduciary Responsibilities Refresher Briefing – Chris Waddell, General Counsel.

G) INVESTMENTS

9. Monthly Investment Report for February 2020 (Receive and File).

10. Global Fixed Income Strategy modification (Recommend Approval).

11. Strategic Asset Allocation Policy - Commodities allocation (Recommend Approval).

12. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).

H) OPERATIONS

13. Staff Reports

14. General Counsel Reports

15. Committee Reports:
    i. Audit Committee — No Report
    ii. Personnel Committee — No Report

16. Upcoming Board Topics (subject to change)
    i. April 27, 2020 (planned as a non-meeting month)

    ii. May 18, 2020
        a. Actuarial Experience Study Results – Actuarial Assumptions (with GRS)

b. FY20/21 SLOCPT administrative budget - approval
c. Quarterly Investment Report
d. Asset Allocation – amended policy
e. Private Equity program review

iii. June 22, 2020
a. Financial Audit Report
b. CAFR Approval
c. **Actuarial Valuation – Contribution Rate Changes**
d. Employer prefunding amount

iv. July 27, 2020 (planned as a non-meeting month)

v. August 24, 2020
a. Mid-year Financial Statements and Budget Status
b. Quarterly Investment Report
c. Investment topic TBD

17. Trustee Comments

I) CLOSED SESSION

None

J) ADJOURNMENT

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MINUTES

February 24, 2020
Regular Meeting of the Pension Trust
Board of Trustees

Board Members Present:	Guy Savage	President
	Gere Sibbach	Vice President
	Taylor Dacus	
	Jim Hamilton	
	Jeff Hamm	
	Matt Janssen	
Board Members Absent:	Michelle Shoresman	
Pension Trust Staff:	Carl Nelson	Executive Director
	Amy Burke	Deputy Director
	Jennifer Alderete	Accountant
General Counsel:	Chris Waddell	
Consultants:	Scott Whalen	Verus Investments
Others:		
	Michael Hobbs	SLO County Human Resources
	Natalie Fixler	SLO County Human Resources
	Josh Lopez	SLOCPT
	Larry Batchelder	SLOCREA

Call to Order: 9:32 AM by President Savage, presiding over the meeting.

A) PUBLIC COMMENT

1. None

B) CONSENT

2. Minutes of the Regular Meeting of January 27, 2020 (Approve Without Correction)

3. Reports of Deposits and Contributions for the month of January 2020 (Receive and File).

4. Reports of Service Retirements, Disability Retirements and DROP Participants for the month of January 2020 (Receive, Approve and File).

5. Conflict of Interest Policy Amendment and Biennial Review (Recommend Approval).

Motion: Approve the Consent items.

Public Comment: None

Motion Made: Mr. Hamm Motion Seconded: Mr. Janssen

Carried: Unanimous

C) ORGANIZATIONAL

None

D) APPLICATIONS FOR DISABILITY RETIREMENT

None

E) OLD BUSINESS

None

F) NEW BUSINESS

6. Approval of the Annual Cost-Of-Living Adjustments provided by the San Luis Obispo County Employees Retirement Plan (Recommend Approval).

Discussion: Staff reviewed the recommendation and calculation of the 2020 COLA. Mr. Sibbach noted a comment in the Staff recommendation regarding the COLA contributing to an actuarial loss in future actuarial valuations. Staff explained that the difference between the long-term inflation rate and the current COLA will create a small actuarial loss, which would be included in the layered amortization of the unfunded liability. Mr.

Sibbach also noted that the increase in the COLA banks would also cause small actuarial losses.

Motion: Approve Staff recommendation

Public Comment: None

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

Carried: Unanimous

G) INVESTMENTS

7. Quarterly Investment Report for the 4th Quarter if 2019 - Verus

Discussion: Detailed investment performance report by Scott Whalen, CFA, CAIA, Executive Managing Director and Senior Consultant of Verus.

Motion: Receive and file

Public Comment: None

Motion Made: Mr. Savage Motion Seconded: Mr. Hamm

Carried: Unanimous

8. Monthly Investment Report for January 2020

Discussion: Monthly investment performance report by Staff and Verus.

Motion: Receive and File

Public Comment: None

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

Carried: Unanimous

9. Capital Market Assumptions – 2020 – Verus

Discussion: Presentation on Verus' 2020 Capital Market Assumptions by Scott Whalen of Verus. The 2020 Verus CMAs are significantly lower than the 2019 CMAs due to declining interest rates and elevated equity valuations. Implications of the decline in CMAs will be part of the actuarial discussions at the March, May and June Board of Trustees meetings relative to the 2020 Annual Actuarial Valuation and pension contribution rates.

Motion: No Action Necessary

Public Comment: None

10. Asset Allocation Policy – Verus

Discussion: Scott Whalen noted that the current asset allocation remains reasonable. He reviewed the components of a Functionally Focused Portfolio (FFP) as a proposed amendment to investment policy at a future meeting. FFP asset allocation methodology includes: a Liquidity allocation based on several years' of benefit payments; a Growth allocation that may include substantial illiquid investments; and, a Risk-Diversifying allocation. Mr. Hamm advocated consideration of ending the current Commodities allocation in advance of conversion to an FFP based method. The Board requested that Verus provide additional education regarding new asset classes at the May meeting.

Motion: No Action Necessary

Public Comment: None

11. Asset Allocation

Discussion: Staff reviewed routine administerial asset allocation transfer related to liquidity.

No Action Necessary

H) OPERATIONS

12. Staff Reports

i. TPG/TSSP – Staff along with Scott Whalen from Verus explained that TPG and TSSP were splitting into two separate entities, and that the split would not affect SLOCPT's private credit investments with TSSP.

ii. The Fiduciary – Mr. Nelson reported that the winter edition of The Fiduciary was being drafted.

iii. Education and Outreach – Mr. Nelson reported that SLOCPT has continued to conduct Retirement 101/201 classes and participated in a Human Resources roundtable for the Department of Social Services. Mr. Nelson also reported that Nationwide (the SLO County Deferred Compensation Plan provider) has offered to conduct classes on Social Security and healthcare in retirement, which are scheduled for April through Human Resources. Mr. Nelson reported SLOCPT's annual presentation to SLOCREA members is scheduled for May 11th.

iv. PensionGold Member Portal – Ms. Burke reported that SLOCPT continues to send PIN letters to active members and retirees and is on schedule to have all enrollment letters sent by the end of May. No significant problems with Member access to the Member Portal have been reported.

v. ESG Investing Conference – Mr. Nelson reported on the Pension Bridge ESG conference he attended. He noted that ESG investment criteria is appropriately applied through the current Investment Policy, on an investment-by-investment basis and not an overall investment strategy.

vi. Form 700 filing – Ms. Burke reminded Trustees that the due date for filing their Form 700s is April 1.

13. General Counsel Reports

General Counsel commented that there are larger retirement systems that are under pressure regarding pressure regarding ESG divestiture issues. General Counsel also noted that fiduciary training is scheduled for the March Board meeting and requested that any topics the Board wishes Mr. Waddell to cover should be emailed to him.

14. Committee Reports:

i. Audit Committee – Mr. Sibbach reported that the Audit Committee held its audit entrance meeting with Brown Armstrong.

ii. Personnel Committee No Report

15. Upcoming Board Topics – published on meeting agenda

16. Trustee Comments

I) CLOSED SESSION

None

J) ADJOURNMENT –

There being no further business, the meeting was adjourned at 11:45 AM. The next Regular Meeting was set for March 23, 2020, at 9:30 AM, in the Board of Supervisors chambers, County Government Center, San Luis Obispo, California 93408.

Respectfully submitted,

Carl Nelson
Executive Director

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REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF FEBRUARY 2020

PP 4	2/14/2020 By Employer and Tier:	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for Employee Contributions	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
	County Tier 1	3,318,743.47	852,147.62	25.68%	398,024.99	282,666.71	20.51%	46.19%	987.50	1,692.05	**1,535,518.87**
	County Tier 2	983,157.83	260,789.20	26.53%	49,750.65	83,122.62	13.51%	40.04%	-	332.54	**393,995.01**
	County Tier 3	3,229,017.27	806,696.98	24.98%	398,034.62	-	12.33%	37.31%	-	1,549.32	**1,206,280.92**
	Superior Court Tier 1	256,998.41	71,299.65	27.74%	47,719.20	-	18.57%	46.31%	-	-	**119,018.85**
	Superior Court Tier 3	100,767.22	26,537.81	26.34%	13,352.20	-	13.25%	39.59%	-	-	**39,890.01**
	APCD Tier 1	59,531.92	14,716.78	24.72%	8,528.59	4,430.81	21.77%	46.49%	-	-	**27,676.18**
	APCD Tier 3	20,481.60	4,889.34	23.87%	2,792.43	-	13.63%	37.51%	-	-	**7,681.77**
	Pension Trust Staff Tier 1	7,715.87	1,860.30	24.11%	1,026.98	716.80	22.60%	46.71%	-	-	**3,604.08**
	Pension Trust Staff Tier 2	9,003.20	2,170.67	24.11%	340.32	836.40	13.07%	37.18%	-	-	**3,347.39**
	Pension Trust Staff Tier 3	11,215.96	2,649.20	23.62%	1,457.67	-	13.00%	36.62%	250.00	-	**4,356.87**
	LAFCO Tier 1	10,832.21	3,269.43	30.18%	709.51	1,006.31	15.84%	46.02%	-	-	**4,985.25**
	LAFCO Tier 3	1,731.20	479.20	27.68%	161.35	-	9.32%	37.00%	-	-	**640.55**
		8,009,196.16	2,047,506.18	25.56%	921,898.51	372,779.65	16.16%	41.73%	1,237.50	3,573.91	**$ 3,346,995.75**

PP 5	2/28/2020 By Employer and Tier:	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for Employee Contributions	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
	County Tier 1	3,338,554.76	855,290.72	25.62%	400,841.56	284,705.96	20.53%	46.15%	987.50	1,692.05	**1,543,517.79**
	County Tier 2	974,848.56	258,868.83	26.55%	49,564.24	82,385.42	13.54%	40.09%	-	332.54	**391,151.03**
	County Tier 3	3,261,280.58	815,120.72	24.99%	402,500.69	-	12.34%	37.34%	-	1,090.40	**1,218,711.81**
	Superior Court Tier 1	258,081.85	71,580.86	27.74%	47,925.06	-	18.57%	46.31%	-	-	**119,505.92**
	Superior Court Tier 3	97,150.11	25,486.92	26.23%	12,845.18	-	13.22%	39.46%	-	-	**38,332.10**
	APCD Tier 1	57,665.12	14,262.73	24.73%	8,331.16	4,256.41	21.83%	46.56%	-	-	**26,850.30**
	APCD Tier 3	20,481.60	4,889.34	23.87%	2,848.05	-	13.91%	37.78%	-	-	**7,737.39**
	Pension Trust Staff Tier 1	7,715.87	1,860.30	24.11%	1,026.98	716.80	22.60%	46.71%	-	-	**3,604.08**
	Pension Trust Staff Tier 2	9,339.20	2,251.68	24.11%	353.03	867.61	13.07%	37.18%	-	-	**3,472.32**
	Pension Trust Staff Tier 3	11,247.96	2,656.76	23.62%	1,460.97	-	12.99%	36.61%	250.00	-	**4,367.73**
	LAFCO Tier 3	10,832.21	3,269.43	30.18%	709.51	1,006.31	15.84%	46.02%	-	-	**4,985.25**
	LAFCO Tier 1	1,731.20	479.20	27.68%	161.35	-	9.32%	37.00%	-	-	**640.55**
		8,048,929.02	2,056,017.49	25.54%	928,567.78	373,938.51	16.18%	41.73%	1,237.50	3,114.99	**$ 3,362,876.27**

TOTAL FOR THE MONTH	**16,058,125.18**	**4,103,523.67**	**25.55%**	**1,850,466.29**	**746,718.16**	**16.17%**	**41.73%**	**2,475.00**	**6,688.90**	**$ 6,709,872.02**
TOTAL YEAR TO DATE	**39,548,420.54**	**10,106,468.49**	**25.55%**	**4,567,141.61**	**1,857,583.87**	**16.25%**	**41.80%**	**7,198.00**	**29,188.65**	**$ 16,567,580.62**

REPORT OF RETIREMENTS	February 2020

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Covello, Timothy	Superior Court	Service Retirement	02/12/20	8,066.98	False
Kinney, Dale	Sheriff-Coroner	Service Retirement	12/31/19	165.78	False
Luther, Lars	Sheriff-Coroner	Service Retirement	01/29/20	6,018.40	False
Luther, Lars	Sheriff-Coroner	Additonal Annuity	01/29/20	3.67	False
Pino, Manuel	Sheriff-Coroner	Service Retirement	01/25/20	5,288.06	True
Scivner, Lorena	Department of Social Services	Service Retirement	02/08/20	3,631.50	False
Vickery, Gregory	Behavioral Health	Service Retirement	01/25/20	5,012.31	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*

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Date: March 23, 2020

To: Board of Trustees

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

Agenda Item 5: 2020 Actuarial Valuation Planning

Recommendation:

The SLOCPT Plan Actuary, Paul Wood of Gabriel Roeder Smith will make a presentation on planning for the 2020 Actuarial Experience Study and Annual Valuation. The Board of Trustees should discuss the actuarial issues presented and direct Staff and Actuary as necessary.

Decision Schedule:

March 23, 2020
- Experience Study and Valuation planning

May 18, 2020
- Actuarial Experience Study results
- Actuary presentation and discussion of assumptions
- Actuarial projections of contribution rates and funded ratio
- **Board of Trustees approval of 2020 Actuarial assumptions**

June 22, 2020
- Actuarial Valuation report and presentation
- **Board of Trustees approval of –**
    - **2020 Actuarial Valuation**
    - **Pension Contribution Rate changes**
    - Employer contribution prefunding amount if applicable

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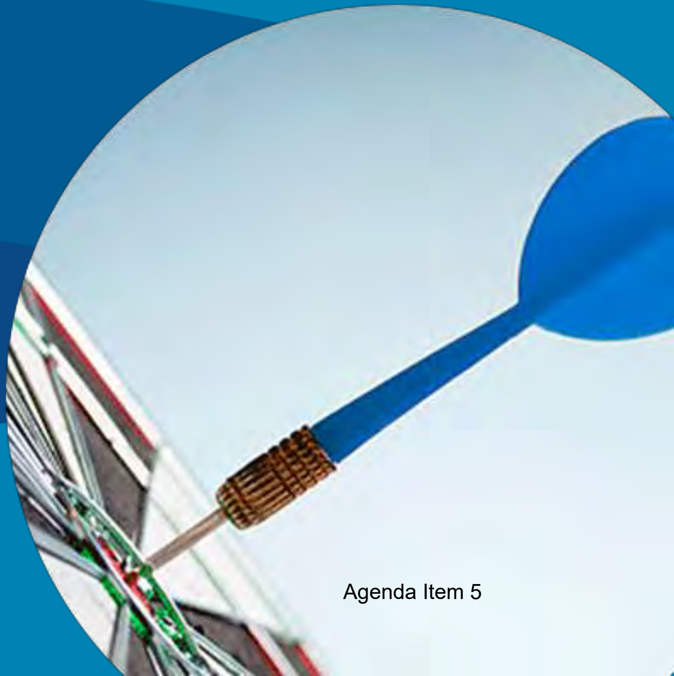
San Luis Obispo County Pension Trust

Planning Session for the 2020 Experience Study and Actuarial Valuation

Paul Wood ASA, FCA, MAAA
March 23, 2020



Agenda Item 5

Today's Agenda

- Experience Study and Valuation TimeLine
- Highlights of the Annual Valuation Process
- Experience Study Preview
  - Economic Assumptions
    - Inflation
    - Discount Rate
    - Payroll Growth Rate
    - Plan Specific Inflation
  - Mortality Assumptions

EXPERIENCE STUDY AND VALUATION TIMELINE

Experience Study and Valuation TimeLine

- March 23, 2020 Board Meeting (Today)
  - Discuss valuation planning
  - Review preliminary recommendations related to economic and mortality assumptions
- May 18, 2020 Board Meeting
  - Review full results of experience study
  - Board to ultimately approve an assumption set
- June 22, 2020 Board Meeting
  - Review the results of the 1/1/2020 actuarial valuation
  - Board to adopt contribution rates
- A critical dates list is maintained to ensure deliverables in the interim are provided in a timely basis

HIGHLIGHTS OF THE ANNUAL VALUATION PROCESS

January 1, 2019 Valuation

Recap of Valuation Results

	January 1, 2019 - Actual	January 1, 2020 - Projected
Accrued Liability	$2.03B	$2.10B
Actuarial Value of Assets (AVA)	$1.36B	$1.40B
Unfunded Accrued Liability	$667M	$704M
Funded Ratio	67.1%	66.6%
Total Normal Cost	20.6%	20.1%
Amortization Payment	23.9%	25.3%
Total Actuarially Determined Contribution	44.5%	45.5%

- Projected results do not include the very strong 2019 asset return or any changes in assumptions

January 1, 2020 Valuation
Data Process Changes

- First year using data from the Pension Gold system
- Required us to reprogram many of our processes with no loss in data quality
- New data did include an enhancement with regards to members with service in different Bargaining Units
  - Separate records provided for each period of service
  - Resulted in a more accurate estimate of the projected benefit
- We are able to make a couple of recommendations that may be incorporated next year

January 1, 2020 Valuation

Additional Comments

- Assumption changes will most likely impact the projected costs of the plan
- Any change in liability will be amortized over 20 year closed period consistent with the funding policy
- The strong 2019 returns will help offset potential increases in cost due changes in assumptions and experience

EXPERIENCE STUDY PREVIEW

2020 Experience Study Preview

Purpose

- Experience was last studied in 2018
- Assumptions are not static; they should occasionally change to reflect
  - New information and changing knowledge
  - Mortality improvement
  - Changing patterns of retirements, terminations, etc.
  - Implementation of improved technology and processes
- The analysis will address these questions for each assumption
  - What was the plan's actual experience?
  - How does that compare with current assumptions?
  - Is a change warranted?

