

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, September 23, 2019 9:30 AM

Room 161/162
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 August 23, 2019 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of August 2019 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of August 2019 (Receive, Approve and File).

C) CLOSED SESSION

5. 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.

D) ORGANIZATIONAL

- 6. Executive Director Compensation (Review, Discuss, and Approve as necessary).
- 7. Pension Trust Staff Survey (Review, Discuss, and Direct Staff as necessary).
- 8. Resolution Thanking Plan Actuary – Leslie Thompson of Gabriel Roeder Smith - Resolution 2019-04 (Recommend Approval).

E) APPLICATIONS FOR DISABILITY RETIREMENT

- 9. Application for Industrial Disability Retirement – Case 2019-03 (Recommend Approval).

F) OLD BUSINESS

None

G) NEW BUSINESS

See Strategic Planning Session below

H) INVESTMENTS

- 10. Monthly Investment Report for August 2019 (Receive and File).
- 11. Alternative Investments Fee Disclosure – CA Code 7514.7 - (Receive and File).
- 12. Fiduciary Properties Inc. – Final Rate of Return Report (Receive and File).
- 13. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).

I) OPERATIONS

- 14. Staff Reports
- 15. General Counsel Reports
- 16. Committee Reports:
 - i. Audit Committee No Report
 - ii. Personnel Committee Included in Closed Session
 - iii. PAS Replacement Committee No Report

17. Upcoming Board Topics (subject to change)
 - i. October 18, 2019 (planned as a non-meeting month)
 - ii. November 25, 2019
 - a. Disability case(s)
 - b. Interest Crediting Rates – annual determination
 - c. PEPPRA Compensation Limit - 2020
 - d. Quarterly Investment Report
 - e. Investment Program Review
 - f. Asset Allocation Policy
 - iii. December 16, 2019 (planned as a non-meeting month)
 - iv. January 27, 2020
 - a. Election of officers
 - b. Committee appointments
 - c. Annual cashflow analysis
 - v. February 24, 2020
 - a. Retiree COLA – effective 4/1/20
 - b. Quarterly Investment Report
 - c. Capital Market Assumptions
 - d. Asset Allocation Policy

18. Trustee Comments

J) STRATEGIC PLANNING SESSION

19. Sustainability of the Retirement Plan – Presentation by Plan Actuary - Leslie Thompson and Paul Wood of Gabriel Roeder Smith - (Review, Discuss, and Direct Staff as necessary).
20. Business Continuity Plan - (Review, Discuss, and Direct Staff as necessary).
21. Business Continuity Services – LRS, Inc. – PensionGold Secure Agreement - (Recommend Approval).

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



MINUTES

August 26, 2019
Regular Meeting of the Pension Trust
Board of Trustees

- Board Members Present:** Will Clemens President
Guy Savage Vice President
Matt Janssen
Jim Hamilton
Jeff Hamm
Michelle Shoresman
Gere Sibbach
- Board Members Absent:** -
- Pension Trust Staff:** Carl Nelson Executive Secretary
Amy Burke Deputy Executive Secretary
Jennifer Alderete Financial Accountant
- General Counsel:** Chris Waddell
- Consultants:** Scott Whalen Verus (Investment Consultant)
- Others:** Daniel Andoetoe Retiree

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

A) PUBLIC COMMENT

1. None

B) CONSENT

2. Minutes of the Regular Meeting of July 22, 2019 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of July 2019 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of June 2019 (Receive and File).

Motion: Approve the Consent items.

Public Comment: None

Motion Made: Mr. Janssen Motion Seconded: Mr. Hamilton

Carried: Unanimous

C) ORGANIZATIONAL

5. Board of Trustees Meeting Schedule – revised 2019 and 2020 Schedule

Discussion: Revised meeting schedule for the remainder of 2019 and a proposed 2020 Board of Trustees meeting schedule. Trustee Janssen suggested future changes in the meeting schedule towards a regular bimonthly schedule.

Motion: Approval

Public Comment: None

Motion Made: Mr. Savage Motion Seconded: Mr. Clemens

Carried: Unanimous

D) APPLICATIONS FOR DISABILITY RETIREMENT

See Closed Session

E) OLD BUSINESS

None

F) NEW BUSINESS**6. A June 30, 2019 Mid-Year Financial Statements and Fiscal Year 2018-2019 Administrative Budget Status.**

Discussion: Staff report on mid-year financial statements (calendar year for financial reporting) and FY18-19 budget status (June 30th fiscal year for budgeting) – 14% under budget. Trustee Clemens commented on the travel and training expenditures being under \$20k and being an efficient use of resources. Trustee Shoresman inquired about the size of the contingencies built into the budget. Trustee Savage noted that a 5% contingency is typical for County budgeting as well.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Janssen

Motion Seconded: Mr. Savage

Carried: Unanimous

G) INVESTMENTS**7. Quarterly Investment Report for the 2nd Quarter of 2019 – Presentation by Scott Whalen, Verus**

Discussion: Quarterly investment performance report by Verus, Investment Consultant.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Clemens

Motion Seconded: Mr. Savage

Carried: Unanimous

8. Monthly Investment Report for June 2019

Discussion: Monthly investment performance report by Staff.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Hamm

Motion Seconded: Mr. Janssen

Carried: Unanimous

9. ESG Investment Criteria – Current Investment Managers - Presentation by Scott Whalen, Verus

Discussion: Following a request made by the Board at the May 20, 2019 meeting, Scott Whalen, Verus presented a refresher on Environmental, Social, and Governance (ESG) practices in place by current SLOCPT investment managers. Mr. Whalen noted that 13 of SLOCPT's 17 investment managers have formally integrated ESG principles into their investment process to some degree. A lengthy, in-depth Trustee discussion occurred, and the Board agreed that the consideration of ESG criteria as part of sustainable investment processes is important in future investment manager selections. The Board also requested that Mr. Whalen research the possibility of ESG alternatives for two investment managers, PIMCO/RAE and Gresham Commodities.

Motion: No Action Necessary

Public Comment: None

10:55 AM – President Clemens called for a five-minute break

11:03 AM – Back in session

10. Private Markets – Program Review and 2019 Commitment Recommendation - Presentation by Scott Whalen, Verus

Discussion: Scott Whalen of Verus reported on the current status of Private Equity and Private Credit markets, stating no changes to the Private Markets in the Investment Policy were needed at this time, and presented a recommendation to commit an additional \$20 million to Private Equity through the Pathway Fund 10 fund-of-funds.

Motion: To approve a \$20 million commitment to the Pathway Fund 10 fund-of-funds for 2019.

Public Comment: None

Motion Made: Mr. Savage

Motion Seconded: Mr. Hamm

Carried: Unanimous

10. Asset Allocation

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

Public Comment: None

No Action Necessary

H) OPERATIONS

11. Staff Reports

- i) Staff conducted Retirement 101 & 201 classes at the end of July open to all employees.
- ii) Staff reported on the hiring of a Retirement Technician to fill a vacant position.
- iii) Fiduciary insurance and Cyber-liability insurance policies have been renewed for the coming year.
- iv) Staff reported on its administrative suspension of the retirement benefit for one participant residing outside the U.S. and 96 years old. Mail has been returned from this retiree and there is no way to verify life status. Should the Pension Trust receive proof-of-life in this case, the benefit will be restarted without losing any payments. The Pension Trust has approximately six international address retirees. Later in 2019 the Pension Trust will initiate “alive and well” letters to international and very elderly retirees to solicit notarized return signatures verifying life status. This is necessary due to recent changes in the Social Security death reporting process that make it less reliable than in the past.
- v) Staff reported that the recent California Supreme Court judgement in the Mallano v. Chiang case awarded substantial retroactive pay to California Judges. Staff and Counsel are evaluating to what extent this pay adjustment may affect a small number of SLOCPT Reciprocal retirees who went on to become Judges following their service in SLO County.
- vi) Staff reported on the post-go-live PensionGold implementation steps. Substantial effort is being directed to thorough documentation of business processes using the new administration system.
- vii) Staff reported on the revised roll-out plan for the Member Portal website based on the new Pension Gold system. The revised schedule is to send PIN letters to approximately 1,000 retirees and active members each month from November 2019 to May 2020 so those members may initiate their access to the Member Portal. The phased schedule through May 2020 will spread out the telephone inquiry workload on SLOCPT staff.

12. **General Counsel Reports** – Counsel Waddell reported that he is working on the Terms & Conditions for Member Portal users, and advised the Board that he would be conferring soon with the Personnel Committee with regard to the Executive Director performance evaluation.

13. Committee Reports:

- i) Audit Committee – No report.
- ii) Personnel Committee - No report.

iii) PAS Replacement Committee – No report.

14. **Upcoming Board Topics** – published on meeting agenda

15. **Trustee Comments** – None

I) CLOSED SESSION

11:52 AM – entered Closed Session

16. PUBLIC EMPLOYEE DISABILITY RETIREMENT: The Board convened in closed session pursuant to Gov. Code section 54957.6 to consider the Application for Industrial Disability Retirement in Case 2018-06 (Recommend Approval).

11:52 AM – exited Closed Session

Report – President Clemens reported that the application for Industrial Disability Retirement in Case 2018-06 was approved by unanimous vote of the Trustees.

I) ADJOURNMENT –

There being no further business, the meeting was adjourned at 11:58 AM. The next Regular Meeting was set for September 23, 2019, at 9:30 AM, in Room 161/162, County Government Center, San Luis Obispo, California 93408.

Respectfully submitted,

Carl Nelson
Executive Director

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

PP 16 8/2/2019	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
					Employee Contributions	Employee Rate					
By Employer and Tier:											
County Tier 1	3,474,317.61	884,422.87	25.46%	430,242.67	295,193.15	20.88%	46.34%	2,098.00	1,542.66		1,613,499.35
County Tier 2	953,334.40	251,619.05	26.39%	51,575.74	80,375.67	13.84%	40.23%	-	396.33		383,966.79
County Tier 3	2,878,184.38	702,521.88	24.41%	364,991.63	-	12.68%	37.09%	-	10,465.47		1,077,978.98
Superior Court Tier 1	264,997.69	69,686.76	26.30%	45,734.77	-	17.26%	43.56%	-	-		115,421.53
Superior Court Tier 3	92,073.33	23,116.32	25.11%	11,054.96	-	12.01%	37.11%	-	-		34,171.28
APCD Tier 1	54,600.68	12,695.55	23.25%	7,305.88	3,864.93	20.46%	43.71%	-	-		23,866.36
APCD Tier 3	16,589.61	3,740.62	22.55%	2,124.50	-	12.81%	35.35%	-	-		5,865.12
Pension Trust Staff Tier 1	7,348.66	1,771.76	24.11%	978.11	682.69	22.60%	46.71%	-	-		3,432.56
Pension Trust Staff Tier 2	8,540.80	2,059.19	24.11%	322.84	793.44	13.07%	37.18%	-	-		3,175.47
Pension Trust Staff Tier 3	11,384.77	2,689.08	23.62%	1,546.49	-	13.58%	37.20%	-	-		4,235.57
LAFCO Tier 1	10,832.21	3,269.43	30.18%	709.51	1,006.31	15.84%	46.02%	-	-		4,985.25
	7,772,204.14	1,957,592.51	25.19%	916,587.10	381,916.19	16.71%	41.89%	2,098.00	12,404.46		\$ 3,270,598.26

PP 17 8/16/2019	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
					Employee Contributions	Employee Rate					
By Employer and Tier:											
County Tier 1	3,480,413.18	899,015.06	25.83%	418,882.68	295,509.37	20.53%	46.36%	2,098.00	1,542.66		1,617,047.77
County Tier 2	950,055.66	250,756.34	26.39%	51,499.06	80,047.31	13.85%	40.24%	3.16	396.33		382,702.20
County Tier 3	2,895,322.57	714,529.30	24.68%	360,044.48	-	12.44%	37.11%	-	2,596.69		1,077,170.47
Superior Court Tier 1	263,053.50	69,231.77	26.32%	45,438.44	-	17.27%	43.59%	-	-		114,670.21
Superior Court Tier 3	91,971.41	23,089.69	25.11%	11,041.72	-	12.01%	37.11%	-	-		34,131.41
APCD Tier 1	54,673.64	12,712.15	23.25%	7,312.28	3,869.12	20.45%	43.70%	-	-		23,893.55
APCD Tier 3	16,589.60	3,740.61	22.55%	2,124.50	-	12.81%	35.35%	-	-		5,865.11
Pension Trust Staff Tier 1	7,348.66	1,771.76	24.11%	978.11	682.69	22.60%	46.71%	-	-		3,432.56
Pension Trust Staff Tier 2	8,734.40	2,105.87	24.11%	330.16	811.43	13.07%	37.18%	-	-		3,247.46
Pension Trust Staff Tier 3	10,841.61	2,560.78	23.62%	1,483.70	-	13.69%	37.31%	-	-		4,044.48
LAFCO Tier 1	10,832.21	3,269.43	30.18%	709.51	1,006.31	15.84%	46.02%	-	-		4,985.25
	7,789,836.44	1,982,782.76	25.45%	899,844.64	381,926.23	16.45%	41.91%	2,101.16	4,535.68		\$ 3,271,190.47

PP 18 8/30/2019	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
					Employee Contributions	Employee Rate					
By Employer and Tier:											
County Tier 1	3,447,407.48	882,670.54	25.60%	423,007.26	292,716.05	20.76%	46.37%	2,098.00	1,542.66		1,602,034.51
County Tier 2	946,972.85	250,321.22	26.43%	51,471.80	79,791.67	13.86%	40.30%	-	396.33		381,981.02
County Tier 3	2,932,648.07	720,298.06	24.56%	368,818.22	-	12.58%	37.14%	-	2,596.69		1,091,712.97
Superior Court Tier 1	261,940.34	69,011.76	26.35%	45,227.65	-	17.27%	43.61%	-	-		114,239.41
Superior Court Tier 3	92,087.05	23,137.55	25.13%	11,067.82	-	12.02%	37.14%	-	-		34,205.37
APCD Tier 1	54,205.78	12,605.67	23.26%	7,229.98	3,842.23	20.43%	43.68%	-	-		23,677.88
APCD Tier 3	16,589.60	3,740.61	22.55%	2,124.50	-	12.81%	35.35%	-	-		5,865.11
Pension Trust Staff Tier 1	7,348.66	1,771.76	24.11%	978.11	682.69	22.60%	46.71%	-	-		3,432.56
Pension Trust Staff Tier 2	8,734.40	2,105.87	24.11%	330.16	811.43	13.07%	37.18%	-	-		3,247.46
Pension Trust Staff Tier 3	9,728.44	2,297.85	23.62%	1,321.89	-	13.59%	37.21%	-	-		3,619.74
LAFCO Tier 1	10,832.21	3,269.43	30.18%	709.51	1,006.31	15.84%	46.02%	-	-		4,985.25
	7,788,494.88	1,971,230.32	25.31%	912,286.90	378,850.38	16.58%	41.89%	2,098.00	4,535.68		\$ 3,269,001.28

TOTAL FOR THE MONTH	23,350,535.46	5,911,605.59	25.32%	2,728,718.64	1,142,692.80	16.58%	41.90%	6,297.16	21,475.82		\$ 9,810,790.01
----------------------------	----------------------	---------------------	---------------	---------------------	---------------------	---------------	---------------	-----------------	------------------	--	------------------------

TOTAL YEAR TO DATE	138,357,195.15	32,905,963.58	23.78%	15,321,104.86	6,973,397.88	16.11%	39.90%	31,184.92	194,351.68		55,426,002.92
---------------------------	-----------------------	----------------------	---------------	----------------------	---------------------	---------------	---------------	------------------	-------------------	--	----------------------

REPORT OF RETIREMENTS

August 2019

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Armentrout, Robert	ITD	DROP	08/01/19	4,393.11	False
Armentrout, Robert	ITD	Additional Annuity	08/01/19	249.63	False
Beck, Kari	Department of Social Service	Service Retirement	07/27/19	2,266.22	False
Bradley, Ann	District Attorney	Service Retirement	08/10/19	5,285.22	False
Collier, Beverly	Mental Health	Service Retirement	07/01/19	1,141.66	False
Donaghe, Dale	Agricultural Commissioner	Service Retirement	07/27/09	3,930.99	False
Franklin, John	ITD	DROP	08/01/19	7,613.53	False
Franklin, John	ITD	Additional Annuity	08/01/19	3.43	False
Frase, Cynthia	Behavioral Health	Service Retirement	07/27/19	674.58	False
Gerber, Michael	Behavioral Health	Service Retirement	07/22/19	2,027.57	False
Gorman, Juliann	General Hospital	Service Retirement	08/12/19	1,876.41	False
Grizzard, M. Lynn	Behavioral Health	Service Retirement	08/03/19	4,072.68	False
Link, Susan	Superior Court	Service Retirement	08/10/19	2,452.27	False
Link, Susan	Superior Court	Additional Annuity	08/10/19	19.47	False
Lock, Ramona	Human Resources	Service Retirement	08/10/19	2,484.07	False
Ludwig, Becky	Superior Court	Service Retirement	07/27/19	2,331.75	True

* 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

San Luis Obispo County
Pension Trust
SLOOPT

RESOLUTION NO. 2019-04

**A Resolution Honoring Plan Actuary,
Leslie Thompson, FSA, FCA, EA, MAAA
for Service to the Pension Trust**

Whereas, Leslie Thompson of the actuarial firm Gabriel Roeder Smith has served the San Luis Obispo County Pension Trust honorably and skillfully as the Plan Actuary since 2007; and

Whereas, Leslie Thompson is now initiating a well-deserved retirement after four continuous decades as an accomplished Actuary measuring others' retirements; and

Whereas, Leslie Thompson has provided highly skilled and prudent actuarial analysis and guidance to the Pension Trust through challenging years of change; and

Whereas, Leslie Thompson has brought a calming air, great personal warmth, plain-spoken wisdom and humor to the complexities of actuarial valuations; and

Whereas, Leslie Thompson has communicated the daunting actuarial topics facing the Pension Trust clearly and with helpful references to "the talk down at the actuary's bar...".

Now, Therefore Be It Resolved and Ordered as follows:

That this Board of Trustees hereby does thank, recognize, commend, congratulate and honor Leslie Thompson for her actuarial skill, professionalism and responsible service to the Members and Participants of the Pension Trust. In addition, the Trustees wish Leslie a long and active retirement.

Adopted: September 23, 2019

SIGNED: _____
Will Clemens
President, Board of Trustees
San Luis Obispo County Pension Trust

ATTEST: _____
Carl Nelson
Executive Director

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
SLOOPT



Date: September 23, 2019

To: Board of Trustees

From: Matt Janssen, Chair, Personnel Committee
Chris Waddell – General Counsel

Agenda Item 6: Executive Director Compensation – Biennial Review and Discussion Regarding Potential Salary Range Adjustment

Recommendation:

The Personnel Committee recommends that the Board of Trustees adopts a 5% increase to the Executive Director’s salary range.

Discussion:

Pursuant to the Personnel Committee’s prior recommendation, the Board of Trustees at its August 28, 2017 meeting adopted an Executive Compensation Policy incorporating the following key elements:

- Primary benchmarking to chief executive positions at comparable (asset size; staffing levels; geographic proximity) California public retirement systems;
- Consideration of general economic factors, including public and private sector wage environment;
- Biennial salary review commencing in July, 2017, aligned with the release of the biennial CALAPRS salary survey;
- Provision for “off cycle” reviews where deemed appropriate in order to consider internal salary relationships in the event that other Pension Trust staff whose compensation is benchmarked to County positions receive salary increases based upon such benchmarks;

Pursuant to that policy, at its meeting on September 16, 2019 the Personnel Committee conducted its second biennial review of the Executive Director’s salary range, based upon the 2019 CALAPRS salary survey and the other criteria set forth above. The relevant data from the CALAPRS survey, consistent with the Committee’s prior direction regarding systems the

Committee has identified as ones that it wished to benchmark the Executive Director’s salary range against, was summarized for the Committee as reflected below:

System	Assets	Membership	Staff FTEs	Salary Range/ Current Salary	Additional Compensation
Santa Barbara County	\$3.17 billion	10,279	23	\$157,636-\$231,652 \$220,621	Auto: \$6,768/yr. Medical Subsidy \$9,504/yr.
Fresno City	\$2.9 billion	6,707	15	\$167,704 – \$217,980 \$197,733	Auto: \$7,560/yr. Medical Subsidy \$11,124/yr.
San Joaquin County	\$2.9 billion	13,666	20	\$162,074-\$197,018 \$197,018	Auto: \$7,020/yr. Medical Subsidy \$24,023/yr. 457: 5% of base pay
Sonoma County	\$2.7 billion	9,809	24	\$184,543 - \$224,303 \$224,303	Auto: \$8,352/yr. Medical/Dental Subsidy: \$22,764/yr. 401(a)—4% of base pay Development and Wellness benefit-- \$1,650/yr.
Marin County	\$2.5 billion	6,670	19	\$224,536-\$261,269 \$261,269	Auto: \$9,600/yr. Medical Subsidy-- \$21,431/yr.
Stanislaus County ¹	\$1.2 billion	8,206	11	\$150,000	Auto: \$4,800/yr. 457: Up to 2% of pay.
Tulare County	\$1.5 billion	9,8055	12	\$144,368-\$216,522 \$165,000	Auto--\$5,352/yr. Cafeteria Plan-- \$26,484/yr. 457: \$1,500/yr.
SLO Pension Trust	\$1.4 billion	6,082	8.3	\$143,874-\$174,824 \$174,824	Auto: \$5,400/yr. Medical Subsidy \$12,300/yr.
Imperial County	\$840 million	3,854	8	116,712 – 149,028 \$122,524	Auto: \$6,600/yr. Medical Subsidy \$7,200/yr.
Merced	\$1.3 billion	5,606	8	\$142,792-\$173,867 \$168,813	Auto: \$8,400/yr. Unspecified Differential: \$5,400/yr.

Based upon its review and consideration of all of this information, the Committee voted to recommend to the full Board that the Executive Director’s salary range be increased by 5% effective October 7, 2019. As a reminder, the Committee’s recommendation and the Board’s

¹ Based on 2013 data.

ultimate determination on this matter will also affect the salary range of the Deputy Director, whose salary range is benchmarked at 80% of the Executive Director's salary range.

Respectfully Submitted,

Matt Janssen,
Chair, Personnel Committee

Chris Waddell
General Counsel

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



Date: September 23, 2019

To: Board of Trustees

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

Agenda Item 10: Investment Report for August 2019

	August	Year to Date 2019	2018	2017	2016	2015	2014
Total Trust Investments (\$ millions)	\$1,405		\$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	9.8% Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross	-0.8% Gross	5.1 % Gross
Policy Index Return (r)	-0.5%	10.1%	-3.2 %	13.4 %	7.7 %	-0.5 %	5.2 %

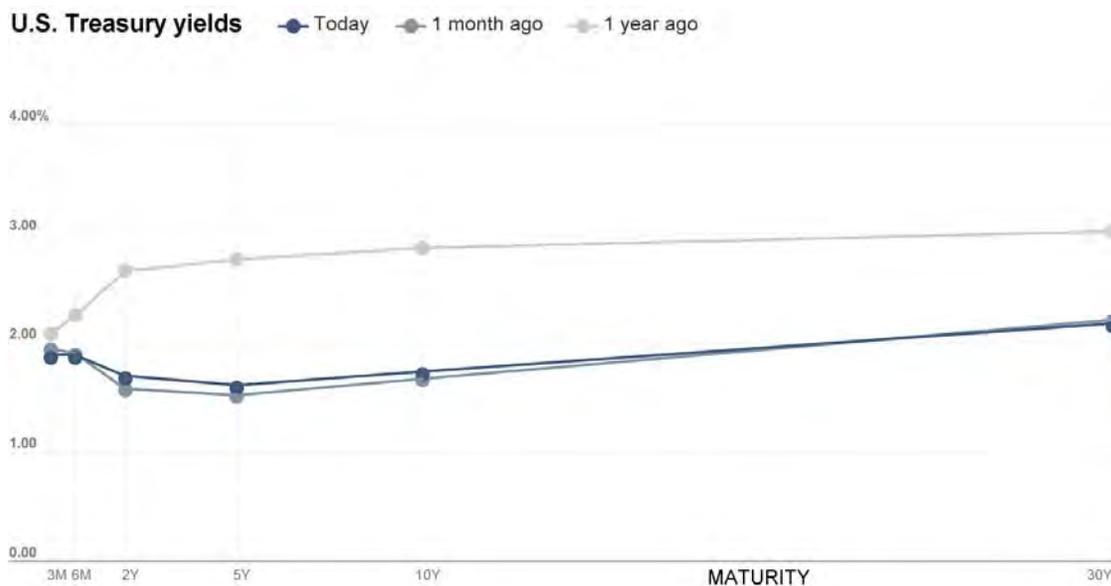
(r) Policy index as of Aug. 2016 revision to Strategic Asset Allocation Policy: 20% domestic equity, 20% international equity, 15% core bonds, 5% bank loans, 5% global bonds, 5% emerging market debt, 15% real estate, 5% commodities, 5% private equity, 5% private credit.

