

Pension Trust

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



AGENDA

PENSION TRUST BOARD OF TRUSTEES

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

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

A) PUBLIC COMMENT

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

B) CONSENT

2. Minutes of the Regular Meeting of March 25, 2019 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of March 2019 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of March 2019 (Receive, Approve and File).
5. Applications & Elections to participate in the Deferred Retirement Option Program (DROP) received through April 5, 2019 (Receive, Approve and File).
6. Indemnification Approval – (Recommend Approval)

C) ORGANIZATIONAL

None

D) APPLICATIONS FOR DISABILITY RETIREMENT

None

E) OLD BUSINESS

None

F) NEW BUSINESS

- 7. Administrative Budget for Fiscal Year 2019-2020 - Proposed – (Review, Discuss, and Direct Staff as necessary).
- 8. Board Educational Presentation – Fiduciary Responsibilities Refresher Briefing – Chris Waddell, General Counsel.

G) INVESTMENTS

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

H) OPERATIONS

- 11. Staff Reports
- 12. General Counsel Reports
- 13. Committee Reports:
 - i. Audit Committee No Report
 - ii. Personnel Committee No Report
 - iii. PAS Replacement Committee Report
- 14. Upcoming Board Topics (subject to change)
 - i. May 20, 2019
 - a. Disability case(s) - TBD
 - b. FY19-20 SLOCPT Administrative Budget approval
 - c. Quarterly Investment Report
 - d. Investment Benchmark Review
 - e. Strategic Asset Allocation Policy – IPS Amendments
 - f. Investment Policy Peer Comparisons
 - g. ESG/SRI Investing Update

- ii. June 24, 2019
 - a. 2018 Financial Audit Report
 - b. 2018 Comprehensive Annual Financial Report approval
 - c. 2019 Actuarial Valuation and Contribution Rates approval
 - d. Employer Contributions Prefunding – final approval

- iii. July 22, 2019
 - a. Disability case(s) – TBD
 - b. Business Continuity Planning
 - c. TBD

- iv. August 26, 2019
 - a. Mid-year Financial Statements and Budget Update
 - b. Quarterly Investment Report
 - c. Private Equity / Private Credit program review
 - d. Private Equity – 2019 commitment

15. Trustee Comments

I) CLOSED SESSION

None

J) ADJOURNMENT

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MINUTES

March 25, 2019
Regular Meeting of the Pension Trust
Board of Trustees

- Board Members Present:** Will Clemens President
 Jeff Hamm
 Jim Hamilton
 Matt Janssen
 Michelle Shoresman

- Board Members Absent:** Guy Savage Vice President
 Gere Sibbach

- Pension Trust Staff:** Carl Nelson Executive Secretary
 Amy Burke Deputy Executive Secretary

- General Counsel:** Chris Waddell, Esq.

- Consultants:** Leslie Thompson Actuary – Gabriel Roeder Smith

- Others:** Larry Batchelder SLOCREA
 Dan Andoetoe Retiree
 Jennifer Alderete Pension Trust staff

Call to Order: 9:31 AM by President Clemens, presiding over the meeting.

A) PUBLIC COMMENT

- 1. None

B) CONSENT

Motion: To approve the consent agenda items -

2. Minutes of the Regular Meeting of February 25, 2019 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of February 2019 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of February 2019 (Receive, Approve and File).
5. Applications & Elections to participate in the Deferred Retirement Option Program (DROP) received through March 8, 2019 (Receive, Approve and File).
6. Resolution Modifying and Affirming Investment and Banking authority - Resolution 2019-02 (Recommend Approval).

Public Comment: None

Motion Made: Mr. Hamm

Motion Seconded: Mr. Clemens

Carried: Unanimous

C) ORGANIZATIONAL

None

D) APPLICATIONS FOR DISABILITY RETIREMENT

7. **Application for Industrial Disability Retirement – Case 2018-05 (Recommend Approval).**

Discussion: Staff reviewed the Industrial Disability Retirement (IDR) application of Cheryl Blank, Sheriff’s Correctional Deputy. Medical reports were presented as supporting evidence for the IDR application.

Motion: To approve Staff recommendation – a) finding the applicant to be permanently disabled within the meaning of Retirement Plan Section 10.01 on July 6, 2017; and, b) entitled to an Industrial Disability Retirement under Retirement Plan Section 10.04 effective the day following the last day of compensated service with San Luis Obispo County.

Public Comment: None

Motion Made: Mr. Hamm

Motion Seconded: Mr. Hamilton

Carried: Unanimous

E) OLD BUSINESS

None

F) NEW BUSINESS**8. 2019 Actuarial Valuation Planning - Actuarial Assumptions Approval - Presentation by Leslie Thompson, EA, FSA.**

Discussion: Leslie Thompson, Actuary, reviewed her recommendation on actuarial assumptions for the 2019 Annual Actuarial Valuation. Staff recommended approval of the actuary's recommendations. The actuary's recommended assumption changes for the 2019 Valuation included –

- i) Discount rate = 7.00% (unchanged)
- ii) Inflation assumption (including Tier 1 retiree COLA) = 2.50% (unchanged)
- iii) Salary Growth = 2.75% + merit (unchanged)
- iv) Payroll Growth = 2.750% (phased in second step of planned 2018 decrease to 3.00% in 2018 and 2.75% in 2019)
- v) Unfunded Actuarial Accrued Liability Amortization
 - a. Amortize existing legacy UAAL at 2019 over remaining 21 years
 - b. Amortize future actuarial gains and losses for actuarial experience and assumption changes on a Layered 20 year schedule (changed, but planned for pending completion of 2008 market loss smoothing into AVA on 10 year basis)
- vi) Actuarial Value of Assets vs. Market Value of Assets corridor of 50% to 150%
- vii) Other actuarial assumptions, including mortality tables unchanged

Motion: To approve Actuary's and Staff's recommendation including the added AVA vs. MVA corridor.

Public Comment: None

Motion Made: Mr. Clemens

Motion Seconded: Mr. Hamilton

Carried: Unanimous

9. Actuarial Assumptions Peer Comparison

Discussion: Staff presented comparative data on actuarial assumptions used by comparable California retirement systems.

No Action Necessary

10. Employer Contributions Prefunding

Discussion: Staff presented a recommendation that the SLOCPT accept prefunded employer paid pension contributions for FY19-20 from San Luis Obispo County and the Air Pollution Control District at a discounted amount. The recommended discount rate was the Actuarial Valuation Discount Rate of 7.00% less 1.50% of a discount rate of 5.50%.

Motion: To approve Staff's recommendation including the discount rate of 5.50%.

Public Comment: None

Motion Made: Mr. Clemens

Motion Seconded: Mr. Hamm

Carried: Unanimous

11. Pension Trust By-Laws Amendments

Discussion: Trustees Clemens and Savage requested a Board of Trustees discussion of possible amendments to the Pension Trust By-Laws that are incorporated into the Retirement Plan. Possible changes discussed included the title for the Executive Secretary, the frequency of Board meetings and several minor changes to other sections of the By-Laws. Board President and Trustee Clemens requested that Staff schedule a meeting of the Personnel Committee to make a recommendation on the appropriate title for the Executive Secretary. Trustee Clemens also requested that Staff draft By-Laws amendments to include a requirement that the Board of Trustees meet at least six times per year, including at least once per calendar quarter, on a schedule to be determined by the Board President annually and with the ability to add or cancel meetings at the President's discretion. Such draft By-Laws amendments to be considered at a future Board of Trustees meeting.

Public Comment: None

No Action Necessary

G) INVESTMENTS

12. Indemnification Approval – Ashmore Group

Discussion: Staff recommendation for routine approval of indemnification provisions contained in documents related to the previously approved hiring of the Ashmore Group for an Emerging Markets Debt investment strategy.

Motion: Approve Staff recommendation

Public Comment: None

Motion Made: Mr. Hamm

Motion Seconded: Mr. Clemens

Carried: Unanimous

13. Monthly Investment Report for February 2019

Discussion: Monthly investment performance report by Staff.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Clemens

Motion Seconded: Mr. Hamm

Carried: Unanimous

14. Asset Allocation

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

No Action Necessary

H) OPERATIONS**15. Staff Reports**

- i) PensionGold Version 3 Pension Administrations System rollout schedule leading up to planned July 1, 2019 go-live date.
- ii) 2019 Trustee election schedule.
- iii) FPPC Form 700s due April 1st.
- iv) CALAPRS General Assembly – staff and Board attendance.
- v) San Luis Obispo County Retired Employees Association annual Pension Trust presentation by the Executive Secretary to the group on March 11th.
- vi) Retirement 101 class presented to Fleet Services department on February 27th.
- vii) Retirement 201 class for those nearing retirement to be presented on March 27th.
- viii) A second Retirement 101 class for all employees being scheduled for early May.

16. General Counsel Reports

- i) Mr. Waddell reported on the March 4th decision of the California Supreme Court in the CalFire “Airtime” case. Mr. Waddell also reported on pending California Supreme Court cases involving Alameda, Marin, Contra Costa and Merced counties.
- ii) Mr. Waddell reported on a recent California Supreme Court ruling in the San Diego City case involving the “Measure B” ballot initiative.

17. Committee Reports:

- i) Audit Committee – No Report
- ii) Personnel Committee - No Report
- iii) PAS Replacement Committee - Trustee Hamilton reported that the PAS Replacement Committee met on February 25th and that the project was proceeding on schedule and under budget.

18. Upcoming Board Topics – published on meeting agenda**19. Trustee Comments** –

- i) Trustees Hamm and Clemens commented that the CALAPRS General Assembly they attended in early March went well and was worthwhile. They also complimented Deputy Executive Secretary Amy Burke on her presentation at the General Assembly as part of a panel on Pension Administration System replacements.
- ii) Trustee Clemens commented on his concerns over a managing director at TPG in Private Equity implicated in a recent college admissions scandal unrelated to his TPD duties. Trustee Clemens voiced concerns about what this apparent personal misconduct by the TPG managing director implied for the ethical tone of the firm and the private equity/private credit investment sector as a whole. Trustee Clemens requested that Scott Whalen of Verus, as the Pension Trust's investment consultant include commentary in his next quarterly presentation to the Board on the ethical tone of this sector of investment managers.

I) CLOSED SESSION

None

J) ADJOURNMENT –

There being no further business, the meeting was adjourned at 11:12 PM. The next Regular Meeting was set for April 22, 2019, at 9:30 AM, in the Board of Supervisors chambers, County Government Center, San Luis Obispo, California 93408.

Respectfully submitted,

Carl Nelson
Executive Secretary

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

PP 5 3/1/2019	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
					Employee Contributions					
By Employer and Tier:										
County Tier 1	3,573,261.35	835,885.46	23.39%	410,377.57	303,762.35	19.99%	43.38%	1,162.50	30,878.60	1,582,066.48
County Tier 2	968,656.26	232,035.29	23.95%	47,223.38	81,675.38	13.31%	37.26%	67.24	709.70	361,710.99
County Tier 3	2,626,638.68	588,975.11	22.42%	308,193.57	-	11.71%	34.14%	-	1,550.86	898,719.54
Superior Court Tier 1	268,586.11	70,152.61	26.12%	46,279.64	-	17.23%	43.35%	-	-	116,432.25
Superior Court Tier 3	72,115.08	17,966.34	24.91%	8,813.69	-	12.22%	37.14%	-	-	26,780.03
APCD Tier 1	56,421.69	13,110.02	23.24%	7,583.50	3,969.64	20.48%	43.71%	-	-	24,663.16
APCD Tier 3	11,298.40	2,562.26	22.68%	1,572.52	-	13.92%	36.60%	-	-	4,134.78
Pension Trust Staff Tier 1	7,204.40	1,655.57	22.98%	877.50	669.29	21.47%	44.45%	-	-	3,202.36
Pension Trust Staff Tier 2	8,374.40	1,924.43	22.98%	221.92	777.98	11.94%	34.92%	-	-	2,924.33
Pension Trust Staff Tier 3	11,087.80	2,493.65	22.49%	1,383.52	-	12.48%	34.97%	-	-	3,877.17
LAFCO Tier 1	13,227.91	3,882.79	29.35%	716.94	1,228.88	14.71%	44.06%	-	-	5,828.61
	7,616,872.08	1,770,643.53	23.25%	833,243.75	392,083.52	16.09%	39.33%	1,229.74	33,139.16	\$ 3,030,339.70

