

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, January 27, 2020 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) ORGANIZATIONAL

2. Announcement of Elected Trustee Vacancy Appointment effective January 27, 2020 (elected Trustees Janssen and Shoresman).
3. Election of Officers (Pursuant to Section 3.05 and Section 3.06 of the By-Laws of the San Luis Obispo County Pension Trust).
4. Committees – appointment of members by President.
 - i. Audit Committee (standing committee)
 - ii. Personnel Committee (standing committee)
5. Resolution Honoring Trustee Will Clemens - Resolution 2020-01 (Recommend Approval).
6. Board of Trustees Meeting Schedule and Content - (Review, Discuss, and Direct Staff as necessary).

C) CONSENT

7. Minutes of the Regular Meeting of November 25, 2019 (Approve Without Correction).
8. Reports of Deposits and Contributions for the months of November 2019 and December 2019 (Receive and File).
9. Reports of Service Retirements, Disability Retirements and DROP Participants for the months of November 2019 and December 2019 (Receive, Approve and File).
10. Monthly Investment Report for November 2019 (Receive and File).
11. Resolution Modifying and Affirming Investment and Banking authority - Resolution 2020-02 (Recommend Approval).
12. Board Member Responsibilities, Core Competencies and Education Policy – Amend Travel Expense Policy (Recommend Approval).

D) APPLICATIONS FOR DISABILITY RETIREMENT

13. Application for Industrial Disability Retirement – Case 2019-05 (Recommend Approval).

E) OLD BUSINESS

None

F) NEW BUSINESS

None

G) INVESTMENTS

14. Annual Cashflow Analysis (Receive and File).
15. Monthly Investment Report for December 2019 (Receive and File).
16. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).

H) OPERATIONS

17. Staff Reports

18. General Counsel Reports

19. Committee Reports:

- i. Audit Committee No Report
- ii. Personnel Committee No Report
- iii. PAS Replacement Committee No Report

20. Upcoming Board Topics (subject to change)

- i. February 24, 2020
 - a. Retiree COLA – effective 4/1/20
 - b. Quarterly Investment Report
 - c. Capital Market Assumptions
 - d. Asset Allocation Policy
- ii. March 23, 2020
 - a. Actuarial Experience Study & Valuation planning (with GRS)
 - b. Employer prefunding agreement and discount rate
 - c. Fiduciary Refresher Training
 - d. FY20/21 SLOCPT administrative budget - preliminary
 - e. Asset Allocation Policy
- iii. April 27, 2020 (planned as a non-meeting month)
- iv. May 18, 2020
 - a. Actuarial Experience Study Results – Actuarial Assumptions (with GRS)
 - b. Quarterly Investment Report
- v. June 22, 2020
 - a. Financial Audit Report
 - b. CAFR Approval
 - c. Actuarial Valuation – Contribution Rate Changes
 - d. Employer prefunding amount

21. Trustee Comments

I) CLOSED SESSION

None

J) ADJOURNMENT

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Board of Trustees

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Date: January 27, 2020

To: Board of Trustees

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

Agenda Item 4: 2020 Board of Trustees Committees

Recommendation:

1. Appoint Trustees to serve during 2020 on the following Standing Committees
 - a. Audit Committee
 - b. Personnel Committee

2. Omit for 2020 establishing a Pension Administration System Replacement ad hoc committee.

Discussion:

The Board of Trustees has traditionally maintained two Standing Committees of the Board – the Audit Committee and the Personnel Committee. Staff recommends that this practice continue.

The Board of Trustees has for a number of years also maintained an Ad Hoc Committee of the Board – the Pension Administration System Replacement Committee (formerly named the Information Technology Committee). Staff recommends omitting the forming of a PAS Replacement ad hoc committee for 2020. Ad hoc committees can be formed at any time at the discretion of the Board President.

With the completion of the PensionGold PAS project in 2019 we do not expect any significant PAS related items for a committee to discuss. Any PAS related business can be taken to the full Board of Trustees as necessary. Staff plans to meet with the SLO County Information Technology Department project manager assigned to the Pension Trust periodically through the year to address any PAS related business.

Respectfully submitted

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San Luis Obispo County
Pension Trust
SLOOPT

RESOLUTION NO. 2020-01

**A Resolution Honoring Will Clemens
For Service to the Pension Trust**

Whereas, Will Clemens has served the County of San Luis Obispo well and honorably as a Finance professional and as a Department Director for over 20 years; and

Whereas, Will Clemens has served the San Luis Obispo County Pension Trust as an elected Trustee on the Board of Trustees equally well and honorably for over 6 years from 2013 to 2019 providing loyal and dedicated service to the Members and Participants of the Pension Trust; and

Whereas, Will Clemens has used his extensive financial knowledge, collaboration skills and calm professionalism in his duties as a member of the Board of Trustees with the commitment, discretion and critical thought crucial to the fiduciary role of a Trustee; and

Whereas, Will Clemens has exhibited the judgment, careful listening, thoughtful questioning, independent thought and diligent efforts at professional education needed of a good Trustee; and

Whereas, Will Clemens has demonstrated those attributes central to the mission of the Pension Trust – honesty, integrity and dedication to the Trust, its members, participants and plan sponsors.

Now, Therefore Be It Resolved and Ordered as follows:

That this Board of Trustees hereby does thank, recognize, commend, congratulate and honor Will Clemens, for his loyal service to the Pension Trust. In addition, the Trustees wish Will a successful next phase of his career.

Adopted: January 27, 2020

SIGNED: _____
Guy Savage
Vice President, Board of Trustees
San Luis Obispo County Pension Trust

ATTEST: _____
Carl Nelson
Executive Director

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Board of Trustees

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Date: January 27, 2020

To: Board of Trustees

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

Agenda Item 6: Board of Trustees Meeting Schedule and Content

Recommendation:

Staff recommends that the Board of Trustees discuss and direct staff on the timing and content of topics for the Board meeting schedule.

Discussion:

During 2019, the Board approved an 8-meetings per year schedule. Board meeting schedules can be changed at any time upon Board approval. Out of concern for the potential length of some Board of Trustees meetings, Staff recommends that the Board review the following exhibit and consider the amount of content to be delivered to Board meetings. Meeting content components for the Board to discuss and direct staff on include –

Time-Specific Board items – see the following table that enumerates when certain Trustee action items must take place (e.g., the annual audit and annual Actuarial Valuation).

Time-Flexible Board items – what are Board preferences for the time of year to address functions that can be accomplished at almost any time? This includes the key topics of –

- Asset Allocation Policy
- Quarterly Investment Reports
- Investment Strategy reviews (e.g., Private Equity, Real Estate, etc.)

- Fiduciary Refresher training
- Annual strategic planning session
- Election of officers / committee appointments
- Pension Trust administrative budget

Optional Board items – what are Board preferences for extra meeting content including-

- Continuing Education – particularly on investment topics –
 - Historically, the Board has requested some portion of their 12 hour/year continuing education responsibility to be met with presentations at Board meetings. For example, the Investment Policy general review presented by Scott Whalen of Verus at the November 2019 meeting.
 - If Trustees secure the needed continuing education through conferences – the recommended training medium – are in-meeting educational presentations necessary?
- Investment Manager (IM) presentations (not currently included) –
 - Annual IM reviews - Historically, the Board has eschewed most presentations by existing IMs (Mason Capital being an exception) as being superficial marketing communications. Rather the Board has tended to agree with Verus and Staff that the key IM review process is part of the in-depth analysis that Verus conducts in the quarterly investment reports.
 - On-site IM due diligence – It is the practice of some other retirement systems that Trustees periodically visit IM offices and conduct on-site due diligence reviews. This practice is strongly recommended against by Verus and staff as being inherently superficial, mostly influence solicitation, and expensive.
 - Potential IM presentations – Likewise, the Board has passed on marketing presentation from potential IMs, preferring to rely on recommendations from Verus and staff. Exceptions to this could include unfamiliar investment strategies where further orientation beyond Verus reports would be beneficial.

	Current 8 mtg. Schedule		Time-Specific Board items	Time-Flexible Board items	Optional Board items
January	Officer elections			Officer elections	
February	4Q Invest. report Invest. Policy COLA Approval		COLA Approval	4Q Invest. report Invest. Policy	
March	Actuarial Val. Planning & prefunding Fiduciary Refresher		Actuarial Val. Planning & prefunding	Fiduciary Refresher	
April	-				
May	Budget 1Q\ Invest. Report Experience Study		Experience Study	Budget 1Q\ Invest. Report	
June	Audit, CAFR Actuarial Val. Contrib. Rates		Audit, CAFR Actuarial Val. Contrib. Rates		Investment manager presentations
July	-				
August	2Q Invest. Report Invest. Topics			2Q Invest. Report	Education – Investment topics
September	Annual Planning			Annual Planning	
October	-			Crediting Rates	
November	3Q Invest report Invest. Topics Crediting Rates			3Q Invest report Invest. strategy presentations	
December	-				

Board of Trustees meetings will continue to be scheduled on Trustee's calendars and for the BoS Chambers (as available) for the 4th Monday of each month at 9:30 AM. This reserves the time in case a meeting not on the published schedule needs to be noticed and held – e.g., to consider a Disability case in a timely manner.

**PENSION TRUST
BOARD OF TRUSTEES**

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MINUTES

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

- | | | |
|-------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Board Members Present: | Guy Savage
Jim Hamilton
Jeff Hamm
Matt Janssen
Michelle Shoresman
Gere Sibbach | Vice President |
| Board Members Absent: | Will Clemens | President |
| Pension Trust Staff: | Carl Nelson
Amy Burke
Jennifer Alderete | Executive Director
Deputy Director
Accountant |
| General Counsel: | Chris Waddell | |
| Consultants: | Scott Whalen | Verus Investments |
| Others: | Larry Batchelder
Daniel Andoetoe
Geoff Straw | SLOCREA
Retiree
SLO Regional Transit Authority (RTA) |

Call to Order: 9:29 AM by Vice President Savage, presiding over the meeting.

A) PUBLIC COMMENT

1. None

B) CONSENT

2. Minutes of the Regular Meeting of September 23, 2019 (Approve Without Correction).
3. Reports of Deposits and Contributions for the months of September 2019 and October 2019 (Receive and File).
4. Reports of Service Retirements, Disability Retirements and DROP Participants for the months of September 2019 and October 2019 (Receive, Approve and File).
5. Monthly Investment Report for September 2019 (Receive and File).
6. Post-Employment Health Plan (PEHP) – Pension Trust Staff (Recommend Approval).
7. Indemnification – Authorization pursuant to Section 16.02(j) of the Retirement Plan – Pathway Fund 10 (Recommend Approval).
8. Annual Pensionable Compensation Limit for 2020 pursuant to the Public Employees Pension Reform Act (Tier 3) (Receive and File).

Discussion: Mr. Nelson mentioned that the annual pensionable compensation limit for 2020 was based on a draft calculation by the California Actuarial Advisory Panel as of the date the agenda was posted, and the draft had been approved November 22.

Motion: Approve the Consent items.

Public Comment: None

Motion Made: Mr. Janssen

Motion Seconded: Mr. Hamm

Carried: Unanimous

C) ORGANIZATIONAL

None

D) APPLICATIONS FOR DISABILITY RETIREMENT

22. Application for Ordinary Disability Retirement – Case 2019-04

Discussion: Staff summarized the application and medical recommendation for Ordinary Disability Retirement – Case 2019-04 for Heidi Foster and recommended approval. Trustee Shoresman inquired about the annual review of disability recipients. Mr. Nelson explained that the rule applies only to someone under full retirement age and that these cases account for a small number of Disability Retirement benefits paid by the Pension Trust.

Motion: Approve Staff Recommendation.

Public Comment: None

Motion Made: Mr. Hamm

Motion Seconded: Mr. Janssen

Carried: Unanimous

E) OLD BUSINESS

None

F) NEW BUSINESS

9. Resolution Number 2019-05: A Resolution Establishing the Rate of Interest to be Paid on the Normal Contributions of Members (Recommend Approval).

Discussion: Ms. Burke introduced the item. Staff recommended the rate remain unchanged for 2020 at 6.000%.

Motion: Approve Resolution 2019-05

Public Comment: None

Motion Made: Mr. Sibbach

Motion Seconded: Mr. Hamm

Carried: Unanimous

10. Resolution Number 2019-06: A Resolution Establishing the Rate of Interest to be Paid on the Additional Contributions of Members (Recommend Approval)

Discussion: Ms. Burke introduced the item. Staff recommended the rate change to 1.55%, the September 30 yield on five-year Treasury bonds, for 2020. Trustee Shoresman asked about the difference in interest rates for interest paid on regular contribution versus additional contributions. Mr. Nelson explained the regular contributions are those used to fund a retirement benefit while the additional contributions are voluntary. Trustee Sibbach commented that the rates for both contribution types used to be the same, which had a negative actuarial impact on the Plan when those with large voluntary contribution balances decided to annuitize those balances at retirement.

Motion: Approve Resolution 2019-06

Public Comment: None

Motion Made: Mr. Savage

Motion Seconded: Mr. Janssen

Carried: Unanimous

11. SLO Regional Transit Authority Contracting Agency Recommendation (Recommend Approval)

Discussion: Mr. Nelson introduced the item. The San Luis Obispo Regional Transit Authority (RTA) has requested entrance into the San Luis Obispo County Employees Retirement Plan (the Plan) as a Contracting Agency. RTA gave notice to CalPERS of its intent to withdraw from CalPERS effective January 11, 2020. Mr. Nelson further explained that there will be no past service liability as CalPERS requires a withdrawal liability payment. Staff recommended the Board of Trustees recommend approval by the Board of Supervisors for RTA participation in the Plan as a Contracting Agency and recommend the contract provided for Board of Supervisors approval.

Mr. Hamm asked if RTA employees would be Tier 2 members. Mr. Nelson responded that he expected those employees hired before 2013 to establish reciprocity and those employees would be assigned to Tier 2 when reciprocity had been established.

Mr. Sibbach expressed concerns about possible pension spiking, the lack of wording in the contract in regards to reimbursement of costs associated with RTA participating in the Plan, and the contract clause that allows RTA to withdraw.

- Motion: a) Recommend approval of contracting agency status for RTA
- b) Recommend Contracting Agency contract to the Board of Supervisors

Public Comment: Mr. Straw from the RTA thanked SLOCPT staff for the information provided regarding the Plan. Trustee Sibbach asked Mr. Straw if there had been verbal willingness expressed to reimburse costs associated with RTA becoming a member of the Plan. Mr. Straw responded that the RTA staff had made it clear to the RTA Board that RTA is responsible for any costs associated with RTA’s membership in the Plan.

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

Carried:

- For - Savage, Hamilton, Hamm, Janssen, and Shoresman
- Abstained – Sibbach
- Against - none

G) INVESTMENTS

12. Quarterly Investment Report for the 3rd Quarter of 2019 – Presentation by Scott Whalen, Verus (Receive and File).

Discussion: Mr. Scott Whalen of Verus, the Pension Trust’s investment consultant, delivered a presentation on the Trust’s investments for the Third Quarter of 2019. Mr. Whalen

discussed three issues affecting the market: trade wars, corporate earnings, and interest rates as determined by the Federal Reserve Board.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Janssen

Motion Seconded: Mr. Savage

Carried: Unanimous

10:49 AM – Vice President Savage called for a break

11:20 AM – Back in session

13. Monthly Investment Report for October 2019 (Receive and File).

Discussion: Monthly investment performance report by Staff.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Savage

Motion Seconded: Mr. Hamm

Carried: Unanimous

14. Investment Program Overview – Presentation by Scott Whalen, Verus (Review, Discuss, and Direct Staff as necessary).

Discussion: Verus presented a refresher on SLOCPT's Investment Program, and institutional investing in general. General Counsel inquired as to the further breakout of Environmental, Social, and Governance (ESG) risks from overall investment risks. Mr. Whalen covered various alternative approaches to asset allocation policy. Trustee Shoresman commented that the Functionally Focused Portfolio (FFP) approach appeared to deliver the best returns with the lowest amount of risk. The Board requested a future discussion regarding FFP.

Public Comment: None

No Action Necessary

15. Real Estate – Core / Value-Add Strategy Rebalancing (Review, Discuss, and Direct Staff as necessary).

Discussion: Mr. Nelson introduced the item. Current portfolio balances in Core Real Estate and Value-Add Real Estate positions show the Core balance as overweight and the Value-Add balance as underweight. As such, Staff presented a plan to move funds from the Core position to the Value-Add position over the next two quarters. Trustee Shoresman inquired about the closed FPI Local Real Estate account, and Staff explained the account closure was due to the sale in 2019 of the final property held through FPI.

