Pension Trust

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

San Luis Obispo County
Pension Trust
SLOCPT

AGENDA (Revised)

Monday, March 22, 2021 9:30 AM
* Online only

PENSION TRUST BOARD OF TRUSTEES

MEETING MATERIALS
Materials for the meeting may be found at
http://www.slocounty.ca.gov/Departments/Pension-Trust/Board-of-Trustees
Any supporting documentation that relates to an agenda item for open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available at this location.

AMERICANS WITH DISABILITIES ACT (Government Code §54953.2)
Disabled individuals who need special assistance to listen to and/or participate in any meeting of the Board of Trustees may request assistance by calling 805/781-5465, or sending an email to SLOCPT@co.slo.ca.us. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials and access available in alternative formats. Requests for assistance should be made at least two days in advance of a meeting whenever possible.

*** TELE-CONFERENCE / VIDEO-CONFERENCE**
Due to the current pandemic Board of Trustees meetings are closed to the public attending in person until further notice.

This meeting of the Board of Trustees will be held via teleconference and/or videoconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020. Items of business will be limited to the matters shown on the agenda.

If you wish to view the videoconference of the meeting please access
https://zoom.us/j/92921438036?pwd=OUQ2QVEzQnh6ck4xRit5U044ZVRkQT09
If you wish to listen to the teleconference meeting, please dial 669/900-6833 (Meeting ID 929 2143 8036). If you have any questions or require additional service, please contact SLOCPT at 805/781-5465.

A) PUBLIC COMMENT

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

B) ORGANIZATIONAL

None

C) CONSENT

2. Minutes of the Regular Meeting of February 22, 2021 (Approve Without Correction).

3. Reports of Deposits and Contributions for the month of February 2021 (Receive and File).

4. Reports of Service Retirements, Disability Retirements and DROP Participants for the month of February 2021 (Receive, Approve and File).

5. Indemnification – Authorization pursuant to Section 16.02(j) of the Retirement Plan – BlackRock and SSGA (Recommend Approval)

D) APPLICATIONS FOR DISABILITY RETIREMENT

6. Application for Industrial Disability Retirement – Case 2020-05 (Recommend Approval).

E) OLD BUSINESS

None

F) NEW BUSINESS

7. 2021 Actuarial Valuation Planning - Presentation by Anne Harper, Cheiron - Plan Actuary - (Discuss, Direct Actuary and Staff as necessary).

8. Employer Contributions Prefunding and Discount Rate (Discuss, Direct Staff as necessary).

9. Administrative Budget for Fiscal Year 2021-2022 - Proposed – (Review, Discuss, and Direct Staff as necessary).

G) INVESTMENTS

10. Search Consultant Selection - Private Markets Discretionary Advisor (Review, Discuss, and Recommend Approval).

11. Strategic Asset Allocation – Benchmark Technical Update (Recommend Approval)

12. Monthly Investment Report for February 2021 (Receive and File).

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

H) OPERATIONS

14. Staff Reports

15. General Counsel Reports

16. Committee Reports:

i.	Audit Committee	No Report
ii.	Personnel Committee	No Report
iii.	Private Markets Investments	Report

17. Upcoming Board Topics (subject to change)

    i. April 26, 2021 – planned as a non-meeting month

    ii. May 24, 2021
        a. Disability Case
        b. Annual Actuarial Valuation Assumptions Approval
        c. FY 21-22 SLOCPT administrative budget – approval
        d. Quarterly Investment Report
        e. Private Markets Discretionary Advisor Strategy

    iii. June 28, 2021
        a. 2020 Financial Audit Report / CAFR Approval
        b. 2020 Actuarial Valuation / Contribution Rate changes
        c. Employer prefunding amount
        d. Disability Hearing Referee Panel Update
        e. Private Markets Discretionary Advisor

    iv. July 26, 2021 – planned as a non-meeting month

    v. August 23, 2021
        a. New Trustee – Seating / Committee appointments

b. Mid year Financial Statements and Budget Status
c. Financial Controls Review / Audit Process educational presentation
d. Quarterly Investment Report
e. Private Markets Discretionary Advisor

18. Trustee Comments

I) CLOSED SESSION

None

J) ADJOURNMENT

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MINUTES

Monday, February 22, 2021 *
Regular Meeting of the Pension Trust
Board of Trustees

PENSION TRUST
BOARD OF TRUSTEES

** Note – all attendees participated via videoconference as noticed on the agenda for the meeting. Public access was available via videoconference or an audio-only phone-in line.*

Board Members Present:	Gere Sibbach	
	Jeff Hamm	
	Taylor Dacus	
	Jim Hamilton	
	Jeff Hamm	
	Lisa Howe	
	Guy Savage	
	Michelle Shoresman	
Board Members Absent:	-	
Pension Trust Staff:	Carl Nelson	Executive Director
	Amy Burke	Deputy Director
	Jennifer Alderete	Accountant
General Counsel:	Chris Waddell	Olson | Remcho
	Kristen Rogers	Olson | Remcho
Consultants:	Scott Whalen	Verus
	Stuart O'Dell	Verus
Others:	Larry Batchelder	SLOCREA
	Anne Harper	Cheiron
	Alice Alsberghe	Cheiron
	Graham Schmidt	Cheiron

Call to Order: 9:32 AM by President Sibbach

A) PUBLIC COMMENT

1. None

B) ORGANIZATIONAL

None

C) CONSENT

2. Minutes of the Regular Meeting of January 25, 2021 (Approve Without Correction).

3. Reports of Deposits and Contributions for the month of January 2021 (Receive and File).

4. Reports of Service Retirements, Disability Retirements and DROP Participants for the month of January 2021 (Receive, Approve and File).

5. Recommend Plan Amendment – Court – Added Bargaining Unit (Recommend Approval).

Motion: Approve the Consent items

Public Comment: none

Discussion: Trustee Savage asked a clarifying question about agenda Item 5.

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

Carried: Unanimous (roll call vote)

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 2021 COLA. Staff also noted that Tier 1 Retirees who have a COLA bank from the previous year(s) will receive the maximum COLA of 3%. Trustee Shoresman asked for clarification as to which percentages apply to which Retirees. Staff noted that Tier 1 retirees who retired in 2018 or earlier will receive a 3.0% COLA, Tier 1 retirees who retired in 2019 will receive a 2.9% COLA, Tier 1 retirees who retired in 2020 will receive a 2.4% COLA. Tier 2 and 3 retires will receive a 2.0% COLA.

Motion: Approve Staff recommendation

Public Comment: None

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

Carried: Unanimous

7. FPPC – Form 700 Disclosures (Presentation by General Counsel)

Discussion: General Counsel Waddell briefed Trustees and Staff on the filing of the Form 700. Trustee Savage noted that the Form 700s for the San Luis Obispo County Board of Supervisors are now submitted to the Clerk of the Board of Supervisors. Trustee questions on disclosures relative to spousal interests were addressed.

Public Comment: None

No Action Necessary

G) INVESTMENTS

8. Quarterly Investment Report for the 4th Quarter of 2020 – Verus (Receive and File).

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. Hamm Motion Seconded: Mr. Savage

Carried: Unanimous (roll call vote)

Trustee Howe left the meeting at 10:58 AM

9. Monthly Investment Report for January 2021 (Receive and File)

Discussion: Monthly investment performance report by Staff and Verus.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Savage Motion Seconded: Mr. Dacus

Carried: Unanimous (roll call vote of Trustees present)

10. Capital Market Assumptions – 2021 – Verus (Review, Discuss, Receive and File).

    Discussion: Presentation on Verus' 2021 Capital Market Assumptions by Scott Whalen of Verus. The 2021 Verus CMAs are materialy lower than the 2020 CMAs.

    Motion: Receive and File

    Public Comment: None

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

    Carried: Unanimous (roll call vote of Trustees present)

11. Risk Diversifying Portfolio Strategy Review and Investment Manager Selection – Treasuries and TIPS Portfolios (Recommend Approval).

    Discussion: Mr. Nelson introduced the item. Per direction by the Board at the September 28, 2020 meeting, Mr. Whalen and Staff presented their recommendation for State Street Global Advisors (SSGA) as the investment manager of the Treasury allocation and BlackRock as the investment manager of the TIPS allocation in the Diversifying Portfolio. The Board discussed these recommendations and asked numerous questions.

    Motion: Approve Staff recommendation

    Public Comment: None

    Motion Made: Mr. Hamm Motion Seconded: Mr. Dacus

    Carried: Unanimous (roll call vote of Trustees present)

12. Asset Allocation

    Discussion: none

    Public Comment: None

    No Action Necessary

H) OPERATIONS

13. Staff Reports

    i. Mr. Nelson discussed the outlook for appointed and elected Trustees in 2021. The County Administrative Department plans on recommending to the Board of Supervisors that they appoint Lisa Howe as an appointed Trustee after Trustee Savage's retirement at the end of June. This will leave the elected Trustee position currently occupied by Trustee Howe vacant for the May-June Trustee election with no incumbent to run for re-election.

    ii. Mr. Nelson discussed two recent articles written for The Blade, SLOCEA's monthly newsletter. The first article was about retirement from SLOCPT, an the second about the upcoming SLOCPT Trustee election.

    iii. Ms. Burke discussed a possible future Plan amendment due to the recent legislation change in age for Required Minimum Distributions (RMDs).

    iv. Ms. Burke reported the average and median Retiree benefits for 2020: average monthly benefits were $3,800, while median monthly benefits were $3,200.

    v. Ms. Burke reported that Adult Protective Services is scheduled to present to SLOCPT at the next staff meeting. The presentation includes ways to detect elder abuse.

    vi. Mr. Nelson reported that US life expectancy at birth rates went down by approximately one year due to COVID and COVID-related factors.

14. General Counsel Reports

    None

15. Committee Reports:

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

    ii. Personnel Committee No Report

    iii. Private Markets Investments (ad hoc) No Report

16. Upcoming Board Topics – published on meeting agenda

17. Trustee Comments

    None

I) CLOSED SESSION

None

J) ADJOURNMENT

There being no further business, the meeting was adjourned at 12:02 PM. The next Regular Meeting was set for March 22, 2021, at 9:30 AM, to be a virtual online meeting.

Respectfully submitted,

Carl Nelson
Executive Director

REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF FEBRUARY 2021

PP 3	2/11/2021	Pensionable	Employer	Employer	Employee	Employer for Employee	Employee	Combined	Additional	Buy	TOTAL
	By Employer and Tier:	Salary	Contributions	Rate	Contributions	Contributions	Rate	Rate	Contributions	Backs	**Contributions**
	County Tier 1	3,023,683.60	821,404.34	27.17%	396,158.98	257,637.94	21.62%	48.79%	1,137.50	790.83	**1,477,129.59**
	County Tier 2	985,931.26	279,313.52	28.33%	60,081.19	83,225.54	14.54%	42.87%	-	332.54	**422,952.79**
	County Tier 3	3,615,158.67	959,414.23	26.54%	489,185.47	-	13.53%	40.07%	-	2,110.55	**1,450,710.25**
	Superior Court Tier 1	220,860.72	61,355.75	27.78%	40,929.79	-	18.53%	46.31%	-	-	**102,285.54**
	Superior Court Tier 3	105,987.65	27,867.64	26.29%	13,806.84	-	13.03%	39.32%	-	-	**41,674.48**
	APCD Tier 1	47,918.77	12,830.38	26.78%	7,615.88	3,733.32	23.68%	50.46%	-	-	**24,179.58**
	APCD Tier 3	29,913.60	7,688.29	25.70%	4,523.35	-	15.12%	40.82%	-	-	**12,211.64**
	SLOCPT Tier 1	7,715.87	1,969.86	25.53%	1,135.78	716.80	24.01%	49.54%	-	-	**3,822.44**
	SLOCPT Tier 2	9,347.20	2,386.34	25.53%	485.12	868.36	14.48%	40.01%	-	-	**3,739.82**
	SLOCPT Tier 3	11,956.36	2,993.87	25.04%	1,719.63	-	14.38%	39.42%	250.00	-	**4,963.50**
	LAFCO Tier 3	2,248.00	654.17	29.10%	241.21	-	10.73%	39.83%	-	-	**895.38**
	RTA Tier 2	26,464.25	6,743.10	25.48%	551.16	3,440.36	15.08%	40.56%	-	-	**10,734.62**
	RTA Tier 3	15,182.40	4,162.11	27.41%	1,814.40	-	11.95%	39.36%	-	-	**5,976.51**
		8,102,368.35	2,188,783.60	27.01%	1,018,248.80	349,622.32	16.88%	43.90%	1,387.50	3,233.92	**$ 3,561,276.14**

PP 4	2/26/2021	Pensionable	Employer	Employer	Employee	Employer for Employee	Employee	Combined	Additional	Buy	TOTAL
	By Employer and Tier:	Salary	Contributions	Rate	Contributions	Contributions	Rate	Rate	Contributions	Backs	**Contributions**
	County Tier 1	3,032,830.44	823,755.05	27.16%	397,274.38	258,618.00	21.63%	48.79%	1,137.50	790.83	**1,481,575.76**
	County Tier 2	983,701.79	278,518.91	28.31%	59,981.42	83,068.80	14.54%	42.86%	-	176.75	**421,745.88**
	County Tier 3	3,631,120.91	963,039.45	26.52%	491,730.93	-	13.54%	40.06%	-	1,104.95	**1,455,875.33**
	Superior Court Tier 1	221,706.96	61,583.54	27.78%	41,112.10	-	18.54%	46.32%	-	-	**102,695.64**
	Superior Court Tier 3	105,778.23	27,823.19	26.30%	13,809.78	-	13.06%	39.36%	-	-	**41,632.97**
	APCD Tier 1	47,918.79	12,830.37	26.78%	7,615.88	3,733.33	23.68%	50.46%	-	-	**24,179.58**
	APCD Tier 3	32,069.66	8,241.01	25.70%	4,923.40	-	15.35%	41.05%	-	-	**13,164.41**
	SLOCPT Tier 1	7,715.87	1,969.86	25.53%	1,135.78	716.80	24.01%	49.54%	-	-	**3,822.44**
	SLOCPT Tier 2	9,347.20	2,386.34	25.53%	485.12	868.36	14.48%	40.01%	-	-	**3,739.82**
	SLOCPT Tier 3	11,956.36	2,993.87	25.04%	1,719.63	-	14.38%	39.42%	250.00	-	**4,963.50**
	LAFCO Tier 3	2,248.00	654.17	29.10%	241.21	-	10.73%	39.83%	-	-	**895.38**
	RTA Tier 2	26,464.25	6,743.10	25.48%	551.16	3,440.36	15.08%	40.56%	-	-	**10,734.62**
	RTA Tier 3	15,182.40	4,162.11	27.41%	1,800.21	-	11.86%	39.27%	-	-	**5,962.32**
		8,128,040.86	2,194,700.97	27.00%	1,022,381.00	350,445.65	16.89%	43.89%	1,387.50	2,072.53	**$ 3,570,987.65**
	TOTAL FOR THE MONTH	**16,230,409.21**	**4,383,484.57**	**27.01%**	**2,040,629.80**	**700,067.97**	**16.89%**	**43.89%**	**2,775.00**	**5,306.45**	**$ 7,132,263.79**
	TOTAL YEAR TO DATE	**32,449,803.80**	**8,766,649.32**	**27.02%**	**4,080,190.43**	**1,402,179.28**	**16.89%**	**43.91%**	**5,625.00**	**11,906.19**	**$ 14,266,550.22**

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REPORT OF RETIREMENTS	February 2021

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Hennessey, Norman J	Fleet Services ISF	DROP	02/01/2021	2,163.05	False
Schamber, Michele L	Sheriff-Coroner	Service Retirement	12/30/2020	1,059.24	False
Schooley, Martin	General Hospital	Service Retirement	12/31/2020	2,056.44	False
Whalen, Joseph P	Public Works ISF	Service Retirement	02/04/2021	5,076.55	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 22, 2021

To: Board of Trustees

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

Agenda Item 5: Indemnification – Authorization pursuant to Section 16.02(j) of the Retirement Plan

Recommendation:

It is recommended that the Board of Trustees ("BoT") make findings relative to and approve indemnification pursuant to Section 16.02(j) of the Retirement Plan for the following contracts:

1. Investment Management Agreement – BlackRock Institutional Trust Company, N.A. for investment in the BlackRock US Treasury Inflation Protection Securities Index Fund.

2. Agreement of Trust – State Street Global Advisors Trust Company for investment in the U.S. Government Bond Index Fund.

Discussion:

Since 2007, the Retirement Plan has contained in Section 16.02(i) a blanket prohibition on the Pension Trust indemnifying any party. This prohibition has become increasingly problematic in the limits it placed on the Pension Trust to enter into contracts including those for investment management services and commercial banking. On May 10, 2016, the Retirement Plan was amended by the Board of Supervisors for certain technical and housekeeping amendments as recommended by the BoT. These Plan amendments included the following modification of Section 16.02 dealing with indemnification:

Article 16: Administrations and Operation – Section 16.02 excerpt –

…

"(h) Except as provided in section 16.02 (j), it shall have no power to, and shall not, authorize the Pension trust to act as surety for any person or entity, or as guarantor for the debt or obligations of any person or entity.(11-20-2007)

(i) Except as provided in section 16.02 (j) It shall have no power to, and shall not, authorize the Pension Trust to indemnify any person or entity. (11-20-2007)

(j) ***Notwithstanding sections 16.02 (h) and/or 16.02(i), the Board of Trustees may authorize the Pension Trust to: 1) act as surety for; 2) act as guarantor for; or 3) indemnify any person or entity if the Board of Trustees makes all of the following findings:***

(i) Based upon the assessment of the Executive Director, that it is not possible to obtain comparable services at comparable costs from service providers without having to agree to a surety, guarantor, or indemnification relationship;

(ii) Based upon the assessment of the Executive Director, that if a surety, guarantor or indemnification relationship is required to obtain comparable services at comparable costs, such relationship is not available from another service provide under contractual provisions that would provide greater protection to the Pension Trust;

(iii) Based upon the assessment of the Executive Director and General Counsel, that all potential risks of loss and costs to the Pension Trust resulting from the surety, guarantor or indemnification relationship have been identified and that all available actions to minimize such risks have been considered and, where appropriate, taken;

(iv) Based upon the assessment of the General Counsel, the process used to evaluate the surety, guarantor or indemnification relationship fulfills the fiduciary duties of the members of the Board of Trustees and Pension Trust staff."

The purpose of this recommended Board of Trustees approval is to make the necessary findings relative to and approve indemnification for the following contracts:

1. **Investment Management Agreement – BlackRock Institutional Trust Company, N.A. for investment in the BlackRock US Treasury Inflation Protection Securities Index Fund.**

   The draft Investment Management Agreement with BlackRock Institutional Trust Company, N.A. ("BlackRock") for investment in a collective fund includes the following language:

> "Indemnification. The Manager, its officers, directors and employees, acting in good faith shall not be liable, and shall be indemnified by the Plan against any and all losses, damages, costs, expenses (including reasonable attorneys' fees), liabilities, claims and demands, for any action, omission, information or recommendation in connection with this Agreement, except in the case of the Manager's or such officer's, director's or employee's actual misconduct, gross negligence, willful violation of any applicable law or reckless disregard for its duties performed under this Agreement; provided, however, that this limitation shall not act to relieve the Manager, its officers, directors and employees from any responsibility or liability for any responsibility, obligation or duty which the Manager or such officer, director or employee may have under the U.S. federal laws; and provided, further, however, that to the extent any limitations or restrictions contained in the Guidelines are not adhered to as a result of changes in market value, the Trustee's additions to or withdrawals from the Account, portfolio rebalancing by the Trustee or other non-volitional acts of the Manager, the Manager shall not be liable to the Trustee or the Plan."

(j)(i-ii): It is the assessment of the Executive Director that comparable investment managers with investment management agreements that do not contain indemnification provisions similar to those described above or contain indemnification provisions that provide greater protection to the Pension Trust are unavailable, and that the indemnification provisions in the BlackRock investment management agreement reflect normal terms in the investment management industry.

(j)(iii): The Executive Director and the General Counsel believe that all potential risks of loss and costs to the Pension Trust resulting from these indemnifications have been identified and that all available actions to minimize such risks have been considered and, where appropriate, taken.

(j)(iv): It is the assessment of the General Counsel that the process used to evaluate the indemnification relationship as outlined above fulfills the fiduciary duties of the members of the BoT and Pension Trust staff.

2. Agreement of Trust – State Street Global Advisors Trust Company for investment in the U.S. Government Bond Index Fund.

The draft agreement with State Street Global Advisors Trust Company ("SSGA") for investment in a bank commingled fund includes language that would require the Pension Trust to reimburse and hold SSGA and its affiliates harmless from all losses, expenses, damages, etcetera resulting from any breach by the Pension Trust of any representations and warranties made as a condition of entering the investment management agreement. Although not identified as "indemnification" per se, this language would nevertheless operate as a form of indemnification.

(j)(i-ii): It is the assessment of the Executive Director that comparable investment managers with investment management agreements that do not contain indemnification provisions similar to those described above or contain indemnification provisions that provide greater protection to the Pension Trust are unavailable, and that the indemnification provisions in the BlackRock investment management agreement reflect normal terms in the investment management industry.

(j)(iii): The Executive Director and the General Counsel believe that all potential risks of loss and costs to the Pension Trust resulting from these indemnifications have been identified and that all available actions to minimize such risks have been considered and, where appropriate, taken.

(j)(iv): It is the assessment of the General Counsel that the process used to evaluate the indemnification relationship as outlined above fulfills the fiduciary duties of the members of the BoT and Pension Trust staff.

We recommend that the Board adopt the findings and approve the indemnification provisions with the service providers described above.

