

Pension Trust

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(805) 781-5465 Phone
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AGENDA

PENSION TRUST BOARD OF TRUSTEES

Monday, January 23, 2023 9:30 AM

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

MEETING MATERIALS

Materials for the meeting may be found at

<http://www.slocounty.ca.gov/Departments/Pension-Trust/Board-of-Trustees>

Any supporting documentation that relates to an agenda item for open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available at this location.

AMERICANS WITH DISABILITIES ACT (Government Code §54953.2)

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

IN-PERSON MEETING

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

<https://us06web.zoom.us/j/86878907394?pwd=SFpqcnZVRDhTNVdiM3JoVzlya2pwdz09>

Webinar ID: [868 7890 7394](#)

Passcode: [270388](#)

If you wish to listen via phone to the meeting, please dial 669/900-6833. If you have any questions or require additional service, please contact SLOCPT at 805/781-5465.

A) PUBLIC COMMENT

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

B) ORGANIZATIONAL

2. Election of Officers (Pursuant to Section 3.05 and Section 3.06 of the By-Laws of the San Luis Obispo County Pension Trust).
3. Committees – appointment of members by President.
 - i. Audit Committee (standing committee)
 - ii. Personnel Committee (standing committee)
 - iii. Private Markets Investments Committee (ad hoc committee)

C) CONSENT

4. Minutes of the Regular Meeting of November 28, 2022 (Approve Without Correction).
5. Reports of Deposits and Contributions for the months of November and December 2022 (Receive and File).
6. Reports of Service Retirements, Disability Retirements and DROP Participants for the months of November and December 2022 (Receive, Approve and File).
7. Monthly Investment Report for November 2022 (Receive and File).
8. *reserved*

D) APPLICATIONS FOR DISABILITY RETIREMENT

9. *reserved*

E) OLD BUSINESS

None

F) NEW BUSINESS

10. Board Policies Review (Review, Discuss, and Direct Staff).
11. *Reserved*
12. *Reserved*

G) INVESTMENTS

13. Annual Cashflow Analysis (Receive and File).
14. Monthly Investment Report for December 2022 (Receive and File).
15. *Reserved*
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. Private Markets Investments No Report
20. Upcoming Board Topics (subject to change)
 - i. February 27, 2023
 - a. 2023 Retiree COLA
 - b. Quarterly Investment Report
 - c. Capital Market Assumptions / Asset Allocation Review
 - d. Investment Policy Statement review – ESG Criteria
 - e. TBD
 - ii. March 27, 2023
 - a. 2023 Actuarial Valuation Planning
 - b. 2023 Actuarial Valuation Assumptions Approval
 - c. Employer Prefunding
 - d. SLOCPT Administrative Budget FY23-24 proposed
 - e. Executive Director search process
 - f. TBD

- iii. April 24, 2023 – planned as a non-meeting month
- iv. May 22, 2023
 - a. SLOCPT Administrative Budget FY23-24 approval
 - b. Quarterly Investment Report
 - c. Executive Director search
 - d. TBD

21. Trustee Comments

I) CLOSED SESSION

None

J) ADJOURNMENT

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BOARD OF TRUSTEES**

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MINUTES

**PENSION TRUST
BOARD OF TRUSTEES**

Monday, November 28, 2022
Regular Meeting of the Pension Trust
Board of Trustees

Board Members Present: Jeff Hamm
Jim Hamilton
David Grim
Lisa Howe
Geoff O’Quest
Michelle Shoresman
Gere Sibbach

Board Members Absent: –

Pension Trust Staff: Carl Nelson Executive Director
Amy Burke Deputy Director
Jennifer Alderete Accountant

General Counsel: Chris Waddell Olson | Remcho

Consultants: Scott Whalen Verus
Claudia Schloss Verus

Others: Theresa Schultz SLOCEA
Marilyn Rosa SLOCEA
Michael Hobbs County of San Luis Obispo, HR
Teresa McCarthy-White County of San Luis Obispo, HR
Kathryn Curran County of San Luis Obispo, HR
Larry Batchelder SLOCREA
Justin Ughoc
Jody Ellis (online)
Zack Cziryak (online) Journalist - Fin News
Joe Ebisa (online) Journalist – With Intelligence

