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

Monday, September 26, 2022 9:30 AM

PENSION TRUST
BOARD OF TRUSTEES

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

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

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

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

https://us06web.zoom.us/j/85031865375

Webinar ID: 850 3186 5375 Passcode: 782026

If you wish to listen via phone to the meeting, please dial 669/900-6833 (Meeting ID 850 3186 5375). 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 August 22, 2022 (Approve Without Correction).

3. Report of Deposits and Contributions for the month of August 2022 (Receive and File).

4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of August 2022 (Receive, Approve and File).

5. *reserved*

D) APPLICATIONS FOR DISABILITY RETIREMENT

6. Disability Retirements – Plan Provisions, Process Briefing (Review and Discuss with Staff)

7. Application for Industrial Disability Retirement – Case 2022-04 (Recommend Approval).

8. Application for Industrial Disability Retirement – Case 2022-07 (Recommend Approval).

9. Application for Industrial Disability Retirement – Case 2022-06 (Recommend Approval).

10. Application for Industrial Disability Retirement – Case 2022-03 (Recommend Approval).

12. *reserved*

13. *reserved*

E) OLD BUSINESS

None

E) NEW BUSINESS

13. Trustee Education (Discuss, and Direct Staff as necessary).

G) INVESTMENTS

14. Monthly Investment Report for August 2022 (Receive and File).
15. Alternative Investments Fee Disclosure – CA Code 7514.7 - (Receive and File).
16. *reserved*
17. Asset Allocation - (Review, Discuss, and Direct Staff as necessary)

H) OPERATIONS

18. Staff Reports
19. General Counsel Reports
20. Committee Reports:

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

21. Upcoming Board Topics (subject to change)
    i. October 24, 2022 – planned as a non-meeting month

    ii. November 28, 2022
        a. Disability (TBD)
        b. Interest Crediting Rates and PEPRA Compensation limits
        c. Plan Amendment for recommendation to the BoS
        d. Quarterly Investment Report
        e. Strategic Asset Allocation – 2023 Interim Benchmark
        f. Private Markets Annual Review – Verus
        g. HarbourVest SLO Fund update

    iii. December 29, 2022 – planned as a non-meeting month

    iv. January 23, 2023
        a. Election of Officers
        b. Committee Appointments
        c. Disability (TBD)
        d. Annual Policies Review
        e. Annual Cashflow Analysis
        f. TBD

    v. February 27, 2023
        a. 2023 Retiree COLA
        b. Quarterly Investment Report
        c. Capital Market Assumptions / Asset Allocation Review
        d. Investment Policy Statement review
        e. TBD

22. Trustee Comments

I) CLOSED SESSION

23. PUBLIC EMPLOYEE EVALUATION. The Board will convene in closed session pursuant to Gov. Code section 54957(b)(1) to conduct the annual employee evaluation of the Executive Director.

Break – Lunch

J) STRATEGIC PLANNING SESSION

24. Funding Policy Update – Revised Forecasts - (Review, Discuss, and Direct Staff as necessary).

25. Strategic Plan – 5 Year - (Review, Discuss, and Direct Staff as necessary).

26. Staff Continuity Planning - (Review, Discuss, and Direct Staff as necessary).

27. Fiduciary Refresher Briefing – ESG Criteria in Investments - (Review, Discuss, and Direct Staff as necessary).

28. Retirement Plan / Deferred Compensation Plan Coordination - (Review, Discuss).

K) ADJOURNMENT

This page left blank intentionally.

PENSION TRUST
BOARD OF TRUSTEES

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

MINUTES

Monday, August 22, 2022
Regular Meeting of the Pension Trust
Board of Trustees

PENSION TRUST
BOARD OF TRUSTEES

Board Members Present:	Jeff Hamm Jim Hamilton David Grim Lisa Howe Geoff O'Quest Michelle Shoresman Gere Sibbach	
Board Members Absent:	–	
Pension Trust Staff:	Carl Nelson Amy Burke Jennifer Alderete	Executive Director Deputy Director Accountant
General Counsel:	Kristen Rogers	Olson | Remcho
Consultants:	Scott Whalen	Verus
Others:	Ayub Aneesah	virtual

Call to Order: 9:35 AM by Vice President Hamm

A) PUBLIC COMMENT

1. None

B) ORGANIZATIONAL

2. Elected Trustee – new Trustee – Geoff O'Quest

   Trustees Shoresman and Grim announced their selection of a replacement Elected Trustee to finish the term ending June 30, 2025 - Geoff O'Quest. The Board welcomed Trustee O'Quest, who introduced himself to the other Trustees.

C) CONSENT

3. Minutes of the Regular Meeting of June 27, 2022 (Approve Without Correction).

4. Reports of Deposits and Contributions for the months of June and July 2022 (Receive and File).

5. Reports of Service Retirements, Disability Retirements and DROP Participants for the months of June and July 2022 (Receive, Approve and File).

6. Monthly Investment Report – June 2022 (Receive and File).

7. *reserved*

Motion: Approve the Consent items

Discussion: -

Public Comment: None

Motion Made: Ms. Shoresman **Motion Seconded**: Mr. Hamilton

Carried: Unanimous

D) APPLICATIONS FOR DISABILITY RETIREMENT

8. *reserved*

9. *reserved*

E) OLD BUSINESS

None

F) NEW BUSINESS

10. June 30, 2022, Mid-Year Financial Statements and Fiscal Year (FY) 2021-2022 Final Administrative Budget Status

Motion: To Receive and File the Mid-Year Financial Statements and Fiscal Year (FY) 2021-2022 Final Administrative Budget Status report.

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

Public Comment: None

Motion Made: Mr. Sibbach **Motion Seconded**: Ms. Howe

Carried: Unanimous

G) INVESTMENTS

11. Quarterly Investment Report for the 2nd Quarter of 2022 – Verus

Motion: To Receive and File the Quarterly Investment Report.

Discussion: Scott Whalen of Verus as the SLOCPT general investment consultant presented an extensive report on investment markets and the performance of SLOCPT assets. Overall Mr. Whalen was satisfied with the performance of the fund's investment managers despite a difficult market. The bias in investment manager selections towards managers with less downside risk has been beneficial in the current down market in Mr. Whalen's opinion. Trustees asked numerous questions about the market environment and the SLOCPT investment performance.

Public Comment: None

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

Carried: Unanimous

12. Capital Markets Assumptions – mid-2022 Update

Discussion: Due to the large increase in interest rates and the bear market in stocks since the annual review of Capital Markets Assumptions (CMA) in February, Scott Whalen of Verus provided an updated review of CMAs.

Public Comment: None

No Action Necessary

13. Monthly Investment Report for July 2022

Motion: To Receive and File the monthly investment report.

Discussion: Executive Director Nelson presented the report.

Public Comment: None

Motion Made: Ms. Howe **Motion Seconded**: Mr. Grim

Carried: Unanimous

14. *reserved*

15. Asset Allocation

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

Public Comment: None

No Action Necessary

H) OPERATIONS

16. Staff Reports

i. Deputy Director Burke reported on 2022 retirements, noting that approximately 14 more had been processed this year compared to the same time last year. In addition, the number of disability applications had increased significantly over the past year.

ii. Deputy Director Burke reported on "Alive & Well" letters sent to retirees aged 100 and over as a way to avoid late death notification or no notification at all.

iii. Executive Director Nelson provided a status update regarding the overpayments first reported at the March 28, 2022 Board of Trustees meeting. SLOCPT has retained legal counsel in Nevada to assist with the return of the overpayments to SLOCPT. Trustee Sibbach asked if the issue is death reporting. Deputy Director Burked confirmed that death reporting is an issue with all pension systems and varies by state depending on their sharing of Social Security death reporting files.

iv. Executive Director Nelson requested Trustee preferences for a lunch break at the September 26, 2022 Board of Trustees meeting, as strategic planning occurs at the meeting which usually results in a longer meeting.

17. General Counsel Reports

None

18. Committee Reports:

i. Audit Committee	No Report
ii. Personnel Committee	No Report

iii. Private Markets Investments (ad hoc) No Report

19. Upcoming Board Topics – published on meeting agenda

20. Trustee Comments

Trustee Grim reported on the SACRS Berkeley Investment Program. He found it to be extensive, challenging, and worthwhile Trustee education.

I) CLOSED SESSION

None

J) ADJOURNMENT

There being no further business, the meeting was adjourned at 10:55 AM. The next Regular Meeting was set for September 26, 2022, at 9:30 AM, in Room 161/162, County Government Center, San Luis Obispo, California 93408.

Respectfully submitted,

Carl Nelson
Executive Director

This page left blank intentionally.

REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF AUGUST 2022

PP 16 8/12/2022 By Employer and Tier:	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for Employee Contributions	Employee Rate	Combined Rate	Additional Contributions	Service Purchases	TOTAL Contributions
County Tier 1	2,733,402.00	890,642.99	32.58%	392,967.43	232,865.29	22.90%	55.48%	2,487.50	1,831.57	**1,520,794.78**
County Tier 2	969,387.53	328,829.80	33.92%	69,630.15	81,711.12	15.61%	49.53%	-	-	**480,171.07**
County Tier 3	4,437,751.35	1,427,664.77	32.17%	641,376.25	159.52	14.46%	46.63%	-	602.72	**2,069,803.26**
Superior Court Tier 1	225,247.16	70,017.48	31.08%	48,614.42	-	21.58%	52.67%	-	-	**118,631.90**
Superior Court Tier 3	158,136.88	47,071.09	29.77%	26,357.04	-	16.67%	46.43%	-	-	**73,428.13**
APCD Tier 1	45,970.62	12,823.35	27.89%	7,643.98	3,680.19	24.63%	52.53%	-	-	**24,147.52**
APCD Tier 2	3,644.80	986.28	27.06%	505.89	209.58	19.63%	46.69%	-	-	**1,701.75**
APCD Tier 3	33,553.61	8,973.49	26.74%	5,476.69	-	16.32%	43.07%	-	-	**14,450.18**
SLOCPT Tier 1	8,101.67	2,522.86	31.14%	1,229.83	752.65	24.47%	55.61%	-	-	**4,505.34**
SLOCPT Tier 2	9,979.20	3,107.53	31.14%	563.83	927.06	14.94%	46.08%	-	-	**4,598.42**
SLOCPT Tier 3	13,521.04	4,341.62	32.11%	1,807.90	-	13.37%	45.48%	250.00	-	**6,399.52**
LAFCO Tier 3	10,614.28	3,411.43	32.14%	1,570.13	-	14.79%	46.93%	-	-	**4,981.56**
RTA Tier 2	29,460.80	9,294.87	31.55%	598.01	3,829.90	15.03%	46.58%	-	-	**13,722.78**
RTA Tier 3	13,600.80	4,384.73	32.24%	1,818.05	-	13.37%	45.61%	-	-	**6,202.78**
	8,692,371.74	2,814,072.29	32.37%	1,200,159.60	324,135.31	17.54%	49.91%	2,737.50	2,434.29	**$ 4,343,538.99**

PP 17 8/26/2022 By Employer and Tier:	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for Employee Contributions	Employee Rate	Combined Rate	Additional Contributions	Service Purchases	TOTAL Contributions
County Tier 1	2,715,408.85	885,180.78	32.60%	390,481.08	231,242.90	22.90%	55.49%	2,487.50	26,762.49	**1,536,154.75**
County Tier 2	965,095.76	327,753.80	33.96%	68,776.48	81,466.19	15.57%	49.53%	-	-	**477,996.47**
County Tier 3	4,440,586.14	1,427,860.48	32.15%	642,055.98	(159.52)	14.46%	46.61%	-	602.72	**2,070,359.66**
Superior Court Tier 1	224,216.41	69,751.64	31.11%	48,343.55	-	21.56%	52.67%	-	-	**118,095.19**
Superior Court Tier 3	160,905.97	48,031.41	29.85%	26,815.43	-	16.67%	46.52%	-	-	**74,846.84**
APCD Tier 1	45,970.61	12,823.35	27.89%	7,643.98	3,680.18	24.63%	52.53%	-	-	**24,147.51**
APCD Tier 2	3,644.80	986.28	27.06%	505.89	209.58	19.63%	46.69%	-	-	**1,701.75**
APCD Tier 3	36,081.59	9,645.17	26.73%	5,839.59	-	16.18%	42.92%	-	-	**15,484.76**
SLOCPT Tier 1	8,101.67	2,522.86	31.14%	1,229.83	752.65	24.47%	55.61%	-	-	**4,505.34**
SLOCPT Tier 2	9,979.20	3,107.53	31.14%	563.83	927.06	14.94%	46.08%	-	-	**4,598.42**
SLOCPT Tier 3	13,521.04	4,341.62	32.11%	1,807.90	-	13.37%	45.48%	250.00	-	**6,399.52**
LAFCO Tier 3	10,614.28	3,411.43	32.14%	1,504.50	-	14.17%	46.31%	-	-	**4,915.93**
RTA Tier 2	29,460.80	9,294.87	31.55%	598.01	3,829.90	15.03%	46.58%	-	-	**13,722.78**
RTA Tier 3	13,600.80	4,384.73	32.24%	1,818.05	-	13.37%	45.61%	-	-	**6,202.78**
	8,677,187.92	2,809,095.95	32.37%	1,197,984.10	321,948.94	17.52%	49.89%	2,737.50	27,365.21	**$ 4,359,131.70**
TOTAL FOR THE MONTH	**17,369,559.66**	**5,623,168.24**	**32.37%**	**2,398,143.70**	**646,084.25**	**17.53%**	**49.90%**	**5,475.00**	**29,799.50**	**$ 8,702,670.69**
TOTAL YEAR TO DATE	**145,343,058.02**	**44,968,652.82**	**30.94%**	**19,529,159.84**	**5,566,254.76**	**17.27%**	**48.21%**	**43,937.50**	**126,405.00**	**$ 70,234,409.92**

REPORT OF RETIREMENTS	August 2022

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Cuzick, Walt J	ITD	Service Retirement	08/01/2022	838.43	False
Diaz-Gibson, Anna Marie	Community Parks	Service Retirement	08/20/2022	3,310.20	False
Dutton, Sally L	Behavioral Health	Service Retirement	08/06/2022	1,122.06	False
Groves, Michael LeRoy	Public Health Department	Service Retirement	08/20/2022	917.86	False
Gutierrez, Laurie A	Department of Social Services	DROP	08/01/2022	5,360.73	False
Gutierrez, Rafaela H	Superior Court	Service Retirement	07/30/2022	2,778.14	False
Litteral, Susan M	Engineering ISF	Service Retirement	08/06/2022	2,658.12	False
Litteral, Susan M	Engineering ISF	Additional Annuity	08/06/2022	251.06	False
Martin, Noah Frederic	Sheriff-Coroner	Service Retirement	07/05/2022	1,829.85	False
Newnham, Stephen Lynne	Probation Department	Service Retirement	07/20/2022	1,203.95	False
Newsome, Katherine Pace	Behavioral Health	Service Retirement	07/30/2022	732.45	False
Pierini, Rosalyn L	Library	Service Retirement	08/08/2022	6,122.10	False
Power, Brian J	Sheriff-Coroner	Duty Disability Retirement	08/06/2022	4,201.39	False
Silva, Karen A	ITD	Service Retirement	07/30/2022	7,700.78	False
Walters, Julie L	Agricultural Commissioner	Service Retirement	08/20/2022	1,944.84	False
Wright, Don	Assessor	Service Retirement	07/23/2022	3,412.48	False

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

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

Board of Trustees

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

San Luis Obispo County
Pension Trust
SLOCPT

Date: September 26, 2022

To: Board of Trustees

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

Agenda Item 6: Disability Retirements – Plan Provisions, Process Briefing

Recommendation:

It is recommended by Staff that the Board of Trustees –

- Receive a presentation from SLOCPT staff and San Luis Obispo County Human Resources staff on the process of Disability Retirements.
- Thoroughly discuss the Disability Retirement process and provide feedback to Staff.

Background:

The San Luis Obispo County Employees Retirement Plan (the Plan) includes important Disability Retirement benefits. Eligibility for Disability Retirement is for a Plan Member who becomes permanently physically or mentally disabled through illness or injury to the extent that he or she is incapable of performing his or her duties and remains so. Disability Retirement benefits are paid for life just like normal service retirements.

Section 10 of the Plan governs Disability Retirements and includes:

Ordinary Disability Retirement (ODR) – Section 10.02

1) Less than 65 years of age
2) Pension Trust Service Credits (PTSC) > 5 years (vested)
3) **ODR benefit** =
    a) PTSCs from 10 to 22.222 years = **33% of final compensation**
    b) PTSCs < 10 years or > 22.222 years = PTSCs x 1.5% of final compensation.
    c) Limited at age 60 to the amount of a normal service retirement

Industrial Disability Retirement (IDR) **–** Section 10.04

1) Eligible classes are Probation and Public Safety members.
   a) Note - some other retirement systems include Miscellaneous class members as eligible for IDR, but this is not a provision of the SLO County Retirement Plan.
2) Disability must be Service Connected as defined in Section 1.25 of the Plan.
   a) Cause of disability means predominantly caused by the performance of the duties of the Member – e.g., at least 51% attributable to job duties.
   b) Service-connected aggravation or acceleration of preexisting injuries or disabling conditions are not deemed Service Connected unless they are the predominant cause of disability.
   c) Some other retirement plans and the Workers Compensation system in some cases contain "presumptions" related to the determination of Service Connected. Examples include a Cardiac Presumption that deems chronic and disabling cardiac disease to be Service Connected for Public Safety officers (i.e., presumed to be caused by job stress). However, the SLO County Retirement Plan does not include any "Presumptions".
   d) No age limitation on granting of IDR – Service Connected injury causing the disability could happen on the first day of employment.
3) **IDR Benefit** = **50% of final compensation**
   a) IDR benefits are generally exempt from Federal taxation.
   b) If the earned Service Retirement benefit is greater than the IDR benefit, the higher amount is paid. Although tax-exempt status only applies to the 50% of final compensation IDR amount.

Misconduct of Employee – Section 10.05 – voids right to a Disability Retirement

Transfer in Lieu of Disability Retirement – Section 10.06

1) Disabled members capable of performing another job within the County Employer may hold that job and the Disability Benefit = difference in pay between the job they were disabled from performing and the job they can perform.
2) Requires –
   a) Job available and offered to the Disabled Member. Human Resources required to pursue an "Interactive Process" to find such a job.
   b) Agreement by the Disabled Member to take the job.

Section 11 of the Plan governs Authority of the Board of Trustees for re-examination of Disability Retirement recipients and includes:

Authority of the Board re: Recipient of Disability Retirement – Section 11.04

1) For Disability Retirement recipients under the minimum age for voluntary retirement (e.g., age 50 for Tier 1) the Board may require re-examination to

determine if the recipient is still incapacitated from the position they were disabled from.

2) If the Disability Retirement recipient refuses such an examination their benefit may be canceled.
3) If the Disability Retirement recipient is found to no longer be incapacitated from the position they were disabled from their benefit is cancelled and they "shall become a Member of the Pension Trust". This means they must go back to being a regular employee of their previous employer.
4) Requires –
   a) That the County Employer rehires the Disability Retirement recipient into their prior position.
   b) However, the Plan or County Statute does not provide any authority for the SLOCPT to order such a rehire. As a result, the authority to effect such a rehire is the proverbial "pushing on a string".
   c) This makes Section 11.04 effectively operable only in the rare circumstance of a Disability Retirement recipient who wants to return to their job, an employer who wants them to be rehired, and a medical re-evaluation that determines them to no longer be disabled. It has never been applied with the SLOCPT and we have heard no anecdotes from other retirement systems that such a re-examination clause has ever resulted in a rehire.

An accompanying presentation will be made at the Board meeting that describes the full process of Disability Retirement.

Respectfully Submitted,

This page left blank intentionally.

San Luis Obispo County
Pension Trust
SLOCPT

Disability Retirement

SLO Pension Trust **805/781-5465**
1000 Mill St., San Luis Obispo, CA 93408
SLOPensionTrust.org

Disability Retirement

- **Important additional benefit of the Plan**
  - Lifetime income
  - Permanently disabled from performing their job
- **Ordinary Disability**
  - 5-year vesting, 33% of pay benefit typically
  - Disabled for any reason
- **Industrial Disability**
  - Service-connected – Safety & Probation only
  - 50% of pay benefit

ADA & FEHA

The California Fair Employment and Housing Act (FEHA) and Americans with Disabilities Act (ADA) are state and federal laws that prohibit discrimination based on disability and also require an employer to engage in an ongoing, good faith **interactive process** to determine whether reasonable accommodation can be made to an employee with a known disability.

What Triggers The Interactive Process?

- The employer receives work restrictions from a medical provider
- Verbally or in writing by the disabled employee
- Employee requests a reasonable accommodation
- A supervisor observes that an employee is having some difficulty performing his/her job duties

IP Meeting – Temporary Restriction Accommodations

- Current job with accommodations
- Different job in same department
- Different job in another department
- Leave – paid or unpaid, including reduced hours in conjunction with FMLA and/or Workers' Compensation benefits

Workers' Compensation Paid Leave

- **Temporary Disability –nonsworn**
  - Accepted claim
  - 2/3 of pay
  - Up to 2 years or until permanent & stationary

- **Temporary Disability –sworn only**
  - Accepted claim
  - LC 4850, section 7 benefits-salary continuation up to 1 year
  - If still temporarily disabled after 1 year, 2/3 of pay for 2nd year

WC Presumptions for Sworn Officers

- Heart Disease- LC 3212
- Back injury from “duty belt” –LC 3213.2
- COVID-19 –SB 1159 (until Jan 2023)
- PTSD -3212.15 (Jan 2020-Jan 2025)

IP Meeting –Permanent Restrictions

- Employer receives medical report indicating restrictions are permanent
- Can restrictions be accommodated?
  - If not, job search
    - If they are not placed in another job,
      - Pension Trust referral

Challenges to Job Search

- Employees should, but often do not actively engage in the process
- Meet minimum qualifications for vacant position with or without accommodations
- Restrictions may be severe, therefore no positions available
- Employee is already at retirement age, not interested
- **Benefits of Industrial Disability Retirement are extremely enticing (sworn only)**

Questions

Employer to SLOCPT Transition

- **Disabled – notice to call the SLOCPT**
  - Interactive Process to find another job
  - Application prior to final separation from service.
    - *"You can't be disabled from a job you no longer have…"*
- **Disability Application to the SLOCPT**
  - ODR or IDR
  - Job description
  - Medical evidence - Burden of proof is on the applicant
- **Medical Evidence**
  - Physician records, Workers Comp QME reports, etc.

Medical Evaluation

- **Medical Evaluation professionals**
  - MMRO, Inc – does recommendation
    - Records review only is possible
  - Independent Medical Exam
  - Independent Psychiatric Exam
    - MMRO network of IME/IPE - at SLOCPT expense

- **SLOCPT Staff**
  - Does not do medical evaluation
  - Administers the process
  - Recommendation to the Board

Why does SLOCPT do its own medical?