Respectfully Submitted,

Pension Trust

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San Luis Obispo County
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Date: March 22, 2021

To: Board of Trustees

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

<u>Agenda Item 7: 2020 Actuarial Valuation Planning</u>

Recommendation:

The SLOCPT Plan Actuaries, Anne Harper and Alice Alsberghe of Cheiron will make a presentation on planning for the 2021 Actuarial Valuation. The Board of Trustees should discuss the actuarial issues presented and direct Staff and Actuary as necessary.

Decision Schedule:

March 22, 2021

- Valuation planning
- Conceptual discussion of actuarial assumption and funding policy.

May 24, 2021

- Preliminary 2021 Valuation results and projections using baseline assumptions
- Actuary presentation and discussion of assumptions
- **Board of Trustees approval of 2021 Actuarial assumptions**

June 28, 2021

- Final Actuarial Valuation report and presentation
- **Board of Trustees approval of –**
    - **2021 Actuarial Valuation**
    - **Pension Contribution Rate changes**
    - Employer contribution prefunding amount if applicable

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San Luis Obispo County Pension Trust

Classic Values, Innovative Advice

Introductions and Planning for the January 1, 2021 Actuarial Valuation

March 22 , 2021

Anne D. Harper, FSA, MAAA, EA
Alice I. Alsberghe, ASA, MAAA, EA

Topics for Discussion

- About Cheiron
- 2021 Actuarial Timeline
- Replication of GRS 2020 Valuation
- Peer Group Comparisons
- Review of Recent Market Expectations

About Cheiron - Your Actuarial Team

Anne Harper, FSA **Co-Lead Actuary** **San Diego, CA**	**Alice Alsberghe, ASA** **Co-Lead Actuary** **San Diego, CA**	**Tim Hall, ASA** **Project Manager** **San Diego, CA**

Additional Resource

Graham Schmidt, ASA, Lafayette CA

About Cheiron

- Formed in 2002 by consultants of an international firm over concerns on liability limitations
- Employee-owned with 8 offices nationwide
- 99 employees / 68 Credentialed Actuaries
- 100% revenue from actuarial consulting, public and jointly-trusteed pension and health plans

California Public Sector Experience

Pension Consulting:

- Marin County (MCERA)
- Merced County (MCERA)
- Oakland Police and Fire
- Palm Springs
- City of San Diego (SDCERS)
- City and County of San Francisco
- San Joaquin County (SJCERA)
- San José Police & Fire
- San José Federated
- San Luis Obispo County (SLOCPT)
- Santa Barbara County (SBCERS)
- Stanislaus County (StanCERA)
- Tulare County (TCERA)
- Five Local Transit Plans
  - Alameda
  - Golden Gate
  - Sacramento
  - San Diego
  - Santa Clara

Audits or Special Studies:

- Alameda County (ACERA)
- CalPERS
- CalSTRS
- Contra Costa County (CCCERA)
- Fresno County (FCERA)
- Imperial County (IPERS)
- Kern County (KCERA)
- Los Angeles (LACERS, LAFPP, LADWP)
- Los Angeles County
- Mendocino County (MCERA)
- Orange County (OCERS)
- Sacramento County (SCERA)
- San Bernardino County (SBCERA)
- San Diego County (SDCERA)
- San Mateo County (SamCERA)
- Sonoma County (SCERS)
- University of California

2021 Actuarial Timeline

- March 22, 2021 Board Meeting
  - Present results of 2020 Actuarial Valuation Replication
  - Peer Group Comparisons
  - Review current market expectations of investment consultants
- May 24, 2021 Board Meeting
  - Present preliminary valuation results (baseline @ 6.875%)
  - Impact and projections of reducing assumed rate of return
    - 6.75% or 6.50%
    - 6.75% in 2021 with 0.125% until 6.25% in 2025
    - Phase-in UAL payment over a specified number of years; impact on normal cost rate would be immediate
  - Board to consider adopting a lower assumed rate of return
- June 28, 2021 Board Meeting
  - Review results of the January 1, 2021 Actuarial Valuation
  - Board to adopt contribution rates

2020 Actuarial Valuation Replication

2020 Actuarial Valuation Replication

- We performed an independent replication of GRS' 2020 valuation
  - Processed 2020 census data provided by SLOCPT
  - Programmed SLOCPT benefits into our valuation software
  - Applied current assumptions and methods
  - Calculated liabilities and contribution rates
- Results within 5% (the industry standard) of GRS; however, most within 1%
  - Aggregate Plan
  - Miscellaneous, Probation, Safety
  - Normal Cost Rates by Group and Tier

2020 Actuarial Valuation Replication

- We reviewed GRS' actuarial assumptions and methods recommended in their 12/31/2019 experience study
  - Assumptions are reasonable, individually and in the aggregate
  - For the next experience study, we may suggest a few different approaches to some of the demographic assumptions
- Since the last experience study, there is increased uncertainty in markets and economic environment due to COVID-19
- Recommend the Board review economic assumptions before the completion of the January 1, 2021 valuation

2020 Actuarial Valuation Replication

- Highlights of Assumption Review
  - Strongly support GRS' recommended reduction to the assumed rate of return from 7.0%
    - Current market expectations have decreased considerably since the beginning of 2020
    - Warrants another review of expected return on SLOCPT's portfolio before next experience study in 2022
  - Strongly support move to new public sector plan mortality tables
    - However, will consider Safety tables for Safety members in next study
  - Propose analyzing retirement rates based on service and age, not just age
    - A member is more likely to retire if they have 30 years of service than 15 years, due to receiving a larger retirement benefit, all else equal
    - Potentially underestimate liabilities using age-based rates only
  - Propose analyzing salary merit increase separately for General and Safety members
    - Tend to have different patterns of increase throughout careers

2020 Actuarial Valuation Replication – Total Plan

San Luis Obispo Pension Trust
Summary of Valuation Results as of January 1, 2020
($ in thousands)

	GRS	Cheiron	Ratio
Present Value of Benefits (PVB)	$ 2,470,063	$ 2,481,625	100.5%
Actuarial Liability (AL)	$ 2,170,071	$ 2,172,874	100.1%
Actuarial Value of Assets (AVA)	1,416,763	1,416,763	100.0%
Unfunded Actuarial Liability (UAL)	$ 753,308	$ 756,111	100.4%
Funded Percentage	65.29%	65.20%	99.9%
Contribution Rate by Component			
Total Normal Cost	21.04%	20.78%	98.8%
UAL Payment Rate	26.88%	26.87%	100.0%
Actuarially Determined Contribution (ADC)	47.92%	47.65%	99.4%

2020 Actuarial Valuation Replication – By Group

Comparison of Valuation Results by Group
Miscellaneous

	GRS	Cheiron	Ratio
Present Value of Benefits			
Actives	$ 714,040	$ 723,038	101.3%
All Inactives	1,172,081	1,174,232	100.2%
Total Misc PVB	$ 1,886,121	$ 1,897,270	100.6%
Actuarial Liability (AL)			
Actives	$ 500,967	$ 499,698	99.7%
All Inactives	1,172,081	1,174,232	100.2%
Total AL	$ 1,673,048	$ 1,673,930	100.1%
Contribution Rate by Component			
Total Normal Cost Rate	19.80%	19.59%	98.9%
UAL Payment Rate	25.45%	25.38%	99.7%
Miscellaneous ADC	45.25%	44.97%	99.4%

2020 Actuarial Valuation Replication – By Group

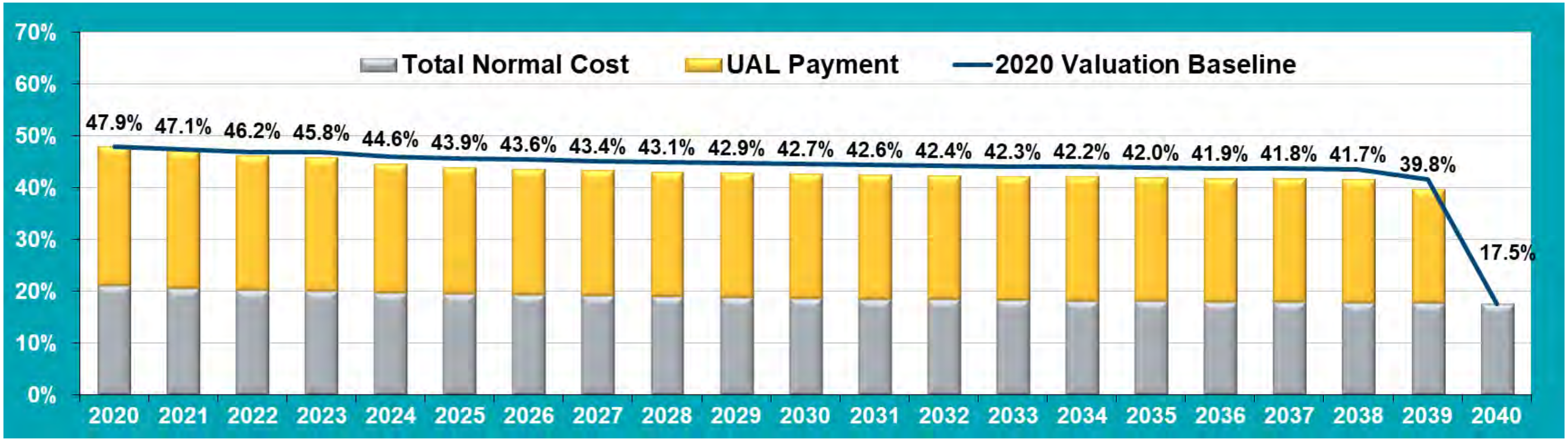
Comparison of Valuation Results by Group						
	Probation			Safety		
	GRS	Cheiron	Ratio	GRS	Cheiron	Ratio
Present Value of Benefits						
Actives	$ 56,470	$ 57,020	101.0%	$ 167,174	$ 164,547	98.4%
All Inactives	56,330	56,608	100.5%	303,968	306,180	100.7%
Total PVB	$ 112,800	$ 113,628	100.7%	$ 471,142	$ 470,727	99.9%
Actuarial Liability (AL)						
Actives	$ 36,340	$ 36,474	100.4%	$ 100,386	$ 99,682	99.3%
All Inactives	56,330	56,608	100.5%	303,968	306,180	100.7%
Total AL	$ 92,670	$ 93,082	100.4%	$ 404,354	$ 405,862	100.4%
Contribution Rate						
Total Normal Cost Rate	24.91%	24.67%	99.0%	26.87%	26.35%	98.1%
UAL Payment Rate	24.94%	25.09%	100.6%	36.09%	36.29%	100.6%
ADC Rate	49.85%	49.76%	99.8%	62.96%	62.64%	99.5%

2020 Actuarial Valuation Replication

Normal Cost Rates by Group and Tier

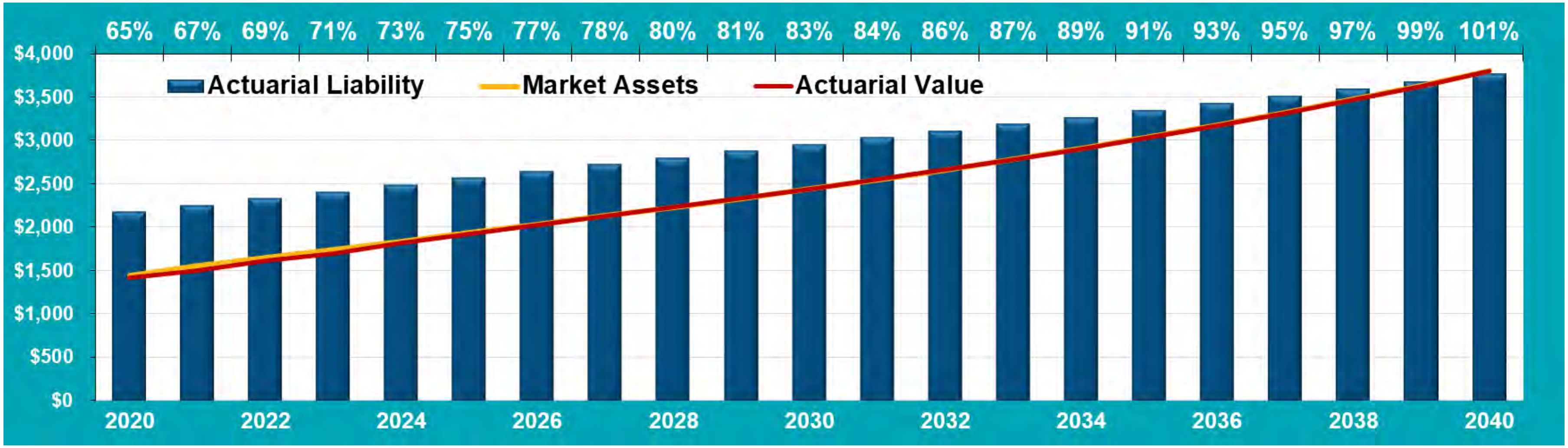
Group/Tier	Tier 1	Tier 2	Tier 3	Total
GRS				
Miscellaneous	23.8%	18.8%	15.9%	19.8%
Probation	27.1%	N/A	20.1%	24.9%
Safety	29.7%	27.2%	23.7%	26.9%
Blended	24.8%	20.4%	17.1%	21.0%
Cheiron				
Miscellaneous	23.0%	18.9%	16.1%	19.6%
Probation	27.1%	N/A	19.0%	24.7%
Safety	29.2%	27.6%	22.6%	26.3%
Blended	24.1%	20.6%	17.1%	21.0%
Ratio				
Miscellaneous	97%	101%	101%	99%
Probation	100%	N/A	95%	99%
Safety	98%	100%	96%	98%
Blended	97%	101%	100%	100%

2020 Projections – Actuarially Determined Contributions



- Projections include an estimated asset return of 10.1% for 2020
- Expected decrease in 2021 contribution rate of about 0.5% of pay
  - Cheiron replication 0.3% of pay lower
  - New Tier 3 members assumed to replace Tier 1 and Tier 2 members that retire or leave County employment, 0.2% impact
- Additional decrease of about 0.3% of pay due to asset experience
- Projections assume 6.875% return on assets each year and that all other actuarial assumptions are met each year

2020 Projections – Funded Status

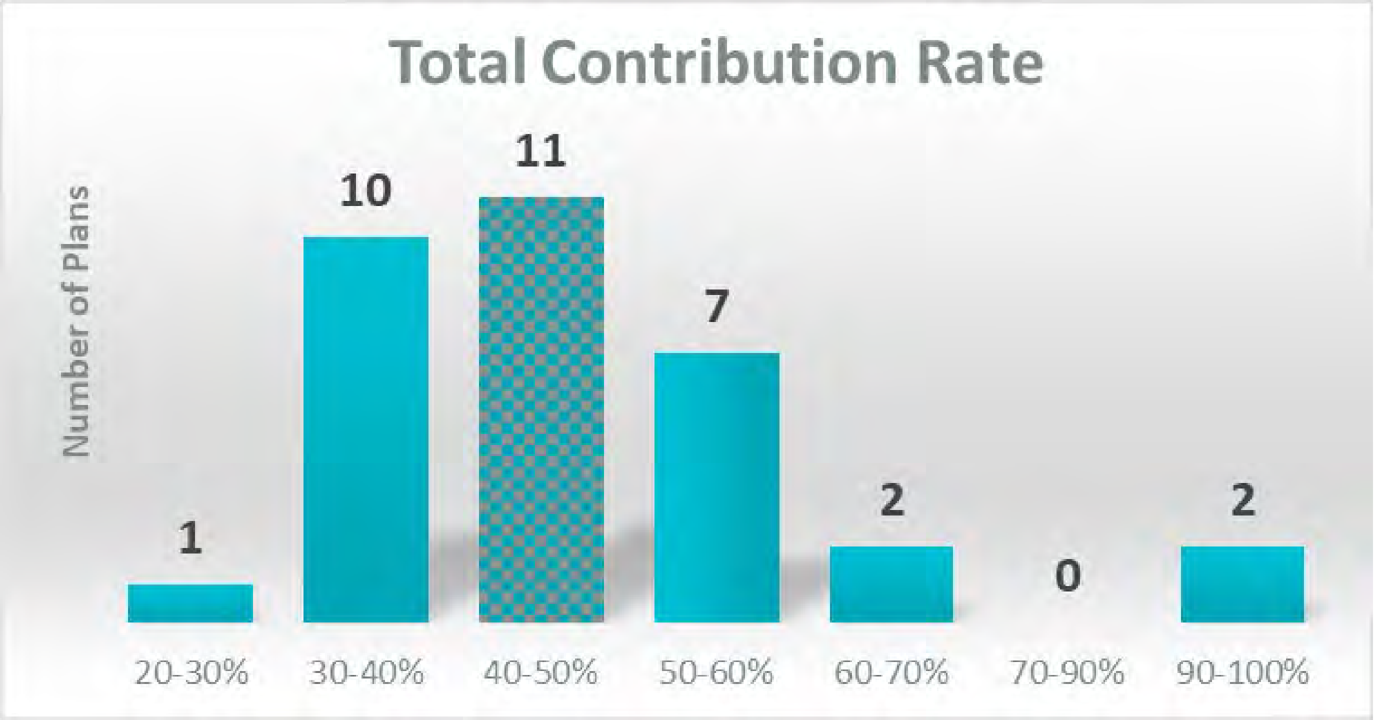


- Projections include an estimated asset return of 10.1% for 2020
- SLOCPT is projected to make steady funding progress over the next twenty years
- UAL payment large enough to pay down interest and principal going forward
- Projections assume 6.875% return on assets each year and that all other actuarial assumptions are met each year

Peer Group Comparisons

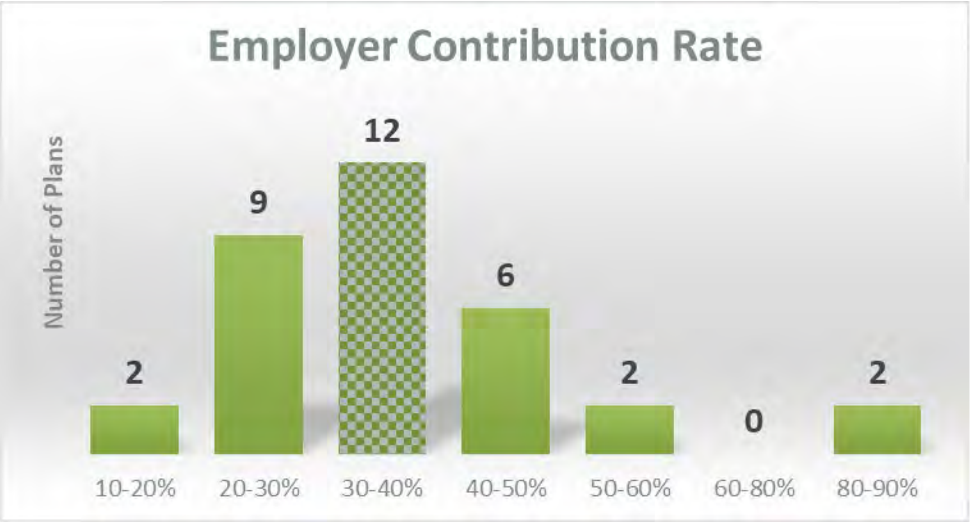
- Cheiron's 2020 Survey of California Pension Funds
  – Contribution Rates
  – Single Equivalent Amortization Period for UAL Payment
  – Funded Status
  – Price Inflation
  – Wage Inflation
  – Assumed Rate of Return/Discount Rate