The Economy and Capital Markets:

- **Fed Policy and Interest Rates –**

- At the September 18th FOMC meeting the Fed again reduced the Fed Funds rate by 0.25% as expected.
 - Fed Chair Powell’s remarks in the press conference said that the United States economy remains strong and unemployment is low but that “there are risks to this positive outlook.” If the economy weakens, a “more extensive” series of rate cuts would be appropriate. This was in line with capital market expectations of one more rate cut in 2019.

- The Fed’s considerations have been complicated by mixed economic signals. Early indications of recession risk (inverted yield curve, falling PMI index reads), but economic data remain solid. Businesses are hiring and consumers are spending, but the Administration’s trade war and prospects of a chaotic British withdrawal from the European Union have markets prone to volatility. Inflation has been stuck below the Fed’s 2% target, giving the FOMC room to lower rates without worrying about runaway price gains.
- The yield curve, responding to a slowing global growth, slipped decidedly inverted August 14th. The 10-year Treasury vs. the 3-month rate has been mostly inverted for several months. The August 14th move to an inverted 10-year Treasury vs. the 2-year Treasury – a reliable predictor of recession in 2-6 quarters – spooked the capital markets with the S&P 500 down 3% for the day. However, Treasury yields in September backed off from inverted just slightly. The 10 year Treasury most recently traded at 1.72% versus the 2 year Treasury at 1.69%. The yield curve as of September 21st is shown below -



- **Economic Growth / Recession Risk –**

- Outlook for GDP Growth –

- The growing consensus for GDP growth among forecasters is for continued slow growth. A “lower-for-longer” expectation for U.S. Growth and with lagging GDP growth in the Eurozone and higher growth rates in emerging markets.
- Fueling concerns over growth rates and recession risk were the decline in the ISM Purchasing Managers Index (PMI) to 49.1 in August. PMI survey measures below 50 are indications of contractionary expectations.
- While consumer spending has been the bright spot in the U.S. economy, Consumer Confidence survey data has fallen somewhat in August – albeit still in a positive range.

- Eurozone and Brexit –
 - Substantial uncertainty over Brexit overhangs the British and Eurozone economies. Boris Johnson’s suspension of Parliament to stifle debate in his push for a “no-deal-Brexit” was highly unusual. The House of Commons’ push-back with passage of a bill before being dismissed that would limit Johnson’s options on Brexit was predictable. The developments to take place prior to the October 31st deadline from the EU are unpredictable to say the least.

- **Trade Policy –**
 - Ongoing turmoil in trade policy roiled the markets yet again.
 - During late August and into September the markets reacted positively to apparent small progress on the stalled U.S. / China trade war. A short deferral of tariffs and a Chinese announcement of some additional soybean purchases were greeted positively.
 - However, the latest announcement from the U.S. Administration on September 20th was that there is no need for a trade deal before the 2020 election. Stock indices tumbled on the news and Chinese officials cancelled plans for further agricultural product increased purchases.
 - The capital markets’ concerns over erratic trade policy include its effect on overall global output – including the growth rate in China – and a lack of predictability in what to expect in business conditions.

- **Employment and Wages –**
 - The August DOL report on nonfarm employment showed -
 - New jobs came in at a reduced level of +130K in August, below expectations of +160k.
 - National Unemployment remained at 3.7%
 - SLO County unemployment in July was estimated at 3.2% - up from the prior month estimate of 3.0%, and the same as one year ago. The California unemployment rate in July was measured at 4.4%.

SLOCPT Investment Returns:

The attached report from Verus covers the 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.

Respectfully submitted

This page left blank intentionally.

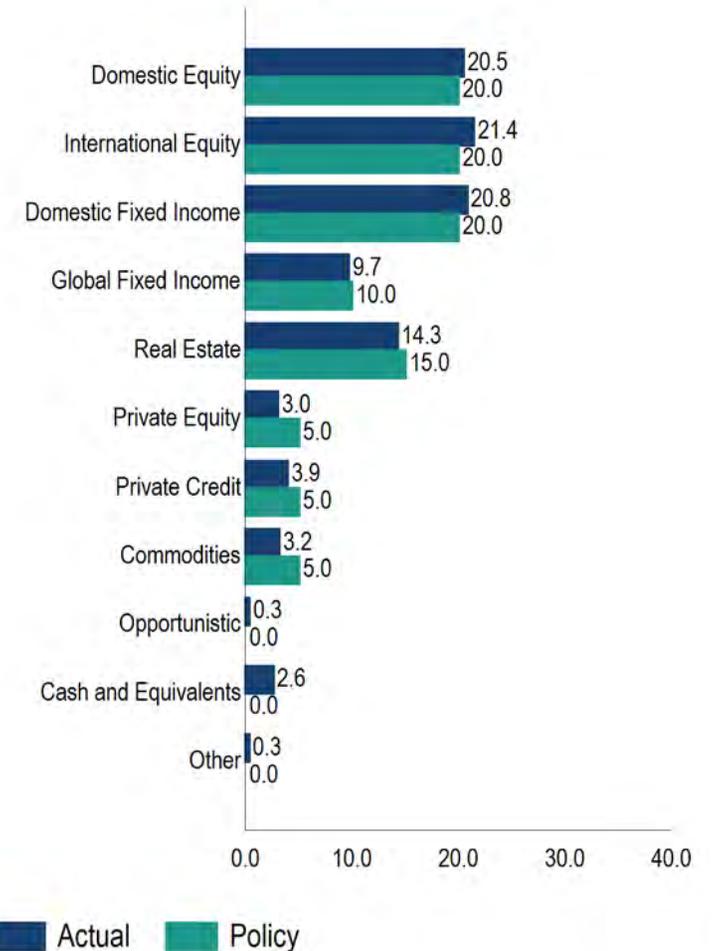
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: August 31, 2019

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,404,700,099	100.0	-0.7	9.8
Total Fund ex Overlay	1,400,390,493	99.7	-0.7	9.9
Policy Index			-0.5	10.1
Total Domestic Equity	287,384,808	20.5	-2.1	18.0
Russell 3000			-2.0	18.0
PIMCO RAE Fundamental PLUS Instl	55,335,962	3.9	-3.5	11.2
S&P 500			-1.6	18.3
Loomis Sayles Large Cap Growth	84,781,019	6.0	-2.0	21.4
Russell 1000 Growth			-0.8	23.3
Boston Partners Large Cap Value	80,182,746	5.7	-2.8	11.3
Russell 1000 Value			-2.9	13.8
Atlanta Capital Mgmt	67,085,080	4.8	-0.2	29.1
Russell 2500			-4.0	15.7
Total International Equity	301,106,830	21.4	-1.3	16.1
MSCI ACWI ex USA Gross			-3.1	9.2
Dodge & Cox Intl Stock	135,747,416	9.7	-3.1	6.8
MSCI EAFE Gross			-2.6	10.1
WCM International Growth	165,359,414	11.8	0.3	25.3
MSCI ACWI ex USA Gross			-3.1	9.2
Total Domestic Fixed Income	292,081,876	20.8	1.6	9.0
BBgBarc US Aggregate TR			2.6	9.1
BlackRock Core Bond	109,714,621	7.8	2.7	10.6
BBgBarc US Aggregate TR			2.6	9.1
Dodge & Cox Income Fund	106,441,846	7.6	1.7	9.2
BBgBarc US Aggregate TR			2.6	9.1
Pacific Asset Corporate Loan	75,925,409	5.4	0.0	6.8
S&P/LSTA Leveraged Loan Index			-0.3	6.3
Total Global Fixed	136,296,719	9.7	-2.3	3.3
FTSE World Govt Bond Index			2.7	7.7
Brandywine Global Fixed Income	65,388,534	4.7	-1.7	0.7
FTSE WGBI ex US TR			2.2	7.1
Ashmore EM Blended Debt Fund	70,908,185	5.0	-3.0	--
50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMH+			-1.1	--

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

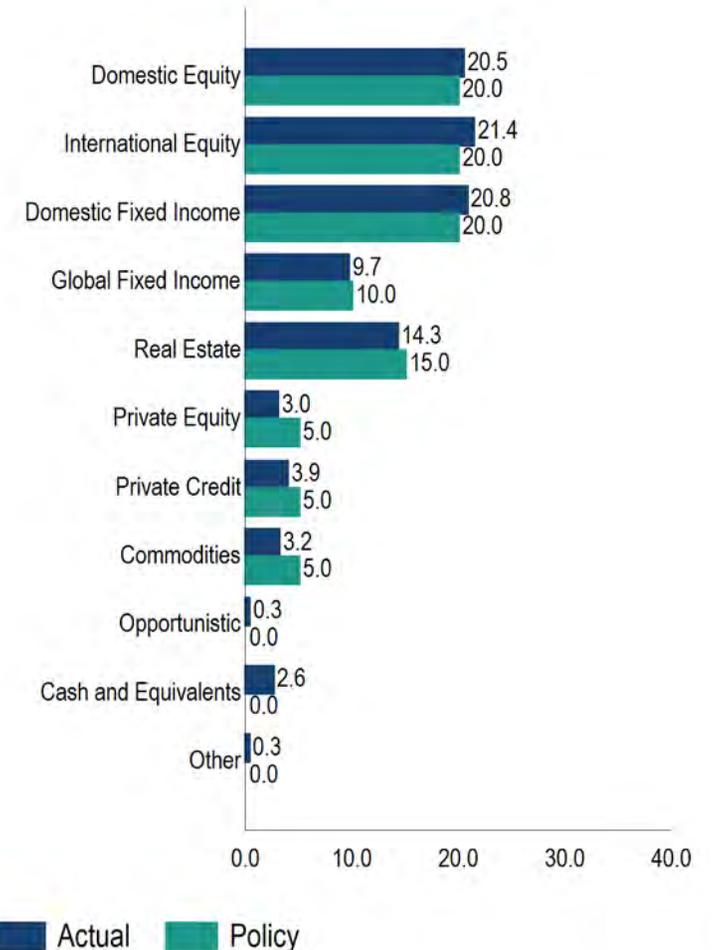
Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment 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. Direct RE liquidated 5/3/2019. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. All data is preliminary.

San Luis Obispo County Pension Trust
 Executive Summary - Preliminary (Gross of Fees)

Period Ending: August 31, 2019

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	200,526,339	14.3	0.2	2.3
NCREIF Property Index			0.0	3.3
JP Morgan Core Real Estate	166,495,150	11.9	0.2	1.3
NCREIF-ODCE			0.0	2.4
NCREIF Property Index			0.0	3.3
ARA American Strategic Value Realty	33,885,219	2.4	0.0	5.4
NCREIF-ODCE			0.0	2.4
NCREIF Property Index			0.0	3.3
Total Commodities	44,317,602	3.2	-3.4	1.7
Bloomberg Commodity Index TR USD			-2.3	1.9
Gresham MTAP Commodity Builder	44,317,602	3.2	-3.4	1.7
Bloomberg Commodity Index TR USD			-2.3	1.9
Total Private Equity	42,654,919	3.0		
Harbourvest Partners IX Buyout Fund L.P.	14,866,449	1.1		
Pathway Private Equity Fund Investors 9 L.P.	25,361,152	1.8		
Harbourvest 2018 Global Fund L.P.	2,427,318	0.2		
Total Private Credit	55,180,254	3.9		
TPG Diversified Credit Program	55,180,254	3.9		
Total Cash	36,236,621	2.6	0.0	1.5
91 Day T-Bills			0.2	1.5
Cash Account	36,236,621	2.6	0.0	1.5
91 Day T-Bills			0.2	1.5
Total Opportunistic	4,604,526	0.3		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	4,502,305	0.3		
PIMCO Distressed Credit Fund	102,221	0.0		
CPI + 5%			0.4	5.5

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. Direct RE liquidated 5/3/2019. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. All data is preliminary.



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

**AUGUST 2019
Capital Markets Update**

Market commentary

U.S. ECONOMICS

- Total non-farm payrolls added 130,000 jobs in August (exp. +160,000), down from 164,000 in July. The professional and business services (+37,000) and government (+34,000) sectors led job gains for the month. The unemployment rate was unchanged from July at 3.7%.
- The ISM Manufacturing PMI fell from 51.2 to 49.1 in August (exp. 51.3), its lowest level in three years. The move below 50.0 represents a shift from expansion to contraction and was driven in part by new export orders falling 4.8 points to 43.3, their lowest level since 2009.
- Consumer confidence declined over the period. The University of Michigan's Consumer Sentiment Index fell from 98.4 to 89.8 (exp. 92.4) while the Conference Board's Consumer Confidence Index fell from 135.7 to 135.1 (exp. 129.0).

U.S. EQUITIES

- The S&P 500 Index suffered its second monthly decline of the year and fell -1.6%. At the end of the month, the S&P 500 Index had generated a year-to-date total return of +18.3%.
- The CBOE VIX Index rose from 16.1 to 19.0, indicating an increase in expectations for S&P 500 Index volatility over the upcoming 30 days. Trailing 30- and 90-day realized volatility on the S&P 500 Index rose to 20.7% and 15.3%, respectively.
- According to FactSet, out of the 109 companies posting Q3 2019 earnings guidance, 72% have issued negative guidance, above the 5-year average of 70%. Analysts are expecting revenue growth of +3.1% and earnings contraction of -3.5% in the third quarter of 2019.

U.S. FIXED INCOME

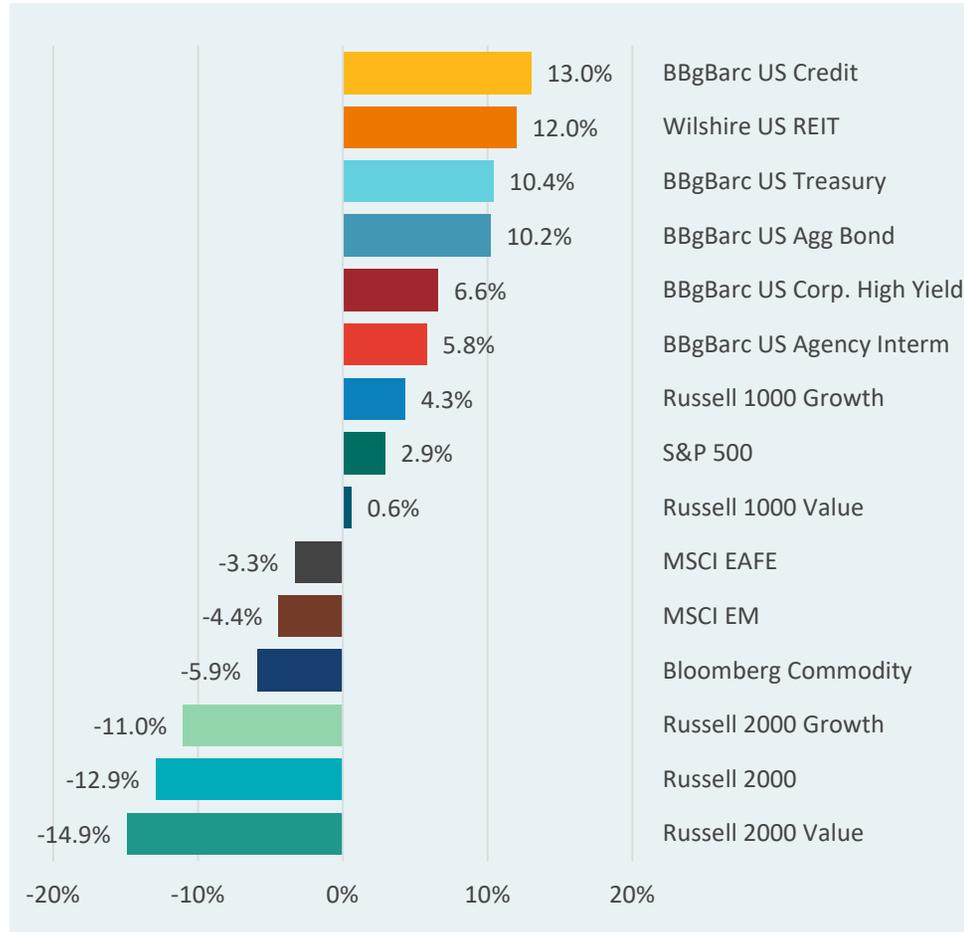
- U.S. Treasury bonds rallied as investors sought refuge from trade and geopolitical turbulence, and long-duration Treasuries outperformed. Over the month, long-duration Treasuries returned 10.5%, bringing year-to-date performance to 22.8%.
- Mid-month, the spread between the 10- and 2-year Treasury yields inverted for the first time since December 2005. Historically, the inversion of the 10-2y spread has proven a reliable leading indicator for recessions in the United States.
- Over the month, the futures implied probability of the fed funds range being cut 0.75% by year-end increased from 28% to 36%. At month-end, there was a 100% chance that the Federal Reserve would cut its fed funds range by at least 0.25% in September.

INTERNATIONAL MARKETS

- U.S. equities extended year-to-date outperformance of global equities. The S&P 500 Index fell -1.6% during the month while international developed (MSCI EAFE Index -2.6%) and emerging market (MSCI EM Index -4.9%) equities fared worse.
- In the United Kingdom, the House of Commons voted in favor of a law which could force Prime Minister Johnson to request a three-month extension to the current October 31st deadline for the U.K. to exit the European Union.
- The J.P. Morgan Emerging Market Currency Index fell 4.0%, signaling broad emerging market currency depreciation relative to the U.S. dollar. Within the index, the Brazilian real, the Russian ruble, and the Mexican peso depreciated most sharply.

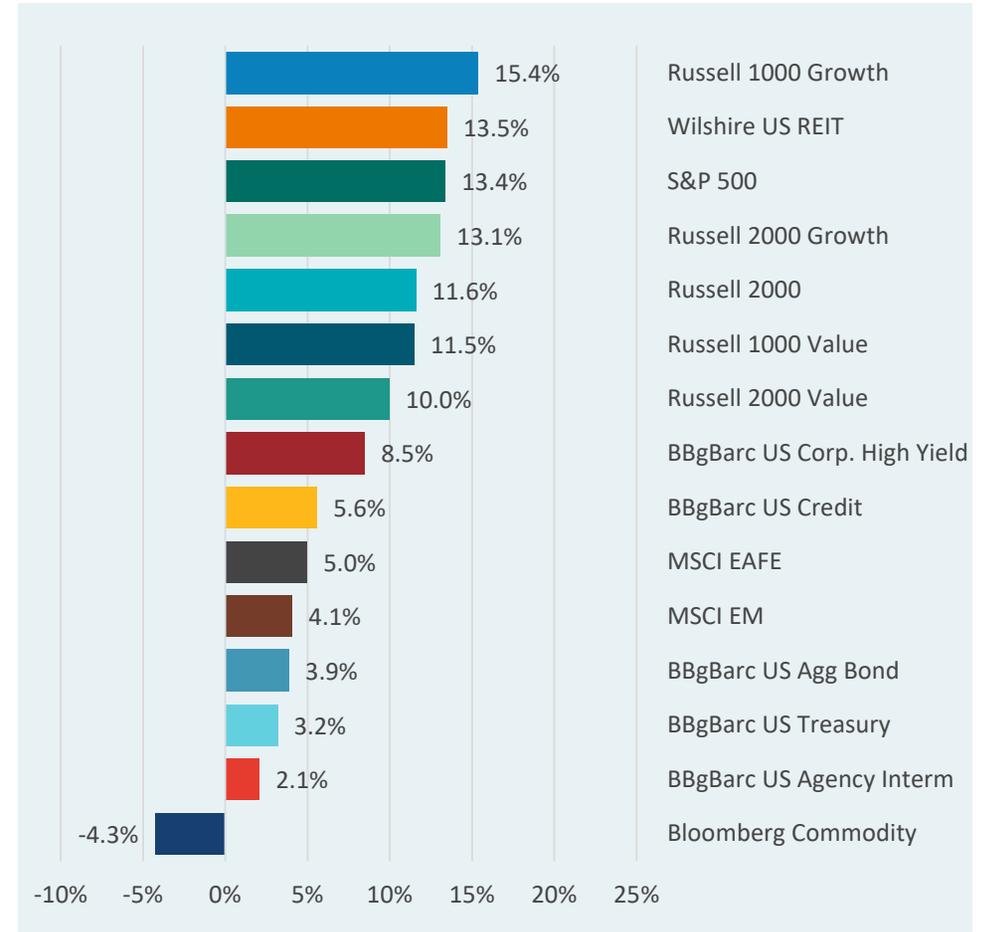
Major asset class returns

ONE YEAR ENDING AUGUST



Source: Morningstar, as of 8/31/19

TEN YEARS ENDING AUGUST

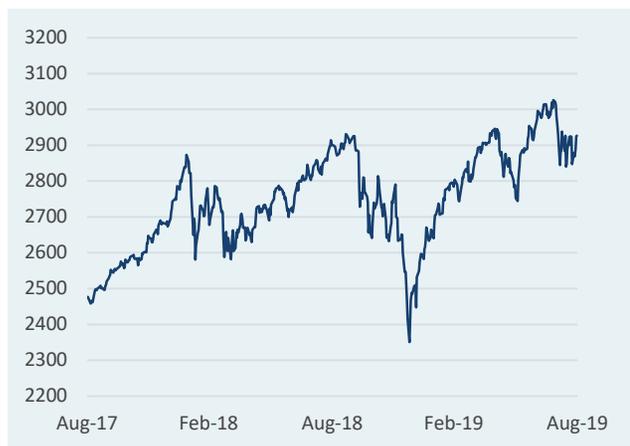


Source: Morningstar, as of 8/31/19

U.S. large cap equities

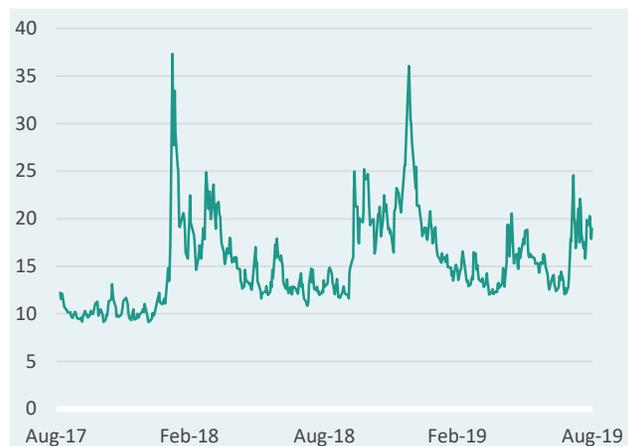
- The S&P 500 Index fell -1.6% in August. Utilities (+5.2%), Real Estate (+4.9%), and Consumer Staples (+1.8%) were the top performers for the month and the only sectors that were positive. The Energy (-8.1%) and Financials (-4.9%) sectors weighed down the index.
- Per FactSet, at month-end there were 10,302 ratings on S&P 500 stocks: 51.8% were “Buy” ratings, 41.8% were “Hold” ratings and 6.4% were “Sell” ratings. At the sector level, Energy had the highest level of Buy ratings (66%) while Consumer Staples had the lowest (41%).
- Defensive sectors outperformed during the month with Utilities (+5.2%), Real Estate (+4.9%), and Consumer Staples (+1.8%) all seeing solid gains. Energy providers NextEra Energy (+6.4%) and Duke Energy (+8.1%) reached all time highs, which helped to propel the Utilities sector higher.
- The Energy (-8.1%) and Financials (-4.9%) sectors were the worst performers over the period. The prospect of a prolonged U.S.-Chinese trade war weighed on global oil demand, while flattening term spreads and shrinking net interest margin weighed on banks.