- **Unbiased evaluation – duty to the SLOCPT**
  - Applicant's records potentially biased or incomplete
- **Workers Comp criteria is different**
  - QME evaluates on WC criteria
  - Partial disability apportionment
  - May include presumptions on service causation
  - WC benefits - short-term, medical costs, or lump sum
- **SLOCPT Disability**
  - For permanent (> 12 months) disability
  - Service-connected causation is unique to the Plan

Recommendation = Disabled

- **Staff Recommendation to Approve**
  - MMRO medical evaluation report
- **If Board Approves**
  - Member converted to ODR or IDR benefit
  - Starts on first day after compensated employment ends
- **If Board Does Not Approve**
  - Set the case for Hearing
  - Act on recommendation from Referee post-hearing

Periodic Review – Recall to Service

- **Plan allows for Periodic Review**
  - Optional – depends on nature of disability and age
  - Allowable up until minimum age of regular service retirement – e.g., age 50 for Tier 1
  - Medical evaluation at SLOCPT expense
    - If applicant refuses – benefit cancelled
- **If found to no longer be disabled**
  - Disability Benefit cancelled

    IF
  - Member rehired by their previous employer
    - SLOCPT has no authority to require rehiring

Recommendation = Not Disabled

- **Staff Recommendation to Set for Hearing**
  - MMRO medical evaluation report
- **Applicant asked – Do you wish to proceed?**
  - Applicant may choose to discontinue their application
  - No response – Staff tables the application
- **Board Approval to Set for Hearing**
  - Set the case for Hearing
  - Referee from Panel selected by rotation

Disability Hearing

- **Quasi-Judicial Hearing**
  - Conducted by Referee
  - SLOCPT represented by legal counsel
  - Applicant may or may not choose to be represented
  - Court reporter and transcript

- **Evidence**
  - Previously submitted applicant's records
  - MMRO and IME/IPE medical reports
  - New evidence may be submitted
  - Witnesses may be used – e.g., another physician

- **Referee Recommendation**
  - Impartial Recommendation to Approve or Deny

Disability Board Decisions

- **If Board Approves Disability**
  - Member converted to ODR or IDR benefit

- **If Board Denies**
  - Board’s decision is final determination
  - Applicant could file lawsuit

SLOCPT Disability History

- **144 Disability benefits being paid at 12/31/21**

Cases Filed by year filed	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 YTD**
ODR applications	2	4	2	1	2	4	0
IDR applications	3	6	4	4	3	6	7
Total Cases	**5**	**10**	**6**	**5**	**5**	**10**	**7**
Approved	3	7	5	5	4	8	2 YTD 5 pending
Not-disabled withdrawn	-	1	1	-	1	2	
Hearing Held Approved Not Approved	2* - 2	1*/1 - 2	-	-	-	-	

* 3 Board Hearings prior to change in policy + 1 Referee conducted hearing

Questions

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

San Luis Obispo County Pension Trust
SLOCPT

Date: September 26, 2022

To: Board of Trustees

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

Agenda Item 13: Trustee Education

Recommendation:

Discuss with Staff their presentation of a possible online Trustee education service available for subscription. Provide feedback on Trustee interest in the "Board Smart" system.

Background:

The Trustee education policy adopted by the Board of Trustees last amended in January 2020 includes the following educational requirements –

1. **New Trustees** – within their first 36 months in office – must attend –
    a. Orientation sessions developed by the Executive Director with relevant background documents to review.
    b. CALAPRS Principles of Pension Governance (3 days)
    c. Investment education –
        i. SACRS Berkeley Investment Program (4 days) – preferred
        ii. Wharton Portfolio Concepts and Management (4 days in Philadelphia)

2. **Ongoing Trustees** – after their first 36 months – **12 hours/year** of continuing education
    a. In practice, we monitor this on a rolling two-year basis (e.g., 6 hours in year 1 and 18 hours in year 2 meets the requirement).
    b. Professional education in your normal field of employment can meet the education requirement if it is directly related to the Trustees obligations as a Trustee.
        i. Includes biennial AB1234 Ethics training
    c. Qualifying continuing education as a Trustee includes –
        i. In-house education programs at Board meetings – e.g., Fiduciary refresher briefings done annually.
        ii. Educational conferences put on by CALAPRS including
            1. General Assembly
            2. Trustee Round Tables
            3. Advanced Principled of Pension Governance
            4. Other CALAPRS Trustee training
        iii. Other educational conferences or online classes approved by the Executive Director as being of material educational value. Examples include –
            1. NCPERS Funding Forum
            2. Nossaman's Fiduciary Forum
            3. Selected IFEBP, NASRA and other associations programs

Trustees find it difficult to schedule the required 12 hours/year of Trustee training given the demands of their regular jobs. During the Covid pandemic we gained experience with several online educational programs that proved to be effective for education.

Staff is evaluating an ongoing suite of fiduciary education online programs that may be beneficial for the SLOCPT to subscribe to. The "Board Smart" system will be presented and discussed at the Board meeting. The website for Board Smart can be found at –

www.boardsmart.com

Board of Trustees

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

San Luis Obispo County
Pension Trust
SLOCPT

Date: September 26, 2022

To: Board of Trustees

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

Agenda Item 14: Monthly Investment Report for August 2022

	August	**Year to Date 2022**		2021	2020	2019	2018	2017
Total Trust Investments ($ millions)	$1,645			$1,775	$1,552 year end	$1,446 year end	$1,285 year end	$1,351 year end
Total Fund Return	-1.9% Gross	**-7.5%** Gross		15.2% Gross	8.9 % Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross
Policy Index Return (r)	-2.6%	-9.6%		12.8%	10.0 %	16.4 %	-3.2 %	13.4 %

(r) Policy index as of Nov. 2021 Strategic Asset Allocation Policy with 2022 Interim targets:

Public Mkt Equity-	24% Russell 3000, 17% MSCI ACWI ex-US
Public Mkt Debt-	11% Barclays US Aggregate,
Risk Diversifying	8% Barclays US Aggregate,
	4% Barclays 7-10yr Treasury, 3% Barclays 5-10yr US TIPS
Real Estate & Infrastructure-	13% NCREIF Index (inc. Infrastructure)
Private Equity-	7% actual private equity returns
Private Credit-	4% actual private credit returns
Liquidity-	6% 90 day T-Bills

Pending annual updates to interim targets.

SLOCPT Investment Returns:

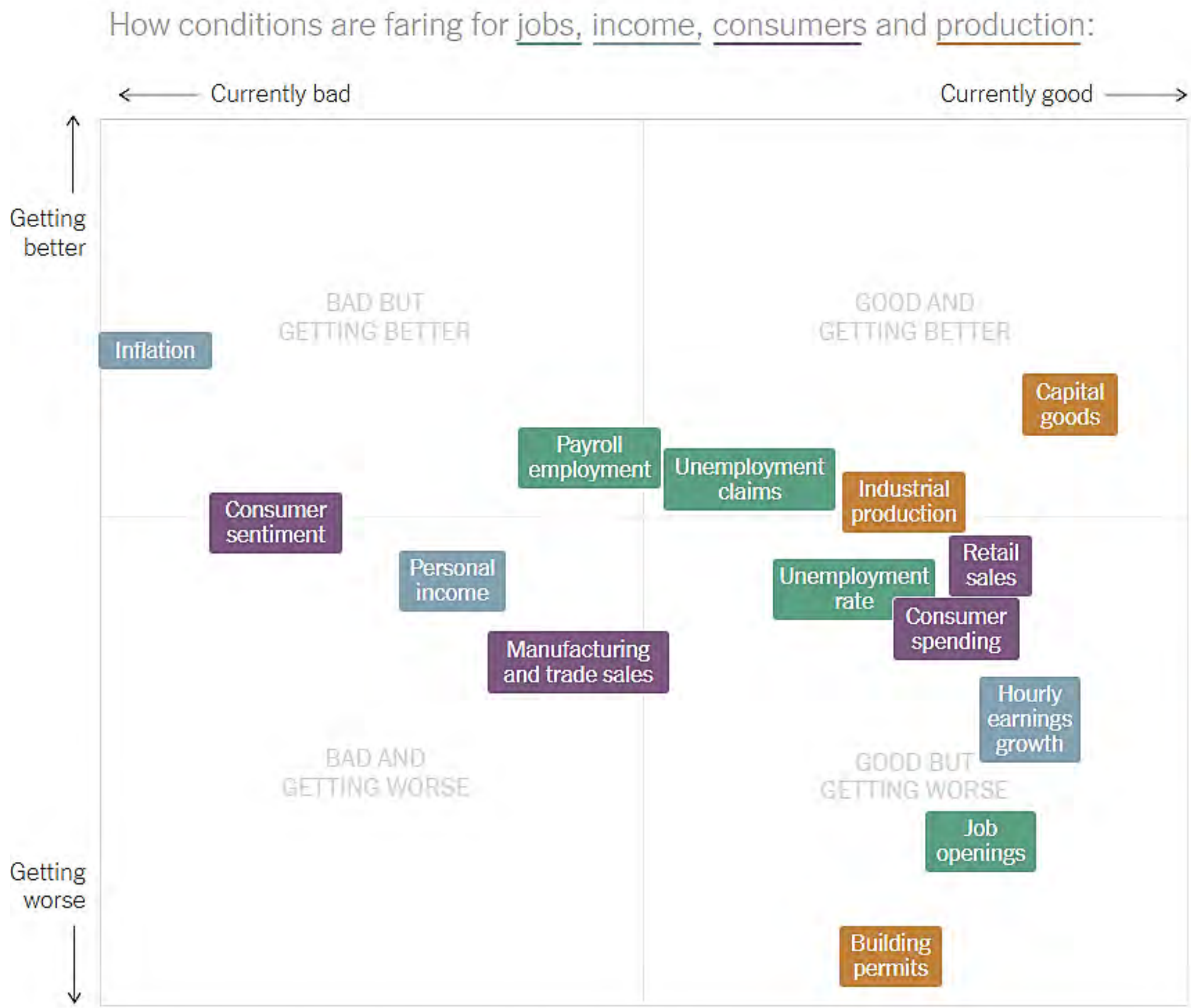
The attached report from Verus covers the preliminary investment returns of the SLOCPT portfolio and general market conditions through the end of August. The attached market commentary from Verus details market conditions in August, but subsequent activity in September is not yet factored into these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

The Economy and Capital Markets:

- **Investment Markets**
  - **Equity Markets –** The pronounced bear market through much of 2022 experienced a July “Bear Market Rally” which reversed itself in August. Concerns over continued Fed tightening of monetary conditions with a possible recession being triggered weigh heavily on the equity market’s view of future corporate profitability. The S&P 500 index finished August with a YTD return of -16.1%.

  - **Fixed Income Markets –** Like the equity markets, bond markets also are negatively impacted by concerns over continued Fed tightening with a possible recession being triggered add to ongoing inflation pessimism. The Bloomberg U.S. Aggregate bond index has a -10.8% YTD return through August.

- **The Economy**
  - **Inflation –** The August US CPI inflation report for posted a higher than expected year-over-year increase of 8.3%. The stubbornly high CPI increase occurred despite declining gas prices and declining used car prices. The August month-over-month CPI increase was a modest 0.1%, but with gas prices declining, this raised concerns of inflation becoming more embedded in the economy. The momentum carrying forward inflation is likely to make further Fed rate increases nearly certain. The high 8.3% year-over-year increase in inflation rattled capital markets with the S&P 500 falling over 3% on the news. The two-year Treasury bond yield soared to a new high for the year of 3.75%. The already strong US Dollar also jumped to new highs for the year on the inflation/Fed rate increases news.
  - **Economic Growth** – The mixed reading on economic conditions were well summarized by the New York Times in a September 13th article with exhibit shown below.



The horizontal axis reflects indicators' deviation from their 2010-2019 averages or, in the case of measures that typically rise over time, from their trend lines for the three years just before the pandemic. The vertical axis shows the change in each indicator over the past three months. All indicators are converted to a consistent scale to allow for comparisons. (See a fuller explanation of methodology below.) Some labels have been moved slightly for legibility.

- **New Jobs and Unemployment** - The August jobs report from the BLS on nonfarm employment continues to show an economy still in growth gain of 315k new jobs. The unemployment rate in August rose slightly to 3.7% partly as a result of more workers returning to the job market.

- **Monetary Policy** – With the disconcertingly high August CPI numbers, the probability of further Fed increases in interest rates rose. The investment management firm Lord Abbett in their September 13th inflation report commented –

> "August's CPI report came in above expectations and suggests that inflation is becoming more embedded in the economy than previously thought. Despite a relatively low MoM headline number of only 0.1%, dominated by falling fuel

prices, many categories in both goods and services continued their shift higher."

"Fed funds futures have fully priced in a 75bp hike at the September meeting with another 75bp in November almost fully anticipated. The peak is expected by the end of 1Q23, above 4.25% with modest easing priced in thereafter. As of this morning, the 2s10s [2-year vs. 10-year Treasury yields] curve inverted further, with 2y UST [2-year Treasury] yields off by 17bp and 10y UST yields higher by 7bp, with the latter approaching the peak of 3.48% seen in mid-June."

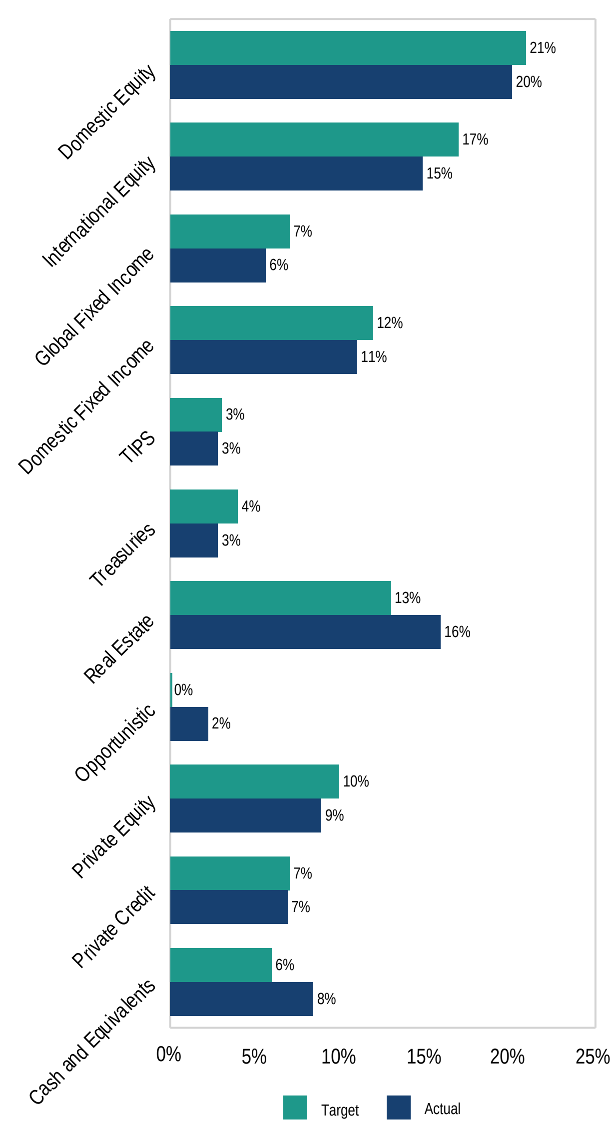
"On a brighter note, MoM headline CPI was low for a second consecutive month, pointing to gains in real income. Inflation expectations also remain contained, suggesting that expectations seem highly sensitive to retail gas prices."

"Given the difficulty in suppressing demand to date, the Fed is likely to continue to target the labor market, thereby making a soft-landing a lower probability event in our view. Indeed, the overall economy is less sensitive to rates than it was in the manufacturer-heavy 1970s, as services and technology are far less capital intensive than factories."

Respectfully Submitted,

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,644,768,810	100.0	-1.9	-7.5
Interim Policy Index			*-2.6*	*-9.6*
FFP SAA Index			*-2.2*	*-5.1*
Total Growth	1,099,825,726	66.9	-2.3	-7.0
Custom Growth Benchmark			*-2.8*	*-10.1*
Total Public Equity	577,503,893	35.1	-3.5	-15.9
Russell 3000 Index			*-3.7*	*-16.9*
Total Domestic Equity	332,797,794	20.2	-2.5	-12.4
Russell 3000 Index			*-3.7*	*-16.9*
PIMCO RAE US	96,491,096	5.9	-0.9	-7.5
S&P 500 Index			*-4.1*	*-16.1*
Loomis Sayles Large Cap Growth	73,208,008	4.5	-4.7	-24.4
Russell 1000 Growth Index			*-4.7*	*-23.2*
Boston Partners Large Cap Value	89,484,468	5.4	-2.5	-7.2
Russell 1000 Value Index			*-3.0*	*-9.8*
Atlanta Capital Mgmt	73,614,221	4.5	-2.4	-10.5
Russell 2500 Index			*-2.7*	*-16.0*
Total International Equity	244,706,100	14.9	-4.8	-20.3
MSCI AC World ex USA Index			*-3.2*	*-18.0*
Dodge & Cox Intl Stock	129,716,844	7.9	-3.4	-11.3
MSCI AC World ex USA Value			*-2.5*	*-12.4*
WCM International Growth	114,989,256	7.0	-6.2	-29.1
MSCI AC World ex USA Growth			*-3.9*	*-23.6*
Total Private Equity	147,067,035	8.9		
Harbourvest Partners IX Buyout Fund L.P.	15,960,280	1.0		
Pathway Private Equity Fund Investors 9 L.P.	84,419,409	5.1		
Harbourvest 2018 Global Fund L.P.	21,680,844	1.3		
Harbourvest SLO Fund Private Equity	12,400,000	0.8		
Pathway Private Equity Fund Investors 10 L.P.	12,606,502	0.8		
Total Private Credit	113,269,795	6.9		
Sixth Street Partners DCP	75,811,941	4.6		
Harbourvest SLO Credit Fund	37,457,854	2.3		

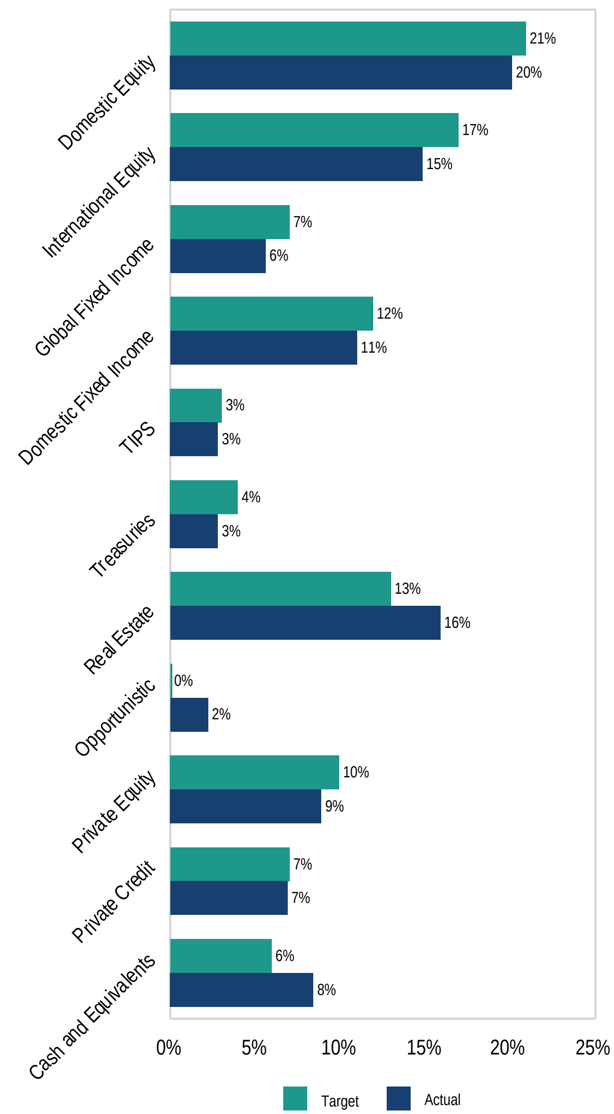
Actual vs. Target Allocation (%)



New Policy Index as of 1/1/2022 24% Russell 3000, 17% MSCI ACWI ex-US (Gross), 15% Bloomberg U.S. Aggregate, 7% FTSE WGBI, 4% Bloomberg US Treasury 7-10 yr, 3% Bloomberg US TIPS, 11% NCREIF Property Index, 7% Actual Private Equity Return, 4% Actual Private Credit Return, 6% 91 day T-Bills. 2% allocation to Infrastructure is to NCREIF Property, until a more appropriate benchmark is established. 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,private real estate to public real estate). All data is preliminary

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	261,985,003	15.9	-0.3	12.2
NCREIF Property Index			*0.0*	*8.7*
JP Morgan Core Real Estate	181,477,464	11.0	-0.4	11.1
NCREIF-ODCE			*0.0*	*12.5*
NCREIF Property Index			*0.0*	*8.7*
ARA American Strategic Value Realty	80,507,539	4.9	0.0	18.5
NCREIF-ODCE			*0.0*	*12.5*
NCREIF Property Index			*0.0*	*8.7*
Total Risk Diversifying	367,864,453	22.4	-1.7	-10.8
Custom Risk Diversifying Benchmark			*-3.3*	*-8.7*
Total Domestic Fixed Income	274,345,401	16.7	-1.5	-7.9
Blmbg. U.S. Aggregate Index			*-2.8*	*-10.8*
BlackRock Core Bond	58,188,365	3.5	-2.7	-12.9
Blmbg. U.S. Aggregate Index			*-2.8*	*-10.8*
Dodge & Cox Income Fund	55,018,388	3.3	-2.3	-9.2
Blmbg. U.S. Aggregate Index			*-2.8*	*-10.8*
Pacific Asset Corporate Loan	68,423,774	4.2	1.9	-0.3
Morningstar LSTA US Leveraged Loan			*1.5*	*-1.0*
SSGA U.S. Govt Bond Index	45,435,900	2.8	-2.5	-9.9
Blmbg. U.S. Treasury: 7-10 Year			*-3.8*	*-11.6*
BlackRock TIPS	47,278,975	2.9	-2.6	-7.4
Blmbg. U.S. TIPS			*-2.7*	*-7.5*
Total Global Fixed	93,519,052	5.7	-2.2	-18.4
FTSE World Government Bond Index			*-4.4*	*-17.0*
Brandywine Global Fixed Income	41,187,603	2.5	-4.3	-14.4
FTSE Non-U.S. World Government Bond			*-5.8*	*-21.8*
Ashmore EM Blended Debt Fund	52,331,449	3.2	-0.4	-21.9
50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMI+			*-0.5*	*-15.7*