Peer Comparison – Total Contribution Rate

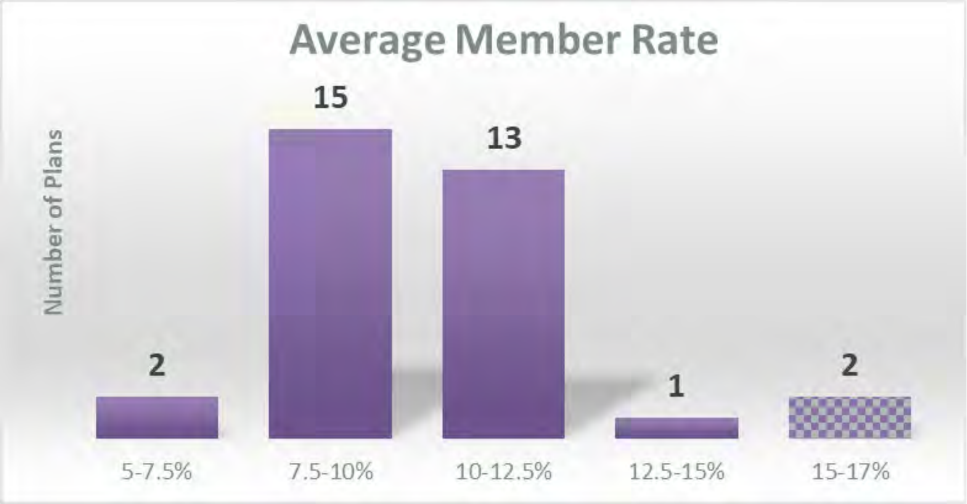


- The median rate is 43.2%, slightly lower than SLOCPT's rate of 47.9%

Peer Comparison – Employer/Employee Rates

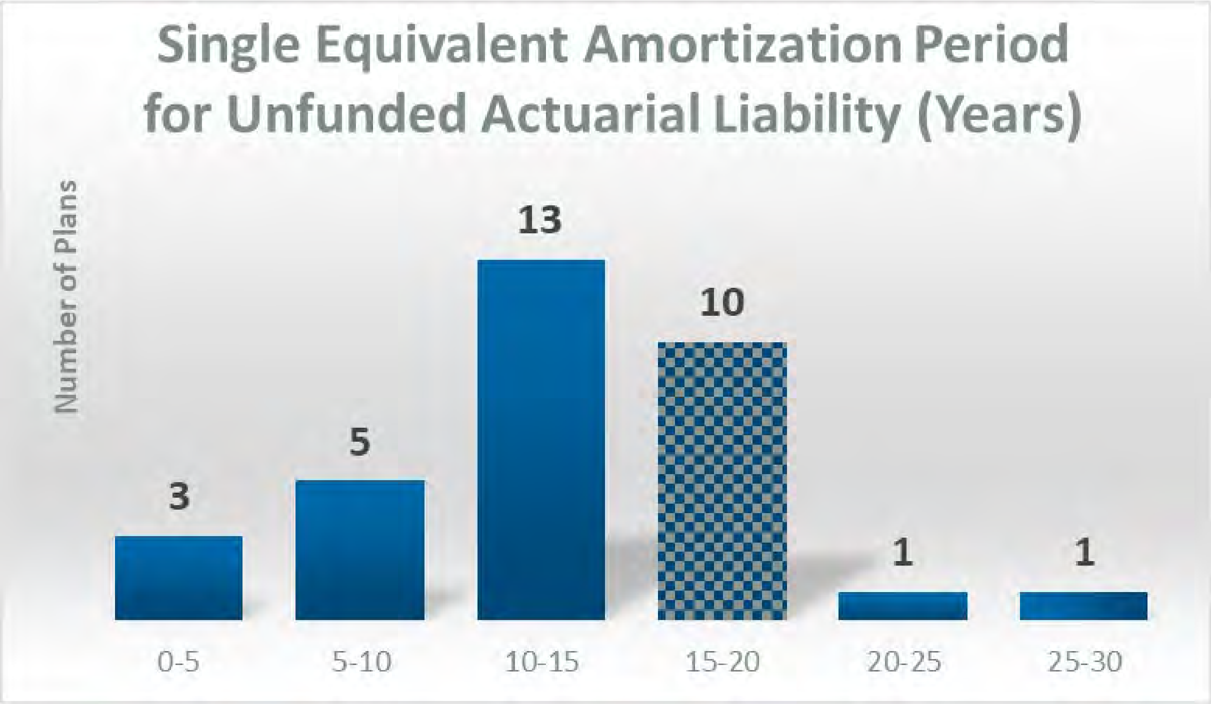


- Employer Rate
  - Median: 33.6%
  - SLOCPT: 31.6%



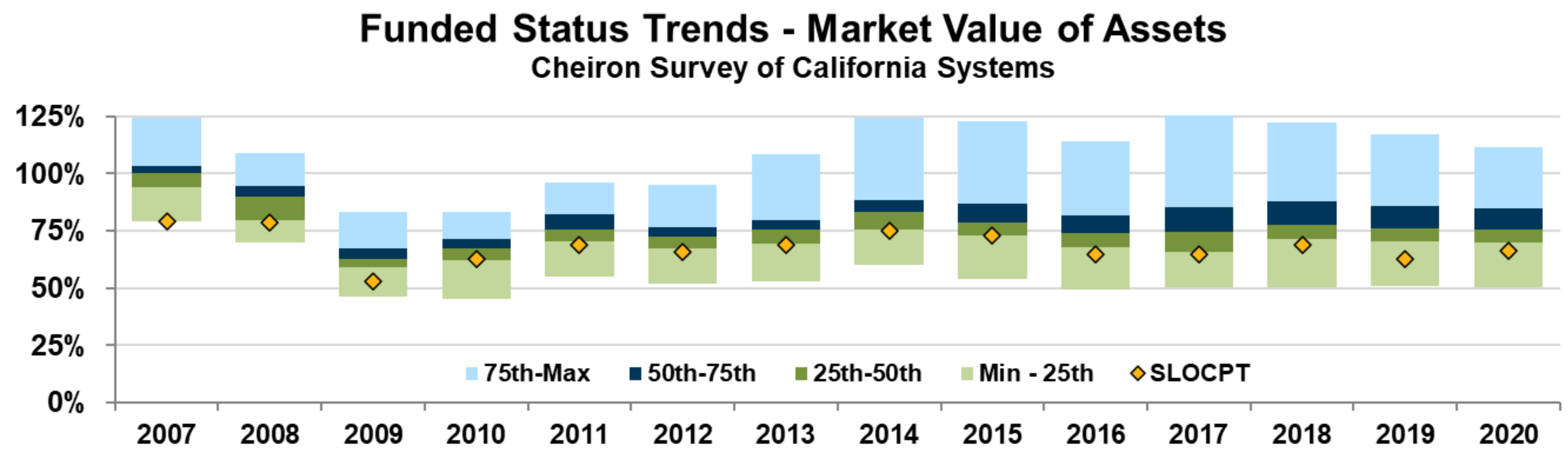
- Employee Rate
  - Median: 9.9%
  - SLOCPT: 16.3%

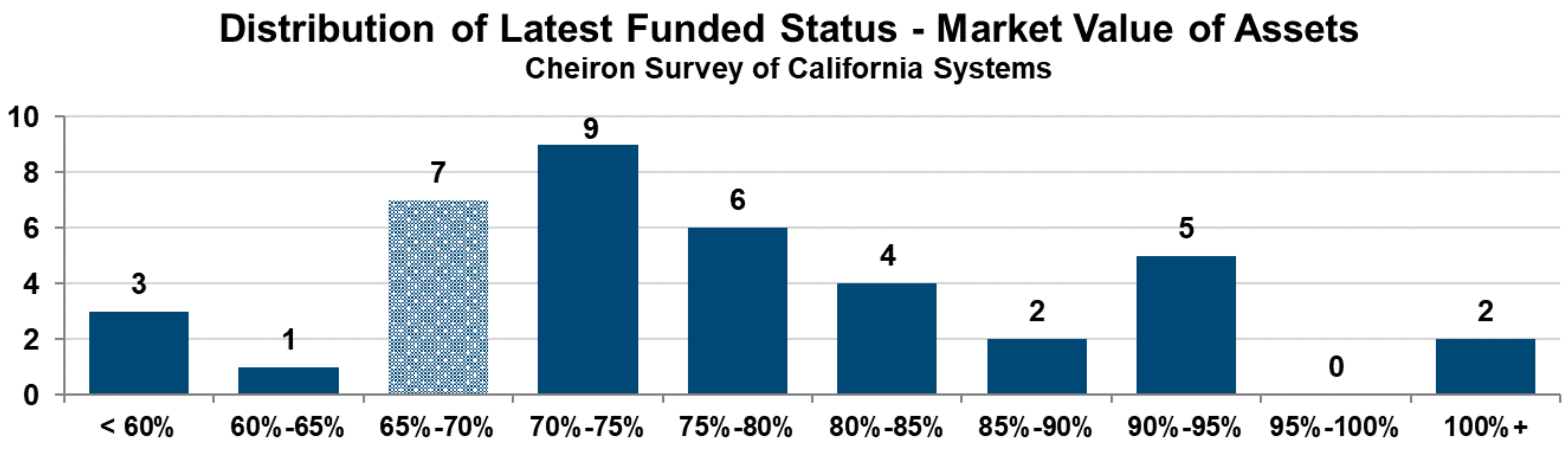
Single Equivalent Amortization Period



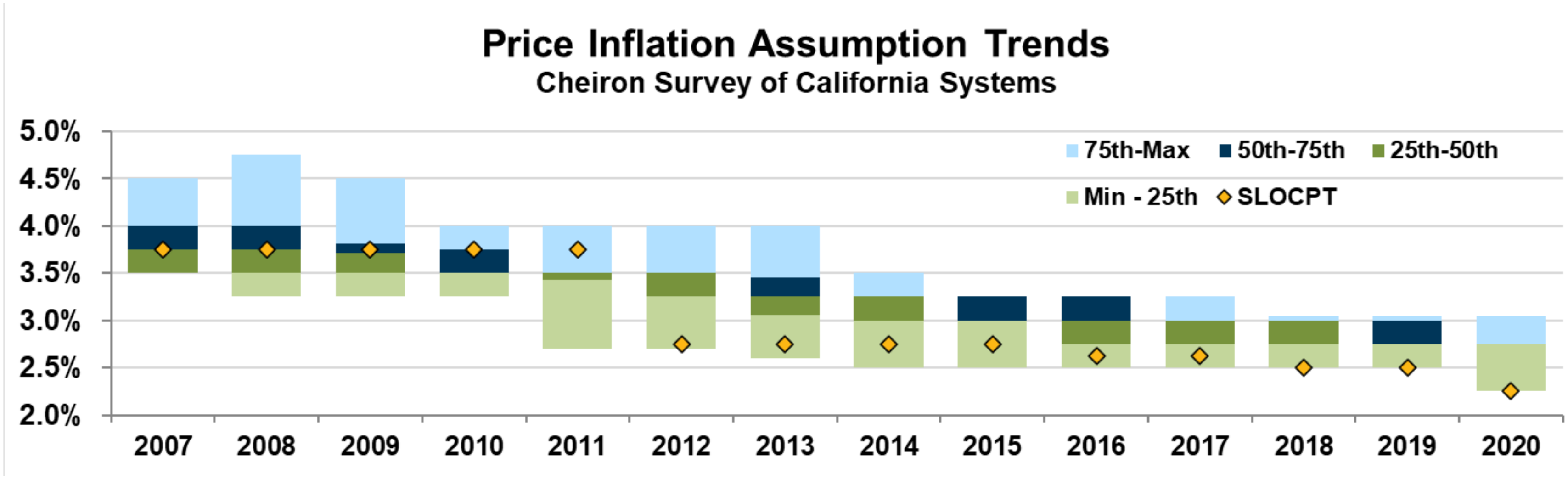
- Number of years to pay off UAL if current payment were made each year
- Median number of years is 14, compared to 20 years for SLOCPT

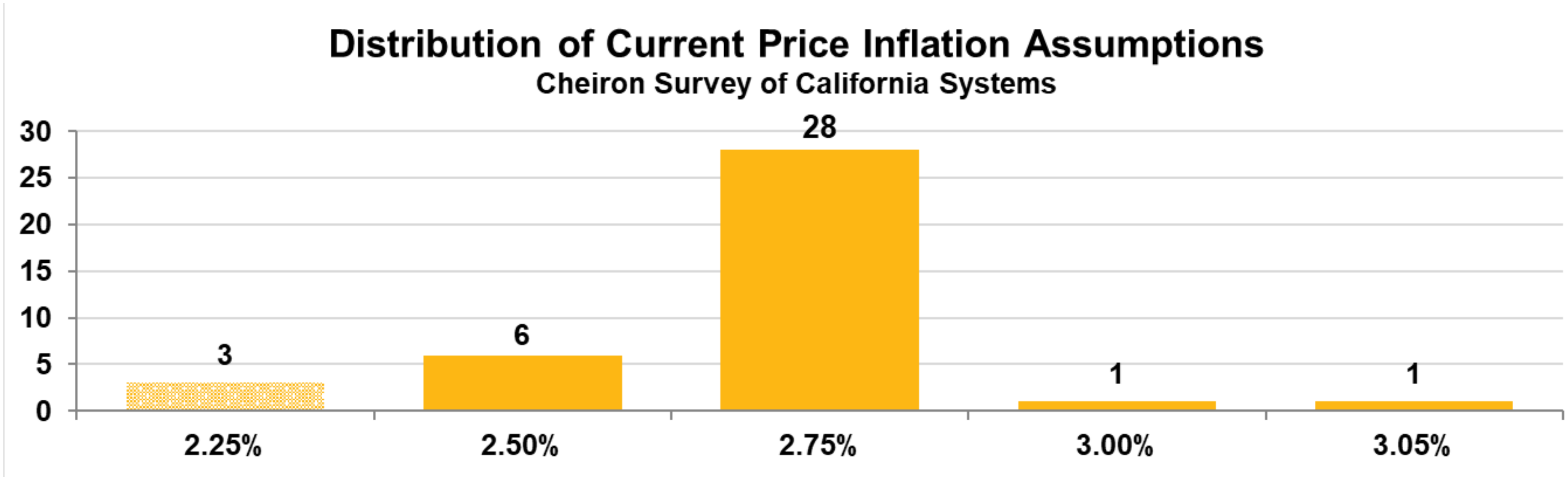
Funded Status based on Market Value of Assets