Public Comment: None

No Action Necessary

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

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

Public Comment: None

No Action Necessary

H) OPERATIONS

17. Staff Reports

- i) PensionGold Member Portal – Staff reported that the first block of PINs was sent to active members and retirees, and that the next block was scheduled to be sent around December 1, 2019.
- ii) Pension Trust Outreach – Staff reported SLOCPT has held Retirement 101 classes for both the Water Quality Lab and the Health Agency in November. Six classes for the Department of Social Services will be held in January.
- iii) Administrative Assistant Recruitment – Staff reported that recruitment for the Administrative Assistant position was complete and the position filled starting December 2, 2019.

18. General Counsel Reports – None

19. Committee Reports:

- i) Audit Committee – No report.
- ii) Personnel Committee - No report.
- iii) PAS Replacement Committee – No report.

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

21. **Trustee Comments** – Trustee Janssen commented that the presentation made by the SLO County Human Resources Director to the Board of Supervisors at the November 19, 2019 meeting on employee retention was informative and worth watching. Trustee Janssen also gave an update about the Elected Trustee replacement process.

I) CLOSED SESSION –

None

J) ADJOURNMENT –

There being no further business, the meeting was adjourned at 12:42 PM. The next Regular Meeting was set for January 27, 2020, at 9:30 AM, in Room 161/162, County Government Center, San Luis Obispo, California 93408.

Respectfully submitted,

Carl Nelson
Executive Director

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

PP 23 11/8/2019	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	3,402,105.78	868,724.83	25.53%	417,019.89	289,029.20	20.75%	46.29%	1,998.00	1,692.05	1,692.05	1,578,463.97
County Tier 2	942,202.87	248,264.26	26.35%	50,424.97	79,666.20	13.81%	40.16%	-	396.33	396.33	378,751.76
County Tier 3	2,998,566.38	739,623.61	24.67%	376,772.77	-	12.57%	37.23%	-	2,586.39	2,586.39	1,118,982.77
Superior Court Tier 1	258,339.62	67,889.98	26.28%	44,397.23	-	17.19%	43.46%	-	-	-	112,287.21
Superior Court Tier 3	98,863.25	24,739.40	25.02%	11,687.62	-	11.82%	36.85%	-	-	-	36,427.02
APCD Tier 1	55,120.78	12,817.13	23.25%	7,368.43	3,903.50	20.45%	43.70%	-	-	-	24,089.06
APCD Tier 3	16,823.21	3,792.63	22.54%	2,149.06	-	12.77%	35.32%	-	-	-	5,941.69
Pension Trust Staff Tier 1	7,715.87	1,860.30	24.11%	1,026.98	716.80	22.60%	46.71%	-	-	-	3,604.08
Pension Trust Staff Tier 2	9,003.20	2,170.67	24.11%	340.32	836.40	13.07%	37.18%	-	-	-	3,347.39
Pension Trust Staff Tier 3	10,444.76	2,467.04	23.62%	1,388.81	-	13.30%	36.92%	-	-	-	3,855.85
LAFCO Tier 1	10,832.21	3,269.43	30.18%	709.51	1,006.31	15.84%	46.02%	-	-	-	4,985.25
LAFCO Tier 3	1,731.20	479.20	27.68%	161.35	-	9.32%	37.00%	-	-	-	640.55
	7,811,749.13	1,976,098.48	25.30%	913,446.94	375,158.41	16.50%	41.79%	1,998.00	4,674.77	4,674.77	\$ 3,271,376.60
PP 24 11/22/2019											
By Employer and Tier:											
County Tier 1	3,403,915.14	868,749.77	25.52%	416,927.96	289,383.65	20.75%	46.27%	1,998.00	1,692.05	1,692.05	1,578,751.43
County Tier 2	949,859.44	249,943.60	26.31%	50,551.77	80,377.74	13.78%	40.10%	-	332.54	332.54	381,205.65
County Tier 3	3,022,648.33	746,481.31	24.70%	380,261.98	-	12.58%	37.28%	-	2,586.39	2,586.39	1,129,329.68
Superior Court Tier 1	259,066.42	68,275.48	26.35%	44,546.33	-	17.19%	43.55%	-	-	-	112,821.81
Superior Court Tier 3	100,569.99	25,142.19	25.00%	11,950.08	-	11.88%	36.88%	-	-	-	37,092.27
APCD Tier 1	71,604.87	16,649.94	23.25%	9,572.10	5,070.25	20.45%	43.70%	-	-	-	31,292.29
APCD Tier 3	21,709.20	4,894.59	22.55%	2,776.74	-	12.79%	35.34%	-	-	-	7,671.33
Pension Trust Staff Tier 1	7,715.87	1,860.30	24.11%	1,026.98	716.80	22.60%	46.71%	-	-	-	3,604.08
Pension Trust Staff Tier 2	9,003.20	2,170.67	24.11%	340.32	836.40	13.07%	37.18%	-	-	-	3,347.39
Pension Trust Staff Tier 3	9,592.77	2,265.81	23.62%	1,290.32	-	13.45%	37.07%	-	-	-	3,556.13
LAFCO Tier 1	10,832.21	3,269.43	30.18%	709.51	1,006.31	15.84%	46.02%	-	-	-	4,985.25
LAFCO Tier 3	1,731.20	479.20	27.68%	161.35	-	9.32%	37.00%	-	-	-	640.55
	7,868,248.64	1,990,182.29	25.29%	920,115.44	377,391.15	16.49%	41.78%	1,998.00	4,610.98	4,610.98	\$ 3,294,297.86
TOTAL FOR THE MONTH	15,679,997.77	3,966,280.77	25.30%	1,833,562.38	752,549.56	16.49%	41.79%	3,996.00	9,285.75	9,285.75	\$ 6,565,674.46
TOTAL YEAR TO DATE	185,232,377.61	44,757,351.81	24.16%	20,795,756.49	9,241,714.49	16.22%	40.38%	43,272.92	250,867.80	250,867.80	\$ 75,088,963.51

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

PP 25 12/6/2019	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	3,387,029.63	868,223.06	25.63%	413,756.18	287,569.11	20.71%	46.34%	1,998.00	1,692.05		1,573,238.40
County Tier 2	946,570.10	249,510.43	26.36%	50,318.97	79,982.44	13.77%	40.13%	-	332.54		380,144.38
County Tier 3	3,024,818.93	748,512.82	24.75%	381,470.42	-	12.61%	37.36%	-	2,512.89		1,132,496.13
Superior Court Tier 1	263,054.57	69,289.53	26.34%	45,396.13	-	17.26%	43.60%	-	-		114,685.66
Superior Court Tier 3	100,351.90	25,090.40	25.00%	11,932.30	-	11.89%	36.89%	-	-		37,022.70
APCD Tier 1	56,775.90	13,201.98	23.25%	7,589.74	4,020.66	20.45%	43.70%	-	-		24,812.38
APCD Tier 3	17,209.60	3,880.07	22.55%	2,201.07	-	12.79%	35.34%	-	-		6,081.14
Pension Trust Staff Tier 1	7,715.87	1,860.30	24.11%	1,026.98	716.80	22.60%	46.71%	-	-		3,604.08
Pension Trust Staff Tier 2	9,003.20	2,170.67	24.11%	340.32	836.40	13.07%	37.18%	-	-		3,347.39
Pension Trust Staff Tier 3	9,592.76	2,265.80	23.62%	1,290.32	-	13.45%	37.07%	-	-		3,556.12
LAFCO Tier 1	10,832.21	3,269.43	30.18%	709.51	1,006.31	15.84%	46.02%	-	-		4,985.25
LAFCO Tier 3	1,731.20	479.20	27.68%	161.35	-	9.32%	37.00%	-	-		640.55
	7,834,685.87	1,987,753.69	25.37%	916,193.29	374,131.72	16.47%	41.84%	1,998.00	4,537.48		\$ 3,284,614.18
PP 26 12/20/2019											
By Employer and Tier:											
County Tier 1	3,379,139.91	864,537.57	25.58%	411,635.30	287,100.23	20.68%	46.26%	1,998.00	1,692.05		1,566,963.15
County Tier 2	950,829.87	250,845.19	26.38%	50,612.36	80,272.13	13.77%	40.15%	-	332.54		382,062.22
County Tier 3	3,052,093.71	757,248.75	24.81%	385,167.28	-	12.62%	37.43%	-	3,168.86		1,145,584.89
Superior Court Tier 1	260,101.37	68,529.68	26.35%	44,753.40	-	17.21%	43.55%	-	-		113,283.08
Superior Court Tier 3	100,069.31	25,026.07	25.01%	11,905.62	-	11.90%	36.91%	-	-		36,931.69
APCD Tier 1	57,543.08	13,442.65	23.36%	7,537.76	4,243.30	20.47%	43.83%	-	-		25,223.71
APCD Tier 3	17,209.61	3,880.08	22.55%	2,201.07	-	12.79%	35.34%	-	-		6,081.15
Pension Trust Staff Tier 1	7,715.87	1,860.30	24.11%	1,026.98	716.80	22.60%	46.71%	-	-		3,604.08
Pension Trust Staff Tier 2	9,003.20	2,170.67	24.11%	340.32	836.40	13.07%	37.18%	-	-		3,347.39
Pension Trust Staff Tier 3	11,215.97	2,649.21	23.62%	1,457.67	-	13.00%	36.62%	-	-		4,106.88
LAFCO Tier 1	10,832.21	3,269.43	30.18%	709.51	1,006.31	15.84%	46.02%	-	-		4,985.25
LAFCO Tier 3	1,731.20	479.20	27.68%	161.36	-	9.32%	37.00%	-	-		640.56
	7,857,485.31	1,993,938.80	25.38%	917,508.63	374,175.17	16.44%	41.82%	1,998.00	5,193.45		\$ 3,292,814.05
TOTAL FOR THE MONTH	15,692,171.18	3,981,692.49	25.37%	1,833,701.92	748,306.89	16.45%	41.83%	3,996.00	9,730.93		\$ 6,577,428.23
TOTAL YEAR TO DATE	200,924,548.79	48,740,511.46	24.26%	22,629,458.41	9,988,554.22	16.23%	40.49%	47,268.92	260,598.73		\$ 81,666,391.74
PRIOR YEAR COMPARISON	199,283,712.60	46,128,151.89	23.15%	21,569,804.77	10,846,345.09	16.27%	39.41%	38,996.93	425,487.34		\$ 79,008,786.02
% CHANGE FROM PRIOR YEAR	0.82%	5.66%	1.11%	4.91%	-7.91%	-0.04%	1.08%	21.21%	-38.75%		3.36%

REPORT OF RETIREMENTS**November 2019**

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Andrews, Amy L	Sheriff-Coroner	Service Retirement	11/03/19	3,630.99	True
Austin, Debra Lea	Department of Social Services	Service Retirement	10/19/19	501.51	False
Foster, Heidi L	Department of Social Services	Disability Retirement	09/07/19	1,932.02	False
Hendrickson, Steven L	Sheriff-Coroner	Service Retirement	11/16/19	5,192.20	True
Henson, Lisa A	SLO County Child Support Servi	Service Retirement	11/08/19	1,902.54	False
Perry, John A	Public Works ISF	DROP	11/01/19	3,871.40	False
Perry, John	Public Works ISF	Addintional Annuity	11/01/19	42.51	False
Schwind, John A	Human Resources	Service Retirement	09/10/19	3,545.87	False
Sebastian, Colleen	Behavioral Health	Service Retirement	11/15/19	2,120.76	False
Swanson, Karen G	Department of Social Services	Service Retirement	11/16/19	3,014.89	False

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

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

REPORT OF RETIREMENTS**December 2019**

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Annon, Pattie Ann	Public Works ISF	Service Retirement	12/06/19	2,272.28	False
Hossli, Debra A	Human Resources	Service Retirement	12/03/19	5,542.25	False
Ogren, Paavo A	Public Works ISF	Service Retirement	12/15/19	8,573.87	True
Proett, Steven W	Sheriff-Coroner	DROP	12/01/19	4,660.15	False
Rivas, Laurie R	Public Works ISF	Service Retirement	12/06/19	1,300.26	True
Stamey, Melissa M	Assessor	Service Retirement	10/01/19	381.25	False
Sterling, Donna T	Sheriff-Coroner	Service Retirement	11/28/19	5,563.71	False
Thompson, Judy	Assessor	Service Retirement	11/23/19	1,747.12	False

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

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

Board of Trustees

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Date: December 19, 2019

To: Board of Trustees

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

Investment Report for November 2019

	November	Year to Date 2019	2018	2017	2016	2015	2014
Total Trust Investments (\$ millions)	\$1,429		\$1,285 year end	\$1,351 year end	\$1,196 year end	\$1,148 year end	\$1,190 year end
Total Fund Return	1.2% Gross	13.5% Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross	-0.8% Gross	5.1 % Gross
Policy Index Return (r)	1.0%	14.2%	-3.2 %	13.4 %	7.7 %	-0.5 %	5.2 %

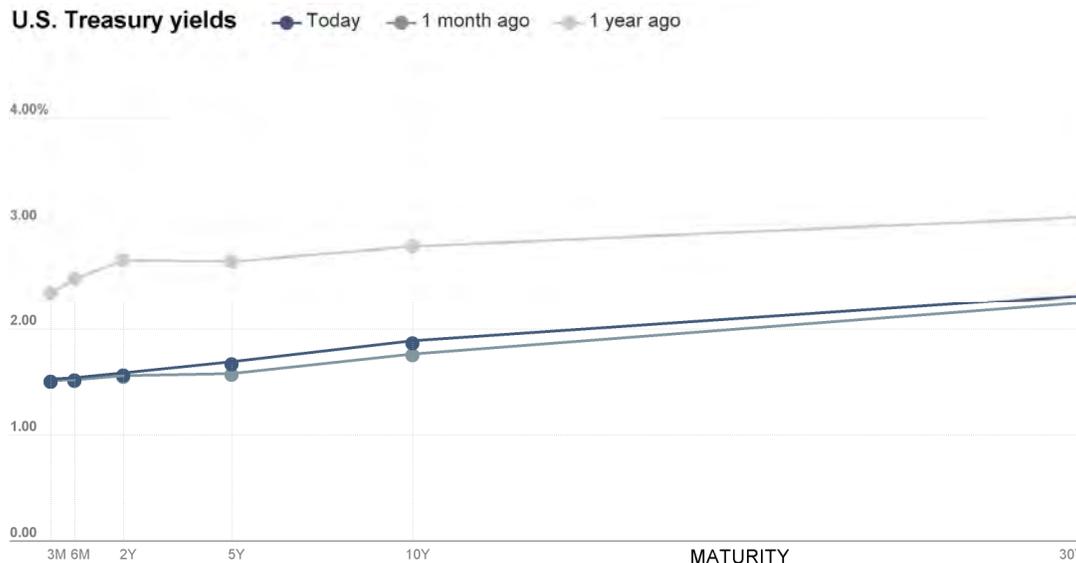
(r) Policy index as of Aug. 2016 revision to Strategic Asset Allocation Policy: 20% domestic equity, 20% international equity, 15% core bonds, 5% bank loans, 5% global bonds, 5% emerging market debt, 15% real estate, 5% commodities, 5% private equity, 5% private credit.

The Economy and Capital Markets:

- **Fed Policy and Interest Rates –**

- At the November FOMC meeting the Fed held interest rates steady.
 - Consistent with the Fed’s October comments, it retained a wait and see stance on future rate increases.
 - Expectations of moderating economic risks from Brexit and trade disputes supported the Fed’s pause in rate reductions.
 - The bond markets are currently pricing in a low probability of future interest rate reductions in December or the first half of 2020.

- The yield curve, has backed away from its worrisome tip towards inverted (a predictor of economic recessions) in August-September. The yield curve is currently positive with the 10-year Treasury at 1.92% versus the 2-year Treasury at 1.62% and T-Bills at 1.56% as of December 19th. The yield curve as of December 19th is shown below -



- **Economic Growth / Recession Risk –**

- Outlook for GDP Growth –

- Expectations for 2020 GDP growth remain in the 2% range – a slowing rate of growth. Contractionary pressures in manufacturing (PMI indices below 50) contrast with still optimistic consumer sentiment and spending. The return of the Treasury yield curve to positively sloped reflects moderating concerns over near term recession risk.

- Eurozone and Brexit –

- The probability of a Brexit from the EU taking place with some sort of agreement improved markedly in early December with new Parliamentary elections. Gains by British conservatives in the “leave” camp on Brexit make it likely that Prime Minister Johnson will be able to push through a Brexit near the January 31st deadline. While Brexit in general is expected to have negative consequences for the British economy, a “no-deal” unstructured Brexit was expected to worsen the blow. The near-term result is lessened risk perceptions in European markets.

- **Trade Policy –**

- U.S equity and fixed income markets were further reassured in November with progress on the U.S./China trade disputes. The announced “Phase 1” trade deal, while leaving many details pending, involves the U.S. cancelling planned new tariffs, increased Chinese agricultural purchases and some pledges of improved intellectual property protection.