PP 6 3/15/2019	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
					Employee Contributions					
By Employer and Tier:										
County Tier 1	3,549,075.15	829,963.06	23.39%	407,571.54	301,927.00	19.99%	43.38%	1,162.50	1,343.31	1,541,967.41
County Tier 2	968,648.77	231,997.21	23.95%	47,313.75	81,610.42	13.31%	37.26%	59.70	709.70	361,690.78
County Tier 3	2,655,672.44	595,873.06	22.44%	311,510.66	-	11.71%	34.15%	-	1,427.37	908,811.09
Superior Court Tier 1	267,364.84	69,858.15	26.13%	46,078.38	-	17.23%	43.36%	-	-	115,936.53
Superior Court Tier 3	70,511.10	17,587.80	24.94%	8,662.90	-	12.29%	37.23%	-	-	26,250.70
APCD Tier 1	54,490.57	12,670.50	23.25%	7,286.50	3,858.60	20.45%	43.71%	-	-	23,815.60
APCD Tier 3	11,388.81	2,582.40	22.67%	1,582.93	-	13.90%	36.57%	-	-	4,165.33
Pension Trust Staff Tier 1	7,204.40	1,655.57	22.98%	877.50	669.29	21.47%	44.45%	-	-	3,202.36
Pension Trust Staff Tier 2	8,374.40	1,924.43	22.98%	221.92	777.98	11.94%	34.92%	-	-	2,924.33
Pension Trust Staff Tier 3	10,985.65	2,470.68	22.49%	1,369.60	-	12.47%	34.96%	-	-	3,840.28
LAFCO Tier 1	13,227.91	3,882.79	29.35%	716.94	1,228.88	14.71%	44.06%	-	-	5,828.61
	7,616,944.04	1,770,465.65	23.24%	833,192.62	390,072.17	16.06%	39.30%	1,222.20	3,480.38	\$ 2,998,433.02

PP 7 3/29/2019	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
					Employee Contributions					
By Employer and Tier:										
County Tier 1	3,518,863.04	824,889.21	23.39%	405,328.98	299,729.66	19.99%	43.38%	1,162.50	1,343.31	1,532,453.66
County Tier 2	958,585.00	229,564.26	23.95%	44,573.97	80,914.92	13.09%	37.04%	52.16	709.70	355,815.01
County Tier 3	2,670,601.97	600,471.46	22.48%	313,840.50	-	11.73%	34.21%	-	1,427.37	915,739.33
Superior Court Tier 1	265,937.48	69,523.02	26.14%	46,002.57	-	17.30%	43.44%	-	-	115,525.59
Superior Court Tier 3	72,307.58	18,056.18	24.97%	8,906.90	-	12.32%	37.29%	-	-	26,963.08
APCD Tier 1	54,490.51	12,670.47	23.25%	7,286.49	3,858.60	20.45%	43.71%	-	-	23,815.56
APCD Tier 3	11,388.81	2,582.40	22.67%	1,582.93	-	13.90%	36.57%	-	-	4,165.33
Pension Trust Staff Tier 1	7,204.40	1,655.57	22.98%	877.50	669.29	21.47%	44.45%	-	-	3,202.36
Pension Trust Staff Tier 2	8,374.40	1,924.43	22.98%	221.92	777.98	11.94%	34.92%	-	-	2,924.33
Pension Trust Staff Tier 3	10,672.37	2,400.22	22.49%	1,329.76	-	12.46%	34.95%	-	-	3,729.98
LAFCO Tier 1	13,227.91	3,882.79	29.35%	716.94	1,228.88	14.71%	44.06%	-	-	5,828.61
	7,591,653.47	1,767,620.01	23.28%	830,668.46	387,179.33	16.04%	39.33%	1,214.66	3,480.38	\$ 2,990,162.84

TOTAL FOR THE MONTH	22,825,469.59	5,308,729.19	23.26%	2,497,104.83	1,169,335.02	16.06%	39.32%	3,666.60	40,099.92	\$ 9,018,935.56
TOTAL YEAR TO DATE	53,248,911.12	12,377,852.29	23.25%	5,821,780.89	2,743,986.43	16.09%	39.33%	8,669.10	122,449.37	21,074,738.08

REPORT OF RETIREMENTS**MARCH 2019**

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Cronin, James D.	Sheriff Coroner	DROP	01/01/19	6,943.44	False
Johnson, Gerald	Planning & Building	DROP	03/01/09	6,032.29	False
Kintz, Gladys	Social Services	Service Retirement	03/02/19	8,243.23	False
Newman, Elizabeth	Public Health	Service Retirement	03/02/19	2,584.60	False
Prieto, Christopher	Sheriff Coroner	DROP	03/01/19	3,183.61	False

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

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

Board of Trustees

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

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

Recomendation:

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

Discussion:

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

MAY 1, 2019	Geoffry Dayton – Sheriff-Coronor
MAY 1, 2019	Elizabeth Ramirez – Public Health

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Board of Trustees

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Date: April 22, 2019

To: Board of Trustees

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

Agenda Item 6: Indemnification – Authorization pursuant to Section 16.02(j) of the Retirement Plan

Recommendation:

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

- Dodge & Cox – Corporate Resolution regarding transaction authority.
- J.P. Morgan / Chase Bank, N.A. – Tax Services Questionnaire.

Discussion:

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

Article 16: Administrations and Operation – Section 16.02 excerpt –

...

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

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

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

- (i) Based upon the assessment of the Executive Secretary, that it is not possible to obtain comparable services at comparable costs from service providers without having to agree to a surety, guarantor, or indemnification relationship;
- (ii) Based upon the assessment of the Executive Secretary, that if a surety, guarantor or indemnification relationship is required to obtain comparable services at comparable costs, such relationship is not available from another service provide under contractual provisions that would provide greater protection to the Pension Trust;
- (iii) Based upon the assessment of the Executive Secretary and General Counsel, that all potential risks of loss and costs to the Pension Trust resulting from the surety, guarantor or indemnification relationship have been identified and that all available actions to minimize such risks have been considered and, where appropriate, taken;
- (iv) Based upon the assessment of the General Counsel, the process used to evaluate the surety, guarantor or indemnification relationship fulfills the fiduciary duties of the members of the Board of Trustees and Pension Trust staff.”

The purpose of this recommended Board of Trustees approval is to make the necessary findings relative to and approve indemnification for the Pension Trust’s use of the following additional documents related to existing investment management and custody arrangements -

1. Dodge & Cox Funds

The Pension Trust currently invests in two mutual funds managed by Dodge & Cox – The International Stock Fund and the Income Fund. The accounts were initially set up with documents that were the least flexible int terms of trade instructions and which require wet-signature originals of trade instructions to be sent to the fund administrator for purchases of sales of the mutual funds. When used for routine rebalancing transactions in these daily-liquidity mutual funds this requirement is cumbersome. Dodge & Cox routinely provides for telephone orders for purchases and sales of mutual funds shares with prior authorization. Importantly, such trading activity can only transfer funds via wire transfer to pre-authorized accounts at the Pension Trust’s custody

bank, J.P. Morgan. This security control remains unchanged with the addition of the ability to initiate purchases and sales via phone.

In order to properly authorize phone-order transactions by authorized signers Dodge & Cox requires the execution of a Corporate Resolution Form that contains the following indemnification provisions:

“The Corporation/Organization/Partnership listed above agrees to indemnify and hold Dodge & Cox, Dodge & Cox Funds, DST Asset Manager Solutions, Inc., and State Street Bank and Trust Company harmless from acting upon instructions believed by the Funds to have originated from the officer(s) named above. This Resolution is to remain in effect until revoked in writing by the officer(s) named above and delivered to Dodge & Cox Funds. The revocation will not effect any liability resulting from transactions initiated before Dodge & Cox Funds have had a reasonable amount of time to act upon the revocation.”

(j)(i-ii): It is the assessment of the Executive Secretary that comparable investment managers, commingled funds or mutual funds only provide for typical trading instructions via electronic means with indemnification provisions similar to those described above and do not contain indemnification provisions that provide greater protection to the Pension Trust than are available, and that the indemnification provisions in the Dodge & Cox Corporate Resolution Form reflects normal terms in the investment management industry.

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

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

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

2. J.P. Morgan Chase Bank, N.A.

The Pension Trust currently uses J.P. Morgan as its custody bank for all Pension Trust investment assets. Certain investments (e.g., BlackRock Core bonds and the TAO Contingent private credit fund) may periodically require international tax reclamation and filing authorization in order for J.P. Morgan to provide these services as a routine part of their custody function. Discrete authorization is required for J.P. Morgan to provide such tax services

In order to properly authorize international Tax Services J.P. Morgan requires the completion of a Tax Services Questionnaire that contains the following indemnification provisions:

“We agree to immediately notify J.P. Morgan if any of the Information, whether provided in the Tax Questionnaire, or otherwise, requires updating or correcting. We further agree to, immediately upon demand, indemnify J.P. Morgan, in accordance with the indemnification terms of the Global Custody Agreement, for all liabilities, losses, costs, taxes (including interest), penalties and expenses of any kind imposed upon, incurred by, or asserted against J.P. Morgan as a result of any inaccurate, incomplete, or misleading Information provided.”

(j)(i-ii): It is the assessment of the Executive Secretary that comparable bank custody international tax services are unavailable without indemnification provisions similar to those described above and they do not contain indemnification provisions that provide greater protection to the Pension Trust than are available, and that the indemnification provisions in the J.P. Morgan Tax Services Questionnaire reflects normal terms in the investment custody industry.

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

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

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

Respectfully Submitted,

Pension Trust

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Date: April 22, 2019

To: Board of Trustees

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

Agenda Item 7: Administrative and Capital Expenditures Budget for Fiscal Year 2019-2020

Recommendation:

It is recommended that the Board of Trustees (“BoT”) review and direct staff as necessary regarding the Proposed Administrative Budget and Capital Expenditure Budget for the Fiscal Year 2019-2020 (“FY19/20”) (Attachments A & D). A final draft of these budget schedules, based on direction given to staff, will be presented for approval at the regular BoT meeting scheduled for May 20, 2019.

Discussion - Expenditures:

The expense categories presented in the attached **Proposed Administrative Budget** for the FY19/20 have been updated based upon varied assumptions, prior year experiences and staff’s best estimates of future events. **Overall staff believes a 3.6% increase in the total budgeted amount when compared to the Fiscal Year 2018-2019 Administrative Budget is appropriate. This represents a \$97,500 increase compared to prior year from \$2.7 million to \$2.8 million.**

Staff’s basis for components of this change are further detailed in the sections bellow. This proposed amount represents 0.22% of the total unaudited Net Position of SLOCPT as of December 31, 2018.

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

12/31/2018 where appropriate and adds a 6.70% investment return that was taken from Verus' Capital Market Expectations report presented earlier this year.

- **Personnel Services** – (see Attachment B) Includes all expenses related to SLOCPT's staff. Assumes the following: 1) 2% increase in salaries for FY19-20 to accommodate previously Board approved increases, 2) payroll tax rates will stay consistent with 2019 rates currently in place, 3) cafeteria benefit of \$11,700 (employee only) and \$12,500 (employee +1) annually per eligible employee (benchmarked to County positions in Bargain Units 7 & 11), 4) employer pension rate increase of 1.13% effective with the pay period that includes 7/1/19, and 5) applicable salary increases and promotions for staff members determined to be eligible based on annual review cycles. The \$110k decrease is related to SLOCPT's senior Retirement Program Specialist's retirement and estimated reduced need for temporary office assistance.

In addition to these changes, Staff proposes the creation of a Financial Accountant IV to be benchmarked to the County's Auditor-Analyst II position. The proposed job description and reasoning behind this addition will be presented to the Personnel Committee at its April 22, 2019 meeting. If the Personnel Committee agrees with Staff's recommendation, the proposed job description will be presented to the full Board for final approval.

Note: Salary ranges presented in Attachment B do not include the 7/1/2019 2.0% prevailing wage increase previously approved by the Board on November 26, 2018 for clarity of presentation purposes. However, the 2.0% increase is included in the overall Administrative budget presented in Attachment A.

- **Professional Services** –
 - Accounting & Auditing: Based on quoted price from 2018 engagement letter with Brown Armstrong (SLOCPT's annual financial statement audit firm). The 2018 Audit is the first of the current 5-year engagement letter with Brown Armstrong.
 - Actuarial: Based on 2019 engagement letter with Gabriel, Roeder, Smith (SLOCPT's Actuary). Also includes estimate of expected costs relating to additional Actuarial services performed throughout the year. The increase in expense is attributable to the addition of associated biennial Experience Study costs.
 - Legal: Based on General Counsel Retainer and legal consultation relating to investment contracts, taxes and disability hearings. Future unforeseen legal expense will be handled with either a Board approved budget amendment or the use of contingency funds.
 - Medical Evaluations – Disabilities: Assumes costs associated with medical review services to be performed by MMRO and other Independent Medical Examiners (IMEs) as necessary.