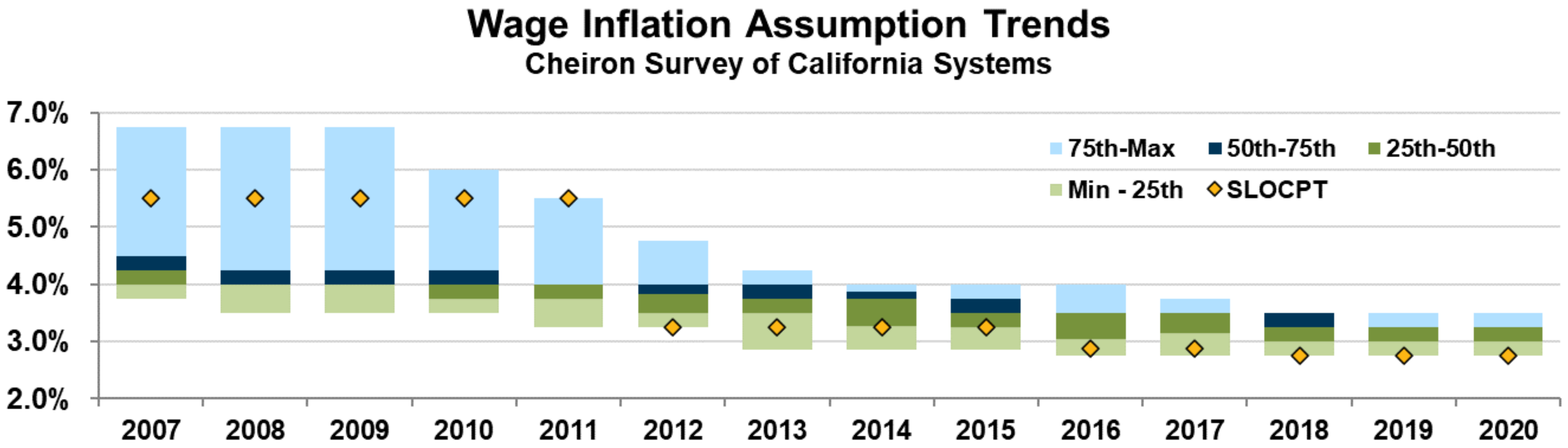


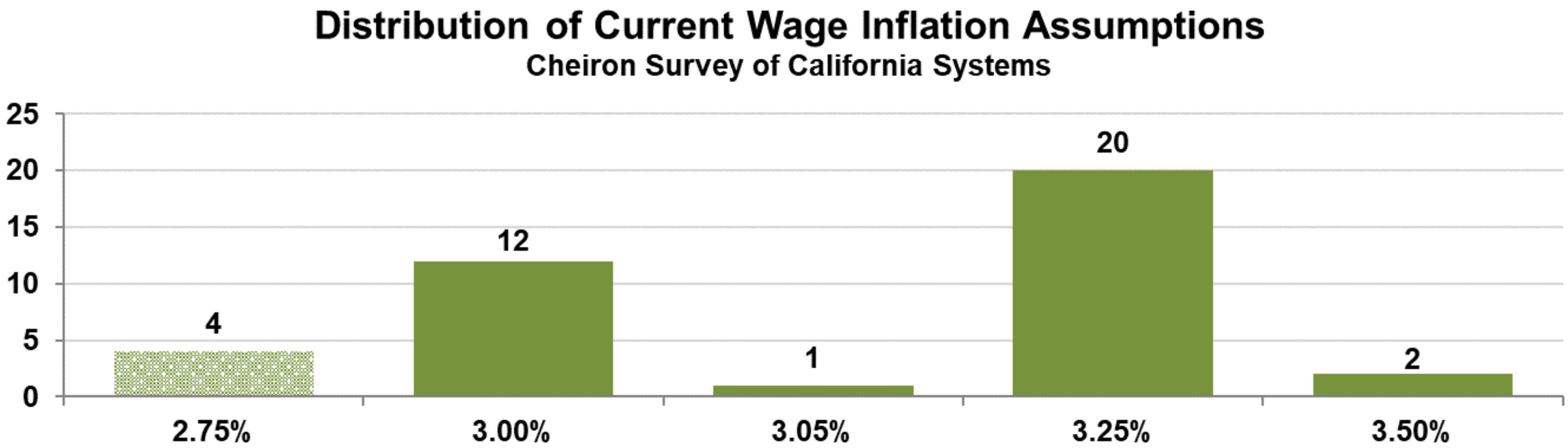
Economic Assumptions – Price Inflation



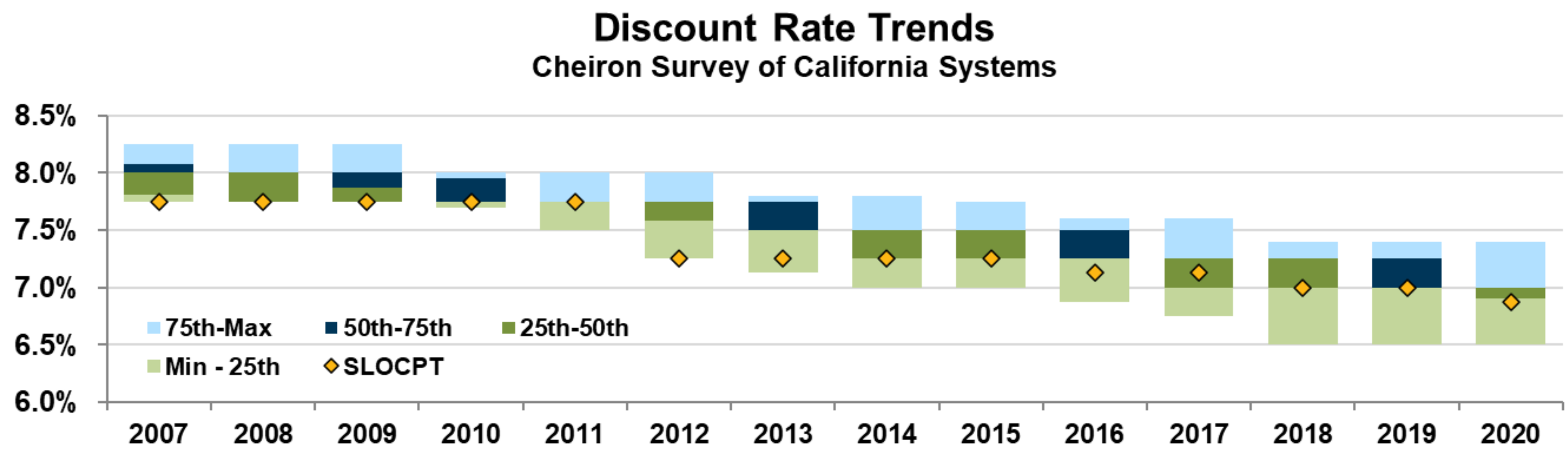


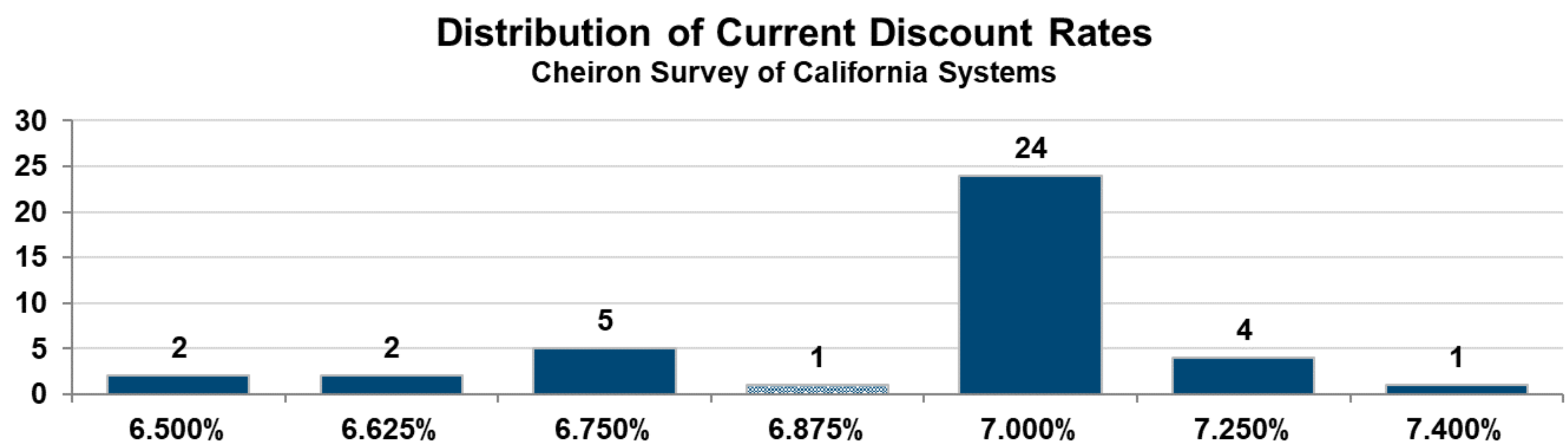
Economic Assumptions – Wage Inflation





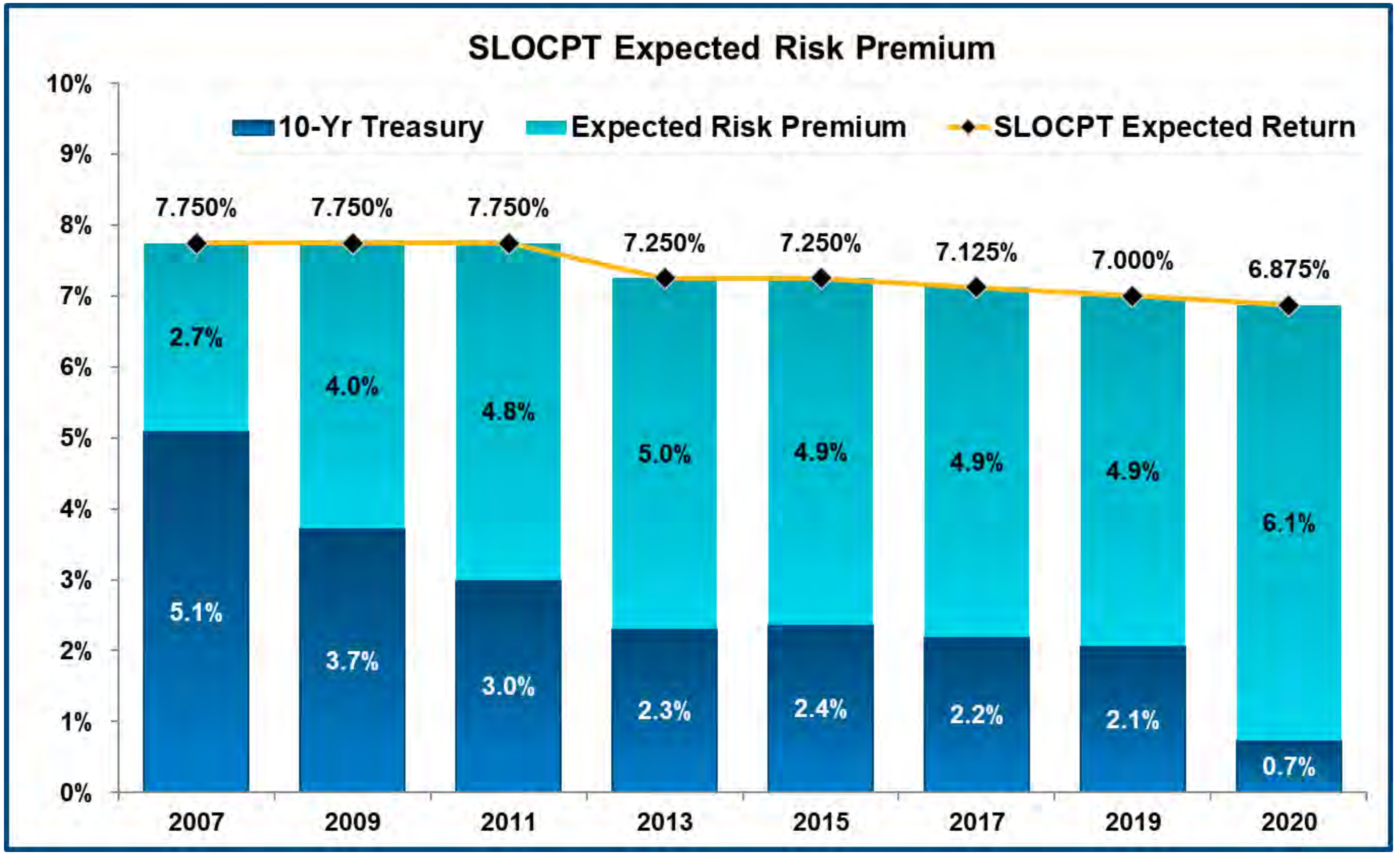
Economic Assumptions – Discount Rate





Discount Rate and Expected Risk Premium

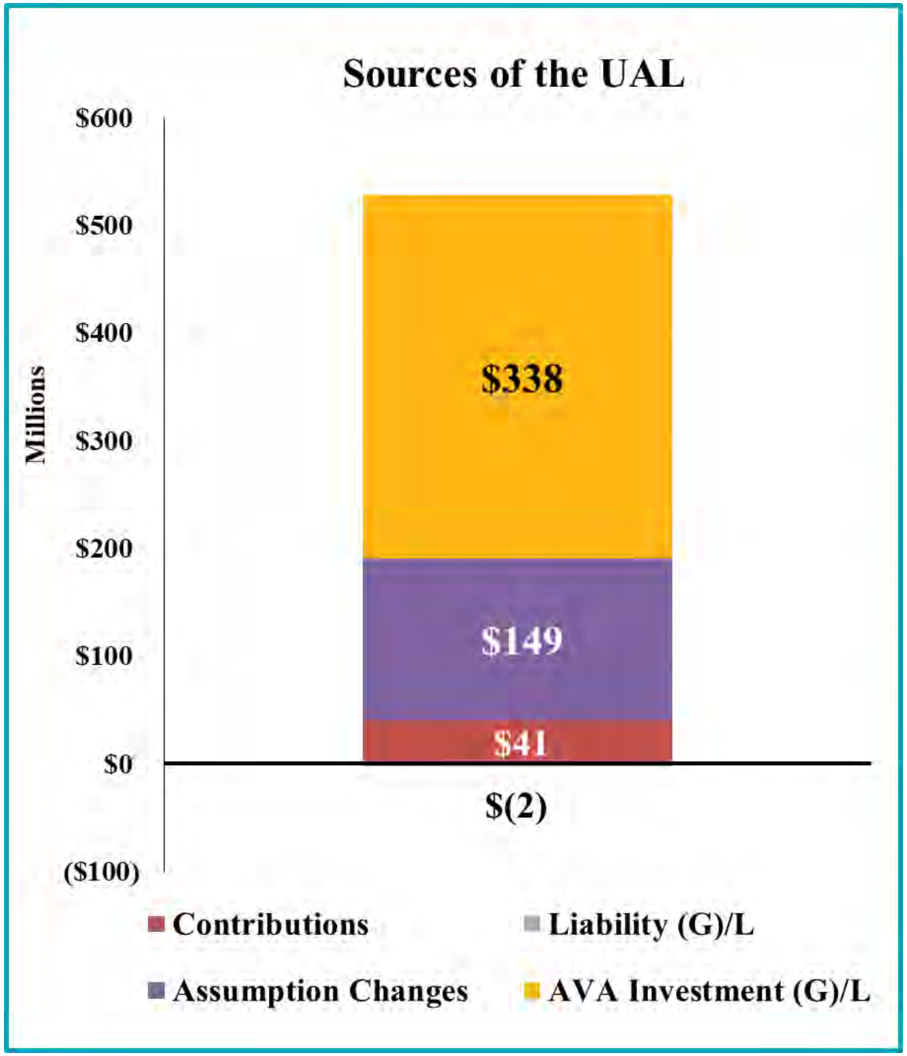
- Today, more risk needs to be taken to achieve a lower expected return



Discount Rate – Analysis

- Current assumption = 6.875%
  - Real rate of return = 4.625%
  - Price Inflation = 2.250%
- Context for selecting the discount rate
  - Historical experience
  - Industry trends
- Primary factors considered in selecting the discount rate
  - Expectations for the future
  - Board's risk preference

Sources of UAL since January 1, 2008



- 1/1/2020 UAL: $753 million
- UAL has increased $526 million since 1/1/2008
- **Investment Losses:** 64% of increase in the last 12 years
  - Annual average return on Actuarial Value of Assets: 5.0%
- **Assumption Changes: $149 million**
  - Discount rate reductions from 7.75% to 6.875%
  - Offset by Wage Inflation reductions from 5.5% to 2.75%
  - Demographic assumption changes including longevity improvements
- **Contributions**
  - UAL payments less than interest on UAL
  - "Negative amortization"

Target Allocation and Assumptions

Verus 10-year Assumptions (2021)				
Asset Category	**Target Allocation**	**Arithmetic Return**	**Geometric Return**	**Standard Deviation**
Cash	4.00%	0.2%	0.2%	1.2%
Global Equity	30.00%	6.6%	5.2%	17.3%
Private Equity	18.00%	12.1%	9.3%	25.7%
US TIPS	7.00%	1.2%	1.1%	5.3%
US Treasury	8.00%	0.9%	0.7%	6.7%
Global Sovereign ex-US	0.00%	0.6%	0.1%	9.6%
US Core	0.00%	1.6%	1.5%	4.0%
Short-Term Govt/Credit	6.00%	0.8%	0.7%	3.6%
Bank Loans	0.00%	0.0%	0.0%	0.0%
Private Credit	12.00%	5.2%	4.6%	11.2%
EMD USD	0.00%	0.0%	0.0%	0.0%
EMD Local	0.00%	0.0%	0.0%	0.0%
Real Estate	5.00%	6.5%	5.8%	12.6%
Value Add Real Estate	5.00%	9.1%	7.8%	17.1%
Infrastructure	5.00%	9.4%	7.8%	18.8%
Total	**100%**	**6.2%**	**5.6%**	**11.4%**
Real Return		**4.2%**	**3.6%**	

Comparison of CMA Expectations

- Comparison to other investment consultants' capital market assumptions (CMA)
  - Asset classes aren't always a perfect match
  - Used Verus' assumptions when no reasonable match available (e.g. alternative asset classes)
- Horizon Survey of 39 Investment Consultants including:

Verus	Marquette
Aon	Meketa
BlackRock	Morgan Stanley
Callan	RVK
Cambridge	Voya

Expected Return Assumptions

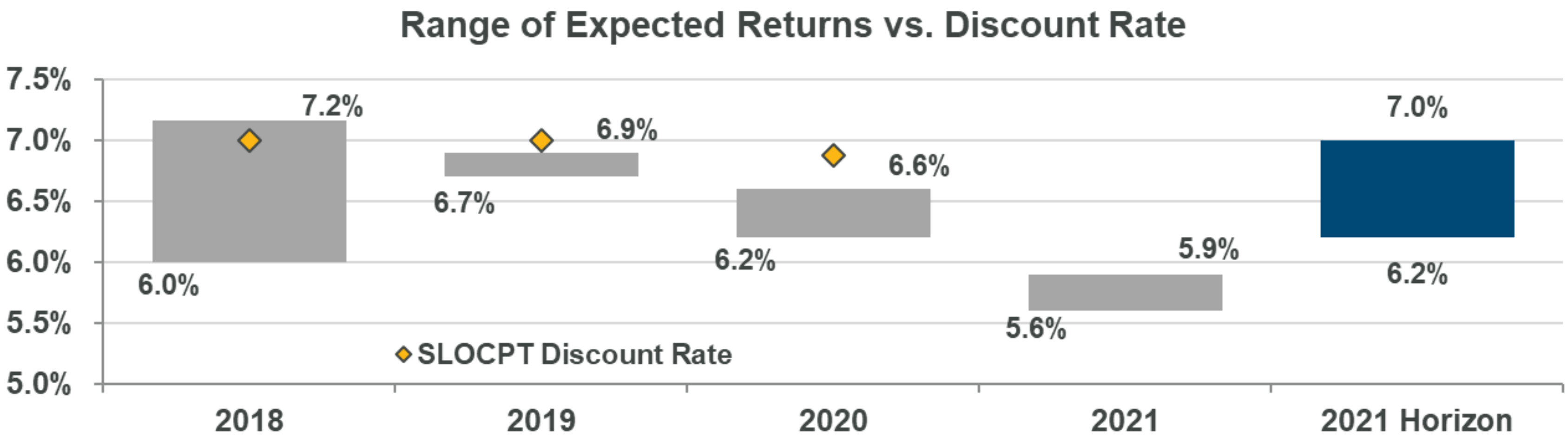
SLOCPT Portfolio Return Expectations (Net of Expected Administrative Expenses of 0.20%)			
Source	**Nominal**	**Inflation**	**Real**
2021 Verus (10-year)	5.43%	2.00%	3.43%
2020 Horizon Survey (10-year)	6.04%	1.98%	4.06%
2021 Verus (30-year)	5.70%	2.00%	3.70%
2020 Horizon Survey (20-year)	6.78%	2.17%	4.61%
Current SLOCPT Assumptions	6.875%	2.25%	4.625%

Expected Return on Assets

Expected Distribution of Average Annual Asset Return (Net of Expected Administrative Expenses of 0.20%)				
	Verus		Horizon Survey	
Percentile	10 Years	30 Years	10 Years	20 Years
95th	11.5%	9.1%	12.2%	10.3%
75th	7.9%	7.1%	8.5%	8.2%
65th	**6.8%**	**6.5%**	**7.4%**	**7.6%**
60th	**6.3%**	**6.2%**	**7.0%**	**7.3%**
50th	**5.4%**	**5.7%**	**6.0%**	**6.8%**
40th	**4.5%**	**5.1%**	**5.1%**	**6.3%**
35th	**4.1%**	**4.9%**	**4.7%**	**6.0%**
25th	3.0%	4.3%	3.6%	5.4%
5th	-0.3%	2.3%	0.3%	3.4%

- All scenarios show less than a 50% chance of achieving the current assumed rate of return of 6.875%
- Horizon Survey expected returns are about 0.6% and 1.1% higher than Verus' 10-year and 30-year returns, respectively

Capital Market Assumption Volatility



Gray bars represent Verus' 10-year and 30-year range of SLOCPT's expected returns.

Blue bar represents the range of expected returns, 10-year and 20-year, using the 2021 Horizon Survey's capital market assumptions.

Returns are gross of expected administrative expenses.

- Capital market assumptions change annually as market conditions change
- Current economic environment extremely volatile and uncertain
- Discount rate should be adjusted to reflect long-term trends, but shouldn't overreact to short-term fluctuations

Looking Forward to a Long and Productive Relationship!

The purpose of this presentation is to show the replication results of the January 1, 2020 actuarial valuation for the San Luis Obispo County Pension Trust. This presentation is for the use of the Board of Trustees and its auditors.

In preparing our presentation, we relied on information, some oral and some written, supplied by the San Luis Obispo County Pension Trust. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The actuarial assumptions, data, and methods are those used in the preparation of the actuarial valuation report as of January 1, 2020.

The assumptions reflect our understanding of the likely future experience of the Retirement Plan, and the assumptions as a whole represent our best estimate for the future experience of the Retirement Plan. Future results may differ significantly from the current results presented in this presentation due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Deterministic projections in this presentation were developed using P-scan, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the Retirement Plan. P-scan uses standard roll-forward techniques that implicitly assume a stable active population. Because P-scan does not automatically capture how changes in one variable affect all other variables, some scenarios may not be consistent.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared exclusively for the San Luis Obispo County Pension Trust for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

Anne Harper, FSA, MAAA, EA
Principal Consulting Actuary

Alice Alsberghe, ASA, MAAA, EA
Consulting Actuary

Appendix A – California Systems in Cheiron Survey

Cheiron's 2020 Survey of Public Retirement Systems in California

System Name	Discount Rate	Wage Inflation	Price Inflation	Valuation Date
ACERA - Alameda County	7.00%	3.50%	2.75%	12/31/2020
Alemeda Transit	7.00%	3.00%	2.75%	12/31/2019
CalPERS - State	7.00%	2.75%	2.50%	6/30/2018
CalSTRS - Defined Benefit	7.00%	3.50%	2.75%	6/30/2019
City of Fresno - Employee System	7.00%	3.25%	2.75%	6/30/2020
City of Fresno - Fire & Police	7.00%	3.25%	2.75%	6/30/2020
City of San Jose Federated	6.625%	3.00%	2.25%	6/30/2020
City of San Jose Police & Fire	6.625%	3.00%	2.25%	6/30/2020
Contra Costa County ERA	7.00%	3.25%	2.75%	12/31/2019
East Bay Muncipal Utility District	7.00%	3.25%	2.75%	6/30/2019
FCERA - Fresno County	7.00%	3.25%	2.75%	6/30/2020
Golden Gate Transit	7.00%	3.25%	2.75%	12/31/2019
ICERS - Imperial County	7.00%	3.25%	2.75%	6/30/2020
KCERA - Kern County	7.25%	3.25%	2.75%	6/30/2020
LACERA - Los Angeles County	7.00%	3.25%	2.75%	6/30/2020
LACERS - Los Angeles City	7.00%	3.25%	2.75%	6/30/2020
Los Angeles Fire & Police Pension	7.00%	3.25%	2.75%	6/30/2020
Los Angeles Water and Power	7.00%	3.25%	2.75%	6/30/2020
MCERA - Marin County	6.75%	3.00%	2.50%	6/30/2020
MCERA - Mendocino County	6.75%	3.25%	2.75%	6/30/2020
MCERA - Merced County	7.00%	2.75%	2.50%	6/30/2020
OCERS - Orange County	7.00%	3.25%	2.75%	12/31/2019
Sacramento Regional Transit	7.25%	3.00%	3.00%	6/30/2020
SamCERA - San Mateo County	6.50%	3.00%	2.50%	6/30/2020
SBCERA - San Bernardino County	7.25%	3.25%	2.75%	6/30/2020
San Diego Transit	6.75%	2.75%	2.75%	6/30/2020
SBCERS - Santa Barbara County	7.00%	3.00%	2.75%	6/30/2020
Santa Clara Valley Transit	7.00%	3.00%	2.75%	12/31/2019
SCERA - Sonoma County	7.00%	3.25%	2.75%	12/31/2019
SCERS - Sacramento County	6.75%	3.00%	2.75%	6/30/2020
SDCERA - San Diego County	7.00%	3.25%	2.75%	6/30/2020
SDCERS - San Diego City	6.50%	3.05%	3.05%	6/30/2020
SFERS - San Francisco	7.40%	3.25%	2.50%	6/30/2019
SJCERA - San Joaquin County	7.00%	3.00%	2.75%	12/31/2019
SLOCPT - San Luis Obispo County	6.875%	2.75%	2.25%	12/31/2019
StanCERA - Stanislaus County	7.00%	3.00%	2.75%	6/30/2020
TCERA - Tulare County	7.00%	3.00%	2.75%	6/30/2020
University of California	6.75%	3.25%	2.50%	6/30/2020
VCERA - Ventura County	7.25%	3.25%	2.75%	6/30/2020
Minimum	**6.50%**	**2.75%**	**2.25%**	
Median (50th Percentile)	**7.00%**	**3.25%**	**2.75%**	
Maximum	**7.40%**	**3.50%**	**3.05%**	

Contribution Rate and Single Equivalent Amortization Period comparisons do not include the Transit Systems and East Bay Municipal Utility District (slides 17-19)

CHEIRON

Classic Values, Innovative Advice.

Cheiron *(pronounced kī´ · ron), the immortal centaur from Greek mythology, broke away from the pack and was educated by the gods. Cheiron became a mentor to classical Greek heroes, then sacrificed his immortality and was awarded in eternity as the constellation Sagittarius.*

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Pension Trust

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www.SLOPensionTrust.org

San Luis Obispo County
Pension Trust
SLOCPT

Date: March 22, 2021

To: Board of Trustees

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

Agenda Item 8: Employer Contributions Prefunding

Recommendation:

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

1. To agree to the FY21-22 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 **suggested rate for 2021 benchmarked to the Plan's adopted real rate of return**:

	2020 FY20-21 Prefunding Adopted	2021 FY21-22 Prefunding **Proposed**
Prefunding Discount Rate = Plan's Real Rate of Return Assumption	4.500%	**4.625%**

** Note: A different real rate of return may be discussed and approved for the 2021 Actuarial Valuation at the May 2021 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 FY21-22 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 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 2020 was the then assumed real rate of return adopted and used in the January 1, 2019 Actuarial Valuation.

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 employer continue to be made on a pay-period basis throughout the year.

- If the actual earnings on investments is <u>less</u> 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 <u>greater</u> 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.

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 adopted discount rate used for prefunding greater than that of historical markets. This is reflected in the intermediate (10 year) capital market assumptions presented by Verus (investment consultant) in February 2021 being approximately 5.6%. For comparison, reducing this rate by the Plan's current assumed rate of inflation of 2.25% brings this rate down to 3.35%.

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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Pension Trust

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San Luis Obispo County
Pension Trust
SLOCPT

Date: March 22, 2021

To: Board of Trustees

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

Agenda Item 9: Administrative and Capital Expenditures Budget for Fiscal Year 2021-2022

Recommendation:

It is recommended that the Board of Trustees review and direct staff as necessary regarding the Proposed Administrative Budget for the Fiscal Year 2021-2022 ("FY21/22") (Attachments A through C). A final draft of these budget schedules, based on direction given to staff, will be presented for approval at the regular meeting scheduled for May 24, 2021.

Discussion - Expenditures:

The expense categories presented in the attached **Proposed Administrative Budget** for the FY21/22 have been updated based upon varied assumptions, prior year experiences and staff's best estimates of future events. **Overall staff believes a 6.7% increase in the total budgeted amount when compared to the approved Administrative Budget for Fiscal Year 2020-2021 is appropriate. This represents a $192,500 increase compared to prior year from $2.89 million to $3.09 million.**

Staff's basis for components of this change are further detailed in the sections bellow. This proposed amount represents 0.20% of the total unaudited Net Position of SLOCPT as of December 31, 2020.

- **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). Also, an estimated amount has been added this year to include the expenses associated with the retention of a Private Markets Discretionary Advisor Search Consultant. The calculation of total predicted expenses uses assumptions based on the unaudited market value of investment assets as of 12/31/2020 where appropriate and adds a 5.60% investment return that was taken from Verus's Capital Market Expectations report presented earlier this year. The relatively large increase is attributable to the Private Markets Discretionary Advisor Search Consultant expenses as well as increased costs for Custodial Bank services due to larger asset balances and increased fees.

- **Personnel Services –** (see Attachment B) Includes all expenses related to SLOCPT's staff. Assumes the following: 1) 2% increase in salaries for FY21-22, 2) payroll tax rates will stay consistent with 2021 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 1.96% effective with the pay period that includes 7/1/21, and 5) applicable salary step increases and promotions for staff members determined to be eligible.

  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 –**

  - <u>Accounting & Auditing</u>: Based on quoted price from 2020 engagement letter with Brown Armstrong (SLOCPT's annual financial statement audit firm). The 2020 Audit is the third of the current 5-year engagement letter with Brown Armstrong.

  - <u>Actuarial</u>: Based on 2021 contract with Cheiron (SLOCPT's Actuary). Also includes estimate of expected costs relating to additional Actuarial services performed throughout the year. The increase in expense is attributable to the addition of associated biennial Experience Study costs.

  - <u>Legal</u>: 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.