- The approval of the USMCA trade agreement replacing NAFTA was not significant to the capital markets. The USMCA preserves the core benefits of NAFTA with improvement at the edges that received bipartisan support in Congress.

- **Employment and Wages –**
 - The November DOL report on nonfarm employment showed -
 - New jobs came in at +266k in November – well above expectations. In addition, the October estimate of new jobs was revised upwards from +_128k to +156k. The strong November jobs growth included the return of 50k workers from a prolonged strike at General.
 - Job growth over 2019 year to date has averaged +167k/month – the lowest rate in the past nine years. The job growth average in 2018 was at +233k/month.
 - Unemployment ticked down to a historic low of 3.5% in November. A broader measure of unemployment (U-6) that includes discouraged job seekers and part-time employees who would prefer full-time inched lower to 6.9%.
 - Average Hourly Earnings were little changed with a year-over-year increase measured at +3.1%.

SLOCPT Investment Returns:

The attached report from Verus covers the investment returns of the SLOCPT portfolio and general market conditions through the end of November. The attached market commentary from Verus details market conditions in November, but subsequent activity in December is not yet factored into these numbers. Through December 19th investment markets have been generally positive.

If the strong investment returns year to date (+13.5% gross rate of return through November) are not impacted by negative surprises at the end of December it will factor into the year-end actuarial data measurement. While investment returns for actuarial valuation purpose are smoothed over 5 years, any positive year is beneficial to pension contribution rates and funded ratio.

Respectfully submitted

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San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: November 30, 2019

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,428,956,106	100.0	1.2	13.5
Total Fund ex Overlay	1,425,069,738	99.7	1.2	13.6
Policy Index			1.0	14.2
Total Domestic Equity	300,224,837	21.0	3.8	25.9
Russell 3000			3.8	27.3
PIMCO RAE Fundamental PLUS Instl	60,566,980	4.2	3.4	21.8
S&P 500			3.6	27.6
Loomis Sayles Large Cap Growth	89,851,208	6.3	4.8	28.8
Russell 1000 Growth			4.4	32.4
Boston Partners Large Cap Value	86,786,867	6.1	3.3	20.6
Russell 1000 Value			3.1	23.2
Atlanta Capital Mgmt	63,019,782	4.4	3.5	33.1
Russell 2500			4.3	25.1
Total International Equity	321,375,548	22.5	2.3	24.2
MSCI ACWI ex USA Gross			0.9	17.0
Dodge & Cox Intl Stock	149,310,003	10.4	1.8	17.6
MSCI EAFE Gross			1.1	18.8
WCM International Growth	172,065,545	12.0	2.8	30.6
MSCI ACWI ex USA Gross			0.9	17.0
Total Domestic Fixed Income	279,978,464	19.6	0.2	9.5
BBgBarc US Aggregate TR			-0.1	8.8
BlackRock Core Bond	103,266,014	7.2	-0.1	10.2
BBgBarc US Aggregate TR			-0.1	8.8
Dodge & Cox Income Fund	107,023,227	7.5	0.2	9.9
BBgBarc US Aggregate TR			-0.1	8.8
Pacific Asset Corporate Loan	69,689,223	4.9	0.6	8.0
S&P/PLSTA Leveraged Loan Index			0.6	6.9
Total Global Fixed	136,836,282	9.6	-1.7	3.8
FTSE World Govt Bond Index			-1.2	5.6
Brandywine Global Fixed Income	66,433,851	4.6	-1.6	2.4
FTSE WGBI ex US TR			-1.7	4.5
Ashmore EM Blended Debt Fund	70,402,431	4.9	-1.7	--
50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELM+			-0.9	--

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.

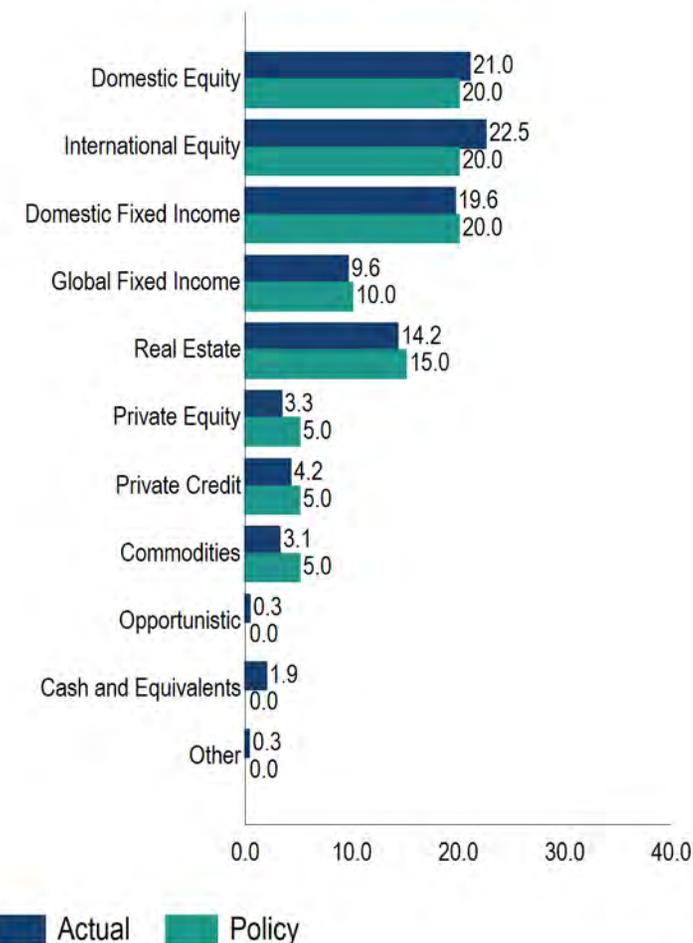
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: November 30, 2019

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	203,316,611	14.2	0.4	3.5
NCREIF Property Index			0.0	4.8
JP Morgan Core Real Estate	168,645,130	11.8	0.5	2.4
NCREIF-ODCE			0.0	3.8
NCREIF Property Index			0.0	4.8
ARA American Strategic Value Realty	34,510,892	2.4	0.0	7.3
NCREIF-ODCE			0.0	3.8
NCREIF Property Index			0.0	4.8
Total Commodities	44,938,872	3.1	-1.8	3.2
Bloomberg Commodity Index TR USD			-2.6	2.5
Gresham MTAP Commodity Builder	44,938,872	3.1	-1.8	3.2
Bloomberg Commodity Index TR USD			-2.6	2.5
Total Private Equity	47,378,124	3.3		
Harbourvest Partners IX Buyout Fund L.P.	14,616,579	1.0		
Pathway Private Equity Fund Investors 9 L.P.	27,975,145	2.0		
Harbourvest 2018 Global Fund L.P.	4,786,400	0.3		
Total Private Credit	59,603,657	4.2		
TPG Diversified Credit Program	59,603,657	4.2		
Total Cash	26,756,415	1.9	0.0	2.2
91 Day T-Bills			0.1	1.9
Cash Account	26,756,415	1.9	0.0	2.2
91 Day T-Bills			0.1	1.9
Total Opportunistic	4,660,927	0.3		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	4,558,758	0.3		
PIMCO Distressed Credit Fund	102,169	0.0		
CPI + 5%			0.4	7.1

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.



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

NOVEMBER 2019
Capital Markets Update

Market commentary

U.S. ECONOMICS

- The ISM Manufacturing PMI ticked down from 48.3 to 48.1, missing expectations of 49.4. For the fourth straight month it remained under the neutral level of 50.0 in contractionary territory. Export orders fell 2.5 points to 47.9 and the decline was likely impacted by the ongoing U.S. - China trade dispute.
- Nonfarm payroll additions in November totaled 266,000 and easily beat expectations (+180,000), though payroll additions were inflated by the return of roughly 40,000 General Motors workers who had been on strike last month. Net revisions from the prior two months totaled +41,000, further outlining the strength of the labor market.
- The unemployment rate ticked down to 3.5% (exp. 3.6%), in line with 50-year lows experienced in 1969.

U.S. EQUITIES

- Per FactSet, the number of companies that cited “ESG” or “Environmental, Social and Governance” in their earnings calls was up 29% in Q3 vs Q2. Although only 31 companies or 6% of the S&P 500 Index companies mentioned ESG, it was the highest number in at least three years.
- The S&P 500 Index continued to climb higher, gaining 3.6% over the period and bringing its year-to-date return to 27.6%. Stronger than expected earnings as well as views that U.S. and Chinese negotiators were nearing a deal likely supported the advance of the index.
- The CBOE VIX Index of implied volatility fell from 13.2 to 12.6 and remained at subdued levels relative to its long-term average. The trailing 30-day realized volatility of the S&P 500 Index remained depressed and fell to 5.8%, the lowest level since November 2017.

U.S. FIXED INCOME

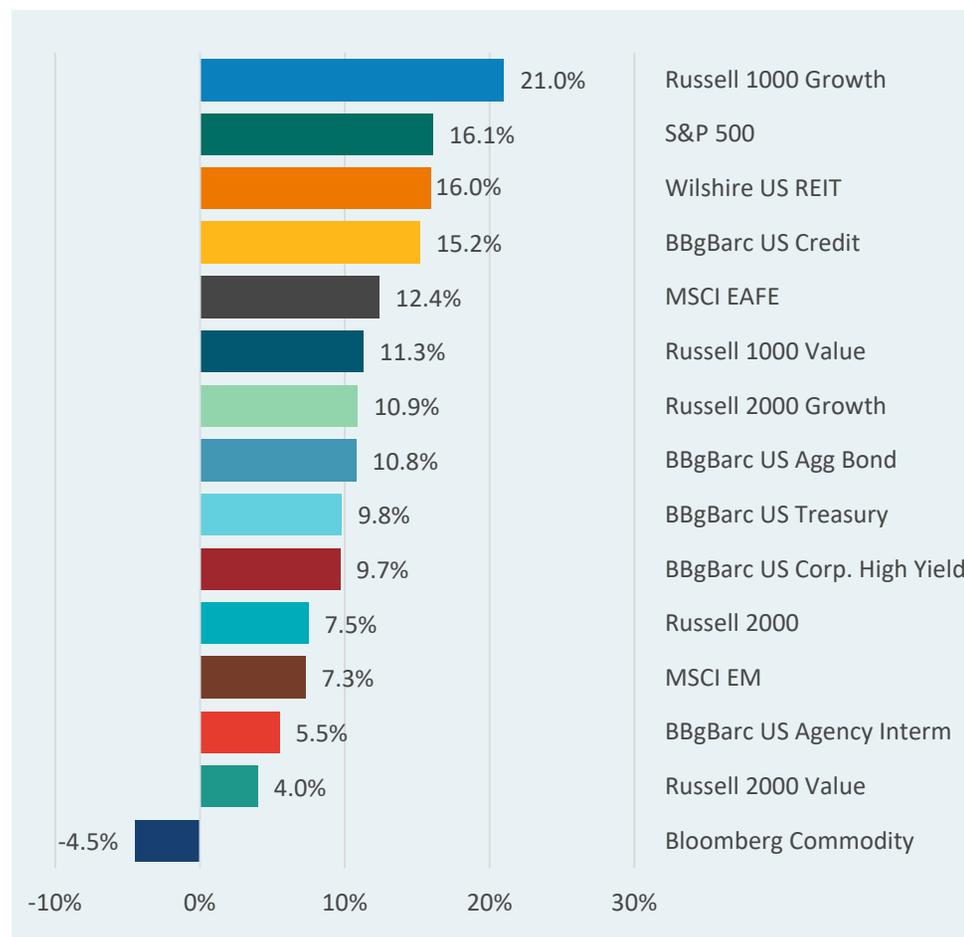
- The Federal Reserve’s most recent term repurchase-agreement operation, which was designed to provide \$25B in liquidity to market participants through the year-end, was oversubscribed by \$18B. The Fed previously increased the size of the operation from \$15 to \$25 billion, but demand for year-end financing so far has exceeded the supply the NY Fed has made available.
- Ten-year Treasury yields ticked up over the period from 1.69% to 1.78% and reached intra-month highs of 1.94% due in part to positive news flow regarding U.S. – China relations.
- Corporate high yield credit (+0.3%) outpaced investment grade credit (-0.1%), rewarding investors willing to take on more risk.

INTERNATIONAL MARKETS

- According to polls, the U.K. Prime Minister Boris Johnson’s Conservative Party remains 10 points ahead of the Labour Party and on course to win a majority in Parliament on December 12th. If the Conservatives win a majority, “Brexit” is expected to occur by the current deadline of January 31st.
- Economic data out of China continued to show signs of weakness. Year-over-year growth in retail sales fell to 7.2% in October, down from 9.8% at the end of Q2 and missing expectations of 7.9%. Industrial production fell short as well and grew 4.7% year-over-year compared to expectations of 5.4%.
- Chinese total exports dropped -1.1% year-over-year (exp +0.8%), in part due to a -23.0% decline in shipments to the U.S. It appears U.S. importers of Chinese goods are reducing purchases to combat the higher prices brought about in part by imposed tariffs.

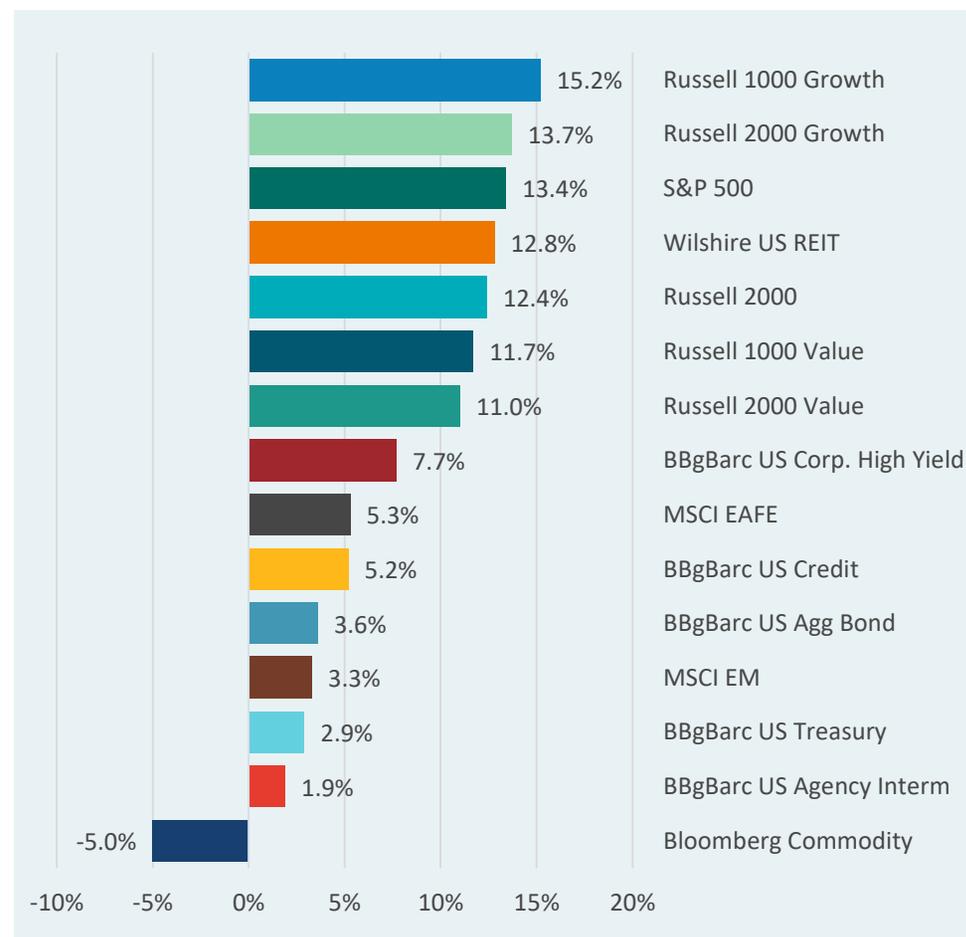
Major asset class returns

ONE YEAR ENDING NOVEMBER



Source: Morningstar, as of 11/30/19

TEN YEARS ENDING NOVEMBER

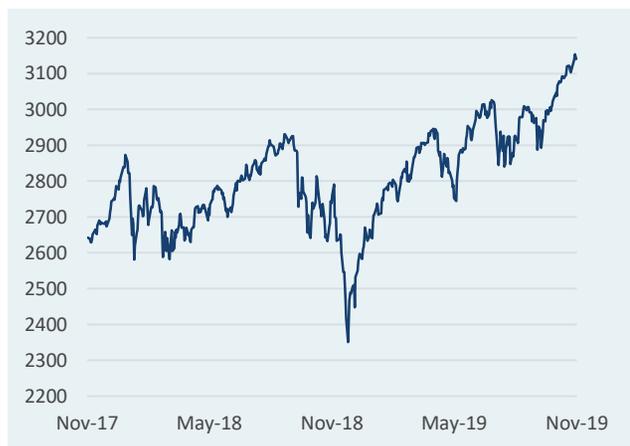


Source: Morningstar, as of 11/30/19

U.S. large cap equities

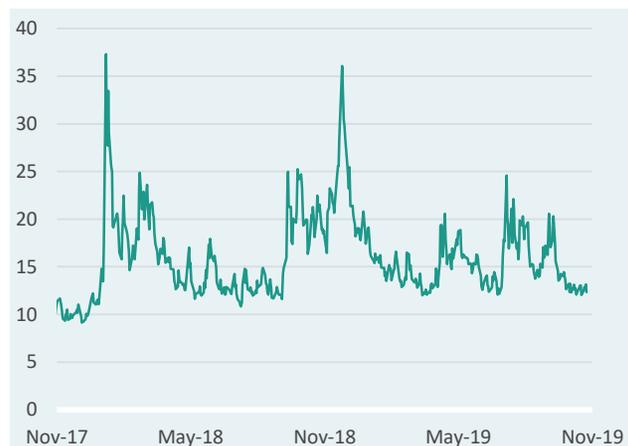
- The S&P 500 Index returned 3.6% and reached new all-time highs. The Information Technology (+5.4%), Financials (+5.0%) and Health Care (+5.0%) sectors led the index higher, while Real Estate (-1.7%) and Utilities (-1.8%) were the only sectors tallying negative performance.
- The Information Technology sector advanced 5.4% and at a weight of 22.6% helped to propel the overall index higher. Positive news relating to U.S.-Chinese trade negotiations likely helped to boost tech names.
- Health Care stocks gained 5.0%, making the sector the strongest performer over the quarter-to-date (+10.4%). Presidential hopeful Elizabeth Warren changed her health care proposal from a fully government-sponsored health insurance plan to one which would allow supplementary private health insurance, a shift which analysts viewed as positive for the sector.
- Per FactSet, the estimated Q4 2019 earnings decline is -1.5%. If this is the actual decline it will mark the first time the index has reported four straight quarters of decline since the period from Q3 2015 to Q2 2016.