- Human Resources Consulting: Based on estimated costs associated with services provided by the County's Human Resources Department.
 - Information Technology Services: Includes expenses relating to Pension Gold software system maintenance (per contract) and County IT's services. The increase in expense is directly tied Pension Gold's maintenance costs and it's anticipated Go-Live date of 7/1/2019. These increased costs were previously approved as part of the overall Pension Administration Software Replacement costs in May of 2016.
 - Banking & Payroll: Includes estimated banking fees for SLOCPT's two banking relationships (Union Bank and Pacific Premier) and fees associated with payroll services provided by Paychex.
 - Other Professional Services: Based on estimated expense for professional services not related to categories listed above.
- **Other Expenses –**
 - Trustee Election Expenses: County Clerk Recorder fees relating to annual Trustee elections. Actual cost will be lower if there is an uncontested candidacy.
 - Property Taxes: New expense this year. Costs associated with property taxes for SLOCPT's office building. These costs are based on last year's costs and are due to the anticipated dissolving of FPI and the transition of SLOCPT's office from an investment asset to an operational asset. Staff is investigating a possible reduction in this expense if the property can be reclassified as exempt with County Assessor assistance following transfer of title from the FPI subsidiary to the Pension Trust directly.
 - Insurance: Includes Fiduciary, General, Property and Cyber liability coverages. Estimate is based on current year expense plus 5%.
 - Building & Maintenance: Estimate based on current year expenses. Increase is due to the costs that will now be paid by SLOCPT for its building maintenance that had been previously paid through FPI.
 - Office Expense: Expense includes general office supplies, printing and mailing services provided by ASAP Reprographics, and document destruction services provided by Docuteam.
 - Memberships & Publications: Includes industry specific memberships and publications.
 - Postage: Estimate based on current year expenses.
 - Communications: Includes cost associated with telephone services provided by County IT. Estimate is based on County supplied budget document.
 - Training & Travel: (see Attachment C) Based on current year actual costs.

- Information Technology: Expense includes all purchases relating to tangible IT equipment. Assumes staggered four-year replacement cycle for office computers.
 - Equipment: Includes expenses associated with copier lease and office furniture purchases. Increase due to new furniture for one office.
- **Contingencies** – 5% of total budget to be used for unexpected expenses.
 - **Capital Expenditures** – (see Attachment D) New this year. With the transition to Pension Gold and the reclassification of SLOCPT’s office building from an investment asset to an operational asset anticipated in FY 19/20, Staff has added a proposed Capital Expenditures Budget to plan for and obtain approval for costs that would be capitalized. These costs will be directly related to elective software upgrades or improvements, building improvements and large equipment purchases. Since these costs are typically depreciated over their useful lives on SLOCPT’s income statement, Staff has chosen to present these on a different schedule and account for them using the balance sheet totals rather than the annual depreciation that is expensed. This year Staff is asking for approval to re-paint the interior of the building, re-carpet the second floor (the first floor was re-carpeted in FY 17/18), replace the building’s aging security system and amount for unanticipated upgrades or improvements identified during Pension Golds warranty period. A 5% contingency has also been included.

Discussion - Revenues:

Revenues for the Pension Trust are primarily pension contributions that are set by the actuarial valuation process and not part of the scope of an administrative budget for expenditures. Other revenue for the Pension Trust has historically been minor and irrelevant.

Beginning in FY19-20 it is planned to dissolve the FPI real estate subsidiary and the transfer of title to the Pension Trust’s office directly to the Trust. The revenue implication of this is that a modest amount of rental income from suites in the 778 Osos St. portion of the Pension Trust office will be accounted for as miscellaneous income on the books of the Pension Trust. Previously, rental income had been included in the net investment income from the FPI subsidiary.

The estimated income from rent from 778 Osos St. tenants is not a budgeted item and is estimated to be approximately \$47,000 in FY19-20.

Attachments:

Attachment A – Proposed Administrative Budget for Fiscal Year 2019-2020

Attachment B – Proposed Staffing

Attachment C – Proposed Training & Travel

Attachment D – Proposed Capital Expenditures

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**San Luis Obispo County Pension Trust
PROPOSED ADMINISTRATIVE BUDGET:
Fiscal Year 2019-2020**

	FY17-18 Actual Expenses	FY18-19 Estimated Expenses	FY18-19 Adopted Budget	FY19-20 Proposed Budget	Increase/ Decrease From PY
INVESTMENT EXPENSE:					
Invest. Exp. (Custody, Consultant)	\$ 524,497	\$ 481,000	\$ 481,000	\$ 505,000	\$ 24,000
ADMINISTRATIVE EXPENSE:					
Personnel Services	\$ 1,107,932	\$ 1,113,000	\$ 1,220,400	\$ 1,111,000	\$ (109,400)
Professional Service					
Accounting & Auditing	61,821	65,000	65,000	60,000	(5,000)
Actuarial	205,657	100,000	100,000	136,000	36,000
Legal	211,917	218,000	220,500	220,500	-
Medical Evaluations - Disabilities	23,275	21,000	21,500	21,500	-
Human Resources Consulting	5,000	5,000	5,000	5,000	-
Information Technology Services	156,178	161,000	166,000	271,500	105,500
Banking and Payroll	19,448	19,000	22,500	21,000	(1,500)
Other Professional Services	1,516	2,000	2,500	2,500	-
Total Professional Services	\$ 684,812	\$ 591,000	\$ 603,000	\$ 738,000	\$ 135,000
Other Expenses					
Trustee Election Expenses	-	6,000	6,000	6,000	-
Property Taxes	-	-	-	22,000	22,000
Insurance	116,954	117,000	126,000	126,000	-
Building Maintenance	25,483	25,000	31,500	58,000	26,500
Office Expense	18,324	28,000	28,500	28,500	-
Memberships & Publications	5,028	5,000	5,100	5,000	(100)
Postage	22,570	31,000	27,000	32,000	5,000
Communications	4,434	2,000	5,000	3,000	(2,000)
Training & Travel	21,287	31,000	53,500	43,000	(10,500)
Information Technology	3,881	3,000	4,500	4,500	-
Equipment	12,155	4,000	8,000	10,000	2,000
Total Other Expenses	\$ 230,116	\$ 252,000	\$ 295,100	\$ 338,000	\$ 42,900
Contingencies	\$ -	\$ -	\$ 130,000	\$ 135,000	\$ 5,000
TOTAL ADMINISTRATIVE	\$ 2,022,860	\$ 1,956,000	\$ 2,248,500	\$ 2,322,000	\$ 73,500
ADMIN. + INVESTMENT	\$ 2,547,357	\$ 2,437,000	\$ 2,729,500	\$ 2,827,000	\$ 97,500

Increase from Prior Year Budget

3.6%

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San Luis Obispo County Pension Trust PROPOSED STAFFING:	FY17-18	FY18-19	FY18-19	FY19-20	Increase /	Projected	Projected	Projected	Projected
	Actual	Amended Budget	Actual	Proposed Budget	(Decrease) From PY	FY20-21	FY21-22	FY22-23	FY23-24
Positions (FTEs):									
Executive Secretary	1.00	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00
Deputy Executive Secretary	1.00	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00
System Coordinator	-	-	-	-	-	-	-	-	-
Retirement Programs Spec. III	1.00	1.00	-	2.00	1.00	2.00	2.00	2.00	2.00
Retirement Programs Spec. II	2.00	2.00	2.00	-	(2.00)	-	-	-	-
Retirement Programs Spec. I	-	-	-	-	-	-	-	-	-
Retirement Analyst Aide	-	-	-	-	-	1.00	1.00	1.00	1.00
Retirement Technician	1.75	1.75	1.75	1.75	-	2.00	2.00	2.00	2.00
Financial Accountant IV	-	-	-	0.80	0.80	0.80	0.80	0.80	0.80
Financial Accountant III	0.80	0.80	0.80	-	(0.80)	-	-	-	-
Financial Accountant II	-	-	-	-	-	-	-	-	-
Financial Accountant I	-	-	-	-	-	-	-	-	-
Administrative Asst. III	1.00	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00
Administrative Asst. II	-	-	-	-	-	-	-	-	-
Part-Time Temporary Office Asst.	-	1.00	-	0.75	(0.25)	0.75	0.75	0.75	0.75
TOTAL POSITIONS	8.55	9.55	7.55	8.30	(1.25)	9.55	9.55	9.55	9.55

PROPOSED SALARY & BENEFIT BENCHMARKS:

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

FY 19-20	Step 1	Step 2	Step 3	Step 4	Step 5	Benefits: (health, pension, other)
Executive Secretary <i>Subject to change per Contract Approval</i>	67.81	71.17	74.74	78.49	82.40	Benchmarked to County BU 7 + \$450/month auto allowance (not pensionable)
Deputy Executive Secretary <i>80% of Executive Secretary</i>	54.25	56.94	59.79	62.79	65.92	Benchmarked to County BU 7
Retirement Programs Spec. III <i>#9663 Risk Mgmt. Analyst III</i>	41.12	43.18	45.34	47.61	49.99	Benchmarked to County BU 7

PROPOSED SALARY & BENEFIT BENCHMARKS: (continued)

FY 19-20	Step 1	Step 2	Step 3	Step 4	Step 5	Benefits: (health, pension, other)
Retirement Programs Spec. II <i>#9658 Risk Mgmt. Analyst II</i>	35.15	36.91	38.76	40.70	42.74	Benchmarked to County BU 7
Retirement Programs Spec. I <i>#9657 Risk Mgmt. Analyst I</i>	30.32	31.84	33.43	35.10	36.86	Benchmarked to County BU 7
Financial Accountant IV (proposed) <i>#2055 Auditor-Analyst III</i>	41.12	43.18	45.34	47.67	49.99	Benchmarked to County BU 7
Financial Accountant III <i>#907 Accountant III</i>	34.57	36.30	38.12	40.03	42.03	Benchmarked to County BU 7
Financial Accountant II <i>#906 Accountant II</i>	29.85	31.34	32.91	34.56	36.29	Benchmarked to County BU 7
Financial Accountant I <i>#905 Accountant I</i>	25.48	26.75	28.09	29.49	30.96	Benchmarked to County BU 7
Retirement Technician <i>#913 Accounting Technician - Conf.</i>	21.92	23.02	24.17	25.38	26.65	Benchmarked to County BU 11
Administrative Asst. III <i>#2203 Administrative Asst. III - Conf.</i>	18.94	19.89	20.88	21.92	23.02	Benchmarked to County BU 11
Administrative Asst. II <i>#2222 Administrative Asst. II - Conf.</i>	17.22	18.08	18.98	19.93	20.93	Benchmarked to County BU 11
Administrative Asst. I <i>#2221 Administrative Asst. I - Conf.</i>	15.62	16.40	17.22	18.08	18.98	Benchmarked to County BU 11
Part-Time Temporary Office Assistant <i>#911 Account Clerk</i>	17.21	18.07	18.97	19.92	20.92	N/A

**San Luis Obispo County Pension Trust
PROPOSED TRAINING & TRAVEL:**

	FY17-18 Actual	Current FY18-19 YTD	FY18-19 Amended Budget	FY19-20 Proposed Budget	Increase / (Decrease) From PY Budget
<i>CALAPRS General Assembly</i>					
Attendees - Board	2	5	3	3	-
Attendees - Staff	2	2	2	2	-
Total Expense	5,502	5,621	6,000	6,500	500
<i>CALAPRS Advanced Trustee Institute (UCLA)</i>					
Attendees - Board	2	-	-	1	1
Attendees - Staff	-	-	-	-	-
Total Expense	6,824	-	-	3,450	3,450
<i>CALAPRS Trustees Training-Pepperdine</i>					
Attendees - Board	-	-	1	1	-
Attendees - Staff	-	-	-	-	-
Total Expense	-	-	2,800	3,300	500
<i>Wharton West / IFEBP or similar seminar</i>					
Attendees - Board	-	-	1	-	(1)
Attendees - Staff	-	-	1	-	(1)
Total Expense	-	-	9,150	-	(9,150)
<i>SACRS Trustees Training- Berkeley (new)</i>					
Attendees - Board	1	-	1	1	-
Attendees - Staff	-	-	1	-	(1)
Total Expense	1,096	-	8,300	3,750	(4,550)
<i>SACRS Semi-Annual Conferences</i>					
Attendees - Board	-	1	1	1	-
Attendees - Staff	-	1	-	-	-
Total Expense	-	488	1,650	1,370	(280)
<i>Nossaman Fiduciaries Forum</i>					
Attendees - Board	1	-	1	-	(1)
Attendees - Staff	-	-	-	-	-
Total Expense	887	-	1,125	-	(1,125)
<i>CALAPRS Administrators Institute</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	1	1	1	1	-
Total Expense	1,406	1,422	1,950	1,600	(350)