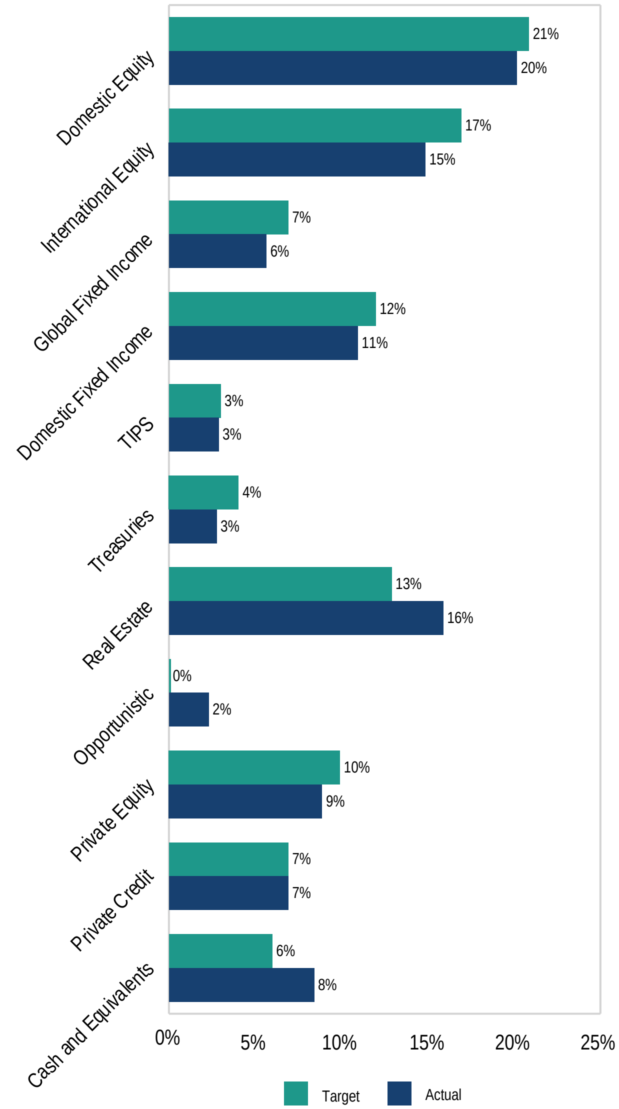
Actual vs. Target Allocation (%)



New Policy Index as of 1/1/2022 24% Russell 3000, 17% MSCI ACWI ex-US (Gross), 15% Bloomberg U.S. Aggregate, 7% FTSE WGBI, 4% Bloomberg US Treasury 7-10 yr, 3% Bloomberg US TIPS, 11% NCREIF Property Index, 7% Actual Private Equity Return, 4% Actual Private Credit Return, 6% 91 day T-Bills. 2% allocation to Infrastructure is to NCREIF Property, until a more appropriate benchmark is established. 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,private real estate to public real estate). All data is preliminary

	Market Value	% of Portfolio	1 Mo	YTD
Total Liquidity	177,078,632	10.8	-0.1	-1.2
90 Day U.S. Treasury Bill			*0.2*	*0.4*
Total Cash	139,659,297	8.5	-0.2	-1.2
90 Day U.S. Treasury Bill			*0.2*	*0.4*
PIMCO Short Duration Fund	33,407,321	2.0	-0.8	-3.9
Blmbg. 1-3 Year Gov/Credit index			*-0.8*	*-3.4*
Cash Account	82,137,326	5.0	0.0	0.2
90 Day U.S. Treasury Bill			*0.2*	*0.4*
Investment Cash	24,114,649	1.5	0.0	0.0
90 Day U.S. Treasury Bill			*0.2*	*0.4*
Total Opportunistic	37,419,335	2.3		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	4,402,217	0.3		
Sixth Street Partners TAO	33,017,118	2.0		

Actual vs. Target Allocation (%)



New Policy Index as of 1/1/2022 24% Russell 3000, 17% MSCI ACWI ex-US (Gross), 15% Bloomberg U.S. Aggregate, 7% FTSE WGBI, 4% Bloomberg US Treasury 7-10 yr, 3% Bloomberg US TIPS, 11% NCREIF Property Index, 7% Actual Private Equity Return, 4% Actual Private Credit Return, 6% 91 day T-Bills. 2% allocation to Infrastructure is to NCREIF Property, until a more appropriate benchmark is established. 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,private real estate to public real estate). All data is preliminary

This page left blank intentionally.

Verus

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

AUGUST 2022
Capital Markets Update

Market commentary

U.S. ECONOMICS

— The U.S. job market remained strong in August as non-farm payrolls increased by 315,000 jobs and measured near expectations. Despite the rise in jobs, the unemployment rate rose +0.2% to 3.7% over the month as the total labor force increased 786,000 since July.

— The U.S. Manufacturing Purchasing Managers' Index (PMI) fell for a fourth consecutive month to 51.5, indicating the weakest business sentiment since July 2020.

— The University of Michigan Consumer Sentiment Index climbed 13.0% to 58.2 in August as slowed inflation growth spurred confidence in U.S. consumers. Despite the month-over-month rise, the print measured -17.2% below August 2021 and -7.5% below its 12-month average.

U.S. EQUITIES

— The S&P 500 Index fell -4.1% over the month, reversing July's bear market rally. The index ended August +8.2% higher than its 2022 low achieved in mid-June but has fallen -16.1% year-to-date.

— Excluding the Energy sector, S&P 500 earnings growth was negative in Q2. While the blended Q2 earnings growth rate for the S&P 500 totaled +6.7%, it measured just -3.7% on an ex-Energy basis. Energy led the 11 GICS Sectors in year-over-year Q2 earnings growth as the sector reported EPS growth of +293% over the period, per FactSet.

— Q2 earnings season neared close at month end as 492 S&P 500 members had reported results, as of 9/2. Per FactSet, "Inflation" was the hottest topic of discussion as 412 index members mentioned the term on Q2 calls. Recession commentary was likewise pertinent as the term was mentioned by 240 members, the most since 2010.

U.S. FIXED INCOME

— At the Fed's annual Jackson Hole Economic Symposium, Chairman Jerome Powell reinforced the Central Bank's restrictive policy stance on price stability. Powell remarked that the Fed's current efforts to combat inflation are "likely to require a sustained period of below-trend growth."

— As market participants weighed the Fed's reiterated commitment to lowering inflation to the 2.0% long-term target, market expectations for when the Fed will first cut rates moved back from February to May of 2023.

— The Bloomberg U.S. Aggregate Bond Index declined -2.8% as yields rose across the yield curve and the market priced in the impact of sustained rate increases by the Fed into the longer end of the treasury curve.

INTERNATIONAL MARKETS

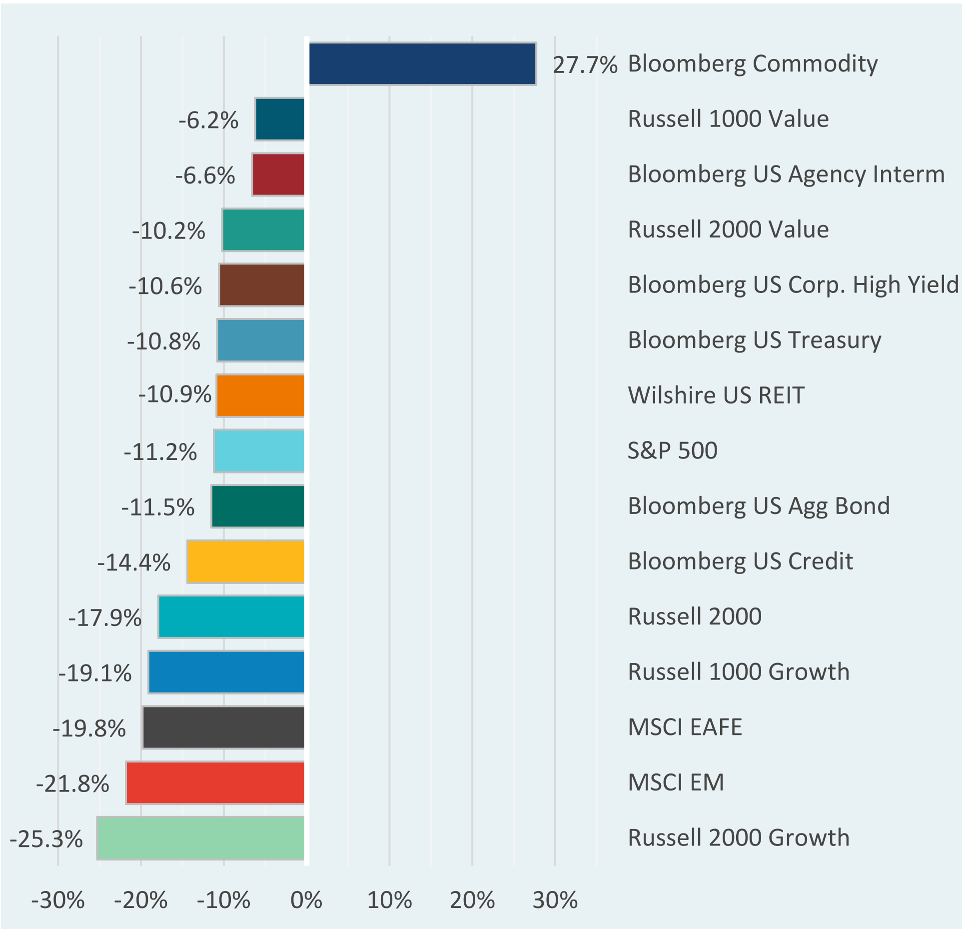
— The People's Bank of China instituted cuts to multiple key policy rates in a move to spur lending growth as zero-covid policies continue to weigh on economic growth. The Bank lowered rates on its one-year medium-term lending facility and seven-day reverse repo by 10 basis points each mid-month and followed with cuts to the one-year and five-year loan prime rates.

— The Japanese Yen (-3.6%) fell to a fresh 24-year low against the U.S. Dollar toward month end as BOJ Governor Kuroda's continued dovish stance alongside hawkish Fed policy added to the disparity between the two currencies.

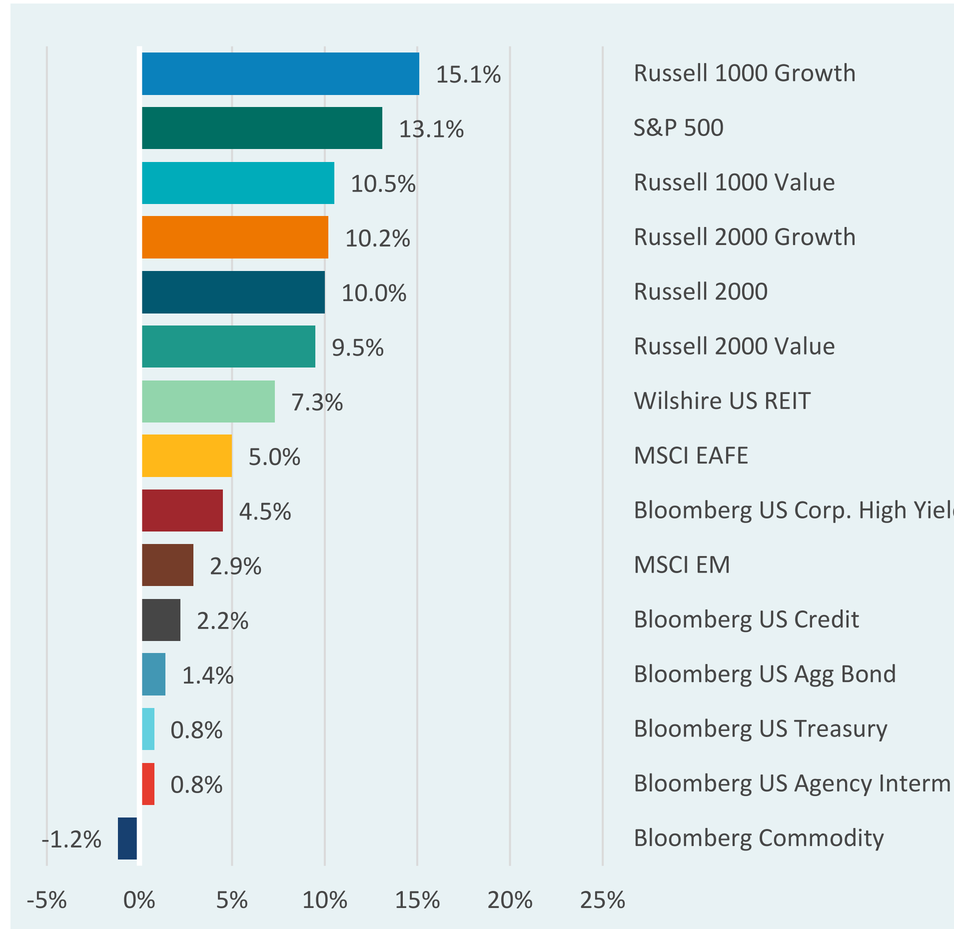
— UK Gilts sold off sharply as investors reacted to the release of a more than 40-year high inflation print of 10.1% for July. Two-year Gilt yields jumped 128 basis points.

Major asset class returns

ONE YEAR ENDING AUGUST



TEN YEARS ENDING AUGUST



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

Source: Morningstar, as of 8/31/22

Source: Morningstar, as of 8/31/22

U.S. large cap equities

— The S&P 500 Index declined -4.1% in August despite reaching an intra-month high not seen since early May. While stocks climbed early in the month on signs of a reversing inflation trend, hawkish comments from Fed Chairman Jerome Powell at the Jackson Hole Economic Symposium quashed investor optimism.

— Losses within U.S. sectors were broad as 9 of 11 S&P 500 GICS Sectors saw monthly declines. Positive performance was limited to the Energy (+2.8%) and Utilities (+0.5%) sectors while Information Technology (-6.1%), Health Care (-5.8%), and Real Estate (-5.6%) performed the worst.

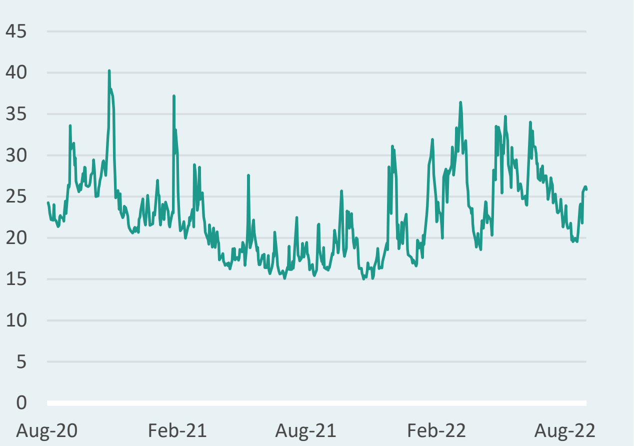
— The Cboe VIX Index of implied volatility increased materially as volatility accelerated toward month end. The index gained 4.5 points over the month to close August at 25.87 which exceeded both its year-to-date and one-year daily average.

— Congress enacted the $437 billion Inflation Reduction Act mid-month in a move to address climate concerns, prescription drug costs, and rising energy prices. The bill notably institutes a 15% corporate minimum tax, along with a 1% tax on share buybacks.

S&P 500 PRICE INDEX

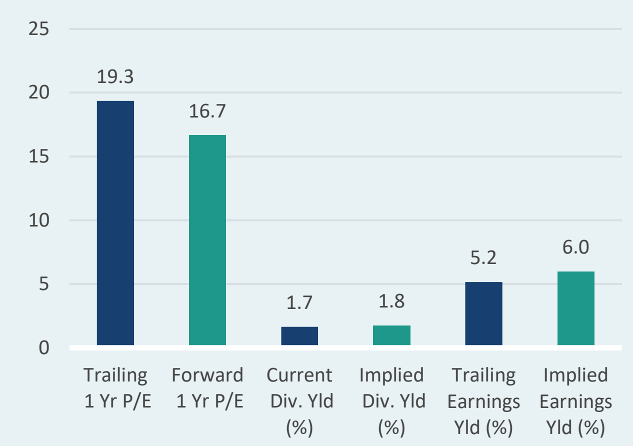
Source: Bloomberg, as of 8/31/22

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as of 8/31/22

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 8/31/22

Domestic equity size and style

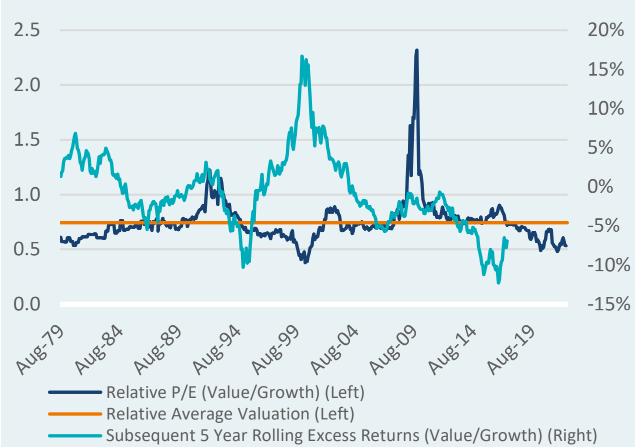
— Value stocks (Russell 3000 Value -3.0%) outperformed growth stocks (Russell 3000 Growth -4.4%) in August as reaffirmed hawkish sentiment from the Fed likely weighed on growth expectations and put a damper on the preceding bear market rally.

— Small-cap equities (Russell 2000 Index -2.0%) fell less than large-cap equities (Russell 1000 Index -3.8%) in August and marked the fourth consecutive month of small-cap outperformance. In contrast to broader trends, small-cap growth (Russell 2000 Growth -0.9%) widely outperformed value (Russell 2000 Value -3.2%).

— Breadth was significantly negative over the month as 73.8% of S&P 500 Index constituents saw negative performance in August. Only 8 index members gained more than 10.0% over the month compared to 217 in July, per S&P Global.

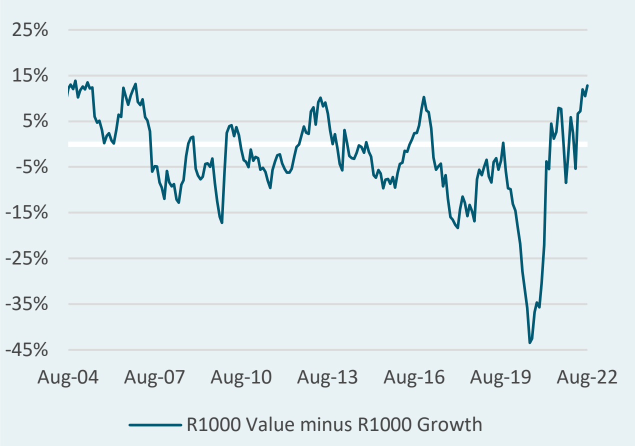
— Over the trailing year ended in August, the Russell 1000 Value Index outperformed the Russell 1000 Growth Index by +11.6% which marked value's highest trailing 12-month overperformance since April 2005. In the last 20 years, value has outperformed growth in just 36.3% of 12-month periods.

VALUE VS. GROWTH RELATIVE VALUATIONS



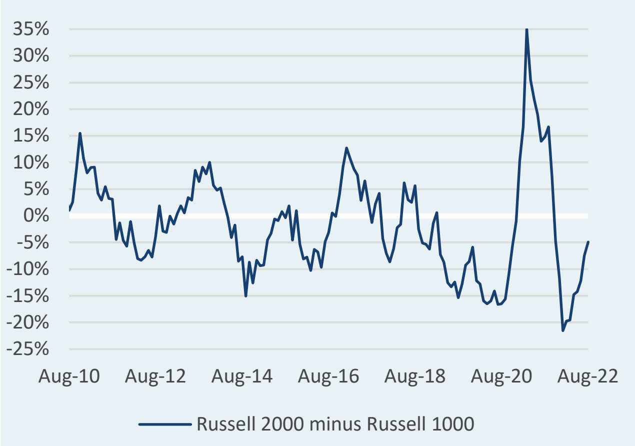
Source: FTSE, Bloomberg, as of 8/31/22

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 8/31/22

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 8/31/22

Fixed income

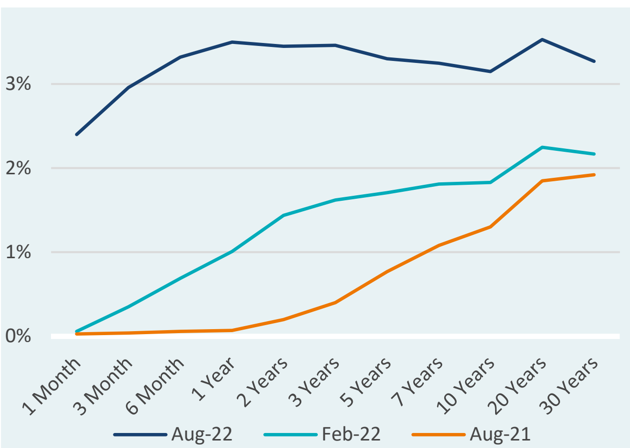
— U.S. Treasury yields rose across tenors, as shorter-term yields rose at a faster rate than longer-term yields – the 2-year climbed 53 basis points and the 10-year rose 17 basis points. The 10-2 spread ended the month inverted by 30 basis points, a potential indicator that investors lack confidence in the Fed's ability to manage a soft landing for the U.S. economy.

— High Yield spreads (ICE BofA US High Yield Index) ended the month 20 basis points higher at 5.0% after an initial -62 basis point decline to start the month. Spreads widened alongside increased hesitancy towards a soft-landing outcome and hawkish remarks by Fed officials.

— The Bloomberg Dollar Spot Index (DXY) reached a 20-year intra-month high and ended the month 2.6% higher in a continuation of recent dollar strength. The Fed's reiterated commitment to hawkish policy likely helped relative dollar strength. The DXY has increased 13.6% year-to-date.

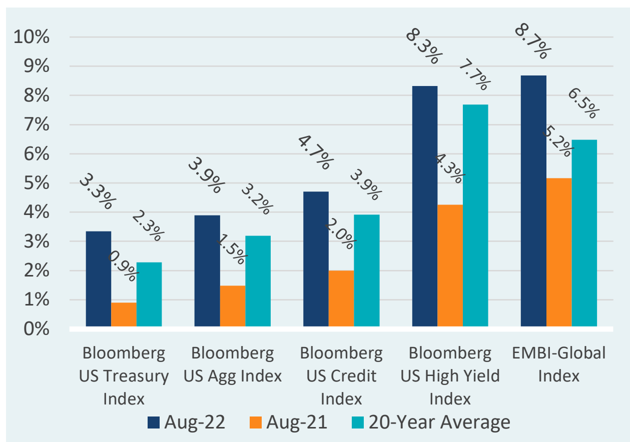
— The Bloomberg Municipal Bond Index declined -2.2% and fared marginally better than the Bloomberg US Aggregate Index (-2.8%) in a continuation of recent outperformance. The index has declined -8.6% year-to-date and net outflows from Muni-focused ETF's and bond funds have totaled $84B over the same period.