S&P 500 PRICE INDEX



Source: Bloomberg, as of 11/30/19

IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 11/30/19

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 11/30/19

Domestic equity size and style

- Small-cap equities extended their outperformance over large-cap equities to a third consecutive month. The Russell 2000 Index returned 4.1% while the Russell 1000 Index rose only 3.8%. Year-to-date, large-cap equities (+27.7%) have still outperformed their small-cap peers (+22.0%).
- Value stocks continued to underperform growth stocks over the period. The Russell 3000 Growth Index rose 4.5% and has fared better than the Russell 3000 Value Index (+3.0%) for nine out of eleven months this year.
- In November, growth-oriented equities outperformed value-oriented equities within the large cap universe by 1.3%. However, within the small-cap universe, the outperformance of the growth factor was even more pronounced as growth-oriented equities outperformed value-oriented equities by 3.6%.
- Small-cap stocks' outperformance over large-caps was most evident within the Health Care sector. The Russell 2000 Health Care Sub-Index returned 12.2% outpacing its large-cap counterpart, which advanced only 5.7%.

VALUE VS. GROWTH RELATIVE VALUATIONS



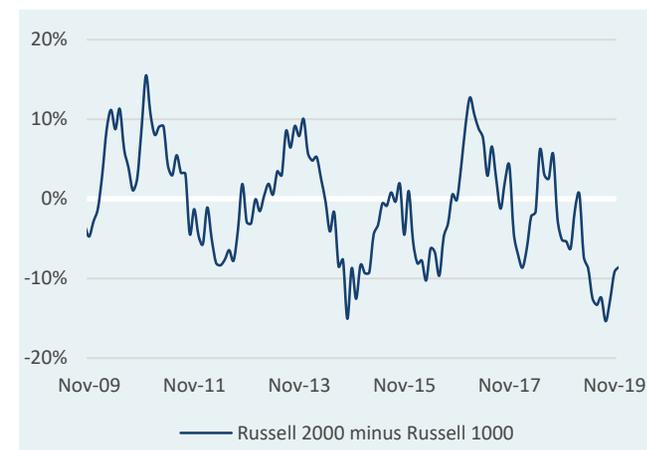
Source: Russell, Bloomberg, as of 11/30/19

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 11/30/19

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 11/30/19

Fixed income

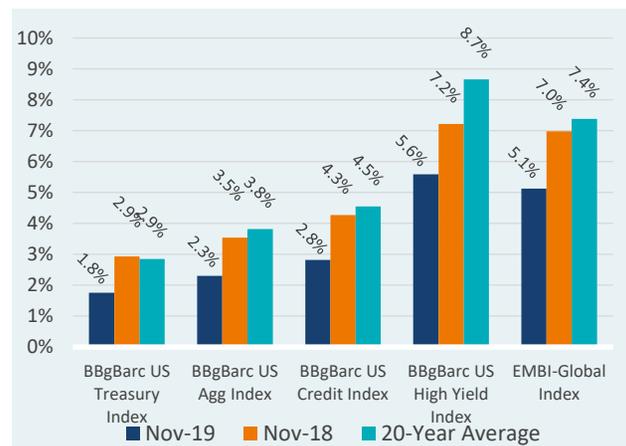
- Over the period the JPM EMBI Global Diversified Index declined -0.2% while the JPM GBI-EM Global Diversified Index fell -1.8%. U.S. dollar appreciation likely presented headwinds for unhedged investors in local-currency denominated emerging market debt.
- China is issuing U.S. dollar denominated bonds at a record pace through 2019 and its most recent issue raised \$6 billion. Despite ongoing trade turbulence, there was strong demand for the issue which attracted over \$20 billion in orders, indicating investors' strong appetite for dollar-denominated Chinese debt.
- The ECB will hold its first review since 2003, where it will discuss topics ranging from inflation to climate change. The current inflation target of “below, but close to 2%” is viewed as being too vague by some, but there are differing opinions on what it should be changed to, ranging from a fixed 2% target to including bands around the current target.
- Chinese headline inflation rose 4.5% year-over-year. Food prices, specifically pork, drove much of the pickup in the price of the goods basket. Core inflation, excluding food and energy, remained benign at 1.4%.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 11/30/19

NOMINAL YIELDS



Source: Morningstar, as of 11/30/19

BREAKEVEN INFLATION RATES

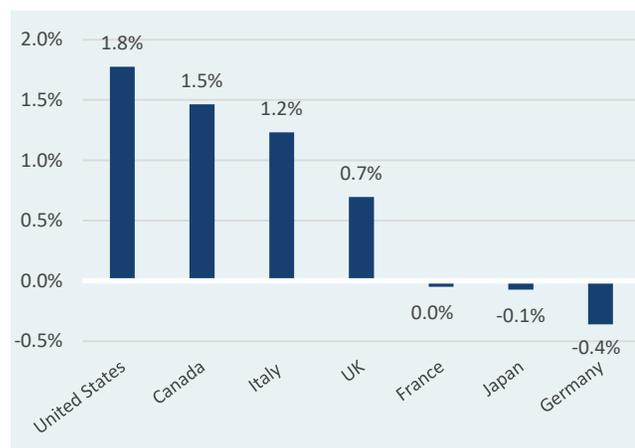


Source: Bloomberg, as of 11/30/19

Global markets

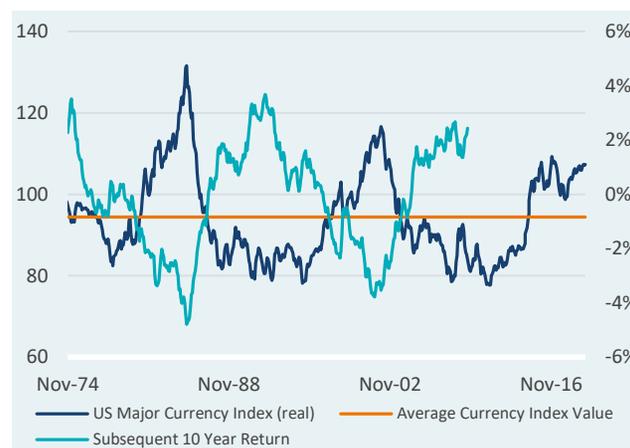
- Emerging market currency exposure provided a headwind for emerging market equity performance. The JP Morgan EMCI Index declined -2.0% which likely helped the MSCI EM Local Index (+0.6%) to outperform the MSCI EM Index (-0.1%) in U.S. dollar terms.
- Germany and the U.K. narrowly avoided technical recessions (two consecutive quarters of GDP decline) as they both posted slightly positive Q3 quarter-over-quarter growth. German GDP expanded +0.1% (exp. -0.1%) while U.K. GDP grew +0.3% (exp. +0.4%).
- Despite Congress passing a bill supporting the protestors in Hong Kong the U.S.-Chinese phase one trade deal appears to have remained on track. Chinese officials are in “close contact” with U.S. officials and hope to reach a deal before new U.S. tariffs on Chinese imports are scheduled to take effect on December 15th.
- Chinese officials announced plans to raise penalties on violators of intellectual property rights. Built into the proposed plans were lower thresholds for criminal punishment of those who steal intellectual property.

GLOBAL SOVEREIGN 10-YEAR YIELDS



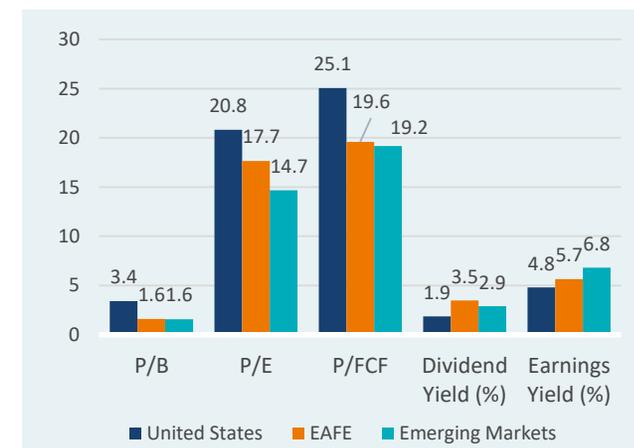
Source: Bloomberg, as of 11/30/19

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 11/30/19

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 11/30/19

Commodities

- The Bloomberg Commodity Index fell 2.6% over the month and Industrial Metals (-4.9%) and Precious Metals (-3.8%) led the decline. Softs (6.4%) and Petroleum (2.1%) outperformed and were the only positive movers.
- The Livestock Sub-Index fell 2.1% driven by pork prices which fell nearly 11.0%. U.S. pork production is on a record pace in 2019 and although U.S. – China trade conversations have resulted in an increase in Chinese purchases of U.S. pork, the purchases have not been sufficient to keep up with the increased supply.

- The Softs component of the commodities basket saw positive returns of 6.4%, driven by coffee prices which rose 13.4%. Arabica coffee supply levels have come down off recent highs and after two seasons of a global production surplus, a deficit is forecast for the 2019-2020 production season.
- Gold traded down 3.1% in November as a better overall risk sentiment likely made precious metals a less appealing choice for investors. Higher interest rates also increased the opportunity cost of holding non-yielding assets.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(2.6)	(0.6)	2.5	(4.5)	(2.0)	(6.4)	(5.0)
Bloomberg Agriculture	(0.4)	1.3	(3.8)	(6.1)	(9.3)	(8.4)	(4.4)
Bloomberg Energy	(2.6)	(1.0)	4.6	(15.0)	(1.6)	(13.5)	(12.1)
Bloomberg Grains	(2.4)	(1.0)	(5.5)	(6.7)	(7.7)	(9.5)	(5.3)
Bloomberg Industrial Metals	(4.9)	(3.2)	3.8	(1.5)	0.9	(1.9)	(3.1)
Bloomberg Livestock	(2.1)	(1.4)	(7.4)	(8.2)	2.1	(6.7)	(2.0)
Bloomberg Petroleum	2.1	3.5	22.1	10.8	5.3	(8.9)	(6.8)
Bloomberg Precious Metals	(3.8)	(0.2)	12.7	19.1	5.3	3.1	0.9
Bloomberg Softs	6.4	7.3	(1.9)	(8.0)	(14.4)	(9.4)	(5.5)

Source: Morningstar, as of 11/30/19

COMMODITY PERFORMANCE



Source: Bloomberg, as of 11/30/19

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	32.4	13.7	15.2
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	27.7	10.8	13.7
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	25.6	9.5	13.5
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	23.2	8.6	12.4
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	22.0	8.2	11.7
Small Cap Value	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	18.3	7.8	11.0
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	18.2	6.8	9.8
60/40 Global Portfolio	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	15.8	5.3	6.1
Emerging Markets Equity	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	10.2	4.3	5.3
US Bonds	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.8	3.1	3.6
Hedge Funds of Funds	-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	5.8	3.1	3.3
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	4.8	2.2	2.7
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	2.5	1.0	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	1.9	-6.4	-5.0

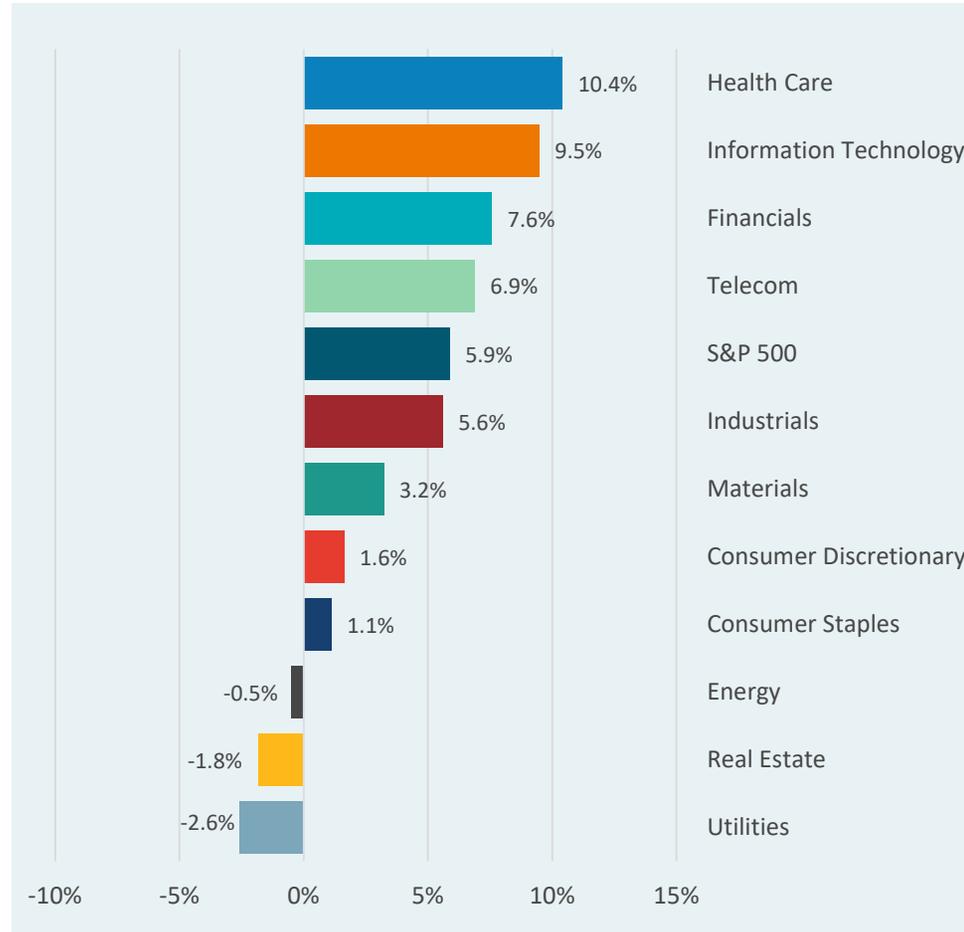
BEST
↑
↓
WORST

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

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 9/30/19.