**San Luis Obispo County Pension Trust
PROPOSED TRAINING & TRAVEL:**

	FY17-18 Actual	Current FY18-19 YTD	FY18-19 Amended Budget	FY19-20 Proposed Budget	Increase / (Decrease) From PY Budget
<i>CALAPRS Trustees Roundtables (2/yr)</i>					
Attendees - Board	-	-	2	2	-
Attendees - Staff	-	-	-	-	-
Total Expense	-	-	1,200	1,200	-
<i>CALAPRS Administrators Roundtables (2/yr)</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	1	2	2	-
Total Expense	-	425	1,200	1,200	-
<i>CALAPRS Investment Officers Roundtables (2/yr)</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	1	2	1
Total Expense	-	-	625	1,250	625
<i>CALAPRS Attorneys Roundtables (3/yr)</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	2	3	2	3	1
Total Expense	250	375	250	375	125
<i>CALAPRS Operations Roundtables (4/yr)</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	5	3	8	4	(4)
Total Expense	1,216	1,261	5,000	2,500	(2,500)
<i>CALAPRS Disability training</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	1	1	-
Total Expense	-	-	625	625	-
<i>CALAPRS Overview Course (3 class series)</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	2	1	2	3	1
Total Expense	2,222	1,024	2,500	3,750	1,250
<i>CALAPRS - Board, Faculty, and related travel</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	3	3	4	4	-
Total Expense	1,105	691	1,900	1,900	-

**San Luis Obispo County Pension Trust
PROPOSED TRAINING & TRAVEL:**

	FY17-18 Actual	Current FY18-19 YTD	FY18-19 Amended Budget	FY19-20 Proposed Budget	Increase / (Decrease) From PY Budget
<i>Investment Seminars</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	2	2	-
Total Expense	-	-	3,200	3,200	-
<i>Investment Due Diligence On-site visits (combined w/other travel if possible)</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	-	1	1
Total Expense	-	-	-	2,450	2,450
<i>Software Training</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	2	2	2	-
Total Expense	-	2,431	4,400	3,000	(1,400)
<i>Misc. Board and Staff Training</i>					
Total Expense	779	225	1,625	1,580	(45)
Total Training and Travel	21,287	13,962	53,500	43,000	(10,500)

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San Luis Obispo County Pension Trust
PROPOSED CAPITAL EXPENDITURES BUDGET:
Fiscal Year 2019-2020

	FY17-18 Actual Expenditures	FY18-19 Estimated Expenditures	FY18-19 Adopted Budget	FY19-20 Proposed Budget	Increase/ Decrease From PY
BUILDING EXPENDITURES:					
Exterior					
Roof	-	-	-	-	-
Windows	-	-	-	-	-
Paint	-	-	-	-	-
Parking Lot	-	-	-	-	-
Landscape	-	-	-	-	-
Total Exterior	\$ -	\$ -	\$ -	\$ -	\$ -
Interior					
HVAC	-	-	-	-	-
Paint	-	-	-	7,500	7,500
Flooring	-	-	-	5,000	5,000
Plumbing	-	-	-	-	-
Elevator	-	-	-	-	-
Security System	-	-	-	10,000	10,000
Total Interior	\$ -	\$ -	\$ -	\$ 22,500	\$ 22,500
SOFTWARE EXPEDITURES:					
Software Purchases ***	\$ 2,991,993	\$ 2,800,000	\$ 3,225,000	\$ -	\$ (3,225,000)
Software Upgrades and Improvements	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
EQUIPMENT EXPEDITURES:					
Capitalized Equipment Purchases	\$ -	\$ -	\$ -	\$ -	\$ -
CONTINGENCIES	\$ -	\$ -	\$ -	\$ 3,625	\$ 3,625
TOTAL CAPITAL EXPENDITURES	\$ 2,991,993	\$ 2,800,000	\$ 3,225,000	\$ 76,125	\$ (3,148,875)

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

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Board of Trustees

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



Date: April 22, 2019

To: Board of Trustees

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

Agenda Item 8: Fiduciary Responsibilities Refresher Briefing

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

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Board of Trustees

1000 Mill Street
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Date: April 22, 2019

To: Board of Trustees

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

Agenda Item 9: Investment Report for March 2019

	March	Year to Date 2019	2018	2017	2016	2015	2014
Total Trust Investments (\$ millions)	\$1,345		\$1,285 year end	\$1,351 year end	\$1,196 year end	\$1,148 year end	\$1,190 year end
Total Fund Return	0.7% Gross	6.4% Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross	-0.8% Gross	5.1 % Gross
Policy Index Return (r)	1.0%	6.6%	-3.2 %	13.4 %	7.7 %	-0.5 %	5.2 %

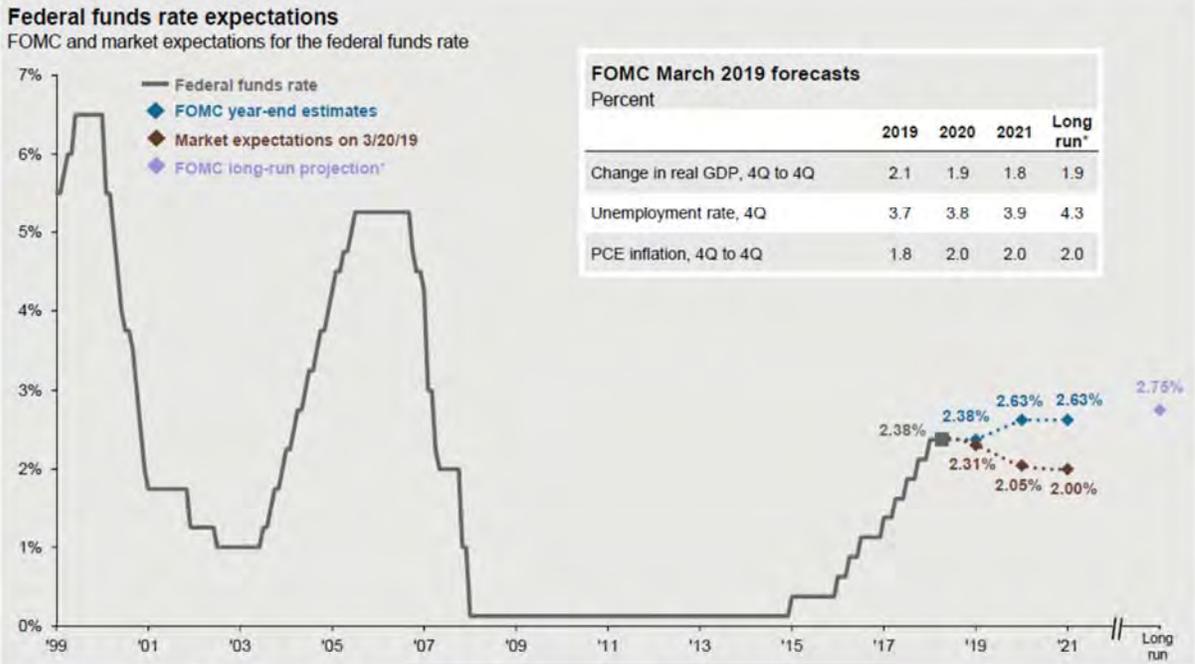
(r) Policy index as of Aug. 2016 revision to Strategic Asset Allocation Policy: 20% domestic equity, 20% international equity, 15% core bonds, 5% bank loans, 5% global bonds, 5% emerging market debt, 15% real estate, 5% commodities, 5% private equity, 5% private credit.

The Economy and Capital Markets:

- **Fed Policy and Interest Rates –**

- Following the significant January shift in Fed comments towards a more dovish and patient outlook for interest rate increases and a lower growth forecast, the capital markets reflect the view of a neutral Fed approach to rate normalization for the remainder of 2019. Capital markets reacted positively to the Fed message of a pause in monetary tightening. However, the lowered global growth forecast of the Fed is a source of concern. From the J.P. Morgan Guide to the Markets for 2Q19 the following chart shows the historical and expected Fed Funds rate.

Fixed income

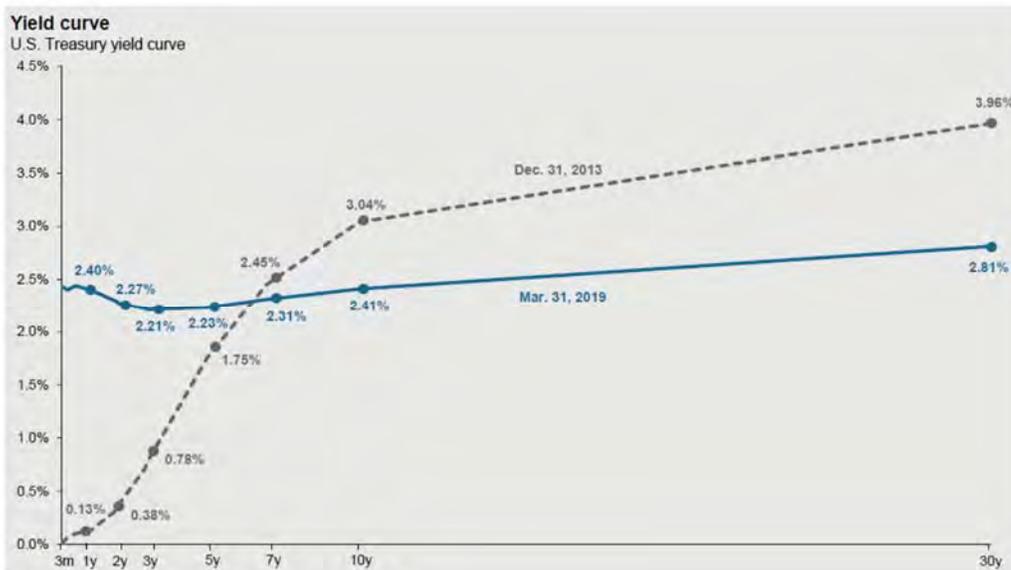


Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
 Market expectations are the federal funds rates priced into the fed futures market as of the date of the March 2019 FOMC meeting and are through December 2021. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy.
 Guide to the Markets - U.S. Data are as of March 31, 2019.

J.P.Morgan
Asset Management

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- The yield curve, touched a near inverted point early in march with 10 year Treasuries yielding less than 3 month Treasuries. Treasury yields have remained in a narrow range with the 10 year Treasury yielding 2.56% on April 18th – and just above the 3-month yield of 2.42%. The yield curve as of the end of March is shown below.

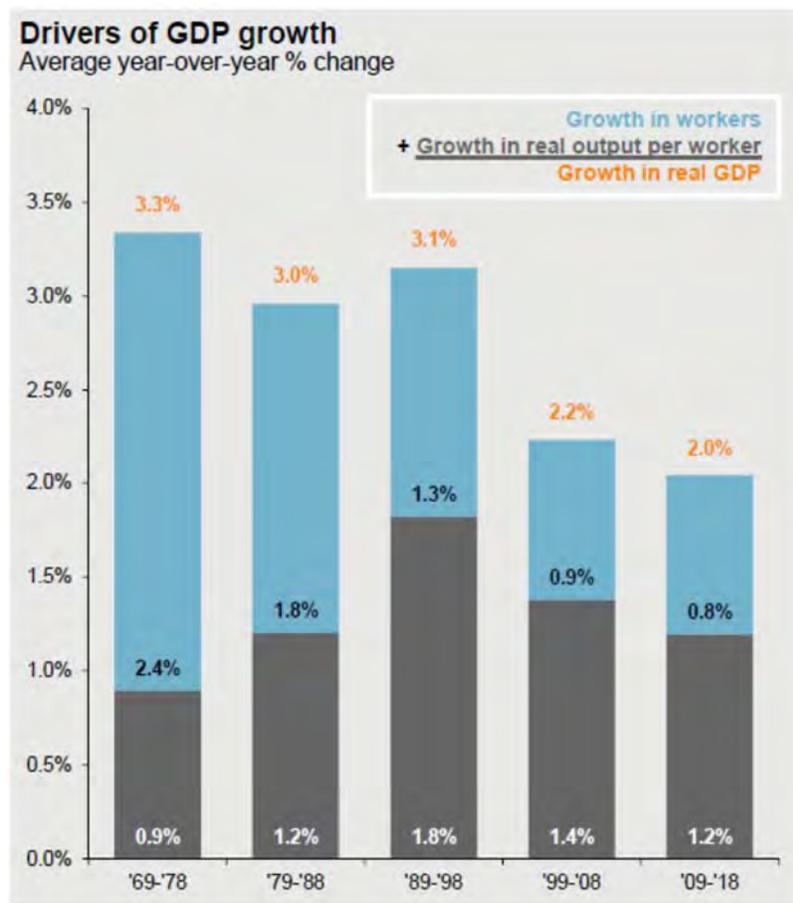


Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
 Guide to the Markets - U.S. Data are as of March 31, 2019.