2020 Experience Study Preview

Preview of Upcoming Study

- Economic Assumptions
  - Inflation Rate
  - Discount Rate
  - Payroll Growth Rate
  - Plan Specific COLA Increase Rate
- Mortality Assumption
  - Base Table
  - Projection Scale

2020 Experience Study Preview

Economic Assumptions – History of Changes

San Luis Obispo County Pension Trust Historical Review of Economic Assumption Changes					
Assumption	**Pre 2012**	**2012**	**2014**	**2016**	**2018**
Inflation	3.750%	2.750%	2.750%	2.625%	2.500%
Real Return	4.000%	4.500%	4.500%	4.500%	4.500%
Total Return (inflation plus real return)	7.750%	7.250%	7.250%	7.125%	7.000%
Tier 1 COLA	3.750%	2.750%	2.750%	2.625%	2.500%
Payroll Growth	4.250%	3.750%	3.750%	3.375%	3.00% in 2018 and 2.75% thereafter
Interest credited on employee accounts	7.250%	6.750%	6.750%	6.125%	6.000%
Salary increases	3.75% inflation plus 1.75% productivity across-the-board plus merit for recent hires	2.75% inflation plus 0.5% productivity across-the-board plus merit for recent hires	2.75% inflation plus 0.5% productivity across-the-board plus merit for recent hires	2.625% inflation plus 0.25% productivity across-the-board plus merit for recent hires	2.50% inflation plus 0.25% productivity across-the-board plus merit for recent hires

- Changes in many of the economic assumptions have been driven by changes in inflation
- Inflation is the assumption that underlies the economic assumptions (building block approach)

2020 Experience Study Preview
Economic Assumptions – Inflation Rate

- Current Assumption: 2.50%
- 2019 survey of 14 investment consulting firms shows an annual inflation expectation of 2.18%
- Verus' current expectation is 1.9% which is down from 2.1% in 2018
- **Preliminary Recommendation: Lower inflation assumption to 2.25%**

2020 Experience Study Preview

Economic Assumptions – Discount Rate

- Current Assumption: 7.00%, net of all administrative and investment expenses
  - 2.50% inflation plus
  - 4.50% real return
- Verus' 10 and 30 year expectation is 6.2%
- GRS surveyed 14 investment consulting firms on the capital market expectations
  - Tables on next couple of slides are based on the 2019 survey
  - There is a strong indication that the 2020 expectations may be down 25 to 50 basis points as a result of the strong 2019 asset returns

GRS

2020 Experience Study Preview

Economic Assumptions – Average 1-Year Return

Investment Consultant	Investment Consultant Expected Nominal Return	Investment Consultant Inflation Assumption	Expected Real Return (2)–(3)	Actuary Inflation Assumption	Expected Nominal Return (4)+(5)	Plan Incurred Administrative Expenses	Expected Nominal Return Net of Expenses (6)-(7)		Standard Deviation of Expected Return (1-Year)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)
1	5.376%	2.200%	3.176%	2.250%	5.426%	0.200%	5.226%		11.66%
2	6.765%	2.500%	4.265%	2.250%	6.515%	0.200%	6.315%		12.10%
3	6.912%	2.500%	4.412%	2.250%	6.662%	0.200%	6.462%		12.12%
4	6.381%	2.200%	4.181%	2.250%	6.431%	0.200%	6.231%		9.36%
5	6.699%	2.000%	4.699%	2.250%	6.949%	0.200%	6.749%		10.41%
6	7.232%	2.250%	4.982%	2.250%	7.232%	0.200%	7.032%		12.07%
7	7.382%	2.260%	5.122%	2.250%	7.372%	0.200%	7.172%		13.22%
8	7.292%	2.213%	5.079%	2.250%	7.329%	0.200%	7.129%		12.29%
9	7.363%	2.305%	5.058%	2.250%	7.308%	0.200%	7.108%		11.21%
10	7.529%	2.000%	5.529%	2.250%	7.779%	0.200%	7.579%		11.97%
11	7.779%	2.300%	5.479%	2.250%	7.729%	0.200%	7.529%		11.17%
12	8.080%	2.148%	5.932%	2.250%	8.182%	0.200%	7.982%		12.31%
13	7.697%	1.700%	5.997%	2.250%	8.247%	0.200%	8.047%		12.24%
14	7.840%	2.000%	5.840%	2.250%	8.090%	0.200%	7.890%		9.28%
Average	**7.166%**	**2.184%**	**4.982%**	**2.250%**	**7.232%**	**0.200%**	**7.032%**		**11.53%**

2020 Experience Study Preview

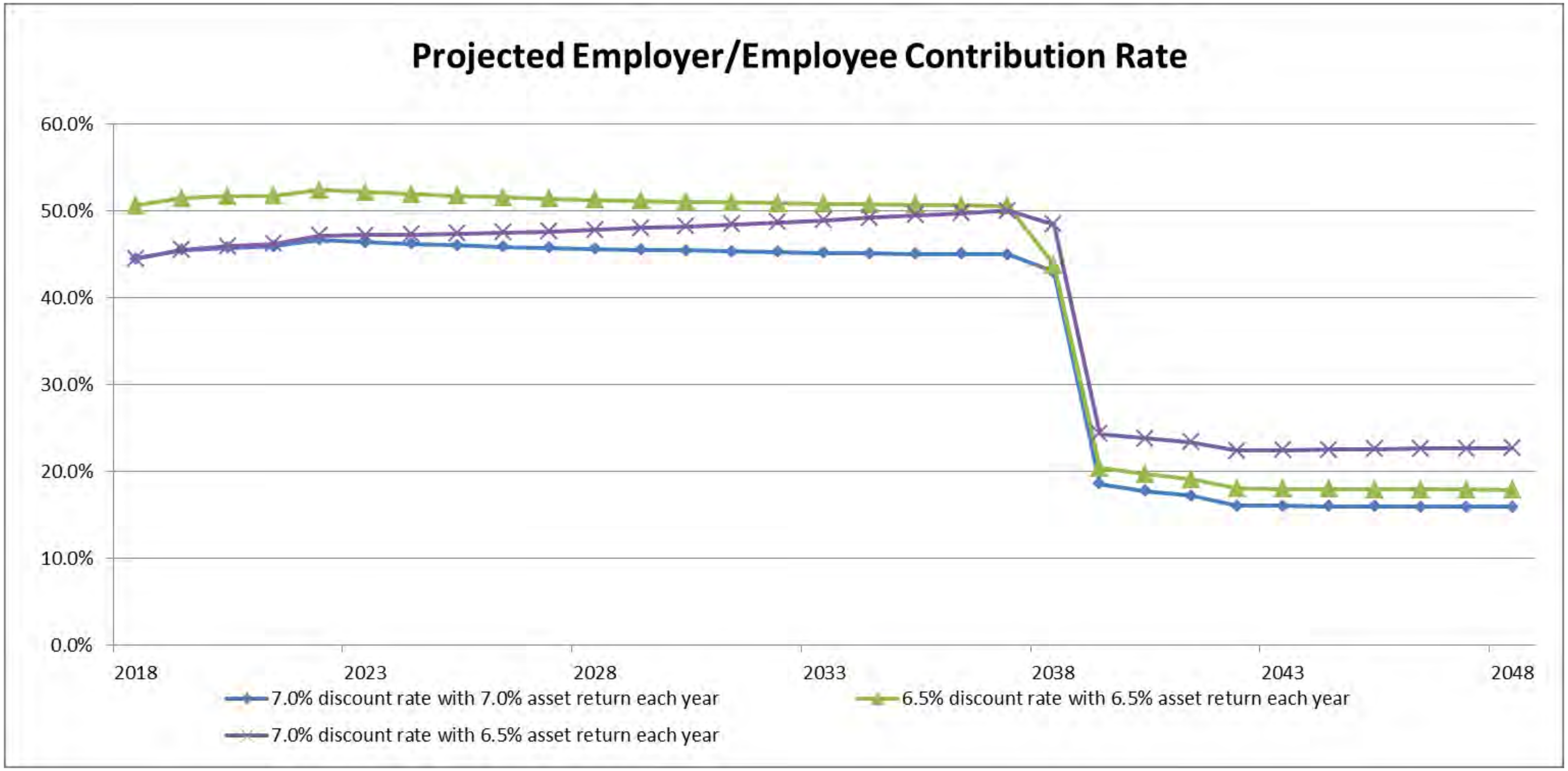
Economic Assumptions – Average 20-Year Return

Investment Consultant	Distribution of 20-Year Average Geometric Net Nominal Return 40th	50th	60th	Probability of exceeding 7.000%	Probability of exceeding 6.750%	Probability of exceeding 6.50%
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	3.933%	4.586%	5.242%	17.78%	20.35%	23.14%
2	4.956%	5.633%	6.314%	30.61%	33.91%	37.36%
3	5.102%	5.779%	6.461%	32.55%	35.94%	39.45%
4	5.295%	5.821%	6.349%	28.65%	32.83%	37.25%
5	5.662%	6.246%	6.832%	37.24%	41.38%	45.62%
6	5.682%	6.357%	7.037%	40.53%	44.17%	47.87%
7	5.628%	6.366%	7.109%	41.44%	44.78%	48.17%
8	5.743%	6.431%	7.122%	41.74%	45.34%	48.98%
9	5.898%	6.526%	7.158%	42.46%	46.42%	50.42%
10	6.250%	6.919%	7.593%	48.79%	52.55%	56.30%
11	6.329%	6.954%	7.583%	49.26%	53.29%	57.29%
12	6.598%	7.287%	7.980%	54.19%	57.82%	61.39%
13	6.676%	7.360%	8.049%	55.30%	58.93%	62.50%
14	6.971%	7.493%	8.017%	59.46%	64.10%	68.56%
Average	**5.766%**	**6.411%**	**7.061%**	**41.43%**	**45.13%**	**48.88%**

2020 Experience Study Preview

Economic Assumptions – Discount Rate

- Risk associated with setting the discount rate



2020 Experience Study Preview

Economic Assumptions – Discount Rate

- Reasonable range for the discount rate based on 2019 Capital Market Expectations is between 6.4% (median return) and 7.00% (mean return)
- 2020 expectations will most certainly be lower
- **Preliminary Recommendation is to consider:**
  - **6.75% nominal return (2.25% inflation + 4.50% real return)**
  - **6.50% nominal return (2.25% inflation + 4.25% real return)**

2020 Experience Study Preview

Economic Assumptions – Payroll Growth Rate

- History of Payroll Growth

Valuation Date	Annual Payroll	Percent Increase in Average Annual Payroll	Average Annual Earnings	Percent Increase in Average Annual Earning
1/01/2014	$164,704,467		$65,333	
1/01/2015	$167,695,432	1.8%	$65,763	0.7%
1/01/2016	$177,003,887	5.6%	$67,844	3.2%
1/01/2017	$185,019,748	4.5%	$69,166	1.9%
1/01/2018	$196,848,084	6.4%	$72,317	4.6%
1/01/2019	$200,537,472	1.9%	$73,592	1.8%
1/01/2020	$205,694,036	2.6%	$74,743	1.6%
Six Year Average		**3.8%**		**2.3%**

- Payroll has grown through a combination of salary increases and an increase in headcount

2020 Experience Study Preview

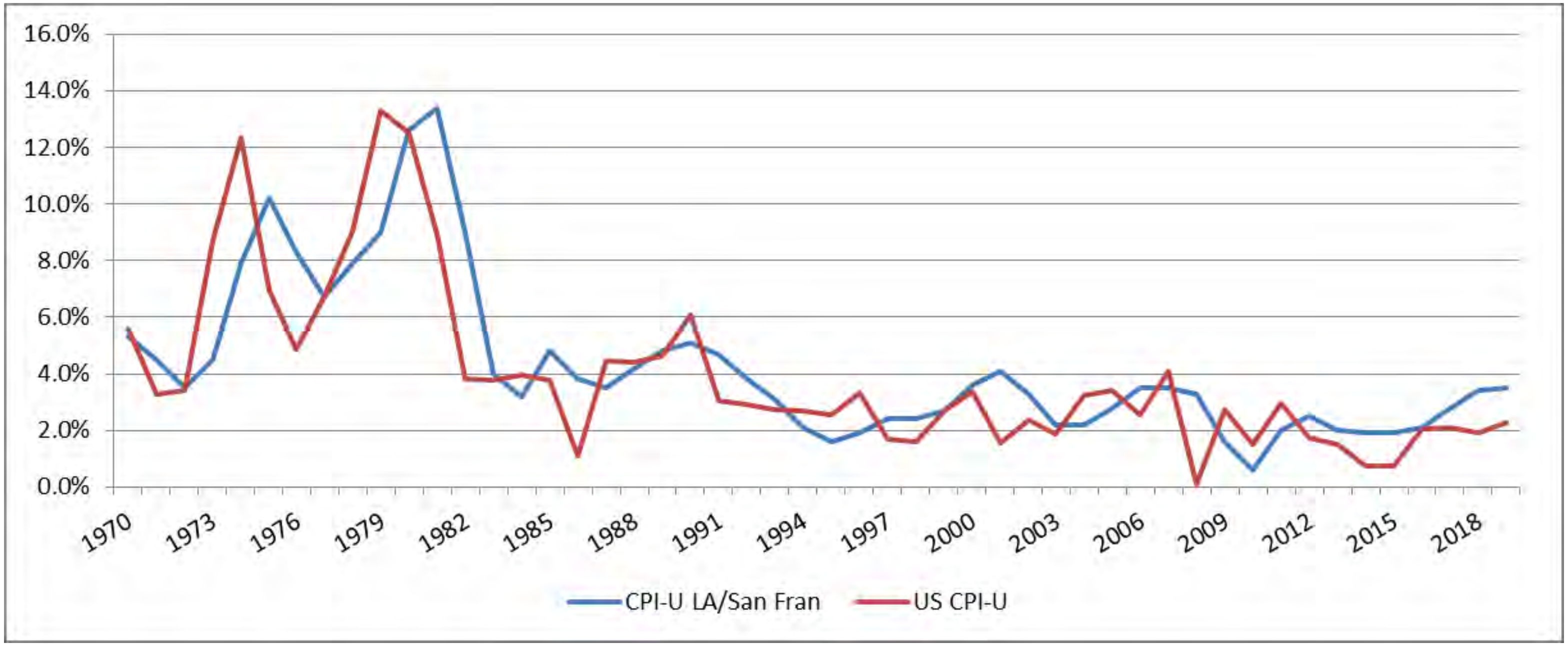
Economic Assumptions – Payroll Growth Rate

- Current assumption: 2.75% (2.50% inflation plus 0.25% productivity)
- Historical average has been above 2.75%, albeit, with some modest headcount growth
- **Preliminary Recommendation: 2.75% (2.25% inflation plus 0.50% productivity)**

2020 Experience Study Preview

Economic Assumptions – Plan Specific Inflation

- COLA is based on an average of the CPI-U for Los Angeles and San Francisco



2020 Experience Study Preview

Economic Assumptions – Plan Specific Inflation

- Average spread between LA/San Fran – CPI-U and US - CPI-U has been increasing

	LA/San Fran - CPI-U	US CPI-U	Spread
5 Year Average	2.74%	1.82%	0.92%
10 Year Average	2.27%	1.75%	0.51%
20 Year Average	2.64%	2.14%	0.50%
30 Year Average	2.75%	2.40%	0.35%
Since 1970	4.24%	3.91%	0.33%

- Current Tier 1 COLA Assumption: 2.50%
- Tier 2 and 3 COLA assumption 2.00% (max allowed)
- **Preliminary Recommendation: 2.50% (implies 25bp spread between LA/San Fran – CPI-U and US - CPI-U)**

2020 Experience Study Preview
Mortality Assumption

- Current Retired Mortality Assumption:
  – Base Table: RP-2014 with White Collar Adjustments and 105% multiplier for males and 115% for females
  – Projection Scale: MP-2017
- Active and disabled mortality based on a variation of the RP-2014 tables
- Society of Actuaries has recently released a new set of Public Retirement Plans Mortality Tables – Pub-2010
- No longer have white and blue collar adjustments, rather they are adjusted for income level (above or below median income)