U.S. TREASURY YIELD CURVE



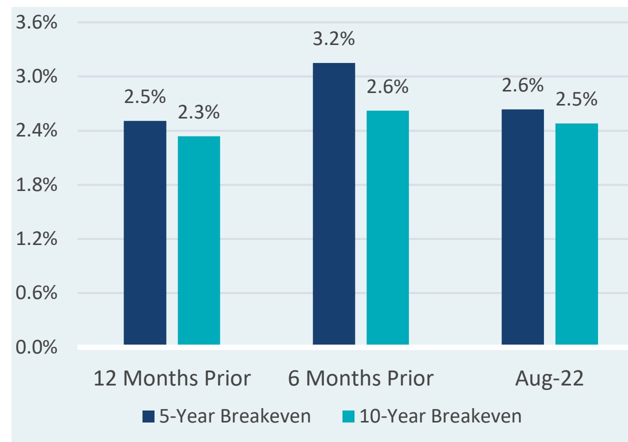
Source: Bloomberg, as of 8/31/22

NOMINAL YIELDS



Source: Morningstar, as of 8/31/22

BREAKEVEN INFLATION RATES



Source: Bloomberg, as of 8/31/22

Global markets

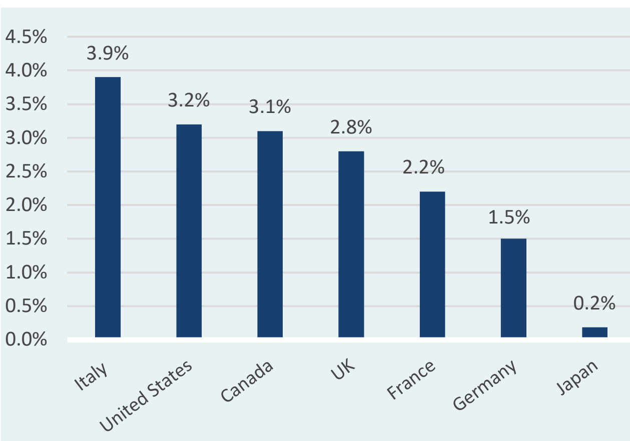
— International equities were lower in August as the MSCI ACWI ex USA Index fell -3.2%. Foreign losses were driven heavily by declines in developed market equities (MSCI EAFE -4.8%) and buoyed by gains in emerging markets (MSCI EM +0.4%).

— The MSCI China Index (+0.3%) was mostly flat over the month as investors balanced the impact of Covid-19 pressures with a fresh release of $1 trillion yuan in economic stimulus. Gains in Chinese equities were concentrated in the country's Energy sector (+7.5%) as companies have resold natural gas imports to Europe in record quantities.

— European stocks (MSCI Euro Index -6.3%) fell in excess of foreign peers as recession fears continued to heighten. Halted natural gas flows from Russia pressured energy prices higher which helped drive August Eurozone inflation to a record 9.1%.

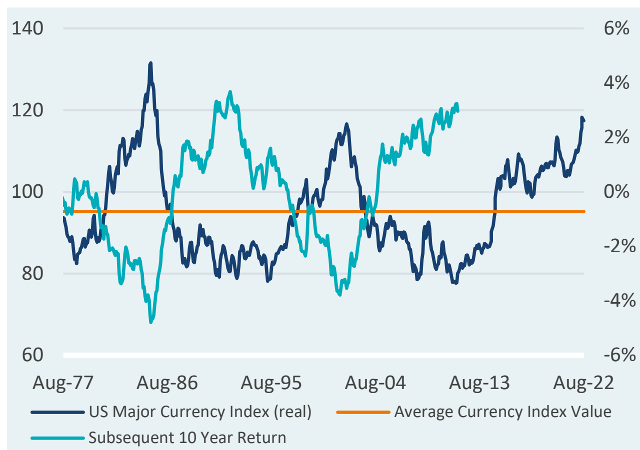
— Israeli (MSCI Israel Index +5.2%) and Turkish (MSCI Turkey Index +22.7%) equities trounced international peers as the two countries announced normalized relations. The MSCI Turkey Index posted the best performance of MSCI EM constituents while the MSCI Israel Index was the only MSCI EAFE constituent to record gains in August.

GLOBAL SOVEREIGN 10-YEAR YIELDS



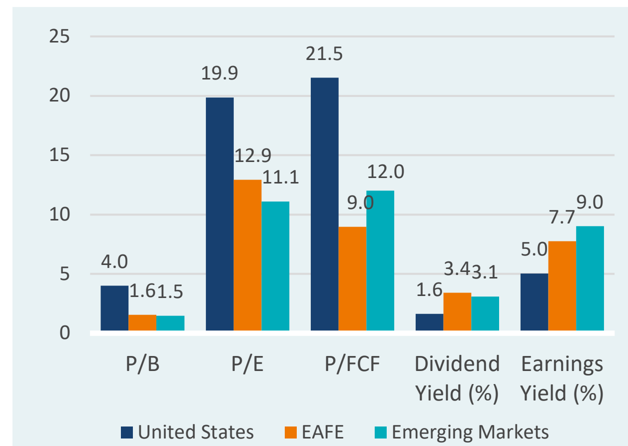
Source: Bloomberg, as of 8/31/22

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 8/31/22

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 8/31/22

Commodities

— The Bloomberg Commodity Index (+0.1%) ended the month relatively flat as declines in oil prices (Bloomberg Petroleum Sub-Index -5.4%) and precious metals (Bloomberg Precious Metals Sub-Index -4.9%) prices were partially offset by advances in agriculture (Bloomberg Agriculture Sub-Index +3.6%).

— Natural gas prices jumped +10.9% over the month as Europe's energy crisis intensified. Toward month end, Russia's Gazprom ceased gas flows to Europe entirely which added pressure to sparse supply and further complicates the ability of European governments to hit storage goals ahead of winter.

— Corn prices rallied +8.8% in a continuation of the prior month trend as present crop conditions have worsened and yield estimates fell short of expectations. In the U.S., 2022 corn production estimates from the Pro Farmer Crop Tour near month end measured -4.2% lower than USDA estimates released early in the month.

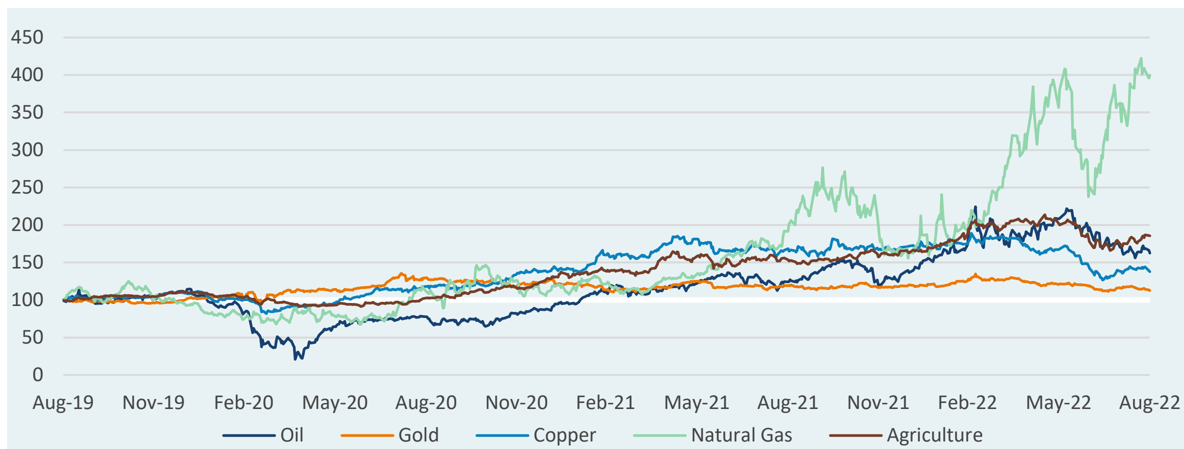
— The Bloomberg Precious Metals Sub-Index (-4.9%) declined over the month as Gold (-3.1%), which accounts for 77.6% of the Sub-Index, fell for a fifth consecutive month and spot prices for Silver (-11.5%) submerged $18 per ounce for the first time since June 2020.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	0.1	(6.9)	23.6	27.7	17.2	8.7	(1.1)
Bloomberg Agriculture	3.6	(7.7)	14.7	21.7	23.6	8.5	(2.4)
Bloomberg Energy	1.0	(3.1)	79.7	82.9	18.8	11.5	(4.3)
Bloomberg Grains	2.7	(11.9)	15.8	23.2	22.1	8.5	(4.0)
Bloomberg Industrial Metals	(2.7)	(16.9)	(10.6)	(5.0)	10.8	4.5	1.3
Bloomberg Livestock	(1.7)	4.7	1.5	1.4	(3.1)	(3.6)	(3.5)
Bloomberg Petroleum	(5.4)	(12.3)	49.4	68.1	18.6	14.1	(3.5)
Bloomberg Precious Metals	(4.9)	(9.7)	(10.9)	(11.1)	1.4	3.0	(2.2)
Bloomberg Softs	8.4	(2.7)	6.8	14.7	23.4	5.4	(2.6)

Source: Morningstar, as of 8/31/22

COMMODITY PERFORMANCE



Source: Bloomberg, as of 8/31/22

Appendix

Periodic table of returns

BEST

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	5-Year	10-Year
Commodities	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	28.3	23.6	14.8	15.1
Real Estate	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	27.6	8.7	11.6	13.0
Cash	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	27.1	0.4	8.9	10.5
Hedge Funds of Funds	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	26.5	-5.0	8.7	10.2
Large Cap Value	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	25.2	-9.8	7.9	10.0
US Bonds	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	17.7	-10.8	6.9	9.7
Small Cap Value	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	14.8	-12.2	6.7	9.5
60/40 Global Portfolio	-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	11.3	-16.8	6.6	5.2
Large Cap Equity	-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	8.9	-16.9	3.8	5.0
Small Cap Equity	-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	6.5	-17.2	3.6	3.8
Emerging Markets Equity	-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	2.8	-17.5	1.6	2.9
International Equity	-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	-19.6	1.0	1.4
Small Cap Growth	-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	-1.5	-22.3	0.6	0.6
Large Cap Growth	-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	-2.5	-23.2	0.5	-1.1

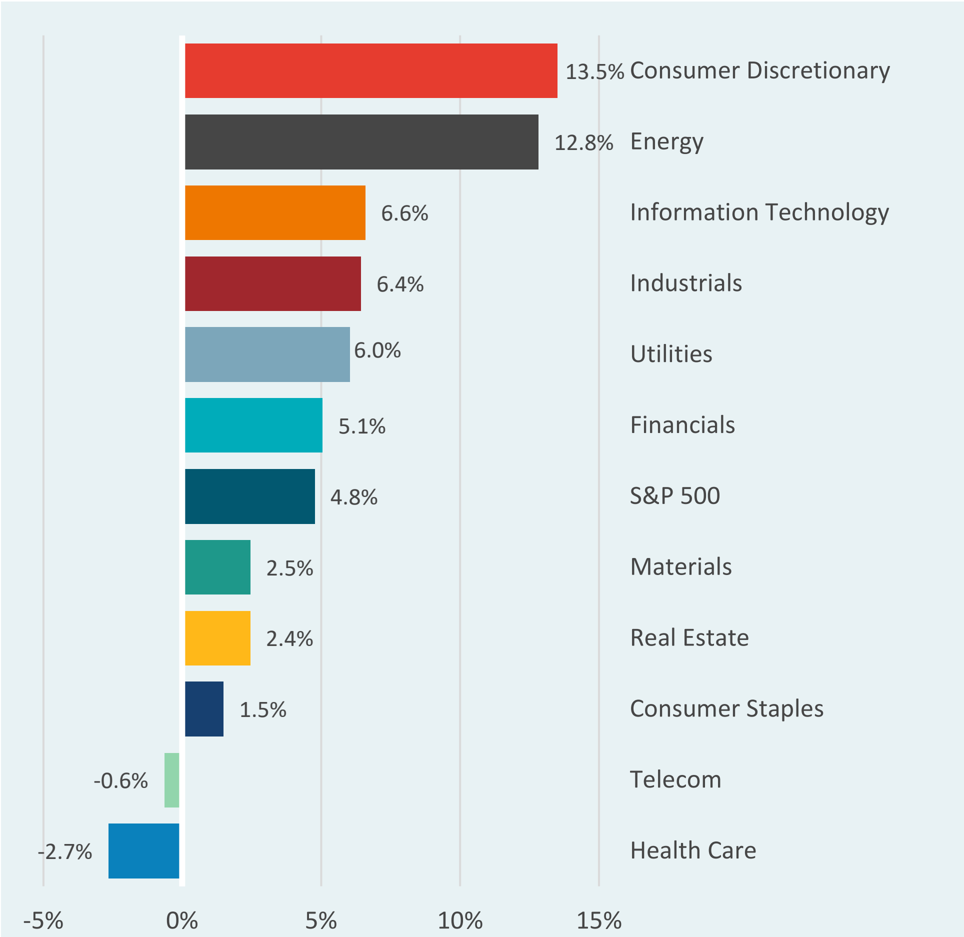
WORST

- 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% Bloomberg 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, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 6/30/22.

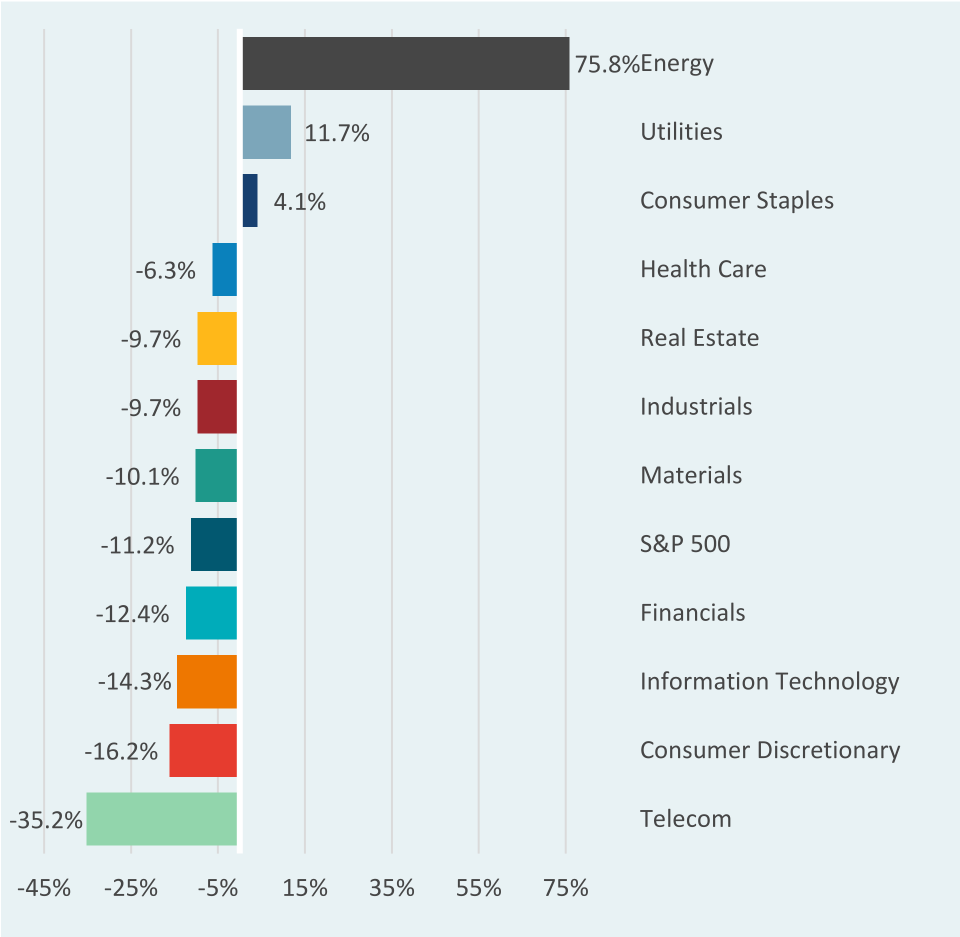
S&P 500 sector returns

QTD



Source: Morningstar, as of 8/31/22

ONE YEAR ENDING AUGUST



Source: Morningstar, as of 8/31/22

Detailed index returns

DOMESTIC EQUITY	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(4.1)	4.8	(16.1)	(11.2)	12.4	11.8	13.1
S&P 500 Equal Weighted	(3.5)	4.9	(12.6)	(8.3)	12.4	10.8	12.8
DJ Industrial Average	(3.7)	2.8	(12.0)	(9.1)	8.3	9.9	11.8
Russell Top 200	(4.1)	4.7	(17.0)	(12.3)	13.2	12.5	13.5
Russell 1000	(3.8)	5.1	(16.9)	(13.0)	12.1	11.6	13.0
Russell 2000	(2.0)	8.2	(17.2)	(17.9)	8.6	6.9	10.0
Russell 3000	(3.7)	5.3	(16.9)	(13.3)	11.9	11.3	12.8
Russell Mid Cap	(3.1)	6.4	(16.5)	(14.8)	9.4	9.2	11.6
Style Index							
Russell 1000 Growth	(4.7)	6.8	(23.2)	(19.1)	14.5	14.8	15.1
Russell 1000 Value	(3.0)	3.5	(9.8)	(6.2)	8.9	7.9	10.5
Russell 2000 Growth	(0.9)	10.2	(22.3)	(25.3)	5.9	6.7	10.2
Russell 2000 Value	(3.2)	6.2	(12.2)	(10.2)	10.4	6.6	9.5

INTERNATIONAL EQUITY	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	(3.7)	3.0	(17.8)	(15.9)	8.0	7.0	8.7
MSCI ACWI ex US	(3.2)	0.1	(18.3)	(19.5)	2.9	1.7	4.5
MSCI EAFE	(4.7)	(0.0)	(19.6)	(19.8)	2.4	1.6	5.0
MSCI EM	0.4	0.2	(17.5)	(21.8)	2.7	0.6	2.9
MSCI EAFE Small Cap	(4.4)	1.9	(23.3)	(26.0)	2.8	1.2	7.1
Style Index							
MSCI EAFE Growth	(6.1)	1.4	(25.8)	(25.8)	2.3	3.1	6.1
MSCI EAFE Value	(3.4)	(1.4)	(13.3)	(13.9)	1.9	(0.3)	3.7
Regional Index							
MSCI UK	(5.6)	(2.1)	(10.8)	(7.7)	2.7	1.4	3.1
MSCI Japan	(2.6)	3.0	(17.9)	(19.0)	2.3	2.0	6.2
MSCI Euro	(6.3)	(1.8)	(26.5)	(27.4)	(0.1)	(0.7)	4.4
MSCI EM Asia	0.4	(0.9)	(18.0)	(22.1)	4.7	1.8	5.3
MSCI EM Latin American	2.7	7.1	6.5	(7.1)	(1.5)	(1.7)	(1.6)

FIXED INCOME	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	(2.7)	1.6	(7.5)	(6.0)	2.7	3.2	1.7
Bloomberg US Treasury Bills	0.2	0.2	0.3	0.3	0.6	1.1	0.7
Bloomberg US Agg Bond	(2.8)	(0.5)	(10.8)	(11.5)	(2.0)	0.5	1.4
Bloomberg US Universal	(2.6)	(0.2)	(11.1)	(11.9)	(1.8)	0.6	1.6
Duration							
Bloomberg US Treasury 1-3 Yr	(0.8)	(0.4)	(3.4)	(4.0)	(0.2)	0.7	0.7
Bloomberg US Treasury Long	(4.4)	(1.9)	(22.7)	(22.6)	(6.8)	(0.4)	1.2
Bloomberg US Treasury	(2.5)	(0.9)	(10.0)	(10.8)	(2.2)	0.3	0.8
Issuer							
Bloomberg US MBS	(3.4)	(0.3)	(9.1)	(9.7)	(2.0)	0.1	1.1
Bloomberg US Corp. High Yield	(2.3)	3.5	(11.2)	(10.6)	1.0	2.6	4.5
Bloomberg US Agency Interm	(1.5)	(0.6)	(5.5)	(6.6)	(0.9)	0.5	0.8
Bloomberg US Credit	(2.8)	0.1	(13.7)	(14.4)	(2.1)	1.0	2.2

OTHER	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	0.1	4.4	23.6	27.7	17.2	8.7	(1.1)
Wilshire US REIT	(5.9)	2.3	(19.8)	(10.9)	3.1	5.6	7.3
CS Leveraged Loans	1.5	3.4	(1.2)	0.2	3.0	3.5	4.0
S&P Global Infrastructure	(1.5)	2.4	1.9	5.2	4.9	4.3	7.3
Alerian MLP	4.0	17.1	28.6	33.6	6.1	2.9	1.7
Regional Index							
JPM EMBI Global Div	(0.9)	1.9	(18.8)	(20.8)	(5.2)	(1.3)	1.9
JPM GBI-EM Global Div	(0.1)	0.2	(14.4)	(19.4)	(5.2)	(3.0)	(1.7)
Hedge Funds							
HFRI Composite	0.5	1.8	(4.0)	(3.8)	6.9	5.1	5.0
HFRI FOF Composite	0.9	1.7	(5.0)	(4.5)	4.7	3.6	3.8
Currency (Spot)							
Euro	(1.4)	(3.8)	(11.6)	(14.8)	(3.0)	(3.3)	(2.2)
Pound Sterling	(4.4)	(4.2)	(14.1)	(15.5)	(1.5)	(2.0)	(3.1)
Yen	(3.6)	(2.0)	(16.9)	(20.8)	(8.5)	(4.5)	(5.6)

Source: Morningstar, HFRI, as of 8/31/22.

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	38.9	26.4	20.7	14.7
Global Private Equity Direct Funds *	37.9	29.1	23.6	17.7
U.S. Private Equity Direct Funds *	45.0	32.1	25.2	19.1
Europe Private Equity Direct Funds *	33.1	27.6	24.8	16.2
Asia Private Equity Direct Funds *	15.7	18.4	16.6	14.7
Public Index Time-weighted Returns				
MSCI World	21.8	21.7	15.0	12.7
S&P 500	28.7	26.1	18.5	16.6
MSCI Europe	16.3	14.9	10.1	8.2
MSCI AC Asia Pacific	(1.5)	12.1	9.9	8.0

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	30.0	13.0	11.8	13.0
Public Index Time-weighted Returns				
FTSE NAREIT Equity REIT	43.2	18.4	10.8	11.4

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	32.4	16.8	13.9	12.6
Public Index Time-weighted Returns				
S&P / LSTA U.S. Leveraged Loan 100 Index	3.5	5.6	3.9	4.3

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	31.3	1.9	2.5	2.1
Global Infrastructure	13.8	11.6	12.4	11.0
Public Index Time-weighted Returns				
S&P Global Natural Resources	25.2	13.9	9.6	4.6
S&P Global Infrastructure	11.9	10.2	7.8	7.7

Source: Pooled IRRs are from Thompson Reuters C|A and Time-weighted Returns are from Investment Metrics, as of December 31st, 2021. 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

Past performance is no guarantee of future results. *This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other "forward-looking statements." No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Additional information about Verus Advisory, Inc. is available on the SEC's website at www.adviserinfo.sec.gov.*

Verus – also known as Verus Advisory™.