Call to Order: 9:31 AM by President Hamm

A) PUBLIC COMMENT

1. None

B) ORGANIZATIONAL

None

C) CONSENT

2. Minutes of the Regular Meeting of September 26, 2022 (Approve Without Correction).
3. Reports of Deposits and Contributions for the months of September and October 2022 (Receive and File).
4. Reports of Service Retirements, Disability Retirements and DROP Participants for the months of September and October 2022 (Receive, Approve and File).
5. Monthly Investment Report for September 2022 (Receive and File).
6. Resolution Modifying and Affirming Investment and Banking authority – Resolution 2022-05 (Recommend Approval).
7. Annual Pensionable Compensation Limit for 2023 pursuant to the Public Employees Pension Reform Act (Tier 3) (Recommend Approval).
8. *reserved*

Motion: Approve the Consent items

Discussion: -

Public Comment: None

Motion Made: Mr. Sibbach

Motion Seconded: Mr. O’Quest

Carried: Unanimous

D) APPLICATIONS FOR DISABILITY RETIREMENT

9. Application for Industrial Disability Retirement – Case 2022-05

Motion: Approve Staff recommendation of approval for Industrial Disability Retirement case 2022-05.

Discussion: Executive Director Nelson presented the Staff recommendation and commented on added provisions regarding disability payments potentially under

Section 10.06 of the Retirement Plan. Trustee Sibbach asked a question regarding benefits and reciprocity. Trustee Shoresman asked clarifying questions on the interactive process followed by the employer to potentially locate an alternative job for disability applicants.

Public Comment: None

Motion Made: Mr. Grim

Motion Seconded: Ms. Howe

Carried: Unanimous

10. Application for Industrial Disability Retirement – Case 2022-08

Motion: Approve Staff recommendation of approval for Industrial Disability Retirement case 2022-08.

Discussion: Executive Director Nelson presented the Staff recommendation.

Public Comment: None

Motion Made: Mr. Hamm

Motion Seconded: Ms. Shoresman

Carried: Unanimous

11. *reserved*

E) OLD BUSINESS

None

F) NEW BUSINESS

12. Resolution Number 2022-06: A Resolution Establishing the Rate of Interest to be Paid on the Normal Contributions of Members

Motion: Approve Resolution 2022-06

Discussion: Deputy Director Burke presented the item.

Public Comment: None

Motion Made: Mr. Grim

Motion Seconded: Mr. Sibbach

Carried: Unanimous

13. Resolution Number 2022-07: A Resolution Establishing the Rate of Interest to be Paid on the Additional Contributions of Members

Motion: Approve Resolution 2022-07

Discussion: Deputy Director Burke presented the item, including information regarding how the rate is set using the benchmark yield on the 5-year Treasury Bond. Trustee Sibbach suggested in future years that this action include an automatic “drop back” provision similar to that in Resolution 2022-06 setting the rate in the event the Board is not able to take action.

Public Comment: None

Motion Made: Mr. Sibbach

Motion Seconded: Mr. O’Quest

Carried: Unanimous

14. Resolution Number 2022-08: A Resolution Recommending Plan Amendments – SLO Court DROP Eligibility

Motion: Approve Resolution 2022-08

Discussion: Executive Director Nelson presented the item.

Public Comment: Theresa Schultz, Senior Labor Representative with the San Luis Obispo County Employees Association (SLOCEA) thanked the Board for its consideration of the item.

Motion Made: Ms. Shoresman

Motion Seconded: Mr. Hamilton

Carried: For: Hamm, Hamilton, Grim, Howe, Shoresman, Sibbach

Abstained: O’Quest (as an employee of the Court)

Against: None

15. Executive Direct and Deputy Director Compensation – Off-Cycle Review – Personnel Committee Recommendation to Add a Step 6

The Executive Director and the Deputy Director were excused and left the meeting during the deliberation on agenda item 15.

Motion: Approve additional of Step 6 to salary ranges of Executive Director and Deputy Director

Discussion: General Counsel Waddell presented the item.

Public Comment: None

Motion Made: Mr. Grim

Motion Seconded: Ms. Howe

Carried: Unanimous

The Executive Director and the Deputy Director returned to the room.

10:21 AM – Trustee Sibbach left the meeting

G) INVESTMENTS

16. Assets Allocation – Implementation – Interim 2023 Policy Targets

Motion: Approve the interim 2023 Policy Targets

Discussion: Scott Whalen of Verus presented the interim 2023 Policy Targets for SLOCPT investments and answered Trustee questions.

Public Comment: None

10:26 AM – Trustee Sibbach returned to the meeting

Motion Made: Ms. Howe

Motion Seconded: Mr. O’Quest

Carried: For: Hamm, Hamilton, Grim, Howe, O’Quest, Shoresman

Abstained: Sibbach (away from meeting during discussion)

Against: None

17. Private Markets Program Review - Verus

Discussion: Scott Whalen and Claudia Schloss of Verus presented an update of SLOCPT’s Private Markets Program and answered Trustee questions.