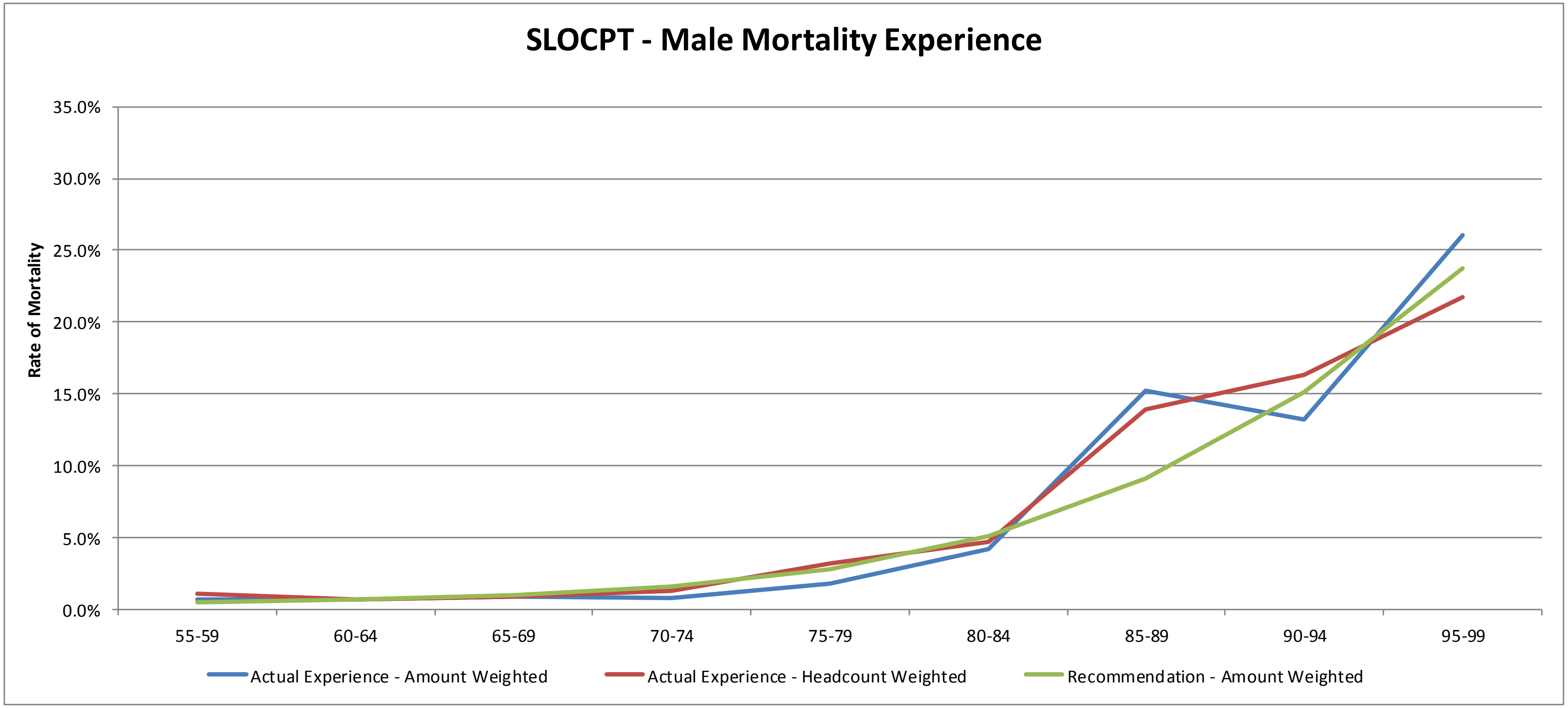
2020 Experience Study Preview

Mortality Assumption

- Data for SLOCPT is only partially credible due to its size
  - Data in the aggregate is approximately 20% credible for males and 23% credible for females
- **Preliminary Recommendation:**
  - **Retiree Mortality: Pub-2010, Amount-Weighted, Above-Median Income, General, Healthy Retiree with 99% multiplier for males and 101% for females**
  - **Active Mortality: Pub-2010, Amount-Weighted, Above-Median Income, General, Employee**
  - **Disabled Mortality: Pub-2010, Amount-Weighted, General, Disabled Retiree**
  - **Projection Scale: MP-2019**

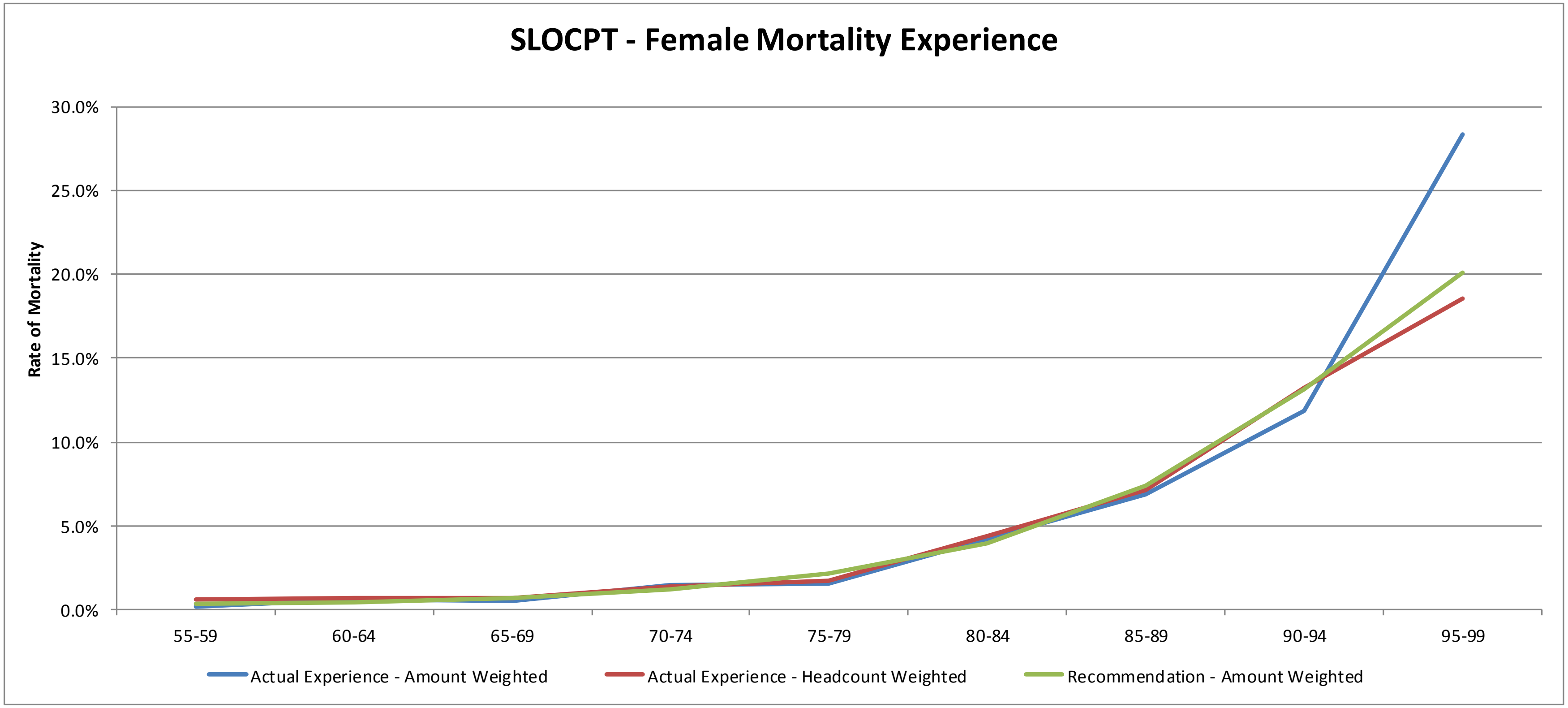
2020 Experience Study Preview

Mortality Assumption – Male Retiree Experience



2020 Experience Study Preview

Mortality Assumption – Female Retiree Experience



2020 Experience Study Preview

Mortality Assumption

Life Expectancy from Age 65				
	Male		Female	
Birth Year	Current	Preliminary Recommendation	Current	Preliminary Recommendation
1950	87.2 Years	86.8 Years	88.0 Years	88.7 Years
1970	88.7 Years	88.3 Years	89.5 Years	90.2 Years
1990	90.2 Years	89.9 Years	91.1 Years	91.7 Years
2000	91.0 Years	90.7 Years	91.8 Years	92.5 Years
2010	91.8 Years	91.5 Years	92.6 Years	93.2 Years

- The slight reduction in male mortality is attributable to the new projection scale
- Expect minimal increase in cost as a result of the change in mortality assumption

GRS

2020 Experience Study Preview
Wrap Up

- In addition to the assumptions reviewed today, we will study the following:
  - Individual salary increases above wage inflation
  - Retirement rates
  - Termination rates
  - Disability rates
  - Other miscellaneous assumptions

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San Luis Obispo County
Pension Trust
SLOCPT

Date: March 23, 2020

To: Board of Trustees

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

Agenda Item 6: Employer Contributions Prefunding

Recommendation:

The Board of Trustees should discuss, and approve actions based on the following:

1. To agree to the FY20-21 prefunding of employer contributions from the County of San Luis Obispo and the Air Pollution Control District consistent with the automatic renewal of the Prefunding Agreement (as amended in 2017) that provides for –

    a. Prefunding of employer paid contributions (including Employer Paid Member Contributions) as of June 30th for the upcoming fiscal year in a lump sum instead of on a pay-period basis.

    b. Such prefunding to be calculated by SLOCPT's actuary using a discount rate adopted on an annual basis by the Board of Trustees. The table below shows the previous year's rate and **alternatives for 2020**.

	2019 FY19-20 Prefunding Adopted	2020 FY20-21 Prefunding **Alternative A**	2020 FY20-21 Prefunding **Alternative B** **(Staff Recommendation)**
Earnings Assumption	7.000%	**7.000%***	**7.000%***
Less	1.500%	**1.500%**	**3.500%**
= Prefunding Discount Rate	5.500%	**5.500%**	**3.500%** *½ of earnings assumption*

** Earnings Assumption / Discount rate from 2019 Actuarial Valuation. A reduced Earnings Assumption may be discussed and approved for the 2020 Actuarial Valuation at the May 2020 Board of Trustees meeting. This would not necessarily change this Prefunding discount rate since it needs to be determined in advance of the setting of the actuarial Discount Rate.*

c. The Board of Trustees may adopt a different discount rate for Prefunding at its discretion.

- OR –

2. To <u>not</u> agree to the FY20-21 prefunding of employer contributions and to provide the County the required 60 days' notice to terminate or suspend the Prefunding Agreement in existence.

Background:

Beginning with FY14-15 the SLOCPT and the County agreed to restart a prior practice of allowing the County to prepay employer pension contributions at the start of a fiscal year at a discounted rate. This agreement was amended in 2017 to set the discount rate to be used at a rate adopted on an annual basis by the Board of Trustees. The discount rate adopted by the Board of Trustees in 2019 was the then current Earnings Assumption used less 1.500% (i.e., for 2019 this rate was 7.000% - 1.500% = 5.500%).

The basic premise for a retirement system to allow the plan sponsor to prefund employer contributions at a discounted rate is that the retirement system then has those funds to invest longer than it would were they to be received in pay-period increments throughout the year. So, for employer contributions, instead of the normal dollar-cost-averaging of investment inflows, a more lump sum pattern of inflows is created. Employee contributions that are not paid for by the employee continue to be made on a pay-period basis throughout the year.

- If the actual earnings on investments is less than the discount rate used for the prefunding, an actuarial loss is created that increases future contribution rates. The normal actuarial smoothing of gains and losses spreads out this impact.

- If the actual earnings on investments are greater than the discount rate used for the prefunding, an actuarial gain is created that lowers future contribution rates. The normal actuarial smoothing of gains and losses spreads out this impact.

From the Plan sponsor's side, prefunded employer contributions discounted at a rate greater than that possible to be earned in the conservative investments allowed for Treasury funds, creates budget savings.

From SLOCPT's side, *over the very long-term*, if the Earnings Assumption was used to discount the prefunding rate, prefunding should have an actuarially neutral effect. This is based on the long-term expectation that investment returns in any given year have 50/50 odds of being greater or lower than the long-term return assumption. To the extent that the discount rate actually used for employer contribution prefunding has been lower than the earnings assumption (e.g., Earnings Assumption less 1.00% or less 1.50%) it increases the probability that SLOCPT will have net actuarial gains over the long term. However, in light of recent investment history and near-term market expectations it is appropriate to review and re-evaluate the practice.

The current market environment is one where investment returns are constrained by low interest rates and relatively high equity valuation levels. This makes the short-term potential for investment returns being below the discount rate used for prefunding greater than the long-term 50/50 probability. This is reflected in the intermediate (10 year) capital market assumptions presented by Verus (investment consultant) in February 2020 being approximately 6.20%. **Given the constrained 10-year Capital Market Expectations, it is Staff's recommendation to consider a further reduction in the prefunding discount rate – such as that in Alternative B in the table above.**

Other California retirement systems have a range of practices in employer contribution prefunding including: no prefunding; prefunding discounted at the actuarial assumed rate of return; prefunding discounted at the actuarial assumed rate of return less a set spread (e.g., 50%); prefunding discounted at half of the actuarial assumed rate of return; or, prefunding at a rate considered and approved on an annual basis.

Respectfully submitted

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San Luis Obispo County
Pension Trust
SLOCPT

Date: March 23, 2020

To: Board of Trustees

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

Agenda Item 7: Administrative and Capital Expenditures Budget for Fiscal Year 2020-2021

Recommendation:

It is recommended that the Board of Trustees ("BoT") review and direct staff as necessary regarding the Proposed Administrative Budget and Capital Expenditure Budget for the Fiscal Year 2020-2021 ("FY20/21") (Attachments A through D). A final draft of these budget schedules, based on direction given to staff, will be presented for approval at the regular BoT meeting scheduled for May 18, 2020.

Discussion - Expenditures:

The expense categories presented in the attached **Proposed Administrative Budget** for the FY20/21 have been updated based upon varied assumptions, prior year experiences and staff's best estimates of future events. **Overall staff believes a 0.8% increase in the total budgeted amount when compared to the Fiscal Year 2019-2020 Administrative Budget is appropriate. This represents a $23,500 increase compared to prior year from $2.83 million to $2.85 million.**

Staff's basis for components of this change are further detailed in the sections bellow. This proposed amount represents 0.21% of the total unaudited Net Position of SLOCPT as of December 31, 2019.

- **Investment Expense (discretionary) –** Expense includes Investment Consultant (Verus – a flat rate contract) and Custodian Bank (JP Morgan – contract and market value dependent) fees (does not include Investment Management fees). This prediction uses assumptions based on the unaudited market value of investment assets as of

12/31/2019 where appropriate and adds a 6.20% investment return that was taken from Verus' Capital Market Expectations report presented earlier this year.

- **Personnel Services –** (see Attachment B) Includes all expenses related to SLOCPT's staff. Assumes the following: 1) 2% increase in salaries for FY20-21, 2) payroll tax rates will stay consistent with 2020 rates currently in place, 3) cafeteria benefit of $11,700 (employee only), $12,500 (employee +1) and $15,000 (family) annually per eligible employee (benchmarked to County positions in Bargain Units 7 & 11 and pro-rated for part-time employees), 4) employer pension rate increase of 1.42% effective with the pay period that includes 7/1/20, and 5) applicable salary step increases and promotions for staff members determined to be eligible based on annual review cycles.

  Note: Salary ranges presented in Attachment B do not included the 2.0% prevailing wage increase. However, the 2.0% increase is included in the overall Administrative budget presented in Attachment A.

- **Professional Services –**

  - Accounting & Auditing: Based on quoted price from 2019 engagement letter with Brown Armstrong (SLOCPT's annual financial statement audit firm). The 2019 Audit is the second of the current 5-year engagement letter with Brown Armstrong.

  - Actuarial: Based on 2020 engagement letter with Gabriel, Roeder, Smith (SLOCPT's Actuary). Also includes estimate of expected costs relating to additional Actuarial services performed throughout the year. The decrease in expense is attributable to the removal of associated biennial Experience Study costs.

  - Legal: Based on General Counsel Retainer and legal consultation relating to investment contracts, taxes and disability hearings. Future unforeseen legal expense will be handled with either a Board approved budget amendment or the use of contingency funds.

  - Medical Evaluations – Disabilities: Assumes costs associated with medical review services to be performed by MMRO and other Independent Medical Examiners (IMEs) as necessary.

  - Human Resources Consulting: Based on estimated costs associated with services provided by the County's Human Resources Department.

  - Information Technology Services: Includes expenses relating to Pension Gold software system maintenance (per contract) and County IT's services. The decrease in budgeted expense is directly related to the decommissioning of SLOCPT's old software system RAD and removal of costs associated with its maintenance

- Banking & Payroll: Includes estimated banking fees for SLOCPT's two banking relationships (Union Bank and Pacific Premier) and fees associated with payroll services provided by Paychex.

- Other Professional Services: Based on estimated expense for professional services not related to categories listed above.

- **Other Expenses –**

  - Trustee Election Expenses: County Clerk Recorder fees relating to annual Trustee elections. Actual cost will be lower if there is an uncontested candidacy.

  - Property Taxes: Costs associated with property taxes for SLOCPT's office building. The decrease in budget expense is due to the reclassification of building ownership to a public entity.

  - Insurance: Includes Fiduciary, General, Property and Cyber liability coverages. Estimate is based on current year expense plus 5%.

  - Building & Maintenance: Estimate based on current year expenses.

  - Office Expense: Expense includes general office supplies, printing and mailing services provided by ASAP Reprographics, and document destruction services provided by Docuteam.

  - Memberships & Publications: Includes industry specific memberships and publications.

  - Postage: Estimate based on current year expenses.

  - Communications: Includes cost associated with telephone services provided by County IT. Estimate is based on County supplied budget document.

  - Training & Travel: (see Attachment C) Based on current year actual costs.

  - Information Technology: Expense includes all purchases relating to tangible IT equipment. Assumes staggered four-year replacement cycle for office computers. Increase in budgeted expense is due to increase in software expense.

  - Equipment: Includes expenses associated with copier lease and office furniture purchases.

- **Contingencies –** 5% of total budget to be used for unexpected expenses.

- **Capital Expenditures –** (see Attachment D) With the transition to Pension Gold and the reclassification of SLOCPT's office building from an investment asset to an operational asset, Staff has added a Capital Expenditures Budget to plan for and obtain approval for costs that would be capitalized. These costs will be directly related to elective software upgrades or improvements, building improvements and large equipment purchases. Since these costs are typically depreciated over their useful lives on SLOCPT's income statement, Staff has chosen to present these on a different schedule and account for them using the balance sheet totals rather than the annual depreciation that is expensed. This year Staff is asking for approval to re-surface the parking lot and an amount for unanticipated upgrades or improvements identified during Pension Gold's warranty period. A 5% contingency has been included.