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

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

  - <u>Information Technology Services</u>: Includes expenses related to PensionGold software system maintenance (per contract) and IT services provided by the County of San Luis Obispo. The increase in budgeted expense is related to the graduated fees agreed to in the PensionGold contract and increased fees for Network and Server Memory costs.

- 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 related 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 10%.

  - Building & Maintenance: Estimate based on current year expenses. Totals include operating expenses such as janitorial services, building utilities and landscape maintenance. Projected expenses have decreased due to removal of costs associated with the security system upgrade completed in FY20-21. Additionally, janitorial service costs have been reduced due to a reassessment of actual needs that were brought to light during the reduced office presence related to the global pandemic. Costs associated with parking lot resurfacing, flooring replacement and interior painting have been rolled into FY21-22 and are reflected in proposed total.

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

  - 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 optimistic view that business travel will resume.

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

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

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

Attachments:

Attachment A – Proposed Administrative Budget for Fiscal Year 2021-2022

Attachment B – Proposed Staffing

Attachment C – Proposed Training & Travel

Attachment A

San Luis Obispo County Pension Trust
PROPOSED ADMINISTRATIVE BUDGET:
Fiscal Year 2021-2022

	FY19-20 Actual Expenses	FY20-21 Estimated Expenses	FY20-21 Adopted Budget	FY21-22 Proposed Budget	Increase/ Decrease From PY
INVESTMENT EXPENSE:					
Invest. Exp. (Custody, Consultant)	**$ 486,383**	**$ 559,000**	**$ 511,000**	**$ 664,000**	**$ 153,000**
ADMINISTRATIVE EXPENSE:					
Personnel Services	**$ 1,097,470**	**$ 1,197,000**	**$ 1,197,000**	**$ 1,225,000**	**$ 28,000**
Professional Service					
Accounting & Auditing	59,657	60,000	60,000	60,000	-
Actuarial	109,352	83,000	87,500	114,000	26,500
Legal	177,332	211,000	220,000	220,000	-
Medical Evaluations - Disabilities	17,625	25,000	25,000	25,000	-
Human Resources Consulting	5,000	5,000	5,000	5,000	-
Information Technology Services	65,418	252,000	253,000	267,500	14,500
Banking and Payroll	19,536	19,000	21,000	20,500	(500)
Other Professional Services	1,518	2,000	2,000	2,000	-
Total Professional Services	**$ 455,438**	**$ 657,000**	**$ 673,500**	**$ 714,000**	**$ 40,500**
Other Expenses					
Trustee Election Expenses	-	6,000	6,000	6,000	-
Property Taxes	-	3,000	3,000	-	(3,000)
Insurance	115,839	118,000	126,000	128,000	2,000
Building Maintenance	42,064	36,000	74,000	44,500	(29,500)
Office Expense	21,260	26,000	28,000	28,000	-
Memberships & Publications	6,234	6,000	6,500	6,500	-
Postage	33,609	29,000	32,000	30,000	(2,000)
Communications	2,605	3,000	3,500	4,500	1,000
Training & Travel	13,576	14,000	47,500	47,000	(500)
Information Technology	24,550	31,000	36,500	30,500	(6,000)
Equipment	3,597	3,000	10,000	10,000	-
Total Other Expenses	**$ 263,334**	**$ 275,000**	**$ 373,000**	**$ 335,000**	**$ (38,000)**
Contingencies	**$ -**	**$ -**	**$ 138,000**	**$ 147,000**	**$ 9,000**
TOTAL ADMINISTRATIVE	**$ 1,816,242**	**$ 2,129,000**	**$ 2,381,500**	**$ 2,421,000**	**$ 39,500**
ADMIN. + INVESTMENT	**$ 2,302,625**	**$ 2,688,000**	**$ 2,892,500**	**$ 3,085,000**	**$ 192,500**
Increase from Prior Year Budget				6.7%	

Attachment B

San Luis Obispo County Pension Trust PROPOSED STAFFING:	FY19-20 Actual	FY20-21 Amended Budget	FY20-21 Actual	FY21-22 Proposed Budget	Increase / (Decrease) From PY	Projected FY22-23	Projected FY23-24	Projected FY24-25	Projected FY25-26
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	2.00
Retirement Programs Spec. II	-	-	-	-	-	-	-	-	-
Retirement Programs Spec. I	-	-	-	-	-	-	-	-	-
Retirement Technician	1.75	1.80	1.75	1.75	(0.05)	1.75	1.75	1.75	1.75
Accountant IV	0.80	0.80	0.80	0.80	-	0.80	0.80	0.80	0.80
Accountant III	-	-	-	-	-	-	-	-	-
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.	-	0.65	-	0.50	(0.15)	0.50	0.50	0.50	0.50
TOTAL POSITIONS	**7.55**	**8.25**	**7.55**	**8.05**	**(0.20)**	**8.05**	**8.05**	**8.05**	**8.05**

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 Director*	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*	19.28	20.24	21.25	22.31	23.43	N/A

Attachment C

San Luis Obispo County Pension Trust
PROPOSED TRAINING & TRAVEL:

	FY19-20 Actual	Current FY20-21 YTD	FY20-21 Amended Budget	FY21-22 Proposed Budget	Increase / (Decrease) From PY Budget
CALAPRS General Assembly					
Attendees - Board	2	-	3	3	-
Attendees - Staff	1	-	2	2	-
Total Expense	4,277	-	7,250	7,250	-
CALAPRS Advanced Trustee Institute (UCLA)					
Attendees - Board	-	-	1	1	-
Attendees - Staff	-	-	-	-	-
Total Expense	-	-	3,450	3,450	-
CALAPRS Trustees Training-Pepperdine					
Attendees - Board	-	2	2	3	1
Attendees - Staff	-	-	-	-	-
Total Expense	-	1,000	6,600	9,900	3,300
SACRS Trustees Training- Berkeley (new)					
Attendees - Board	-	-	1	2	1
Attendees - Staff	-	-	-	1	1
Total Expense	-	-	3,750	11,250	7,500
SACRS Semi-Annual Conferences					
Attendees - Board	-	-	1	1	-
Attendees - Staff	1	-	-	-	-
Total Expense	1,315	-	1,550	1,550	-
Nossaman Fiduciaries Forum					
Attendees - Board	-	-	-	1	1
Attendees - Staff	-	-	-	-	-
Total Expense	-	-	-	1,025	1,025
CALAPRS Administrators Institute					
Attendees - Board	-	-	-	-	-
Attendees - Staff	1	2	1	2	1
Total Expense	1,250	1,000	1,600	3,200	1,600
CALAPRS Trustees Roundtables (2/yr)					
Attendees - Board	-	1	2	2	-
Attendees - Staff	-	-	-	-	-
Total Expense	-	50	1,200	100	(1,100)

Attachment C

San Luis Obispo County Pension Trust
PROPOSED TRAINING & TRAVEL:

	FY19-20 Actual	Current FY20-21 YTD	FY20-21 Amended Budget	FY21-22 Proposed Budget	Increase / (Decrease) From PY Budget
CALAPRS Administrators Roundtables (2/yr)					
Attendees - Board	-	-	-	-	-
Attendees - Staff	2	-	2	4	2
Total Expense	679	-	1,200	200	(1,000)
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	1	-	3	3	-
Total Expense	125	-	375	150	(225)
CALAPRS Operations Roundtables (4/yr)					
Attendees - Board	-	-	-	-	-
Attendees - Staff	3	-	4	6	2
Total Expense	837	-	2,500	300	(2,200)
CALAPRS Disability training					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	1	1	-
Total Expense	-	-	625	50	(575)
CALAPRS Overview Course (3 class series)					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	4	3	1	(2)
Total Expense	-	800	3,750	250	(3,500)
CALAPRS - Board, Faculty, and related travel					
Attendees - Board	-	-	-	-	-
Attendees - Staff	3	-	4	4	-
Total Expense	984	-	2,200	2,200	-
Investment Seminars					
Attendees - Board	-	-	-	-	-
Attendees - Staff	1	-	2	1	(1)
Total Expense	1,086	-	3,200	1,600	(1,600)

Attachment C

San Luis Obispo County Pension Trust
PROPOSED TRAINING & TRAVEL:

	FY19-20 Actual	Current FY20-21 YTD	FY20-21 Amended Budget	FY21-22 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	1	-	2	2	-
Total Expense	2,002	-	3,000	3,000	-
PAS Replacement Site Visits / Due Diligence					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	-	-	-
Total Expense	-	-	-	-	-
Misc. Board and Staff Training					
Total Expense	1,021	55	1,550	1,525	(25)
Subtotal Training and Travel					
Training	3,728	2,905	17,970	25,320	7,350
Travel (air, hotel, food)	7,197	-	18,900	14,100	(4,800)
Mileage Reimb.	2,515	-	10,050	7,050	(3,000)
Misc. Travel	136	-	580	530	(50)
Total Training and Travel	**13,576**	**2,905**	**47,500**	**47,000**	**(500)**

Board of Trustees

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San Luis Obispo County Pension Trust
SLOCPT

Date: March 22, 2021

To: Board of Trustees

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

Agenda Item 10: Search Consultant Selection - Private Markets Discretionary Advisor

Recommendation:

1. Review and discuss with the ad hoc Private Markets Investment Committee and Staff the proposed Private Markets Discretionary Advisor Search Consultant selection.

2. Approve the hiring of NEPC, LLC as Search Consultant to assist in the selection of a Private Markets Discretionary Advisor(s).

3. Authorize the Executive Director to enter into necessary contracts or agreements to retain NEPC's services for this one-time project.

Background - Private Markets Discretionary Advisor Search:

The Pension Trust amended its Strategic Asset Allocation (SAA) policy September 28, 2020 to include, among other changes, a target allocation within the Growth Sub-Portfolio of 35% to Private Equity (PE = 18%), Private Credit (PC = 12%) and Infrastructure (Infra. = 5%). The allocation to Private Markets in the prior SAA was 10% with no allocation to Infrastructure.

Staff has recommended that this increased allocation to Private Markets be managed in a direct program using a Private Markets Discretionary Advisor (PM Advisor). The relative advantages of a PM Advisor direct strategy versus the prior use of Fund-of-Funds will be verified as part of the objective setting in selecting a PM Advisor. The SLOCPT's general investment consultant, Verus, cannot assist in the selection of a PM Advisor due to conflict-of-interest considerations on this topic.

Consequently, this research is being done by the Executive Director/Chief Investment Officer without the assistance or counsel of Verus. The Board of Trustees on November 23, 2020 approved the hiring of a Search Consultant to assist in developing a PM Advisor strategy and conducing an RFP/RFI and selection process to hire a PM Advisor.

Private Markets Advisor Search Consultant:

An RFI for a Search Consultant was issued January 25, 2021 following Board approval. The focus of the RFI and scope of project for a Search Consultant is summarized below.

- Advise on the private market direct strategy and the search for a Private Markets Discretionary Advisor.
- Do not also manage investments in this area, so are free of conflict-of-interest issues.
- Act in a fiduciary role as a consultant.
- Conduct an extensive RFP/RFI process to develop a list of qualified candidates for a custom Private Markets Discretionary Advisor assignment.
- Are paid a consulting fee for the assignment and avoid further conflict of interest issues related to where their compensation comes from.
- Recommend a finalist PM Advisor or facilitate Staff and Board evaluation.
- Document the search process and due diligence.

Private Markets Investments - Board of Trustees Committee:

The President of the Board of Trustees has appointed an ad hoc Private Markets Investment Committee made up of Trustees Hamilton, Dacus and Savage. This committee is to work with staff and consultants to make recommendations to the Board on the hiring of a PM Advisor. The first order of business for the PM Investments Committee is to address the hiring of a Search Consultant.

The PM Investments Committee reviewed RFI responses in advance. The Committee met with Staff on March 5th and 9th and held extensive discussions of the four Search Consultant RFI responses received.

Staff and the PM Investments Committee agreed on a recommendation to retain NEPC, LLC as the Search Consultant.

Respectfully submitted,

Board of Trustees

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San Luis Obispo County
Pension Trust
SLOCPT

Date: March 22, 2021

To: Board of Trustees

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

Agenda Item 11: Strategic Asset Allocation – Benchmark Technical Update

Recommendation:

That the Board of Trustees approve the attached -

1. **Strategic Asset Allocation exhibit as Addendum A to the Investment Policy Statement incorporating updated specifications for investment benchmarks**.

Asset Allocation Policy - Benchmarks:

The Investment Policy Statement (IPS) includes Addendum A that establishes the Strategic Asset Allocation (SAA) policy. The SAA includes approved asset classes, target allocations, minimum and maximum limits, and investment benchmarks. The IPS with its incorporated SAA was adopted by the Board of Trustees on September 28, 2020.

This Board action is for minor technical updates to the SAA exhibit to incorporate new investment benchmarks for recently approved investment strategies and investment manager hires for asset categories that had been listed in the adopted SAA with a benchmark designation of "TBD". The changes to the SAA benchmarks are -

LIQUIDITY
Short Duration Govt./Investment Grade Credit
Benchmark added - Bloomberg Barclays U.S. Govt/Credit 1-3 Yr TR USD

RISK DIVERSIFYING

U.S. Treasury – Intermediate/Long Govt. Bonds

Benchmark added - Bloomberg Barclays Treasury 7-10 Year

Short Duration Govt./Investment Grade Credit

Benchmark added - Bloomberg Barclays U.S. TIPS 5-10 Index

GROWTH – Private Equity and Private Markets

The adopted SAA inadvertently omitted a benchmark methodology approved at the May 20, 2019 Board of Trustees meeting. This modified benchmark recommended by Verus is more appropriate to the complex return pattern of private equity and private credit. The corrected private markets benchmark now noted in a footnote to the SAA exhibit reads -

> "To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income)."

GROWTH – Debt – Public Markets

The names of the asset groupings within Debt- Public Markets were edited to reflect the debt asset types currently in use. The draft SAA Policy from September 2020 had listed other, not used, asset types in an "available shopping list format". This edit cleans up the presentation to avoid confusion. The benchmarks shown for these asset types are the ones already in use by Verus.

Asset Allocation Policy – Asset Mix:

It is important to note that these modifications to the SAA policy include no changes to the adopted asset allocation targets or minimum/maximum limits. These changes are purely to update the investment benchmarks that are part of the policy.

Respectfully Submitted,

San Luis Obispo County Pension Trust
Stategic Asset Allocation (SAA) Policy

ADDENDUM A

Strategic Asset Allocation Policy Proposed Policy Mar. 22, 2021		TARGET	Limits Min.	Max.	Performance Benchmark
LIQUIDITY					
Total Liquidity Allocation	(a)	**10%**	5%	20%	Policy mix composite
Cash Equivalents		4%	1%	15%	90 day T-Bills
Short Duration Govt/ IG Credit	(c)	6%	0%	15%	Barclays U.S. Govt/Credit 1-3
GROWTH					
Total Growth Allocation	(b)	**75%**	25%	95%	Policy mix composite
Equities - Public Market		30%	15%	85%	Russell 3000
US Large Cap Growth/Value					S&P 500
US Small/Mid Cap Growth/Value					Russell 2500
Intl. Developed Market Growth/Value					MSCI EAFE
Intl. Emerging Market					
Global		30%	15%	70%	MSCI ACWI
Debt - Public Market		0%	0%	30%	
US Core + Bonds IG	(c)				BC Aggregate Bond
Global Bonds					FTSE WGBI ex US Treas.
Bank Loans					S&P/LSTA Leveraged Loan Index
Emerging Market Debt					50% JPM EMBI / 25% JPM GBIEM / 25% JPM ELMI+
Real Assets		15%	10%	30%	Policy mix composite
Real Estate - Core		5%	5%	15%	NCREIF
Real Estate Value Add		5%	0%	15%	NCREIF
Infrastructure - Global		5%	0%	15%	TBD

San Luis Obispo County Pension Trust
Stategic Asset Allocation (SAA) Policy

ADDENDUM A

Strategic Asset Allocation Policy **Proposed Policy Mar. 22, 2021**		**TARGET**	Limits Min.	Max.	Performance Benchmark
Private Markets	(e)	30%	5%	45%	(e)
Private Equity		18%	5%	30%	
Diversified PE strategies	(d)				
Specific PE funds					
Equity related alternatives					
Private Credit		12%	5%	25%	
Diversified PC strategies	(d)				
Specific PC funds					
Debt related alternatives					
Other Growth Strategies			0%	10%	
Opportunistic		Varies			
RISK DIVERSIFYING					
Total Risk Diversifying Allocation		**15%**	5%	30%	
US Treasuy - Intermediate/Long Govt.Bonds		8%	4%	15%	Barclays Treasury 7-10 Year
US Treasuy - Inflation Protected - TIPS		7%	3%	15%	Barclays U.S. TIPS 5-10 Index
TOTAL		**100%**			**Total Fund Policy mix**

(a) Liquidity target ~ 1.3 yrs gross pension benefits - currently ~$140m ~10%

(b) Growth - long-term investments with some illiquidity.
Periodic drawdowns to replenish Liquidity as needed.

(c) IG = Investment Grade Credit
HY = High Yield - below IG Credit

(d) Diversified Private Markets may be Fund-of-Funds and/or Direct LP program

(e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income).

Board of Trustees

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San Luis Obispo County
Pension Trust
SLOCPT

Date: March 22, 2021

To: Board of Trustees

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

Item 12: Monthly Investment Report for February 2021

	February	**Year to Date 2021**		2020	2019	2018	2017	2016
Total Trust Investments ($ millions)	$1,556			$1,552 year end	$1,446 year end	$1,285 year end	$1,351 year end	$1,196 year end
Total Fund Return	1.7% Gross	**1.5% Gross**		8.9 % Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross
Policy Index Return (r)	0.7%	0.6%		10.0 %	16.4 %	-3.2 %	13.4 %	7.7 %

(r) Pending revision to Revised Investment Policy adopted Sept. 2020 to be effective in 2021.

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.

The Economy and Capital Markets:

- **GDP Growth**

  - The economic expectations widespread in the press uniformly take an optimistic tone. This comes from the accelerating roll out of vaccinations and the expected winding down of the pandemic's worst impacts and economic restrictions. A common reference is to the "coiled spring" of economic activity expected as consumers resume deferred purchases and travel. This pent up spending expected to burst forth late in 2021 and through 2022 will be fueled in part by the $1 trillion in personal savings added during the last year in the US.
  - An interesting and upbeat commentary on the next decade outlook for the U.S. economy is at the end of this memo on pages 5-12. It is a bit longer of a read, but worthwhile and an easy read. The article excerpted here is by Neil Irwin of the New York Times from the March 17, 2021 edition.

- **Policy Responses to Pandemic**

  - **Monetary Policy –**
    - Interest rates have seen a steepening of the yield curve and modest increases as the bond market anticipates improved economic conditions. Fed Chair Powell before the Senate Banking Committee in late February emphasized the importance of returning the economy to full health above all and described the rise in bond yields as benign. "In a way, it's a statement of confidence on the part of markets that we'll have a robust and ultimately complete recovery,"
    - Market nervousness about the prospect for surprises in the level of inflation are also an area of concern in that they could fuel Fed moves to increase interest rates earlier than expected.
    - Fed Chair Powell on February 23rd offered some reassurance to the markets by commenting "The economic recovery remains uneven and far from complete, and the path ahead is highly uncertain." Perversely, the Fed Chair's cautionary outlook encouraged the bond markets to moderate jitters over surprise inflation.
    - PIMCO in its late February viewpoint expects possible temporary inflation rate surprises but, expects the longer-term outlook for low inflation rates to hold true. The current increase in bond interest rates and a steepening yield curve are pricing in the risk of inflation surprises and may be overshooting the likely inflation risk in PIMCO's opinion.

  - **Fiscal Policy –**
    - The Biden administration proposed $1.9T fiscal stimulus bill – The American Rescue Plan - advanced mostly intact through the House, was modified only slightly in the Senate and was signed into law at the start of March. Significant changes included direct stimulus payments to individuals, extended unemployment benefits and numerous Covid related programs. Importantly the provisions involving aid to state and local governments were included leading to large

infusions of one-time funding to financially stressed governments. A notable limit on the bills aid to state and local governments is that the funding could not be applied to pension costs.

- It is likely that after the passage of American Rescue Plan that the legislative attention will turn to a significant infrastructure funding bill. Infrastructure bills have been historically difficult to pass due to the myriad of interests at play despite the near universal acclaim for the need for infrastructure rebuilding.

- PIMCO in its late February viewpoint expects that tax policy in the current political environment will be modest and evolutionary. PIMCO expects small changes to corporate tax rates over the next two years with more of an emphasis on measures for some sort of minimum corporate tax.

- **Employment and Wages –**

  - The February jobs report from the BLS on nonfarm employment with a gain of 379k new jobs showed an economy slowing, but still expanding modestly. The Unemployment rate came in at 6.2% from 6.7% in December (February 2020 low was 3.5% / April 2020 high was 14.7%).
  - The number of long-term unemployed (jobless for 27 weeks or more) stands at 4.1 million and is up 3.0 million over the trailing year.
  - The labor force participation rate that had been showing some signs of increase at the start of 2020, rising to 63.3% then, has been back to its recent years' trend at 61.4% in February 2021.

- **Market Outlook –**

  - Interest Rates and Inflation - In the near-term capital markets reflected concerns over inflationary risk with what appears to be a reaction similar to the 2013 "Taper Tantrum" when the markets overreacted to comments from the Fed Chair at the time about the need to eventually normalize monetary policy. The NY Times on February 26th included concise commentary on the increase in the yield curve –

> "**Is this another "taper tantrum"?** The sharp rise in government bond yields in recent days, particularly in the longer-dated maturities used as benchmarks for consumer loans and mortgages, reminded many of the 2013 "taper tantrum." Then, a jump in yields followed comments from Ben Bernanke, the Fed chairman at the time, that he would taper off the central bank's emergency bond-buying program, which was propping up markets after the financial crisis.
>
> **This time, the Fed isn't suggesting anything like that.** Instead, it's the central bank's calm despite a potential surge in post-pandemic economic growth that seemingly spooks investors. They fear that keeping rates low and stimulus flowing freely will stoke inflation, which would require raising rates and withdrawing stimulus sooner than expected.