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

San Luis Obispo County Pension Trust
SLOCPT

Date: September 26, 2022

To: Board of Trustees

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

Agenda Item 15: Alternative Investments Fee Disclosure – CA Code 7514.7 and 6254.26

Recommendation:

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

Discussion:

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

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

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

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

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

Respectfully Submitted,

San Luis Obispo County Pension Trust
SLOCPT

NM = not meaningful
NR = Not reported

Section 7514.7 Disclosure - Alternative Investments
2021

Source: Alt. Inv. Mgr.s ILPA reporting

Investment	Commitment	Ending Valuation	Mgmt. Fee	Partner-ship Expenses	Offsets	Other Fees & Expenses paid to GP	Carried Interest Paid	Fees & Expenses paid by Portfolio Companies	Net IRR	Gross IRR
Private Credit:										
SSP Diversified Credit Program 2016 (A), L.P. (a)	132,500,000	80,501,361	847,413	53,835	(6,509)	-	805,533	2,812,469	11.0%	11.4%
TSSP Adjacent Opportunities Partners, L.P. (f)	60,000,000	29,066,551	535,457	13,584	-	-	334,425	1,173,153	11.3%	16.4%
Private Equity:										
HarbourVest Partners IX - Buyout Partnership Fund L.P. (b)	20,000,000	17,313,507	199,390	-	-	708	-	197,722	20.4%	NR
Pathway Private Equity Fund Investors 9, L.P. (c)	65,000,000	91,968,721	530,000	32,847	-	-	-	2,436,503	29.8%	NR
HarbourVest 2018 Global Fund L.P. (d)	20,000,000	20,536,902	182,729	15,845	-	9,372	-	679,186	37.0%	NR
Pathway Private Equity Fund Investors 10, L.P. (e)	20,000,000	9,479,315	74,234	14,534	-	-	-	-	NM (e)	NM (e)

San Luis Obispo County Pension Trust
SLOCPT

NM = not meaningful
NR = Not reported

Section 7514.7 Disclosure - Alternative Investments
2021

Source: Alt. Inv. Mgr.s ILPA reporting

Investment	Commitment	Ending Valuation	Mgmt. Fee	Partner-ship Expenses	Offsets	Other Fees & Expenses paid to GP	Carried Interest Paid	Fees & Expenses paid by Portfolio Companies	Net IRR	Gross IRR
Fund-of-One Multi-Asset										
HarbourVest SLO Fund (g)	*Commenced operations in 2022*									
Equity tranche										
Credit tranche										
Infrastructure tranche										

(a) SSP DCP fund data from commencement of operations 2016 through 2021
(b) HarbourVest Fund IX fund data from commencement of operations 2011 through 2021 (pre2017 - voluntary Section 7514.7 disclosure)
(c) PPEF Fund 9 fund data from commencement of operations 2017 through 2021
(d) HarbourVest 2018 Global fund data from commencement of operations 2018 through 2021
(e) PPEF Fund 10 fund data from commencement of operations 2019 through 2021
(f) TSSP Adjacent Opportunities Partners data from commencement of operations 2020 through 2021
(g) HarbourVest SLO Fund data from commencement of operations 2022 and beyond

San Luis Obispo County Pension Trust
Section 6254.26 Disclosure - Alternative Investments
2021

Source: Verus, quarterly investment reports

Investment	Address	Vintage	Commitment	Contrib. since inception	Distrib. since inception	Remaining Value	Total Value Distrib. + Remaining Value	Since Inception Net IRR	Net Invest. Multiple	Total Mgmt. Fees in FY	Cash Profit (Distrib.) Received in FY
Private Credit:											
TSSP Diversified Credit Program 2016 (A), L.P. (a)	San Francisco	2016	132,500,000	89,019,626	35,718,692	80,501,361	116,220,053	11.0%	1.30x	153,997	8,579,573
TSSP Adjacent Opportunities Partners, L.P. (f)	San Francisco	2020	60,000,000	28,445,394	4,132,478	29,066,551	33,199,029	11.3%	1.25x	1,526,601	1,823,087
Private Equity:											
Pathway Private Equity Fund Investors 9, L.P. (c)	Boston	2017	65,000,000	51,323,766	12,290,037	91,968,721	104,258,758	29.8%	1.94x	-	1,489,957
HarbourVest 2018 Global Fund L.P. (d)	Boston	2018	20,000,000	11,600,000	1,022,070	20,536,902	21,558,972	37.0%	1.69x	247,114	1,495,395
Pathway Private Equity Fund Investors 10, L.P. (e)	Boston	2019	20,000,000	6,030,938	-	9,479,315	9,479,315	NA	1.61x	-	-
Fund-of-One Multi-Asset											
HarbourVest SLO Fund (g)	Boston	*Commenced operations in 2022*									
Equity tranche											
Credit tranche											
Infrastructure tranche											

San Luis Obispo County Pension Trust
Section 6254.26 Disclosure - Alternative Investments
2021

Source: Verus, quarterly investment reports

Investment	Address	Vintage	Commitment	Contrib. since inception	Distrib. since inception	Remaining Value	Total Value Distrib. + Remaining Value	Since Inception Net IRR	Net Invest. Multiple	Total Mgmt. Fees in FY	Cash Profit (Distrib.) Received in FY
Private Equity - pre Jan. 1, 2017 (not subject to 7514.7)											
Harbourvest Partners IX - Buyout Fund, L.P. (b)	Boston	2011	20,000,000	17,050,000	22,392,994	17,313,507	39,706,501	20.4%	2.23x	283,189	5,076,237
KKR Mezanine Partners I, L.P.	San Francisco	2010	20,000,000	26,893,560	26,702,877	5,267,936	31,970,813	6.9%	1.19x	66,994	85,591
PIMCO Distressed Credit Fund	Newport Beach	2010	*Final distribution in 2020*								

(a) SSP DCP fund data from commencement of operations 2016 through 2021
(b) HarbourVest Fund IX fund data from commencement of operations 2011 through 2021 (pre2017 - voluntary Section 7514.7 disclosure)
(c) PPEF Fund 9 fund data from commencement of operations 2017 through 2021
(d) HarbourVest 2018 Global fund data from commencement of operations 2018 through 2021
(e) PPEF Fund 10 fund data from commencement of operations 2019 through 2021
(f) TSSP Adjacent Opportunities Partners data from commencement of operations 2020 through 2021
(g) HarbourVest SLO Fund data from commencement of operations 2022 and beyond

Board of Trustees

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

San Luis Obispo County Pension Trust
SLOCPT

Date: September 26, 2022

To: Board of Trustees

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

Agenda Item 17: Asset Allocation – August 2022

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

As a report on current asset allocation relative to the 2022 Interim SAA Target Allocation the following table provides details. Asset values may differ slightly from those shown in the Monthly Investment report due to when the report was run as various market values are finalized for month-end.

Note – asset allocation management is being administered to efficiently incorporate the mid-July prefunding of SLO County employer contributions of approximately $76 million. This infusion of cash shifted the allocation to Liquidity above its target. The extra liquidity will be used to fund retiree payroll of approximately $10 million per month over the next few months.

Respectfully submitted,

FFP Asset Mix	Est. Market Value ($000s)	% Allocation	SAA Target Allocation	Variance
	08/31/22		2022 Interim	
Bank (operating)	1,442	0.1%	0.1%	0.0%
SLOC Treasury	80,695	4.9%	1.6%	3.3%
JPM short term	24,148	1.5%	1.3%	0.2%
Short Duration	33,407	2.0%	3.0%	-1.0%
LIQUIDITY	139,692	8.5%	6.0%	2.5%
Equity- Public Mkt US	332,767	20.2%	21.0%	-0.8%
Equity- Public Mkt Intl	244,706	14.8%	17.0%	-2.2%
Equity- Public Mkt Global	-	0.0%		0.0%
Bank Loans	68,424	4.1%	4.0%	0.1%
Bonds- Intl.	41,188	2.5%	3.0%	-0.5%
Bonds- Emerging Mkts	52,331	3.2%	4.0%	-0.8%
Real Estate- Core	181,477	11.0%	7.0%	4.0%
Real Estate- Value Add	80,508	4.9%	4.0%	0.9%
Infrastructure	-	0.0%	2.0%	-2.0%
Private Equity	146,843	8.9%	10.0%	-1.1%
Private Credit	117,321	7.1%	7.0%	0.1%
Opportunistic	37,715	2.3%	0.0%	2.3%
GROWTH	1,303,280	79.0%	79.0%	0.0%
Bonds- Core	113,128	6.9%	8.0%	-1.1%
Treasuries - Intermediate	45,436	2.8%	4.0%	-1.2%
TIPS	47,279	2.9%	3.0%	-0.1%
RISK DIVERSFYING	205,843	12.5%	15.0%	-2.5%
TOTAL	1,648,816	100.0%	100.0%	
Liquidity + Risk Diversifying		21.0%	21.0%	0.0%

Board of Trustees

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

San Luis Obispo County Pension Trust
SLOCPT

Date: September 26, 2022

To: Board of Trustees

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

Agenda Item 24: Funding Policy Update – Revised Forecasts

This is an informational presentation for the Board of Trustees on updated projections from Cheiron as the Plan Actuary. The attached presentation illustrates pension contribution rates and funded status projections based on the 2022 Actuarial Valuation that was approved at the June 26, 2022 Board meeting. That Actuarial Valuation contained 2022 Baseline projections of pension contribution rates and funded status that assumed all actuarial assumptions were met in all future years – including the investment return / Discount Rate assumption of 6.75%.

Given the challenging investment environment for all of 2022, these projections compare the 2022 Baseline projections to two possible scenarios for actual 2022 investment returns. No changes to any other actuarial assumptions, including the Discount Rate of 6.75%, are incorporated into these projections. The updated projections in the attached presentation are based on –

2022 Investment returns = 0%	with 6.75% returns thereafter
2022 Investment returns = -10%	with 6.75% returns thereafter

Respectfully Submitted,

This page left blank intentionally.

Projections with 2022 Asset Return Scenarios

August 14, 2022

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

Projections – Underlying Assumptions

- Based on January 1, 2022 actuarial valuation results
- All actuarial assumptions are assumed to be met each and every year
- Actuarially Determined Contributions (ADC) will be paid by employers and employees
- Stable active population; PEPRA members will replace Tier 1 and Tier 2 members when they leave active employment
- Payroll is expected to grow by 3.00% per year

0% Rate of Return on Market Value of Assets

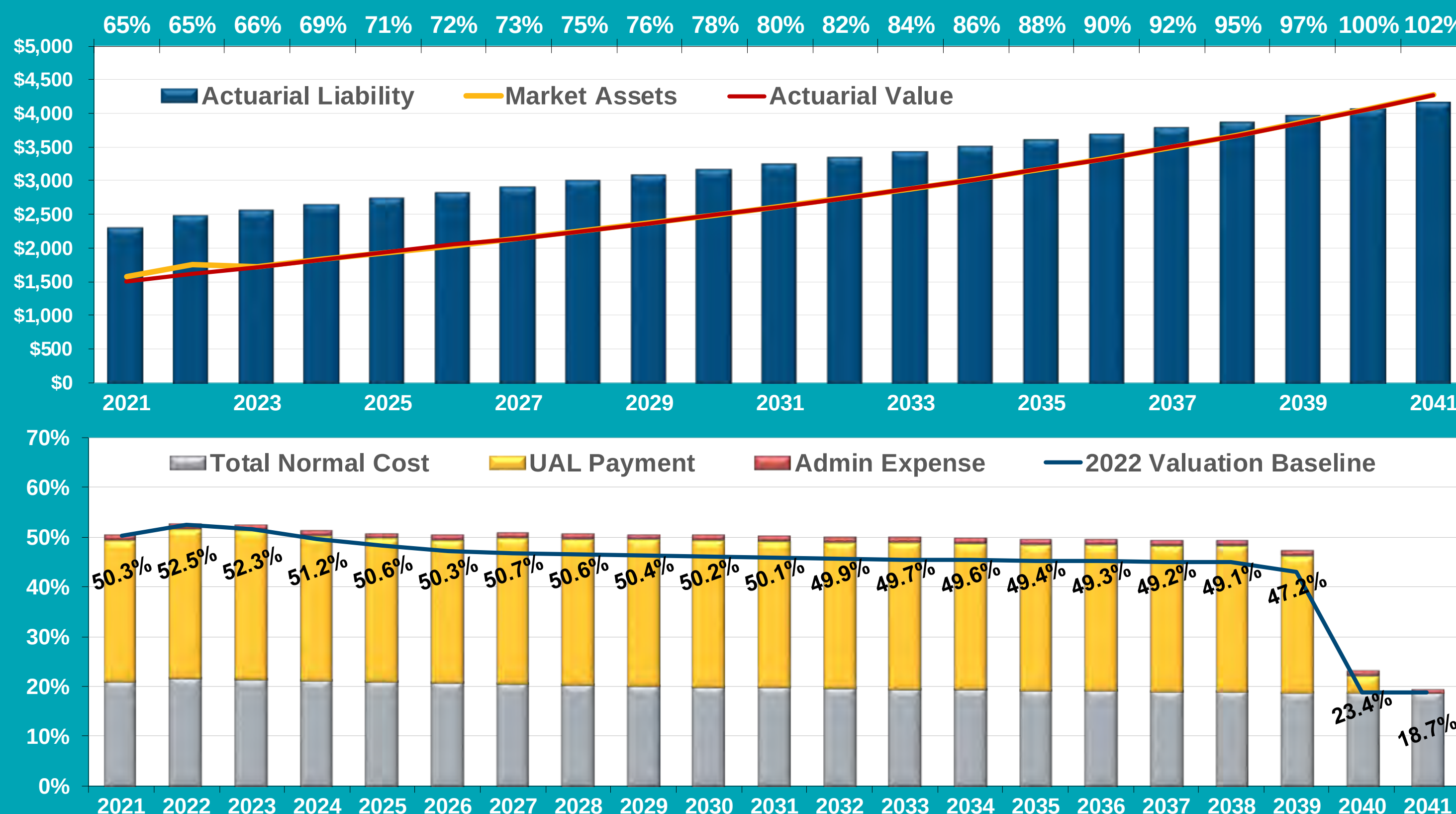
CHEIRON **Stress Testing** P-scan

Scenarios	
Baseline	
2022	

Amortization Period	20
Phase-In of UAL Payment	N
Phase-In Years	1

Rate of Return Assumption	6.75%
Explicit Admin Expense	Y

2022	0.00%
2023	6.75%
2024	6.75%
2025	6.75%
2026	6.75%
2027	6.75%
2028	6.75%
2029	6.75%
2030	6.75%
2031	6.75%
2032	6.75%
2033	6.75%
2034	6.75%
2035	6.75%
2036	6.75%
2037	6.75%
2038	6.75%
2039	6.75%
2040	6.75%
2041	6.75%
Avg	6.40%



-10% Rate of Return on Market Value of Assets

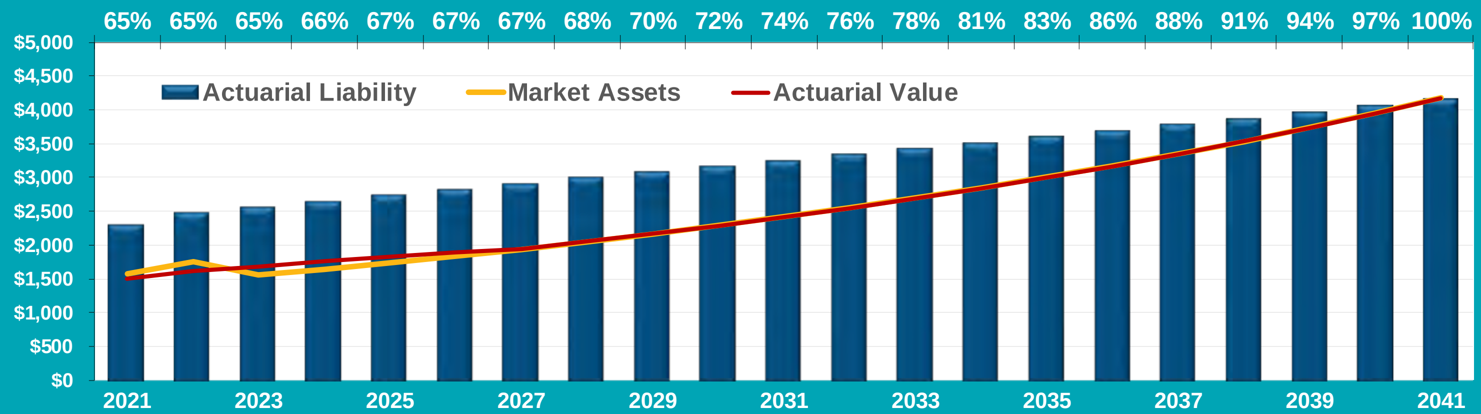
CHEIRON **Stress Testing** P-scan

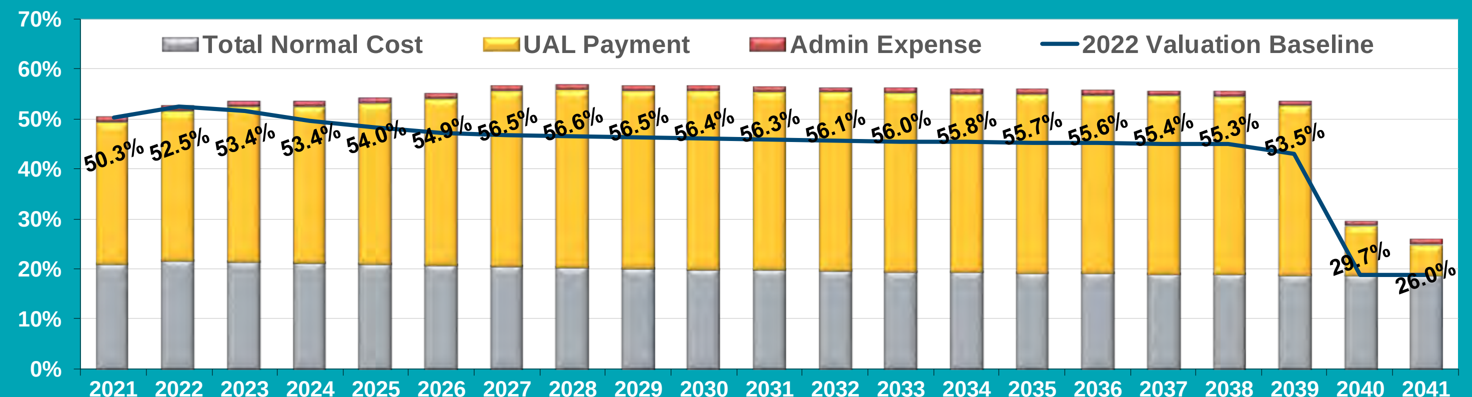
Scenarios	
Baseline	
2022	

Amortization Period	20
Phase-In of UAL Payment	N
Phase-In Years	1

Rate of Return Assumption	6.75%
Explicit Admin Expense	Y

2022	-10.00%
2023	6.75%
2024	6.75%
2025	6.75%
2026	6.75%
2027	6.75%
2028	6.75%
2029	6.75%
2030	6.75%
2031	6.75%
2032	6.75%
2033	6.75%
2034	6.75%
2035	6.75%
2036	6.75%
2037	6.75%
2038	6.75%
2039	6.75%
2040	6.75%
2041	6.75%
Avg	5.84%





Summary of 2022 Asset Return Scenarios

Projected Total Contribution Rate					
Valuation Year	**Baseline 6.75% Return**	**2022 MVA 0% Return**	% Change	**2022 MVA -10% Return**	% Change
2022	**52.5%**	**52.5%**	0.0%	**52.5%**	0.0%
2023	**51.6%**	**52.3%**	0.7%	**53.4%**	1.8%
2024	**49.7%**	**51.2%**	1.5%	**53.4%**	3.7%
2025	**48.3%**	**50.6%**	2.3%	**54.0%**	5.7%
2026	**47.2%**	**50.3%**	3.1%	**54.9%**	7.7%
2027	**46.8%**	**50.7%**	3.9%	**56.5%**	9.7%
2028	**46.5%**	**50.6%**	4.1%	**56.6%**	10.1%
2029	**46.2%**	**50.4%**	4.2%	**56.5%**	10.3%
2030	**46.0%**	**50.2%**	4.2%	**56.4%**	10.4%
2031	**45.9%**	**50.1%**	4.2%	**56.3%**	10.4%

Projected Funded Ratio					
Valuation Year	**Baseline 6.75% Return**	**2022 MVA 0% Return**	% Change	**2022 MVA -10% Return**	% Change
2022	**65%**	**65%**	0%	**65%**	0%
2023	**67%**	**66%**	-1%	**65%**	-2%
2024	**71%**	**69%**	-2%	**66%**	-5%
2025	**74%**	**71%**	-3%	**67%**	-7%
2026	**76%**	**72%**	-4%	**67%**	-9%
2027	**78%**	**73%**	-5%	**67%**	-11%
2028	**79%**	**75%**	-5%	**68%**	-11%
2029	**81%**	**76%**	-4%	**70%**	-11%
2030	**83%**	**78%**	-5%	**72%**	-11%
2031	**84%**	**80%**	-4%	**74%**	-10%

Required Disclosures

The purpose of these slides is to provide projections under various 2022 asset return scenarios to the San Luis Obispo County Pension Trust (SLOCPT) based on the results of the January 1, 2022 Actuarial Valuation. These slides were prepared exclusively for the San Luis Obispo County Pension Trust and its Board of Trustees 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 any other user.

In preparing our slides, we relied on information (some oral and some written) supplied by the SLOCPT. 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 the same as those found in the actuarial valuation report as of January 1, 2022.

Cheiron utilizes ProVal, an actuarial valuation application 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 these slides 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 System. P-scan uses standard roll-forward techniques that implicitly assume a stable active population.

These slides and their content 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.

Future results may differ significantly from the current results and projections shown in these slides due to such factors as the following: plan experience different from that anticipated by the assumptions; changes in assumptions; and changes in the plan provisions or applicable law.

Anne D. Harper, FSA, MAAA, EA
Principal Consulting Actuary

Alice I. Alsberghe ASA, MAAA, EA
Consulting Actuary

Board of Trustees

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

San Luis Obispo County
Pension Trust
SLOCPT

Date: September 26, 2022

To: Board of Trustees

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

Agenda Item 25: Strategic Plan

Recommendation:

It is recommended by Staff that the Board of Trustees –

- Receive a presentation from SLOCPT staff on a five-year Strategic Plan for the organization.
- Thoroughly discuss the Strategic Plan process and provide feedback to Staff.

SLOCPT Mission Statement and Purpose:

> *The mission of the San Luis Obispo County Pension Trust is to adequately fund and promptly pay the benefits accrued by its Members pursuant to the provisions of the San Luis Obispo County Employees Retirement Plan and consistent with Article 16, Section 17 of the California State Constitution.*
>
> *SLOCPT exists for the exclusive purpose of providing accurate, timely benefits and services to its members and their beneficiaries. SLOCPT is also charged with the prudent investment of Member Contributions and County Appropriations and defraying reasonable expenses of administration.*

Strategic Plan's Purpose:

The 5-year strategic plan shown below is an administrative document and part of executive management's planning for the organization. As such, it is presented here for Board of Trustees discussion and feedback. The Strategic Plan necessarily evolves over time based on the environment, organizational and resource needs, and the leadership of the Board of Trustees.