Attachments:

Attachment A – Proposed Administrative Budget for Fiscal Year 2020-2021

Attachment B – Proposed Staffing

Attachment C – Proposed Training & Travel

Attachment D – Proposed Capital Expenditures

San Luis Obispo County Pension Trust
PROPOSED ADMINISTRATIVE BUDGET:
Fiscal Year 2020-2021

	FY18-19 Actual Expenses	FY19-20 Estimated Expenses	FY19-20 Adopted Budget	FY20-21 Proposed Budget	Increase/ Decrease From PY
INVESTMENT EXPENSE:					
Invest. Exp. (Custody, Consultant)	**$ 450,931**	**$ 505,000**	**$ 505,000**	**$ 511,000**	**$ 6,000**
ADMINISTRATIVE EXPENSE:					
Personnel Services	**$ 1,096,016**	**$ 1,120,000**	**$ 1,111,000**	**$ 1,197,000**	**$ 86,000**
Professional Service					
Accounting & Auditing	64,146	60,000	60,000	60,000	-
Actuarial	93,376	116,000	136,000	87,500	(48,500)
Legal	197,511	218,000	220,500	220,000	(500)
Medical Evaluations - Disabilities	22,703	25,000	21,500	25,000	3,500
Human Resources Consulting	5,000	5,000	5,000	5,000	-
Information Technology Services	152,934	279,000	271,500	253,000	(18,500)
Banking and Payroll	18,129	20,000	21,000	21,000	-
Other Professional Services	1,514	2,000	2,500	2,000	(500)
Total Professional Services	**$ 555,313**	**$ 725,000**	**$ 738,000**	**$ 673,500**	**$ (64,500)**
Other Expenses					
Trustee Election Expenses	-	6,000	6,000	6,000	-
Property Taxes	-	3,000	22,000	3,000	(19,000)
Insurance	116,402	122,000	126,000	126,000	-
Building Maintenance	26,056	48,000	58,000	54,000	(4,000)
Office Expense	22,510	29,000	28,500	28,000	(500)
Memberships & Publications	5,522	6,000	5,000	6,500	1,500
Postage	27,016	32,000	32,000	32,000	-
Communications	1,557	3,000	3,000	3,500	500
Training & Travel	18,394	33,000	43,000	47,500	4,500
Information Technology	900	26,000	4,500	16,500	12,000
Equipment	3,712	7,000	10,000	10,000	-
Total Other Expenses	**$ 222,069**	**$ 315,000**	**$ 338,000**	**$ 333,000**	**$ (5,000)**
Contingencies	**$ -**	**$ -**	**$ 135,000**	**$ 136,000**	**$ 1,000**
TOTAL ADMINISTRATIVE	**$ 1,873,398**	**$ 2,160,000**	**$ 2,322,000**	**$ 2,339,500**	**$ 17,500**
ADMIN. + INVESTMENT	**$ 2,324,329**	**$ 2,665,000**	**$ 2,827,000**	**$ 2,850,500**	**$ 23,500**
Increase from Prior Year Budget				0.8%	

San Luis Obispo County Pension Trust PROPOSED STAFFING:	FY18-19 Actual	FY19-20 Amended Budget	FY19-20 Actual	FY20-21 Proposed Budget	Increase / (Decrease) From PY	Projected FY21-22	Projected FY22-23	Projected FY23-24	Projected FY24-25
Positions (FTEs):									
Executive Director	1.00	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00
Deputy Directory	1.00	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00
Retirement Programs Spec. III	-	2.00	2.00	2.00	-	2.00	2.00	2.00	2.00
Retirement Programs Spec. II	2.00	-	-	-	-	-	-	-	-
Retirement Programs Spec. I	-	-	-	-	-	-	-	-	-
Retirement Analyst Aide	-	-	-	-	-	1.00	1.00	1.00	1.00
Retirement Technician	1.75	1.75	1.75	1.80	0.05	2.00	2.00	2.00	2.00
Accountant IV	-	0.80	0.80	0.80	-	0.80	0.80	0.80	0.80
Accountant III	0.80	-	-	-	-	-	-	-	-
Accountant II	-	-	-	-	-	-	-	-	-
Accountant I	-	-	-	-	-	-	-	-	-
Administrative Asst. III	1.00	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00
Administrative Asst. II	-	-	-	-	-	-	-	-	-
Part-Time Temporary Office Asst.	-	0.75	-	0.65	(0.10)	0.75	0.75	0.75	0.75
TOTAL POSITIONS	**7.55**	**8.30**	**7.55**	**8.25**	**(0.05)**	**9.55**	**9.55**	**9.55**	**9.55**

PROPOSED SALARY & BENEFIT BENCHMARKS:

*****Note: SLOCPT compensation benchmarks would be updated in concurrence with any County enacted wage adjustments (i.e. prevailing wage etc.).***

FY 19-20	Step 1	Step 2	Step 3	Step 4	Step 5	Benefits: (health, pension, other)
Executive Director *Subject to change per Contract Approval*	72.62	76.22	80.05	84.06	88.25	Benchmarked to County BU 7 + $450/month auto allowance (not pensionable)
Deputy Director *80% of Executive Secretary*	58.10	60.98	64.04	67.25	70.60	Benchmarked to County BU 7
Retirement Programs Spec. III *#9663 Risk Mgmt. Analyst III*	41.94	44.04	46.24	48.55	50.98	Benchmarked to County BU 7

PROPOSED SALARY & BENEFIT BENCHMARKS: (continued)

FY 19-20	Step 1	Step 2	Step 3	Step 4	Step 5	Benefits: (health, pension, other)
Retirement Programs Spec. II *#9658 Risk Mgmt. Analyst II*	35.85	37.64	39.52	41.50	43.58	Benchmarked to County BU 7
Retirement Programs Spec. I *#9657 Risk Mgmt. Analyst I*	30.93	32.48	34.10	35.81	37.60	Benchmarked to County BU 7
Accountant IV *#2055 Auditor-Analyst III*	41.94	44.04	46.24	48.55	50.98	Benchmarked to County BU 7
Accountant III *#907 Accountant III*	35.26	37.02	38.87	40.81	42.85	Benchmarked to County BU 7
Accountant II *#906 Accountant II*	30.45	31.97	33.57	35.24	37.01	Benchmarked to County BU 7
Accountant I *#905 Accountant I*	25.99	27.29	28.65	30.08	31.58	Benchmarked to County BU 7
Retirement Technician *#913 Accounting Technician - Conf.*	23.91	25.11	26.37	27.69	29.07	Benchmarked to County BU 11
Administrative Asst. III *#2203 Administrative Asst. III - Conf.*	19.51	20.49	21.51	22.59	23.72	Benchmarked to County BU 11
Administrative Asst. II *#2222 Administrative Asst. II - Conf.*	17.74	18.63	19.56	20.54	21.57	Benchmarked to County BU 11
Administrative Asst. I *#2221 Administrative Asst. I - Conf.*	16.09	16.89	17.73	18.62	19.55	Benchmarked to County BU 11
Part-Time Temporary Office Assistant *#911 Account Clerk*	18.90	19.85	20.84	21.88	22.97	N/A

San Luis Obispo County Pension Trust
PROPOSED TRAINING & TRAVEL:

	FY18-19 Actual	Current FY19-20 YTD	FY19-20 Amended Budget	FY20-21 Proposed Budget	Increase / (Decrease) From PY Budget
CALAPRS General Assembly					
Attendees - Board	5	2	3	3	-
Attendees - Staff	2	1	2	2	-
Total Expense	6,361	926	6,500	7,250	750
CALAPRS Advanced Trustee Institute (UCLA)					
Attendees - Board	-	-	1	1	-
Attendees - Staff	-	-	-	-	-
Total Expense	-	-	3,450	3,450	-
CALAPRS Trustees Training-Pepperdine					
Attendees - Board	-	-	1	2	1
Attendees - Staff	-	-	-	-	-
Total Expense	3,000	-	3,300	6,600	3,300
SACRS Trustees Training- Berkeley (new)					
Attendees - Board	-	-	1	1	-
Attendees - Staff	-	-	-	-	-
Total Expense	-	-	3,750	3,750	-
SACRS Semi-Annual Conferences					
Attendees - Board	-	-	1	1	-
Attendees - Staff	-	1	-	-	-
Total Expense	240	1,315	1,370	1,550	180
CALAPRS Administrators Institute					
Attendees - Board	-	-	-	-	-
Attendees - Staff	1	1	1	1	-
Total Expense	1,422	1,250	1,600	1,600	-
CALAPRS Management Academy					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	-	-	-
Total Expense	-	-	-	-	-
CALAPRS Trustees Roundtables (2/yr)					
Attendees - Board	-	-	2	2	-
Attendees - Staff	-	-	-	-	-
Total Expense	-	-	1,200	1,200	-

San Luis Obispo County Pension Trust
PROPOSED TRAINING & TRAVEL:

	FY18-19 Actual	Current FY19-20 YTD	FY19-20 Amended Budget	FY20-21 Proposed Budget	Increase / (Decrease) From PY Budget
CALAPRS Administrators Roundtables (2/yr)					
Attendees - Board	-	-	-	-	-
Attendees - Staff	1	2	2	2	-
Total Expense	425	491	1,200	1,200	-
CALAPRS Investment Officers Roundtables (2/yr)					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	2	2	-
Total Expense	-	-	1,250	1,250	-
CALAPRS Attorneys Roundtables (3/yr)					
Attendees - Board	-	-	-	-	-
Attendees - Staff	3	1	3	3	-
Total Expense	375	125	375	375	-
CALAPRS Operations Roundtables (4/yr)					
Attendees - Board	-	-	-	-	-
Attendees - Staff	3	3	4	4	-
Total Expense	2,202	375	2,500	2,500	-
CALAPRS Disability training					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	1	1	-
Total Expense	-	-	625	625	-
CALAPRS Overview Course (3 class series)					
Attendees - Board	-	-	-	-	-
Attendees - Staff	1	-	3	3	-
Total Expense	1,024	-	3,750	3,750	-
CALAPRS - Board, Faculty, and related travel					
Attendees - Board	-	-	-	-	-
Attendees - Staff	3	3	4	4	-
Total Expense	691	984	1,900	2,200	300
Investment Seminars					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	2	2	-
Total Expense	-	-	3,200	3,200	-

San Luis Obispo County Pension Trust
PROPOSED TRAINING & TRAVEL:

	FY18-19 Actual	Current FY19-20 YTD	FY19-20 Amended Budget	FY20-21 Proposed Budget	Increase / (Decrease) From PY Budget
Investment Due Diligence On-site visits (combined w/other travel if possible)					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	1	1	-
Total Expense	-	-	2,450	2,450	-
Software Training					
Attendees - Board	-	-	-	-	-
Attendees - Staff	2	1	2	2	-
Total Expense	2,431	2,002	3,000	3,000	-
Misc. Board and Staff Training					
Total Expense	225	847	1,580	1,550	(30)
Subtotal Training and Travel					
Training	6,865	3,555	14,500	17,970	3,470
Travel (air, hotel, food)	8,001	3,092	18,600	18,900	300
Mileage Reimb.	3,097	1,586	9,350	10,050	700
Misc. Travel	433	83	550	580	30
Total Training and Travel	**18,396**	**8,315**	**43,000**	**47,500**	**4,500**

San Luis Obispo County Pension Trust
PROPOSED CAPITAL EXPENDITURES BUDGET:

Fiscal Year 2020-2021	FY18-19 Actual Expenditures	FY19-20 Estimated Expenditures	FY19-20 Adopted Budget	FY20-21 Proposed Budget	Increase/ Decrease From PY
BUILDINGE EXPENDITURES:					
Exterior					
Roof	-	-	-	-	-
Windows	-	-	-	-	-
Paint	-	-	-	-	-
Parking Lot	-	-	-	1,500	1,500
Landscape	-	-	-	-	-
Total Exterior	**$ -**	**$ -**	**$ -**	**$ 1,500**	**$ 1,500**
Interior					
HVAC	-	-	-	-	-
Paint	-	7,500	7,500	-	(7,500)
Flooring	-	5,000	5,000	-	(5,000)
Plumbing	-	-	-	-	-
Elevator	-	-	-	-	-
Security System	-	6,000	10,000	-	(10,000)
Total Interior	**$ -**	**$ 18,500**	**$ 22,500**	**$ -**	**$ (22,500)**
SOFTWARE EXPEDITURES:					
Software Purchases ***	**$ 3,003,699**	**$ 3,112,922**	**$ -**	**$ -**	**$ -**
Software Upgrades and Improvements	**$ -**	**$ -**	**$ 20,000**	**$ 20,000**	**$ -**
EQUIPMENT EXPEDITURES:					
Capitalized Equipment Purchases	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
CONTINGENCIES	**$ -**	**$ -**	**$ 2,125**	**$ 1,075**	**$ (1,050)**
TOTAL CAPITAL EXPENDITURES	**$ 3,003,699**	**$ 3,131,422**	**$ 44,625**	**$ 22,575**	**$ (22,050)**

****Note: costs associated with 3 year Pension Gold software implementation, budget approved May 23, 2016*

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Board of Trustees

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

San Luis Obispo County Pension Trust
SLOCPT

Date: March 23, 2020

To: Board of Trustees

From: Carl Nelson – Executive Director
Amy Burke – Deputy Director
Chris Waddell – General Counsel

Agenda Item 8: Fiduciary Responsibilities Refresher Briefing

Chris Waddell, General Counsel, will present a Board educational session on Fiduciary Responsibilities. This is an annual refresher briefing on fiduciary issues.

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Board of Trustees

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San Luis Obispo County Pension Trust
SLOCPT

Date: March 23, 2020

To: Board of Trustees

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

Investment Report for February 2020

	February	**Year to Date 2020**		2019	2018	2017	2016	2015
Total Trust Investments ($ millions)	$1,382			$1,446 year end	$1,285 year end	$1,351 year end	$1,196 year end	$1,148 year end
Total Fund Return	-3.3% Gross	**-4.1**% Gross		16.3 % Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross	-0.8% Gross
Policy Index Return (r)	-2.7%	-2.9%		16.4 %	-3.2 %	13.4 %	7.7 %	-0.5 %

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

The Economy and Capital Markets:

- **Covid-19 Pandemic –**
  - Capital markets continued to be battered by concerns over the economic impact of the Covid-19 pandemic.
    - Restraints on trade and travel in the near term are real impediments to economic activity. Now that Covid-19 qualifies as a full-blown pandemic it is quite likely to trigger a significant global recession. The Covid-19 impacts will certainly be felt beyond manufacturing, travel and other sectors directly affected by the disease. Consumer spending as the backbone of the U.S. economy is likely to slow precipitously

as increasing strong social distancing efforts are applied. Travel and leisure expenditures are being decimated and significant loss of employment is inevitable.

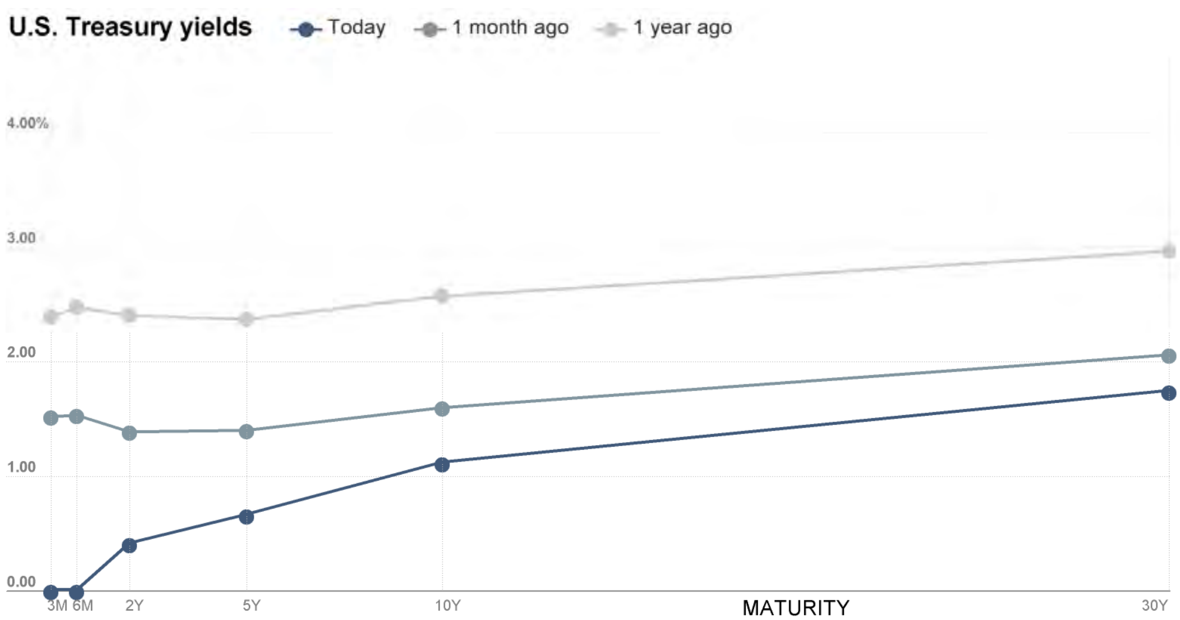
- Governments, including in the U.S., are generating large-scale fiscal stimulus packages. Legislation to moderate the impact of job losses and facilitate paid sick-leave has passed. The U.S. Administration appears to be near implementing direct stimulus measures including direct payments to taxpayers. The effect of such measures is intended to be confidence building for consumers to stem the retreat in consumer spending.