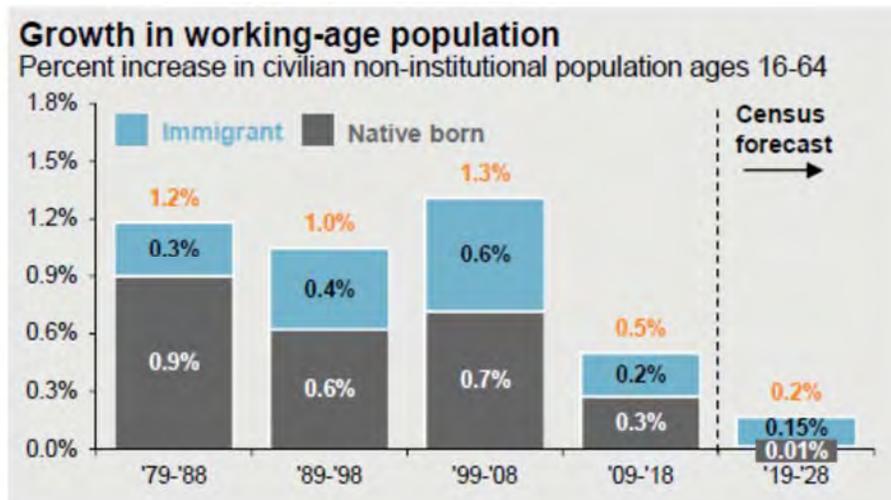
- **GDP Growth –**

- **U.S. Growth –**

- Analyst expectations are for a slow start to the year with 1Q19 U.S. real GDP growth near a 1% rate. Expectations for full year U.S. GDP growth remain positive – no recession appearing to be imminent – but closer to the 2% to 3% range that reflects the long-term potential growth for the U.S. economy.
 - In the J.P. Morgan Guide to the Markets call on April 3rd the firm’s lead economist cautioned against overly confident predictions of an imminent recession. A slowing growth outlook is clearly indicated following the one-time 2018 bump from tax cuts and the economy’s return to a long-term sustainable rate of growth in the area of 2%. In the long run domestic GDP growth is a function of growth in the number of workers and growth in productivity. The chart below from the J.P. Morgan Guide to the Markets publication for 2Q19 shows this history. While technology and capital investment are expected to boost productivity, it is interesting to note that the rate of productivity growth has been slowing compared to the relative boom in the 1980s.



The second chart shows the historical and projected growth in the U.S. population with obvious implications for long term growth.



- **Trade Policy –**

- A significant risk of a “tipping point” for triggering a recession remains trade policy tensions.
- Reports of constructive U.S. / China trade negotiations and a delay of the Administrations March 2nd deadline for threatened tariff increases provided significant calming to the capital markets.
- In the J.P. Morgan Guide to the Markets call on April 3rd it was noted that decreasing readings on Global Purchasing Managers Index reflect uncertainty and concern over trade tensions. This provides an inhibiting effect on business policy and investment given the inability to plan long term for trade related production and pricing.

- **European Union Status –**

- Brexit turmoil – the stalemated British politics and a lack of agreement on the U.K. leaving the European Union have continued in a dysfunctional mode. A non-structured “Hard Brexit” withdrawal is expected to have a harsh impact on the British economy. Progress was made with the E.U. agreeing to extend the due date for a Brexit agreement to October 31st – but with a stern warning to Britain to not waste time.

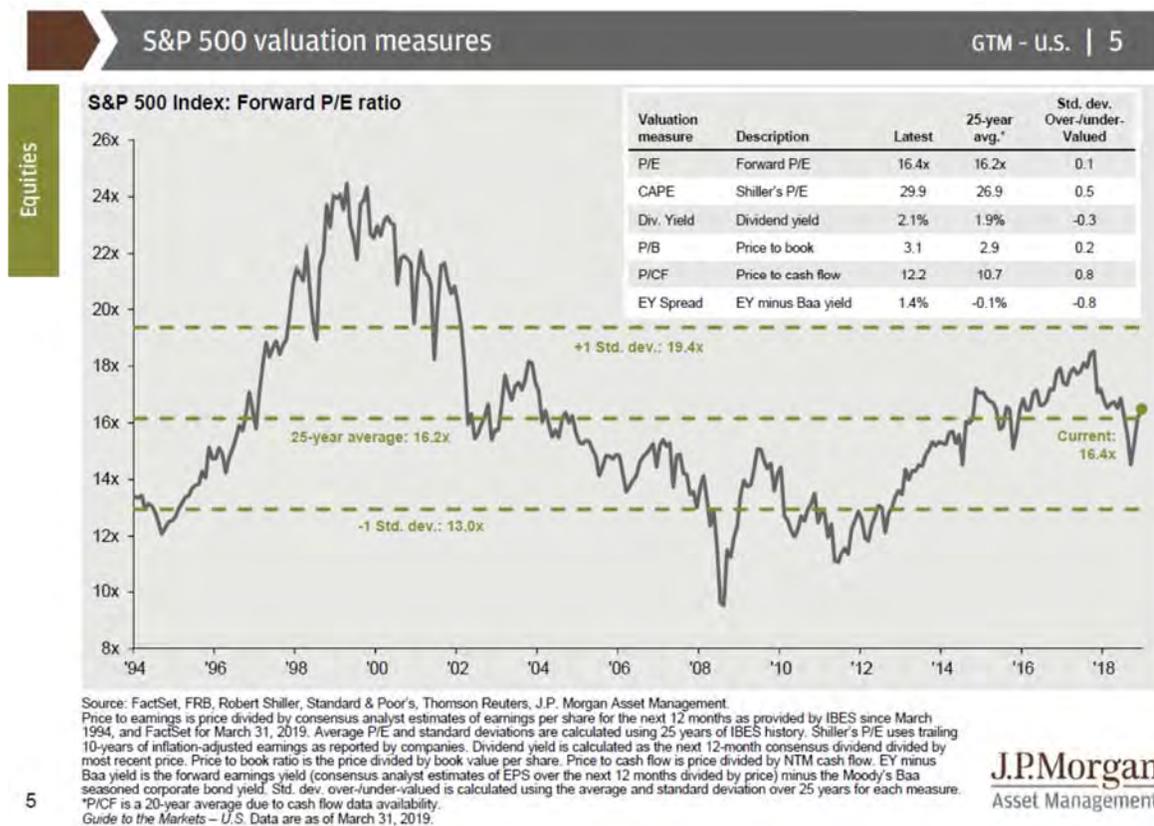
- **Employment and Wages –**

- The March DOL report on nonfarm employment released on April 5th showed -
 - New jobs up a above expectations at +196k in March. The February new jobs report was originally a meager +20k, but was revised upwards with the latest report to +33k.
 - Unemployment (U-3 date) was unchanged at 3.8%. The broader U-6 measure of unemployment including under-employed remained stable at 7.3%. The Labor Force Participation rate remained at 63.0% and has changed little over the last year.
- Wage growth – For March average hourly earnings brought the year-over-year increase 3.2% - off slightly from the 3.4% year-over-year reported in February which had been the highest in a decade.

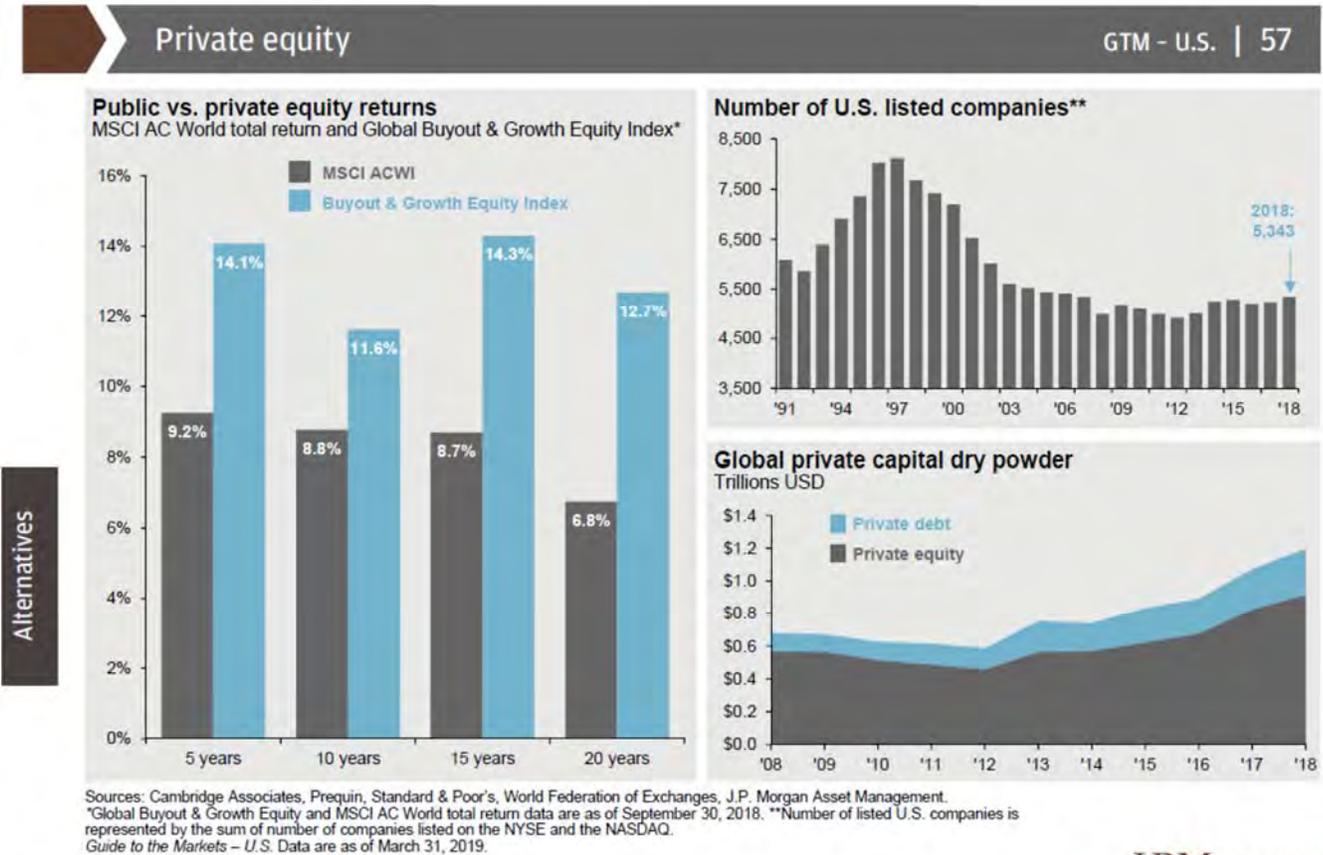
- In the J.P. Morgan Guide to the Markets call on April 3rd economists comments noted the restrained outlook for wage growth given the ability of U.S. Corporations to limit wage increases. Combined with the full employment status of the U.S. economy, this gives rise to the quip “In America, everyone can find a job, but very few can get a raise”.

- **Economy and the markets**

- Public Equities – Following the valuation-based selloff in equity markets in late 2018 followed by a robust bounce-back in 1Q19, it is interesting to look at equity valuation levels as measured by Price/Earnings ratios. The following chart from the J.P. Morgan Guide to the Markets for 2Q19 shows U.S. equities to be less over-valued than in recent years, and near long term averages.



- Private Markets – Most pension funds have significant allocations to private markets – Private Equity and Private Credit. The historical returns of private equity combined with the decrease in public market equities shown below illustrate some of the rationale for private market investments.



SLOCPT Investment Returns:

The attached report from Verus covers the investment returns of the SLOCPT portfolio and general market conditions through the end of March. The strong equity market returns in 1Q19 (a +13.6% return on the S&P 500 year to date) has brought the total gross return on the SLOCPT assets in 1Q19 to +6.4%. Compared to the -3.2% return for all of 2018.