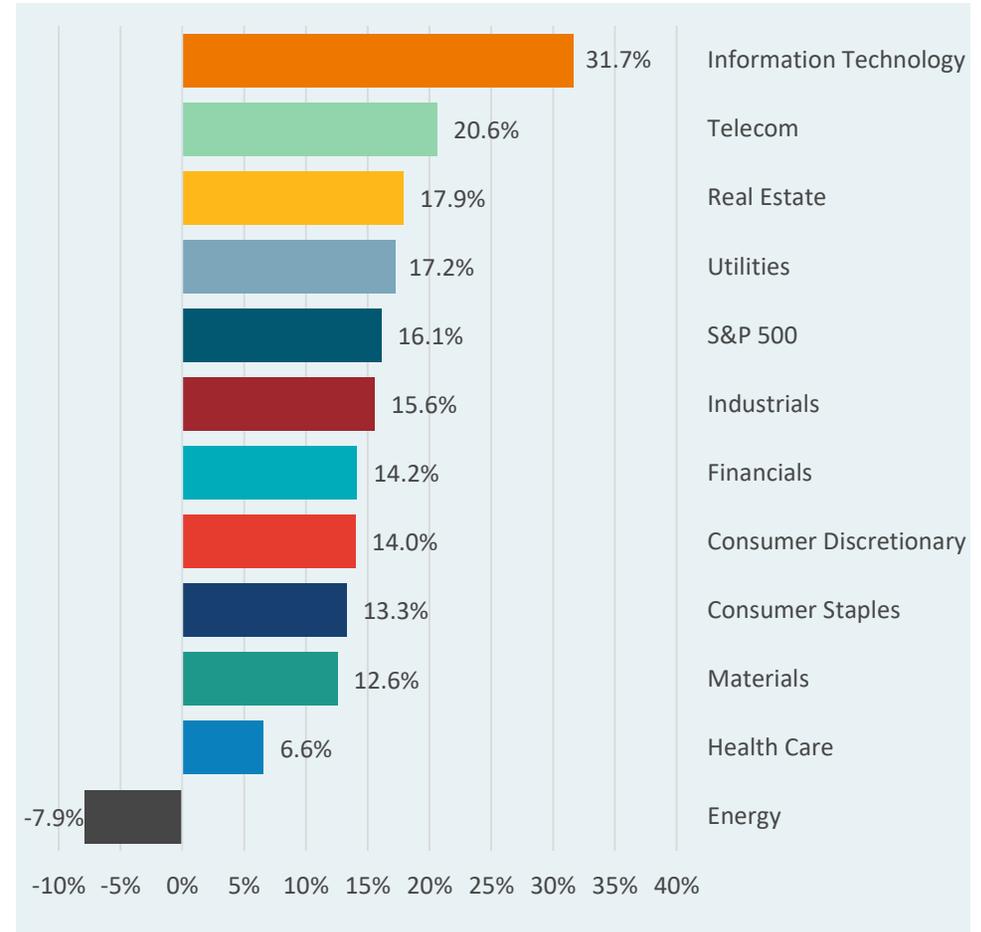
S&P 500 sector returns

QTD



Source: Morningstar, as of 11/30/19

ONE YEAR ENDING NOVEMBER



Source: Morningstar, as of 11/30/19

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	3.6	5.9	27.6	16.1	14.9	11.0	13.4
S&P 500 Equal Weighted	3.4	4.7	25.7	13.5	11.8	9.2	13.7
DJ Industrial Average	4.1	4.7	23.0	12.5	16.3	12.2	13.3
Russell Top 200	3.9	6.5	27.8	16.5	15.9	11.6	13.5
Russell 1000	3.8	6.0	27.7	16.1	14.7	10.8	13.5
Russell 2000	4.1	6.9	22.0	7.5	8.6	8.2	12.4
Russell 3000	3.8	6.0	27.3	15.5	14.2	10.6	13.4
Russell Mid Cap	3.6	4.7	27.6	15.0	11.6	8.9	13.6
Style Index							
Russell 1000 Growth	4.4	7.4	32.4	21.0	19.8	13.7	15.2
Russell 1000 Value	3.1	4.5	23.2	11.3	9.6	7.8	11.7
Russell 2000 Growth	5.9	8.9	25.6	10.9	12.2	9.5	13.7
Russell 2000 Value	2.3	4.8	18.3	4.0	5.0	6.8	11.0

INTERNATIONAL EQUITY

Broad Index							
MSCI ACWI	2.4	5.2	22.3	13.7	11.9	7.2	8.6
MSCI ACWI ex US	0.9	4.4	16.5	11.2	9.2	3.8	4.7
MSCI EAFE	1.1	4.8	18.2	12.4	9.6	4.3	5.3
MSCI EM	(0.1)	4.1	10.2	7.3	9.0	3.1	3.3
MSCI EAFE Small Cap	2.2	6.9	19.7	12.0	10.4	7.8	8.4
Style Index							
MSCI EAFE Growth	1.8	5.4	24.4	18.4	12.6	6.4	6.9
MSCI EAFE Value	0.4	4.0	12.0	6.5	6.6	2.1	3.7
Regional Index							
MSCI UK	1.7	4.6	15.1	10.8	8.0	1.7	4.8
MSCI Japan	0.6	5.4	17.2	9.3	8.5	7.0	6.4
MSCI Euro	1.4	4.8	19.4	13.6	10.4	3.3	3.5
MSCI EM Asia	0.5	5.0	11.3	7.8	9.8	4.8	5.5
MSCI EM Latin American	(4.1)	0.1	6.5	5.6	7.5	0.2	(1.4)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	0.2	0.4	8.0	8.6	3.2	2.3	3.1
BBgBarc US Treasury Bills	0.1	0.3	2.2	2.4	1.6	1.1	0.6
BBgBarc US Agg Bond	(0.1)	0.3	8.8	10.8	4.1	3.1	3.6
Duration							
BBgBarc US Treasury 1-3 Yr	(0.0)	0.3	3.4	4.2	1.8	1.3	1.1
BBgBarc US Treasury Long	(0.5)	(1.4)	18.1	24.6	7.8	5.3	6.7
BBgBarc US Treasury	(0.3)	(0.2)	7.5	9.8	3.5	2.5	2.9
Issuer							
BBgBarc US MBS	0.1	0.4	6.1	8.0	3.2	2.6	3.0
BBgBarc US Corp. High Yield	0.3	0.6	12.1	9.7	6.3	5.4	7.7
BBgBarc US Agency Interim	(0.0)	0.2	4.4	5.5	2.4	1.8	1.9
BBgBarc US Credit	0.2	0.8	13.5	15.2	5.9	4.3	5.2

OTHER

Index							
Bloomberg Commodity	(2.6)	(0.6)	2.5	(4.5)	(2.0)	(6.4)	(5.0)
Wilshire US REIT	(1.5)	(0.5)	26.6	16.0	9.6	7.4	12.8
CS Leveraged Loans	0.6	0.1	6.5	4.0	4.3	4.0	5.3
Alerian MLP	(6.2)	(12.4)	(2.1)	(10.2)	(6.4)	(9.5)	4.6
Regional Index							
JPM EMBI Global Div	(0.5)	(0.2)	12.8	14.3	6.4	5.3	6.7
JPM GBI-EM Global Div	(1.8)	1.0	9.0	10.4	6.3	0.7	2.3
Hedge Funds							
HFRI Composite	1.2	1.8	8.6	5.9	4.3	3.2	4.0
HFRI FOF Composite	0.9	1.4	6.6	4.8	3.6	2.1	2.7
Currency (Spot)							
Euro	(1.2)	1.1	(3.5)	(2.6)	1.3	(2.4)	(3.0)
Pound	(0.0)	5.0	1.6	1.4	1.2	(3.8)	(2.4)
Yen	(1.3)	(1.3)	0.2	3.7	1.3	1.6	(2.4)

Source: Morningstar, HFR, as of 11/30/19

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.

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Board of Trustees

1000 Mill Street
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Fax: (805) 781-5697
www.SLOPensionTrust.org



Date: January 27, 2020

To: Board of Trustees

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

Agenda Item 11: Investment and Banking Authority

Recommendation:

Staff recommends that the Board approve and adopt the attached Resolution 2020-02 and accompanying Incumbency Certificate designating authorized signers for various investment and banking relationships.

Discussion:

SLOCPT updates the designated authorized signers for various investment and banking relationships approximately every six months so that recent documentation of such authorizations by the Board of Trustees is available if needed to execute documents of various sorts. These designations are necessary to the everyday operations of the SLOCPT.

Resolution 2020-02 and its referenced Incumbency Certificate are attached. The approval of a resolution of this type is anticipated to be a routine item before the Board of Trustees biannually or whenever authorized signers are changed.

**SAN LUIS OBISPO COUNTY
PENSION TRUST**

PRESENT: Gere Sibbach, Matt Janssen, Guy Savage, Michelle Shoresman,
Jeff Hamm, James Hamilton, Taylor Dacus

ABSENT:

RESOLUTION NO. 2020-02

A Resolution Affirming Investment and Banking Authority

Whereas, the San Luis Obispo County Pension Trust conducts investment and banking activities as part of its normal course of business and finds it necessary to affirm and/or appoint which of its officers and employees are authorized signers for such activities.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED AS FOLLOWS:

The attached San Luis Obispo County Pension Trust Investment and Banking Authority Incumbency Certificate dated January 27, 2020, is hereby approved.

Adopted: January 27, 2020

Approved as to Form and Legal Effect

Chris Waddell
General Counsel

SIGNED: _____

President, Board of Trustees
San Luis Obispo County Pension Trust

ATTEST: _____
Carl Nelson, Executive Director

Board of Trustees

1000 Mill Street
San Luis Obispo, CA 93408
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Investment and Banking Authority Incumbency Certificate

Effective Date: January 27, 2020
Date of Certification: January 27, 2020

The undersigned, being an officer of the Board of Trustees of the San Luis Obispo County Pension Trust (“SLOCPT”), organized under the laws of the State of California does hereby certify on behalf of the SLOCPT that the persons named below are officers or other designated staff members of the SLOCPT and that the title and signature at the right of said name, respectively, are the true title and genuine signature of said person and that the persons listed below are each an authorized signatory for the SLOCPT for **any and all investment and banking related matters**.

<u>Name</u>	<u>Title</u>	<u>Signature</u>
Carl A. Nelson	Executive Director	_____
Amy Burke	Deputy Director	_____
Lisa Winter	Retirement Program Specialist	_____
Anna Bastidos	Retirement Program Specialist	_____

Furthermore, the undersigned does certify that the SLOCPT’s Board of Trustees as of the date noted above are:

Guy Savage
Matt Janssen
Michelle Shoresman
Taylor Dacus

Jeff Hamm
James Hamilton
Gere Sibbach

Signed: _____

Date: _____

_____, President
San Luis Obispo County Pension Trust
Board of Trustees

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Board of Trustees

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Date: January 27, 2020

To: Board of Trustees

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

Agenda Item 12: Board Member Responsibilities, Core Competencies and Education Policy – Amend Travel Expense Policy

Recommendation:

Staff recommends approval of the attached Appendix A to the Pension Trust policy - Board Member Responsibilities, Core Competencies and Education Policy. The amendment is only to Appendix A to the policy and is an update of allowable travel expenses.

Discussion:

The Board of Trustees in 2014 approved, among several policy documents, its Board Member Responsibilities, Core Competencies and Education Policy. A portion of this policy includes the policy on reimbursement for expenses incurred for travel on Pension Trust Business. That portion of the policy includes an Appendix A that addresses allowable travel expenses.

The attached Appendix A is an update of those allowable travel expenses.

The Pension Trust bases its travel expense policy on a simplified version of the policy followed by SLO County. The Pension Trust travel policy also includes travel to investment/financial centers (e.g., New York) that are not typically part of SLO County's travel policy.

With the recent update of the SLO County travel policy these amendments are consistent with those changes. Notably, the increase in the general cost of hotels in the SLO County policy from \$150/night to \$216/night (a 44% increase) is reflected in a similar percentage increase in the allowable hotel costs in the Pension Trust travel policy for financial center hotels in San Francisco, Los Angeles, San Diego and New York/Boston.

APPENDIX A

TRAVEL REIMBURSEMENT RATES

Effective January 27, 2020

1. **MEALS & INCIDENTALS:** ~~Per diem~~ Total daily costs reimbursed at actual cost up to a maximum of \$60 per day for meals and \$10 per day for incidentals ~~reimbursement rate for meals and incidentals: \$55.00.~~

2. **PRIVATE ~~CAR~~VEHICLE MILEAGE:** Per mile reimbursement shall be the amount established by the Internal Revenue Code for non-taxable reimbursement at the time the travel was undertaken.

3. **LODGING REIMBURSEMENT RATE FOR TRAVEL OTHER THAN TRAVEL SPECIFIED IN SECTION ~~H~~, E, 3 (a):**

- A. General Travel \$175-216 per night plus tax & parking
- B. San Francisco (Downtown Ctr) \$250-360 per night plus tax & parking
(Suburban Area) \$200-285 per night plus tax & parking
- C. L. A. (Financial/Civic Center) \$250-360 per night plus tax & parking
(Suburban Area) \$200-285 per night plus tax & parking
- D. San Diego (Financial/Civic Center) \$250-360 per night plus tax & parking
(Suburban Area) \$200-285 per night plus tax & parking
- E. New York - Boston (Financial Ctr) \$300-430 per night plus tax & parking
(Suburban Area) \$230-330 per night plus tax & parking

F. Lodging rates shown above may be exceeded by up to 50% if approved by the Executive Director.

G. Pursuant to Section E, 3(a) above - Individuals attending seminars, conferences or classes pursuant to this policy are encouraged to obtain lodging at the hotel or motel where the seminar, conference or class is being presented or adjacent overflow hotels. In such cases, reimbursement shall be made for the full amount of lodging expense incurred.

4. **PERSONAL PHONE CALLS:** ~~—————~~ Maximum of \$ 10.00 per day

Board of Trustees

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Date: January 27, 2020

To: Board of Trustees

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

Agenda Item 14: Cash Flow Analysis for 2020

Recommendation:

It is recommended that the Board receive and file this report.

Discussion:

This report is presented in accordance with the requirements of Section IX, Investment Administration, of the SLOCPT's Investment Policy.

This report is an information item only and is ministerial in nature. Please note that the County and APCD employer paid contributions are currently prepaid through June 30, 2020. This causes a timing issue as funds are received in one discounted lump sum payment in July of each year for contributions due in fiscal years ending June 30. The following projection does not consider the impacts of this prefunding and the associated discount.

SLOCPT

Annual Cashflow projections

Pursuant to Article IX (Investment Administration) of the Investment Policy

<u>Expected Cash Inflows:</u>	<u>2020</u>
Contributions	92,600,000
Net Investment Drawdowns	17,400,000 *
Total Inflows (a)	<u>\$ 110,000,000</u>
<u>Expected Cash Outflows:</u>	
Benefit Payments	\$ (102,100,000)
+ est. COLA for 2020	(2,000,000)
Termination Refunds	(3,000,000)
Death Benefits	(400,000)
Administrative Expenses	(3,000,000)
Total Outflows (b)	<u>\$ (110,500,000)</u>
Net Cashflow (a + b)	<u>\$ (500,000)</u>
Current Cash Holdings **	<u>27,000,000</u>
Total Cash Available (at year end)	<u><u>\$ 26,500,000</u></u>

* Net investment drawdowns will be accomplished as part of routine asset mix rebalancing between portfolios during the year.

** Cash held in the County Treasury account and operating accounts at Pacific Premier Bank.

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Date: January 27, 2020

To: Board of Trustees

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

Investment Report for December 2019

	December	Year to Date 2019	2018	2017	2016	2015	2014
Total Trust Investments (\$ millions)	\$1,446		\$1,285 year end	\$1,351 year end	\$1,196 year end	\$1,148 year end	\$1,190 year end
Total Fund Return	2.4% Gross	16.3% Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross	-0.8% Gross	5.1 % Gross
Policy Index Return (r)	1.9%	16.4%	-3.2 %	13.4 %	7.7 %	-0.5 %	5.2 %

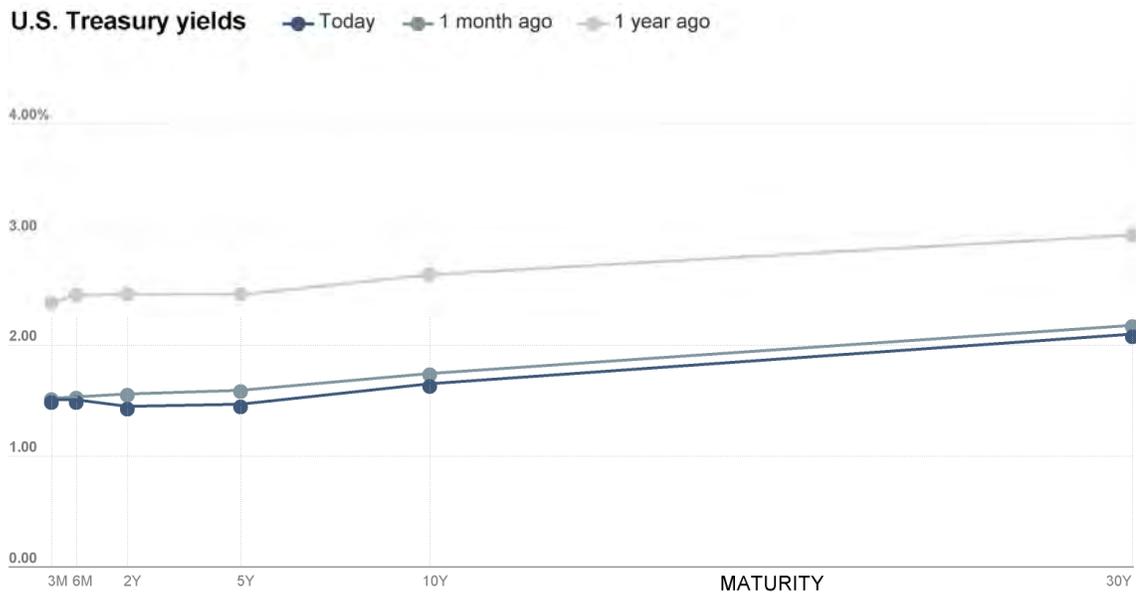
(r) Policy index as of Aug. 2016 revision to Strategic Asset Allocation Policy: 20% domestic equity, 20% international equity, 15% core bonds, 5% bank loans, 5% global bonds, 5% emerging market debt, 15% real estate, 5% commodities, 5% private equity, 5% private credit.