- TSSP – the private credit investment manager used by the SLOCPT - in a March 19th letter offered some particularly articulate and worrisome comments on the pandemic crisis which are excerpted below -

> "Following the energy shock at the beginning of the month, our base case scenario called for a 2001-style downturn where the major corrections were serious but for the most part limited to a targeted number of sectors. At first, the Energy, Airline, Hospitality, Gaming and other Consumer Discretionary sectors in early March felt analogous to the 2001 downturn, which was confined mostly to Telecom and Cable and included a number of high-profile frauds (most notably Enron, WorldCom and Adelphia Communications). Unemployment post the 2001 downturn rose from 3.9% to 6.3% with nearly 3 million jobs lost. In 2001 we had a recession, but the outcome fell far short of a true depression or economic crisis. By comparison, in 2008, unemployment spiked from 4.4% to 10% and nearly 9 million jobs were lost.
>
> Like today, the 2001 downturn was rooted in tragedy as the attacks of September 11th provided the exogenous shock to an overextended market. While there is no such thing as a good recession, from a market psychology perspective the 2001 downturn cleared out a number of irresponsible excesses. The bursting of the Telecom bubble on the heels of the popping of the Dot-Com bubble flushed reckless speculation from the system and allowed the economy to reset and grow again.
>
> But while the beginning of this month felt like 2001, that type of scenario now feels like an upside case. There is a growing risk that the COVID-19 crisis may lead to a more systemic event catalyzing a widespread downward spiral. We are not yet ready to state that we think it will mirror the results of the 2008 GFC, but the compressed period of violent volatility and early signs of revenue destruction across several sectors are, at least at this point, as significant if not worse than 2008.
>
> The 2008 crisis was a bank-driven liquidity crisis accompanied by plummeting housing prices and required both conventional and unconventional monetary and fiscal policy responses. Rate cuts, QE, FX swap lines, targeted assistance to financial institutions and an alphabet soup of special lending programs (e.g., TAF/TSLF/CPFF/TALF) were ultimately necessary to combat the root causes of the downturn.
>
> In comparison, the cause of the COVID-19 market move is not financial in nature. It is therefore possible that traditional financial policy-based responses will be less effective in combating the current market pressures. The recommendations and

directives of mass shelter-in-place, social distancing, and preventative isolation are both the antidote to winning against COVID-19 virus, and the poison contributing to the decimation of the real economy. This makes for a very challenging dynamic and our public officials and policy makers have a tough job ahead of them. As Federal Reserve Chairman Jerome Powell himself stated a few weeks ago, central banks cannot cure a virus."

- **Fed Policy and Interest Rates –**
  - ➢ On March 3rd the Fed reduced the Fed Funds rate by 0.50% to a range of 1.00% to 1.25% in an emergency attempt to reinforce the U.S. economy over concerns about the Covid-19 virus pandemic's impact on business activity. Again, on March 15th the Fed did another emergency rate reduction of a full 1% and indicated aggressive monetary easing as a way to moderate the follow-on economic shocks of the Covid-19 pandemic.
    - ▪ The Treasury yield curve has plummeted in response to flight-to-safety trading. Treasury rates maintained a steepening yield curve. The yield curve as of March 19th is shown below-



- **Employment and Wages –**
  - ➢ The February DOL report from the BLS on nonfarm employment showed -
    - ▪ New jobs came in at +273k in February – well above expectations – indicating moderate economic growth.
    - ▪ Unemployment was little changed at 3.5%, near its historic low.
    - ▪ Average Hourly Earnings improved slightly with a year-over-year increase measured at +3.0%.

- However, this data was prior to the rapidly broadening business concerns over the impact of the Covid-19 virus outbreak. Economists view the strong February jobs report as the calm-before-the-storm.
- The Covid-19 impact on employment is expected to be significant. State Street Global Advisors in a March 19th report commented –

> "While equity markets may be finding their footing for the moment, a potential unemployment crisis looms on the horizon. Initial jobless claims increased by 70,000 in the week ending March 14, a harbinger of things to come. To put the scale of potential layoffs in perspective- Ohio's three-day total for jobless claims through Tuesday was 78,000, compared to around 3,000 for the same period the prior week. Given the scale of potential layoffs across hospitality, travel, restaurants, retail, airlines, to name a few, it is not out of the question to see over one million workers lose their jobs by the end of March."

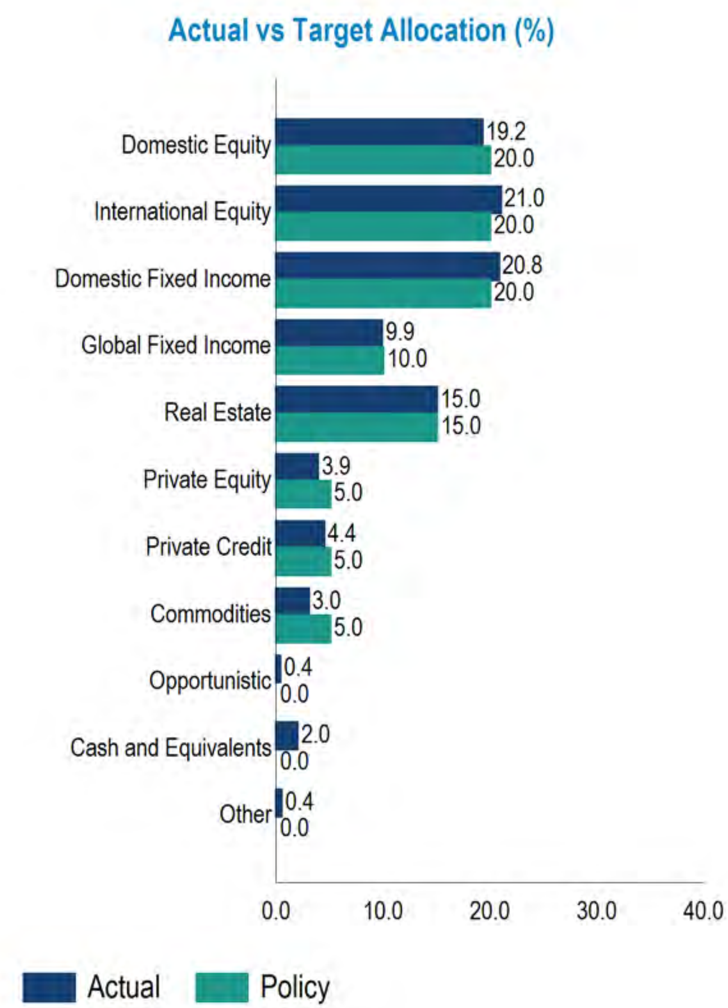
SLOCPT Investment Returns:

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

Rough estimates of year-to-date returns on the total SLOCPT fund as of March 19, 2020 are near -12%. Equity market volatility is at extreme levels. In fixed income investments credit spreads (difference between credit-risk bonds and Treasuries) are widening as concerns over credit quality offset the price increase from declining interest rates.

Respectfully submitted

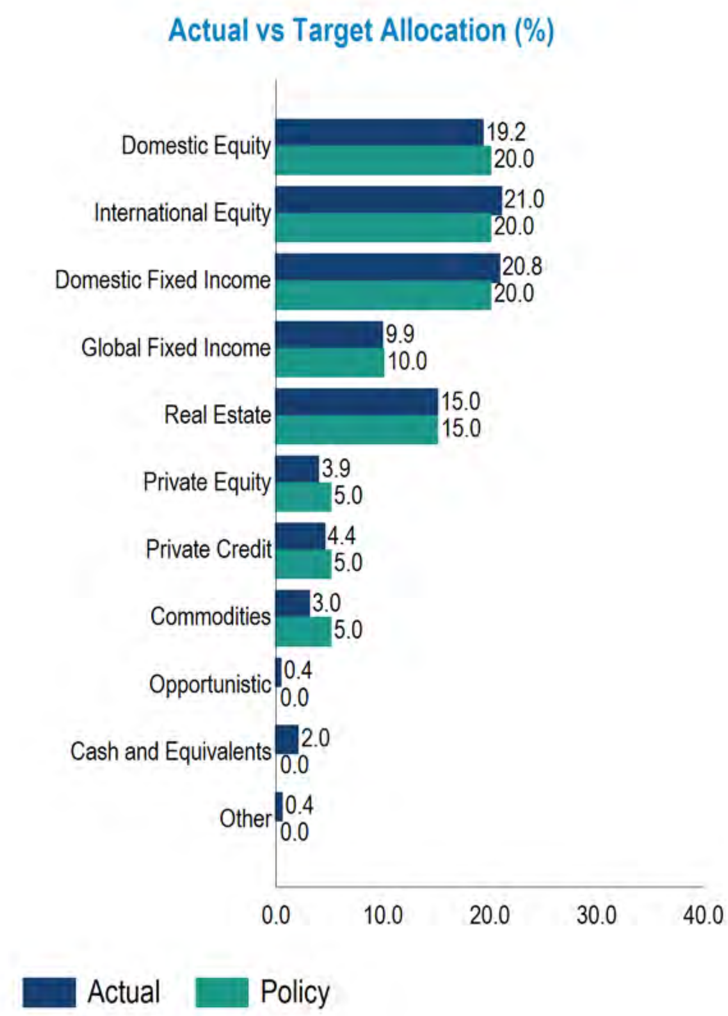
	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	**1,382,013,261**	**100.0**	**-3.3**	**-4.1**
Policy Index			*-2.7*	*-2.9*
Total Domestic Equity	**266,010,765**	**19.2**	**-8.3**	**-9.9**
Russell 3000			*-8.2*	*-8.3*
PIMCO RAE Fundamental PLUS Instl	54,624,135	4.0	-10.1	-12.4
S&P 500			*-8.2*	*-8.3*
Loomis Sayles Large Cap Growth	79,459,163	5.7	-4.9	-4.1
Russell 1000 Growth			*-6.8*	*-4.7*
Boston Partners Large Cap Value	74,919,040	5.4	-9.6	-13.2
Russell 1000 Value			*-9.7*	*-11.6*
Atlanta Capital Mgmt	57,008,427	4.1	-9.7	-10.9
Russell 2500			*-8.4*	*-10.2*
Total International Equity	**289,915,125**	**21.0**	**-6.4**	**-8.9**
MSCI ACWI ex USA Gross			*-7.9*	*-10.4*
Dodge & Cox Intl Stock	129,504,769	9.4	-8.2	-12.7
MSCI EAFE Gross			*-9.0*	*-10.9*
WCM International Growth	160,410,356	11.6	-4.8	-5.5
MSCI ACWI ex USA Gross			*-7.9*	*-10.4*
Total Domestic Fixed Income	**287,416,867**	**20.8**	**1.0**	**2.3**
BBgBarc US Aggregate TR			*1.8*	*3.8*
BlackRock Core Bond	107,042,319	7.7	1.6	3.7
BBgBarc US Aggregate TR			*1.8*	*3.8*
Dodge & Cox Income Fund	109,996,972	8.0	0.9	2.6
BBgBarc US Aggregate TR			*1.8*	*3.8*
Pacific Asset Corporate Loan	70,377,576	5.1	0.0	0.0
S&P/LSTA Leveraged Loan Index			*-1.3*	*-0.8*
Total Global Fixed	**136,526,456**	**9.9**	**-3.0**	**-3.9**
FTSE World Govt Bond Index			*1.0*	*2.6*
Brandywine Global Fixed Income	65,644,982	4.7	-2.8	-4.6
FTSE WGBI ex US TR			*-0.1*	*1.0*
Ashmore EM Blended Debt Fund	70,881,474	5.1	-3.2	-3.2
50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMI+			*-1.9*	*-1.8*



**Other balance represents Clifton Group.*

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

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	**207,194,154**	**15.0**	**0.3**	**1.0**
NCREIF Property Index			*0.0*	*0.0*
JP Morgan Core Real Estate	171,887,441	12.4	0.4	0.7
NCREIF-ODCE			*0.0*	*0.0*
NCREIF Property Index			*0.0*	*0.0*
ARA American Strategic Value Realty	35,306,713	2.6	0.0	2.3
NCREIF-ODCE			*0.0*	*0.0*
NCREIF Property Index			*0.0*	*0.0*
Total Commodities	**41,564,637**	**3.0**	**-5.2**	**-12.3**
Bloomberg Commodity Index TR USD			*-5.0*	*-12.0*
Gresham MTAP Commodity Builder	41,564,637	3.0	-5.2	-12.3
Bloomberg Commodity Index TR USD			*-5.0*	*-12.0*
Total Private Equity	**53,754,269**	**3.9**		
Harbourvest Partners IX Buyout Fund L.P.	14,895,591	1.1		
Pathway Private Equity Fund Investors 9 L.P.	33,008,886	2.4		
Harbourvest 2018 Global Fund L.P.	5,849,792	0.4		
Total Private Credit	**61,449,842**	**4.4**		
TPG Diversified Credit Program	61,449,842	4.4		
Total Cash	**27,165,771**	**2.0**	**0.0**	**0.5**
91 Day T-Bills			*0.1*	*0.3*
Cash Account	27,165,771	2.0	0.0	0.5
91 Day T-Bills			*0.1*	*0.3*
Total Opportunistic	**4,868,881**	**0.4**		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	4,766,761	0.3		
PIMCO Distressed Credit Fund	102,120	0.0		



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Verus

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

FEBRUARY 2020

Capital Markets Update

Market commentary

U.S. ECONOMICS

— The U.S. labor market showed no signs of cracking in February. Non-farm payrolls expanded by +273,000 (exp. +175,000), bringing year-to-date additions just under a half a million jobs. Moreover, job additions over the prior two months were revised upward by +85,000.

— The ISM Services PMI rose from 55.5 to 57.3 (exp. 54.8), while the Markit Services PMI unexpectedly fell from 53.4 into contractionary territory below 50.0. The divergence between the two indicators of the health of the U.S. services economy is the largest in several years.

— Core PCE inflation, the Federal Reserve's preferred inflation gauge, grew +1.6% year-over-year in January, undershooting expectations (+1.7%). Fed officials have messaged they expect core PCE to move closer to their +2.0% target in the first few months of 2020.

U.S. EQUITIES

— The S&P 500 Price Index reached a new all-time high of 3386 on February 19th, and subsequently fell 12.8% by month-end. The correction (drop of 10% or more), was the fastest in the history of the S&P 500 Index and over the month, the index returned -8.2%.

— The CBOE VIX Index of implied volatility on the S&P 500 Index surged from 18.8 to 40.1, its highest level since August 2015. Heightened uncertainty surrounding the global economic and market impacts of the spreading coronavirus likely pushed the "fear gauge" higher.

— The term structure of the VIX Index inverted, implying that market participants were willing to pay more for insurance in the near-term than for insurance some time farther out in the future. Typically, the VIX curve is upward-sloping because providers of insurance require a term premium to insure a more uncertain period further in the future.

U.S. FIXED INCOME

— On March 4th, the Federal Open Market Committee implemented an emergency, out-of-cycle 0.50% rate cut, bringing the range for federal funds to 1.00-1.25%. The cut was the first of its kind since the Global Financial Crisis, and the Fed noted the uncertainty regarding the impact of COVID-19 on the economy and markets as justification for an easing of monetary policy.

— The rally in U.S. Treasuries extended into February, and the 10-year Treasury yield fell from 1.51% to 1.15%, a fresh all-time low. Thirty-year Treasury yields dropped from 2.00% to 1.68%, also an all-time low, and only 6 bps above the effective fed funds rate.

— Interest rate duration exposure offered excellent diversification for equity market risk over the month as Treasury yields fell. The Bloomberg Barclays Long Term Treasury Index returned +6.7%.

INTERNATIONAL MARKETS

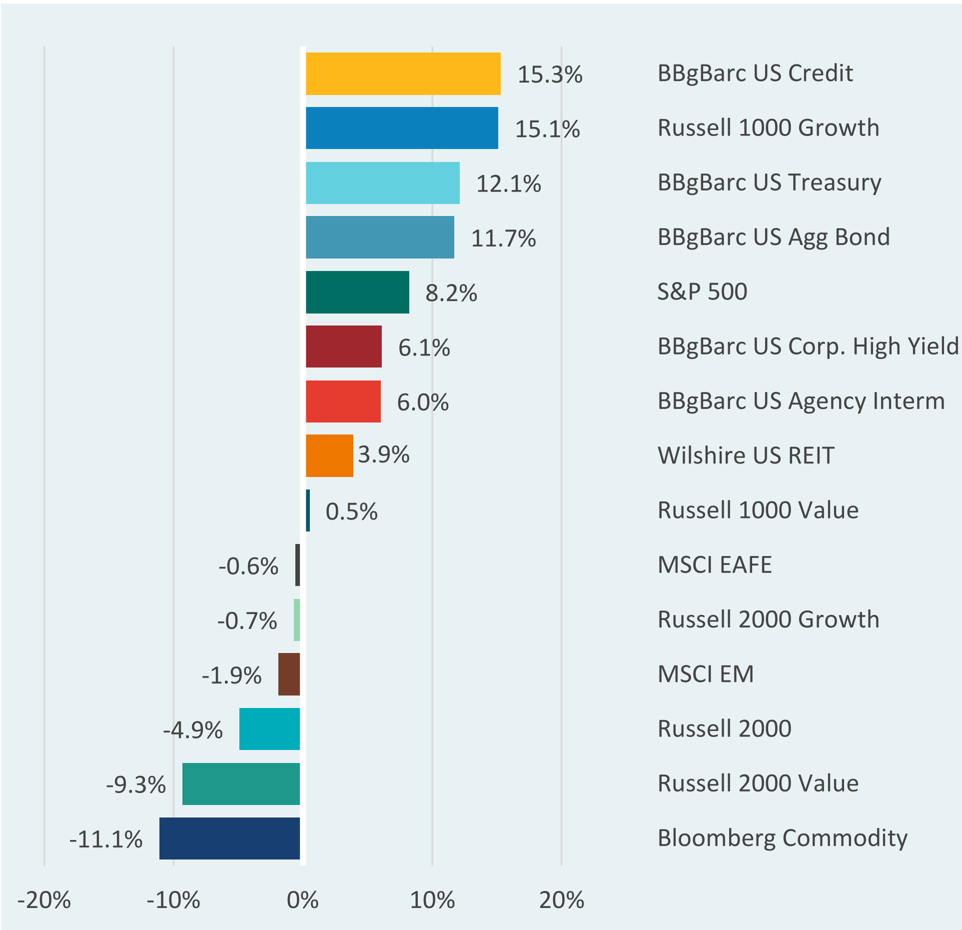
— The coronavirus spread at an exponential rate and global confirmed cases ballooned from 11,374 to 86,923. South Korea, Italy, and Iran saw material increases in infections, confirming that measures to contain the virus within China had proved ineffective.