Respectfully submitted

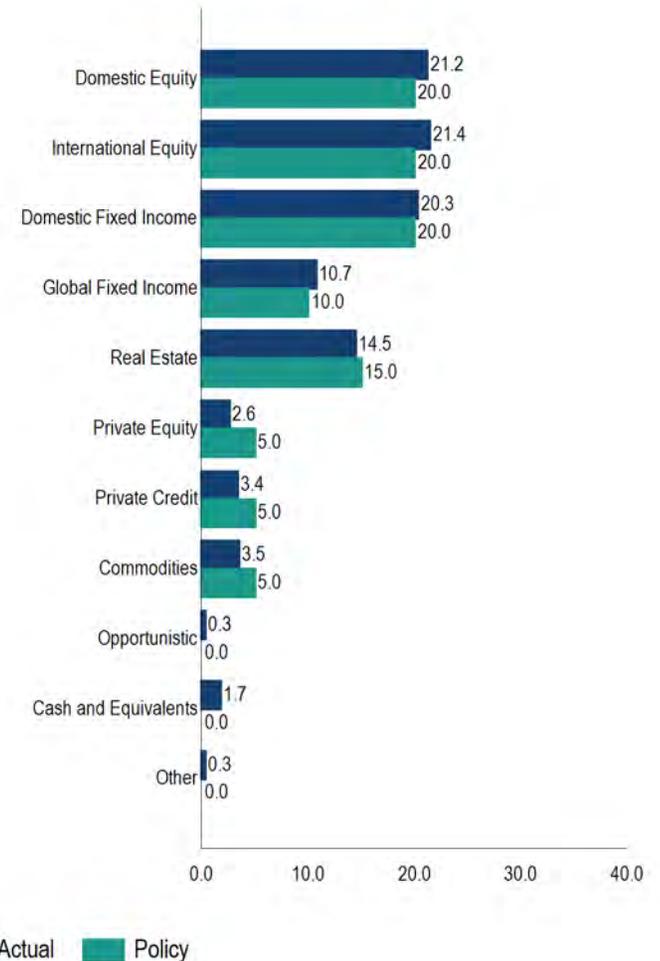
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: March 31, 2019

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,344,545,096	100.0	0.7	6.4
Total Fund ex Overlay	1,340,444,816	99.7	0.7	6.4
Policy Index			1.0	6.6
Total Domestic Equity	285,044,005	21.2	1.1	13.2
Russell 3000			1.5	14.0
PIMCO RAE Fundamental PLUS Instl	58,476,892	4.3	0.2	11.5
S&P 500			1.9	13.6
Loomis Sayles Large Cap Growth	86,331,249	6.4	2.9	16.1
Russell 1000 Growth			2.8	16.1
Boston Partners Large Cap Value	79,998,819	5.9	-0.6	9.5
Russell 1000 Value			0.6	11.9
Atlanta Capital Mgmt	60,237,045	4.5	1.9	16.0
Russell 2500			-0.8	15.8
Total International Equity	288,337,516	21.4	1.3	11.6
MSCI ACWI ex USA Gross			0.7	10.4
Dodge & Cox Intl Stock	141,217,582	10.5	-0.8	10.0
MSCI EAFE Gross			0.7	10.1
WCM International Growth	147,119,934	10.9	3.4	13.2
MSCI ACWI ex USA Gross			0.7	10.4
Total Domestic Fixed Income	272,944,108	20.3	1.2	3.8
BBgBarc US Aggregate TR			1.9	2.9
BlackRock Core Bond	98,406,238	7.3	2.0	3.8
BBgBarc US Aggregate TR			1.9	2.9
Dodge & Cox Income Fund	100,572,795	7.5	1.7	3.8
BBgBarc US Aggregate TR			1.9	2.9
Pacific Asset Corporate Loan	73,965,075	5.5	-0.4	3.9
S&P/LSTA Leveraged Loan Index			-0.2	4.0
Total Global Fixed	144,238,572	10.7	-0.5	3.0
FTSE World Govt Bond Index			1.3	1.7
Brandywine Global Fixed Income	74,238,572	5.5	-0.4	1.9
FTSE WGBI ex US TR			0.9	1.5
Ashmore EM Blended Debt Fund, L.P.	70,000,000	5.2	--	--
JPM GBI-EM Global Diversified TR USD			--	--

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. Pathway 9 funded 4/7/2017. SSGA TIPS liquidated on 12/7/2017. Fidelity Real Estate Growth III liquidated on 12/29/2017. SSGA Flagship S&P 500 liquidated 2/1/2018. Harbourvest 2018 Global Fund L.P. funded 12/14/2018. Stone Harbor liquidated 3/22/2019. Ashmore EM Blended Debt funded 3/31/2019. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. NCREIF Property Index was not available at the report run date. All data is preliminary.

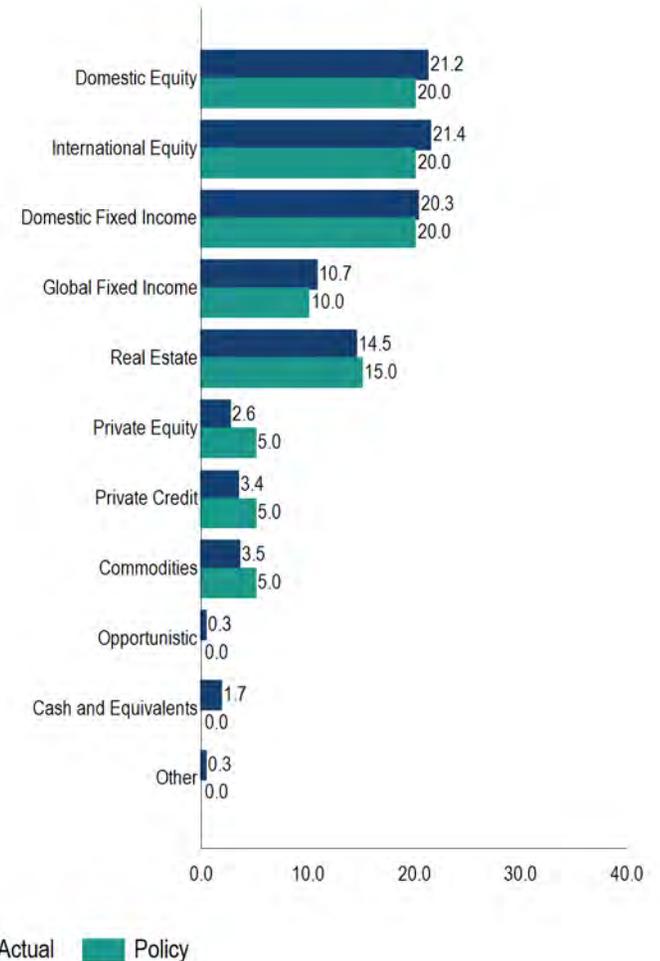
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: March 31, 2019

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	194,436,826	14.5	-0.2	0.5
NCREIF Property Index			0.0	0.0
JP Morgan Core Real Estate	163,985,003	12.2	-0.2	0.2
NCREIF-ODCE			1.4	1.4
NCREIF Property Index			0.0	0.0
ARA American Strategic Value Realty	23,550,741	1.8	0.0	1.4
NCREIF-ODCE			1.4	1.4
NCREIF Property Index			0.0	0.0
Direct Real Estate	6,901,081	0.5	0.0	3.8
NCREIF-ODCE			1.4	1.4
NCREIF Property Index			0.0	0.0
Total Commodities	46,792,851	3.5	0.6	7.4
Bloomberg Commodity Index TR USD			-0.2	6.3
Gresham MTAP Commodity Builder	46,792,851	3.5	0.6	7.4
Bloomberg Commodity Index TR USD			-0.2	6.3
Total Private Equity	34,892,098	2.6		
Harbourvest Partners IX Buyout Fund L.P.	12,869,715	1.0		
Pathway Private Equity Fund Investors 9 L.P.	20,663,391	1.5		
Harbourvest 2018 Global Fund L.P.	1,358,992	0.1		
Total Private Credit	45,629,957	3.4		
TPG Diversified Credit Program	45,629,957	3.4		
Total Cash	23,528,072	1.7	0.0	0.4
91 Day T-Bills			0.2	0.6
Cash Account	23,528,072	1.7	0.0	0.4
91 Day T-Bills			0.2	0.6
Total Opportunistic	4,600,813	0.3		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	4,497,329	0.3		
PIMCO Distressed Credit Fund	103,484	0.0		
CPI + 5%			1.0	2.4

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. Pathway 9 funded 4/7/2017. SSGA TIPS liquidated on 12/7/2017. Fidelity Real Estate Growth III liquidated on 12/29/2017. SSGA Flagship S&P 500 liquidated 2/1/2018. Harbourvest 2018 Global Fund L.P. funded 12/14/2018. Stone Harbor liquidated 3/22/2019. Ashmore EM Blended Debt funded 3/31/2019. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. NCREIF Property Index was not available at the report run date. All data is preliminary.



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

MARCH 2019
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Non-farm payrolls increased by 186,000 in March, beating expectations of 177,000. The labor market recovered from an anemic 20,000 print in February that was likely impacted by weather and the government shutdown. Average monthly non-farm payroll growth in the first quarter was 180,000.
- Average hourly earnings grew 0.1% MoM (3.2% YoY), missing expectations of 0.3% (3.3% YoY). A slight tick up in the average non-farm private workweek from 34.4 to 34.5 hours likely contributed to the cooler wage data.
- The ISM Manufacturing Index climbed from 54.2 to 55.3, beating expectations of 54.5. Increases in the new orders, employment, and prices paid components contributed to the move higher.

U.S. EQUITIES

- The S&P 500 Index posted another month of strong performance with a 1.9% gain, bringing the year-to-date figure to 13.6%. At month-end, the price index was at 2834, less than 4% below the high water mark of 2931 reached last September.
- Realized and implied volatility on the S&P 500 Index remained subdued in March. Realized 30-day volatility lingered between 9% and 11% while the CBOE VIX Index traded in a narrow range between 13 and 17, below its long-term average of 18.
- According to FactSet, out of 107 companies in the S&P 500 Index issuing EPS guidance for Q1 2019, 79 have issued negative guidance. The percentage of companies providing negative guidance (74%) was above the 5-year average of 70%.

U.S. FIXED INCOME

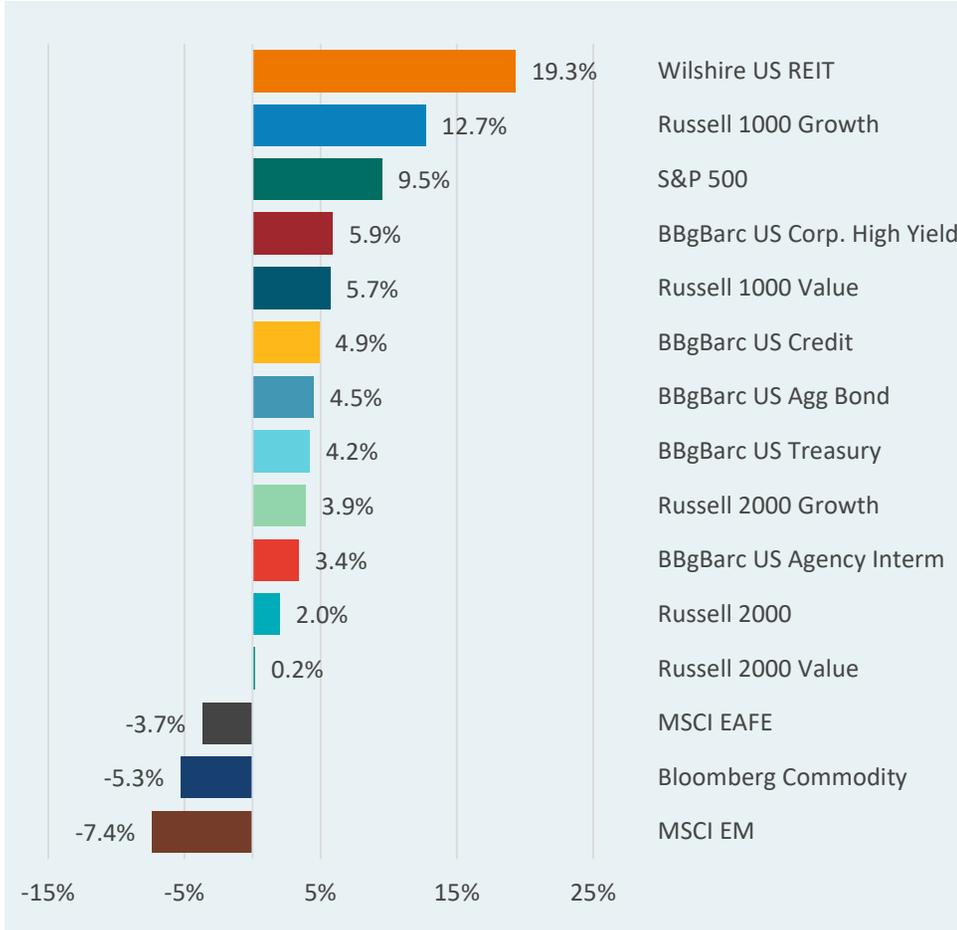
- The Federal Open Market Committee reiterated its “patient” approach to future interest rate changes following its March meeting. Expectations for 2019 GDP growth and rate hikes were cut, and markets digested the release as dovish in tone.
- Federal Reserve Chairman Jerome Powell announced that starting in May, the balance sheet runoff would slow from \$50b a month to \$30b, and that the wind-down would conclude by September. Market participants viewed the timeline as earlier than expected, further fueling perceptions of a more accommodative Fed.
- Long duration U.S. Treasuries (+5.3%) were the top performers in fixed income, supported by a shift lower in expectations for rates.

INTERNATIONAL MARKETS

- High-level trade delegations from the U.S. and China met on several occasions to discuss trade policy. The dialogue was generally viewed as constructive, but the two sides have yet to agree on a timeline for a formal resolution.
- Mainland Chinese equities continued their powerful recovery, jumping 5.5% as optimism on trade talks, accommodative fiscal policy, and improved economic indicators helped boost returns. Year-to-date the CSI 300 Index was up 28.7%.
- The German Manufacturing outlook continued to plunge. The Markit/BME German Manufacturing PMI fell from 47.6 to 44.1 in March, further into the contractionary range below 50.0. New orders and export sales fell at the fastest pace since the financial crisis and manufacturers cut jobs for the first time in three years.