SLOCPT Strategic Plan – 2022-2027:

Planning for the long-term success of the SLOCPT can be categorized as follows -

Governance: Strategic Priority	**Comments**
Board of Trustees functioning	▪ Independence of the Board of Trustees ▪ Well-informed Board ▪ Collegial Board relations, but differences of opinion aired and valued as necessary
Trustee Recruitment	▪ Qualified Trustee candidates recruited ▪ Diversity of age, Tier, class of membership, gender, race, departments ▪ Appointed Trustees / Elected Trustees
Policy Level Governance	▪ Strong Trustee oversight of Executive Director, policies and priorities ▪ Trustee Committees used as appropriate, but preference for action as a Board whole
Written Policies	▪ Solid policies on Trustee competencies, Ethics, Governance, Funding, Investments, Personnel ▪ ***Policy review 2023***
Trustee Education	▪ Strong new-Trustee orientation and training ▪ Continuing education from varied sources

Financial and Funding: **Strategic Priority**	**Comments**
Funding / Actuarial	▪ Prudent annual actuarial valuations implementing funding policy over multi-year cycles ▪ Prudent and reasonable assumptions independently determined ▪ Full funding over ~20 year targeted ▪ Full ADC collected from plan sponsors
Tax Qualification	▪ IRS Determination Letter 1958 and 2017 ▪ In compliance with IRC ▪ Tax Counsel retained to manage tax code compliance risks
Financial Stewardship	▪ Accurate, audited financial reporting ▪ Full transparency in reporting ▪ ACFR report – GFOA awards

Investments: **Strategic Priority**	**Comments**

Asset Allocation Policy	▪ Strategic Asset Allocation (SAA) adopted 2020 – Interim revisions 2021-2025
	▪ Rebalancing done by CIO
	▪ ***Full Asset/Liability study ~ 2024-2025***
	    ▪ Led by Investment Consultant
	    ▪ Collaborative with Plan Actuary

Investment Policy Statement and Investment Procedures	▪ IPS adopted 2020 ▪ ***Review for ESG element – 2023*** ▪ ***Full IPS/Procedures review 2025***
Performance Monitoring	▪ General Investment Consultant ▪ Quarterly reporting to the Board
Investment Manager Selection	▪ Recommendations from Consultant ▪ Recommendation reports with alternatives ▪ Presentations to Board as needed
Due Diligence	▪ Primarily by Investment Consultant ▪ Legal done by Investment Counsel ▪ Operational by CIO – annual ▪ Board presentations – not necessary unless at Board request or if concerns
Chief Investment Officer (CIO)	▪ Internal, part time CIO (Exec. Director) ▪ Depends on skill set of ED ▪ ***Evaluate added investment staff and/or Outsourced CIO – 2023-2024?***

Organizational: Strategic Priority	**Comments**
Staffing	▪ 8 Staff for 2022 – long experience ▪ Workload stable, limited growth ▪ PAS and EDM provides efficient tools ▪ Source of growth in workload from gradual increases in retirements/year and complexity of cases ▪ ***Evaluate need for added staff ~2024***
Staff Turnover Management Procedure Documentation	▪ Stable and experienced staff at present ▪ Inevitable turnover will decease productivity for a time ▪ Part-time Accountant (0.80 FTE) and Retirement Technician (0.75 FTE) may evolve to 1.00 FTE positions over time ▪ Strong base procedures written at present ▪ Goal to document less-common procedures in 2022-2023
Organizational Evolution	▪ Current organization chart functional • Executive Director • Deputy Director (and Tech. lead) • Accountant (part time) • 2 Retirement Specialists/Counselors • 2 Retirement Technicians • 1 Admin Asst. ▪ Changes to adjust for turnover and different skill sets of new staff ▪ Possible need for investment staff dependent on new Executive Director's investment skill set – 2024 or later.
Facilities	▪ SLOCPT owned office – room for growth from 8 staff to 9-14 if needed
Succession Planning	▪ ***Expected turnover in Executive Director position at end of 2023.*** ▪ Strong Deputy Director and other staff ▪ ***Board driven recruitment/replacement process mid 2023***

Consulting Partnerships: **Strategic Priority**	**Comments**
Legal / General Counsel*	▪ General Counsel reports to the Board and represents the SLOCPT ▪ Ongoing retainer relationship
Legal – Specialized Counsel*	▪ Investment, Tax, Disability, Litigation, etc. Counsel retained as needed ▪ Specified and reporting to General Counsel
Actuarial*	▪ Maintain consistent Plan Actuary* • Valuations – Annually • Experience Studies – Biennially ▪ ***Actuarial Audits – 5-year cycle (due 2026)***
Investment Consultant(s)*	▪ Reliance on strong general investment consultant relationship ▪ Specialized or Project Consultants utilized as necessary
Investment Management	▪ Investment Managers retained consistent with the adopted Investment Policy Statement
Human Resources*	▪ Continue cost-effective use of SLO County Human Resources Department
Auditor	▪ Audit firm on 6-year RFP cycle • ***RFP in 2023 after audit of 2022 done*** • Partner rotation 5-year cycle • Can re-select same firm with partner rotation
Disability Medical Evaluation* Disability Hearings	▪ Medically qualified consultant to conduct evaluations of disability applicants ▪ Referee panel to conduct quasi-judicial disability hearings if needed
**** Consultants – Need for change***	➢ Evaluate/RFP for consultant if - Performance concerns Change/retirement of key personnel Fee competitiveness concerns

Key Resources: Strategic Priority	Comments
Administrative Budgeting	▪ Independent SLOCPT budget paid from Plan assets (not part of County) ▪ FY22-23 Administrative Budget $3.3m Admin. Budget ~ 0.19% of assets Investments ~ 0.54% of assets Total ~0.73% of assets
Information Technology – County Partnership	▪ Continue cost-effective use of SLO County IT Department for • Network and desktop support • Telephony • Broadband
Technology – Pension Administration System (PAS)	▪ PensionGold version 3 – new in 2019 ▪ Cloud-based, high security ▪ Electronic Document Management ▪ Member Portal access ▪ Minimized customizations during 2016-2019 development ▪ Ongoing support from LRS as vendor ▪ Minimal modifications expected ▪ ***Expect 10-15 year useful life*** ▪ ***Expect Version upgrade at added cost in 2025-2032***
Business Continuity Plan (BCP)	▪ Cloud-based PAS with multiple site hosting and live back ups ▪ Business Continuity service from LRS as PAS vendor ▪ Tested annually ▪ Rollover to BCP in emergency • Retiree payroll – ACH and paper checks as needed
Insurance	▪ General property and liability ▪ Cyber-liability coverage (limited) ▪ Fiduciary Liability coverage (including Waiver of Recourse rider for officers and management)

Respectfully Submitted,

This page left blank intentionally.

Board of Trustees

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

San Luis Obispo County Pension Trust
SLOCPT

Date: September 26, 2022

To: Board of Trustees

From: Carl Nelson – Executive Director

Agenda Item 26: Staffing Continuity Plan

This item will be distributed to the Board under separate cover prior to the meeting.

This page left blank intentionally.

Board of Trustees

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

San Luis Obispo County Pension Trust
SLOCPT

Date: September 26, 2022

To: Board of Trustees

From: Carl Nelson – Executive Director
Chris Waddell – General Counsel
Scott Whalen – Verus, Investment Consultant

Agenda Item 27: Fiduciary Refresher Briefing – Environmental, Social, Governance (ESG) Criteria in Investments

Recommendation:

It is recommended by Staff that the Board of Trustees –

- Receive a presentation from Chris Waddell as General Counsel and Scott Whalen of Verus as Investment Consultant on the topic of ESG Criteria in investments.
- Thoroughly discuss ESG in investing and provide feedback for possible consideration in a future revised Investment Policy Statement.

Note – The inclusion of ESG investment criteria is logically considered in the approved Investment Policy Statement (IPS). This agenda item is a purely educational fiduciary and investment briefing on the topic of ESG. No action is set for this meeting. Trustee discussion and feedback may be considered in a potential full discussion of the IPS at a future meeting.

Background:

The incorporation of ESG criteria in institutional investment funds has been a topic of high interest for many years. Some points where the SLOCPT Board of Trustees have considered ESG in investments include:

- 2015 – ESG language included in the IPS
- November 2016 – Verus – ESG Principles – Consultant Outlook
- August 2019 – Verus – ESG Investment Criteria – Current Investment Managers
- March 2021 – Investment Policy Statement revised and ESG section retained unchanged.

Given the medium size of the SLOCPT, the lack of a specific investment staff and the policy bias towards using investment managers through commingled funds, the direct-action ability of the SLOCPT in relation to ESG criteria is limited. Underlying the inclusion of ESG investment criteria in the IPS (see below) are several bias or viewpoints:

- The fiduciary practice of the SLOCPT is that investment return maximization within an appropriate level of risk is paramount.
- ESG is best considered as risk-mitigating criteria at the bottom-up, individual investment level as managed by the various Investment Managers used by the fund. ESG risk considerations are part of an integrated view of each investment.
- ESG investment criteria should be applied as investment decisions, not policy decisions.

Investment Policy Statement:

The IPS of the Pension Trust was last revised in March 2021. In addition to the crucial inclusion of the long-term Strategic Asset Allocation policy, the IPS addresses numerous other investment considerations. Included is the 2015 addition on ESG in Section VI. Investment Managers:

> **"Environmental / Social / Governance:**
>
> The Pension Trust recognizes that the economic value of its investments may be impacted by Environmental / Social / Governance issues. In its capacity as fiduciaries, the Board of Trustees in the interests of prudent diversification may evaluate potential Environmental / Social / Governance issues at the investment manager level as being a reasonable factor when other expected investment alternatives are estimated to be equal in merit (i.e., all else being equal). The Pension Trust delegates consideration of the merits of any such Environmental / Social / Governance issues at the individual investment level to investment managers employed by the Pension Trust. Investment managers employed by the Pension Trust may consider Environmental / Social / Governance factors (e.g., environmentally sustainable business practices, responsible corporate governance and transparency) in the context of their positive impacts on expected investment returns. The Pension Trust expects its investment managers to be aware of Environmental / Social / Governance issues and consider their impact on diversification and risk in their portfolios."

Risk Mitigation:

An interesting example of one large public sector fund that integrates ESG criteria into its overall investment process is that of the Colorado Public Employees Retirement Association. The COPERA 2022 Investment Stewardship Report includes the following statement and graphic about risk.

> "PERA remains focused on integrating relevant factors in our investment decisions. In so doing, we are not trying to change market risks and opportunities, nor are we trying to drive capital toward certain industries

over others. We are solely committed to driving risk- adjusted returns to the PERA portfolio in order to pay retirement benefits to our members and their beneficiaries, in line with our fiduciary duty.”

Source – Colorado PERA 2022 Investment Stewardship Report

When the above graphic is viewed with ESG Investment Criteria in mind one can see that ESG factors are part of many of these identified risk factors – Biological, Economic, Geopolitical, Supply Chain, Regulatory, Climate, and Reputational. Food for thought.

Suggested Reading:

See the accompanying publications from Verus –

- “The Judgmental Waiter” – Ian Toner, CFA – March 2020
- “Agreeing on ESG” – Scott Whalen, CFA, CAIA – December 2020

Respectfully Submitted,

This page left blank intentionally.

ESG Investing: (Relatively) New Issue; Same old Fiduciary Duties

San Luis Obispo County Pension Trust

September 26, 2022

Chris Waddell, Senior Counsel

Kristen Rogers, Partner

Olson | Remcho

Today’s Agenda

- Refresher on Fiduciary Duties of Loyalty and Care
- What is ESG Investing?
- Is ESG Investing Consistent with a Public Retirement Board’s Fiduciary Duties of Loyalty and Care?

Duty of Loyalty

"The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. *A retirement board's duty to its participants and beneficiaries shall take precedence over any other duty."*

Article 16, §17 (b) of the California Constitution

Duty of Loyalty– In Plain English

A fiduciary must not harm the interests of system members and beneficiaries by doing any of the following:

- Self-dealing
- Expending system assets or acting in the interests of a third party (includes employer/plan sponsor)
    - Exclusive Benefit Rule
    - “Two Hats” Rule
- Favoring one group of members/beneficiaries over another (Duty of impartiality).

Exclusive Benefit Rule

Trust assets must be held/used for the exclusive purposes of:

- Providing benefits to participants and their beneficiaries;
- Minimizing employer contributions;
- Defraying reasonable expenses of administering the system

Not for the Benefit of:

- The Board of Supervisors or the City Council;
- Employee organizations;
- Taxpayers
- The world at large?

Duty of Care– What the Law Says

"The members of the retirement board of a public pension system shall discharge their duties with respect to the system with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims."

- Article 16, §17 (c) of the California Constitution

Duty of Care– In Practical Terms

- Emphasizes process over outcome;
- Not “one size fits all”
- Evaluate in terms of the actions of prudent fiduciaries for other systems facing similar circumstances.
- Independent of the question of good faith (“good heart, empty head” not good enough).

Elements of a Prudent Process

- Adequate investigation
- Advice from experts, including consultants and staff
- Review of available information
- Ask questions
- Discussion of pros and cons
- Active, not passive participation

What is ESG Investing?

- Scott is going to take the lead on that
- From a recent opinion for a non-pension fund client:
  - Environmental, Social, Governance factors that relate to risks and/or opportunities presented by a particular investment
  - ESG can involve positive or negative investment screens– an important distinction
  - “To invest or not to invest, that is the question”

If SLOCPT Was Subject to ERISA---

- DOL, circa 1994:
  - "…correct the popular misconception" that ESG factors were incompatible with ERISA fiduciary requirements. "All else being equal" concept introduced
- Circa 2008
  - The use of non-economic factors in selecting investments should be rare
- Circa 2015
  - Withdrew language from 2008 bulletin and reinstated 1994 language
- Circa 2020
  - Rejected proposition that non-economic factors can be considered as "tie-breakers"

DOL, continued

- 2020 bulletin added analysis and documentation requirements when fiduciaries say they are choosing among "indistinguishable" investments.
  - "The Duty of Loyalty requires those serving as fiduciaries to act with a single-minded focus on the interests of beneficiaries. And the Duty of Prudence Prevents a fiduciary from choosing an investment alternative that is financially less beneficial than an available alternative. Those fiduciary standards are the same no matter the investment vehicle or strategy."
- 2021 DOL News Release:
  - US DEPARTMENT OF LABOR PROPOSES RULE TO REMOVE BARRIERS TO CONSIDERING ENVIRONMENTAL, SOCIAL, GOVERNANCE FACTORS IN PLAN MANAGEMENT

So, What Should a Prudent Fiduciary Do?

Consider this hypothetical:

A Retirement Board is considering whether to oppose pending legislation that would require all public retirement systems to divest from fossil fuel companies.

- Investment Consultant opines – short-term impact of divestment is negative, long-term impact uncertain at best.
- Trustee A - grew up near an oil refinery and blames his ill health on that.
- Trustee B – lives in a coastal area and questions the consultant's opinion on sea level rise, global warming and the impact on investment returns.
- Trustee C – believes divestment just sells fossil fuel companies to other investors that don't care and takes away our "seat at the table" to change fossil fuel company actions.

Is ESG Investing Consistent with a Public Retirement Board's Fiduciary Duties of Loyalty and Care?

- Is desired goal in making or not making an investment maximizing return and/or minimizing risk, or
- Saving the world?
- Always remember the constitutional language:

> A retirement board's duty to its participants and beneficiaries shall take precedence over any other duty.

QUESTIONS?

Olson | Remcho

This page left blank intentionally.

Verus

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

SEPTEMBER 2022

A further review of ESG considerations

San Luis Obispo County Pension Trust

Table of contents

VERUSINVESTMENTS.COM

SEATTLE 206.622.3700
CHICAGO 312.815.5228
PITTSBURGH 412.784.6678
LOS ANGELES 310.297.1777
SAN FRANCISCO 415.362.3484

Introduction PAGE 3

- Executive summary
- SLOCPT history with ESG

Implementation considerations PAGE 6

- Areas of impact
- Range of approaches
- Performance
- Other public plans

Other considerations PAGE 12

- Greenwashing
- Fees
- Inconsistent metrics
- Legislative landscape

Verus research approach PAGE 17

Introduction

Executive summary

— SLOCPT has been considering ESG implementation issues for many years and has included ESG language in its Investment Policy Statement since 2016

— Consideration of ESG investing broadly is on the rise across the institutional investor ecosystem

— There are multiple approaches to implementing an effective ESG program and a variety issues to be addressed throughout the process

SLOCPT History

2015 – ESG-specific language added to Investment Policy Statement

The Pension Trust recognizes that the economic value of its investments may be impacted by Environmental / Social / Governance issues. In its capacity as fiduciaries, the Board of Trustees in the interests of prudent diversification may evaluate potential Environmental / Social / Governance issues at the investment manager level as being a reasonable factor when other expected investment alternatives are estimated to be equal in merit (i.e., all else being equal). The Pension Trust delegates consideration of the merits of any such Environmental / Social / Governance issues at the individual investment level to investment managers employed by the Pension Trust. Investment managers employed by the Pension Trust may consider Environmental / Social / Governance factors (e.g., environmentally sustainable business practices, responsible corporate governance and transparency) in the context of their positive impacts on expected investment returns. The Pension Trust expects its investment managers to be aware of Environmental / Social / Governance issues and consider their impact on diversification and risk in their portfolios.

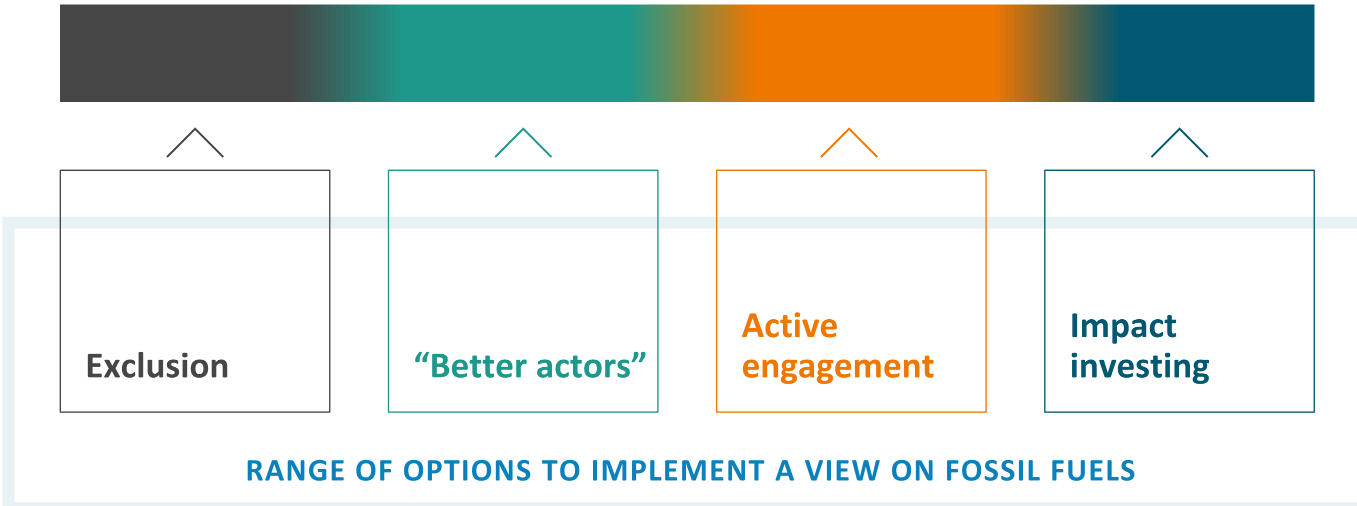
2016 – In-depth subject-matter education

2019 – Refresher education and review of manager policies

Implementation Considerations

Areas of impact

Range of approaches



Other public plans

For comparative purposes, we conducted a survey of the Investment Policy Statements of the 20 SACRS counties and categorized them subjectively as follows:

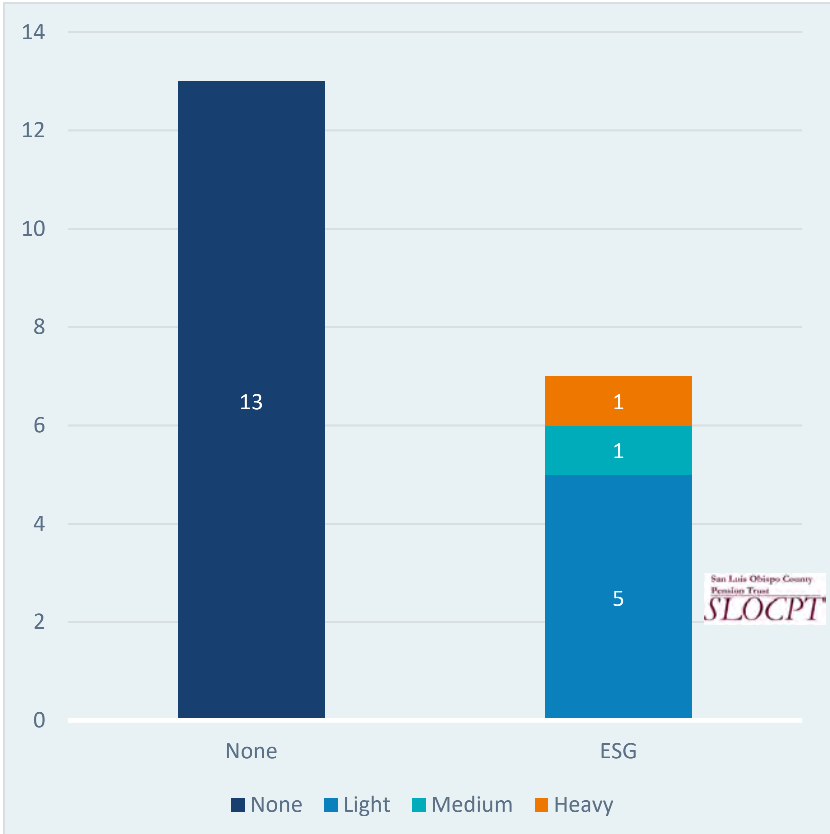
None: No consideration for environmental, social or governance beyond what is inherent in each manager's process and philosophy.

Light: Includes mention of ESG within IPS, but all else equal, investments are governed by risk/return profile.

Medium: Has detailed ESG guidelines incorporated into IPS (usually as additional exhibit/addendum) and directs proxy voting provider to vote according to those guidelines.

Heavy: Includes detailed ESG guidelines within policy and provides a separate report on ESG initiatives with active monitoring. These plans will use engagement tactics, usually proxy votes, directly with companies to enforce those ESG guidelines. In this case, the plan handles its own proxy voting.