— The spread of COVID-19 stoked risk-off sentiment and a incited trimming of global equity positions. Emerging market equities (-5.3%) fared slightly better than U.S. large cap equities (-8.2%) as well as international developed equities (-9.0%).

— China's official Manufacturing and Services PMIs fell from 50.0 to 35.7 and from 54.1 to 29.6 respectively in February (neutral level is 50.0), reflecting a jarring contraction in economic activity.

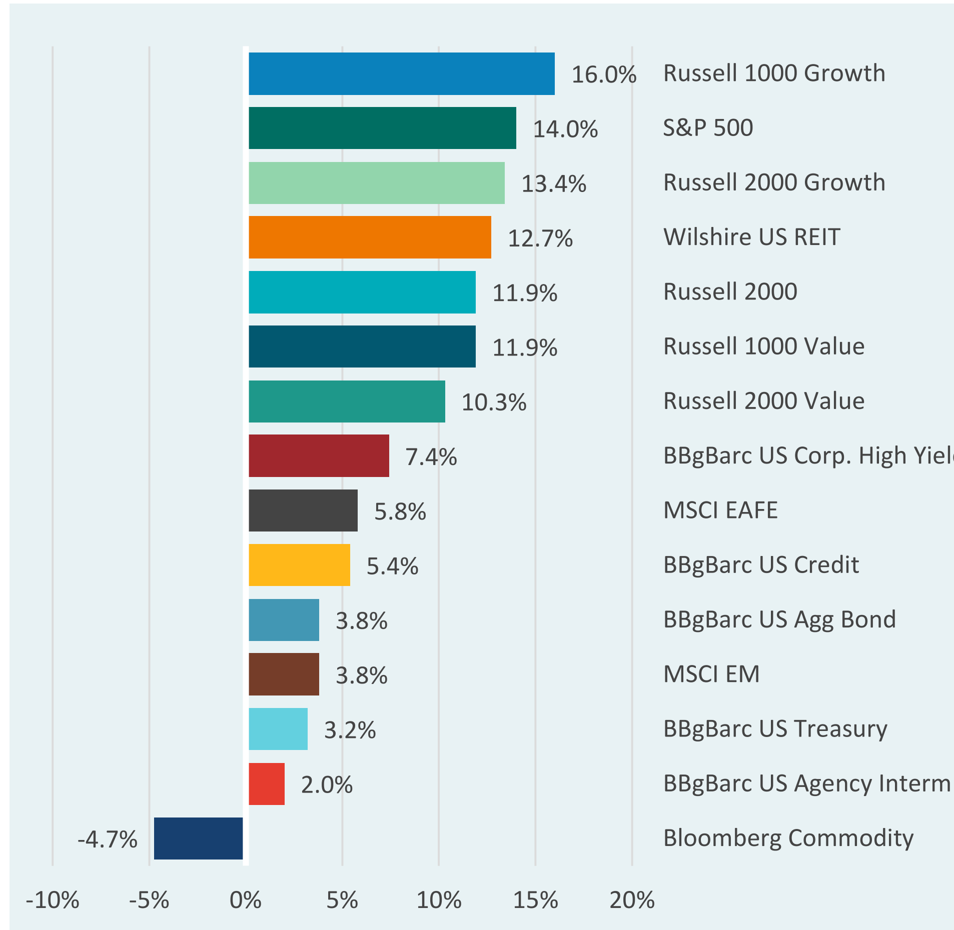
Major asset class returns

ONE YEAR ENDING FEBRUARY



Source: Morningstar, as of 2/29/20

TEN YEARS ENDING FEBRUARY



Source: Morningstar, as of 2/29/20

U.S. large cap equities

— The S&P 500 retraced much of its gains from the 4th quarter of 2019, and lost -8.2% of its value in February. Poor performance within the Energy (-14.6%) and Financials (-11.2%) sectors dragged the overall index to its worst month of performance since December 2018.

— According to FactSet, the forward P/E ratio of the S&P 500 Index fell to 16.7 from 18.1 following the equity market sell off. As a result, the current forward P/E ratio is in line with the 5-year average level, and still well above the 10-year average forward P/E of 15.0.

— The Communication Services (-6.4%) and Real Estate (-6.4%) sectors generated the best performance within the S&P 500 Index. Both sectors are highly sensitive to interest rates and often outperform in falling rate environments due to their relatively attractive yields.

— Per FactSet, analysts may be more sanguine than the broader market in their assessment of the impact of COVID-19 on corporate earnings. The bottom-up Q1 earnings estimate for the tech sector, which has the highest revenue exposure to China (13.4%), has increased by 1.6% since the beginning of the year.

Interest rate sensitive sectors outperformed

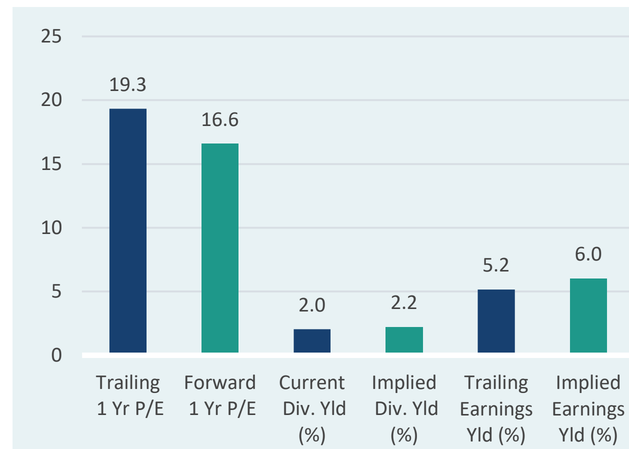
S&P 500 PRICE INDEX

Source: Bloomberg, as of 2/29/20

IMPLIED VOLATILITY (VIX INDEX)

Source: CBOE, as of 2/29/20

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 2/29/20

Domestic equity size and style

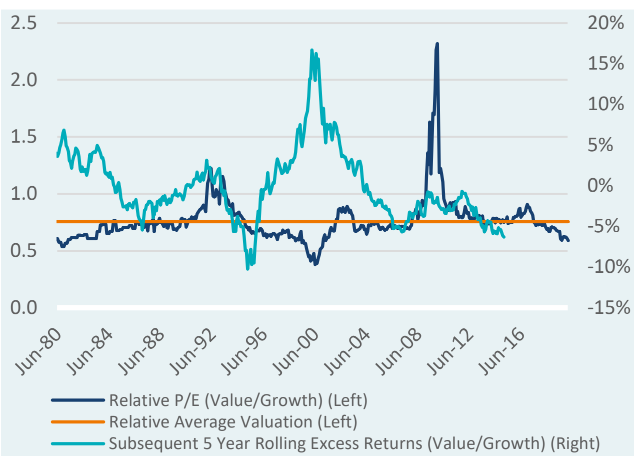
— The dominance of the growth factor over the value factor remained the story in February. The Russell 3000 Value Index declined -9.7% while the Russell 3000 Growth Index fell only -6.8%. The relatively higher proportion of Energy (-14.6%) and Financial (-11.2%) stocks within the Russell 3000 Value Index accounted for the majority of its underperformance.

— Large-cap equities (Russell 1000 Index) and small-cap equities (Russell 2000 Index) posted returns of -8.2% and -8.4% respectively. Over the trailing year, large-cap equities have outpaced small-cap equities by +12.7%.

— The MSCI USA Cyclical Sectors-Defensive Sectors Index delivered a total return of +0.4% in February, bringing its year-to-date performance to +3.6%. The index has posted positive returns in eight of the prior twelve months, and has delivered a total return of +10.6% since February of 2019.

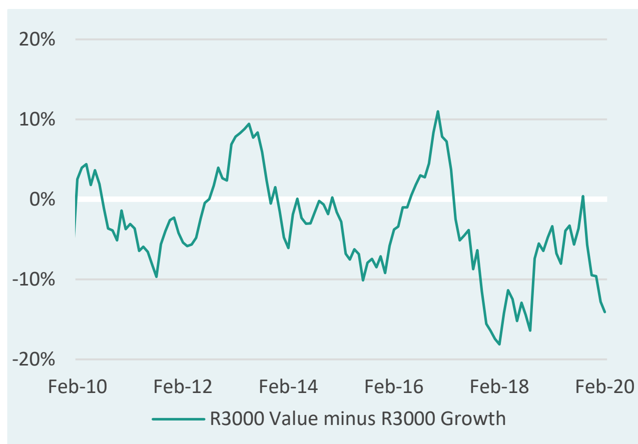
— The S&P 500 Low Volatility High Dividend Index declined -9.5%, underperforming the S&P 500 Index (-8.2%). Many investors have positioned more defensively within their equity portfolios over the year-to-date, but that planning did not pay in February.

VALUE VS. GROWTH RELATIVE VALUATIONS



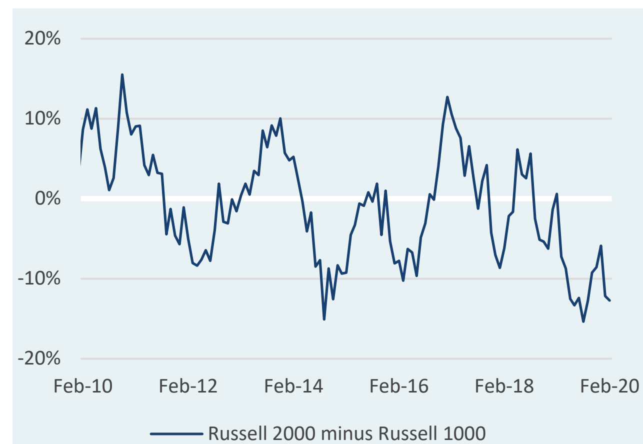
Source: Russell, Bloomberg, as of 2/29/20

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 2/29/20

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 2/29/20

Fixed income

— U.S. Treasury yields across the curve plummeted as investors priced in an environment characterized by lower growth and inflation, as well as further cuts to the range for federal funds. At the end of the period, the entire U.S. Treasury curve was below 1.7%, and Treasury yields at many tenors were at all-time lows.

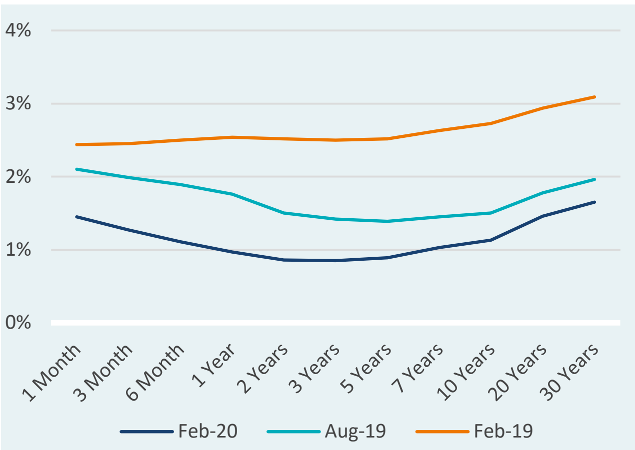
— Within the U.S. credit space, investors in core fixed income (+1.8%) outperformed those invested in high-yield fixed income (-1.4%). Higher exposure to interest rate duration, coupled with lower exposure to increasing credit spreads led to superior returns.

— Breakeven inflation rates continued to decline as expectations for subdued inflation and growth mounted. Ten-year breakeven inflation rates fell from 1.6% to 1.4%, and the five-year breakeven dropped from 1.3% to 0.9%. The last time the 10-year breakeven inflation rate touched 1.4% was back in June of 2016.

— Local currency denominated emerging market debt (-3.4%) underperformed hard-currency emerging market debt (-1.0%) as emerging market currency performance posed material headwinds. The J.P. Morgan Emerging Markets Currency Index declined -2.6%.

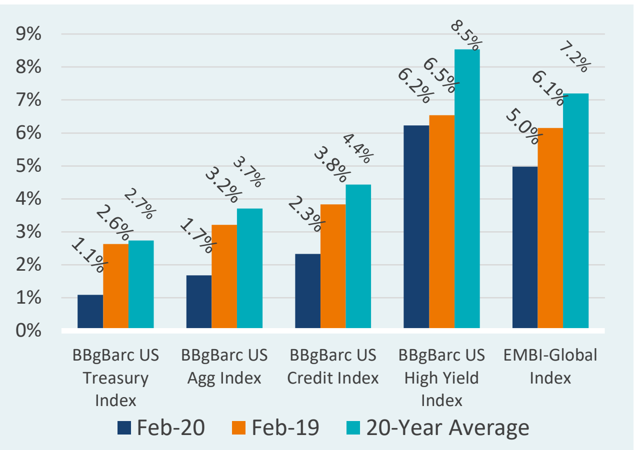
Global rates and growth expectations faded

U.S. TREASURY YIELD CURVE



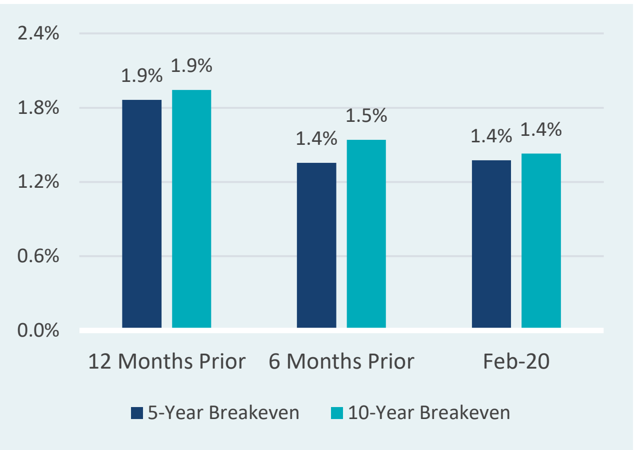
Source: Bloomberg, as of 2/29/20

NOMINAL YIELDS



Source: Morningstar, as of 2/29/20

BREAKEVEN INFLATION RATES



Source: Bloomberg, as of 2/29/20

Global markets

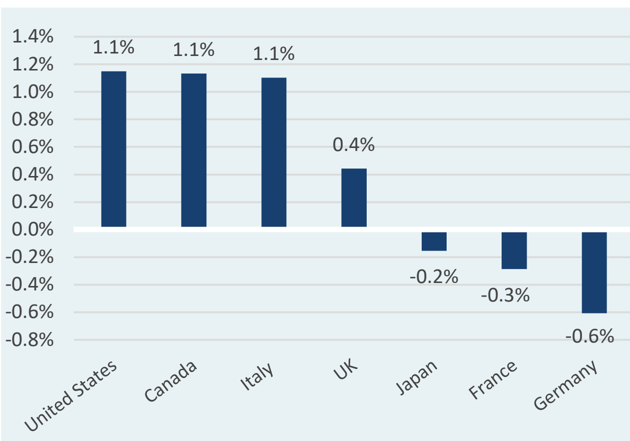
— All major equity indices declined over the month, and the global equity benchmark, the MSCI ACWI Index, fell -8.1%. International developed equities, specifically within the United Kingdom (-11.9%) and the Eurozone (-9.0%), were the largest detractors from performance.

— The MSCI Currency Factor Mix Index, Verus' preferred currency beta benchmark, returned -0.4%, bringing its one-year return to +2.4%. The MSCI Currency Factor Mix Index has outperformed the embedded currency portfolio of the MSCI ACWI ex USA Index by +5.3% over the trailing one-year period.

— Emerging market equities (MSCI EM Index -5.3%) outperformed U.S. and international developed equities in U.S. dollar terms. Emerging market currencies depreciated relative to the U.S. dollar and U.S. investors who hedged their currency exposure (-3.8%) outpaced those who left currency unhedged.

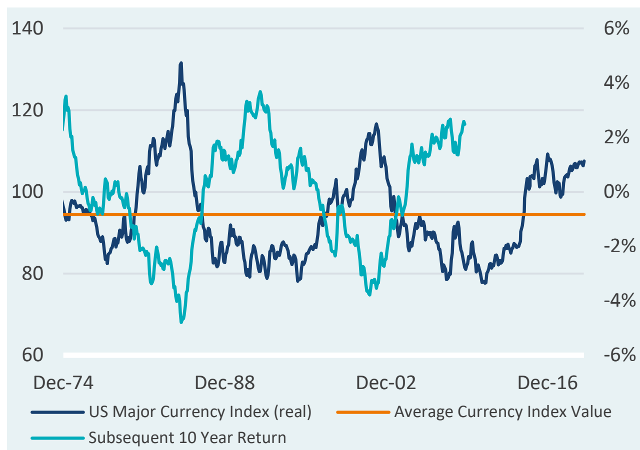
— Countries whose economies are heavily exposed to the price of oil saw significant depreciation in their domestic currencies relative to the U.S. dollar. The Canadian dollar, Russian ruble, South African rand and the Norwegian Krone all weakened against the dollar.