The Economy and Capital Markets:

- **Fed Policy and Interest Rates –**

- At the December FOMC meeting the Fed held interest rates steady.
 - Consistent with the Fed’s recent stance, it retained a wait and see stance on future rate increases.
 - However, the Fed has shown a distinct bias towards monetary easing in 2019. This bias may be due to both fully warranted concerns about not “being the Fed that again started the recession by easing too late” or in response to political pressures from the Administration.

- Fed communications in 2019 also changed course on the ease/neutral/normalize rates spectrum that some observers claim created a self-fulfilling prophecy of capital markets clamoring for lower rates that was created by the Fed’s own expectation building. Combined with this is a strong appetite for liquidity in the capital markets from the animal spirits of a bull market and a surfeit of low-interest corporate debt financing.
 - The Fed has increased the purchase of securities – returning to expanding its balance sheet. However, the Fed denies this is a return to significant Quantitative Easing. This seems credible since Fed asset purchases are primarily Treasury Bills and not corporate securities.
- The Treasury yield curve, has maintained a positive slope after the recession scare of an inverted yield curve last August-September. Treasury rates have remained close to current levels for several months with the 10-year Treasury at 1.69%, the 2-year Treasury at 1.48% and T-Bills at 1.54% as of January 24th. The yield curve as of January 24th is shown below-



• **Economic Growth / Recession Risk –**

➤ Outlook for GDP Growth –

- Consumer sentiment and spending – which makes up the large share of GDP – completed 2019 with a strong showing. The following excerpt from a NY Times article from December 26th describes the gains –

“Americans keep spending, driving the economy at a time when unemployment is at a half-century low point despite headwinds from the trade war.

Holiday sales rose 3.4 percent this year over 2018, according to a survey by Mastercard SpendingPulse. Online sales grew much more sharply — 18.8 percent — marking the continuing change in how people shop.

The increase this year, both over-all and online, is smaller than it was in 2018, but the findings will be welcomed by retailers, which depend on year-end splurges to drive their annual sales.

Consumers are responsible for the largest chunk, by far, of economic activity in the United States, and their willingness to keep shopping has offset declining business investment in the face of the trade war and an uncertain outlook. The economy grew at a 2.1 percent annual rate in the third quarter of 2019 and has been expanding for 11 years — one of the longest periods of continuous growth ever.”

- Expectations for 2020 GDP growth remain in the 2% range.

- Eurozone and Brexit –
 - The December elections in the U.K. led to gains by British conservatives in the “leave” camp on Brexit. Market expectations of an eventual negotiated Brexit from the E.U. – albeit likely past the January 31s deadline – reflected a “worst-case averted” scenario. The near-term result is lessened risk perceptions in European markets.

- **Trade Policy** –
 - U.S equity and fixed income markets were calmed by the signing of a Phase 1 trade deal between the U.S. and China which leaves many details pending. The Phase 1 deal involves the U.S. cancelling planned new tariffs, increased Chinese agricultural purchases and some pledges of improved intellectual property protection. Substantially increased U.S. tariffs on Chinese imports previously implemented remain in place. Market expectations seemed to reflect a sense that a worst-case trade war was averted, but there was little substantive progress.

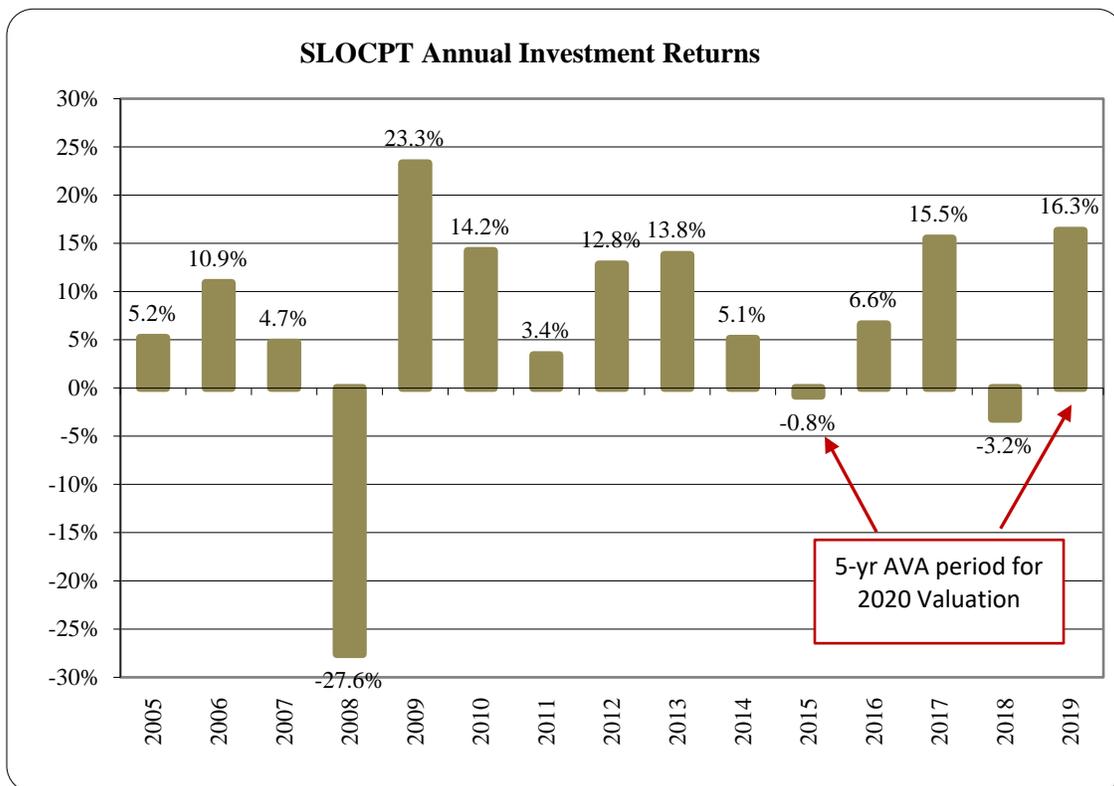
- **Employment and Wages** –
 - As a key indicator of economic activity in the U.S. we always watch the monthly jobs report from the BLS. The December DOL report on nonfarm employment showed -
 - New jobs came in at +145k in December – slightly below expectations, but still a strong showing of economic health. 2019 can be viewed as a year of steady gains, albeit at a slowing pace of improvement. A slowing of the rate of labor market growth in a late-cycle economic expansion - the 11th straight year of GDP growth – is to be expected.
 - For all of 2019 new jobs totaled 2.1 million (compared to 2.7 million in 2018) – handily above the growth in population.
 - Unemployment remained at its historic low of 3.5% in December. A broader measure of unemployment (U-6) that includes discouraged job seekers and part-time employees who would prefer full-time declined to a historic low of 6.7%.
 - Average Hourly Earnings were little changed with a year-over-year increase measured at +2.9%. This is compared to a 3.3% wage growth in 2018. The anemic 2019 wage

growth number fuels the oft-repeated quip among economists that “It’s easier to get a job than a raise in this economy”. Wage gains have been strongest at the lower end of the range, due in part to increasing minimum wage regulations in 21 states and numerous large cities and counties.

SLOCPT Investment Returns:

The attached report from Verus covers the preliminary investment returns of the SLOCPT portfolio and general market conditions through the end of December. A final calculation of 2019’s rate of return will be included in the 4Q19 quarterly report from Verus to be presented in February. The attached market commentary from Verus details market conditions in December, but subsequent activity in January is not yet factored into these numbers.

The strong investment returns for the full year of 2019 (+16.3% gross rate of return through December estimated) will factor into the year-end actuarial data measurement. While investment returns for actuarial valuation purpose are smoothed over 5 years, any positive year is beneficial to pension contribution rates and funded ratio. The graph below shows gross rates of investment return on the Pension Trust for 15 years.



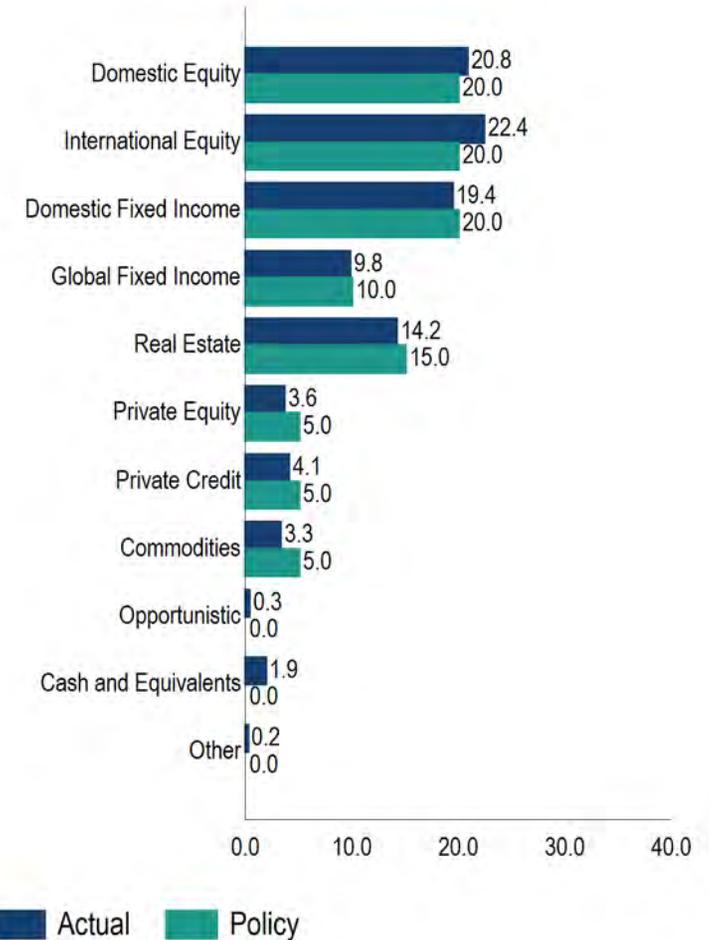
Respectfully submitted

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

Period Ending: December 31, 2019

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,446,498,502	100.0	2.4	16.3
Total Fund ex Overlay	1,443,646,653	99.8	2.4	16.4
Policy Index			1.9	16.4
Total Domestic Equity	301,350,674	20.8	2.7	29.4
Russell 3000			2.9	31.0
PIMCO RAE Fundamental PLUS Instl	62,373,766	4.3	3.0	25.5
S&P 500			3.0	31.5
Loomis Sayles Large Cap Growth	88,586,884	6.1	3.0	32.7
Russell 1000 Growth			3.0	36.4
Boston Partners Large Cap Value	86,394,748	6.0	3.0	24.3
Russell 1000 Value			2.8	26.5
Atlanta Capital Mgmt	63,995,277	4.4	1.5	35.1
Russell 2500			2.1	27.8
Total International Equity	323,758,246	22.4	4.8	30.2
MSCI ACWI ex USA Gross			4.4	22.1
Dodge & Cox Intl Stock	153,763,831	10.6	5.1	23.6
MSCI EAFE Gross			3.3	22.7
WCM International Growth	169,994,415	11.8	4.7	36.7
MSCI ACWI ex USA Gross			4.4	22.1
Total Domestic Fixed Income	280,963,382	19.4	0.4	9.9
BBgBarc US Aggregate TR			-0.1	8.7
BlackRock Core Bond	103,266,090	7.1	0.0	10.2
BBgBarc US Aggregate TR			-0.1	8.7
Dodge & Cox Income Fund	107,319,716	7.4	0.3	10.2
BBgBarc US Aggregate TR			-0.1	8.7
Pacific Asset Corporate Loan	70,377,576	4.9	1.0	9.1
S&P/LSTA Leveraged Loan Index			1.6	8.6
Total Global Fixed	142,118,607	9.8	3.9	7.8
FTSE World Govt Bond Index			0.3	5.9
Brandywine Global Fixed Income	68,864,863	4.8	3.7	6.2
FTSE WGBI ex US TR			0.8	5.3
Ashmore EM Blended Debt Fund	73,253,744	5.1	4.1	--
50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELM1+			2.6	--

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

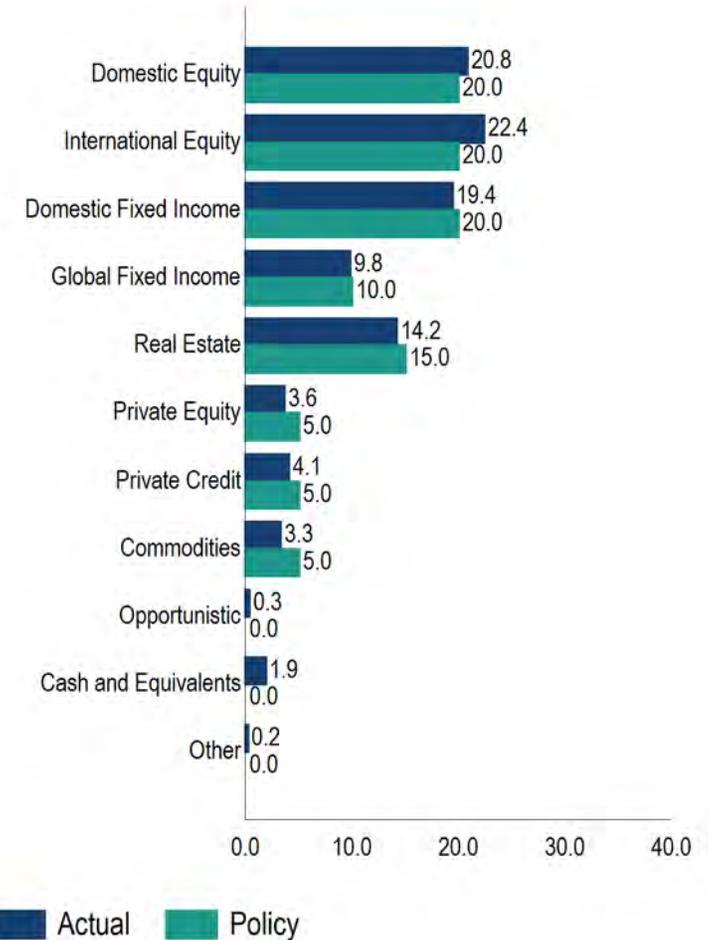
Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment 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: December 31, 2019

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	204,950,512	14.2	0.8	4.3
NCREIF Property Index			0.0	4.8
JP Morgan Core Real Estate	170,439,620	11.8	1.0	3.4
NCREIF-ODCE			1.5	5.3
NCREIF Property Index			0.0	4.8
ARA American Strategic Value Realty	34,510,892	2.4	0.0	7.3
NCREIF-ODCE			1.5	5.3
NCREIF Property Index			0.0	4.8
Total Commodities	47,369,955	3.3	5.4	8.7
Bloomberg Commodity Index TR USD			5.0	7.7
Gresham MTAP Commodity Builder	47,369,955	3.3	5.4	8.7
Bloomberg Commodity Index TR USD			5.0	7.7
Total Private Equity	52,730,496	3.6		
Harbourvest Partners IX Buyout Fund L.P.	14,788,326	1.0		
Pathway Private Equity Fund Investors 9 L.P.	32,992,378	2.3		
Harbourvest 2018 Global Fund L.P.	4,949,792	0.3		
Total Private Credit	58,624,382	4.1		
TPG Diversified Credit Program	58,624,382	4.1		
Total Cash	26,982,942	1.9	0.0	2.2
91 Day T-Bills			0.1	2.1
Cash Account	26,982,942	1.9	0.0	2.2
91 Day T-Bills			0.1	2.1
Total Opportunistic	4,797,458	0.3		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	4,695,289	0.3		
PIMCO Distressed Credit Fund	102,169	0.0		
CPI + 5%			0.3	7.4

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. Pathway 9 funded 4/7/2017. SSGA TIPS liquidated on 12/7/2017. Fidelity Real Estate Growth III liquidated on 12/29/2017. SSGA Flagship S&P 500 liquidated 2/1/2018. Harbourvest 2018 Global Fund L.P. funded 12/14/2018. Stone Harbor liquidated 3/22/2019. Ashmore EM Blended Debt funded 3/31/2019. 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**

DECEMBER 2019
Capital Markets Update

Market commentary

U.S. ECONOMICS

- The NAHB Homebuilder Confidence Index advanced 5 points to 76, well above the neutral level of 50 and its highest level since 1999. A low supply of homes, combined with low interest rates and a strong labor market have all contributed to the 20-point gain in the sentiment indicator since last December.
- The ISM Manufacturing PMI remains under the neutral level of 50.0 and fell to 47.2 from 48.1 despite expectations for a slight improvement. The indicator is sitting at its lowest point since June 2009 and “global trade” concerns between the U.S. and China have been cited as the reason for the continued contraction in activity.
- Consumer confidence indicators ticked up in December. The University of Michigan’s Consumer Sentiment Index rose from 96.8 to 99.3, narrowly beating expectations of 99.2.