SUBJECTIVE REPRESENTATION OF ALL 20 SACRS COUNTIES



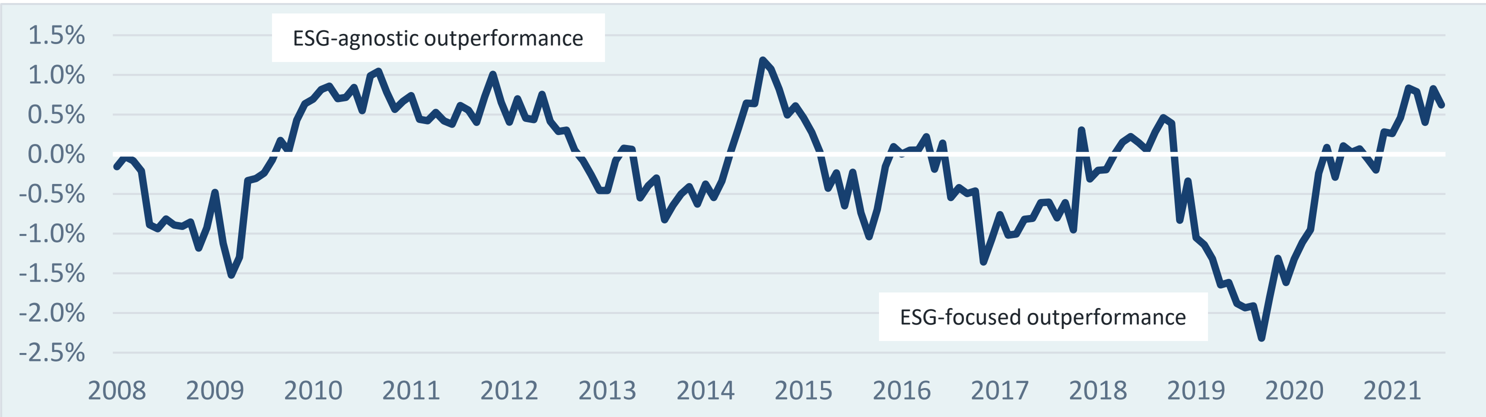
Source: Investment Policy Statements from each member county

SACRS plan policy language

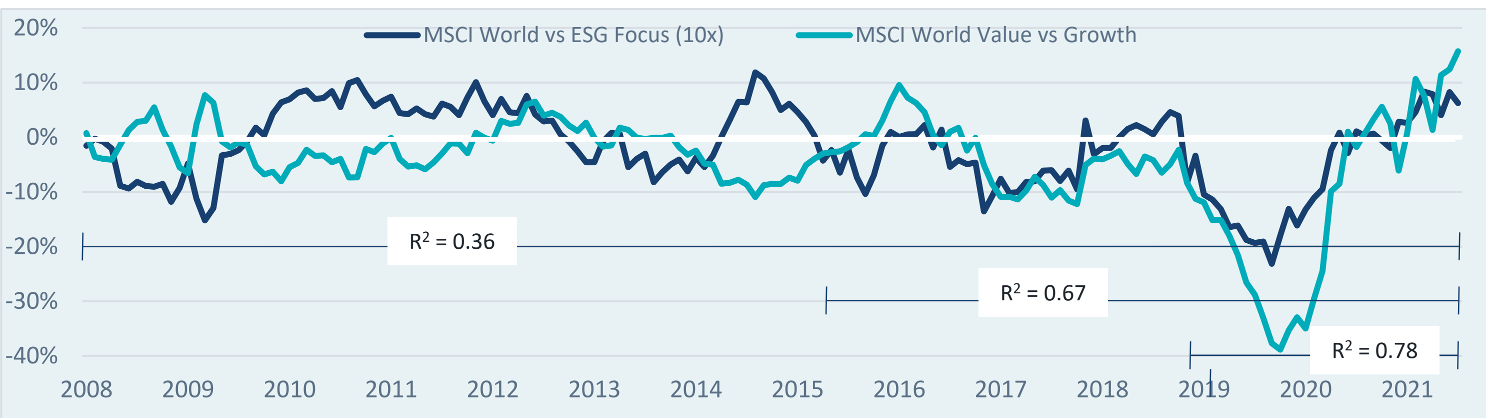
County	ESG Level	IPS Language
Alameda	Medium	The Board has established the ACERA Environmental, Social and Governance Policy (ESG Policy), which is maintained as a separate document. The purpose of the ESG Policy is to establish a framework for ACERA's ESG implementation as a risk management tool, consistent with the Board's fiduciary responsibilities in the investment of the Fund. Risk mitigation includes the prudent consideration of ESG risk factors that may materially impact the Fund's long-term financial returns. ESG considerations will be evaluated, where applicable, with the goal of mitigating risk while maintaining or improving Plan returns over the long term. The Board shall analyze and consider ESG factors in its decision to approve investments when those factors are reasonably deemed by the Board, in consultation with its internal and external professional investment advisors, to be material to its financial returns. ACERA will use various procedures and implementation methods such as proxy voting, which are specific to the E, S or G factors in their due diligence and monitoring and disclosures, if applicable.
Fresno	Light	The Board may consider investing in, or divesting from, investments that are expected to accrue benefits in the area of economic development, environment, health, corporate governance and other social or moral issues. However, these investment determinations must satisfy applicable "costlessness" standards, including that their expected risk adjusted returns and associated costs shall not be more costly to the Fund than comparable investment actions absent the expected environmental, social or corporate governance characteristics.
Los Angeles	High	LACERA recognizes that environmental, social, and governance factors may influence the risk-return profile and financial performance of investments. Financially material ESG factors may vary by industry, geographic exposure, business strategy, investment time horizon, and other variables. LACERA endeavors to identify, assess, and manage relevant ESG factors in its market research, portfolio construction, and throughout its investment process in furtherance of its mission and fiduciary duties. Careful consideration of ESG factors throughout LACERA's investment process aims to generate sustainable investment returns. LACERA assesses and monitors all investment partners on their capacity and skill in evaluating ESG risks and opportunities in a compelling manner to enhance LACERA's risk-adjusted returns.
Marin	Light	...As responsible fiduciaries, the Board of Retirement will exercise its proxy voting rights in the sole interest of the Plan's members and beneficiaries in accordance with all applicable statutes and MCERA's Proxy Voting and Corporate Governance Policy. From Proxy Voting Guidelines: MCERA believes companies should adhere to responsible business practices and practice good corporate citizenship. Promotion, adoption and effective implementation of guidelines for the responsible conduct of business and business relationships are consistent with the fiduciary responsibility of protecting long-term investment.
San Diego	Light	Environmental, Social, and Governance (ESG) investing strategies are active investment management strategies based on one or more ESG factors. SDCERA evaluates and judges an ESG investment strategy by assessing the theory and evidence that the strategy will increase Trust Fund returns, decrease Trust Fund risk, or both, using Modern Portfolio Theory best practices. SDCERA's primary reference point is a capitalization-weighted market index, which contains all the ESG factors at market weights, thus reflecting the collective judgment of all market participants with regard to each ESG factor's impact on each investment.
San Mateo	Light	Environmental, Social, and Governance (ESG) investing strategies are active investment management strategies based on one or more ESG factors. SDCERA evaluates and judges an ESG investment strategy by assessing the theory and evidence that the strategy will increase Trust Fund returns, decrease Trust Fund risk, or both, using Modern Portfolio Theory best practices. SDCERA's primary reference point is a capitalization-weighted market index, which contains all the ESG factors at market weights, thus reflecting the collective judgment of all market participants with regard to each ESG factor's impact on each investment.
Sonoma	Light	The Board believes that its primary responsibility is to the members of the Retirement Association and their beneficiaries. Consequently, the Board may not approve investments with less than competitive risk-adjusted expected returns in order to benefit another group of people or some project considered socially desirable. However, the Board may support investments that provide some economic or social benefit if they fit into the Plan's investment program and offer competitive risk-adjusted expected returns.

The performance question – it depends

Relative Performance of MSCI World vs. MSCI World ESG Focus



Relative Performance of MSCI World vs. World ESG Focus Index and World Value vs. World Growth



Other Considerations

Greenwashing

Definition: *a form of advertising or marketing spin in which green PR and green marketing are deceptively used to persuade the public that an organization's products, aims and policies are environmentally friendly.*[2]

A lack of robust and uniform set of ESG measurement data enables Greenwashing and "is one of the largest barriers to ESG adoption"[1]

FINANCIAL TIMES

Determining what's 'green' is harder than it seems

- 3 Aug 2022

INDEPENDENT PREMIUM

Regulators are coming for banks accused of 'greenwashing' – it's about time

Bloomberg

Congress Committee Says Documents Show Big Oil Greenwashing

- 15 Sep 2022

NEW YORK POST

Germany raids Deutsche Bank, DWS unit over 'greenwashing' claims

- 31 May 2022

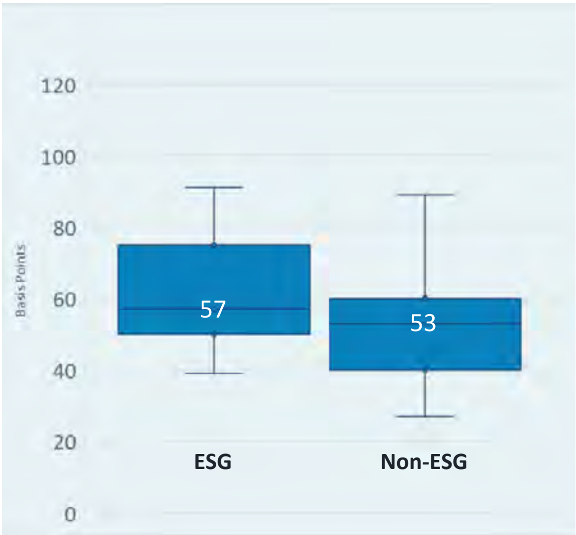
THE NATIONAL LAW REVIEW

SEC Proposes Regulations to Address "Greenwashing" By Investment Funds

- 3 Aug 2022

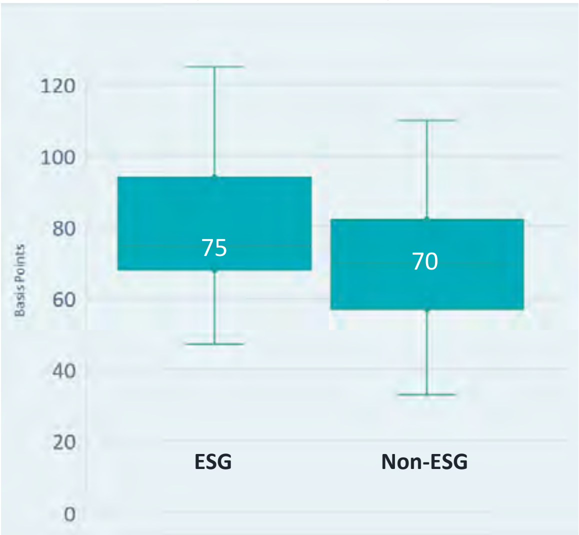
Fees

Management Fee in Basis Points for a $25 million Large Cap Domestic Equity Mandate



Percentile	ESG	Non-ESG
5th	91	89
25th	75	60
Median	57	53
75th	50	40
95th	39	27
# of Obs.	13	35

(Mutual Funds)

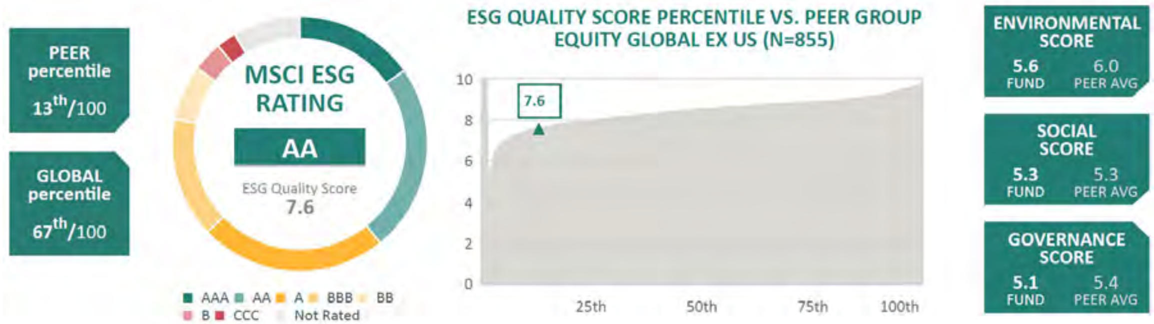


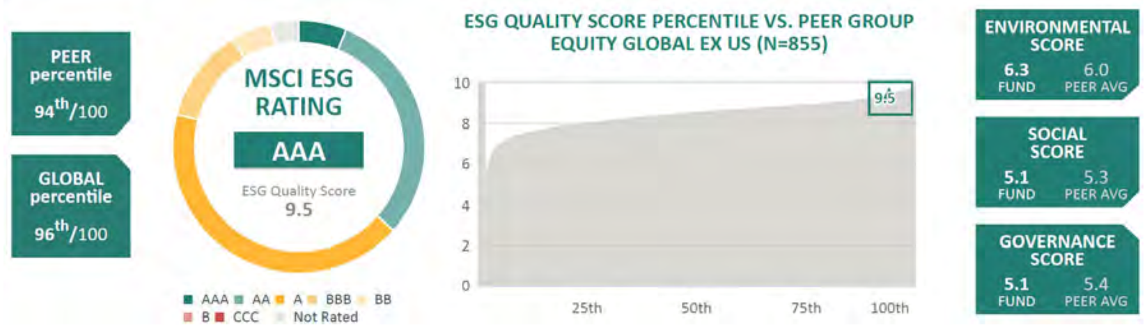
Percentile	ESG	Non-ESG
5th	125	110
25th	94	82
Median	75	70
75th	68	57
95th	47	33
# of Obs.	210	447

Fees are modestly higher for ESG-focused strategies vs. ESG agnostic strategies, but it could be argued that higher fees are warranted due to a greater level of effort

Inconsistent Metrics

- There are funds that actively employ ESG factors and metrics as an integrative approach to the strategy's process and philosophy, but this isn't always captured in ESG ratings
- Example:
  - American Funds EuroPacific Growth Equity uses engagement rather than exclusion to implement ESG factors it considers as impactful to a company's future return potential.
  - Dodge & Cox International Equity does not use engagement or any other active ESG implementation, but it does look at ESG factors for risk mitigation.
- These MSCI ratings are counterintuitive to the process employed by each manager





Legislative landscape

- January, ’20 – Illinois legislation required public investment leaders to incorporate ESG into their investment decisions
- September ‘20 – Oregon Investment Council (OIC) approved a policy formalizing importance of ESG factors in investment decisions. OCI oversees allocations for state trust funds including Oregon Public Employees Retirement Fund.
- June ’21 – Maine became the first state to pass legislation mandating divestment of public assets from fossil fuel
- June ‘21 – Texas enacts law requiring the state’s pension funds to stop investing in firms that divest from fossil fuels
- August ‘22 – Florida Retirement System state that, “social, political or ideological interests” should not be considered in the investment process
- August ’22 – New Jersey introduced legislation to prohibit investment of state retirement funds in any of the top 200 companies that hold the largest carbon content fossil fuel reserves
- September ’22 – Indiana Attorney General releases advisory opinion that prohibits public pension investing aligned with ESG

Verus research approach

	ESG A **Fully Integrated**	ESG B **Some ESG Elements Observed**	ESG C **Minimal/No ESG Integration**
A *Alignment*	Firm actively promotes ESG principles; Incentive comp is ESG aligned	Firm has an ESG policy; PRI neither necessary nor sufficient Incentive comp not ESG aligned	Firm does not have any type of ESG policy
E *Edge*	ESG features in product's stated objective; Product is differentiated from peers based on ESG approach; ESG-ness is obvious to a client	Stated objective emphasizes longer investment horizon; May be "unintentional ESG" due to philosophy emphasis on governance, quality, or sustainable returns	Stated objective has features inconsistent with ESG management due to sector emphasis, high turnover or momentum orientation
I *Implementation*	ESG principles explicitly incorporated in security analysis/valuation	ESG principles explicitly incorporated in security analysis/valuation (whether or not explicitly labeled as "ESG")	Manager may vote proxies, but no other ESG elements apparent in process; When prompted, may cite ESG as implicit in security analysis/valuation
O *Optimal Use of Risk*	ESG elements are critical to portfolio construction <u>and</u> risk management; Can cite multiple examples where ESG influences active risk taken	ESG elements may be influences in portfolio construction <u>or</u> risk management; Manager can cite an example of ESG influence on active risk	Portfolio construction and risk focuses exclusively on volatility, liquidity, default; Manager cannot cite examples of ESG influence on active risk
U *Understandable Performance*	Performance attribution reflects ESG elements <u>or</u> portfolio success is measured based on ESG elements	Performance is consistent with the manager's stated objective	Performance is consistent with the manager's stated objective

Sound Thinking

IAN TONER, CFA

The judgmental waiter

Who decides? ESG in institutional investing

March 2020

Imagine a large family gathering. Three generations are coming together in a restaurant to celebrate a family occasion. Everyone is glad to see each other, catch up on family news, and meet the new babies that have arrived since the last gathering.

Now imagine the conversation that might ensue when they start to order from the family-style menu. The restaurant is Italian, and meat is featured prominently for the evening. This works well for most, although Cousin David has become a vegan recently (he isn't happy about the meat being cooked in the kitchen – especially the veal), while Uncle Doug is on a keto-based diet and can't have any of the carbs. Aunt Jeanne is happy to eat whatever works for everyone else, but for a whole other branch of the family, serious religious restrictions dictate what they can eat. And the children want chicken nuggets, while the grandparents have low sodium dietary requirements (there goes the dried sausage). And doesn't Zac's severe food allergy mean nuts can't be prepared in the same kitchen as the dinner?

It's not unusual to encounter such a scene in any restaurant, and we know that every family group will manage to accommodate preferences in its own way, balancing the contradictory needs and appetites around the table, and arriving at a food order that will ultimately work best for the group as a whole. Not everyone will be completely happy, of course, but at least most or all of the family will leave the table full. Each family group will have a slightly different center of gravity, based on who is at the table, what's being celebrated and what the restaurant offers.

So far so good. Now let's throw a twist into the picture. The waiter.

Imagine that the waiter doesn't just take the order. Imagine, instead, that he gets into a discussion with the family members. Let's say the waiter is a committed vegan, and tuts disapprovingly over every steak order, muttering under his breath about cholesterol and cruelty. Or let's say the waiter launches into a lecture about "how most gluten allergies aren't real" to the family member who suffers from celiac disease. Or starts to list the rights and wrongs of religious animal slaughter with the family members who can only eat ritually pure meat.

Not many people would think that was appropriate. Not because it's wrong for the waiter to have those views, but because it's the wrong forum for him to express them. It's perfectly OK for a waiter to be a passionate vegan – less so for that passionate vegan to attack carnivorous diners. The role of the waiter is to outline what's available from the restaurant, to help the diners decide what works best for them and their needs, and to make sure that they get their meal order accurately and on time.

Now let's add a final twist into the mix: Imagine that the family members being waited on aren't ordering for themselves but for another broader and more diverse group of people. Their own tastes become less important than the needs and tastes of the broader group they're ordering for.

Enough about food. You can tell that this isn't really about food and families, but about ESG, boards, and the role of the consultant in the mix. The investment board is the family doing the ordering, and the consultant is the waiter. The customization of the order represents the ESG framework that the investment board wants to implement, and the broader group they are ordering for represents the beneficiaries of the money (pensioners, grant recipients, and so on).

ESG — why now?

The topic of the environmental, social and governance components of investment has become much more important over the last 10 years. Some segments of the marketplace and certain regions of the world have focused on it more deeply than others. It has been particularly important to European investors, who share the same worldview on many of these issues, and a popular topic of conversation within the college endowment, religious, and environmental charity communities. Client demand in this space has increased significantly in the retail investment market, prompting many retail investors to take a closer look on the impact of ESG on their investments.

To understand ESG issues properly and to make sure we are addressing the literature and products in this space thoroughly, we need to carefully unbraid a number of different strands of thinking that are too often combined into a single thought.

WHAT ARE WE TALKING ABOUT?

When we talk about ESG issues we must be careful to avoid pulling ourselves up by our own shoelaces. If "ESG investment" simply means doing what investors have done all along, but sticking a different label on some parts of the process, then it is unlikely to meet the ESG goals of the investor, and will likely also fail to capitalize on the possible investment benefits they may believe are to be gained by that strategy.

The environmental, social and governance dimensions of investment have always been part of the normal investment process, and investors have always taken them into account in many ways. A company that has terrible governance is not likely to look after its shareholders: sensible investors have always been aware of that risk. A company that is habitually fined for breaching environmental laws is likely to have a higher natural earnings stability risk: sensible investors will discount the present value of the company accordingly. A company that engages in socially irresponsible behavior of the flavor that will attract regulatory, legislative or (worse) police scrutiny will probably already have that risk embedded in the normal analytical process.

For "ESG investment" to mean something, it has to be about something more than normal, prudent investor behavior. Simply passing off the typical processes you would do anyway as "ESG related" is better described as "greenwashing".

WHAT DOES THIS MEAN FOR INVESTORS?

There are two basic ways that investment managers could take ESG factors and issues into account when thinking about their investment processes[1].

The first relates to the actual investments themselves. They may choose to buy different assets, or buy assets in different weights, based on a range of ESG criteria related to the assets themselves. There are a range of different ways they can implement this – the details are beyond the scope of this piece.

The second relates to the way that the manager votes proxies and engages with management of companies in which they invest client money. The issues they choose to engage on, the point of view that they apply, and the way in which they vote all have weight and importance; and they only have that weight and importance because of the size of client money the manager is investing. Companies care about the expressed views of a manager in direct proportion to the size of the holding in the company[2] that the manager has – but in reality, of course, it is the client's money and, therefore, the client that holds the power.

In each case, the manager is expressing views on a range of issues through actual investment actions, proxy voting, and engagement decisions. What matters, surely, is the views that are built into the purchase and sale decisions, and that are advocated by the proxy and engagement teams, are ones the investor supports.

Who decides what matters?

When we are talking about retail investment, the question of "who decides" is easy: the investor herself. She earned the money being invested, she likely has a clear idea of her values and she can, with a little help from an advisor, work out how to express those values within the context of an investment portfolio.

Things get more complicated, though, when we move into the institutional marketplace. The sums of money involved in each relationship are generally much larger, so the decisions are of more

---

1. *Details of different ESG approaches and how they fit into active management assessment is something we will address in detail in a Topic Of Interest publication during 2020.*
2. *Or maybe the size of potential holding in some cases.*

consequence: both from the standpoint of the effect on the supply of and demand for assets, and also in terms of the impact on the "perceived voice" of the manager who is voting proxies and engaging with companies on behalf of the investor.

The "voice", though, is actually owned by the investor – not the manager, who simply exercises it on the investor's behalf.[3] In the institutional space the "investor" is represented by the board, although they have to act in the best interests of the beneficiaries[4].

In other words, the board is the group that should be deciding the ways in which the assets are invested, and the ways in which votes are made and engagement pressure is applied, and they should come to the decision about how these votes should be cast on the basis of the interests of the fund as a whole, not on their personal opinions or beliefs alone.

So, for example, a personally pro-choice doctor who sits on the board of a Catholic health care institution with a strong historical and theological position against abortion is likely to feel that it is appropriate to vote in favor of a policy that embeds a pro-life viewpoint in the investment approach of the institution (at least in terms of investment approach, and possibly in terms of proxy voting and engagement). The personal views of the individual board member need to be integrated with the institutional views and interests of the organization for which they are a fiduciary.

Most important: it is neither the manager nor the consultant that needs to decide the balance of views that should drive the investment, voting, or engagement process. It is the board, acting on behalf of the organization as a whole (pensioners, donors, grant recipients, etc.)

How should the investor decide?