GLOBAL SOVEREIGN 10-YEAR YIELDS



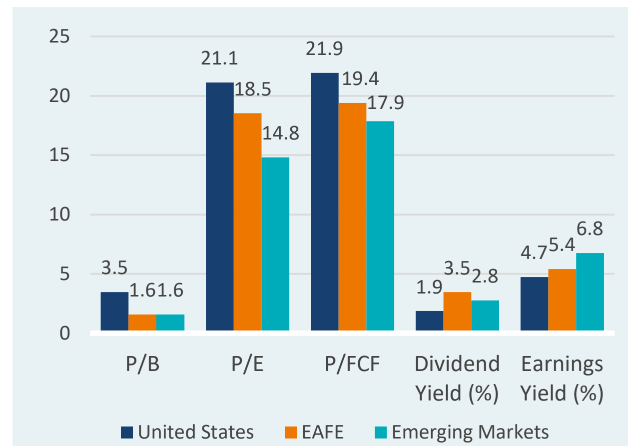
Source: Bloomberg, as of 2/29/20

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 2/29/20

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 2/29/20

Commodities

— The Bloomberg Commodity Index continued to sell off in February (-5.0%), bringing its year-to-date performance to -12.0%. Weakness was broad, and the largest detractor was the Energy sector (-24.7%) which suffered from further declines in crude oil and petroleum prices.

— West Texas Intermediate crude oil fell from $51.58 to $44.76 per barrel on concerns over the potential impact of the coronavirus on future economic activity. The WTI futures curve shifted downward, and into steeper contango as demand for crude oil delivery over the next few months declined most substantially along the curve.

— Gold continued to see haven in-flows throughout February and reached an intra-month high of $1,659. However, gold price declines in the final days of February led to the commodity returning -0.2% for the month. Normal rebalancing activity, redemptions for cash flow management, as well as central bank selling to support desired exchange rates all contributed to the decline.

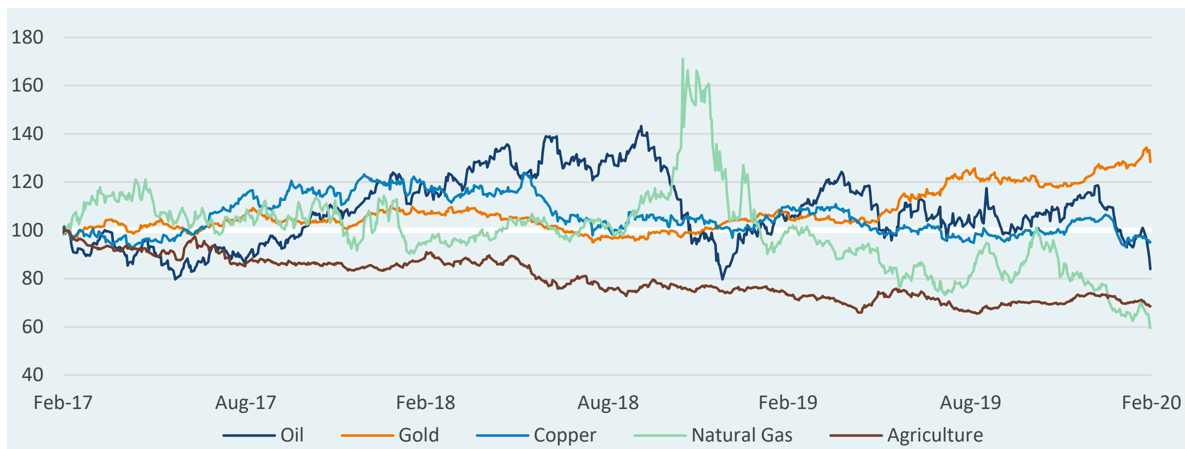
— The Bloomberg Livestock Index returned -6.7%, driven by plunging cattle (-9.3%) prices. Fears of further COVID-19 spread drove down demand for beef, the most important and costly meat protein in the U.S. foodservice sector.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(5.0)	(12.0)	(12.0)	(11.1)	(5.2)	(6.2)	(5.6)
Bloomberg Agriculture	(1.6)	(6.8)	(6.8)	(4.3)	(10.0)	(7.6)	(4.0)
Bloomberg Energy	(11.6)	(24.7)	(24.7)	(26.9)	(7.8)	(13.1)	(13.7)
Bloomberg Grains	(2.7)	(6.7)	(6.7)	(4.6)	(9.4)	(9.2)	(4.4)
Bloomberg Industrial Metals	(2.6)	(9.7)	(9.7)	(13.6)	(2.9)	(1.6)	(4.2)
Bloomberg Livestock	(6.7)	(16.9)	(16.9)	(20.7)	(6.5)	(6.8)	(3.9)
Bloomberg Petroleum	(12.1)	(24.9)	(24.9)	(18.2)	(2.5)	(9.2)	(8.4)
Bloomberg Precious Metals	(2.9)	0.3	0.3	15.0	4.0	3.1	2.0
Bloomberg Softs	(0.0)	(5.0)	(5.0)	(2.1)	(13.5)	(6.7)	(5.8)

Source: Morningstar, as of 2/29/20

COMMODITY PERFORMANCE



Source: Bloomberg, as of 2/29/20

Appendix

Periodic table of returns

BEST

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	5-Year	10-Year
US Bonds	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	3.8	12.4	14.8
Hedge Funds of Funds	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	0.6	9.0	12.6
Cash	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	0.3	8.3	12.1
Real Estate	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	0.0	6.5	10.4
60/40 Global Portfolio	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	-4.7	5.5	10.4
Large Cap Growth	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.4	-4.7	5.1	10.2
Large Cap Equity	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.0	-8.1	4.7	8.7
Small Cap Growth	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	-8.2	3.6	6.1
Emerging Markets Equity	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	-9.7	3.6	4.8
International Equity	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	-10.9	2.7	3.9
Small Cap Equity	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	-11.4	2.5	3.2
Large Cap Value	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	-11.6	2.0	2.9
Commodities	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	-12.0	1.1	0.6
Small Cap Value	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-14.6	-6.2	-5.6

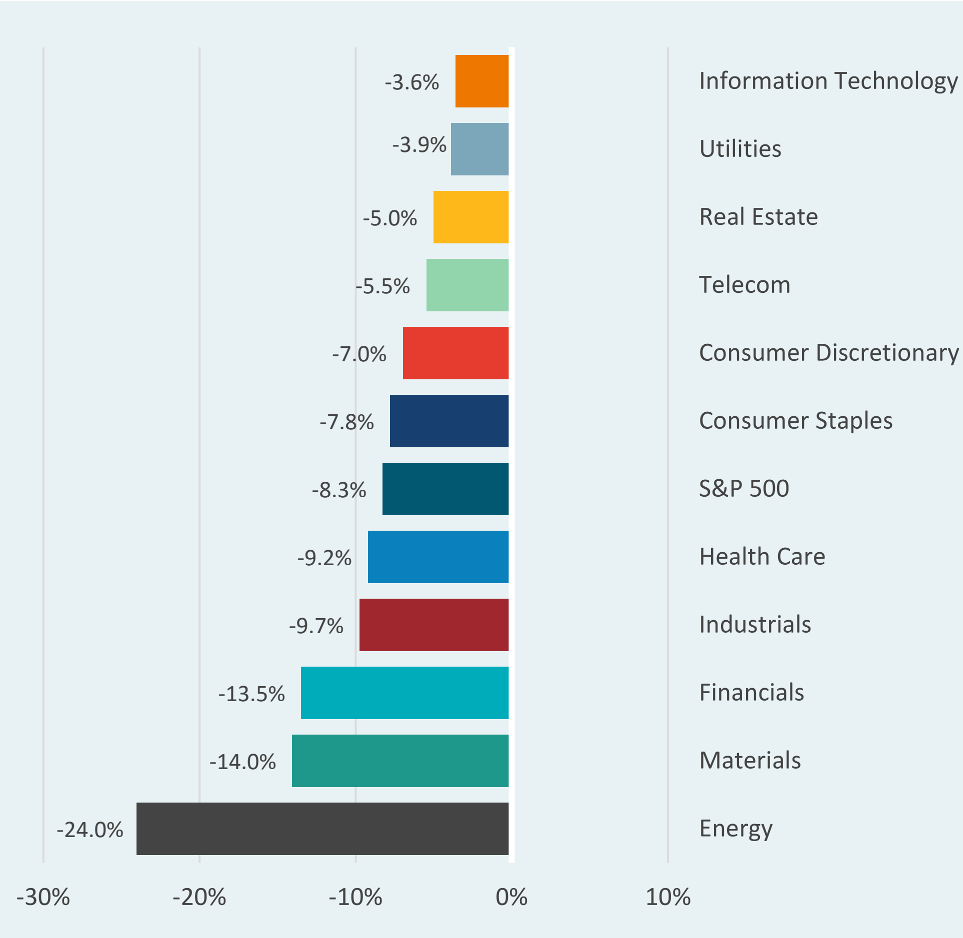
WORST

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

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 12/31/19.

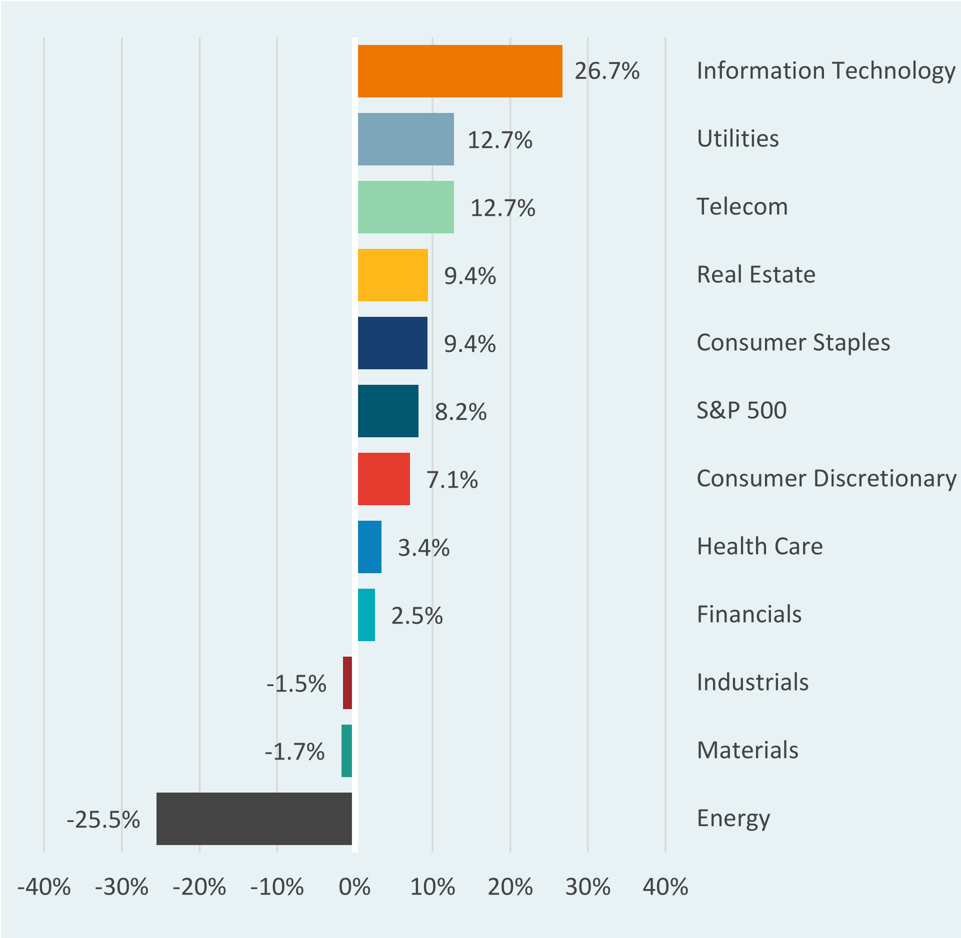
S&P 500 sector returns

QTD



Source: Morningstar, as of 2/29/20

ONE YEAR ENDING FEBRUARY



Source: Morningstar, as of 2/29/20

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(8.2)	(8.3)	(8.3)	8.2	9.9	9.2	12.7
S&P 500 Equal Weighted	(9.0)	(10.6)	(10.6)	1.4	6.4	6.7	12.2
DJ Industrial Average	(9.8)	(10.6)	(10.6)	0.4	9.4	9.6	12.2
Russell Top 200	(8.0)	(7.6)	(7.6)	10.0	11.0	10.1	12.9
Russell 1000	(8.2)	(8.1)	(8.1)	7.8	9.7	9.0	12.6
Russell 2000	(8.4)	(11.4)	(11.4)	(4.9)	3.5	5.1	10.4
Russell 3000	(8.2)	(8.3)	(8.3)	6.9	9.3	8.7	12.5
Russell Mid Cap	(8.7)	(9.4)	(9.4)	2.3	6.6	6.4	11.9
Style Index							
Russell 1000 Growth	(6.8)	(4.7)	(4.7)	15.1	15.7	12.4	14.8
Russell 1000 Value	(9.7)	(11.6)	(11.6)	0.5	3.8	5.5	10.4
Russell 2000 Growth	(7.2)	(8.2)	(8.2)	(0.7)	7.9	6.5	12.1
Russell 2000 Value	(9.7)	(14.6)	(14.6)	(9.3)	(0.8)	3.6	8.7

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	1.4	3.5	3.5	10.8	4.1	2.9	3.7
BBgBarc US Treasury Bills	0.2	0.3	0.3	2.3	1.7	1.2	0.6
BBgBarc US Agg Bond	1.8	3.8	3.8	11.7	5.0	3.6	3.9
Duration							
BBgBarc US Treasury 1-3 Yr	0.9	1.5	1.5	4.7	2.3	1.6	1.3
BBgBarc US Treasury Long	6.7	14.0	14.0	31.6	11.0	6.3	8.1
BBgBarc US Treasury	2.7	5.2	5.2	12.1	4.8	3.2	3.4
Issuer							
BBgBarc US MBS	1.0	1.7	1.7	7.5	3.7	2.8	3.2
BBgBarc US Corp. High Yield	(1.4)	(1.4)	(1.4)	6.1	4.9	5.2	7.3
BBgBarc US Agency Interm	1.1	2.0	2.0	6.0	2.9	2.2	2.1
BBgBarc US Credit	1.4	3.7	3.7	15.3	6.5	4.8	5.5

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	(8.1)	(9.1)	(9.1)	3.9	7.0	5.5	8.1
MSCI ACWI ex US	(7.9)	(10.4)	(10.4)	(0.7)	4.2	2.2	4.3
MSCI EAFE	(9.0)	(10.9)	(10.9)	(0.6)	3.9	2.0	4.8
MSCI EM	(5.3)	(9.7)	(9.7)	(1.9)	4.9	2.7	3.2
MSCI EAFE Small Cap	(9.8)	(12.4)	(12.4)	(0.9)	4.1	4.6	7.6
Style Index							
MSCI EAFE Growth	(8.6)	(9.2)	(9.2)	5.5	7.3	4.2	6.4
MSCI EAFE Value	(9.5)	(12.7)	(12.7)	(6.6)	0.5	(0.4)	3.2
Regional Index							
MSCI UK	(11.9)	(15.3)	(15.3)	(7.4)	1.4	(1.1)	4.0
MSCI Japan	(9.1)	(10.4)	(10.4)	1.1	3.4	3.7	5.1
MSCI Euro	(9.0)	(11.9)	(11.9)	(1.4)	3.9	1.1	3.7
MSCI EM Asia	(2.9)	(7.2)	(7.2)	1.4	6.8	4.1	5.6
MSCI EM Latin American	(12.1)	(17.0)	(17.0)	(11.9)	0.4	0.8	(2.0)

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	(5.0)	(12.0)	(12.0)	(11.1)	(5.2)	(6.2)	(5.6)
Wilshire US REIT	(7.8)	(7.1)	(7.1)	3.9	4.0	5.7	12.7
CS Leveraged Loans	(1.4)	(0.8)	(0.8)	3.2	3.8	4.6	5.0
Alerian MLP	(14.2)	(19.3)	(19.3)	(23.9)	(13.2)	(10.7)	2.0
Regional Index							
JPM EMBI Global Div	(1.0)	0.5	0.5	9.7	5.7	6.0	6.8
JPM GBI-EM Global Div	(3.4)	(4.7)	(4.7)	3.7	3.9	2.0	2.1
Hedge Funds							
HFRI Composite	(1.7)	(2.0)	(2.0)	3.2	3.1	2.8	3.8
HFRI FOF Composite	(1.5)	(1.2)	(1.2)	3.4	2.8	1.8	2.7
Currency (Spot)							
Euro	(0.9)	(2.1)	(2.1)	(3.5)	1.1	(0.4)	(2.2)
Pound	(3.1)	(3.6)	(3.6)	(4.0)	0.9	(3.7)	(1.7)
Yen	0.5	0.8	0.8	3.2	1.2	2.1	(1.9)

Source: Morningstar, HFR, as of 2/29/20

Notices & disclosures

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San Luis Obispo County Pension Trust

SLOCPT

Date: March 23, 2020

To: Board of Trustees

From: Carl Nelson – Executive Director
Amy Burke – Deputy Director
Scott Whalen - Verus

Agenda Item 10: Global Debt Strategy Modification - Verus

Recommendation:

That the Board of Trustees approve the recommendation of Staff and Scott Whalen of Verus, the Pension Trust's investment consultant to modify the Global Debt investment Strategy used by Brandywine.