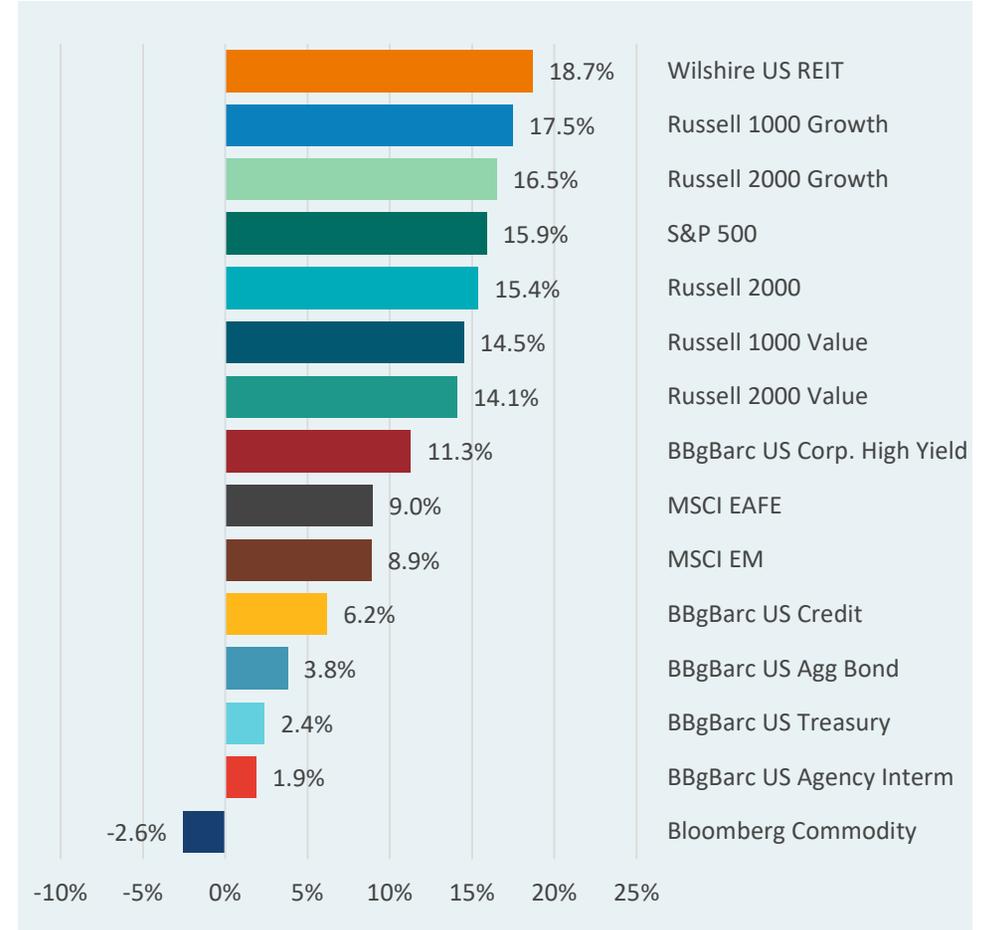
Major asset class returns

ONE YEAR ENDING MARCH



Source: Morningstar, as of 3/31/19

TEN YEARS ENDING MARCH



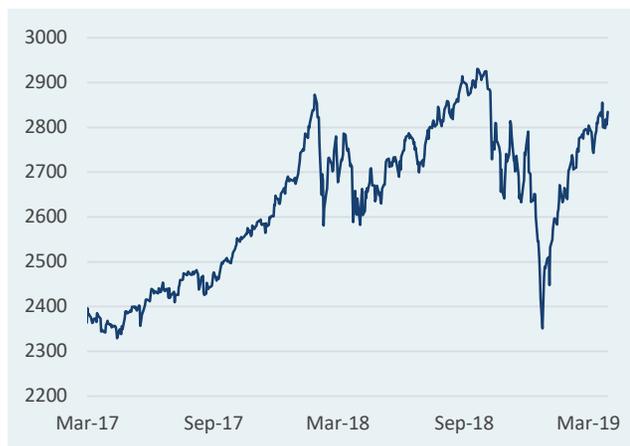
Source: Morningstar, as of 3/31/19

U.S. large cap equities

- The S&P 500 Index motored ahead in March, gaining 1.9%. At month-end, the blended forward 1 year P/E ratio of the index was 16.5, just below the 16.9 high water mark reached when the S&P 500 Index peaked at 2931 last September.
- Real Estate (+4.9%) and Information Technology (+4.8%) outperformed the overall market. The Fed's pause on rate hikes likely supported the sectors by softening outlooks for mortgage and discount rates.
- Financials (-2.6%) delivered the worst performance, as the sector was pressured by the negative impacts of yield curve flattening on net interest margins.
- Per FactSet, analyst estimates for S&P 500 earnings growth in Q1 2019 fell 7.2% since December 31st. The revision lower over the quarter was larger than the 5-year (-3.2%), 10-year (-3.7%), and 15-year (-4.0%) averages. At month-end the estimated earnings contraction for the S&P 500 in Q1 2019 was 3.9%.

Q1 earnings estimates were downgraded further

S&P 500 PRICE INDEX



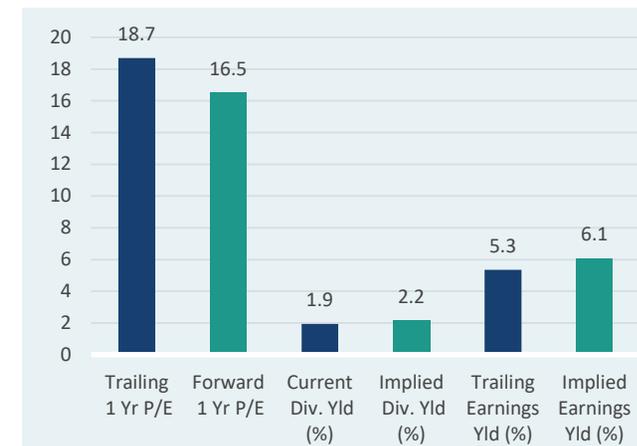
Source: Bloomberg, as of 3/31/19

IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 3/31/19

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 3/31/19

Domestic equity size and style

- Large cap equities significantly outperformed small cap equities in March. The Russell 1000 Index gained 1.7% while the Russell 2000 Index gave back some of its gains from February, and fell 2.1%.
- Large cap equities became more expensive relative to small cap equities over the period. The forward 12-month P/E ratio for the Russell 1000 Index rose from 16.5 to 16.7 while the multiple for the Russell 2000 Index moved down from 22.6 to 22.3.
- Growth equities outperformed value equities. The Russell 3000 Growth Index advanced 2.5% while the Russell 3000 Value Index returned 0.4%.
- Financial stocks in the Russell 3000 Index underperformed (-3.4%), negatively impacted by yield curve flattening. At month-end, the Russell 3000 Value Index held a 22.1% exposure to the Financials sector while the Russell 3000 Growth Index held only a 4.5% exposure.

VALUE VS. GROWTH RELATIVE VALUATIONS



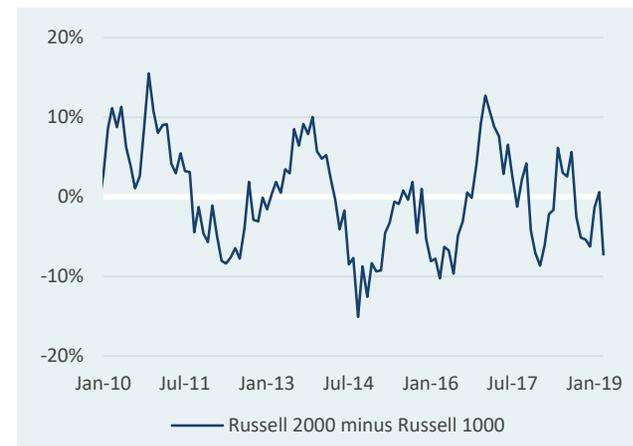
Source: Russell, Bloomberg, as of 3/31/19

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, as of 3/31/19

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, as of 3/31/19

Fixed income

- U.S. Treasury yields plummeted following the Federal Reserve meeting in which officials dropped projections for rate hikes in 2019 from two to zero. The 10-year Treasury yield fell 31 bps to 2.41% while the 2-year yield fell 25 bps to 2.26%.
- Term spreads flattened across most of the Treasury curve. The spread between the 10-year Treasury yield and the 3-month Treasury yield inverted following the FOMC release, and traded in negative territory for about a week before recovering by month-end.
- U.S. corporate credit spreads lacked directional conviction in March. Investment-grade credit spreads faded from 1.21% to 1.19%, while high yield credit spreads picked up from 3.79% to 3.91%.
- According to fed funds futures pricing, the market is pricing in at least one rate cut by the end of 2019. Last September, fed funds futures pricing indicated expectations for at least one rate hike by the end of 2019, indicating a significant shift in perceptions of central bank rate policy.

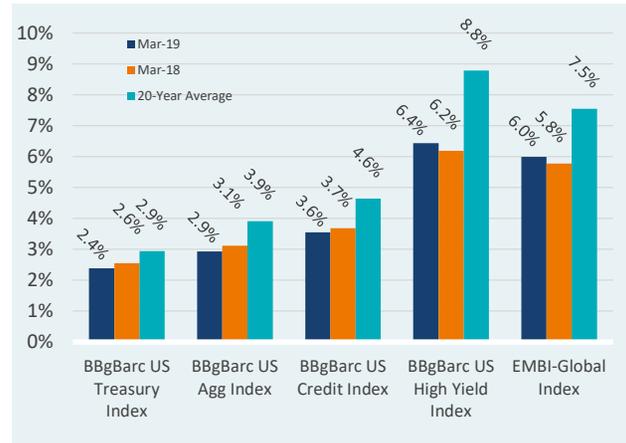
Markets priced in a falling rate environment

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 3/31/19

NOMINAL YIELDS



Source: Morningstar, as of 3/31/19

BREAKEVEN INFLATION RATES



Source: Bloomberg, as of 3/31/19

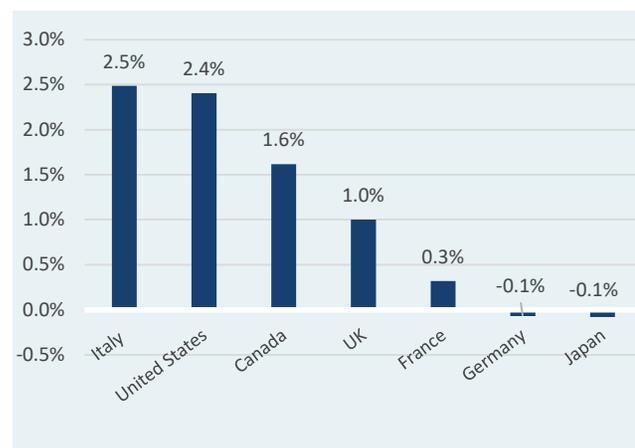
Global markets

- British members of Parliament briefly took control of their government’s legislative agenda, but the series of “indicative votes” that followed failed to crystallize an alternative path forward. Prime Minister May has asked the European Commission to accept an extension of the Brexit deadline from April 12th to June 30th.
- The outlook for French economic activity continued to worsen in March. The IHS Markit French Manufacturing and Services PMIs both missed expectations and moved below 50.0, the neutral level.

- Global sovereign yields followed Treasury yields lower in March. The 10-year German bund yield dipped below zero for the first time since Q4 2016, falling from 0.18% to -0.07%. Japanese 10-year JGB yields ticked down from -0.03% to -0.10% over the same period.
- The Chinese Caixin Manufacturing PMI registered a March reading of 50.8, pulling out of the contractionary territory below 50.0 where it had been since December.

Global sovereign yields moved lower

GLOBAL SOVEREIGN 10-YEAR YIELDS



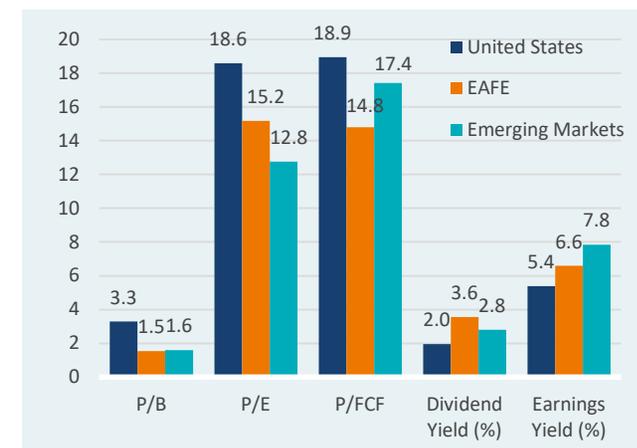
Source: Bloomberg, as of 3/31/19

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 3/31/19

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 3/31/19

Commodities

- The Bloomberg Commodity Index fell 0.2% in March. Grains (-2.6%) and precious metals (-2.0%) pushed the index lower, while relatively strong performance in energy (+0.7%) and industrial metals (+0.9%) provided support.
- Grains (22.9% weight in the overall index) fell 2.6%, leading the decline in the overall index. Futures contracts on soybeans, corn, and wheat experienced elevated price volatility due to speculation on weather conditions and the likelihood of a meaningful trade deal being reached between the United States and China.