S&P 500 PRICE INDEX



Source: Bloomberg, as of 8/31/19

IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 8/31/19

S&P 500 VALUATION SNAPSHOT

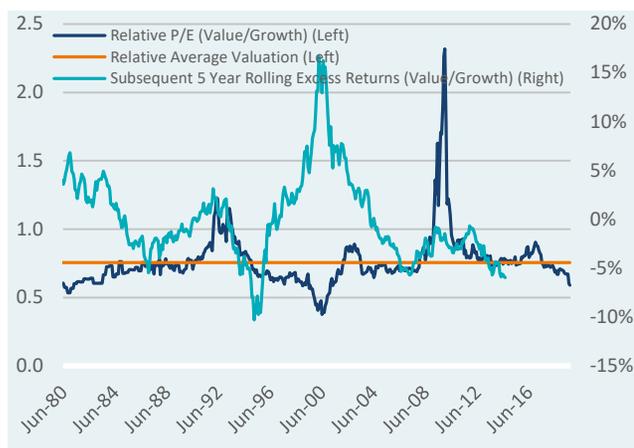


Source: Bloomberg, as of 8/31/19

Domestic equity size and style

- Large-cap stocks continued to outperform small-cap stocks. The Russell 1000 Index faded -1.8% while the Russell 2000 Index fell -4.9%. Year-to-date, large cap equities (+18.5%) have outperformed their small-cap peers (+11.8%) by 6.7%.
- Growth outperformed value over the period, across both large- and small-cap universes. The Russell 3000 Growth Index fell -1.0% and has fared better than the Russell 3000 Value Index (-3.1%) for seven out of eight months this year.
- Growth outperformance was largely attributed to its smaller exposure to the Energy (-8.1%) and Financials (-4.9%) sectors. At month-end, the Energy and Financials sectors had a combined weight of 3.7% in the Russell 3000 Growth Index and a 32.2% weight in the Russell 3000 Value Index.
- The S&P 500 Price Index closed August at 2926, below its 50-day moving average but still above its 100- and 200-day moving-averages, signaling a positive price trend in prices over the intermediate-term.

VALUE VS. GROWTH RELATIVE VALUATIONS



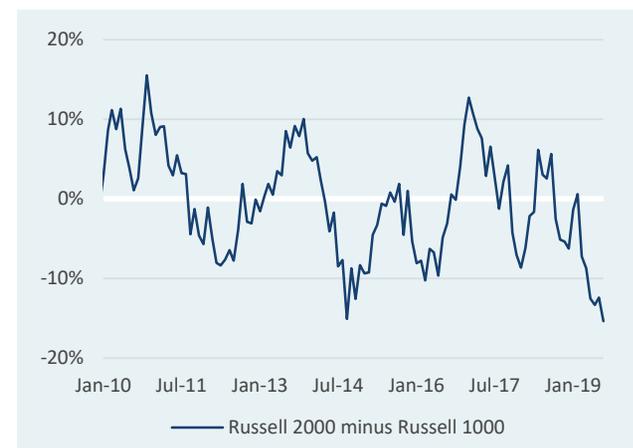
Source: Russell, Bloomberg, as of 8/31/19

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, as of 8/31/19

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, as of 8/31/19

Fixed income

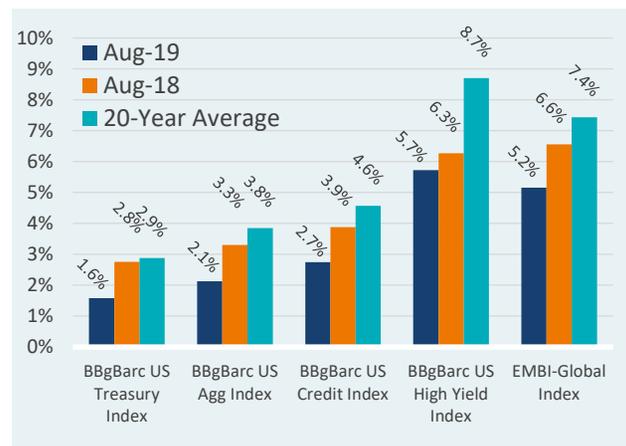
- At the Jackson Hole Economic Policy Symposium, Fed Chairman Powell reiterated that the Fed would “act as appropriate to sustain the expansion”, and that the “economy is close to both goals” of full employment and price stability. In August, unemployment remained near 50-year lows.
- Expectations for future inflation grinded lower, partly due to falling oil prices. Five- and ten-year breakeven inflation rates fell from 1.5% to 1.4% and from 1.7% to 1.5% over the period.
- Germany issued the world’s first 30-year zero coupon bond and failed to meet its 2-billion-euro auction target, selling roughly €824 billion in 30-year debt. Germany’s debt agency later admitted that the sale may have been “too large”. The 30-year German government bond yield ended the month at -0.18%.
- The JPM EMBI Global Diversified Index gained 0.7% in August while the JPM GBI-EM Index fell 2.6%. Emerging market currency depreciation presented headwinds for unhedged U.S. investors in emerging market debt.

U.S. TREASURY YIELD CURVE



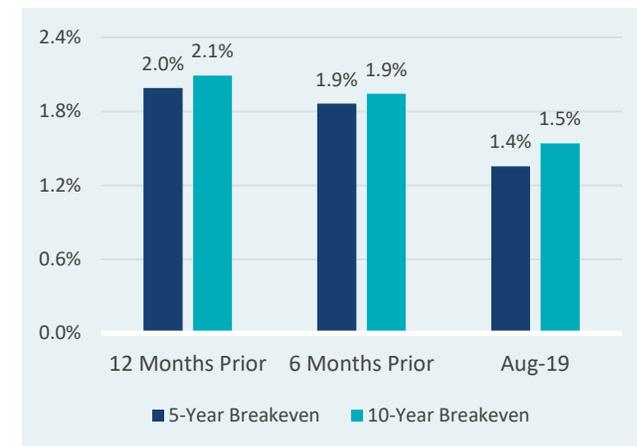
Source: Bloomberg, as of 8/31/19

NOMINAL YIELDS



Source: Morningstar, as of 8/31/19

BREAKEVEN INFLATION RATES

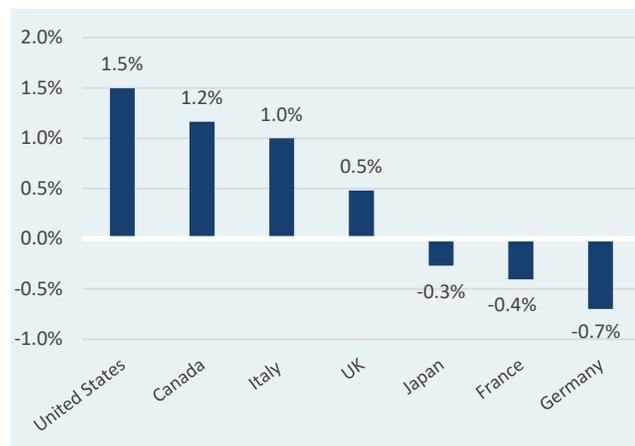


Source: Bloomberg, as of 8/31/19

Global markets

- China applied new tariffs on about \$75 billion in U.S. imports. The Trump administration responded, stating that the currently-in-place tariffs of 25% on \$250b in Chinese imports would be hiked to 30% on October 1st, and that tariff rates on another \$300b in Chinese imports would start at 15%, not 10%, on September 1st.
- At the beginning of September, risk assets rallied on reports that high-level trade negotiations between the U.S. and Chinese trade delegations would resume in Washington, D.C., at the beginning of October.
- Italian 10-year bond yields fell 0.55% to 0.99%, a new record low, driven in part by the successful formation of a new coalition government between Five Star Movement and the Democratic Party. The new government excludes Lega Nord, a party which has taken a more defiant stance against the fiscal spending limits imposed on Italy by the European Union.
- The U.S. dollar appreciated materially versus trade-weighted pairs. The Bloomberg Dollar Spot Index added 0.6%, bringing its year-to-date return to 1.7%.

GLOBAL SOVEREIGN 10-YEAR YIELDS



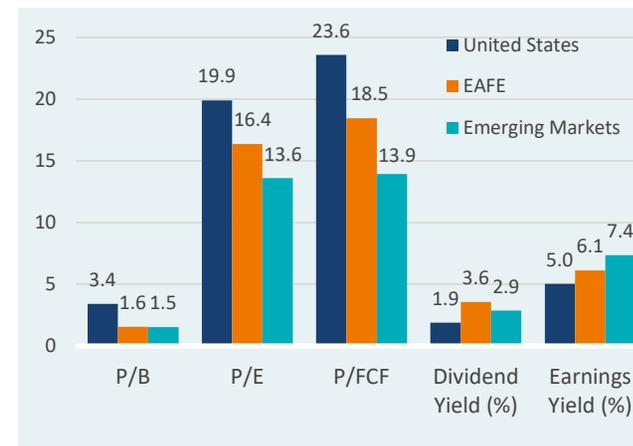
Source: Bloomberg, as of 8/31/19

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 8/31/19

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 8/31/19

Commodities

- The Bloomberg Commodity Index fell -2.3% over the month. The Precious Metals (+7.6%) and Industrial Metals (+0.5%) sectors outperformed the overall index and were the only positive movers. Livestock (-8.9%) and Softs (-7.5%) underperformed.
- The Precious Metals sector was up 7.6%, driven by rising silver (+11.1%) and gold (+6.6%) prices. Heightened geopolitical uncertainty likely boosted demand for precious metals as investors continued to seek safe havens.

- The Grains (-5.8%) sector underperformed, driven in part by falling corn prices. U.S.-Chinese trade developments incentivized farmers to plant more corn and fewer soybeans. Higher-than-expected planting, weak export sales, and lower demand for ethanol all contributed to the move lower in corn prices.
- China levied additional tariffs on several U.S. foodstuffs. Chinese tariff rates on U.S. soybean imports were hiked from 25% to 30%, and a 5% tariff on U.S. crude oil imports was introduced for the first time.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(2.3)	(3.0)	1.9	(5.9)	(0.9)	(8.6)	(4.3)
Bloomberg Agriculture	(5.1)	(9.9)	(8.9)	(10.6)	(9.6)	(9.9)	(4.2)
Bloomberg Energy	(5.7)	(5.6)	4.5	(18.4)	0.2	(17.8)	(11.7)
Bloomberg Grains	(5.8)	(11.1)	(9.3)	(11.3)	(7.1)	(10.0)	(4.5)
Bloomberg Industrial Metals	0.5	1.9	6.7	(0.5)	7.5	(3.1)	(2.1)
Bloomberg Livestock	(8.9)	(6.3)	(12.7)	(5.1)	(1.4)	(6.9)	(2.0)
Bloomberg Petroleum	(7.1)	(6.5)	16.5	(19.6)	6.1	(15.9)	(6.5)
Bloomberg Precious Metals	7.6	10.1	18.0	25.7	2.8	1.5	3.5
Bloomberg Softs	(7.5)	(12.3)	(12.2)	(13.3)	(17.8)	(13.3)	(6.5)

Source: Morningstar, as of 8/31/19

COMMODITY PERFORMANCE



Source: Bloomberg, as of 8/31/19

Appendix

Periodic table of returns

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD	5-Year	10-Year
Large Cap Growth	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	23.3	13.1	15.4
Large Cap Equity	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	18.5	9.9	13.5
Small Cap Growth	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	16.3	8.8	13.1
Large Cap Value	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	13.8	8.1	11.6
Small Cap Equity	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	11.8	6.6	11.5
60/40 Global Portfolio	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	11.4	6.4	10.0
International Equity	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	9.7	4.6	9.3
US Bonds	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	9.1	4.1	6.4
Small Cap Value	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	7.3	3.3	5.0
Hedge Funds of Funds	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	5.7	2.0	4.1
Emerging Markets Equity	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	3.9	1.9	3.9
Real Estate	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	3.3	0.9	2.9
Commodities	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	1.9	0.4	0.5
Cash	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	1.5	-8.6	-4.3

Large Cap Equity

Large Cap Value

Large Cap Growth

Small Cap Equity

Small Cap Value

Small Cap Growth

International Equity

Emerging Markets Equity

US Bonds

Cash

Commodities

Real Estate

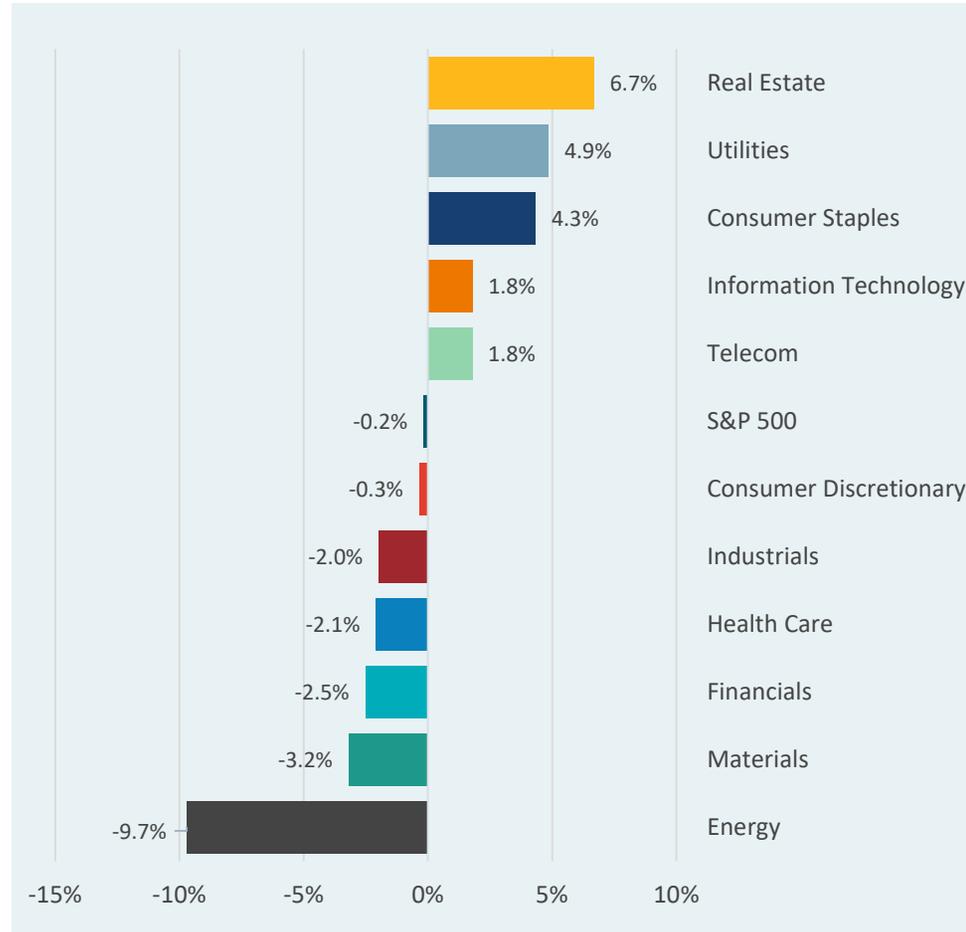
Hedge Funds of Funds

60% MSCI ACWI/40% BBgBarc Global Bond

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 6/30/19.

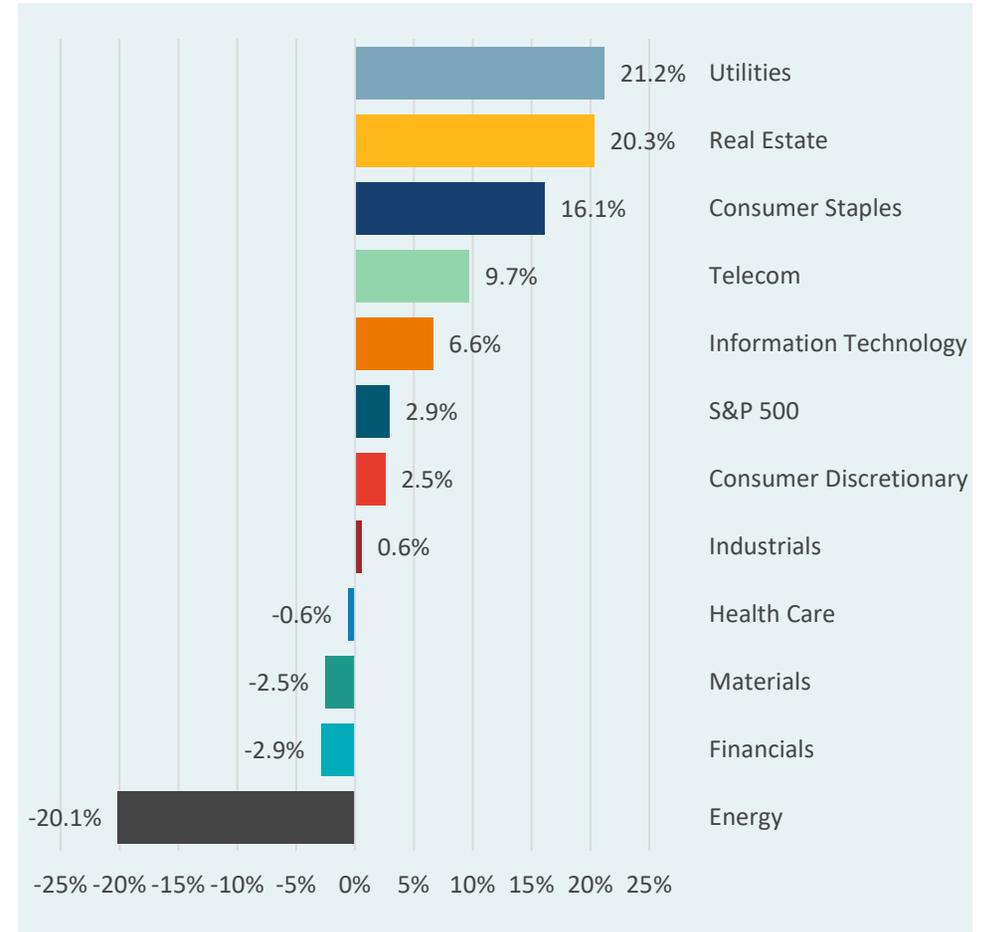
S&P 500 sector returns

QTD



Source: Morningstar, as of 8/31/19

ONE YEAR ENDING AUGUST



Source: Morningstar, as of 8/31/19

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(1.6)	(0.2)	18.3	2.9	12.7	10.1	13.4
S&P 500 Equal Weighted	(3.1)	(2.3)	16.5	0.4	10.0	8.2	13.7
DJ Industrial Average	(1.3)	(0.2)	15.1	4.1	15.5	11.8	13.6
Russell Top 200	(1.4)	0.1	18.1	3.2	13.6	10.6	13.5
Russell 1000	(1.8)	(0.3)	18.5	2.5	12.6	9.9	13.5
Russell 2000	(4.9)	(4.4)	11.8	(12.9)	7.9	6.4	11.6
Russell 3000	(2.0)	(0.6)	18.0	1.3	12.2	9.6	13.3
Russell Mid Cap	(2.8)	(1.5)	19.6	0.5	10.1	7.9	13.5
Style Index							
Russell 1000 Growth	(0.8)	1.5	23.3	4.3	17.0	13.1	15.4
Russell 1000 Value	(2.9)	(2.1)	13.8	0.6	8.1	6.6	11.5
Russell 2000 Growth	(4.3)	(3.4)	16.3	(11.0)	10.6	8.1	13.1
Russell 2000 Value	(5.6)	(5.4)	7.3	(14.9)	5.1	4.6	10.0

INTERNATIONAL EQUITY

Broad Index							
MSCI ACWI	(2.4)	(2.1)	13.8	(0.3)	9.2	5.5	8.6
MSCI ACWI ex US	(3.1)	(4.3)	8.8	(3.3)	5.9	1.4	4.7
MSCI EAFE	(2.6)	(3.8)	9.7	(3.3)	5.9	1.9	5.0
MSCI EM	(4.9)	(6.0)	3.9	(4.4)	5.8	0.4	4.1
MSCI EAFE Small Cap	(2.5)	(3.2)	9.0	(9.2)	6.0	4.3	7.7
Style Index							
MSCI EAFE Growth	(1.2)	(1.6)	16.6	0.8	7.9	4.5	6.8
MSCI EAFE Value	(4.1)	(6.3)	2.7	(7.4)	3.8	(0.8)	3.1
Regional Index							
MSCI UK	(4.7)	(6.4)	5.7	(5.1)	3.6	(1.4)	4.6
MSCI Japan	(1.0)	(0.9)	6.8	(5.6)	5.4	4.6	4.9
MSCI Euro	(2.5)	(4.6)	10.8	(3.9)	6.4	1.3	3.4
MSCI EM Asia	(3.8)	(5.3)	3.9	(7.3)	6.1	2.5	5.9
MSCI EM Latin American	(8.1)	(8.0)	3.6	8.9	5.6	(4.1)	0.4

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	2.4	2.7	9.1	7.5	2.9	2.2	3.8
BBgBarc US Treasury Bills	0.2	0.4	1.7	2.4	1.5	1.0	0.6
BBgBarc US Agg Bond	2.6	2.8	9.1	10.2	3.1	3.3	3.9
Duration							
BBgBarc US Treasury 1-3 Yr	0.8	0.7	3.2	4.4	1.6	1.3	1.2
BBgBarc US Treasury Long	10.5	10.7	22.8	24.2	4.4	6.9	7.4
BBgBarc US Treasury	3.4	3.3	8.6	10.4	2.5	3.0	3.2
Issuer							
BBgBarc US MBS	0.9	1.3	5.5	7.1	2.4	2.8	3.2
BBgBarc US Corp. High Yield	0.4	1.0	11.0	6.6	6.2	4.9	8.5
BBgBarc US Agency Interim	1.2	1.2	4.3	5.8	2.0	2.0	2.1
BBgBarc US Credit	3.1	3.7	13.4	13.0	4.5	4.4	5.6

OTHER

Index							
Bloomberg Commodity	(2.3)	(3.0)	1.9	(5.9)	(0.9)	(8.6)	(4.3)
Wilshire US REIT	3.3	5.0	23.8	12.0	5.5	8.3	13.5
CS Leveraged Loans	(0.3)	0.5	5.9	3.4	4.8	3.9	5.7
Alerian MLP	(5.4)	(5.8)	11.0	(8.9)	(2.4)	(8.5)	7.5
Regional Index							
JPM EMBI Global Div	0.7	2.0	13.5	13.8	4.9	5.5	7.4
JPM GBI-EM Global Div	(2.6)	(1.7)	6.8	11.9	3.4	(0.7)	2.7
Hedge Funds							
HFRI Composite	0.1	0.5	7.8	1.1	4.3	2.9	4.4
HFRI FOF Composite	(0.7)	(0.5)	5.7	0.3	3.4	2.0	2.9
Currency (Spot)							
Euro	(1.1)	(3.3)	(3.7)	(5.3)	(0.4)	(3.5)	(2.6)
Pound	(0.5)	(4.3)	(4.4)	(6.3)	(2.4)	(6.0)	(2.9)
Yen	2.3	1.5	3.4	4.5	(0.9)	(0.4)	(1.3)

Source: Morningstar, HFR, as of 8/31/19

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. Verus Advisory Inc. (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended. Additional information about Verus Advisory, Inc. available on the SEC’s website at www.adviserinfo.sec.gov.

Verus – also known as Verus Advisory™.