> **But what if the tantrum is for real?** A truly serious bond sell-off often leads to "contagion, illiquidity, busts, bankruptcies" and other ills, across all assets, analysts at Bank of America noted. That said, the 2013 tantrum faded relatively quickly and markets regained their footing. **Now, the "only reason to be bearish is there is no reason to be bearish,**" the analysts wrote (as good a reason as any for most tantrums)."

- In the longer term the capital markets appear to reflect what PIMCO refers to as "Bounded Optimism" in their outlook. This is tempered by "fully valued" markets in both equities and debt. In other words, the high P/E ratios in equities and the low starting point for interest rates in debt suggest limited room for continued bull market runs.

Respectfully Submitted,

17 Reasons to Let the Economic Optimism Begin

By: Neil Irwin – New York Times, March 17, 2021

"A reporter who has tracked decades of gloomy trends sees things lining up for roaring growth.

The 21st-century economy has been a two-decade series of punches in the gut.

The century began in economic triumphalism in the United States, with a sense that business cycles had been vanquished and prosperity secured for a blindingly bright future. Instead, a mild recession was followed by a weak recovery followed by a financial crisis followed by another weak recovery followed by a pandemic-induced collapse. A couple of good years right before the pandemic aside, it has been two decades of overwhelming inequality and underwhelming growth — an economy in which a persistently weak job market has left vast human potential untapped, helping fuel social and political dysfunction.

Those two decades coincide almost precisely with my career as an economics writer. It is the reason, among my colleagues, I have a reputation for writing stories that run the gamut from ominous to gloomy to terrifying.

But strange as it may seem in this time of pandemic, I'm starting to get optimistic. It's an odd feeling, because so many people are suffering — and because for so much of my career, a gloomy outlook has been the correct one.

Predictions are a hard business, of course, and much could go wrong that makes the decades ahead as bad as, or worse than, the recent past. But this optimism is not just about the details of the new pandemic relief legislation or the politics of the moment. Rather, it stems from a diagnosis of three problematic mega-trends, all related.

There has been a dearth of economy-altering innovation, the kind that fuels rapid growth in the economy's productive potential. There has been a global glut of labor because of a period of rapid globalization and technological change that reduced workers' bargaining power in rich countries. And there has been persistently inadequate demand for goods and services that government policy has been unable to fix.

There is not one reason, however, to think that these negative trends have run their course. There are 17.

1. The ketchup might be ready to flow

In 1987, the economist Robert Solow said, "You can see the computer age everywhere but in the productivity statistics." Companies were making great use of rapid improvements in computing power, but the overall economy wasn't really becoming more productive.

This analysis was right until it was wrong. Starting around the mid-1990s, technological innovations in supply chain management and factory production enabled companies to squeeze more economic output out of every hour of work and dollar of capital spending. This was an important reason for the economic boom of the late 1990s.

The Solow paradox, as the idea underlying his quote would later be called, reflected an insight: An innovation, no matter how revolutionary, will often have little effect on the larger economy immediately after it is invented. It often takes many years before businesses figure out exactly what they have and how it can be used, and years more to work out kinks and bring costs down.

In the beginning, it may even lower productivity! In the 1980s, companies that tried out new computing technology often needed to employ new armies of programmers as well as others to maintain old, redundant systems.

But once such hurdles are cleared, the innovation can spread with dizzying speed.

It's like the old ditty: "Shake and shake the ketchup bottle. First none will come and then a lot'll."

Or, in a more formal sense, the economists Erik Brynjolfsson, Daniel Rock and Chad Syverson call this the "productivity J-curve," in which an important new general-purpose technology — they use artificial intelligence as a contemporary example — initially depresses apparent productivity, but over time unleashes much stronger growth in economic potential. It looks as if companies have been putting in a lot of work for no return, but once those returns start to flow, they come faster than once seemed imaginable.

There are several areas where innovation seems to be at just such a point, and not just artificial intelligence.

2. 2020s battery technology looks kind of like 1990s microprocessors

Remember Moore's Law? It was the idea that the number of transistors that could be put on an integrated circuit would double every two years as manufacturing technology improved. That is the reason you may well be wearing a watch with more computer processing power than the devices that sent people into outer space in the 1960s.

Battery technology isn't improving at quite that pace, but it's not far behind it. The price of lithium-ion battery packs has fallen 89 percent in inflation-adjusted terms since 2010, according to BloombergNEF, and is poised for further declines. There have been similar advances in solar cells, raising the prospect of more widespread inexpensive clean energy.

Another similarity: Microprocessors and batteries are not ends unto themselves, but rather technologies that enable lots of other innovation. Fast, cheap computer chips led to software that revolutionized the modern economy; cheap batteries and solar cells could lead to a wave of innovation around how energy is generated and used. We're only at the early stages of that process.

3. Emerging innovations can combine in unexpected ways

In the early part of the 20th century, indoor plumbing was sweeping the nation. So was home electricity. But the people installing those pipes and those power lines presumably had no idea that by the 1920s, the widespread availability of electricity and free-flowing water in homes would enable the adoption of the home washing machine, a device that saved Americans vast amounts of time and backbreaking labor.

It required not just electricity and running water, but also revolutions in manufacturing techniques, production and distribution. All those innovations combined to make domestic life much easier.

Could a combination of technologies now maturing create more improvement in living standards than any of them could in isolation?

Consider driverless cars and trucks. They will rely on long-building research in artificial intelligence software, sensors and batteries. After years of hype, billions of dollars in investment, and millions of miles of test drives, the possibilities are starting to come into view.

Waymo, a sister company of Google, has opened a driverless taxi service to the public in the Phoenix suburbs. Major companies including General Motors, Tesla and Apple are in the hunt as well, along with many smaller competitors.

Apply the same logic to health care, to warehousing and heavy industry, and countless other fields. Inventions maturing now could be combined in new ways we can't yet imagine.

4. The pandemic has taught us how to work remotely

Being cooped up at home may pay some surprising economic dividends. As companies and workers have learned how to operate remotely, it could allow more people in places that are less expensive and that have fewer high-paying jobs to be more productive. It could enable companies to operate with less office space per employee, which in economic terms means less capital needed to generate the same output. And it could mean a reduction in commuting time.

Even after the pandemic recedes, if only 10 percent of office workers took advantage of more remote work, that would have big implications for the United States' economic future — bad news if you are a landlord in an expensive downtown perhaps, but good news for overall growth prospects.

5. Even Robert Gordon is (a little) more optimistic!

Mr. Gordon wrote the book on America's shortfall in innovation and productivity in recent decades — a 784-page book in 2016, to be precise. Now Mr. Gordon, a Northwestern University economist, is kind of, sort of, moderately optimistic. "I would fully expect growth in the decade of the 2020s to be higher than it was in the 2010s, but not as fast as it was between 1995 and 2005," he said recently.

6. Crises spur innovation

The mobilization to fight World War II was a remarkable feat. Business and government worked together to drastically increase the productive capacity of the economy, put millions to work, and advance countless innovations like synthetic rubber and the mass production of aircraft.

Similarly, the Cold War generated a wave of public investment and innovation, such as satellites (a byproduct of the space race) and the internet (originally intended to provide decentralized communication in the event of a nuclear attack).

Could our current crises spur similar ambition? Already the Covid-19 pandemic has accelerated the usage of mRNA technology for creating new vaccines, which could have far-reaching consequences for preventing disease.

And as the 2020s progress, the deepening sense of urgency to reduce carbon emissions and cope with the fallout of climate change is the sort of all-encompassing challenge that could prove as galvanizing as those experiences — with similar implications for investment and innovation.

7. Tight labor markets spur innovation, too

Why did the Industrial Revolution begin in Britain instead of somewhere else? One theory is that relatively high wages there (a result of international trade) created an urgency for firms to substitute machinery for human labor. Over time, finding ways to do more with fewer workers generated higher incomes and living standards.

But why might the labor market of the 2020s be a tight one? It boils down to two big ideas: shifts in the global economy and demographics that make workers scarcer in the coming decade than in recent ones; and a newfound and bipartisan determination on the part of policymakers in Washington to achieve full employment.

8. There's only one China

Imagine an isolated farm town with 100 people.

Five of the 100 own the farms. An additional 10 act as managers on behalf of the owners. And there are five intellectuals who sit around thinking big thoughts. The other 80 people are laborers.

What would happen if suddenly another 80 laborers showed up, people who were used to lower living standards?

The intellectuals might tell a complex story about how the influx of labor would eventually make everyone better off, as more land was cultivated and workers could specialize more. The owners and their managers would be happy because they would be instantly richer (they could pay people less to plow the fields).

But the existing 80 laborers — competing for their jobs with an influx of lower-paid people — would see only immediate pain. The long-term argument that everybody gets richer in the end wouldn't carry much weight.

That's essentially what has happened in the last few decades as China has gone from being isolated to being deeply integrated in the world economy. When the country joined the World Trade Organization in 2001, its population of 1.28 billion was bigger than that of the combined 34 advanced countries that make up the Organization for Economic Cooperation and Development (1.16 billion).

But that was a one-time adjustment, and wages are rising rapidly in China as it moves beyond low-end manufacturing and toward more sophisticated goods. India, the only other country with comparable population, is already well integrated into the world economy. To the degree globalization continues, it should be a more gradual process.

9. There's only one Mexico

For years, American workers were also coming into competition with lower-earning Mexicans after enactment of the North American Free Trade Agreement in 1994. As with China, the new dynamic improved the long-term economic prospects for the United States, but in the short run it was bad for many American factory workers.

But it too was a one-time adjustment. Even before President Trump, trade agreements under negotiation were for the most part no longer focused on making it easier to import from low- labor-cost countries. The main aim was to improve trade rules for American companies doing business in other rich countries.

10. The offshoring revolution is mostly played out

Once upon a time, if you were an American company that needed to operate a customer service call center or carry out some labor-intensive information technology work, you had no real choice but to hire a bunch of Americans to do it. The emergence of inexpensive, instant global telecommunication changed that, allowing you to put work wherever costs were the lowest.

In the first decade of the 2000s, American companies did just that on mass scale, locating work in countries like India and the Philippines. It's a slightly different version of the earlier analogy involving the farm; a customer service operator in Kansas was suddenly in competition with millions of lower-earning Indians for a job.

But it's not as if the internet can be invented a second time.

Sensing a theme here? In the early years of the 21st century, a combination of globalization and technological advancements put American workers in competition with billions of workers around the world.

It created a dynamic in which workers had less bargaining power, and companies could achieve cost savings not by creating more innovative ways of doing things but exploiting a form of labor cost arbitrage. That may not be the case in the 2020s.

11. Baby boomers can't work forever

The surge of births that took place in the two decades after World War II created a huge generation with long-reaching consequences for the economy. Now, their ages ranging from 57 to 76, the baby boomers are retiring, and that means opportunity for the generations that came behind them.

As the boomers seek to continue consuming — spending their amassed savings, pensions and Social Security benefits — there will be relatively stable demand for goods and services and a relatively smaller pool of workers to produce them.

According to the Social Security Administration's projections of the so-called "dependency ratio," in 2030 for every 100 people in their prime working years of 20 to 64, there will be 81 people outside that age range. In 2020 that number was 73.

That is bad news for public finances and for the headline rate of G.D.P. growth, but good news for those in the work force. It should give workers more leverage to demand raises and give employers incentives to invest in productivity-enhancing software or machinery.

12. The millennials are entering their prime

Spending has a life cycle. Young adults don't make much money. As they age, they start to earn more. Many start families and begin spending a lot more, buying houses and cars and everything else it takes to raise children. Then they tend to cut back on spending as the kids move out of the house.

That, anyway, is what the data says takes place on average. The rate of consumption spending soars for Americans in their 20s and 30s, and peaks sometime in their late 40s. It's probably not a coincidence that some of the best years for the American economy in recent generations were from 1983 to 2000, when the ultra-large baby boom generation was in that crucial high-spending period.

Guess what generation is in that life phase in the 2020s? The millennials, an even larger generation than the boomers.

They've had a rough young adulthood, starting their careers in the shadow of the Great Recession. But all that adult-ing they're starting to do could have big, positive economic consequences for the decade ahead.

13. Everybody likes it hot

Twelve years ago, a Democratic president took office at a time of economic crisis. He succeeded at ending the crisis, but the expansion that followed was a disappointment, with years of slow growth at a time millions were either unemployed or out of the work force entirely.

The overwhelming tone of the economic policy discussion during those years, however, was different. President Obama spoke of his plans to reduce the budget deficit. Republicans in Congress demanded even more fiscal restraint. Top Federal Reserve officials fretted about inflation risks, even when unemployment was high and inflation persistently low.

The Trump presidency changed that discussion. Even as tax cuts widened the budget deficit, interest rates stayed low. Even as the jobless rate fell to levels not seen in nearly five decades, inflation stayed low. It was evident, based on how the economy performed in 2018 and 2019, and up until the pandemic began, that the U.S. economy could run hotter than the Obama-era consensus seemed to allow. That insight has powerful implications for the 2020s.

14. Joe Biden wants to let it rip

President Biden and congressional Democrats were determined to learn the lessons of the Obama era. Mr. Biden was deeply involved in that stimulus plan, which proved inadequate to the task of creating and sustaining a robust recovery.

The lesson that Mr. Biden and the Democratic Party took from 2009 was straightforward: Do whatever it takes to get the economy humming, and the politics will work in your favor.

That thinking helped lead to the $1.9 trillion relief bill signed on Thursday.

15. Jay Powell wants to let it rip

“To call something hot, you need to see heat,” Federal Reserve Chair Jerome Powell said in 2019. That’s as good a summary of the Fed’s approach to the economy as any.

In more formal terms, the Fed has a new framework for policy called “Flexible Average Inflation Targeting.” It is in effect a repudiation of past Fed strategies of pre-emptively slowing the economy to prevent an outbreak of inflation predicted by economic models.

Now, the Fed says it will raise interest rates in response to actual inflation in the economy, not just forecasts, and will not act simply because the unemployment rate is lower than models say it can sustainably get.

Nearly every time he speaks, Mr. Powell sounds like a true believer in the church of full employment.

16. Republicans are getting away from austerity politics

Consider an event that took place less than three months ago (that may feel like three years ago): Overwhelming bipartisan majorities in Congress passed a $900 billion pandemic relief bill. Then a Republican president threatened to veto it, not because it was too generous, but because it was too stingy.

President Trump didn’t get his way on increasing $600 payments to most Americans to $2,000 payments, and he signed the legislation anyway, grudgingly. But the episode reflects a shift away from the focus on fiscal austerity that prevailed in the Obama era.

With the current stimulus bill, opposition in conservative talk radio was relatively muted. Republicans voted against it, but there hasn’t been quite the fire-and-brimstone sense of opposition evident toward the Obama stimulus a dozen years ago.

As the party becomes more focused on the kinds of culture-war battles that Mr. Trump made his signature, and its base shifts away from business elites, it wouldn’t be surprising if we saw the end of an era in which cutting government spending was its animating idea. This would imply a U.S. government that aims to keep flooding the economy with cash no matter who wins the next few elections.

17. The post-pandemic era could start with a bang

The last year has been terrible on nearly every level. But it's easy to see the potential for the economy to burst out of the starting gate like an Olympic sprinter.

That could have consequences beyond 2021. A rapid start to the post-pandemic economy could create a virtuous cycle in which consumers spend; companies hire and invest to fulfill that demand; and workers wind up having more money in their pockets to consume even more.

Americans have saved an extra $1.8 trillion during the pandemic, reflecting government help and lower spending. That is money that people can spend in the months ahead, or it could give them a comfort level that they have adequate savings and can spend more of their earnings.

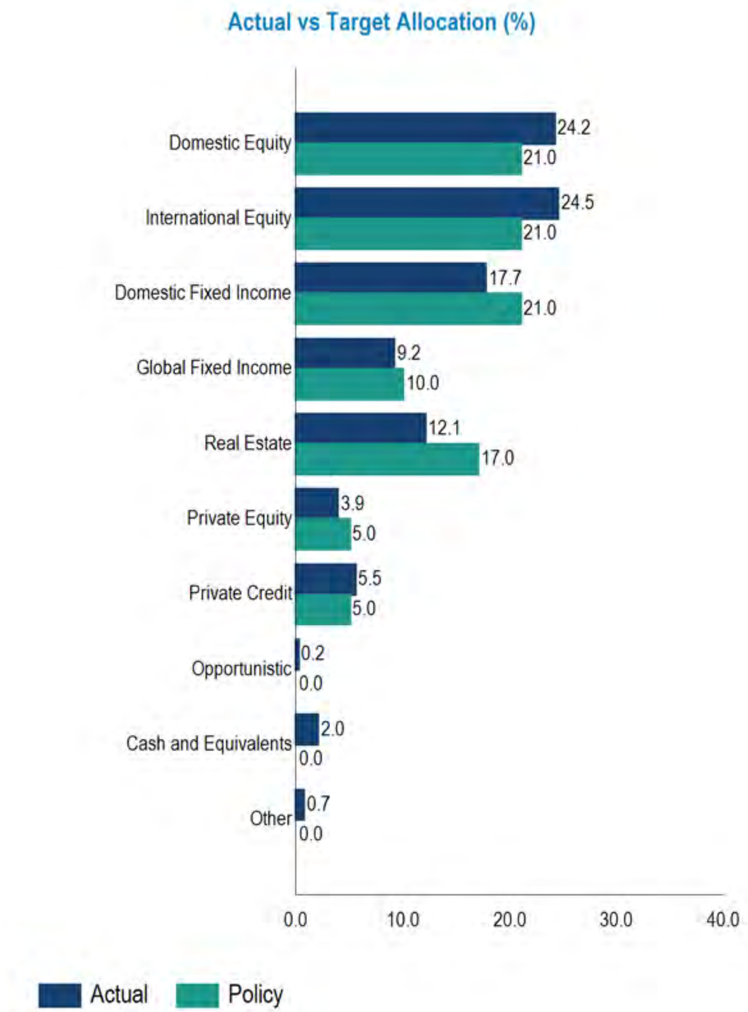
Things are also primed for a boom time in the executive suite. C.E.O. confidence is at a 17-year high, and near-record stock market valuations imply that companies have access to very cheap capital. There is no reason corporate America can't hire, invest and expand to take advantage of the post-pandemic surge in activity.

And on a psychological level, doesn't everybody desperately want to return to feeling a sense of joy, of exuberance? That is an emotion that could prove the most powerful economic force of them all.

Economics may be a dismal science, and those of us who write about it are consigned to see what is broken in the world. But sometimes, things align in surprising ways, and the result is a period in which things really do get better. This is starting to look like one of those times."

Neil Irwin is a senior economics correspondent for The Upshot. He is the author of "How to Win in a Winner-Take-All-World," a guide to navigating a career in the modern economy.

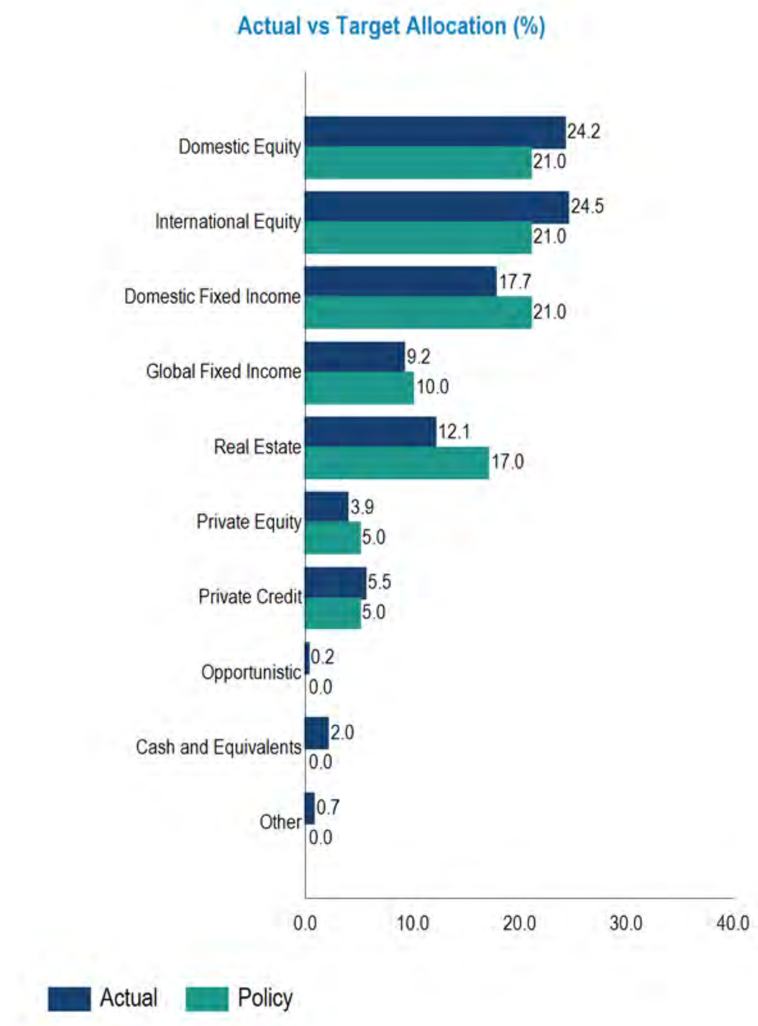
	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	**1,556,487,006**	**100.0**	**1.7**	**1.5**
Policy Index			*0.7*	*0.6*
Total Domestic Equity	**376,319,191**	**24.2**	**4.8**	**4.0**
Russell 3000			*3.1*	*2.7*
PIMCO RAE US	87,173,542	5.6	3.4	7.0
S&P 500			*2.8*	*1.7*
Loomis Sayles Large Cap Growth	109,945,000	7.1	2.4	0.1
Russell 1000 Growth			*0.0*	*-0.8*
Boston Partners Large Cap Value	106,109,198	6.8	7.7	6.9
Russell 1000 Value			*6.0*	*5.1*
Atlanta Capital Mgmt	73,091,451	4.7	6.0	2.5
Russell 2500			*6.5*	*9.1*
Total International Equity	**381,370,604**	**24.5**	**3.4**	**2.9**
MSCI ACWI ex USA Gross			*2.0*	*2.2*
Dodge & Cox Intl Stock	179,823,727	11.6	7.3	6.6
MSCI ACWI ex USA Value Gross			*4.4*	*4.2*
WCM International Growth	201,546,877	12.9	0.1	-0.2
MSCI ACWI ex USA Growth Gross			*-0.4*	*0.3*
Total Domestic Fixed Income	**275,823,326**	**17.7**	**-0.9**	**-1.0**
BBgBarc US Aggregate TR			*-1.4*	*-2.2*
BlackRock Core Bond	97,221,127	6.2	-1.8	-2.5
BBgBarc US Aggregate TR			*-1.4*	*-2.2*
Dodge & Cox Income Fund	102,458,790	6.6	-1.1	-1.5
BBgBarc US Aggregate TR			*-1.4*	*-2.2*
Pacific Asset Corporate Loan	76,143,409	4.9	0.6	1.6
S&P/LSTA Leveraged Loan Index			*0.6*	*1.8*
Total Global Fixed	**142,509,364**	**9.2**	**-1.4**	**-3.1**
FTSE World Govt Bond Index			*-2.4*	*-3.7*
Brandywine Global Fixed Income	70,900,068	4.6	-0.6	-1.6
FTSE WGBI ex US TR			*-2.6*	*-3.9*
Ashmore EM Blended Debt Fund	71,609,296	4.6	-2.3	-4.6
50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMI+			*-2.1*	*-3.0*



**Other balance represents Clifton Group.*

New Policy Index as of 10/1/2020: 22% Russell 3000, 21% MSCI ACWI ex-US (Gross), 31% BBgBarc U.S. Aggregate, 17% NCREIF Property Index, 4% Actual Private Equity Return, 5% Actual Private Credit Return. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income).