- The Bloomberg Livestock Sub-index gained 6.3%, materially outperforming the overall index. Outperformance was driven entirely by lean hog futures, which jumped 16.7% over the month in response to an outbreak of African Swine Fever across Northern Asia.
- WTI crude oil continued its rebound, gaining 4.4% over the month (29.3% YTD) to above \$60 per barrel. OPEC+ canceled its April meeting, electing to keep production cuts of 1.2 million barrels per day in effect until at least June, a move which likely helped boost crude prices.

Crude oil extended its year-to-date rally

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(0.2)	6.3	6.3	(5.3)	2.2	(8.9)	(2.6)
Bloomberg Agriculture	(2.2)	(3.2)	(3.2)	(16.3)	(8.0)	(12.4)	(2.8)
Bloomberg Energy	0.7	15.9	15.9	(0.5)	7.5	(16.7)	(10.0)
Bloomberg Grains	(2.6)	(5.8)	(5.8)	(16.9)	(9.5)	(14.1)	(4.6)
Bloomberg Industrial Metals	0.9	12.8	12.8	(3.1)	11.3	0.1	2.4
Bloomberg Livestock	6.3	4.7	4.7	14.4	0.7	(4.3)	(1.6)
Bloomberg Petroleum	2.6	25.9	25.9	(2.9)	11.5	(14.9)	(3.8)
Bloomberg Precious Metals	(2.0)	0.0	0.0	(4.0)	0.2	(1.9)	2.4
Bloomberg Softs	(0.7)	0.4	0.4	(13.2)	(8.7)	(12.9)	(2.5)

Source: Morningstar, as of 3/31/19

COMMODITY PERFORMANCE



Source: Bloomberg, as of 3/31/19

Appendix

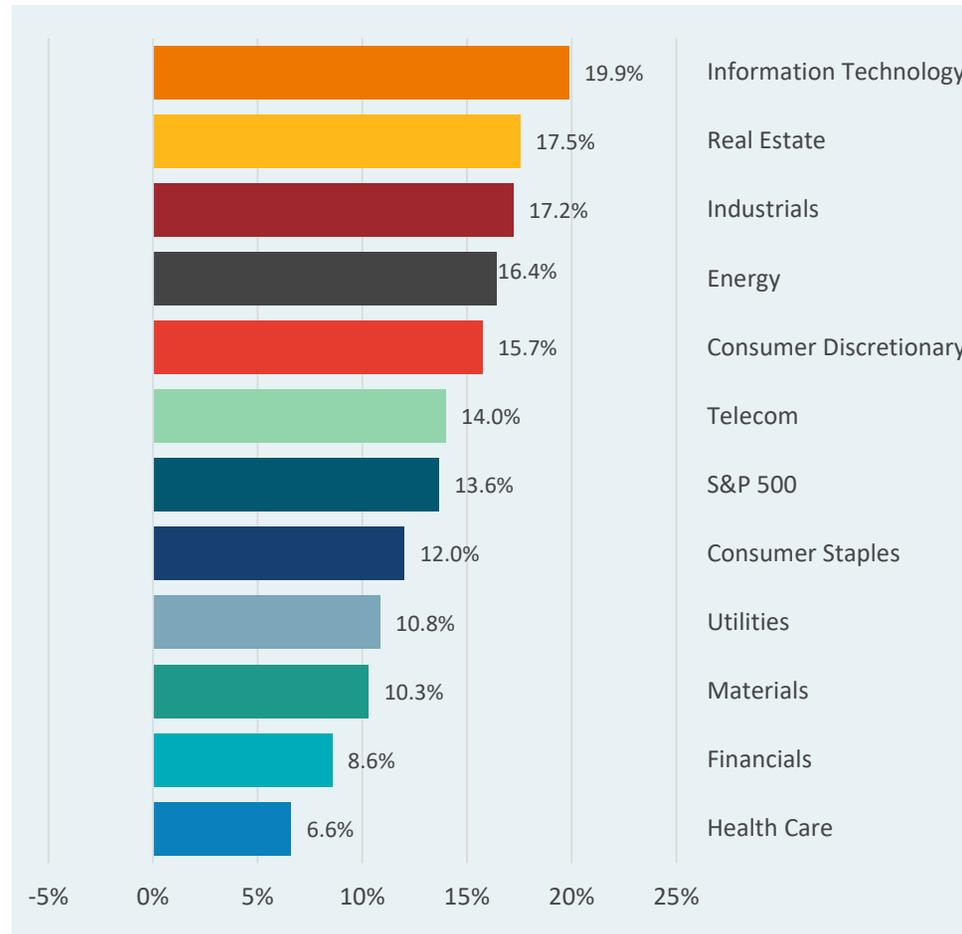
Periodic table of returns



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 12/31/18.

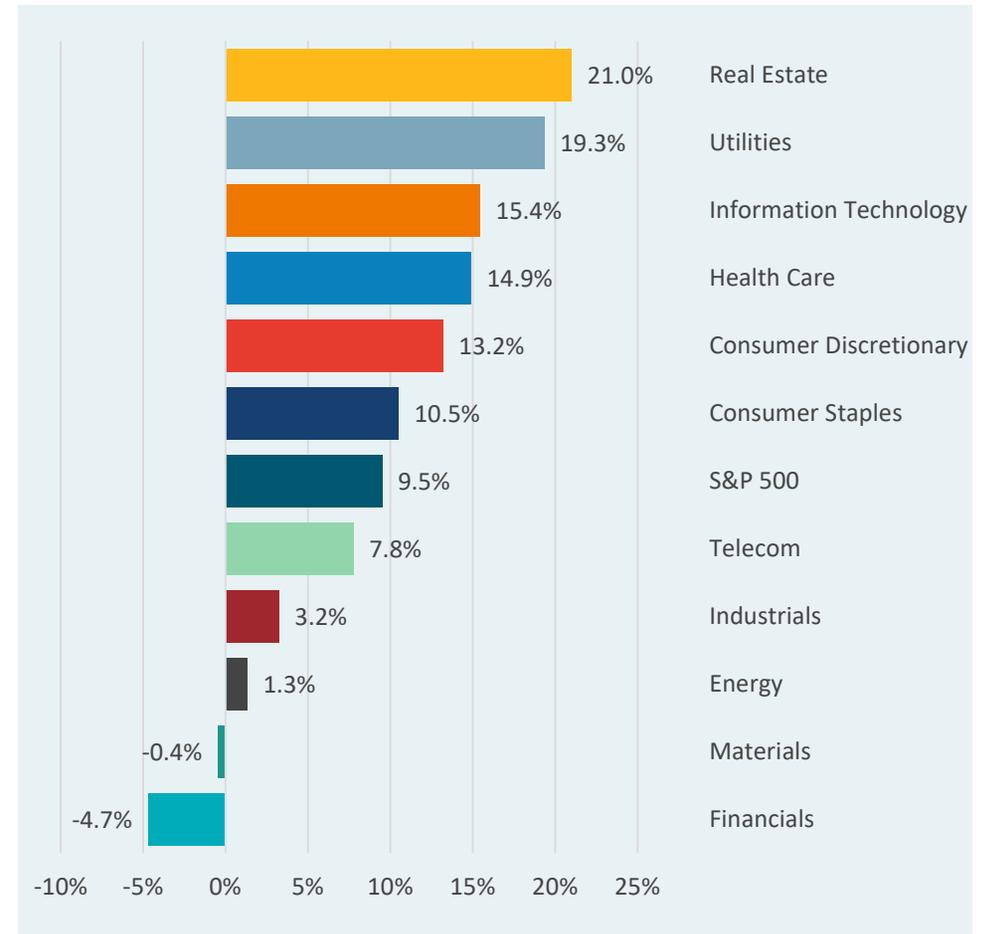
S&P 500 sector returns

QTD



Source: Morningstar, as of 3/31/19

ONE YEAR ENDING MARCH



Source: Morningstar, as of 3/31/19

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	1.9	13.6	13.6	9.5	13.5	10.9	15.9
S&P 500 Equal Weighted	0.9	14.9	14.9	7.2	12.0	9.5	17.8
DJ Industrial Average	0.2	11.8	11.8	10.1	16.4	12.2	16.0
Russell Top 200	2.1	13.1	13.1	10.4	14.2	11.4	15.7
Russell 1000	1.7	14.0	14.0	9.3	13.5	10.6	16.0
Russell 2000	(2.1)	14.6	14.6	2.0	12.9	7.1	15.4
Russell 3000	1.5	14.0	14.0	8.8	13.5	10.4	16.0
Russell Mid Cap	0.9	16.5	16.5	6.5	11.8	8.8	16.9
Style Index							
Russell 1000 Growth	2.8	16.1	16.1	12.7	16.5	13.5	17.5
Russell 1000 Value	0.6	11.9	11.9	5.7	10.5	7.7	14.5
Russell 2000 Growth	(1.4)	17.1	17.1	3.9	14.9	8.4	16.5
Russell 2000 Value	(2.9)	11.9	11.9	0.2	10.9	5.6	14.1

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	1.3	12.2	12.2	2.6	10.7	6.5	12.0
MSCI ACWI ex US	0.6	10.3	10.3	(4.2)	8.1	2.6	8.8
MSCI EAFE	0.6	10.0	10.0	(3.7)	7.3	2.3	9.0
MSCI EM	0.8	9.9	9.9	(7.4)	10.7	3.7	8.9
MSCI EAFE Small Cap	0.2	10.7	10.7	(9.4)	7.5	4.5	12.8
Style Index							
MSCI EAFE Growth	1.8	12.0	12.0	(1.3)	7.6	3.9	9.7
MSCI EAFE Value	(0.5)	7.9	7.9	(6.1)	6.9	0.7	8.1
Regional Index							
MSCI UK	1.1	11.9	11.9	(0.1)	6.3	0.7	9.3
MSCI Japan	0.6	6.7	6.7	(7.8)	8.1	5.6	8.0
MSCI Euro	0.0	9.8	9.8	(7.8)	6.5	0.6	7.5
MSCI EM Asia	1.8	11.1	11.1	(6.8)	11.8	6.2	10.8
MSCI EM Latin American	(2.5)	7.9	7.9	(6.7)	11.1	(0.3)	5.3

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	1.8	3.2	3.2	2.7	1.7	1.9	3.4
BBgBarc US Treasury Bills	0.2	0.6	0.6	2.2	1.2	0.8	0.5
BBgBarc US Agg Bond	1.9	2.9	2.9	4.5	2.0	2.7	3.8
Duration							
BBgBarc US Treasury 1-3 Yr	0.6	1.0	1.0	2.7	1.0	1.0	1.0
BBgBarc US Treasury Long	5.3	4.7	4.7	6.2	1.5	5.4	5.1
BBgBarc US Treasury	1.9	2.1	2.1	4.2	1.0	2.2	2.4
Issuer							
BBgBarc US MBS	1.5	2.2	2.2	4.4	1.8	2.6	3.1
BBgBarc US Corp. High Yield	0.9	7.3	7.3	5.9	8.6	4.7	11.3
BBgBarc US Agency Interm	0.9	1.4	1.4	3.4	1.2	1.6	1.9
BBgBarc US Credit	2.4	4.9	4.9	4.9	3.5	3.6	6.2

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	(0.2)	6.3	6.3	(5.3)	2.2	(8.9)	(2.6)
Wilshire US REIT	3.2	16.0	16.0	19.3	5.5	9.0	18.7
CS Leveraged Loans	(0.1)	3.8	3.8	3.3	5.9	3.8	8.0
Alerian MLP	3.8	17.4	17.4	16.8	5.9	(4.2)	11.1
Regional Index							
JPM EMBI Global Div	1.4	7.0	7.0	4.2	5.8	5.4	8.5
JPM GBI-EM Global Div	(1.3)	2.9	2.9	(7.6)	3.3	(0.8)	4.4
Hedge Funds							
HFRI Composite	1.0	5.9	5.9	0.9	5.1	3.1	5.5
HFRI FOF Composite	1.3	5.0	5.0	0.5	4.1	2.3	3.6
Currency (Spot)							
Euro	(1.4)	(1.8)	(1.8)	(8.7)	(0.5)	(4.0)	(1.7)
Pound	(2.0)	2.3	2.3	(7.1)	(3.2)	(4.8)	(0.9)
Yen	0.6	(0.9)	(0.9)	(3.9)	0.5	(1.4)	(1.1)

Source: Morningstar, HFR, as of 3/31/19

Notices & disclosures

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Date: April 22, 2019

To: Board of Trustees

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

Agenda 10: Asset Allocation April 2019

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

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

No Board action is planned at this point.

Respectfully submitted

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