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



Date: September 23, 2019

To: Board of Trustees

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

Agenda Item 11: Alternative Investments Fee Disclosure – CA Code 7514.7

Recommendation:

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

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 one exception to this is the HarbourVest IX Fund (circa 2011) that voluntarily provides CA Code 751.7 reporting.
- 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
SLOOPT

NM = not meaningful

NR = Not reported

Section 7514.7 Disclosure - Alternative Investments
2018

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	One Year Net IRR	One Year Gross IRR
Private Credit:										
TSSP Diversified Credit Program 2016 (A), L.P. (a)	75,000,000	45,629,957	-	-	-	-	-	173,580	9.2%	14.0%
Private Equity:										
HarbourVest Partners IX - Buyout Partnership Fund L.P. (b)	20,000,000	13,726,550	199,239	74,408	-	-	15,051	567,766	17.3%	NR
Pathway Private Equity Fund Investors 9, L.P. (c)	65,000,000	20,663,391	230,783	35,836	-	-	-	555,401	NM (c)	NM (c)
HarbourVest 2018 Global Fund L.P. (d)	20,000,000	1,358,992	69,134	69,697	-	-	11,738	1,635	NM (d)	NM (d)

(a) TSSP DCP fund data from commencement of operations 2016 through 2018

(b) HarbourVest Fund IX fund data from commencement of operations 2011 through 2018 (pre2017 - voluntary Section 7514.7 disclosure)

(c) PPEF Fund 9 fund data from commencement of operations 2017 through 2018

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

San Luis Obispo County Pension Trust
Section 6254.26 Disclosure - Alternative Investments
2018

Source: Verus, quarterly investment reports

Investment	Address	Vintage	Commitment	Contributions since inception	Distributions 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	75,000,000	45,629,957	4,524,265	30,978,587	35,502,852	8.1%	1.10x	270,485	4,064,520
Private Equity:											
Pathway Private Equity Fund Investors 9, L.P. (c)	Boston	2017	65,000,000	20,292,875	243,599	20,663,391	20,906,990	NA	1.03x	66,250	243,599
HarbourVest 2018 Global Fund L.P. (d)	Boston	2018	20,000,000	1,400,000	-	1,358,992	1,358,992	NA	NA	205,298	-
Private Equity - pre Jan. 1, 2017 (not subject to 7514.7)											
Harbourvest Partners IX - Buyout Fund, L.P. (b)	Boston	2011	20,000,000	16,050,000	11,177,703	13,762,550	24,940,253	17.3%	1.55x	258,121	5,608,103
KKR Mezzanine Partners I, L.P.	San Francisco	2010	20,000,000	20,000,000	29,566,840	4,497,329	34,064,169	8.5%	1.70x	79,363	4,916,607
PIMCO Distressed Credit Fund	Newport Beach	2010	20,000,000	20,000,000	27,950,093	103,484	28,053,577	12.4%	1.40x	6,310	1,202,500

(a) TSSP DCP fund data 12 months through December 31, 2018

(b) HarbourVest Fund IX fund data from commencement of operations 2011 through 2018

(c) PPEF Fund 9 fund data from commencement of operations 2017 through 2018

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

Board of Trustees

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



Date: September 23, 2019

To: Board of Trustees

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

Agenda Item 12: Fiduciary Properties Inc. – Final Rate of Return

Recommendation:

Receive and File

Discussion:

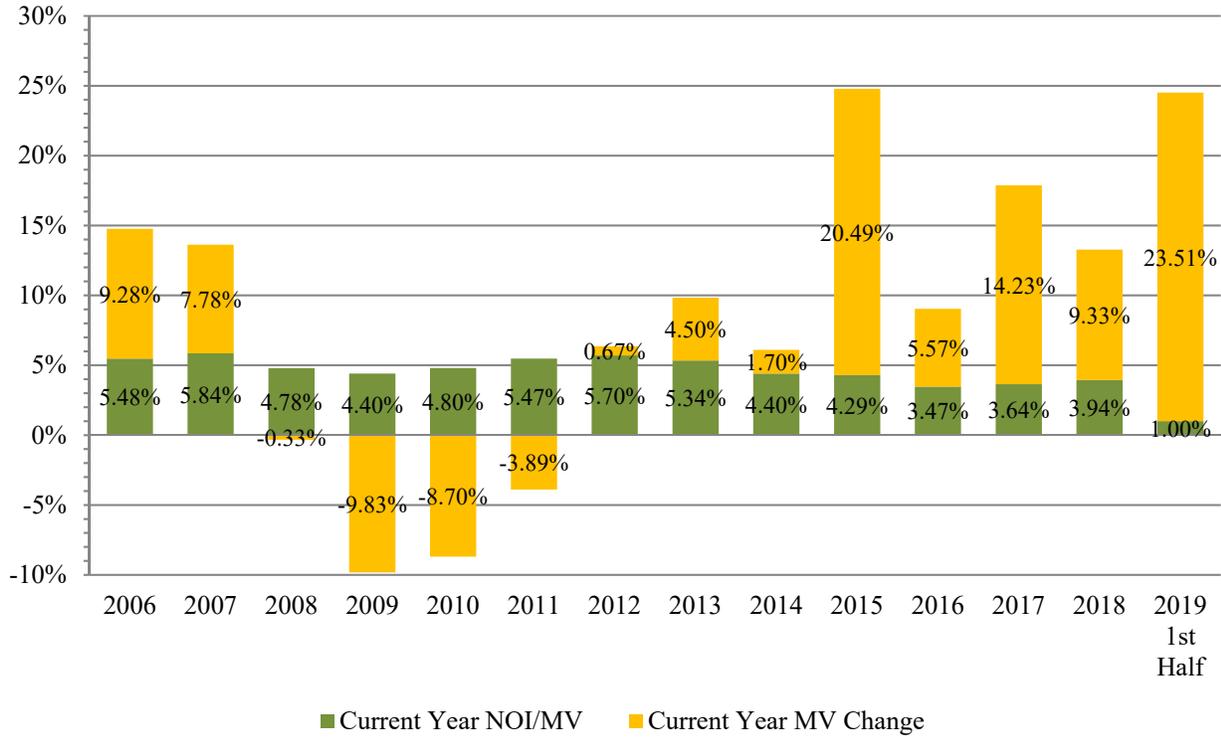
In 2014 the Board of Trustees authorized the exit from the long-running Fiduciary Properties Inc. (a SLOCPT subsidiary) local real estate portfolio. American Realty Advisors was retained to manage that exit strategy and has completed the sale of the last of the seven investment properties in 2Q19. The eighth FPI owned properties was the SLOCPT office at 100 Mill St / 778 Osos St.. It has been transferred back to SLOCPT ownership directly as an operating asset.

Now that the FPI local real estate investment program is concluded, it is interesting to compare the total gross returns of FPI to the JP Morgan Strategic Property Fund that the SLOCPT uses as its core real estate holding. It is also useful to compare FPI returns to the NCREIF index of institutional real estate. The time period measured starts in 2006 when: a) the FPI portfolio was complete; and, b) when triennial appraisals on the portfolio were started.

The returns on the FPI portfolio are obviously greater in the last 3 years of ARA management. This reflects the impact of actual sale prices versus inherently conservative prior appraised values. It also reflects ARA's management of the portfolio to enhance its value. This consisted of some property improvements but, was mostly turning over the tenant leases to long term leases which adds value for potential buyers.

The following graph shows annual returns by Income (Net Operating Income/Market Value) and Annual changes in Market Value.

FPI - Total Returns



The Following table shows the year by year gross total return on the FPI portfolio.

	Total FPI Return (gross)
2006	14.8%
2007	13.6%
2008	4.4%
2009	-5.4%
2010	-3.9%
2011	1.6%
2012	6.4%
2013	9.8%
2014	6.1%
2015	25.3%
2016	9.2%
2017	18.2%
2018	13.5%
2019 (1 st half)	24.6%

The comparative rates of return for the FPI portfolio to the core real estate fund used by the Pension Trust and to a Real Estate index for 2006 through mid-2019 is shown below. From 2006 when the FPI portfolio has measurable performance (appraised values) to 2014 it was internally managed by the Pension Trust. From 2015 to 2019 it was managed by American Realty Advisors in a limited-term engagement to liquidate the FPI portfolio.

	Total Return (gross) 2006 to 2019 1 st half annualized rate
FPI	9.8%
JP Morgan Strategic Properties Fund (large open-end RE core real estate fund)	7.1%
NCREIF index (National Council of RE Investment Fiduciaries)	7.7%

The strong relative performance of FPI is due somewhat to its fully-liquidated status. In a rising real estate market realized sale values should tend to be higher than inherently conservative recent appraisals that are used to value the properties in the JP Morgan SPF fund and the NCREIF index.

It should be remembered that at the time of the strategy change to an FPI-exit strategy as of the end of 2013 the 8-year trailing gross rate of return for FPI was 5.1% vs. 5.9% for the JP Morgan SPF and 6.6% for the NCREIF index.

The strong FPI relative performance is also due to ARA’s management of the exit strategy for the FPI portfolio that stressed adding value to the properties prior to sale. Also, the FPI returns reflect a generally strong San Luis Obispo commercial real estate market – particularly in the last four years.

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



Date: September 23, 2019

To: Board of Trustees

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

Agenda Item 13: Asset Allocation September 2019 - revised

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

The drawdown of the July 15th Employer prefunding of FY19-20 pension contributions will be complete at the end of September. A portion of the prefunding was retained for temporarily increasing Treasury account reserves from the required 3 months of benefits to 6 months of benefits. The normal investment portfolio drawdowns for liquidity to fund benefit payments and capital calls for 4Q19 are being planned. The preliminary plan for these \$31 million of drawdowns to be spread across the 4th quarter is shown below. The transfers are designed to keep the overall asset mix close to policy targets and have been reviewed by Verus and revised in consultation with Scott Whalen.

Public equities – domestic	- \$3m from Loomis Sayles - \$3m from Boston Partners - \$6m from Atlanta Capital
Public equities – international	- \$6m from Dodge & Cox Intl.
Fixed Income	- \$7m from Pacific Asset Mgmt. Bank Loans - \$6m from BlackRock Core Fixed Income

No Board action is planned at this point.

Respectfully submitted

This page left blank intentionally.

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



Date: September 23, 2019

To: Board of Trustees

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

Strategic Planning - Agenda Item 19: Sustainability of the Retirement Plan – Presentation by Plan Actuary – Leslie Thompson and Paul Wood of Gabriel Roeder Smith

Leslie Thompson and Paul Wood of Gabriel Roeder Smith will make a presentation on the sustainability of the Retirement Plan and the SLOCPT under various projected scenarios. The main topics included in the presentation are –

1. Sustainability of the Pension Trust
 - a. Review of best practices on pension funding
2. Funding Projections
 - a. Updated long-term actuarial projections of Funded Ratio, Contribution Rates, and UAAL for various investment return and discount rate scenarios.
 - b. Management alternatives for the “cliff” in contribution rates once the funding policy brings the Plan close to 100% funded an issue for 10 years from now.
3. The economic value of prefunding pensions in the long-term
 - a. Investment returns over 50 years are expected to cover ~60% of benefits.
4. Impact if the Plan is closed to new entrants
 - a. Illustrative and conceptual discussion of new hires not being in the DB pension. There are no indications of plans to close the SLOCPT Plan to new entrants but, given the nationwide dialogue on pension reform and DC Plans for new hires, this topic deserves some actuarial background discussion.

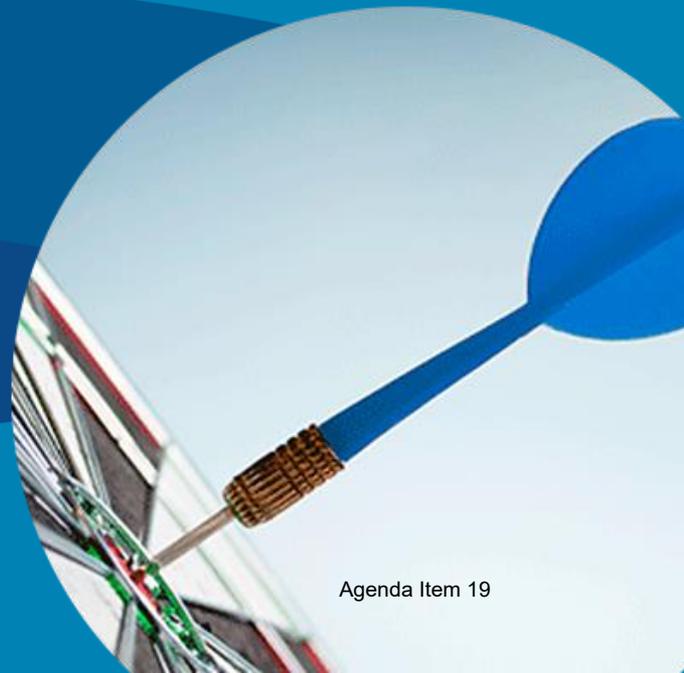
Respectfully submitted

This page left blank intentionally.

San Luis Obispo County Pension Trust

Board Retreat
September 23, 2019

Leslie Thompson, FSA, FCA, EA, MAAA
Paul Wood, ASA, FCA, MAAA



Agenda

- Sustainability of the Pension Trust
 - Review of best practices that promote long term sustainability of the pension trust
- Projections - Looking into the future
 - Review of risk and modeling of various outcomes
 - Path dependency - “How” you get there matters
 - “Cliff” management
- Economic Value of Prefunding
 - Why prefund and target full funding
 - “The SLOCPT Pension Buck” - How much do capital markets contribute to the Plan?
- Impact on the Pension Trust if Closed to New Entrants

SUSTAINABILITY OF THE PENSION TRUST

Sustainability of the Pension Trust

- Sustainability can be difficult to define
- At its most basic level, can a plan operate in its current form forever?
- What are some characteristics of a sustainable pension plan?
 - Participants can dependably retire with appropriate benefits at reasonable retirement ages
 - Human capital goals of the plan sponsor are continuing to be met
 - All generations of members receive their expected retirement benefits
 - All generations of members receive the same value of benefits, regardless of the economic and interest rate environment they live in
 - All generations of taxpayers make similar contributions to fund the program, in real terms or as a percentage of an ongoing budget (often referred to as intergenerational equity)
 - Efficiency is optimized to minimize the amount of contributions needed to provide the benefits while balancing risk across generations

Sustainability of the Pension Trust

Objective Measures

- Even though sustainability can be difficult to define, there are some objective measures at which we can look:
 - Contribution measures
 - Do you have a legally required contribution amount based on accepted actuarial practices? - **Yes**
 - Does the contribution amount automatically adjust if certain minimums are not met ? - **Yes**
 - Has the sponsor demonstrated a 10-year history of meeting the required contribution ? - **Yes**

Sustainability of the Pension Trust

Objective Measures (cont'd)

– Funding Policy

- Is your funded ratio higher than it was 10 years ago? – **No**
- Based on current practices and assumptions, is your UAAL expected to be lower 10 years from now? – **Yes**
- What is the amortization period for the current UAAL based on the required contribution? – **21 Years**
- What is the amortization period for new losses? – **20 Years**
- What is the sum of your amortization period and asset smoothing period? – **26 Years**
- What is the amortization period for benefit enhancements?
– **20 Years**

Sustainability of the Pension Trust

Objective Measures (cont'd)

– Actuarial assumptions

- What is the likelihood of meeting or exceeding the assumed return assumption over the next 20 years based on actuarial analysis? – **38%**
- Does the Board regularly review actuarial assumptions? – **Every two years**
- What is the assumed rate of payroll growth for amortization purposes? – **2.75%**

Sustainability of the Pension Trust

Objective Measures (cont'd)

- Demographic and Benefit Characteristics
 - What is the annual percent change in active population last 10 years? – **0.25%**
 - Are any of the liabilities contingent on future experience? – **CPI Based COLA**
 - What is your current active to retiree ratio? – **.95**
 - What is your longer term active to retiree ratio? – **.61**
 - What is your short to intermediate term negative cash flow as a percent of assets? – **1.2%**
 - What is your longer term negative cash flow as a percent of assets? – **4.0%**

Sustainability of the Pension Trust

Summary

- Overall, the SLOCPT measures up rather favorably to the objective measures
- The Board along with the Plan Sponsor have demonstrated the resolve to properly fund the SLOCPT
- Investment risk still presents one of the biggest challenges to long term sustainability

PROJECTIONS - LOOKING INTO THE FUTURE

Long Term Projections

- Baseline projections
- Sensitivity to discount rate changes
- Stress testing
 - Impact of under or over-performance
 - Repeat of the last 11 years of returns
- Stochastic projections
- Does order of returns matter?
- Cliff management

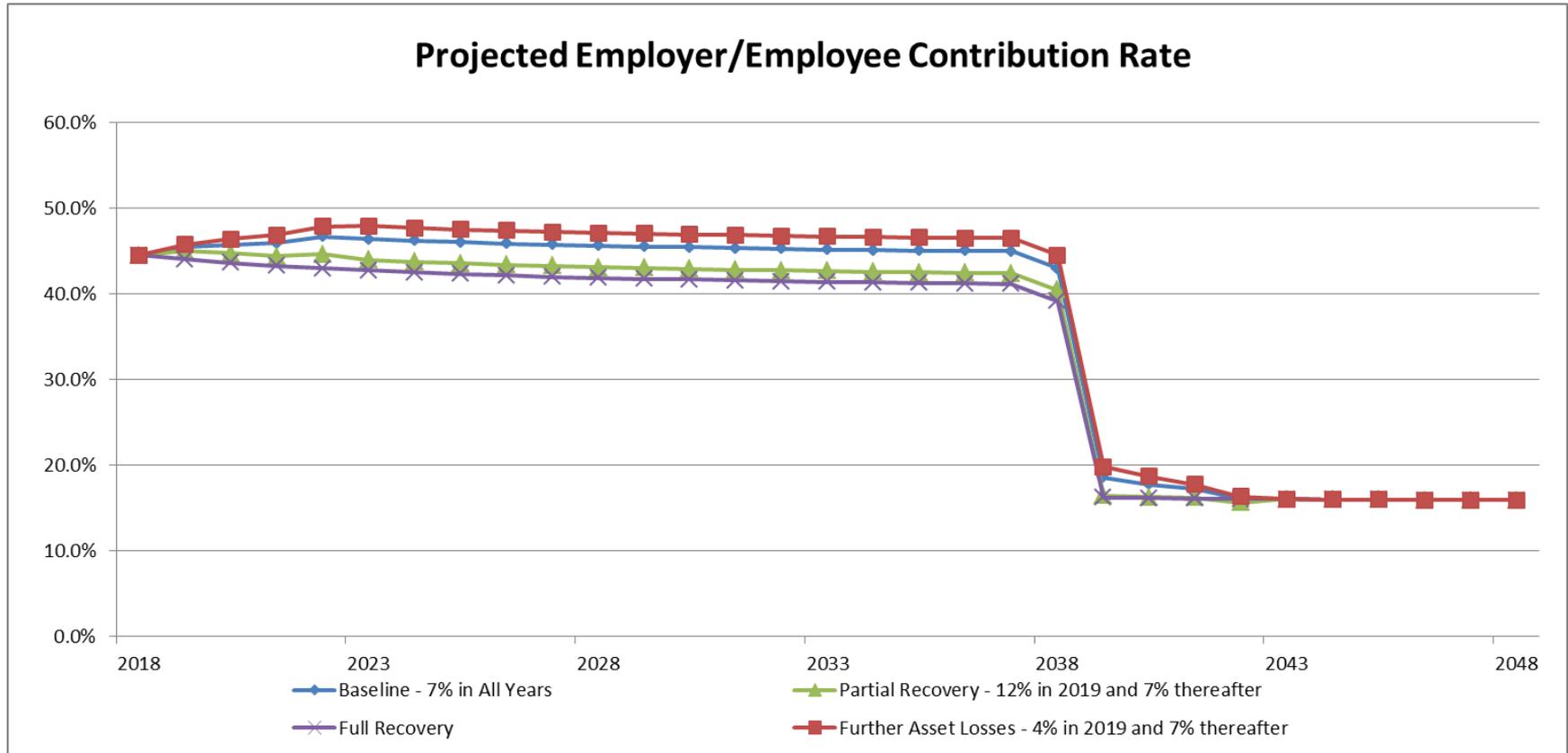
Long Term Projections

Baseline Projections

- Four different baseline asset projections
 - Baseline
 - No recovery in assets returns
 - 7% return all years going forward
 - Partial recovery
 - 12% return in 2019 and 7%, thereafter
 - Full recovery necessary to eliminate deferred losses
 - Assets projected from the actuarial value which is currently 107% of the market value
 - 2019 is another difficult year
 - 4% return in 2019 and 7%, thereafter