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	**187,928,955**	**12.1**	**0.5**	**1.0**
NCREIF Property Index			*0.0*	*0.0*
JP Morgan Core Real Estate	148,632,470	9.5	0.6	1.1
NCREIF-ODCE			*0.0*	*0.0*
NCREIF Property Index			*0.0*	*0.0*
ARA American Strategic Value Realty	39,296,485	2.5	0.0	0.9
NCREIF-ODCE			*0.0*	*0.0*
NCREIF Property Index			*0.0*	*0.0*
Total Private Equity	**60,596,069**	**3.9**		
Harbourvest Partners IX Buyout Fund L.P.	15,562,730	1.0		
Pathway Private Equity Fund Investors 9 L.P.	32,213,820	2.1		
Harbourvest 2018 Global Fund L.P.	12,403,796	0.8		
Pathway Private Equity Fund Investors 10 L.P.	415,723	0.0		
Total Private Credit	**85,853,624**	**5.5**		
Sixth Street Partners DCP	66,001,881	4.2		
Sixth Street Partners TAO	19,851,743	1.3		
Total Cash	**42,668,842**	**2.7**	**0.0**	**0.2**
91 Day T-Bills			*0.0*	*0.0*
Cash Account	31,474,921	2.0	0.0	0.3
91 Day T-Bills			*0.0*	*0.0*
The Clifton Group	11,193,920	0.7		
Total Opportunistic	**3,417,031**	**0.2**		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	3,417,031	0.2		



**Other balance represents Clifton Group.*

New Policy Index as of 10/1/2020: 22% Russell 3000, 21% MSCI ACWI ex-US (Gross), 31% BBgBarc U.S. Aggregate, 17% NCREIF Property Index, 4% Actual Private Equity Return, 5% Actual Private Credit Return. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income).

Verus

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

FEBRUARY 2021

Capital Markets Update

Market commentary

U.S. ECONOMICS

- Officials in Washington neared agreement on a $1.9 trillion economic relief package, which will include $1,400 payments for most citizens, $300 per week in additional unemployment benefits until September 6th, and $350 billion in aid for state and local governments.
- Nonfarm payrolls surprised to the upside, as payrolls increased by 379k in February - expectations were for a monthly increase of 200k. Gains were made predominantly in the leisure and hospitality sector, which accounted for 94% of new jobs in February. Despite the continued recovery in the labor market, nonfarm payrolls remain about 9.5 million jobs short of the prior peak in February of 2020.
- The University of Michigan's Consumer Sentiment Index dropped from 79.0 to 76.8 over the month. The decrease was attributed mainly to a decline in the number of consumers who reported they were anticipating a much stronger economy over the upcoming six months.

U.S. EQUITIES

- The S&P 500 Index rose 2.8% over the month. The top-performing Energy (+22.7%) sector holds a small weight in the index but still buoyed the overall index from losses within the relatively heavily-weighted Health Care (-2.1%) and Consumer Staples (-1.4%) sectors.
- The S&P 500 Price Index closed the month at 3811, above its 50-, 100- and 200-day moving averages, indicating that there has been an upward price trend over the past six months.
- Historically-low interest rates have helped to justify lofty equity valuations and that support eroded this month as real interest rates rose. Nominal Treasury yields picked up over the period, while breakeven inflation rates remained rangebound.

U.S. FIXED INCOME

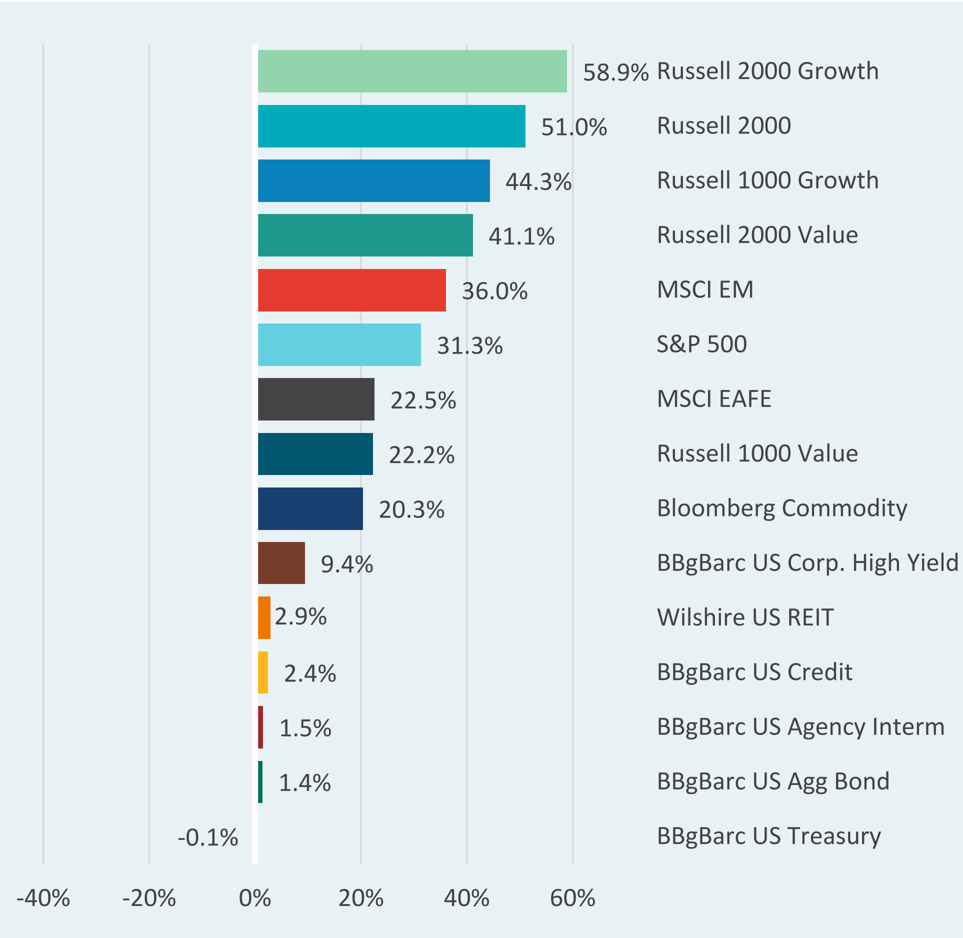
- In the Semiannual Monetary Policy Report, Fed Chair Powell said that despite positive news in hospitalizations and ongoing vaccinations the economic recovery remains uneven and far from complete. Powell added that the path ahead to normal conditions is highly uncertain, and risks remain to the downside.
- Ten-year U.S. Treasury yields rose 33 basis points, as a broad selloff in bonds was triggered in part by expectations for a post-pandemic reignition of inflation.
- Core consumer price inflation, which excludes food and energy prices, grew 1.3% year-over-year in February, down from 1.4% in the prior period. The February CPI print missed expectations, but some investors expect positive inflation surprise looking ahead.

INTERNATIONAL MARKETS

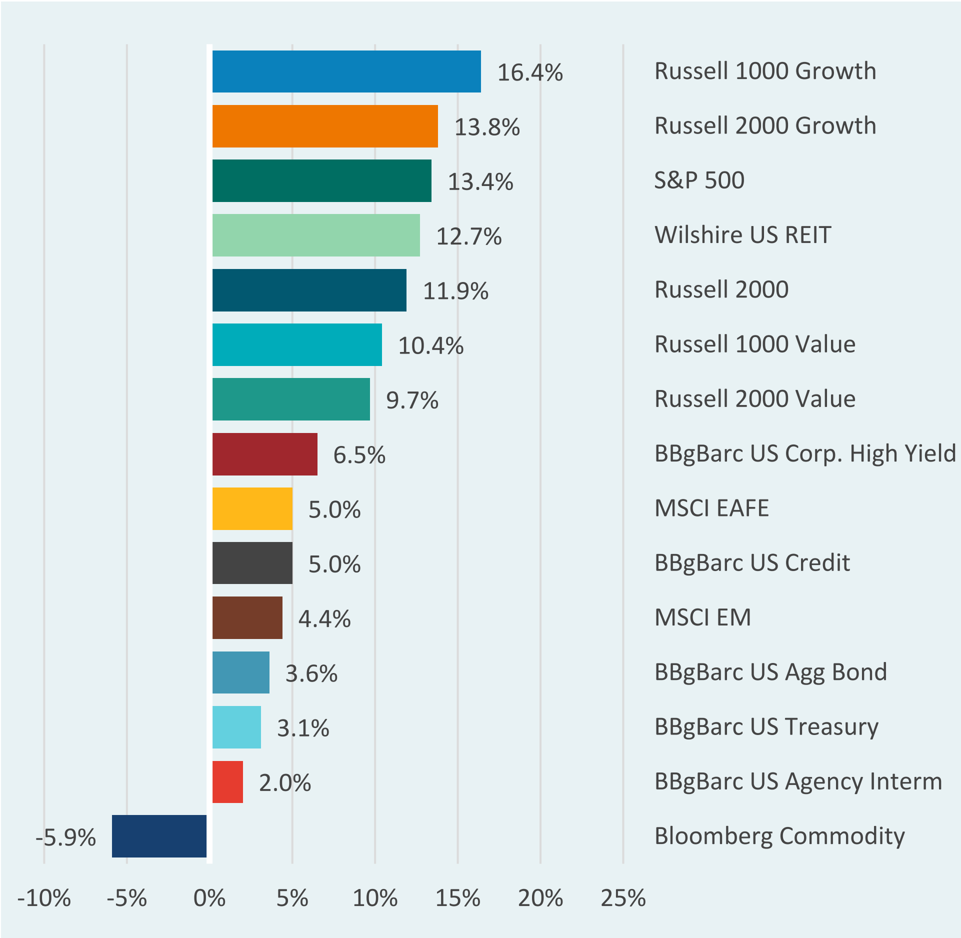
- Governments continued to increase their borrowing to finance a plethora of coronavirus-related spending packages, and that issuance tested the resolve of central banks managing yield curve targets. The 10-year Japanese government bond yield increased 11 basis points to 0.16%, just 4 bps from the top end of the Bank of Japan's current target range for the 10-year yield, which is within 20 basis points of 0.00%.
- Sovereign bonds yields rose across the board in the emerging markets. The JPM EMBI Global Div (-2.6%) and JPM GBI-EM Global Div (-2.7%) both posted material losses.
- The U.S. dollar strengthened +1.7% against the Japanese Yen over the month and helped unhedged U.S. investors in Japanese equities (MSCI Japan +1.5%).

Major asset class returns

ONE YEAR ENDING FEBRUARY



TEN YEARS ENDING FEBRUARY



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

Source: Morningstar, as of 2/28/21

Source: Morningstar, as of 2/28/21

U.S. large cap equities

— The S&P 500 Index increased 2.8% in February, putting the index in the black for the year. The sectors that contributed most to the index's returns were the financial, communication services and energy sectors. The top performing sectors were the energy (+22.7%) and financial (+11.5%) sectors.

— At month-end the one-year forward P/E ratio of the S&P 500 Index was 21.1, above its 5-and 10-year averages of 17.7 and 15.8. Per FactSet, the consumer discretionary (33.5x) sector was priced the highest relative to one-year forward expected earnings.

— While equities have motored ahead, they have done so at higher levels of implied volatility. Implied volatility remains high relative to history and the CBOE VIX Index has not dropped below 20 since late February last year. The VIX closed the month at 28.0, which was 22.7% higher than the 3-year average.

— The financials sector gained 11.5% in February, supported by expanding net interest margins driven by rising rates. Financials (as a cyclical sector) tend to perform well in advance of economic recovery as businesses begin to finance investments in capital expenditures and other inputs.

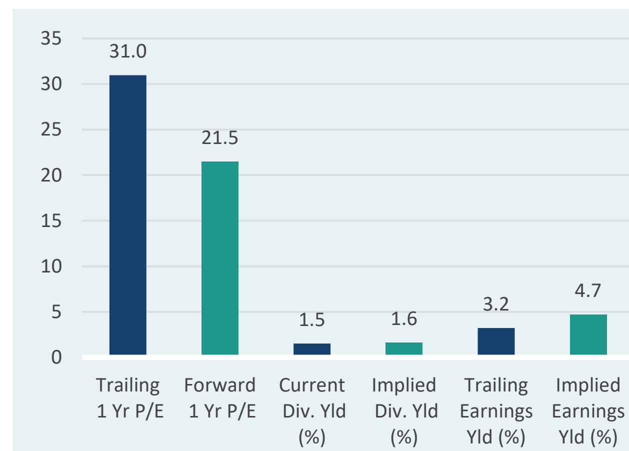
S&P 500 PRICE INDEX

Source: Bloomberg, as of 2/28/21

IMPLIED VOLATILITY (VIX INDEX)

Source: CBOE, as of 2/28/21

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 2/28/21

Domestic equity size and style

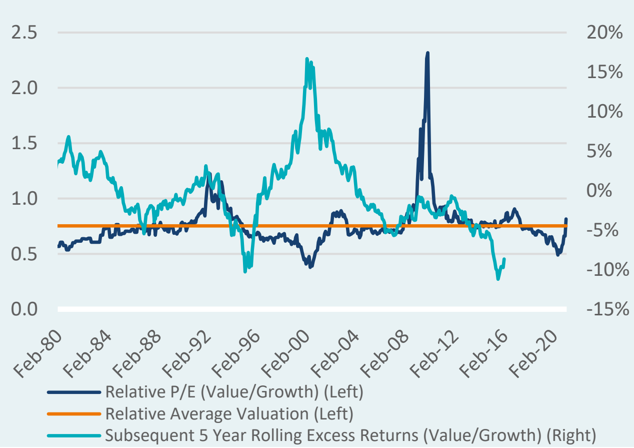
— Small-cap equities extended their outperformance over large-cap equities to a sixth consecutive month. The Russell 2000 Index returned 6.2% while the Russell 1000 Index only rose 2.9%. Year-to-date, small-cap equities (+11.6%) have outperformed their large cap peers (+2.1%) by a significant margin.

— Momentum factor investing, where investors buy stocks that have been outperforming and sell those that have been underperforming lagged the broad S&P 500 Index by -4.5%.

— Value stocks outperformed growth stocks with the Russell 3000 Value Index up 6.3% versus 0.2% for the Russell 3000 Growth Index. Value's outperformance was likely fueled by optimism for a return to normal as investors look toward "re-opening" names.

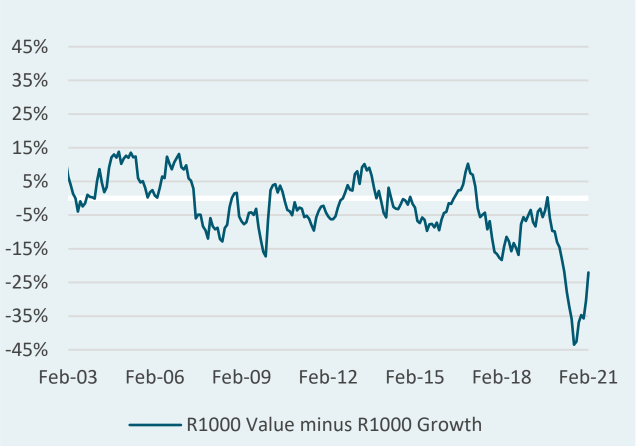
— The S&P 500 High Dividend Index outperformed the S&P 500 Growth Index by 9.0% in February. Higher duration (growth) stocks tend to do better in lower interest rate environments while low duration (often high dividend) stocks do better when inflation expectations and rates rise.

VALUE VS. GROWTH RELATIVE VALUATIONS



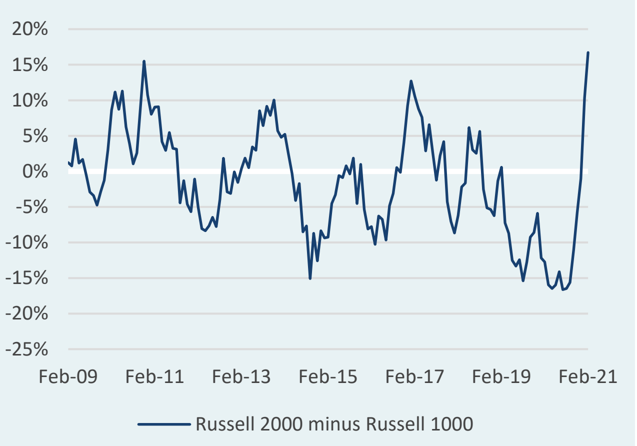
Source: FTSE, Bloomberg, as of 2/28/21

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 2/28/21

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 2/28/21

Fixed income

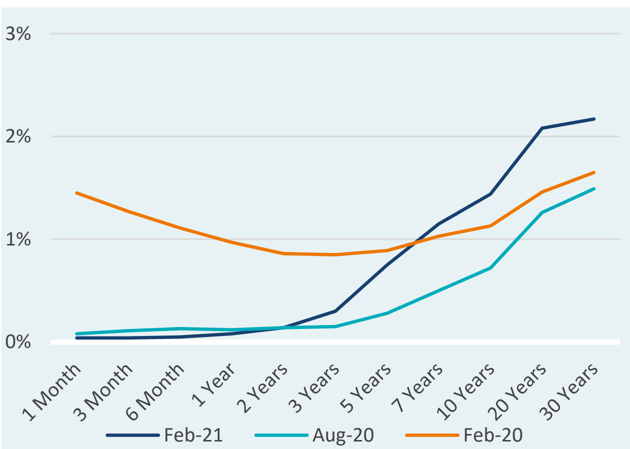
— Priced inflation, as measured by the 5-year breakeven inflation rate rose to its highest level in almost a decade at 2.4%, meaning the market is pricing inflation to average that growth rate over the next five years. Realized inflation has remained subdued relative to priced inflation thus far – the most recent headline CPI print indicated just 1.7% year-on-year growth.

— The ICE Bank of America US High Yield Index option-adjusted spread tightened 27 basis points and ended the month at 3.57%, the lowest level since the beginning of the pandemic.

— The European Central Bank slowed its emergency bond buying to $20.3B in the last week of February, the lowest number in four weeks. ECB Executive Board member Fabio Panetta said the recent increase in yields is “unwelcome and must be resisted”, leading economists to believe the ECB will step up and increase bond buying to reign in yields.

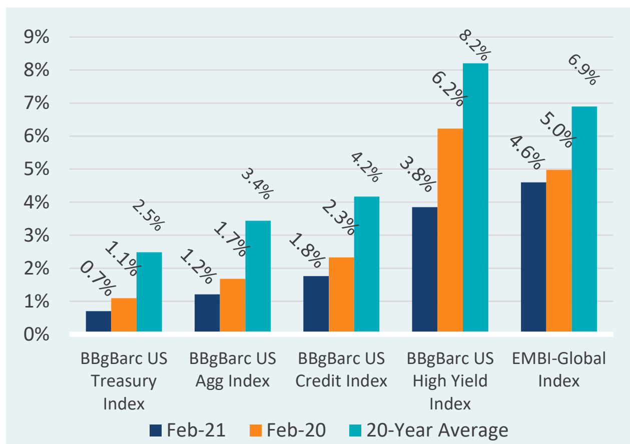
— Long-duration Treasuries (-5.6%) were one of the worst performing asset classes. The 30-5-year term spread expanded to 1.42%, its widest point since October 2015.