U.S. EQUITIES

- The S&P 500 Index climbed 3.0% in December, bringing the 2019 total return to 31.5%, the highest annual figure since 2013. Accommodative Fed policy as well as beliefs that U.S. – Chinese relations were improving helped to move the index higher.
- The CBOE VIX Index of implied volatility ticked up from 12.6 to 13.8, indicating an increase in expectations for 30-day forward S&P 500 Index volatility. The trailing 30-day realized volatility of the S&P 500 Index increased to 7.3%.
- Per FactSet, the bottom-up 12-month target price for the S&P 500 Index is 3441, which represents a 6.5% increase over December’s close of 3231. Expectations are for the Energy (+11.2%) sector to see the largest increase and Information Technology (+2.3%) the smallest.

U.S. FIXED INCOME

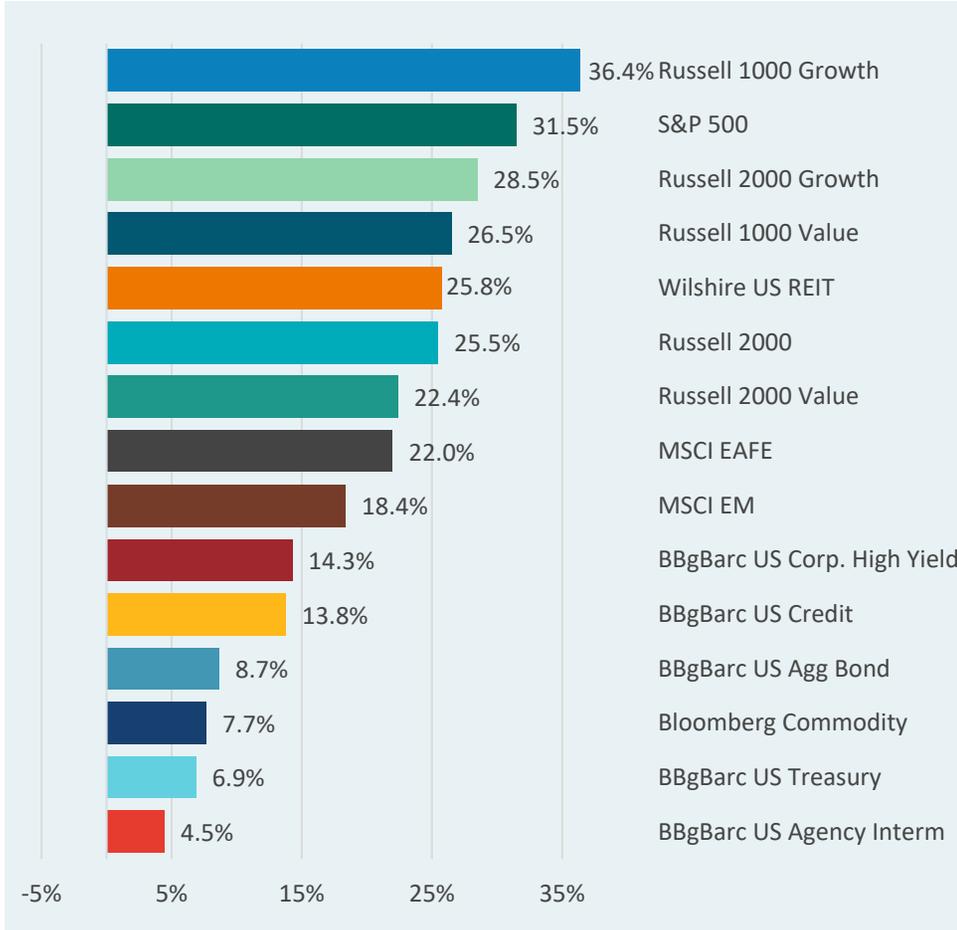
- The Federal Open Market Committee held the fed funds range steady at 1.50% to 1.75%. Participants indicated that rate increases were unlikely, as long as “economic data remains consistent”. A few members expressed concern that leaving rates low for too long might encourage excessively-risky bank behavior.
- The New York Fed’s intervention in overnight funding markets prevented overnight liquidity from drying up during the year-end turn as some had feared might happen. The Fed, which has been injecting liquidity into markets through its repo facility since September, is hoping to conclude repo operations by February.
- The difference between the 10-and 2-year Treasury yields widened to 34 bps in December, the widest since 2018. Longer-dated Treasury yields picked up more than shorter-dated yields as expectations for growth and inflation in 2020 ticked higher.

INTERNATIONAL MARKETS

- The recent general election in the U.K. resulted in Prime Minister Boris Johnson’s Conservative Party winning a decisive majority in Parliament. It remains likely that the U.K. will leave the EU on January 31st, but tensions will remain high as both sides try to negotiate a trade agreement by the end of next year.
- German exports fell -2.9% year-over-year in November. Germany’s relatively manufacturing-reliant economy has struggled in the face of slower global trade and more mercantilist trade policies.
- For the second consecutive calendar year, the S&P 500 Index (+31.5%) delivered a total return greater than both the MSCI EAFE (+22.0%) and MSCI EM (+18.4%) indices.

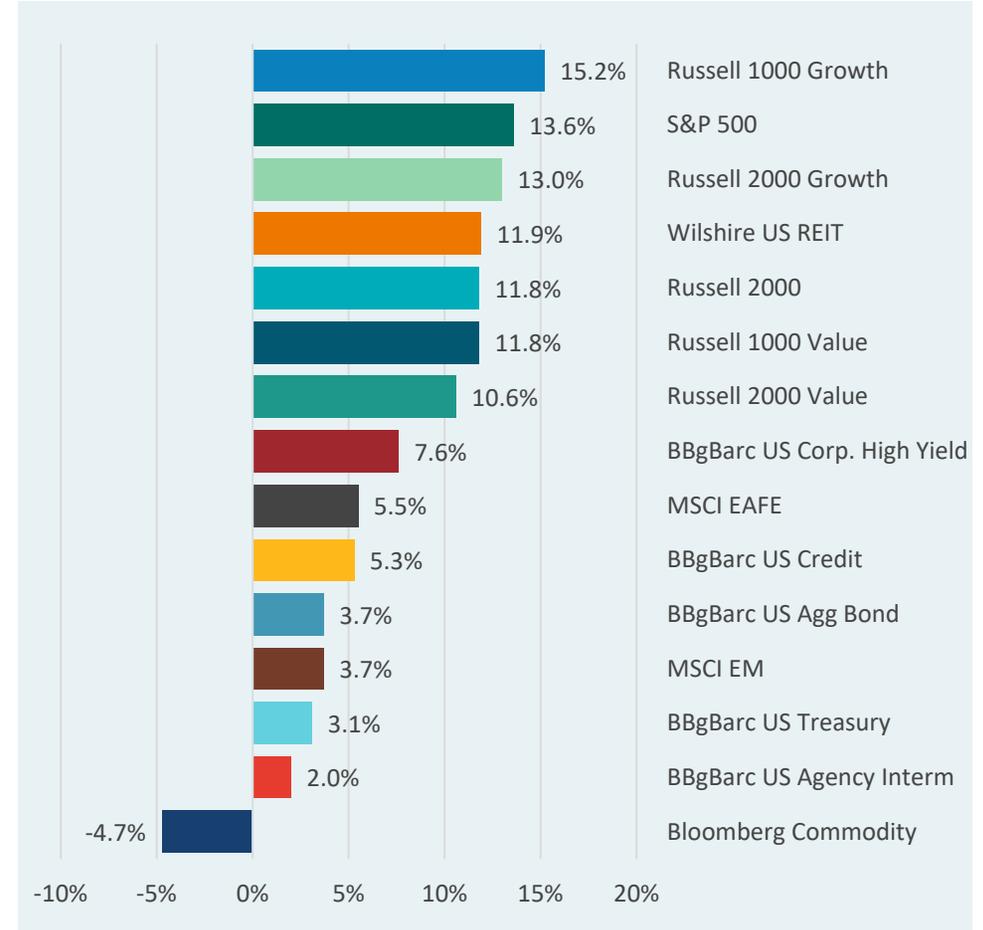
Major asset class returns

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/19

TEN YEARS ENDING DECEMBER

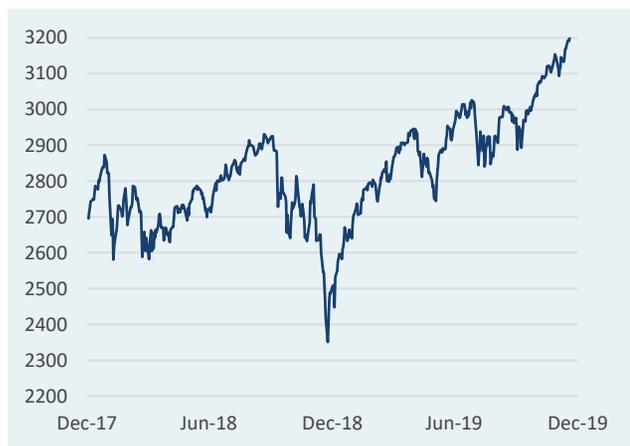


Source: Morningstar, as of 12/31/19

U.S. large cap equities

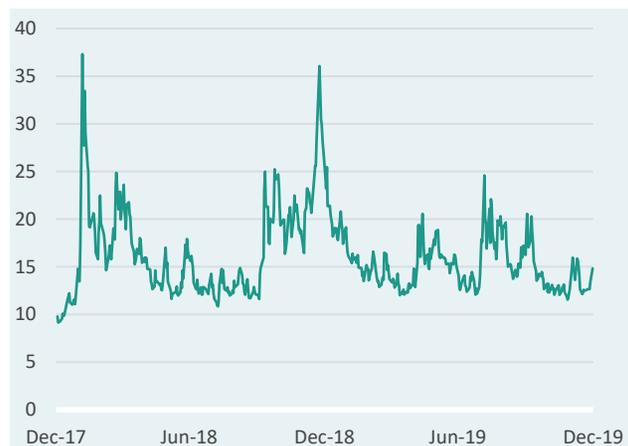
- The S&P 500 Index gained 3.0% in December and finished the year up 31.5%. The Energy (+6.0%), Information Technology (+4.5%) and Health Care (+3.6%) sectors were the biggest movers within the overall index and the Industrials (-0.1%) sector was the only sector to post negative performance.
- At month-end the one-year forward P/E ratio of the S&P 500 Index was 18.3, above its 5- and 10-year averages of 16.7 and 14.9. Per FactSet, the Consumer Discretionary (22.5x) sector was priced the highest relative to one-year forward expected earnings.
- The Information Technology sector gained 4.5% over the month, bringing its 1-year return to 50.3%. At a weight of roughly 22% the sector was the largest contributor (+10.0%) to the advance of the S&P 500 Index. Mega-cap tech names such as Apple and Microsoft led the way for most of the year.
- Energy sector stocks advanced 6.0% likely due to news that U.S. crude oil stockpiles fell more than expected. Further, encouraging economic data may have boosted speculation on higher crude oil demand in the future.

S&P 500 PRICE INDEX



Source: Bloomberg, as of 12/31/19

IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 12/31/19

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 12/31/19

Domestic equity size and style

- Growth stocks edged out value stocks to end the year with the Russell 3000 Growth Index up 3.0% versus 2.8% for the Russell 3000 Value Index. In 2019, growth-style equities returned 35.9%, easily outpacing value-style equities (+26.2%).
- Large-cap equities and small-cap equities performed in line with one another as the Russell 1000 Index and the Russell 2000 Index both advanced 2.9%. In 2019, large-cap equities (+31.4%) outperformed their small-cap peers (+25.5%) by a significant margin.
- Large-cap equities' largest outperformance relative to small-cap was within the Information Technology sub-index, where the Russell 1000 Index was up 4.1% to the Russell 2000 Index's 2.0%. The most significant underperformance was within the Energy sector, where large-cap returned 6.5% and small-cap 16.7%.
- Within the large-cap universe, growth-oriented equities outperformed their value counterparts by 0.2%. Conversely, within the small-cap universe, value-oriented equities outpaced growth equities by 1.2%.

VALUE VS. GROWTH RELATIVE VALUATIONS



Source: Russell, Bloomberg, as of 12/31/19

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 12/31/19

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE

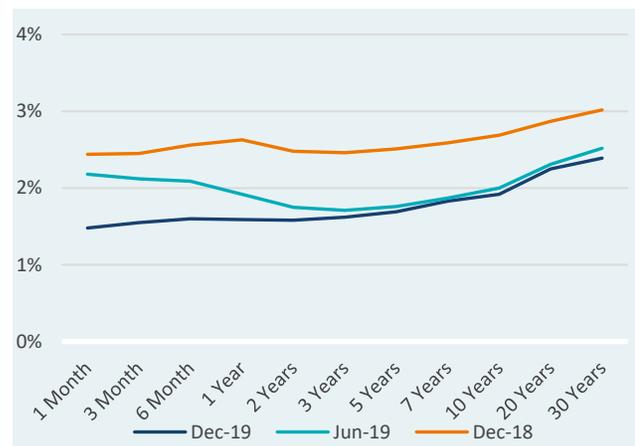


Source: FTSE, Bloomberg, as of 12/31/19

Fixed income

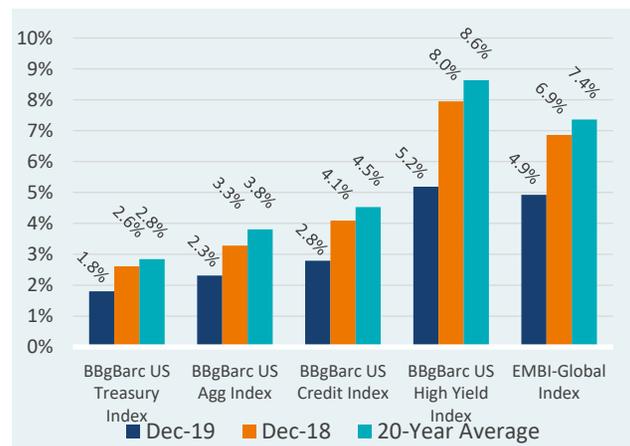
- The JPM GBI-EM Global Diversified Index advanced 4.1% compared to the JPM EMBI Global Diversified Index's 2.0%. U.S. dollar weakness vs. emerging market currency pairs increased returns for unhedged investors in local-currency denominated emerging markets debt over the month.
- At the end of the period, the futures implied probability of the fed funds rate being cut by at least 0.25% by the end of the 2020 sat at 51%. There was a 17% probability of 0.50% in cuts by year-end.
- The European Central Bank held rates steady for the new President Christine Lagarde's first meeting. The Governing Council voted to keep the deposit rate at its all-time low level of -0.50%, in line with expectations.
- Euro-area core inflation remains stubbornly low at 1.3% year-over-year and the ECB has pledged to keep its current stimulus in place until inflation is firmly back near its target of just below 2%. Some officials argue more aggressive stimulus may be needed as inflation has undershot its target for most of the last decade.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 12/31/19

NOMINAL YIELDS



Source: Morningstar, as of 12/31/19

BREAKEVEN INFLATION RATES

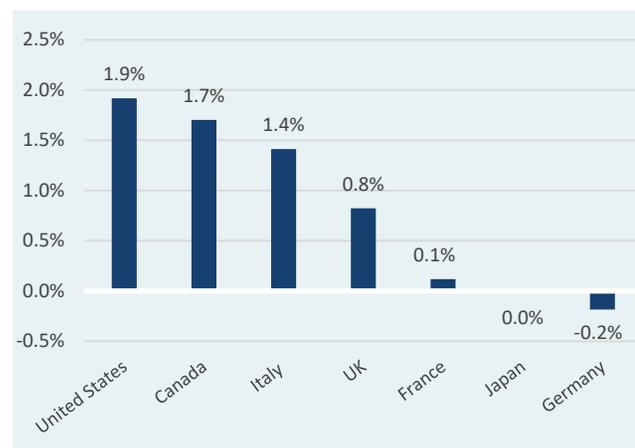


Source: Bloomberg, as of 12/31/19

Global markets

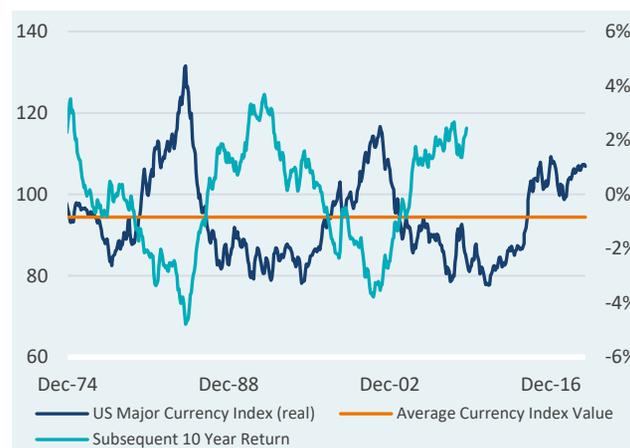
- The J.P. Morgan Emerging Market Currency Index advanced 2.7% in December. Broad emerging market currency strength likely resulted in the MSCI EM Index (+7.5%) outperforming the MSCI EM Local Index (5.7%) in U.S.-dollar terms, to the benefit of unhedged U.S. investors in emerging markets equity.
- Japanese Prime Minister Shinzo Abe announced Japan's first stimulus package since 2016, worth \$121B. The package will be used to repair typhoon damage, upgrade infrastructure and invest in technologies. Officials expect it to boost economic growth by 1.4%.
- Global market participants breathed a collective sigh of relief as U.S. and Chinese negotiators ironed out the plan for inking a phase one trade agreement. Chinese Vice Premier Liu He will travel to Washington for a signing ceremony at the White House on January 15th.
- The phase one deal will cut existing tariffs on \$120B in Chinese imports to 7.5% from 15.0%. U.S. tariffs of 25.0% on \$250B worth of Chinese imports will remain unchanged. In return the Chinese have agreed to bolster purchases of U.S. agricultural goods and offer more protections for businesses operating in China.