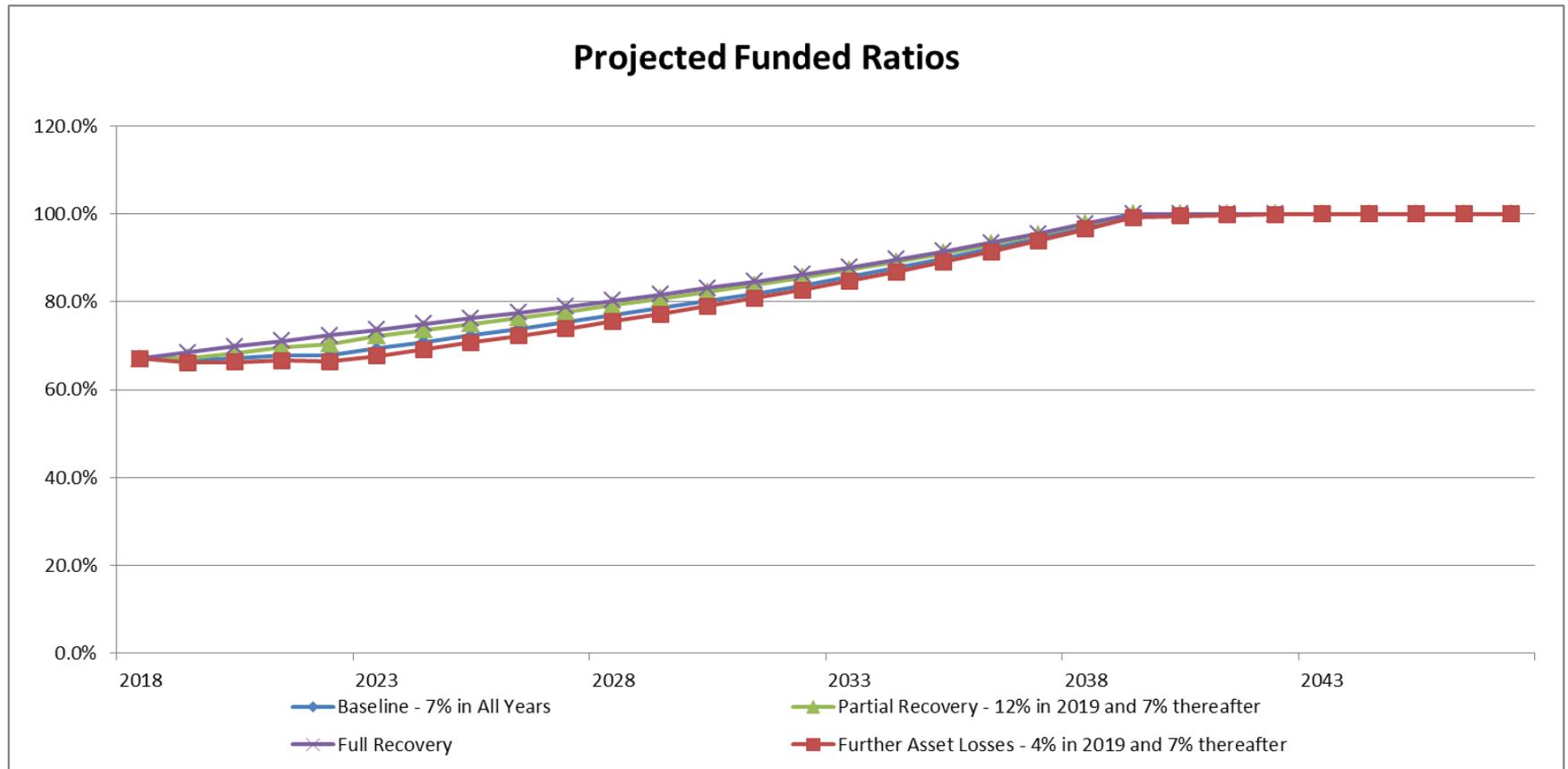
Long Term Projections

Baseline Projections - Projected Contribution Rates



Long Term Projections

Baseline Projections - Projected Funded Ratios



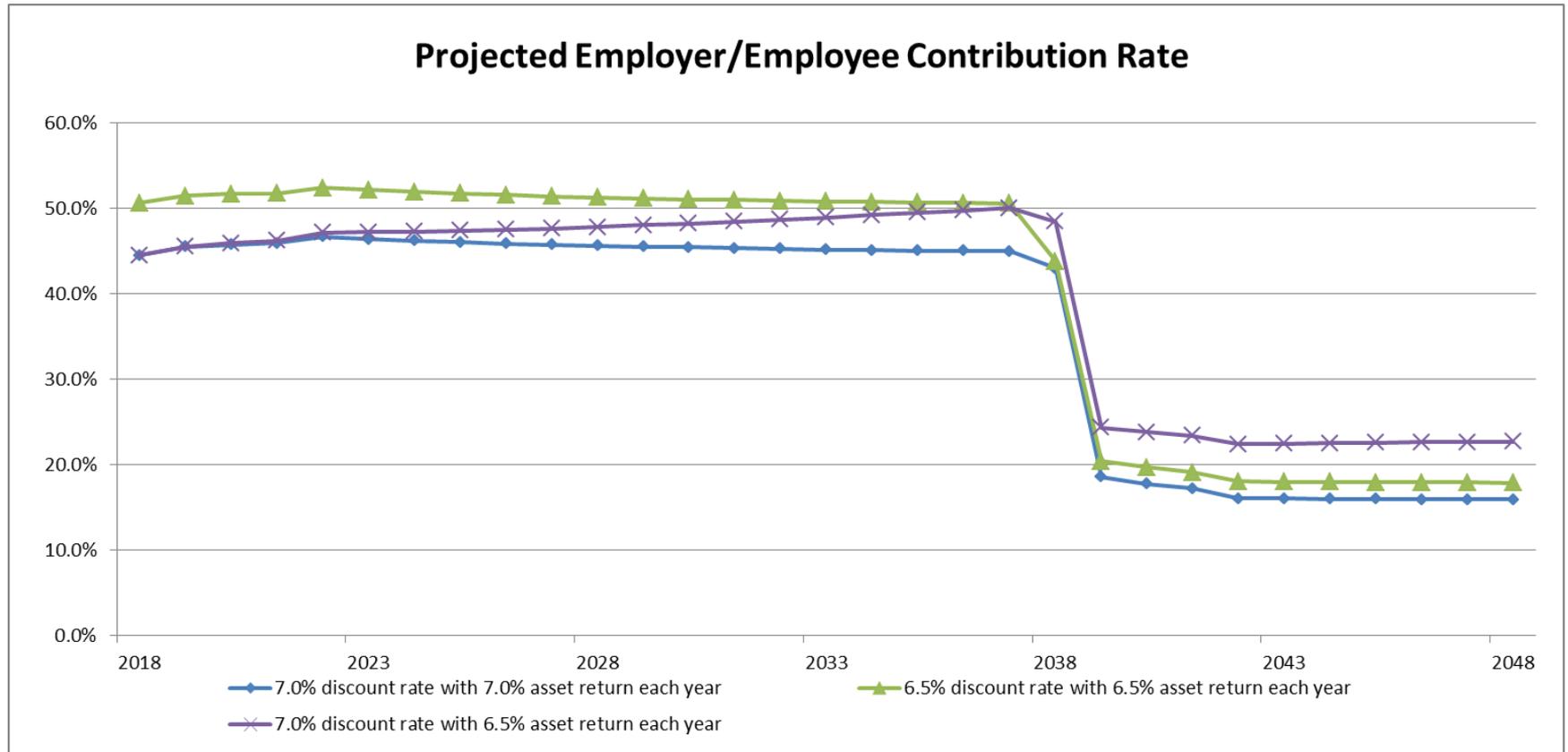
Long Term Projections

Sensitivity to Discount Rate

- Current discount rate assumption is 7.0%
- Lowing the discount rate to 6.5% would increase costs in all future years and lower the funded ratio in the short term
- Three projection sets
 - 7.0% discount rate with 7.0% asset return each year
 - 6.5% discount rate with 6.5% asset return each year
 - 7.0% discount rate with 6.5% asset return each year

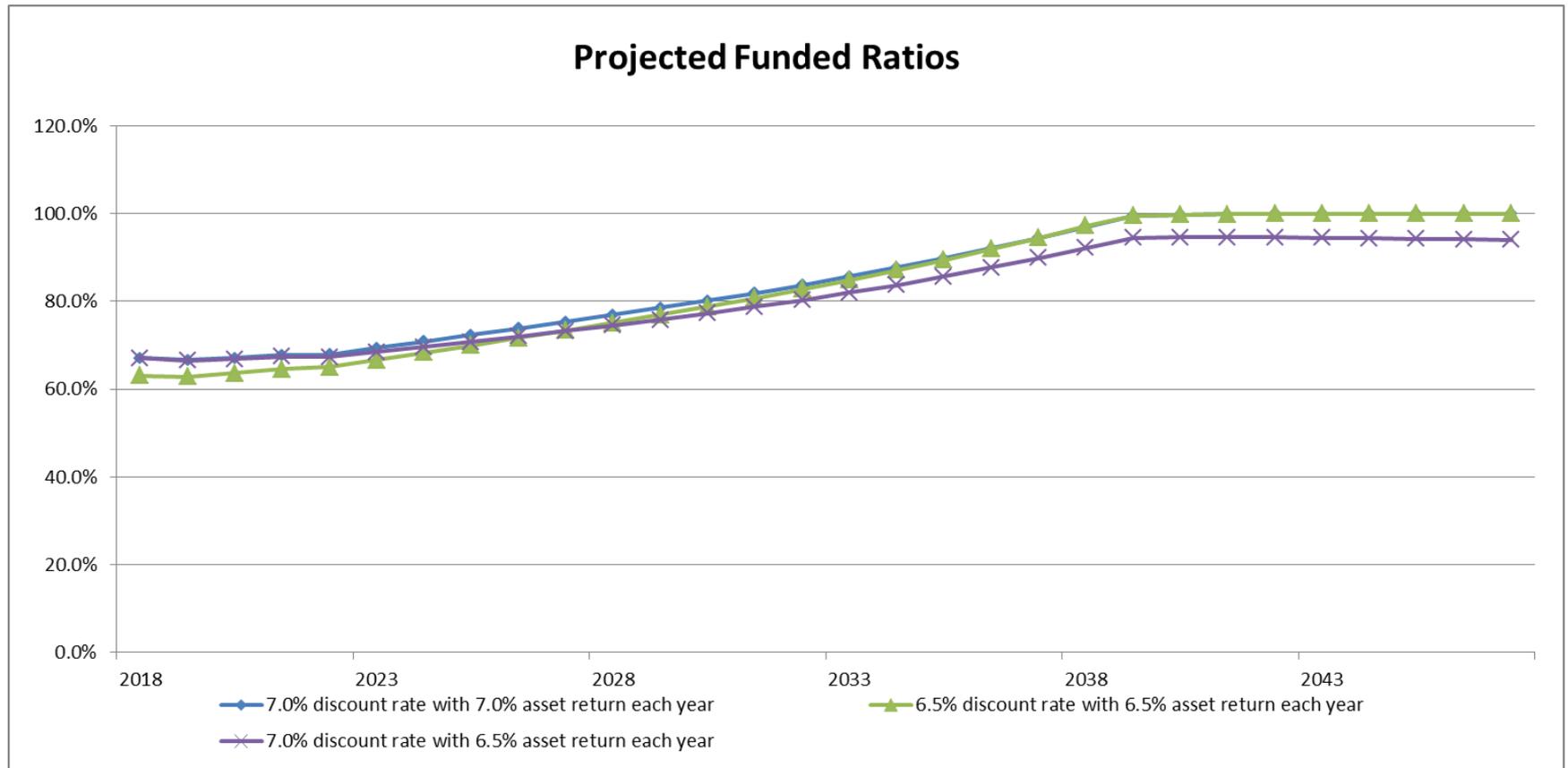
Long Term Projections

Sensitivity to Discount Rate - Projected Contribution Rates



Long Term Projections

Sensitivity to Discount Rate - Projected Funded Ratios



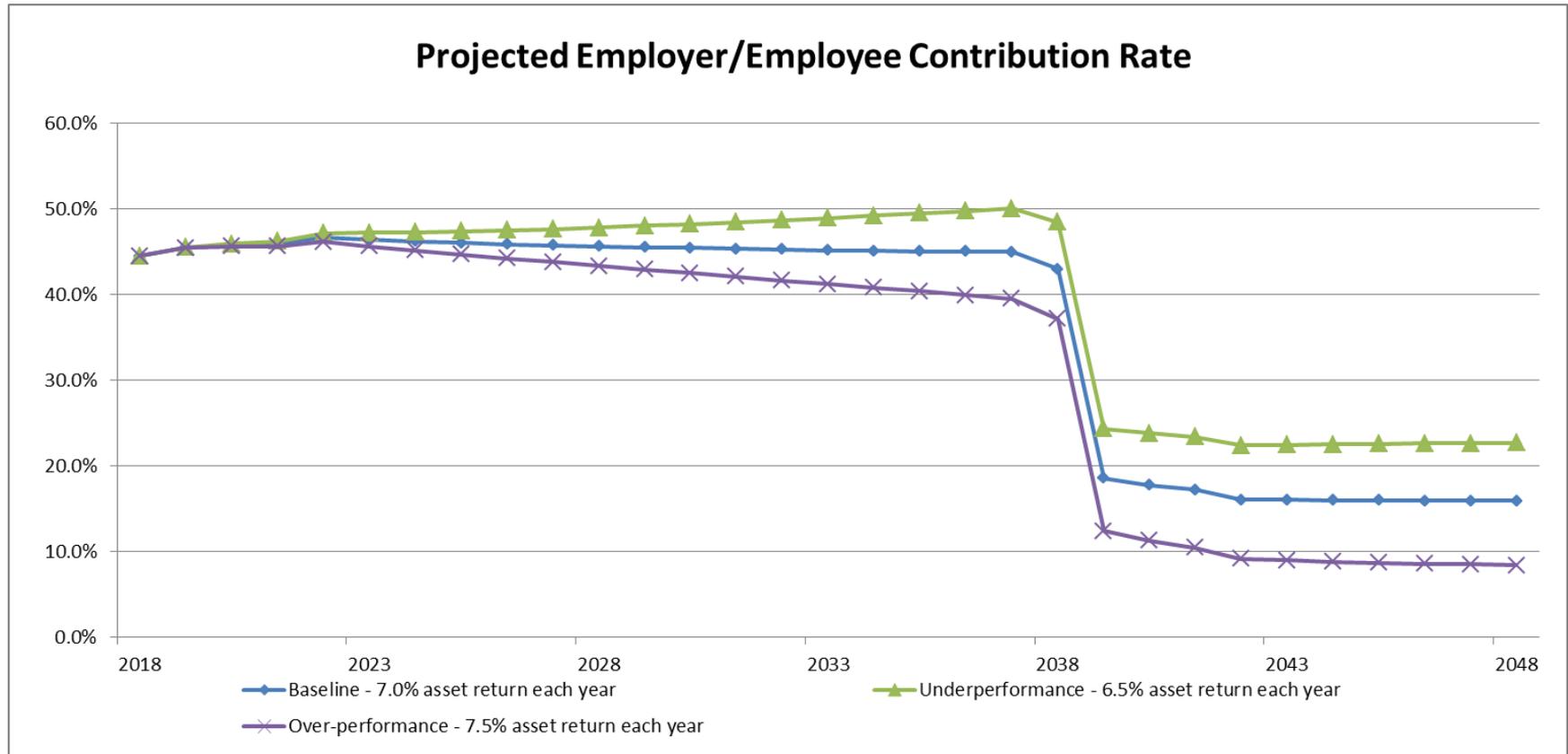
Long Term Projections

Stress Testing

- Stress testing of the plan can show us how the contributions and funded status react under various return scenarios
- Can also give insight into the effectiveness of the funding policy in the face of volatile markets
- Showing the following two projection sets
 - Impact of under or over-performance
 - 50bp in either direction
 - Repeat of the last 11 years of returns
 - Captures the impact of the Great Recession
 - Average return over the 11 year period was 4.8%

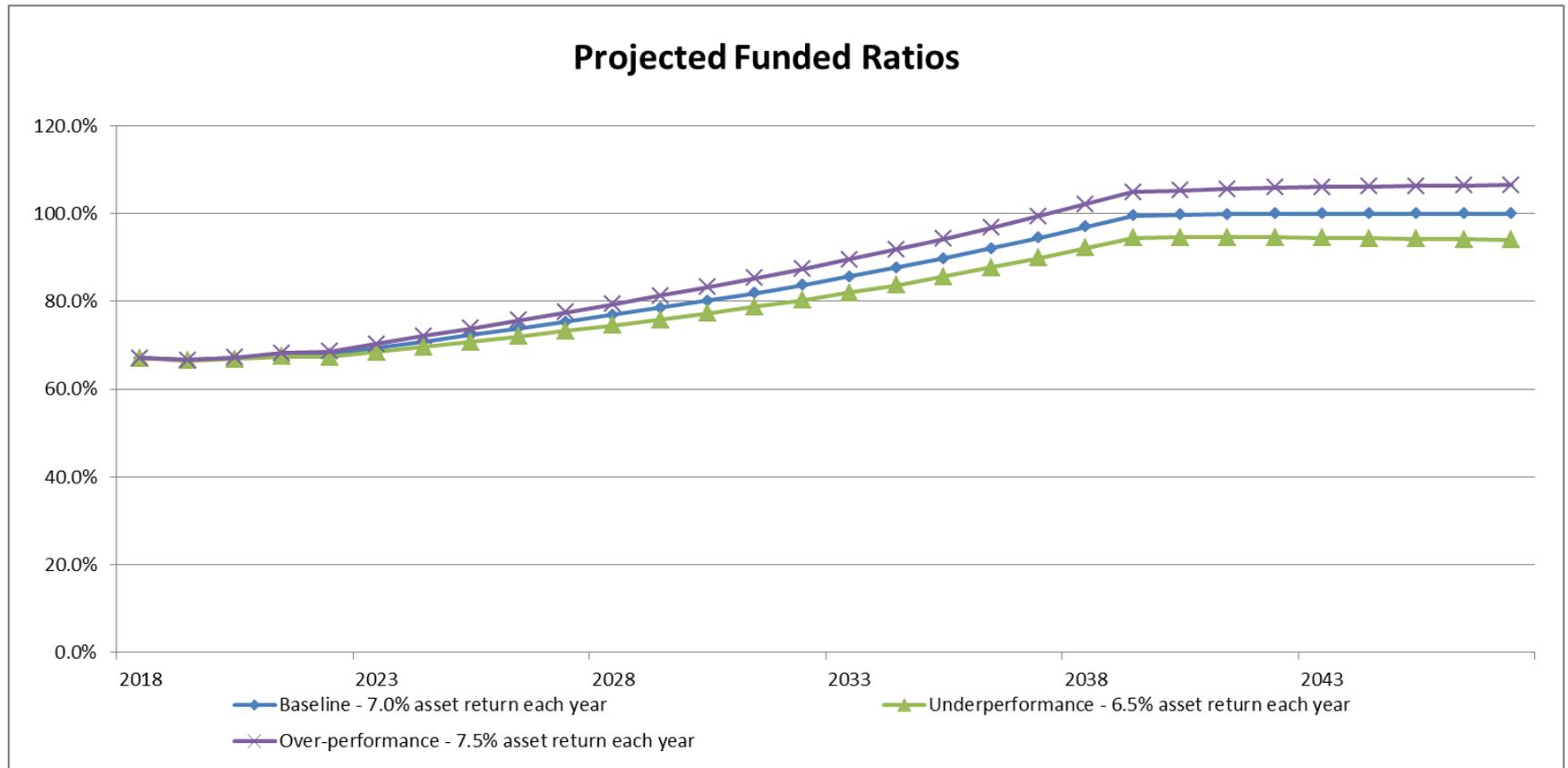
Long Term Projections

Stress Testing – Impact of Under or Over-Performance



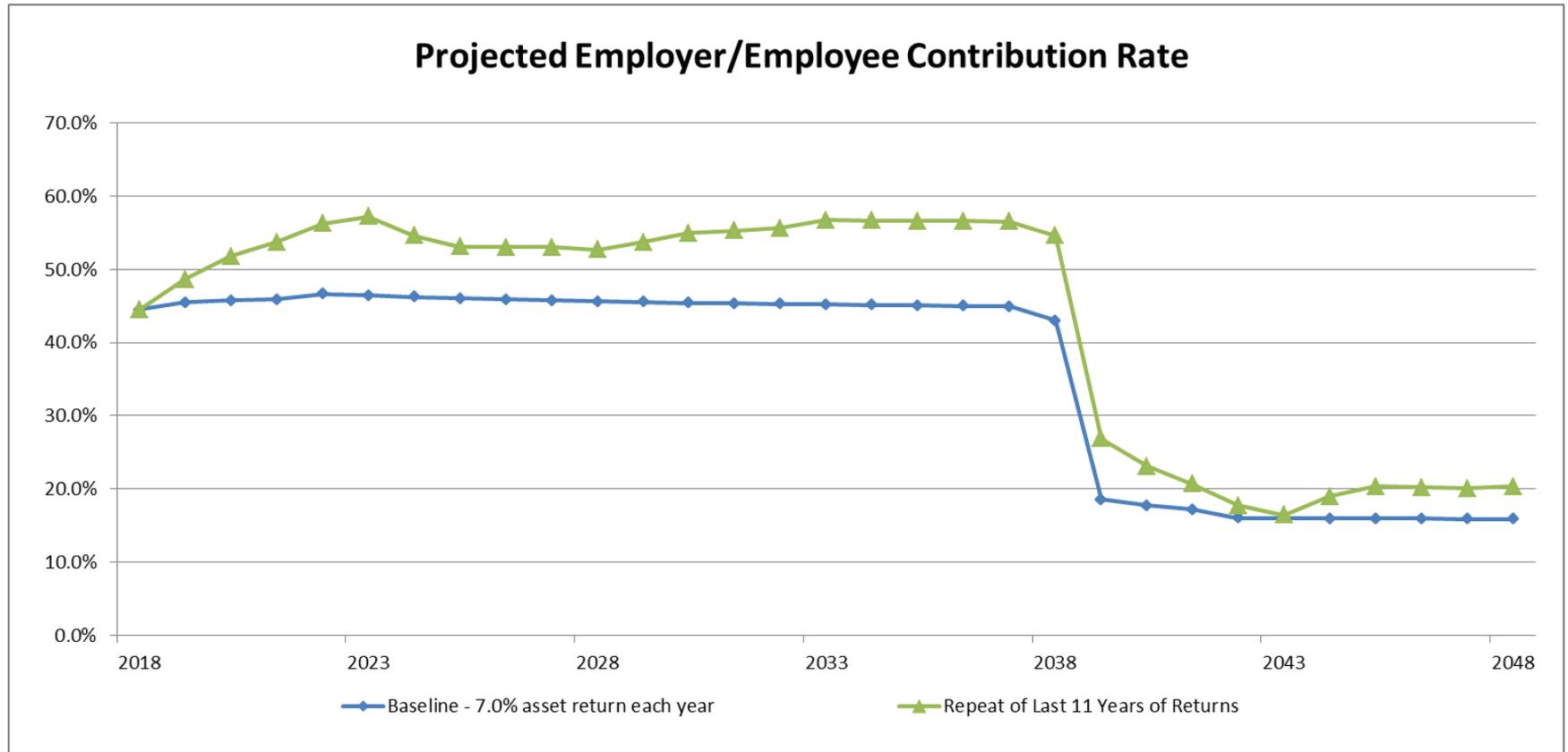
Long Term Projections

Stress Testing – Impact of Under or Over-Performance



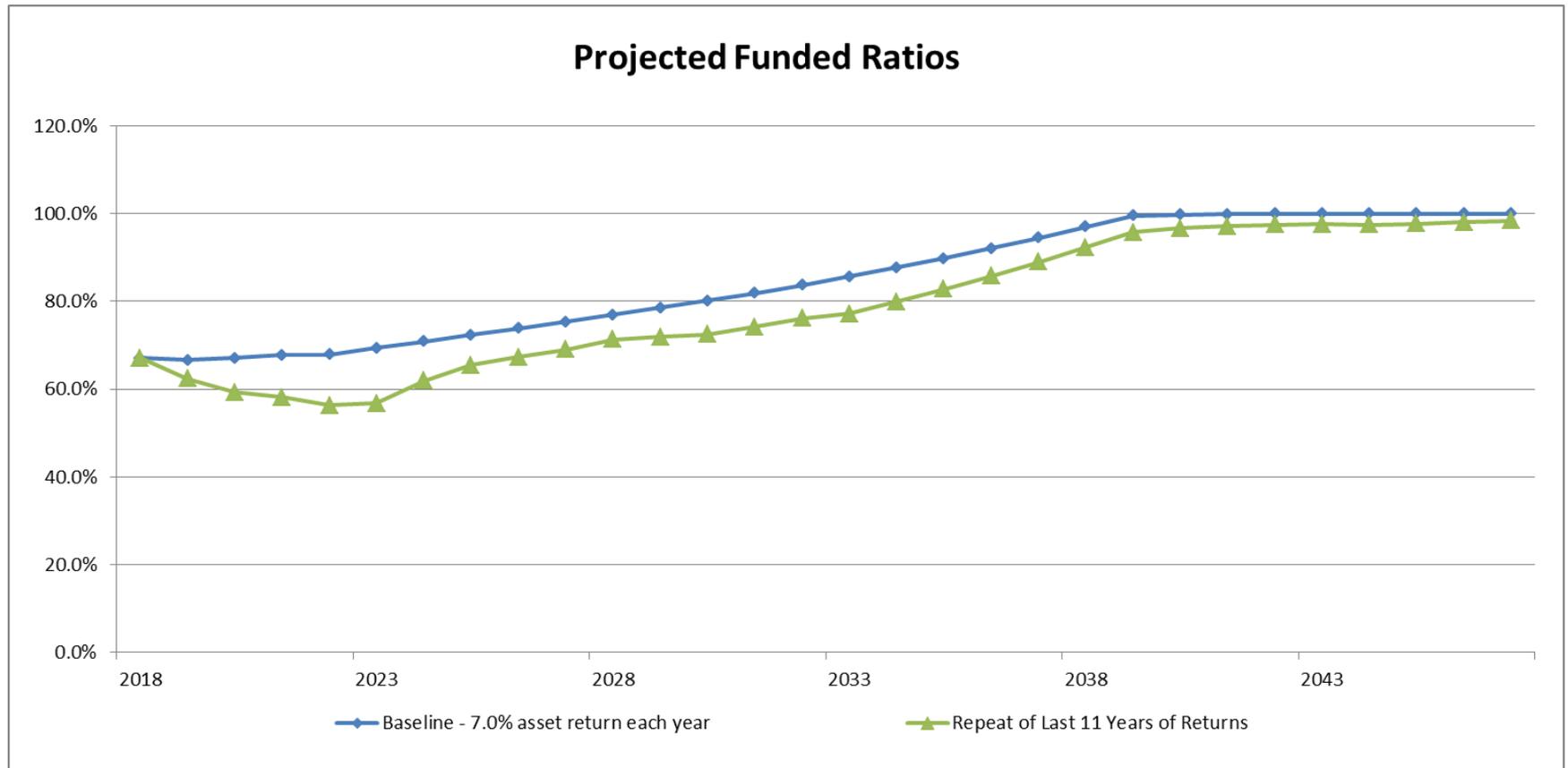
Long Term Projections

Stress Testing – Repeat of Last 11 Years of Returns



Long Term Projections

Stress Testing – Repeat of Last 11 Years of Returns



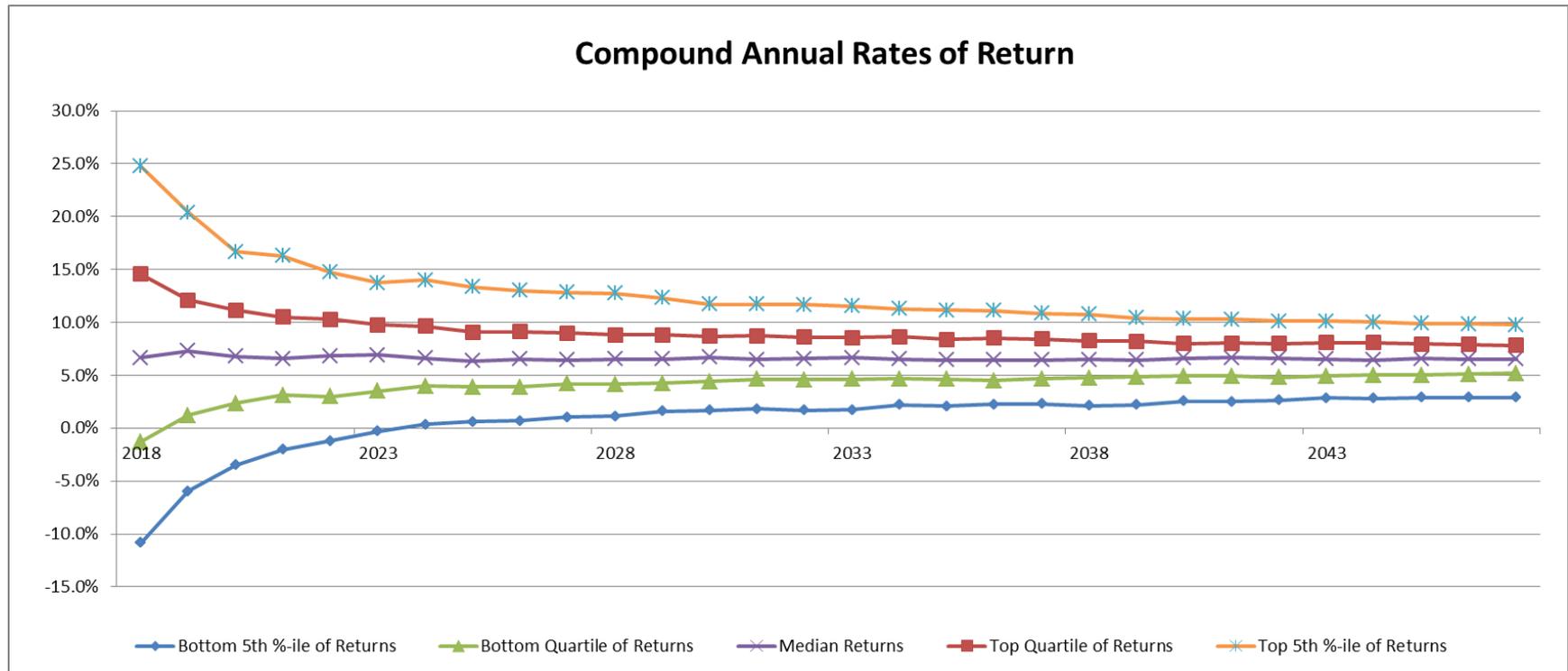
Long Term Projections

Stochastic Scenarios

- Projections on prior slides were straight line, or “deterministic”, projections
 - Do not illustrate the range of possible outcomes
- Also ran thousands of trials to help illustrate the range of outcomes that could occur
 - Generally referred to as stochastic projections
- Can lead to more informed decision making or, at a minimum, more robust expectations