U.S. TREASURY YIELD CURVE



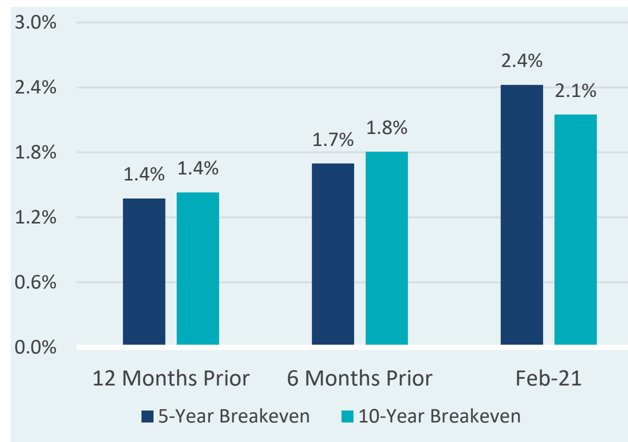
Source: Bloomberg, as of 2/28/21

NOMINAL YIELDS



Source: Morningstar, as of 2/28/21

BREAKEVEN INFLATION RATES



Source: Bloomberg, as of 2/28/21

Global markets

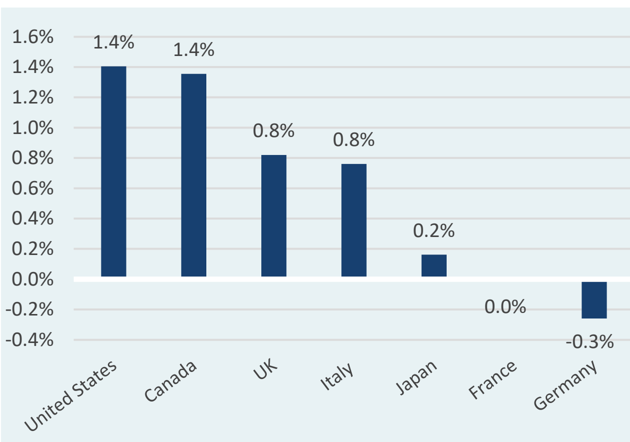
— International developed equities (MSCI EAFE +2.2%) outperformed emerging market equities (MSCI EM +0.8). Strong returns in the United Kingdom (MSCI U.K. +3.6%) and mainland Europe (MSCI Europe +2.4%) drove international developed equity outperformance.

— The British Pound rallied +1.8% amid a backdrop of positive news on vaccinations. Britain has had one of the more effective vaccination campaigns in part due to importing over 8 million doses from the EU in February as well as seeing an uptick in domestic production of vaccines.

— Johnson & Johnson's Covid-19 vaccine was cleared for emergency use, making it the third vaccine to be made broadly available in the U.S. Globally, the number of global vaccine dose administrations climbed from 100 to over 257 million. At the current pace of around 8.2 million doses per day, it would take approximately 3.7 years to cover 75% of the global population.

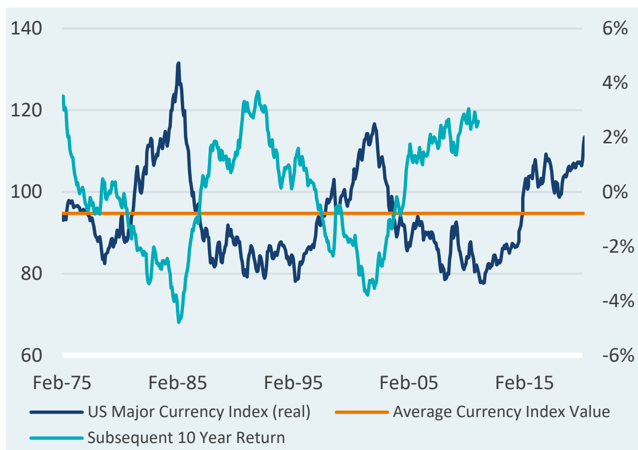
— The Biden Administration is conducting a review of U.S. trade policy toward China. President Biden's team has said it will use "all available tools" to fight China's trade practices, which it views as unfair.

GLOBAL SOVEREIGN 10-YEAR YIELDS



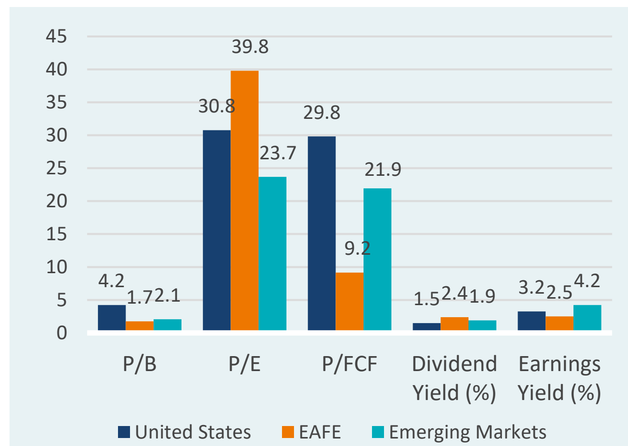
Source: Bloomberg, as of 2/28/21

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 2/28/21

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 2/28/21

Commodities

— The Bloomberg Commodity Index gained +6.5% over the month. All the major components of the commodities basket saw a positive return except for precious metals which slid -5.5% lower. The largest contributions to returns for the index came from the energy (+15.4%) and industrial metals (+10.1%) sectors.

— Spot lumber prices continued to soar and are now up 257.5% from the lows seen during the trough of the pandemic. Lumber price inflation has been supported by a very strong U.S. housing market, which has been underpinned by historically low mortgage rates.

— The Bloomberg Energy Sub-Index continued its bull run and was up 15.4% over the month of February. The decision from OPEC+ to keep production relatively steady, along with an optimism for a recovery in oil demand surrounding the COVID-19 vaccine rollout, pushed the Brent crude oil futures curve into its most backwardated term structure since the beginning of the pandemic.

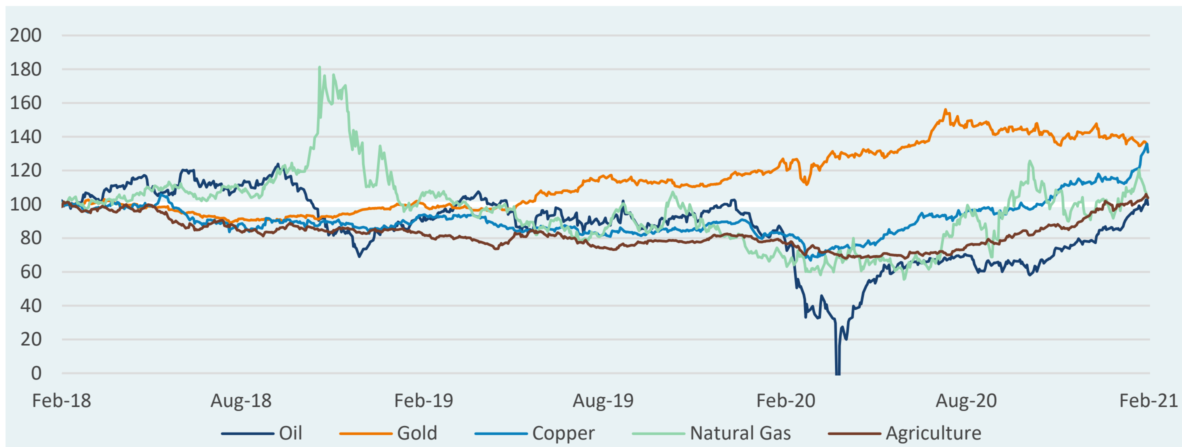
— Industrial metals (+10.1%) outperformed the overall commodities index, supported by a rising tide of wagers on a robust global economic recovery, and on a potentially massive U.S. infrastructure spending bill later in the year.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	6.5	9.3	9.3	20.3	0.3	3.5	(5.9)
Bloomberg Agriculture	3.8	8.7	8.7	35.9	2.7	1.6	(5.3)
Bloomberg Energy	15.4	21.7	21.7	(7.5)	(11.2)	(2.1)	(13.8)
Bloomberg Grains	0.7	8.3	8.3	38.5	3.3	0.6	(5.0)
Bloomberg Industrial Metals	10.1	10.2	10.2	41.9	4.0	10.9	(3.0)
Bloomberg Livestock	3.3	4.8	4.8	(3.4)	(8.5)	(6.2)	(4.9)
Bloomberg Petroleum	17.5	25.9	25.9	0.2	(6.3)	3.6	(9.5)
Bloomberg Precious Metals	(5.5)	(7.0)	(7.0)	16.5	9.5	6.8	(0.1)
Bloomberg Softs	9.2	9.4	9.4	18.5	(1.1)	(0.9)	(9.8)

Source: Morningstar, as of 2/28/21

COMMODITY PERFORMANCE



Source: Bloomberg, as of 2/28/21

Appendix

Periodic table of returns

BEST

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	5-Year	10-Year
Small Cap Value	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	38.5	15.2	22.2	16.4
Small Cap Equity	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	34.6	11.6	21.1	13.8
Commodities	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	21.0	9.3	17.9	13.6
Small Cap Growth	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	20.0	8.3	17.4	11.9
Large Cap Value	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	18.3	5.1	15.2	10.4
Emerging Markets Equity	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	14.0	3.9	14.2	9.7
Large Cap Equity	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	10.3	2.1	12.0	9.0
Hedge Funds of Funds	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	7.8	1.5	10.2	6.5
International Equity	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	7.5	1.2	9.7	5.0
60/40 Global Portfolio	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	4.6	0.2	5.9	4.4
Cash	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	2.8	0.0	5.7	3.6
Real Estate	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	0.5	0.0	3.6	3.4
Large Cap Growth	-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	0.5	-0.8	3.5	0.6
US Bonds	-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	-3.1	-2.2	1.1	-5.9

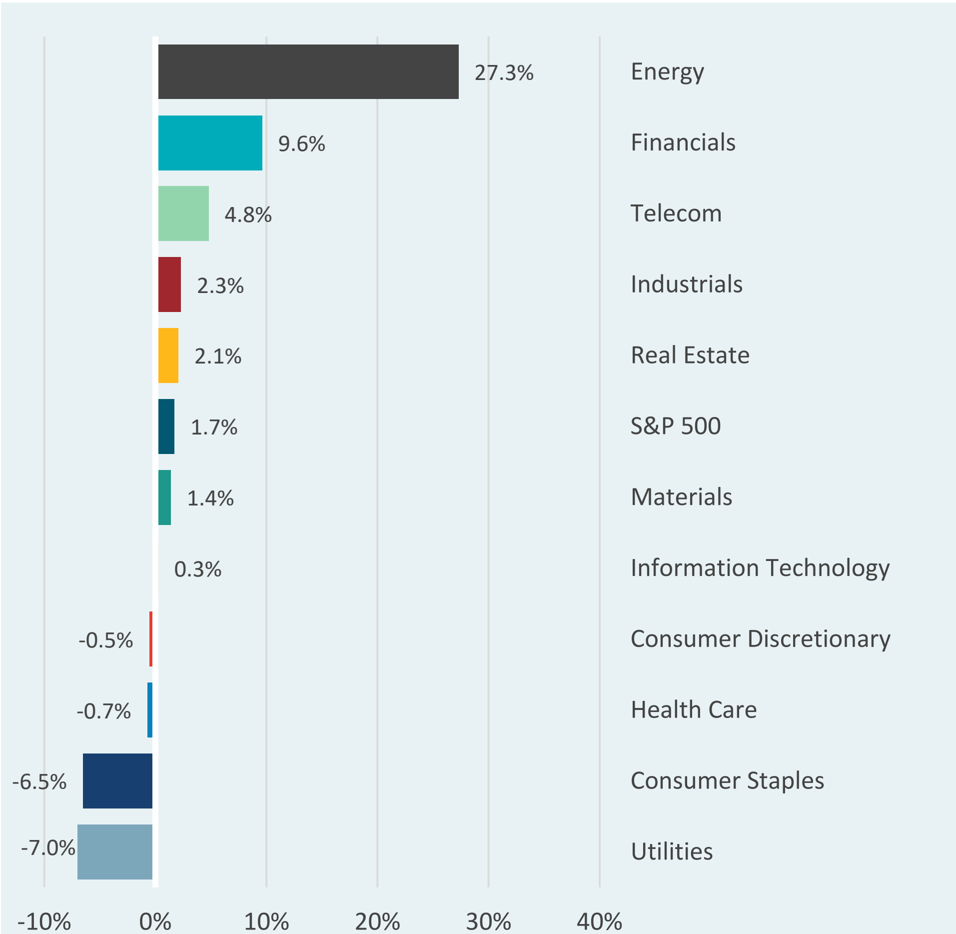
WORST

- 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 12/31/20.

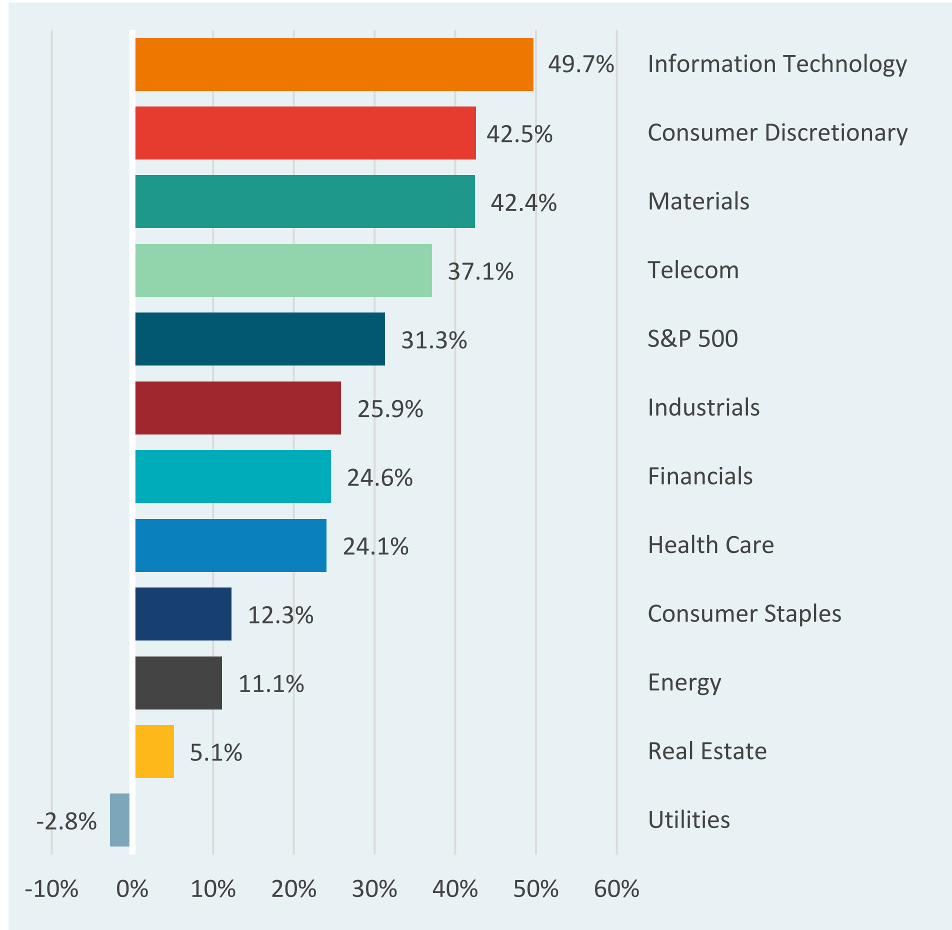
S&P 500 sector returns

QTD



Source: Morningstar, as of 2/28/21

ONE YEAR ENDING FEBRUARY



Source: Morningstar, as of 2/28/21

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	2.8	1.7	1.7	31.3	14.1	16.8	13.4
S&P 500 Equal Weighted	6.1	5.2	5.2	32.9	12.4	15.2	12.5
DJ Industrial Average	3.4	1.4	1.4	24.4	9.8	16.1	12.5
Russell Top 200	1.9	0.9	0.9	33.6	15.5	17.9	14.1
Russell 1000	2.9	2.1	2.1	34.3	15.0	17.4	13.6
Russell 2000	6.2	11.6	11.6	51.0	14.9	17.9	11.9
Russell 3000	3.1	2.7	2.7	35.3	15.0	17.4	13.4
Russell Mid Cap	5.6	5.3	5.3	36.1	13.7	15.9	12.3
Style Index							
Russell 1000 Growth	(0.0)	(0.8)	(0.8)	44.3	21.0	22.2	16.4
Russell 1000 Value	6.0	5.1	5.1	22.2	8.2	12.0	10.4
Russell 2000 Growth	3.3	8.3	8.3	58.9	18.9	21.1	13.8
Russell 2000 Value	9.4	15.2	15.2	41.1	10.1	14.2	9.7

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	(1.6)	(1.3)	(1.3)	5.8	6.1	4.3	3.6
BBgBarc US Treasury Bills	0.0	0.0	0.0	0.4	1.6	1.2	0.7
BBgBarc US Agg Bond	(1.4)	(2.2)	(2.2)	1.4	5.3	3.6	3.6
Duration							
BBgBarc US Treasury 1-3 Yr	(0.1)	(0.0)	(0.0)	1.7	2.9	1.8	1.3
BBgBarc US Treasury Long	(5.6)	(9.0)	(9.0)	(6.0)	8.8	4.2	6.9
BBgBarc US Treasury	(1.8)	(2.8)	(2.8)	(0.1)	5.0	2.6	3.1
Issuer							
BBgBarc US MBS	(0.7)	(0.6)	(0.6)	1.5	4.1	2.6	2.9
BBgBarc US Corp. High Yield	0.4	0.7	0.7	9.4	6.6	9.0	6.5
BBgBarc US Agency Interm	(0.6)	(0.6)	(0.6)	1.5	3.4	2.1	2.0
BBgBarc US Credit	(1.7)	(2.9)	(2.9)	2.4	6.6	5.5	5.0

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	2.3	1.9	1.9	30.2	10.3	14.2	8.8
MSCI ACWI ex US	2.0	2.2	2.2	26.2	5.4	11.2	4.8
MSCI EAFE	2.2	1.2	1.2	22.5	4.6	9.7	5.0
MSCI EM	0.8	3.9	3.9	36.0	6.4	15.2	4.4
MSCI EAFE Small Cap	2.6	2.3	2.3	31.2	5.2	11.7	7.8
Style Index							
MSCI EAFE Growth	(0.3)	(1.7)	(1.7)	28.0	9.0	12.0	7.0
MSCI EAFE Value	4.8	3.9	3.9	16.0	(0.1)	7.2	3.0
Regional Index							
MSCI UK	3.6	3.3	3.3	9.2	(0.1)	4.7	2.7
MSCI Japan	1.5	0.5	0.5	28.4	5.2	11.3	6.1
MSCI Europe	2.4	1.7	1.0	20.3	4.2	8.8	4.7
MSCI EM Asia	0.9	5.3	5.3	45.7	10.1	17.7	7.7
MSCI EM Latin American	(3.0)	(9.5)	(9.5)	(6.0)	(7.8)	7.0	(4.2)

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	6.5	9.3	9.3	20.3	0.3	3.5	(5.9)
Wilshire US REIT	3.3	3.8	3.8	2.9	8.8	5.7	12.7
CS Leveraged Loans	0.7	1.9	1.9	5.7	4.2	4.6	5.0
Alerian MLP	7.8	14.1	14.1	(3.3)	(8.4)	(1.8)	(1.5)
Regional Index							
JPM EMBI Global Div	(2.6)	(3.6)	(3.6)	0.9	4.5	5.9	5.9
JPM GBI-EM Global Div	(2.7)	(3.7)	(3.7)	3.7	0.6	5.5	1.1
Hedge Funds							
HFRI Composite	4.1	5.0	5.0	20.6	7.1	7.7	4.5
HFRI FOF Composite	2.6	1.5	1.5	13.9	5.1	5.7	3.4
Currency (Spot)							
Euro	(0.1)	(0.8)	(0.8)	10.5	(0.2)	2.2	(1.3)
Pound Sterling	1.8	2.3	2.3	9.5	0.5	0.1	(1.5)
Yen	(1.7)	(3.1)	(3.1)	1.2	0.1	1.2	(2.6)

Source: Morningstar, HFRI, as of 2/28/21

Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	12.3	12.2	10.4	11.9
Global Private Equity Direct Funds *	20.4	16.2	14.8	14.6
U.S. Private Equity Direct Funds *	21.0	17.6	15.0	16.0
Europe Private Equity Direct Funds *	18.6	14.2	16.3	12.7
Asia Private Equity Direct Funds *	19.9	14.3	13.8	13.3
Public Index Time-weighted Returns				
MSCI World	10.4	7.7	10.5	9.4
S&P 500	15.1	12.3	14.1	13.7
MSCI Europe	(0.8)	(0.6)	4.2	4.3
MSCI AC Asia Pacific	11.2	4.3	9.1	5.6

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	0.5	6.6	7.9	12.2
Public Index Time-weighted Returns				
FTSE NAREIT Equity REIT	(18.2)	0.2	3.9	7.9

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	3.7	6.4	8.2	10.2
Public Index Time-weighted Returns				
S&P / LSTA U.S. Leveraged Loan 100 Index	1.7	3.4	4.1	4.1

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	(20.2)	(7.5)	(2.8)	(0.0)
Global Infrastructure	6.6	8.5	10.7	9.6
Public Index Time-weighted Returns				
S&P Global Natural Resources	(9.5)	(2.8)	6.7	0.2
S&P Global Infrastructure	(13.9)	(1.4)	4.5	5.5

Source: Pooled IRRs are from Thompson Reuters C|A and Time-weighted Returns are from Investment Metrics, as of September 30th, 2020. All returns in U.S. dollars.

** Includes Buyout, Growth Equity and Venture Capital.*

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

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

Notices & disclosures

Board of Trustees

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San Luis Obispo County Pension Trust

SLOCPT

Date: March 22, 2021

To: Board of Trustees

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

Agenda Item 13: Asset Allocation - March 2021

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.

Respectfully submitted,

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