GLOBAL SOVEREIGN 10-YEAR YIELDS



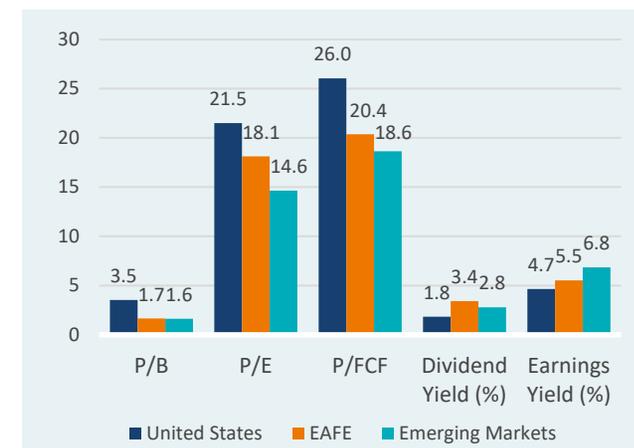
Source: Bloomberg, as of 12/31/19

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 12/31/19

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 12/31/19

Commodities

- The Bloomberg Commodity Index gained 5.0%, bringing its 2019 return to 7.7%. All major components of the commodities basket saw positive returns and Petroleum (+9.5%), Energy (+6.9%) and Softs (+6.2%) led the way.
- The Petroleum component of the commodities basket advanced 9.5% over the month led by increasing oil prices. Brent crude oil returned 10.4%, due to U.S. crude inventories falling further than expected, U.S. – China trade optimism, and confirmation of extended OPEC production cuts.

- The Softs Sub-Index rose 6.2% driven primarily by increasing coffee prices (+9.1%). Unfavorable weather in Brazil, the top producer and exporter of coffee, has pushed green bean stockpiles near 50-year lows, and will likely lead to tighter supply dynamics in 2020.
- Gold continued its strong yearly performance and gained 3.6% in December. A favorable interest rate environment characterized by low rates, which decrease the opportunity cost of holding gold, likely attributed to gold returning 18.0% in 2019, it's largest yearly gain since 2010.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	5.0	4.4	7.7	7.7	(0.9)	(3.9)	(4.7)
Bloomberg Agriculture	5.8	7.1	1.7	1.7	(6.9)	(7.0)	(4.0)
Bloomberg Energy	6.9	5.8	11.8	11.8	(2.3)	(7.9)	(11.7)
Bloomberg Grains	4.6	3.6	(1.1)	(1.1)	(6.1)	(8.9)	(4.6)
Bloomberg Industrial Metals	3.1	(0.2)	7.0	7.0	3.7	(0.5)	(3.5)
Bloomberg Livestock	1.6	0.1	(6.0)	(6.0)	(0.6)	(5.5)	(1.8)
Bloomberg Petroleum	9.6	13.4	33.8	33.8	5.8	(3.4)	(5.9)
Bloomberg Precious Metals	3.9	3.7	17.0	17.0	7.4	3.7	2.1
Bloomberg Softs	6.2	13.9	4.3	4.3	(11.6)	(6.8)	(5.6)

Source: Morningstar, as of 12/31/19

COMMODITY PERFORMANCE



Source: Bloomberg, as of 12/31/19

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	2019	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	36.4	14.6	15.2
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	31.4	11.5	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	28.5	9.3	13.0
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	26.5	8.6	11.8
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	25.5	8.3	11.8
Small Cap Value	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.4	8.2	10.6
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	22.0	7.0	9.8
60/40 Global Portfolio	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	6.1	6.4
Emerging Markets Equity	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	5.7	5.5
US Bonds	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	5.6	3.7
Hedge Funds of Funds	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	3.0	3.7
Commodities	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	2.2	2.8
Real Estate	-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	4.8	1.1	0.6
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	2.1	-3.9	-4.7

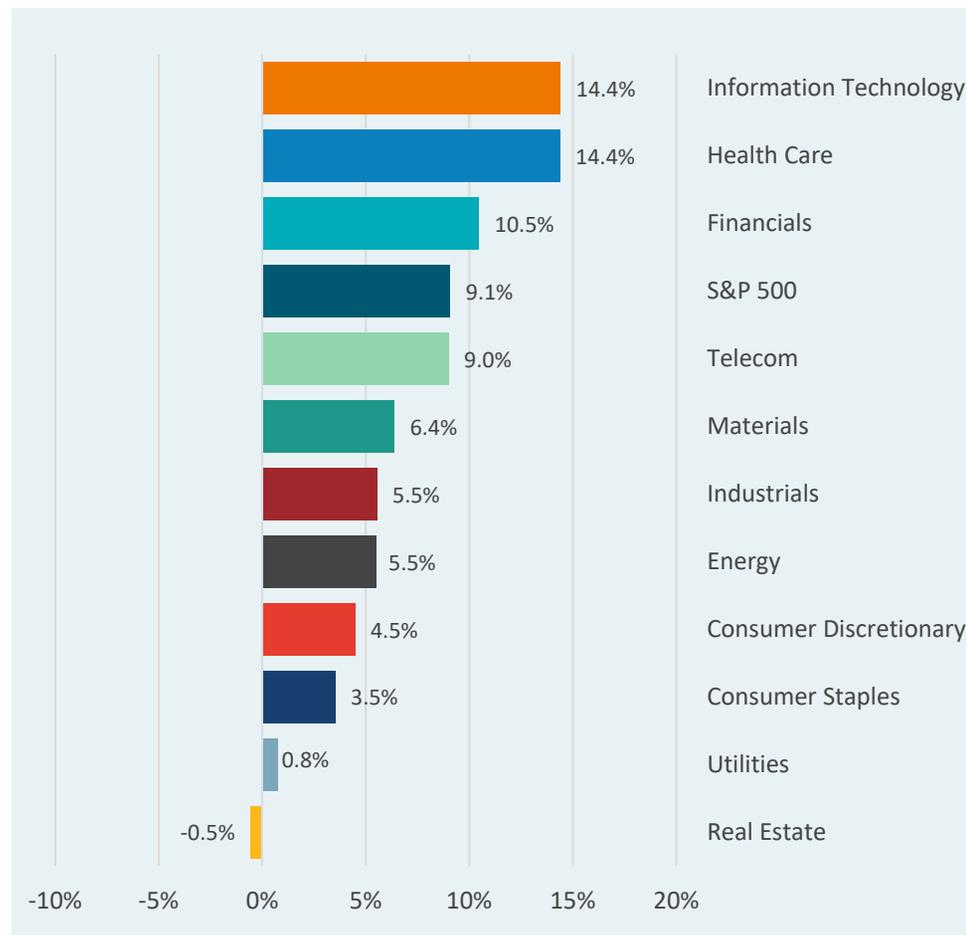
BEST
↑
↓
WORST

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

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 9/30/19.

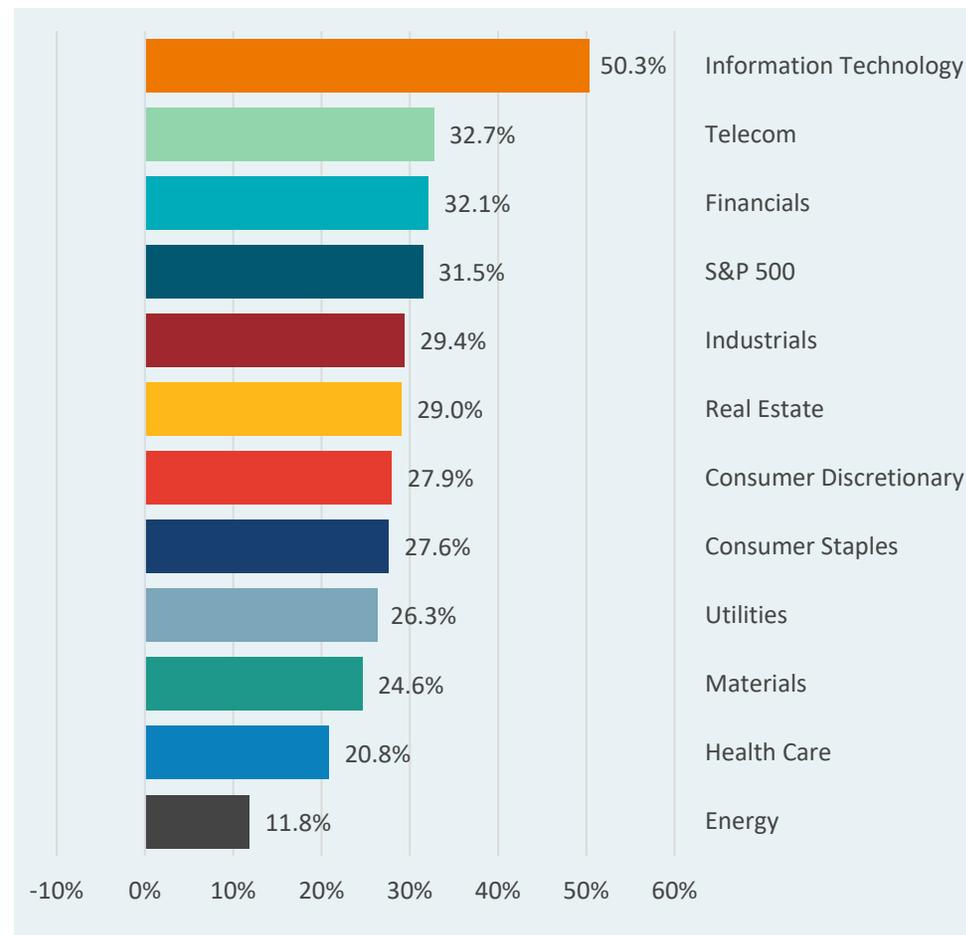
S&P 500 sector returns

Q4 2019



Source: Morningstar, as of 12/31/19

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/19

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	3.0	9.1	31.5	31.5	15.3	11.7	13.6
S&P 500 Equal Weighted	2.8	7.6	29.2	29.2	12.4	9.8	13.5
DJ Industrial Average	1.9	6.7	25.3	25.3	15.7	12.6	13.4
Russell Top 200	3.1	9.8	31.8	31.8	16.2	12.3	13.7
Russell 1000	2.9	9.0	31.4	31.4	15.0	11.5	13.5
Russell 2000	2.9	9.9	25.5	25.5	8.6	8.2	11.8
Russell 3000	2.9	9.1	31.0	31.0	14.6	11.2	13.4
Russell Mid Cap	2.3	7.1	30.5	30.5	12.1	9.3	13.2
Style Index							
Russell 1000 Growth	3.0	10.6	36.4	36.4	20.5	14.6	15.2
Russell 1000 Value	2.8	7.4	26.5	26.5	9.7	8.3	11.8
Russell 2000 Growth	2.3	11.4	28.5	28.5	12.5	9.3	13.0
Russell 2000 Value	3.5	8.5	22.4	22.4	4.8	7.0	10.6

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	3.5	9.0	26.6	26.6	12.4	8.4	8.8
MSCI ACWI ex US	4.3	8.9	21.5	21.5	9.9	5.5	5.0
MSCI EAFE	3.2	8.2	22.0	22.0	9.6	5.7	5.5
MSCI EM	7.5	11.8	18.4	18.4	11.6	5.6	3.7
MSCI EAFE Small Cap	4.4	11.5	25.0	25.0	10.9	8.9	8.7
Style Index							
MSCI EAFE Growth	2.9	8.4	27.9	27.9	12.8	7.7	6.9
MSCI EAFE Value	3.7	7.8	16.1	16.1	6.3	3.5	4.0
Regional Index							
MSCI UK	5.2	10.0	21.0	21.0	8.3	3.3	5.0
MSCI Japan	2.1	7.6	19.6	19.6	8.9	7.7	6.6
MSCI Euro	2.9	7.9	22.9	22.9	9.1	5.1	3.7
MSCI EM Asia	7.1	12.5	19.2	19.2	12.9	6.6	5.8
MSCI EM Latin American	10.3	10.5	17.5	17.5	10.7	4.2	(0.6)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	0.4	0.8	8.4	8.4	3.3	2.6	3.4
BBgBarc US Treasury Bills	0.1	0.5	2.3	2.3	1.7	1.1	0.6
BBgBarc US Agg Bond	(0.1)	0.2	8.7	8.7	4.0	3.0	3.7
Duration							
BBgBarc US Treasury 1-3 Yr	0.2	0.5	3.6	3.6	1.9	1.4	1.2
BBgBarc US Treasury Long	(2.8)	(4.1)	14.8	14.8	6.9	4.1	7.0
BBgBarc US Treasury	(0.6)	(0.8)	6.9	6.9	3.3	2.4	3.1
Issuer							
BBgBarc US MBS	0.3	0.7	6.4	6.4	3.2	2.6	3.2
BBgBarc US Corp. High Yield	2.0	2.6	14.3	14.3	6.4	6.1	7.6
BBgBarc US Agency Interm	0.1	0.3	4.5	4.5	2.4	1.9	2.0
BBgBarc US Credit	0.3	1.1	13.8	13.8	5.8	4.4	5.3

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	5.0	4.4	7.7	7.7	(0.9)	(3.9)	(4.7)
Wilshire US REIT	(0.7)	(1.1)	25.8	25.8	7.6	6.9	11.9
CS Leveraged Loans	1.6	1.7	8.2	8.2	4.5	4.5	5.2
Alerian MLP	8.9	(4.6)	6.7	6.7	(5.0)	(7.0)	4.8
Regional Index							
JPM EMBI Global Div	2.0	1.8	15.0	15.0	6.7	6.2	6.9
JPM GBI-EM Global Div	4.1	5.2	13.5	13.5	7.0	2.8	2.7
Hedge Funds							
HFR Composite	1.8	3.5	10.4	10.4	4.5	3.5	4.0
HFR FOF Composite	1.3	2.5	7.8	7.8	3.7	2.2	2.8
Currency (Spot)							
Euro	1.8	3.0	(1.8)	(1.8)	2.1	(1.5)	(2.4)
Pound	2.4	7.5	4.0	4.0	2.3	(3.2)	(2.0)
Yen	0.8	(0.6)	1.0	1.0	2.4	2.0	(1.5)

Source: Morningstar, HFR, as of 12/31/19

Notices & disclosures

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Date: January 27, 2020

To: Board of Trustees

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

Agenda Item 16: Asset Allocation January 2020

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

The normal investment portfolio drawdowns for liquidity to fund benefit payments and capital calls for 1Q20 are being spread out across the quarter to minimize cash allocations. The pending drawdowns may be modified depending on actual asset mix as it evolves across the quarter.

Public equities – domestic	- \$6m from Loomis Sayles	(pending)
	- \$4m from Boston Partners	(pending)
Public equities – international	- \$5m from Dodge & Cox Intl.	(pending)
	- \$15m from WCM Intl.	(pending)
Fixed Income		

No Board action is planned at this point.

Respectfully submitted

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