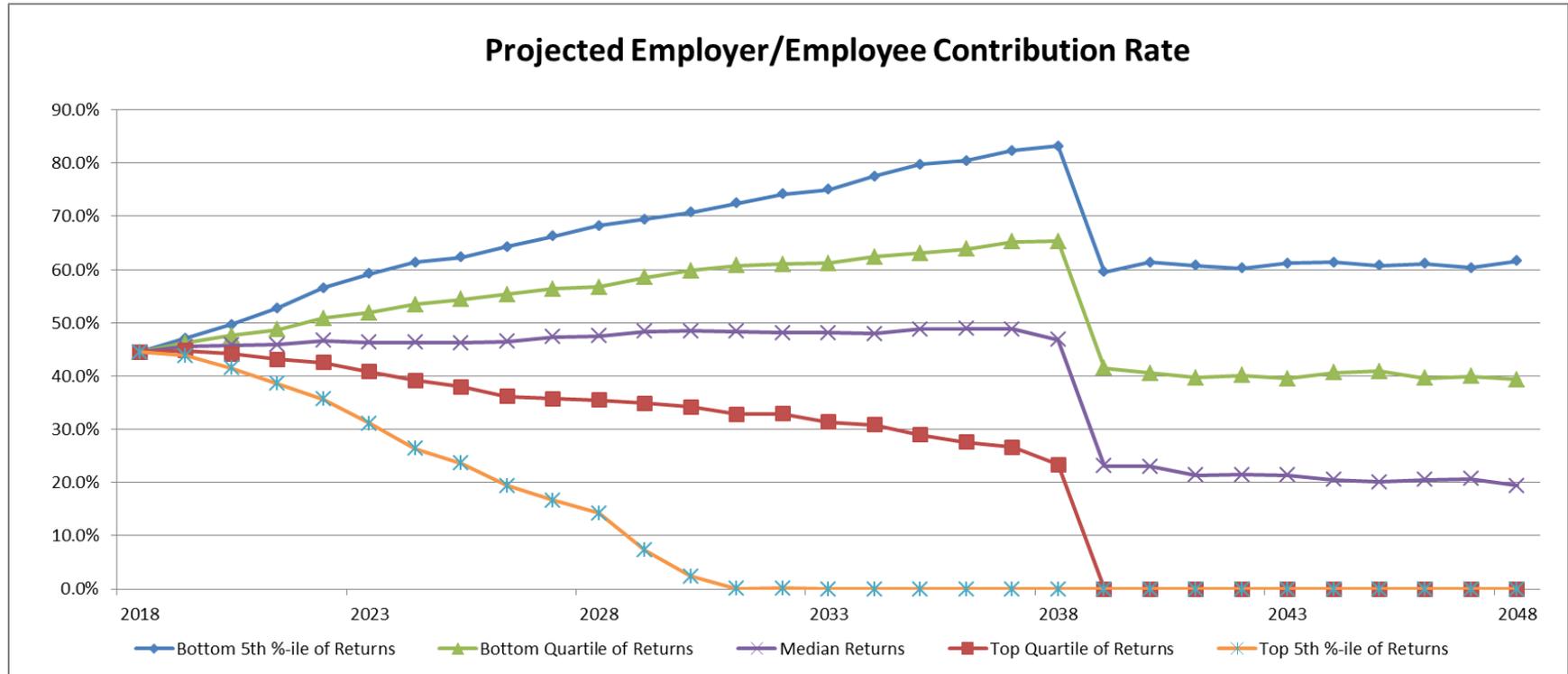
Long Term Projections

Stochastic Projections – Compound Annual Return



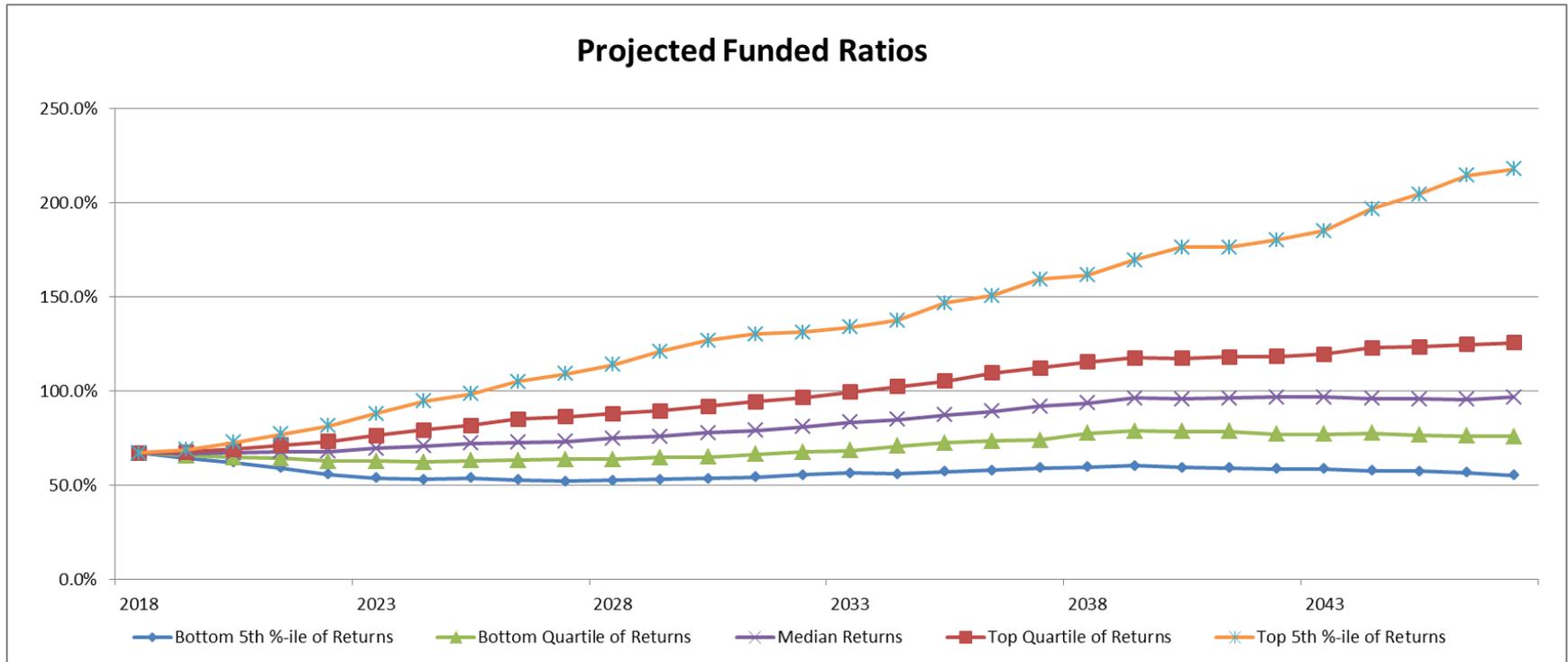
Long Term Projections

Stochastic Projections – Projected Contribution Rates



Long Term Projections

Stochastic Projections – Projected Funded Ratios



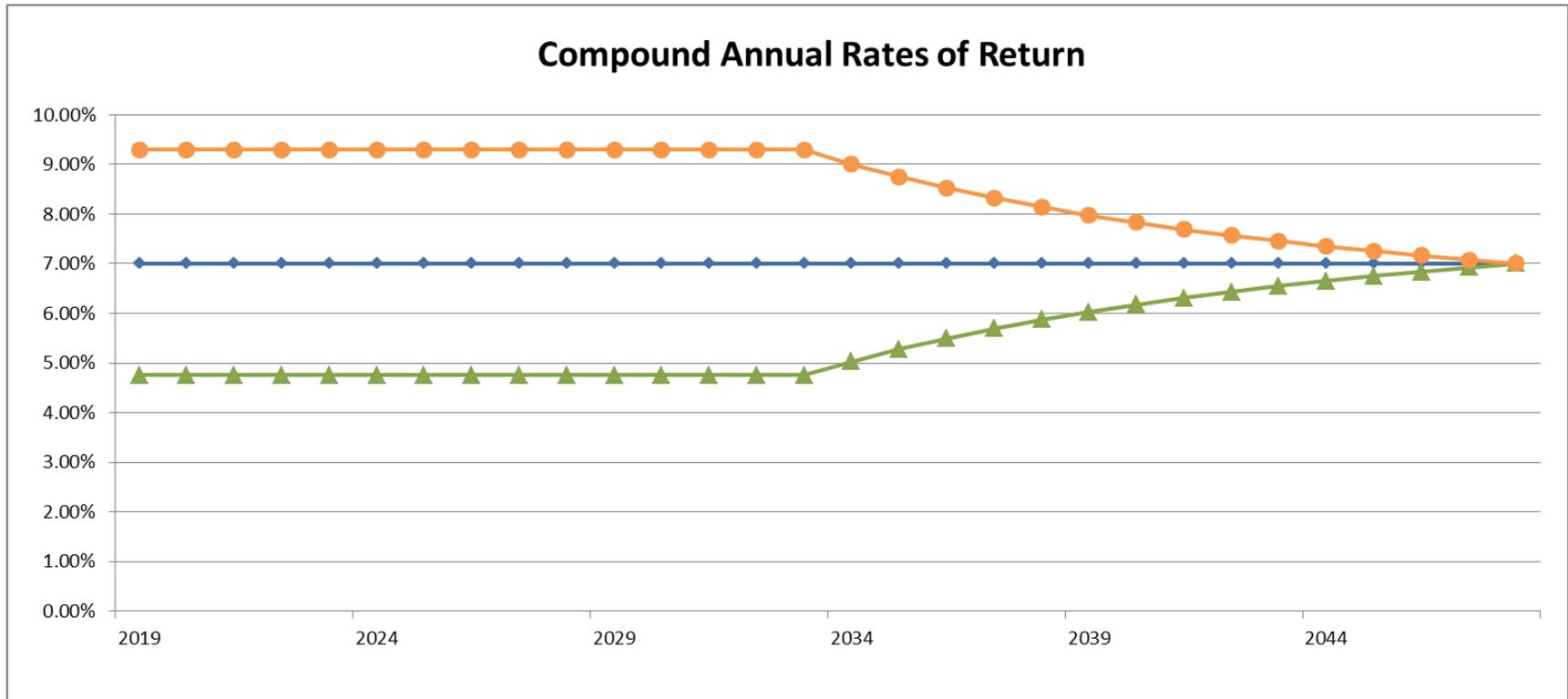
Long Term Projections

Does Order of Returns Matter?

- Let's envision a scenario where 30 years down the road, we can look back and say that we achieved a 30 year annualized return of 7.0%
- What does our funded status and contribution rates over the past 30 years look like?
- Turns out, it depends on how we got there
- Two projection sets
 - Simplified example
 - 10 possible paths

Long Term Projections

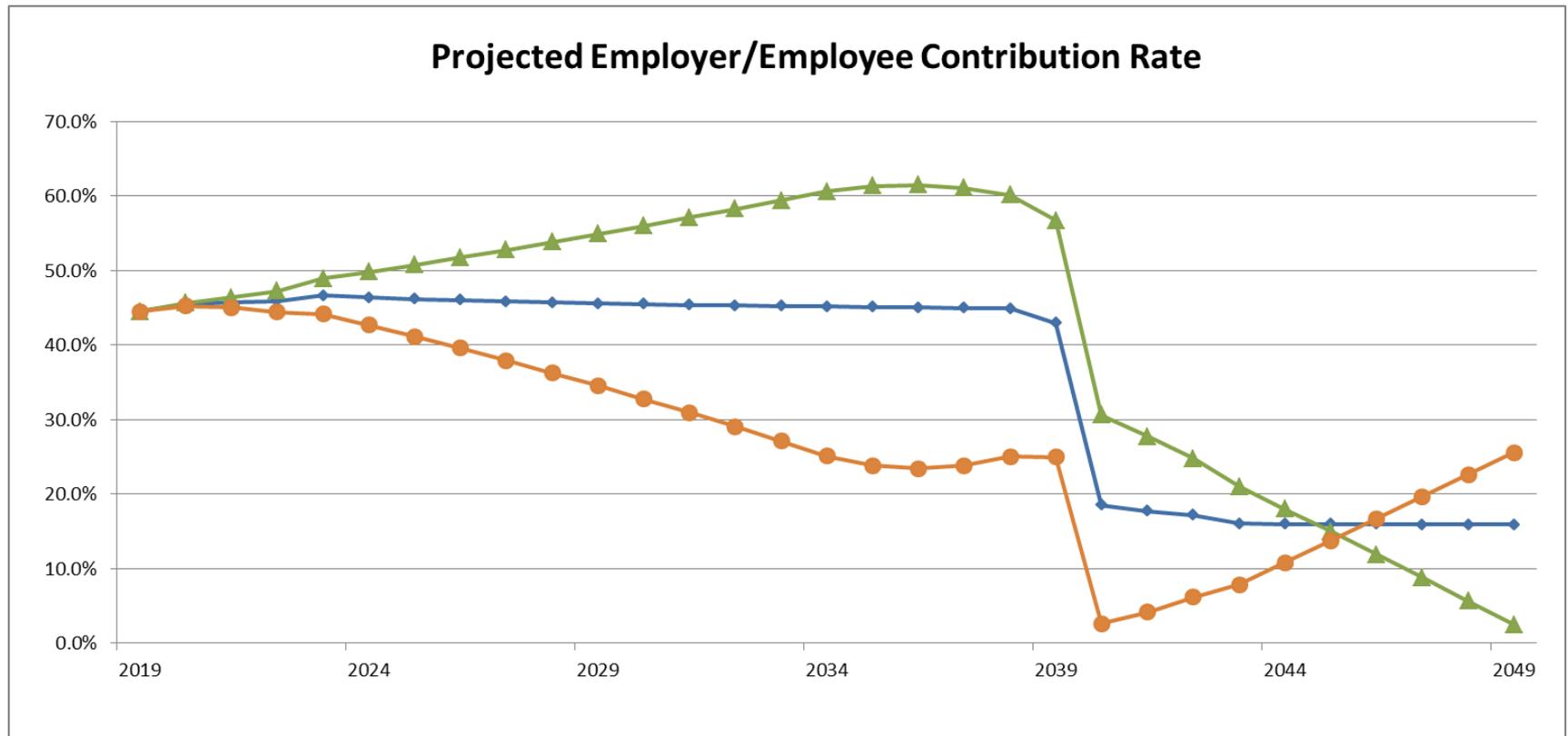
Does Order of Returns Matter? – Simplified Example



- Blue line assumes 7.00% return in all years
- Orange line assumes high returns for first 15 years and lower returns the next 15 years
- Green line assumes low returns for first 15 years and higher returns the next 15 years

Long Term Projections

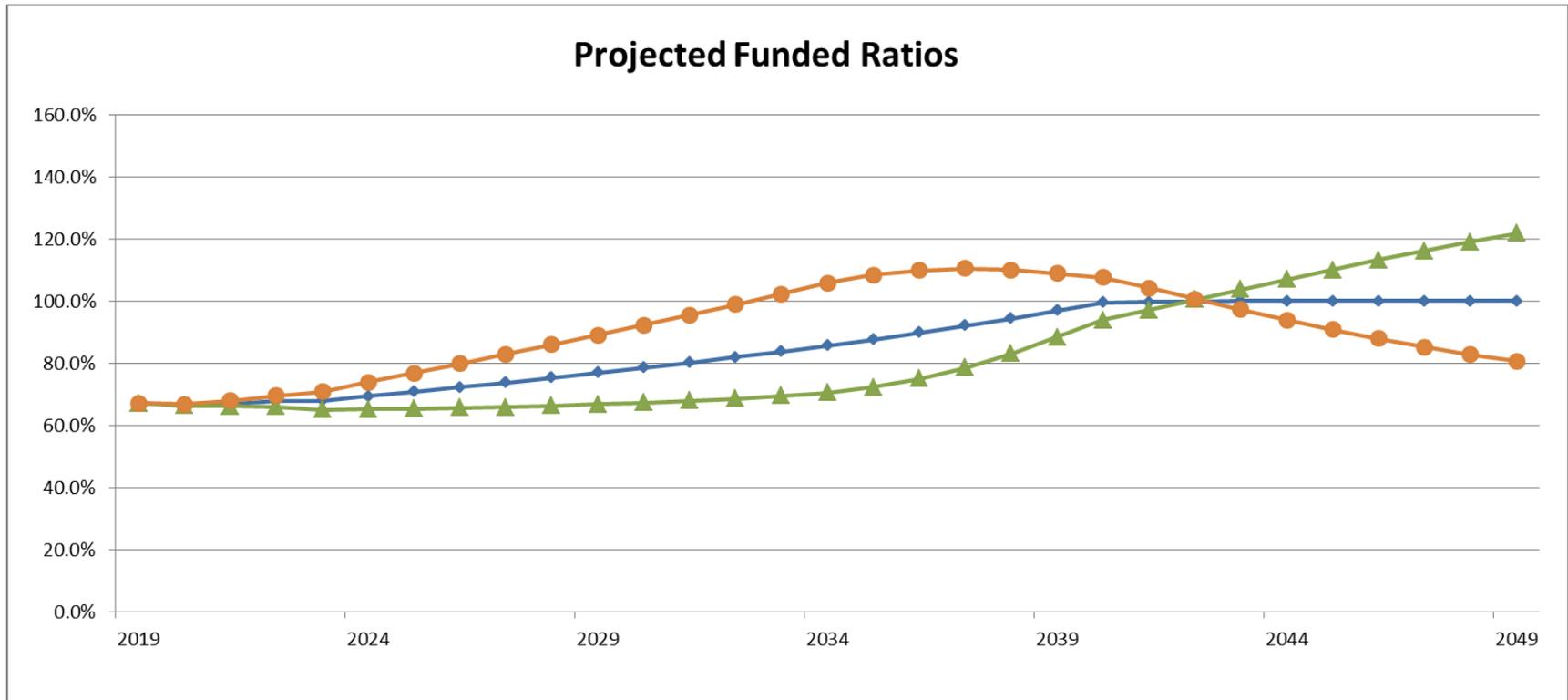
Does Order of Returns Matter? – Simplified Example



- Blue line assumes 7.00% return in all years
- Orange line assumes high returns for first 15 years and lower returns the next 15 years
- Green line assumes low returns for first 15 years and higher returns the next 15 years

Long Term Projections

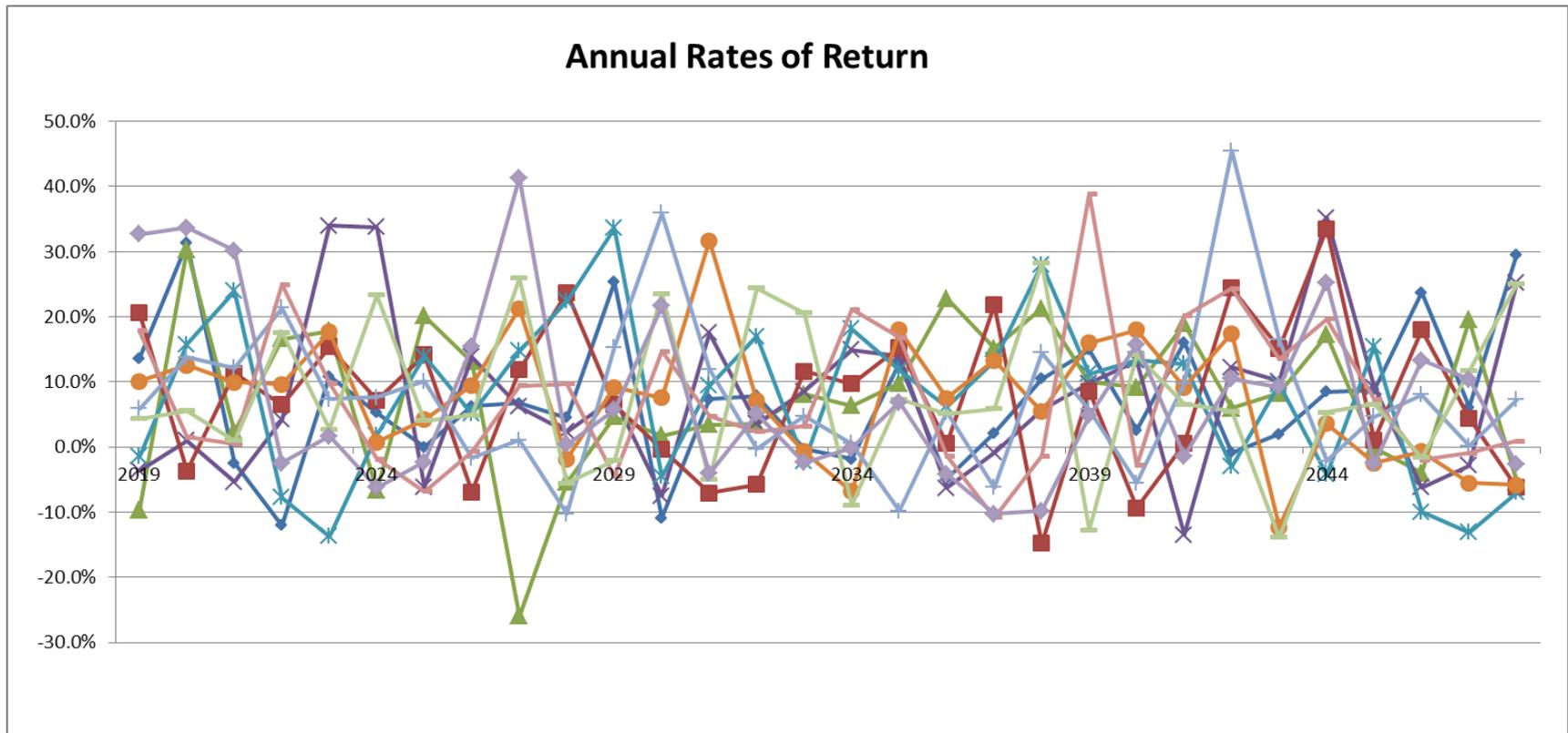
Does Order of Returns Matter? – Simplified Example