Transition from the Brandywine International Bond Fund to the Brandywine Global Bond Fund.

Discussion:

See the attached recommendation memo from Scott Whalen of Verus Investments.

Staff agrees with the recommendation and the continued use of Brandywine for international bonds, but in a Global mandate.

Respectfully Submitted

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Memorandum

To: Board or Trustees, San Luis Obispo County Pension Trust

Cc: Carl Nelson, Executive Director

From: Scott J. Whalen, CFA, CAIA

Date: March 23, 2020

Re: Transitioning from international fixed income to global

Executive Summary

The San Luis Obispo Pension Trust has been investing in international bonds through the Brandywine Global Fixed Income strategy since the end of 2007. Brandywine has exceeded its benchmark by approximately 140 basis points on an average annualized basis, net-of-fees, over the past 10 years.

Recently Brandywine suggested the Plan consider allowing them to include US debt in their investment mandate to broaden their opportunity set and provide the potential for additional excess returns. Following a review of their request, we believe the move is reasonable and recommend changing from the Brandywine International Bond Fund to the Brandywine Global Bond Fund.

Assessment

Firm

Brandywine was incorporated in 1986. The firm focuses exclusively on investment management activities in the fixed income and equity asset classes. Brandywine's global fixed income strategies make up roughly half of the firm's AUM. Brandywine has operated as a wholly owned but independent subsidiary of Legg Mason since 1998 but retains complete autonomy and control over management, investment, and employment decisions.

Strategy

Brandywine's fixed income philosophy is a value-driven, active, top-down approach. Their investment grade strategies concentrate on those countries with high real (inflation-adjusted) interest rates and appreciating currencies in an effort to limit risk while producing strong relative returns. Currency exposure is actively managed and has historically been a significant driver of returns.

The investible universe for both the global and international strategies focuses on sovereign debt and currencies in markets rated A-or better by a nationally recognized statistical rating organization and select emerging market debt and currencies that adhere to these quality guidelines. Brandywine may also tactically invest in investment grade corporate debt and mortgage-backed securities. The primary difference between the two strategies is the global strategy allows investment in the US.

We believe Brandywine's value-driven, actively managed approach is well-suited to global fixed income investing since each country and sector exhibits unique valuation characteristics that vary over time. By concentrating on markets with above-average value, defined as a combination of above-average real interest rates and an under-valued currency, the strategy attempts to benefit from the eventual recognition of credit fundamentals and currency appreciation. The team concentrates investments where existing economic and market conditions are positioned to be realized in an intermediate time frame.

Performance and Fees

Historical 10-year composite performance for the Plan's current international mandate and the prospective global mandate are shown below. While we would not expect Brandywine to maintain this historical performance differential going forward, we agree there may be potential for increased excess returns by allowing them to invest in US debt instruments, thereby increasing their opportunity set.

Comparative Returns (as of 12/31/19)

	QTD	1 Year	3 Year	5 Year	7 Year	10 Year
International strategy (net)	4.9	5.7	4.2	0.8	0.7	2.9
International Benchmark	-0.1	5.3	4.5	1.9	0.3	1.4
Global strategy (net)	3.5	7.9	5.0	1.7	1.3	4.0
Global Benchmark	-0.4	5.9	4.1	2.0	0.8	1.9

There will be no fee impact from changing to the global strategy.

Recommendation

Based on an evaluation of historical performance and our view that Brandywine strategy should benefit from a change to a global mandate from the current global ex-US mandate, we recommend the Board approve the change from the International Fixed Income – Investment Grade strategy to the Global Fixed Income – Investment Grade strategy.

If the Board agrees with this recommendation, we will work with Staff to manage the transition and make adjustments to the Investment Policy Statement, as appropriate.

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San Luis Obispo County
Pension Trust
SLOCPT

Date: March 23, 2020

To: Board of Trustees

From: Carl Nelson – Executive Director
Amy Burke – Deputy Director
Scott Whalen - Verus

Agenda Item 11: Strategic Asset Allocation Policy - Commodities - Verus

Recommendation:

That the Board of Trustees approve the recommendation of Staff and Scott Whalen of Verus, the Pension Trust's investment consultant to modify the Strategic Asset Allocation (SAA) policy to eliminate the allocation to Commodities.

Approve the attached amended Addendum A to the SLOCPT Investment Policy Statement.

Discussion:

See the attached recommendation memo from Scott Whalen of Verus Investments.

Staff agrees with the recommendation and the proposed "Asset Mix 1" from the Verus memo. This amendment to the SAA eliminates the Commodities 5% allocation and distributes it across public market equities, bank loans and real estate. The Commodities actual allocation at this time is under the 5% target so the actual rebalancing transfers will be less. The rebalancing away from Commodities will be implemented over the 2Q20-3Q20 time frame and coordinated with normal rebalancing transfers.

The recommended SAA policy amendment is an interim modification. Staff and Verus are continuing with a recommendation to be discussed at future Board meetings to convert to a Functionally Focused Portfolio asset allocation methodology. The current amendment to the SAA does not replace, delay or complicate the planned change in asset allocation methodology.

Respectfully Submitted

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Memorandum

To: Board or Trustees, San Luis Obispo County Pension Trust

Cc: Carl Nelson, Executive Director

From: Scott J. Whalen, CFA, CAIA

Date: March 23, 2020

Re: Commodities Recommendation

Executive Summary

Based on our discussion surrounding the Plan's strategic asset allocation at its February meeting, the Board of Trustees expressed an interest in a specific recommendation for dealing with the Plan's underperforming Commodities allocation.

Following additional analysis with which we examined the expected outcomes of various alternatives, we recommend eliminating the Commodities allocation and moving the assets to the existing allocations of global stocks, bonds, and real estate.

View on Commodities

The Commodities allocation was originally intended to play an important role as part of an inflation hedging portfolio to protect against unanticipated spikes in inflation. However, the asset class is currently characterized by very low carry relative to history, and we believe market dynamics will lead to a poor risk/reward trade off into the foreseeable future for the following primary reasons:

- Roll yield has remained negative
- Inflation pressures are muted
- Global growth is slowing
- Commodity supply/demand dynamics have not resulted in spot price appreciation that many investors were expecting

We believe it makes sense at this time to eliminate the Plan's Commodities allocation in favor of other asset classes with more favorable risk/reward profiles.

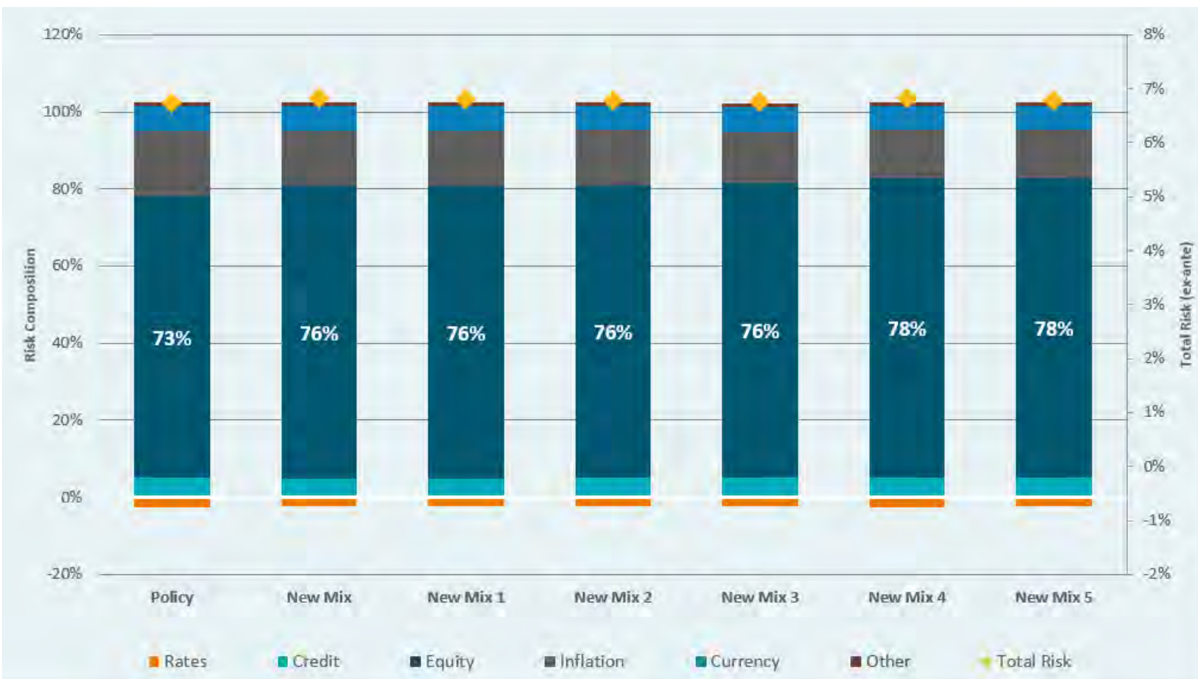
Analysis

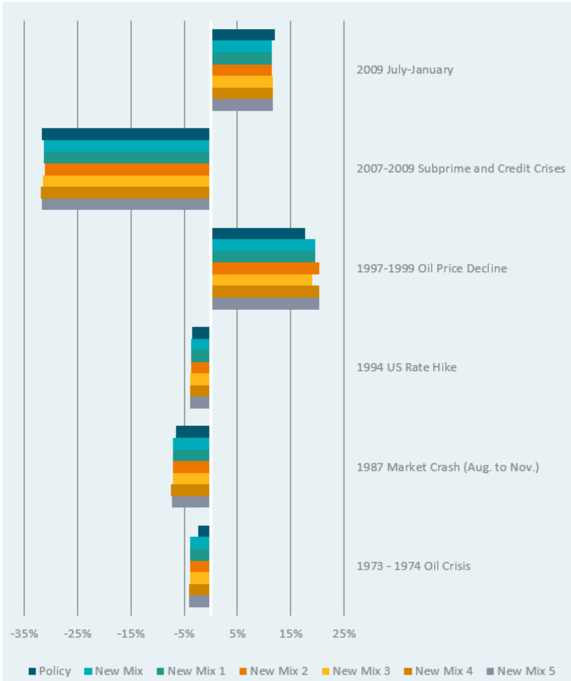
In determining which alternative mixes were more favorable than the current Policy Mix, we extended the mean-variance and risk analyses we presented to the Board at the February meeting. In the updated analysis, we eliminated the Commodities allocation and replaced it with various alternatives in domestic and international equity, fixed income, and real estate. The results of the updated analysis are presented below.

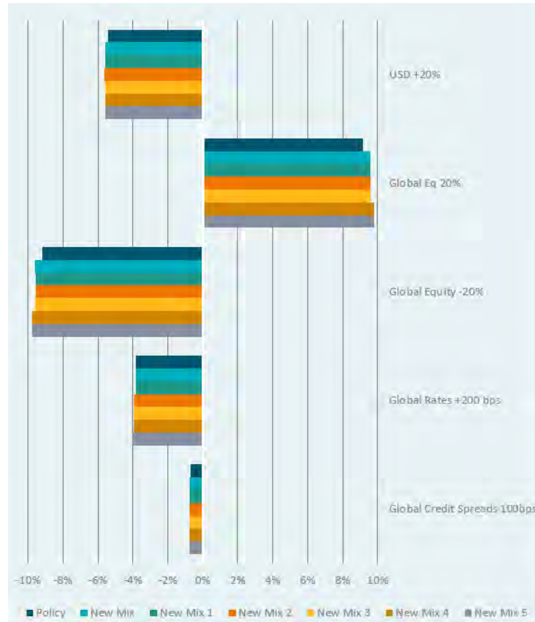
	Policy	New Mix	New Mix1	New Mix2	New Mix3	New Mix4	New Mix5
US Large	16.0	16.0	17.0	17.0	16.0	17.0	18.0
US Small	4.0	5.0	4.0	4.0	5.0	5.0	4.0
Total Domestic Equity	***20***	***21***	***21***	***21***	***21***	***22***	***22***
International Developed	13.0	14.0	14.0	15.0	13.0	14.0	14.0
Emerging Markets	7.0	7.0	7.0	6.0	8.0	7.0	7.0
Total Int'l Equity	***20***	***21***	***21***	***21***	***21***	***21***	***21***
Total Equity	***40***	***42***	***42***	***42***	***42***	***43***	***43***
Core Plus Fixed Income	15.0	15.0	15.0	16.0	16.0	16.0	17.0
Bank Loans	5.0	6.0	6.0	5.0	6.0	6.0	5.0
Global Aggregate	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Emerging Market Debt (Hard)	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Emerging Market Debt (Local)	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Total Fixed Income	***30***	***31***	***31***	***31***	***32***	***32***	***32***
Commodities	5.0	0.0	0.0	0.0	0.0	0.0	0.0
Core Real Estate	10.0	11.0	11.0	12.0	11.0	10.0	10.0
Value Add Real Estate	5.0	6.0	6.0	5.0	5.0	5.0	5.0
Total Real Assets	***20***	***17***	***17***	***17***	***16***	***15***	***15***
Private Equity	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Private Credit	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Non-Public Investments	***10***	***10***	***10***	***10***	***10***	***10***	***10***
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Allocation	**100**	**100**	**100**	**100**	**100**	**100**	**100**

	Policy	New Mix	New Mix1	New Mix2	New Mix3	New Mix4	New Mix5
Mean Variance Analysis							
Forecast 10 Year Return	***6.2***	***6.3***	***6.3***	***6.2***	***6.2***	***6.2***	***6.2***
Standard Deviation	11.0	11.1	11.1	11.0	11.1	11.1	11.0
Return/Std. Deviation	*0.6*	*0.6*	*0.6*	*0.6*	*0.6*	*0.6*	*0.6*
1st percentile ret. 1 year	*-16.4*	*-16.6*	*-16.5*	*-16.3*	*-16.6*	*-16.6*	*-16.5*
Sharpe Ratio	0.44	0.44	0.44	0.44	0.44	0.44	0.44

Based on this analysis, reallocating the five-percentage point Commodities mandate will have little impact on the expected risk and return outcomes of the portfolio over the next 10 years. From a risk perspective, exposure to inflation risk falls slightly in favor or other risk factors, and scenario analysis and stress testing provides similar insights, as expected.







Recommendation

Taken the above analyses together, combined with our secular market views, we see little reason to maintain the current Commodities allocation and recommend adopting New Mix 1 as the Plan’s policy allocation.

If the Board agrees with this recommendation, we will work with Staff to efficiently implement the new policy, as well as make appropriate adjustments to the Investment Policy Statement.

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San Luis Obispo County Pension Trust
Asset Allocation Policy ADDENDUM A

Asset Allocation Policy Proposed March 23, 2020	2020 Policy		2020 Min.	Max.		Performance Benchmark
Equities - US						
Large Cap US Equity	17%		12%	22%		varies with Mgr.
Small / Mid Cap US Equity	4%		2%	9%		varies with Mgr.
Equities - US - Total	**21%**		15%	31%		**Russell 3000**
Equities - International						
International	14%		9%	19%		MSCI EAFE
International - Emerging Mkt.s	7%		0%	12%		
Equities - Intl. - Total	**21%**		15%	31%		**MSCI ACWI ex. US**
EQUITIES - Total	**42%**		30%	52%		
Fixed Income						
Bonds - Core+	15%		10%	20%		BC Aggregate Bond
Bank Loans	6%		0%	10%		S&P LSTA
Bonds - Global	5%		0%	10%		Citi World Govt. Bond
Bonds - Emerging Market	5%		0%	10%		JPM GBI EM
BONDS - Total	**31%**		25%	46%		**BC Aggregate Bond**
Real Estate						
Real Estate - Core	11%		6%	16%		NCREIF
Real Estate - Value Add	6%		1%	11%		NCREIF
Real Estate - Directly owned	0%		0%	4%		NCREIF
REAL ESTATE - Total	**17%**		5%	22%		**NCREIF**
Commodities						
Commodities - Active	0%					DJ UBS Commodities
COMMODITIES - Total	**0%**		0%	0%		**DJ UBS Commodities**
Alternative Assets						
Private Equity	5%	*	0%	10%		Actual time-wtd return
Private Credit	5%	*	0%	10%		Actual time-wtd return
ALT. ASSETS - Total	**10%**		0%	20%		**Russell 3000 + 3%**
Opportunistic						
Opportunistic	varies		0%	10%		Russell 3000 + 3%
Liquidity						
Cash Equivalents	0%	**	0%	5%	*	T-Bills
Cash Overlay	0%	**	NA	NA	*	Policy Mix
LIQUIDITY - Total	**0%**		0%	5%		T-Bills
TOTAL	**100%**					

* The Policy Benchmark uses actual private market asset class weights each rounded to the nearest 1%. The difference in actual weight versus target is allocated to the private market's public market "equivalent" (private equity to equity; private credit to core fixed income).

* Net 0% exposure due to Cash Overlay when activated.
Policy level of Treasury cash = 3 mth.s benefits = ~2% of total

Board of Trustees

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San Luis Obispo County
Pension Trust
SLOCPT

Date: March 23, 2020

To: Board of Trustees

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

Agenda Item 12: Asset Allocation March 2020

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.

The normal investment portfolio drawdowns for liquidity to fund benefit payments and capital calls for 1Q20 have been completed. An additional drawdown will be necessary in March to fund larger than expected Private Equity capital calls. The source of this transfer will be chosen as part of routine asset mix rebalancing and will likely come from fixed income.

No Board action is planned at this point.

Respectfully submitted

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