This is in practice often a difficult question to answer because what boards have to do in this space is in some ways quite different from what they normally do. The normal job of the board is to focus on investment questions – selecting a level of risk, worrying about asset allocation, deciding on which investment managers to use, and so on. Instead of these questions they now must focus – and worse, try to agree – on a range of topics which often take on broad social and or political dimensions. Few people hold a strong personal commitment to how to parameterize a risk model, but most people have deeply held views on the correct approach to climate change[5], wealth distribution, and union representation on corporate boards.

What this means is that the board is likely to have to spend some time assessing the issues collectively. This will involve building an understanding of how these issues impinge on investment outcomes. Unfortunately, there are few clear answers in academic literature, as the research is mixed regarding

---

3. *A good parallel is the law around trading commission generated when client trades are executed by brokers – the commission is an asset of the client, not the manager, and the manager can use that commission only where it is in the interest of the client.*
4. *Apologies to all lawyers for this very approximate summary of the fiduciary obligation of boards – but the general point is, I think, accurate and clear.*
5. *And, indeed, in plenty of cases even the existence of it..*

whether the impacts of ESG decisions are positive or negative on investment performance. Investment boards will need to discuss the collective goals and beliefs of the institution itself and consider the longer term effects of each potential action on stakeholder reaction and concerns. It is possible the decision may not take much time, if the board quickly finds agreement or regard the topic as inappropriate for the institution they represent. But we believe it will require, more often than not, a significant allocation of a board's time and energy to land on the correct result that everyone would be comfortable with.

Board, manager, consultant

This then draws into sharp relief the differences in role between the investment board, the investment manager and the investment consultant.

The investment board is responsible for the investment program as a whole. If they choose to express a view on ESG issues, this should be done clearly. This view on ESG issues might range from the opinion that they have no place in the investment program, to the opinion that the entire program should be focused on ESG-targeted investment. As long as those views comply with regulatory and fiduciary policy, and the likely investment implications are understood, they should be translated into the portfolio. Correlatively, if the investment board does not express a view, then the portfolio assets should not be invested[6] in a way where they are used to express ESG views. Therefore, the ESG approach of managers hired should be clearly expressed, and the role of the clients' assets in the voting of proxies and ownership engagement should be clearly understood.

In other words, the portfolio should represent the views of the investor, properly arrived at.

Investment managers play a different role. These managers build products and consider both investment outcomes and their own business and marketing strategy when they do so: quite appropriately, too. If the manager decides to offer an ESG product to clients, then the ESG views they embed in their portfolio management process and engagement and proxy-voting process will reflect that decision: partially the ESG views of the firm itself, partially the view the firm has relating to the investment opportunities generated by different ESG issues, and partially the view of the size and scale of the marketing and business opportunity offered by different levels of ESG engagement[7]. Each manager will target their approach towards a specific part of the marketplace. If a client has views that are fundamentally incompatible with the positioning of the manager and the manager's decision to offer an ESG product, then the client will likely select another manager who can better serve them. Managers state a position and then service clients that are comfortable with that position. It is completely appropriate for them to advocate for the position they have chosen, as long as they are comfortable that when they perform advocacy that they are doing so with the informed agreement of their clients.

---

6. *Or, probably, proxies voted or engagement entered into.*
7. *This latter point is particularly important for managers doing business in Europe, where ESG investment approaches are almost a requirement for being hired.*

Consultants, however, are in a different role entirely, whether they are acting as a non-discretionary consultant or an OCIO provider. The consultant may have a very strong viewpoint as a specialist ESG consultant, but in most cases, they will serve clients with a broad range of social and political views. Some clients will be very liberal, others very conservative, and each one will bring that to an ESG conversation. Some will have strong religious or labor-focused views. Others will have strong environmental views in favor of climate change-oriented approaches or will be strongly opposed to the very concept of human-made climate change altogether. Yet all these different clients share one thing in common: they are the first fiduciary, and their institutional view is the one that should be implemented in their investment portfolios.

The consulting firm equally owes each of these clients a duty of neutral advice. It should be able to help each investment board discuss ESG issues without a notion that there is a pre-ordained "right" answer, and then help the investor build the resulting implementation into their portfolios with full fidelity, honesty and commitment. This implies, to the extent possible, firm-wide neutrality on the issues involved. Individual consultants may well hold deeply-held personal opinions, just like the waiter in our example. They should, indeed, be free to express them in the right context, and there will often be a close parallel between the views of the individual consultant and the clients they serve, which is right and proper.[8] But they can best do that within a framework of neutrality.

Where does Verus sit?

That position of positive neutrality describes exactly where we at Verus feel we should sit in this discussion.

As a group of individuals, we strongly encourage diversity of viewpoints because having a broad range of views and backgrounds at the table makes us stronger as a firm and helps us give better advice based on better decisions. We try to walk softly and are aware of our footprint on the world. We encourage and support the charitable activities of our colleagues. We recycle, work in efficient buildings, and use videoconferences rather than travel by air where practical.

And at the same time, we recognize that we are like most firms in today's America. Our colleagues are independent voters, Hillary voters and Trump voters[9], liberals and conservatives, environmentalists and skeptics, second amendment opponents and enthusiasts, pro-choice advocates and pro-lifers, and so on. And that's the way it should be, because that's who our clients are.

Our role in the ESG discussion isn't to take a side. We believe understanding the impact of your investments can be a sensible and laudable thing to do, and it can fit well within many investment programs. We also believe different organizations and different boards will come to different

8. *There are likely few Taft-Hartley consultants, for example, who spend the weekend campaigning against unionization of workplaces, or consultants who have a franchise in environmental charities that protest in favor of nuclear power and widespread fracking.*
9. *Plus at least one CIO who is unable to vote at all in the United States, being a foreigner who loves living in this great country but isn't a citizen of it.*

conclusions about what that means for their organization – and that in some cases those conclusions will be the exact opposite of those drawn by others of our clients.

At the same time, we regard the rise of ESG data and expertise as an extremely important development in the marketplace, and this will continue to be an increasingly important topic for our firm and our consultants. All our consultants, consulting associates and investment staff receive full formal training in ESG issues. We are in the process of providing a formal ESG rating for all products we cover formally: this will be completed later this year. We are writing a number of papers looking at ESG issues in risk modeling, board decision making, manager selection, and portfolio construction. And we have many consultants, consulting associates, and investment professionals working in the space to support our existing ESG-focused clients and to develop further intellectual capital to help those clients.

We believe our role in this conversation is to be expert in the details, to be aware of where each of the managers we use stand regarding their roles and capabilities, to understand the issues and tools available, and to help each client construct the portfolio that's right for them. We do not believe we should be advocates, as a firm, for one particular approach. We do believe we should be advocates for each of our clients – and for their specific approach, whether they are PRI signatories or believers that ESG issues should be kept off the table altogether.

ESG, then, is important. It may even be very important. It's certainly much too important for us to want to impose one particular viewpoint on our diverse clients or our diverse employees. We will continue to work tirelessly to make sure that our clients can decide how to approach these issues, and then build their portfolio to efficiently and effectively represent that view.

ABOUT THE AUTHOR

Mr. Toner has a degree in Law from the University of Oxford in the United Kingdom and is a CFA charterholder (Chartered Financial Analyst). He is a regular author and speaker on a range of investment topics. He is a member of the Audit / Finance Committee of The Medina Foundation in Seattle. He is also a member of the CFA Institute and the CFA Society of Seattle. Mr. Toner is a trustee of Charles Wright Academy, an independent co-educational school based in University Place, WA, where he also chairs the endowment committee. He is also a board member at the Seattle Metropolitan Chamber of Commerce, where he co-chairs the finance & audit committee. He has been happily married to his wife, Heather, for 25 years, and is the proud father of two children.

IAN TONER, CFA
Chief Investment Officer

ABOUT VERUS

Verus is an independent, employee-owned provider of non-discretionary consulting and discretionary management (i.e., OCIO) services to a wide variety of institutional investors, representing over $431 billion in assets*, including endowments and foundations, public pension plans, corporate defined benefit and defined contribution plans, and multi-employer trusts. Verus, renamed from Wurts & Associates in April 2015, has been advising institutional clients since 1986.

**Includes Verus' total assets under advisement; preliminary as of 1/1/2020.*

Verus®

800 Fifth Avenue, Suite 3900
Seattle, Washington 98104
206-622-3700
verusinvestments.com

4Q20

TOPICS OF INTEREST

Verus

Agreeing on ESG:

How to Build Board Understanding and Agreement Around ESG Issues and Program Implementation

December 2020

SCOTT WHALEN, CFA, CAIA
Executive Managing Director

Summary

Following explosive growth in environmental, social, and governance (ESG) investing, many institutional investors have expressed interest in understanding whether ESG principles might have a role in their own investment portfolios, and if so what that role might be. But with so many issues involved, and so many different types of investors, developing and implementing an ESG philosophy and policy is much easier said than done. The range of appropriate outcomes from this conversation could vary from the decision to simply avoid ESG issues altogether to a decision to fully engage with ESG issues at every step of the portfolio construction and management process. This paper will shed light on the difficulty institutional investors face as they embark on their journey toward implementing a thoughtful ESG policy that fits their specific organization and is designed to help them cut through the clutter by providing a detailed, practical "soup-to-nuts" methodology to determine the best policy for their organization.

Introduction

Following a period of momentum building and the broadening acceptance that ESG principles could be implemented within a standard fiduciary framework, growth in ESG investing has gained increasing momentum over the past several years. According to the Global Sustainable Investment Alliance, ESG investing assets reached more than $30 trillion worldwide at the end of 2018 and doubled over the previous seven years.

In the U.S. alone, ESG investing assets topped $12 trillion, making up about a quarter of professionally managed assets[1].

This topic is clearly one that is potentially on the table for discussion for every institutional investor, but that raises important questions about whether and how to proceed. Should each board feel an obligation to discuss it? How should they approach such a discussion? What are the possible outcomes? Is it reasonable to reach a conclusion that ESG is not appropriate for the organization? How do boards ensure the discussion around these issues is inclusive of all points of view and not dominated by a passionate few? Is it reasonable to assume boards can just put the topic on the agenda with the expectation that friendly conversation will naturally lead to consensus and an appropriate outcome?

In "The Judgmental Waiter," a Sound Thinking piece from earlier this year, we established that our neutrality in the ESG discussion is essential to letting our clients freely implement their ESG beliefs in their portfolios without imposing our own viewpoints[2]. We recognize that our clients' views on ESG are diverse, and our advice around ESG is highly customized to reflect that fact.

Sounds simple, right?

There are really two key reasons why what may seem simple in theory becomes difficult in practice.

First, there are many worthy ESG objectives, but a decision-making body must reach true consensus on what goals to pursue – and indeed whether pursuing any ESG objectives at all is appropriate for the organization. This may be easier for some entities than others. For example, a faith-based organization may focus on simply excluding stocks in particular industries such as those of companies involved with alcohol, tobacco, gambling, and weapons, and may determine that this is not only appropriate but in fact core to their mission. In another case, an eleemosynary organization such as an endowment or foundation may choose to focus a portion of its investment portfolio on companies that support its specific mission. At least these entities typically exist based on a shared set of beliefs or views on the positive societal impact they are trying to effect. On the other hand, imagine how difficult this consensus-building exercise becomes with a pension plan with the diversity of views of individual Board member let alone the views of the multitude of plan beneficiaries.

The table below represents just one of many examples of potential ESG criteria that can be used by decision makers interested in ESG investing[3].

POTENTIAL AREAS OF IMPACT

Environmental Issues	Social Issues	Governance Issues
Climate change and carbon emissions	Customer satisfaction	Board composition
Air and water pollution	Data protection and privacy	Audit committee structure
Biodiversity	Gender and diversity	Bribery and corruption
Deforestation	Employee engagement	Executive compensation
Energy efficiency	Community relations	Lobbying
Waste management	Human rights	Political contributions
Water scarcity	Labor standards	Whistleblower schemes

While it is perhaps easy to agree on the merits of these high-level descriptors, it is also easy to see how a group of individuals might get bogged down trying to prioritize them and then further define them to a level of detail required for effective implementation within an investment program.

Which brings us to our second challenge, implemention. Investors tend to use six types of methods for integrating ESG considerations into the investment process. These methods are not mutually exclusive, and are as follows.

1. **Exclusionary screening** is the oldest and most straightforward ESG method – it is also known as negative screening. As the name implies, exclusionary screening refers to avoiding securities of companies or countries based on specific ESG criteria. For instance, excluding stocks of companies connected to alcohol, tobacco, or gambling products or services, or avoiding securities due to ethical, human rights, or environmental concerns.

2. **Best-in-class selection** is an investment style that focuses on companies with strong or improving ESG metrics relative to industry or sector peers. Unlike the exclusionary screening method, best-in-class selection does not exclude entire categories of securities. Best-in-class selection is also known as positive selection or positive alignment.

3. **Active ownership** refers to employing shareholder power to influence the activities or behavior of investee companies. Corporate engagement and proxy voting are the two primary tools for this approach. Note that active ownership is not necessarily synonymous with activist investing, as the latter tends to be a more aggressive and confrontational approach to advocating change.

4. **Thematic investing** refers to focusing investments in themes or assets that address specific issues related to ESG, such as clean technology, renewable energy, food,

water, education, health care, and agriculture. A thematic investing approach focuses on expected long-term trends that may be social, industrial, or demographic in nature.

5. **Impact investing** involves investing with the primary goal of achieving specific and measurable social or environmental benefits in addition to a financial return. In fixed income, green bonds and social impact bonds, which finance environmental and social projects, respectively, are examples of dedicated impact investment vehicles.

6. **ESG integration** refers to explicitly considering a range of sustainability and ESG-related risks and opportunities in concert with traditional financial analysis. ESG integration is meant to create a more holistic approach, where ESG information is used throughout the investment process, from security selection and valuation to portfolio construction and risk management.

Not only must a decision-making body decide which of these approaches it will use to meet its ESG vision, it must also determine which portion of the investment portfolio to activate, address policy issues such as program objectives, governance, and performance monitoring, as well as update current investment mandates and select new ones, as appropriate. And all of the above should be continuously considered within the context of fiduciary duty -- with a changing regulatory environment it is important that the investor's legal advisors are in the loop in the discussion and that they are comfortable with whatever outcome reached.

So now what?

All the challenges stated above can be managed and worked through by applying a comprehensive, common-sense, and step-by-step approach we go on to describe below. As described this approach assumes the decision-making body is considering ESG for the first time and uses a defined benefit pension fund as the selected investment entity, but its use is broadly applicable across plan types, and some of the steps may be abbreviated or ignored altogether, depending on the specific circumstances or current status of the decision-making body.

It is important to note this process does not imply or build momentum for any particular outcome at any step along the way. That is to say the best and most appropriate policy for any given organization, whether it is to do nothing or go all in, will be developed through open and honest discussion, respectful consideration of the views of all stakeholders, and a thorough evaluation of the attendant issues. The important thing is not the specific end destination reached, but the fact that the process by which it was reached was made in the right way and the appropriate issues considered.

PHASE 1 – TELL ME ABOUT IT

Before making any final decisions, or even entering into active discussion, the Board should be thoroughly educated on the issues surrounding ESG and the implementation of an ESG program. Education topics to consider include:

- History of ESG
- Terminology
- Areas of impact
- Fiduciary implications
- Legal implications
- Recognition of different stakeholders
- Investment program implications
- Potential investment performance implications and performance drivers
- Implementation approaches, including differences across asset classes
- Implementation planning

Education may be provided in part or in whole by the plan's investment consultant if they possess sufficient expertise, and subject matter experts may be called upon to address specific topics in greater depth. Both investment and legal components need to be understood, as guidance from regulators in this space has changed through time. It is important to find objective, neutral third parties to conduct the education so as not to introduce bias into the process -- there is a fine line between education about the issues and advocacy for certain specific approaches. The Board may choose to devote an entire session to the topic of ESG education, followed by facilitated discussion. Here, a skilled (and again neutral) third-party facilitator can apply structure and guidance to ensure all viewpoints are expressed and help drive the Board to consensus around shared beliefs and appropriate next steps.

At this point, appropriate next steps may include the adoption of an ESG-neutral policy or further consideration of what type of affirmative ESG program may be appropriate for the organization. If the former, the process ends with codification of the consensus viewpoint. If the latter, additional steps are required.

PHASE 2 – BEST LAID PLANS

If following sufficient education and thorough discussion, the Board chooses to proceed towards adopting a non-neutral ESG policy, a high-level project plan should be developed that includes key project stages, a timeline, and roles and responsibilities. The project plan becomes a living document that is flexible and adaptable, and detail will be added as the initiative evolves and issues are identified and resolved. We recommend a formal project management framework to ensure the process runs smoothly and that it is appropriately viewed as a significant change to the way the organization approaches investments.

PHASE 3 – MISSION IMPOSSIBLE

This critical step is all about reaching further consensus on what positive outcomes the decision-making body will be trying to achieve, and this may be the most difficult part of the entire process. A first step is to carefully consider which stakeholders will have input into the decision. For a pension plan for example, will the collective view of plan participants be given consideration, or will the Board take full responsibility for prioritizing the value of various ESG objectives? If participants are included, a reasonable approach may be to implement a well-designed survey to get the general sense of priorities of the broad participant population, which may become an input into the decision-making process.

A dedicated Board meeting led by a trained facilitator is an efficient means to drive consensus regarding which priorities to pursue. The key activities to follow in such a session are:

- Identify the possible areas of impact (those listed above or the U.N. Sustainable Development Goals are a good starting point);

- Conduct a selection exercise (we prefer a structured individual selection followed by structured aggregation to elicit and consider all existing viewpoints); and

- Through this gain a sense of the Board's initial prioritization, which is then followed by clarifying discussion to obtain the necessary level of detail (should include an attempt to identify potential unintended consequences).

The output of this session is then converted into a clearly articulated mission statement that acts as the guiding principle for the entire ESG program. The mission statement includes and is supported by specific and measurable goals, which provide context for additional elements of the plan's investment philosophy contained in the Investment Policy Statement, (e.g., "We endeavor to identify and participate in investment opportunities that help us achieve our target rate of return and also have a positive impact on global society without harming the environment."). It is important again to note that throughout this process there is not a perception that a particular conclusion is "the right answer". The end result must be one reached by true consensus, as all Board members must abide by the final ESG policy going forward and will have to be able to support that ESG policy to other stakeholders once implemented.

PHASE 4 –BY DESIGN

Once the mission statement is complete, the next step is to create the portfolio design elements through which the mission will translate to changes to the actual investment portfolio. Activities during this stage include:

- Identify the asset classes most suited to achieving the specific goals articulated in the newly created mission statement;

- Conduct quantitative modeling to estimate risk/return impact of various implementation scenarios; and

- Narrow implementation options to those most appropriate to the implementation scenarios defined above.

For example, if the stated mission is to improve environmental sustainability, and one of the specific goals is to alleviate water scarcity, then a reasonable change to the portfolio may be to apply the "Positive/Best-in-Class Screening" implementation approach by initiating a private equity investment in a water technology fund.

Another example may be if the stated mission is to improve social well-being with a specific goal of reducing child labor around the world, then a reasonable change to the portfolio may be to apply the "Negative/Exclusionary Screening" implementation approach to companies known for using child labor at any point along their supply chain.

The output of this step is an ESG investment strategy that describes what level of assets within which asset classes will be utilized to achieve the stated mission, as well as what implementation approach(es) will be used for each part of the portfolio identified. There may be conclusions drawn during this exercise which causes the Board to reflect on the practicality of the approach being proposed: if this is the case then further discussion of the goals of the program is appropriate. Part of this design conversation should involve an understanding of the tools that will be used to monitor compliance with the new approach being adopted.

Once the new investment strategy is approved, the Investment Policy Statement is updated to reflect the new program elements. Areas of the IPS which will likely be impacted include:

- Investment Philosophy;
- Enterprise Objectives;
- New section on ESG Program, including monitoring the success of the program; and
- Performance Monitoring.

PHASE 5 – SPREAD THE WORD

While we list this as a discrete step, experienced project managers know that otherwise well-implemented initiatives often fail because of poor communication. A detailed communication plan should be developed at about this stage of the process. The plan will identify key stakeholder groups, develop key messaging for each, and assign timing, media, and individual responsibility for delivery of key messaging. Also, management and implementation of the communication plan should be assigned to a single, senior person within the organization.

PHASE 6 – BACK TO THE DRAWING BOARD

Now that we know what the future portfolio will look like, the investor will need to develop a detailed implementation plan that takes the portfolio from the current state to the new future state. Additional details to be added to the plan include a gap analysis and a staged timeline of activities required to fill the identified gaps, such as:

— Revising current manager mandates;

— Conducting searches for new managers;

— Transitioning assets; and

— A regular schedule for assessment as to outcomes achieved from the new approach.

Conclusion

While discussing ESG can seem daunting and controversial, if one follows a disciplined approach, taking it one step at a time and carefully working to ensure all voices are heard and the broader implications understood, an end state can be achieved where the investment program reflects the consensus of key stakeholders on the subject of ESG, and where that end consensus is both in line with the goals of the organization and compatible with the broader fiduciary and financial obligations involved. The key steps to achieving such an end state are: educate Board on ESG issues; identify core values; determine implementation approach; codify as investment policy; implement; and communicate. Naturally, the devil in this process is in the details, as many of the issues are controversial ones where reasonable people may disagree but an experienced advisor acting in the best interest of the client, rather than simply promoting a particular point of view on the issues involved, can effectively facilitate the decision-making body through the entire process.

Notes & Disclosures

1. *Source: US SIF Foundation's 2018 Report on US Sustainable, Responsible and Impact Investing Trends*

2. *Source: Toner, Ian. "The Judgmental Waiter: Who Decides? ESG in Institutional Investing." Sound Thinking, March 2020*

3. *Source: CFA Institute, ESG Issues in Investing: A Guide for Investment Professionals*

Verus®

800 Fifth Avenue, Suite 3900
Seattle, Washington 98104
206-622-3700
verusinvestments.com

This page left blank intentionally.

Board of Trustees

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

San Luis Obispo County
Pension Trust
SLOCPT

Date: September 26, 2022

To: Board of Trustees

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

<u>Agenda Item 28: Retirement Plan / Deferred Compensation Plan Coordination</u>

Recommendation:

Discuss with Staff their presentation of –

- How the SLOCPT administers the SLO County Deferred Compensation Plan on behalf of the County.
- How SLOCPT Staff interact with Members relative to the DC Plan

Background:
The SLOCPT, unlike most California count retirement systems, administers the San Luis Obispo County Deferred Compensation Plan (a 457(b) plan) on behalf of the County. This is an efficient arrangement and aids an integrated customer service experience for County and contracting agency employees in their retirement planning. The Member accounts set up under the DROP program are administered in a defined contribution plan parallel with the SLO County DC Plan making for further efficiencies.

Because the SLO County DC Plan is not the pension plan for which the SLOCPT exists, the costs of administering the DC plan are reimbursed to the SLOCPT by the County. In this way, Pension Trust assets are not expended for purposes beyond the fiduciary scope of the SLOCPT.

Staff will make a presentation at the meeting discussing the DC Plan.

This page left blank intentionally.