- Blue line assumes 7.00% return in all years
- Orange line assumes high returns for first 15 years and lower returns the next 15 years
- Green line assumes low returns for first 15 years and higher returns the next 15 years

Long Term Projections

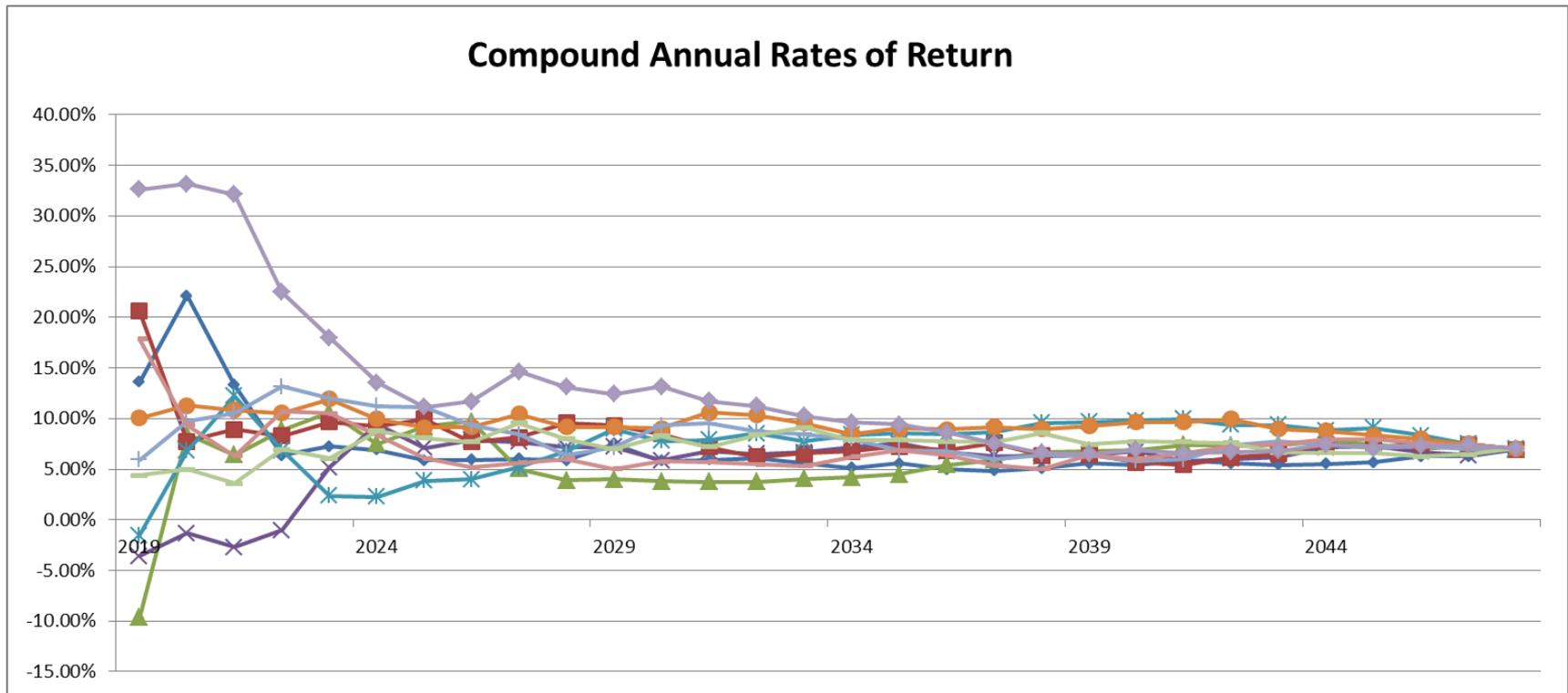
Does Order of Returns Matter? - 10 Possible Paths



- Actual returns will not exactly equal the assumed rate of return in every year going forward
- All ten of the trials above have a compound annual 30 year return of 7.00% (As shown on the next slide)

Long Term Projections

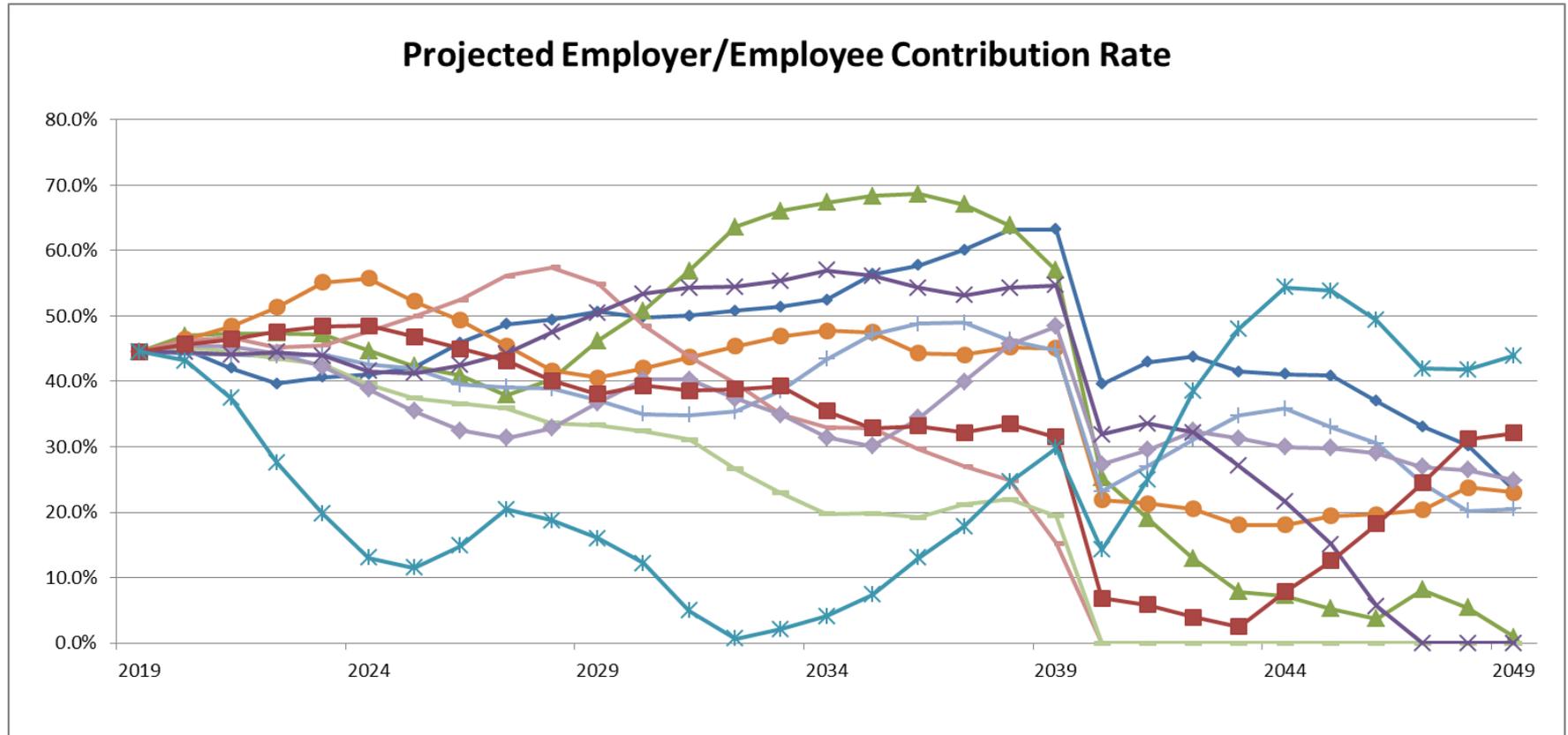
Does Order of Returns Matter? - 10 Possible Paths



- In thirty years, under each of these trials, we can look back and say that we exactly met our return target of 7.00%

Long Term Projections

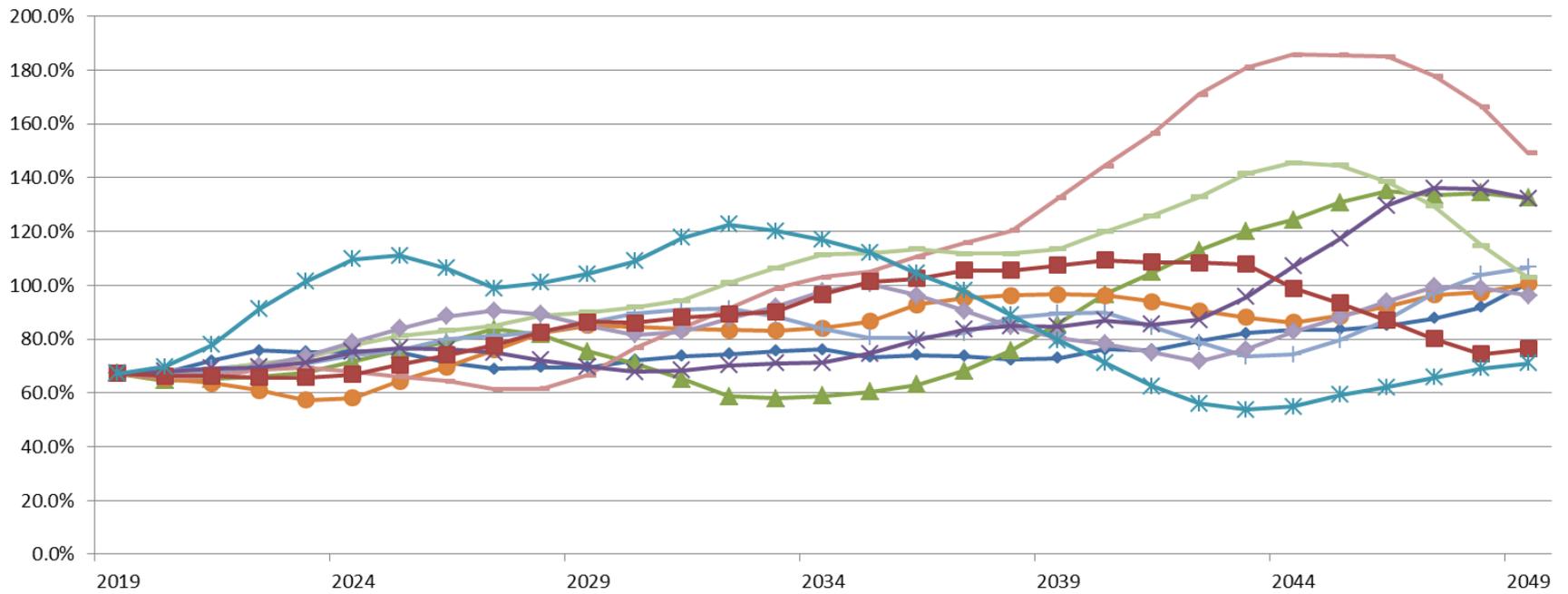
Does Order of Returns Matter? - 10 Possible Paths



Long Term Projections

Does Order of Returns Matter? - 10 Possible Paths

Projected Funded Ratios



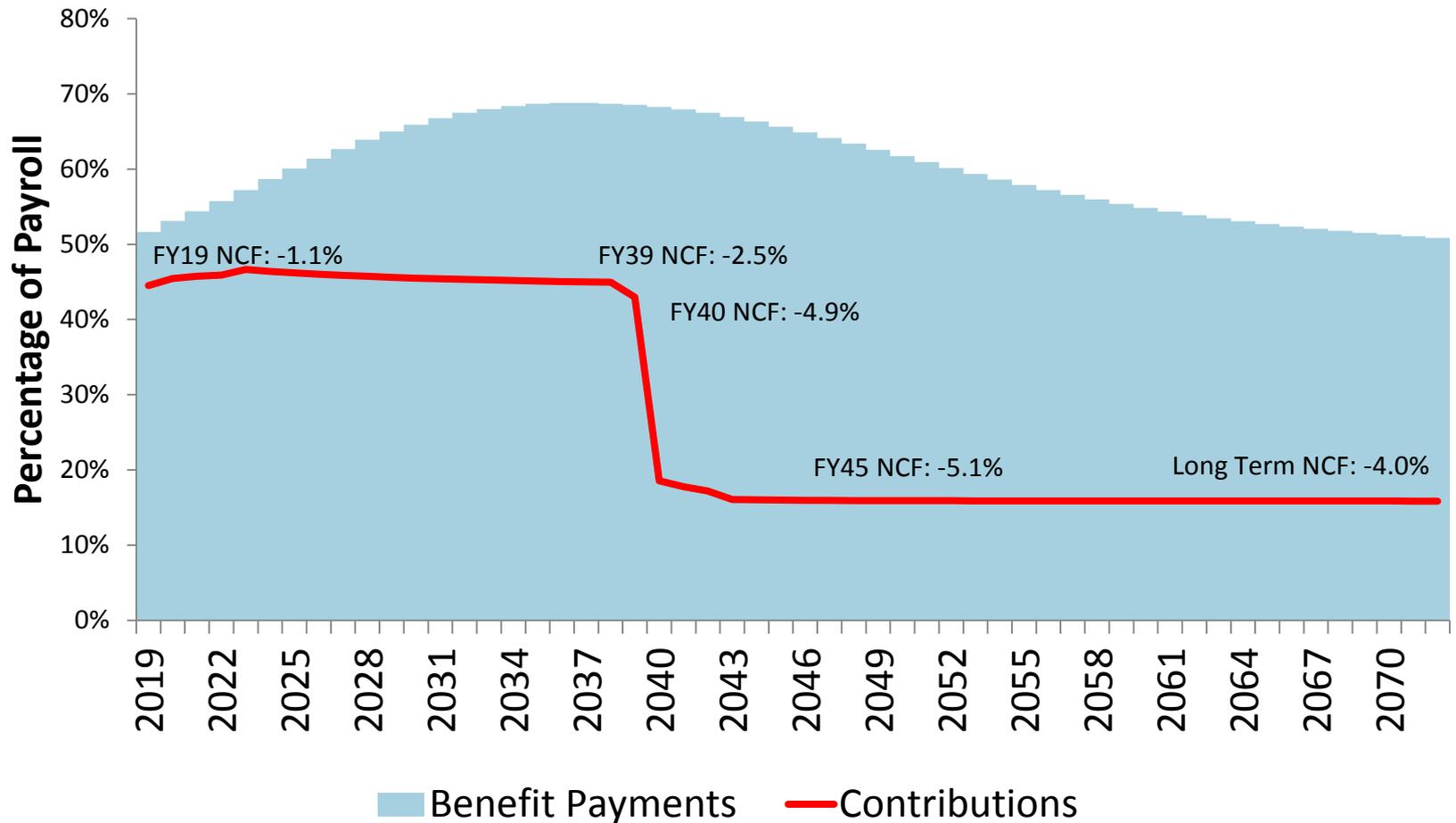
Long Term Projections

Cliff Management

- The current funding policy is absolutely appropriate for the current situation
- After the large outstanding base is fully amortized, the contribution rate will drop from approximately 43% of pay to 18% of pay
- While this is strong financially for the plan sponsor, members, and optically for the Trust, there will be a large jump in negative cash flow the year following the cliff
- This can impact investment decisions, and ultimately investment performance

Long Term Projections

Cliff Management – Negative Cash Flow



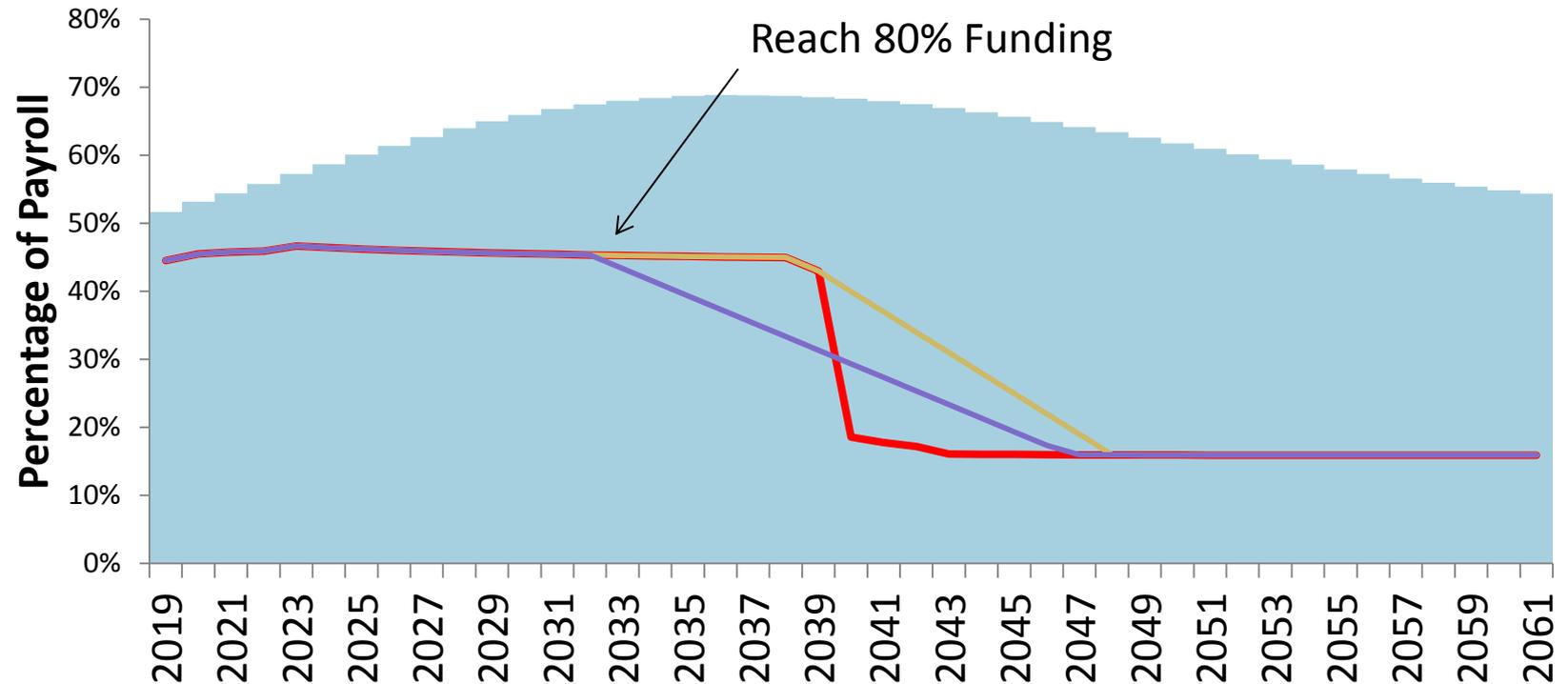
Long Term Projections

Cliff Management

- There are basically three categories of options:
 - Leave funding policy as is and ensure the investment staff is aware of the cliff many years in advance so they can begin to manage liquidity
 - Slow down how fast the contribution rate can decrease annually once full funding is reached
 - Begin to allow the rate to decrease before reaching 100% funding

Long Term Projections

Cliff Management



Benefit Payments

Contributions

3% Parachute After

Example for managing before (2% annually)

Long Term Projections

Cliff Management

- Starting before 100% funding (but after 80% funding in this specific case)
 - Can be done implicitly: rate will drop 3% per year
 - Or, explicitly, similarly to reverse “staggering”, or breaking up the outstanding large base into multiple parts to end at different times
 - Example: Once 80% funding is achieved, refinance bases into ten segments
- Pros/Cons:
 - Gives more years of phase down, can be a slower pace
 - May be seen as underfunding the plan, or not targeting 100%

Long Term Projections

Cliff Management

- Given the situation, the best approach might be a combination
 - Example: Once 80% funded, refinance all remaining bases over 15 years, but don't let rate decline more than 3% per year

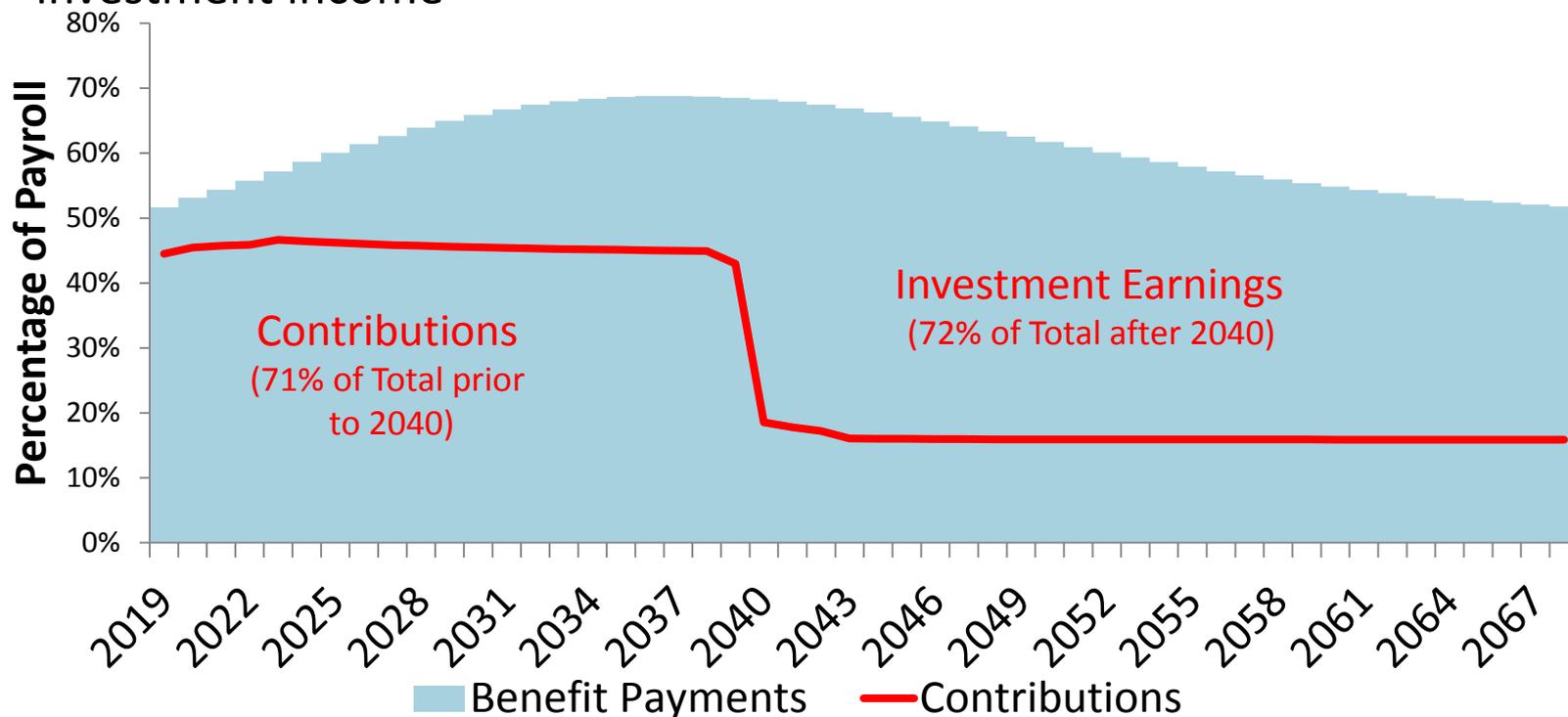
ECONOMIC VALUE OF PREFUNDING

Economic Value of Prefunding

- Prefunding is a way to fulfill a promise to the taxpayer; that their money will be used to efficiently provide retirement benefits to the public sector worker
- There is a “most efficient” way to use taxpayer dollars to fulfill the retirement promise, and there is a “least efficient” way to do so
- The least efficient way will require more taxpayer dollars to fulfill the same promise

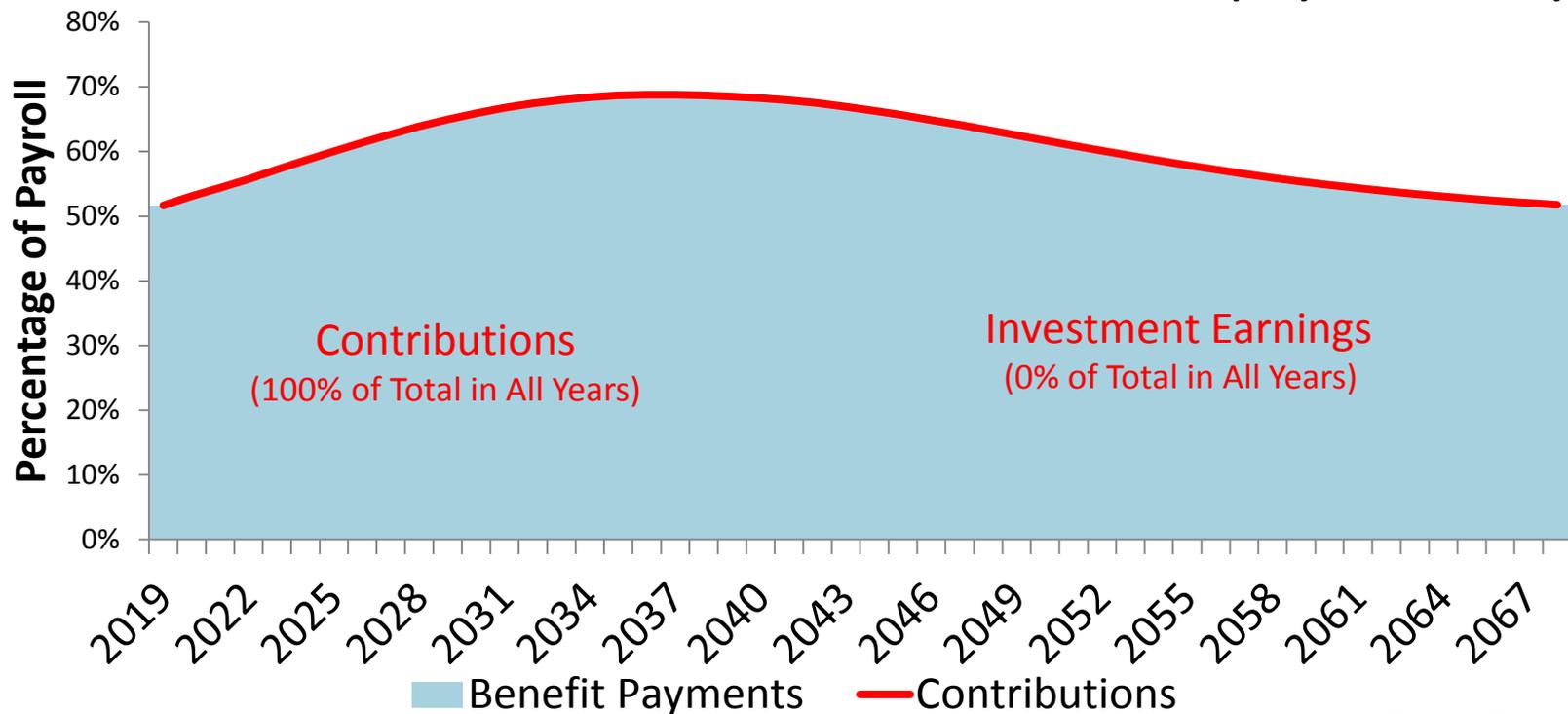
Economic Value of Prefunding

- Prefunding means a vast majority of the retiree's benefit check could be paid through investment income
- Over the next 50 years, 60% of benefit payments will be made via investment income



Economic Value of Prefunding

- If the benefits were not prefunded, then 100% of the benefit checks would be paid from contributions
- This would be a much less efficient use of taxpayer money



Economic Value of Prefunding

The 80% Myth

- The plan may remain solvent if it maintains an 80% funded ratio
- But that policy makes the contribution dollars less efficient- the balance of 70/30 would drop
- The interest cost increases, meaning more contributions are needed to pay the benefits (since less will be coming from investment return)
- Conclusion: Striving for less than 100% will make the plan more expensive (more contributions)

IMPACT ON THE PENSION TRUST IF CLOSED TO NEW ENTRANTS

What if? - A defined contribution plan for new hires

Impact of Closing Pension Trust

Reason for a New Hire Plan

- Perceived expense management
- Expand this discussion to value management
 - Look at the retirement benefits relative to the costs
 - Move discussion away from either/or to *“is it possible to combine DB and DC to maximize value to the County?”*

Impact of Closing Pension Trust

Test the Theory of Expense Management

- Can pension expenses be managed through new hire plan?
- *The Alaska Experience*
 - *New hires in DC plan since 2006*
 - *Still face a large unfunded liability*
 - *And now higher compensation costs*
- *Private sector experience*
 - *Boomers facing financially strained retirement*
 - *Managing the expense side (rather than value) leaves retirees at risk*

Impact of Closing Pension Trust

Legacy Plan Impact

- Must still pay off the unfunded accrued liability
- Closed DB plan can receive less funding
 - *Alaska maintained funding on TOTAL payroll-employers still have to cover their liabilities*
 - *So it was not much less expensive*
 - *Plans may seek “hold harmless” funding when they lose new entrants*
- A DC plan for new hires will be less expensive once the DB plan is fully funded
 - *The lower expense is in the respective normal costs*

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



Date: September 23, 2019

To: Board of Trustees

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

Strategic Planning - Agenda Item 20: Business Continuity Plan

Business Continuity Planning for the SLOCPT is now at a position where substantive improvements have been made and more are possible. Following the implementation of the PensionGold Version 3 (PGV3) Pension Administration System (PAS) in July 2019, the infrastructure environment for disaster planning has been significantly enhanced.

The current BCP environment can be summarized as –

1. Necessary functions

- a. Retiree payroll on the 1st of the month – involves transmission of payment ACH files to banks, the ability to transfer funds and the functioning of the banking system as a whole.
- b. Retirements – ability to transition members and survivors/ beneficiaries to retired or recipient status.
- c. Non-recurring payrolls (2-4 per month) – termination refunds and lump sum death benefits.
- d. Bi-weekly Contribution imports – posting of required contribution receipts in conjunction with participating Employers' employee payroll and funds transfers associated with the receipts.
- e. Member record access for inquiries.

2. BCP time frame – approximately two weeks – dependent on when retiree payroll on 1st of the month falls.

3. Operational BCP – staff, offices, connectivity
 - a. Assumes recovery of SLO County IT network and connectivity.
 - b. Assumes partially intact SLOCPT office and connectivity or remote connectivity.
 - c. Cloud-based pension system functionality – dependent only on connectivity – from SLO or a remote location.

4. PensionGold Version 3 pension administration system
 - a. Cloud hosted.
 - b. Multiple sites.
 - c. Backups daily with live systems on both sites.
 - d. Robust security and disaster recovery infrastructure.
 - e. Dependent on internet connectivity in and out of SLO County.
 - f. Monthly retiree payroll – in the event of a prolonged outage, telephone contact with the vendor for PensionGold could authorize the generation and transmittal of an ACH file to banks so that almost all retirees could be paid in a timely manner. This depends on entering into an additional scope of work agreement with LRS for their PensionGold Secure service - see the accompanying request for Board approval.

Delivered under separate cover from this memo for Board of Trustees members only, is a confidential draft of an overall Business Continuity Plan for the SLOCPT. As a financial institution with valid concerns over cybersecurity risks, the BCP should remain a confidential and internal document.

Respectfully submitted,

Board of Trustees

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



Date: September 23, 2019

To: Board of Trustees

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

Agenda Item 21: Business Continuity Services – LRS, Inc. – PensionGold Secure Agreement

Recommendation:

Approve the attached LRS, Inc. PensionGold Secure Business Continuance Planning Services Statement of Work.

Discussion:

As part of the Business Continuity Plan (BCP) for SLOCPT, the core disaster recovery / business continuance capability is now through the cloud-based hosting of the SLOCPT Pension Administration System (PAS). The PAS is on a cloud-based service through Flexential, Inc. The Flexential services include offsite system and data replication. This means that an interruption at the primary Flexential site would be quickly remedied by another Flexential site going online. This is designed to be a rapid intra-day disaster recovery with little or no loss in data or functionality.

The next level of BCP focus is on business interruption at SLOCPT. Should SLOCPT staff be unable to initiate or process pension business – particularly in the last week of the month leading up to the retiree payroll – a back-up service is advisable. Such business interruptions could be from natural disasters (e.g., earthquake), local disasters (e.g., fire), or IT and communications infrastructure disruption (e.g., SLO County data center and/or internet connection disruption, or cybersecurity compromise).

With the cloud-based PAS it is now possible to have a robust BCP element for disruptions to the critical SLOCPT functions of payroll generation and transmittal of funds. A disruptive event means any event or condition that in the SLOCPT's judgement prohibits us from using the PensionGold PAS in production to perform the services covered under the attached Statement of Work with LRS.

The logical provider of such business continuance services is LRS, Inc. as the vendor supporting the PensionGold PAS. Staff has requested a proposal from LRS on BCP services – something that LRS provides for other clients. LRS has not to-date been called on for a full business disruption event for their clients using this service. However, LRS has successfully activated the service partially for a client with a check printing breakdown. Also, as noted below, the BCP service from LRS includes an annual mock-activation of the plan as is the case with existing BCP clients.

The attached LRS, Inc. PensionGold Secure Business Continuance Planning Services Statement of Work is recommended for approval by the Board of Trustees. The LRS, Inc. PensionGold Secure Business Continuance Planning Services Statement of Work can be summarized as –

- 1) **Planning and Setup process** - Disruptive Event Response Checklist – joint planning process between LRS and SLOCPT staff.

- 2) **Annual Event Checklist Test** – mock activation – annual testing of the Disruptive Event Checklist and included BCP services. Done in conjunction with annual disaster recovery testing of the PAS with Flexential.

- 3) **Term** – one year with automatic renewals

- 4) **Fees** –
 - a) Initial set up = \$6,250
 - b) Ongoing fees - \$1,600 per quarter or \$6,400/year
 - c) Fees if a BCP event is activated = Time and Material at LRS's current contractual hourly rate for support of the PAS (Set at \$150/hour for first 5 years of contract).

- 5) **Disruptive Event services**
 - a) Trigger – at the discretion of the SLOCPT
 - b) Venue – at the discretion of SLOCPT and can be
 - (1) Performed by SLOCPT staff working remotely
 - (2) Performed by SLOCPT staff working at LRS's office in Springfield, IL
 - (3) **Performed by LRS pursuant to the agreed upon Disruptive Event Checklist and authorization by SLOCPT management.**

- c) Periodic Payroll Processing – Retiree payroll processing using latest data in the PAS – essentially a regular payroll run. Exceptions could include very recent retirees not yet set up in the PAS. Correction to such exceptions would be done as a retroactive payment in the future.
- d) Lump Sum Payroll processing – performed 2-4 times per month for lump sum payment such as Members receiving termination refunds after they leave employment. These lump sum payments are flexible in timing and could be deferred for 1-2 weeks in the case of a disruptive event.
- e) Check and Direct Deposit processing – the actual transmittal of funds via the banking ACH process. This service assumes that the U.S. banking system is functioning and able to transmit ACH files and transfer funds. This optionally could include the printing of physical checks if set up ahead of time with LRS.
- f) DROP Deposit processing – the transmittal of DROP payment information and funds to Nationwide Retirement Services as the custodian for the DROP accounts.
- g) Tax Reporting – 1099R processing should there be a long-term disruptive event at year end.
- h) Employer Reporting – the ability to accept a payroll file for employer/employee contributions on biweekly payroll dates. In the case of a disruptive event, it is likely that the SLOCPT employers would be afflicted by the same natural disaster or network unavailability and would be recovering at the same pace as the SLOCPT.

Budget considerations-

The budget change from approving this Statement of Work is easily accommodated within existing contingency amounts in the SLOCPT FY19-20 Administrative Budget.

Auditor Considerations –

The adoption of a BCP service provider paired with the move to a cloud-based PAS will affirmatively address multi-year concerns raised by the SLOCPT’s financial auditors, Brown Armstrong Accountancy.

Respectfully Submitted

This page left blank intentionally.



San Luis Obispo County Pension Trust

PensionGold Secure – Business Continuance Planning Services: Statement of Work



Statement of Work Overview

As evidenced by their signatures below, both parties agree that this Statement of Work (“SOW”) is a part of and shall be governed by the LRS PensionGold® Services Agreement (Agreement) entered into by the parties on or about June 1, 2016 between the San Luis Obispo County Pension Trust (“Customer”), and Levi, Ray & Shoup, Inc. (LRS). Terms in this SOW shall have the same meaning as in the Agreement.

The objective of the PensionGold Business Continuance Planning (BCP) service is to ensure the Customer can quickly resume normal operations should a disruptive event occur. To achieve a return to normal operations after a disruptive event, the Customer can elect to have LRS execute certain key business processes on their behalf as defined in this SOW.

Scope of Work

Upon execution of this SOW, a meeting between LRS and the Customer will be scheduled by LRS to plan and confirm the actions necessary to implement the BCP. LRS will provide an agenda for the scheduled meeting. The planning meeting will be via conference call.. On-site planning meetings can occur for an additional cost. The following are the processes covered under this Statement of Work.

Covered BCP Services	
Setup and Maintenance of BCP	
1	Disruptive Event Response Checklist
2	Testing of Event Checklist Annually
Event Support	
3	Periodic Payroll Processing
4	Lump Sum Payroll Processing
5	Check/ Direct Deposit Receipt Processing
6	ACH File Processing
7	DROP Deposit Processing
8	Tax Reporting
9	Employer Reporting

Changes to the project scope defined herein will be managed as change requests signed by both parties and may result in modifications to the deliverable schedule and/or fees. LRS will complete any additional processes related to the above services upon written instruction from the customer on a time and material basis.



Term

This SOW begins upon Customer signature on the date provided below and continues unless terminated as provided herein, or pursuant to the terms of the Agreement. This SOW shall continue for an initial term of one-year and will automatically renew for additional one-year terms unless either party provides the other with written notice of its intent not to renew no later than sixty (60) days prior to the expiration of the then current one-year term.

Fees

Fees for the services described in this SOW are as set forth in Exhibit A which is incorporated by this reference.

Processing Details

Setup and Maintenance of BCP

1. Disruptive Event Response Checklist

LRS will provide the Customer with a Disruptive Event Response Checklist (DER). The DER will document the steps required to setup and schedule the appropriate processes. It will also describe the steps required of both the Customer and LRS to initiate action in the case of a disruptive event. Therefore, a Customer approved DER must exist for a response to an event to be executed. The DER will be delivered to Customer for review. Customer shall either provide LRS with written acceptance of the DER or provide proposed changes. For purposes of this SOW, a “disruptive event” shall mean any event or condition that in Customer’s judgment prohibits Customer from using its PensionGold Software in production to perform the services provided in this SOW.

2. Annual Event Checklist Test

Once a year, at a time mutually agreed by LRS and Customer and in conjunction with the disaster recovery testing at Flexential, Customer may elect to have LRS review and test the DER to verify that a valid response will be executed in the case of a disruptive event. The annual mock event will be performed at a mutually agreed upon time and completed within fifteen (15) business days from the start of the mock event.

Event Support

If a disruptive event occurs, LRS will provide the event services set forth in Sections 3 through 8 below on a time and material basis at the rates set forth on Exhibit A. The application and data used for the event will be determined by the nature of the event and

what environment is impacted. If Flexential’s primary datacenter is impacted, the most recent available data based on the Customer’s scheduled replication cycle to the disaster recovery site will be used. If the event has occurred at the Customer’s site, LRS will provide the Customer with staff augmentation and perform the work within the application residing at the primary Flexential datacenter.

3. Periodic Payroll Processing

Customer can decide to either have Customer staff perform the periodic payroll processing or can elect to have LRS staff perform the periodic payroll processing. This decision may be a strategic decision prior to an event happening or can be an event driven decision. For example, if an event would prevent Customer staff from traveling to the LRS office and/or prevent remote access to their Production PensionGold Version 3 environment, the Customer may request that LRS staff perform the periodic payroll processing on their behalf. Upon Customer’s request for LRS to perform periodic payroll processing, LRS will provide Customer with an estimate of the time necessary to complete periodic payroll processing.

The DER checklist will provide specific processing detail including:

- I. Trial payroll processing including identification of any “fatal alerts” as defined in the PensionGold documentation. LRS will notify the Customer and assist in evaluation and correction of any situations causing the alert. Customer involvement is required. LRS will make changes only through the direction of the Customer.
- II. LRS can assist Customer with balancing the payroll data, but the Customer is responsible for all balancing.
- III. Post Periodic Payroll.

4. Lump Sum Payroll Processing

Customer can decide to either have Customer staff perform the lump sum payroll processing or can elect to have LRS staff perform the lump sum payroll processing. This decision may be a strategic decision prior to an event happening or can be an event driven decision. For example, if an event would prevent Customer staff from traveling to the LRS office and/or prevent remote access to their Production PensionGold Version 3 environment, the Customer may request that LRS staff perform the lump sum payroll processing on their behalf. Upon Customer’s request for LRS to perform lump sum payroll processing, LRS will provide Customer with an estimate of the time necessary to complete the lump sum payroll processing.

The DER checklist will provide specific processing detail including:

- I. Customer will be responsible for providing the type of lump sum payments to be processed.
- II. Trial payroll processing including identification of any “fatal alerts” as defined in the PensionGold documentation. LRS will notify the Customer and assist in evaluation and correction of any situations causing the alert. Customer involvement is required. LRS will make changes only through the direction of the Customer.
- III. LRS can assist Customer with balancing the payroll data, but the Customer is responsible for all balancing.
- IV. Post Lump Sum Payroll.

5. Check/Direct Deposit Receipt Processing

Customer can decide to either have Customer staff perform the check/direct deposit receipt processing or can elect to have LRS staff perform the check/direct deposit receipt processing. This decision may be a strategic decision prior to an event happening or can be an event driven decision. For example, if an event would prevent Customer staff from traveling to the LRS office and/or prevent remote access to their Production PensionGold Version 3 environment, the Customer may request that LRS staff perform the check/direct deposit processing on their behalf. Upon Customer’s request for LRS to perform the check/direct deposit receipt processing, LRS will provide Customer with an estimate of the time necessary to complete check/direct deposit receipt processing.

The DER checklist will provide specific processing detail including:

- I. Run the system job(s) for Check and Direct Deposit Receipt processing in PensionGold.
- II. LRS will produce Checks and Direct Deposit Receipts per the method and specifications indicated within the DER checklist. Additional equipment or supplies required to complete the Customer’s processes may result in additional fees.

6. ACH File Processing

Customer can decide to either have Customer staff perform the ACH File Processing or can elect to have LRS staff perform the ACH file processing. This decision may be a strategic decision prior to an event happening or can be an event driven decision. For example, if an event would prevent Customer staff from traveling to the LRS office and/or prevent remote access to their Production PensionGold Version 3 environment, the Customer may request that LRS staff perform the ACH file processing on their behalf. Upon Customer’s request for LRS to perform ACH file processing, LRS will provide Customer with an estimate of the time necessary to complete ACH file processing.

The DER checklist will provide specific processing detail including:

- I. LRS will produce the ACH File and deliver to the Clearing Bank per the specifications indicated within the DER checklist.

7. DROP Deposit File Processing

Customer can decide to either have Customer staff perform the DROP Deposit file processing or can elect to have LRS staff perform the DROP Deposit file processing. This decision may be a strategic decision prior to an event happening or can be an event driven decision. For example, if an event would prevent Customer staff from traveling to the LRS office and/or prevent remote access to their Production PensionGold Version 3 environment, the Customer may request that LRS staff perform the DROP Deposit file processing on their behalf. Upon Customer's request for LRS to perform DROP Deposit file processing, LRS will provide Customer with an estimate of the time necessary to complete DROP Deposit file processing.

The DER checklist will provide specific processing detail including:

- I. LRS will produce the DROP Deposit file and deliver to the third party depository institution per the specifications indicated within the DER checklist.
- II. LRS will produce monthly DROP Statements per the method and specifications indicated within the DER checklist. Additional equipment or supplies required to complete the Customer's processes may result in additional fees.

8. Tax Reporting

Customer can decide to either have Customer staff perform tax reporting or can elect to have LRS staff perform tax reporting. This decision may be a strategic decision prior to an event happening or can be an event driven decision. For example, if an event would prevent Customer staff from traveling to the LRS office and/or prevent remote access to their Production Pension-Gold Version 3 environment, the Customer may request that LRS staff perform tax reporting on their behalf. Upon Customer's request for LRS to perform tax reporting, LRS will provide Customer with an estimate of the time necessary to complete tax reporting.

The DER checklist will provide specific processing detail including:

- I. 1099R Processing
 - a. 1099-R Extract
 - b. 1099-R Balancing & Skipped Benefit Reports. LRS will attempt to explain the discrepancies only if Customer staff are available to provide

information and assist in the resolution. LRS can assist with corrections based upon specific instructions from Customer. After the disruptive event, the Customer can review 1099s and produce corrections as needed.

- c. 1099-R Printing
 - i. LRS will produce the 1099-R's per the method indicated within the DER checklist. If the Customer utilizes a third party for 1099-R printing and mailing, LRS will produce the electronic file and submit to the print vendor as directed by the Customer.
- d. 1099-R Transmitter File Processing
- II. Run process to create and export CAR State Tax Reporting files, DE-9 & DE-9C, and submit to the State of California
- III. Create and submit form IRS 945 – Annual Return of Withheld Federal Income Tax as instructed by Customer.

9. Employer Reporting

Customer can decide to either have Customer staff perform Employer Reporting or can elect to have LRS staff perform Employer Reporting. This decision may be a strategic decision prior to an event happening or can be an event driven decision. For example, if an event would prevent Customer staff from traveling to the LRS office and/or prevent remove access to their Production Pension-Gold Version 3 environment, the Customer may request that LRS staff perform Employer Reporting on their behalf. Upon Customer's request for LRS to perform Employer Reporting, LRS may provide Customer with an estimate of the time necessary to complete processing.

The DER checklist will provide specific processing detail including:

- I. Employers reporting via file will be processed
 - a. Data Submission
 - b. Exception Processing
 - i. LRS will notify the Customer and assist in evaluation and correction of any situations causing the exception. However, Customer involvement is required. LRS will make changes only through the direction of the Customer.
 - c. Transmittal Posting

Services Not Covered

Due to technical limitations, there are some services that LRS will be unable to provide during a disruptive event. After the Customer has recovered, these processes will be re-started by the Customer or automatically picked up by the normal system processes.



The services not provided include the following:

1. Scanning/Indexing of Documents
2. Workflow Processing



Levi, Ray & Shoup, Inc. (LRS)

**San Luis Obispo County Pension Trust
(Customer)**

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____



Exhibit A: Fee Schedule

Initial Set Up Fee: \$6,525.00

The Initial Set Up Fee shall include payment for creating the Disaster Event Response Checklist.

Quarterly Fee: \$1600

The quarterly fee covers ongoing maintenance and support of the BCP process. This includes the annual review of the DER Checklist as well as an annual mock event. The first Quarterly Fee is due upon completion of the initial DER checklist with subsequent payments due the same day of each month thereafter until the SOW is Terminated. The Quarterly Fee set forth above may increase annually at a rate of no more than five percent (5%).

Time and Material Services Rate:

If a disruptive event occurs, LRS will provide the event services set forth in Sections 3 through 9 above on a time and material basis at Customer's current contractual hourly rate.