10:41 AM – Trustee Grim left the meeting

10:48 AM – Trustee Grim returned to the meeting

Public Comment: None

No Action Necessary

11:10 AM - President Hamm called for a 10-minute break.

11:22 AM – Back in session

18. HarbourVest SLO Fund – Update

Discussion: Executive Director Nelson introduced the item. Ed Powers from HarbourVest presented the HarbourVest SLO Fund Tactical Plan and answered Trustee questions.

Public Comment: None

No Action Necessary

19. Quarterly Investment Report for the 3rd Quarter of 2022 – Update

Motion: To Receive and File the Quarterly Investment Report

Discussion: Scott Whalen and Claudia Schloss of Verus presented the quarterly performance of SLOCPT assets and answered Trustee questions.

Public Comment: None

Motion Made: Mr. Grim

Motion Seconded: Mr. Hamm

Carried: Unanimous

20. Monthly Investment Report for October 2022

Motion: To Receive and File the monthly investment report

Discussion: Executive Director Nelson presented the report.

Public Comment: None

Motion Made: Mr. O'Quest

Motion Seconded: Ms. Shoresman

Carried: Unanimous

21. Asset Allocation

Discussion: Routine item included should asset allocation changes by necessary.

Public Comment: None

No Action Necessary

H) OPERATIONS

22. Staff Reports

- i. Deputy Director Burke reported that US Bank had purchased Union Bank, the bank where SLOCPT's current Retiree payroll account is held. There are no plans to change banks at this time.
- ii. Deputy Director Burke provided an update on the new federal Form W-4P, Withholding Certificate for Periodic Pension or Annuity Payments. Due to significant changes to the form, PensionGold, SLOCPT's Pension Administration Software, was updated to accommodate these changes.

23. General Counsel Reports

General Counsel Waddell reported that the two beneficiaries in the cases of the overpayments had been served with a lawsuit in Nevada and a settlement was expected.

24. Committee Reports:

- i. Audit Committee No Report
- ii. Personnel Committee Report – Covered in Agenda Item #15
- iii. Private Markets Investments (ad hoc) No Report

25. Upcoming Board Topics – published on meeting agenda

26. Trustee Comments

None

I) CLOSED SESSION

None

J) ADJOURNMENT

There being no further business, the meeting was adjourned at 12:37 PM. The next Regular Meeting was set for January 23, 2023, at 9:30 AM, in the Board of Supervisors chambers, 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 2022**

PP 22 11/4/2022	By Employer and Tier:	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Combined Rate	Additional Contributions	Service Purchases	TOTAL Contributions
						Employee Contributions	Employee Rate				
	County Tier 1	3,250,619.67	1,144,358.07	35.20%	358,063.23	278,398.59	19.58%	54.78%	2,487.50	1,365.43	1,784,672.82
	County Tier 2	1,157,408.36	421,561.42	36.42%	43,937.10	98,786.21	12.33%	48.75%	-	-	564,284.73
	County Tier 3	5,825,914.44	2,082,766.79	35.75%	589,527.50	-	10.12%	45.87%	-	1,203.04	2,673,497.33
	Superior Court Tier 1	236,873.60	73,805.66	31.16%	51,135.88	-	21.59%	52.75%	-	-	124,941.54
	Superior Court Tier 3	175,698.93	52,561.42	29.92%	29,182.25	-	16.61%	46.52%	-	-	81,743.67
	APCD Tier 1	45,970.61	12,823.35	27.89%	7,643.97	3,680.19	24.63%	52.53%	-	-	24,147.51
	APCD Tier 2	3,644.80	986.28	27.06%	505.89	209.58	19.63%	46.69%	-	-	1,701.75
	APCD Tier 3	33,847.22	9,051.52	26.74%	5,519.03	-	16.31%	43.05%	-	-	14,570.55
	SLOCPT Tier 1	8,101.67	2,522.86	31.14%	1,229.83	752.65	24.47%	55.61%	-	-	4,505.34
	SLOCPT Tier 2	9,979.20	3,107.53	31.14%	563.83	927.06	14.94%	46.08%	-	-	4,598.42
	SLOCPT Tier 3	13,521.05	4,341.62	32.11%	1,807.90	-	13.37%	45.48%	250.00	-	6,399.52
	LAFCO Tier 3	10,614.28	3,411.43	32.14%	1,551.38	-	14.62%	46.76%	-	-	4,962.81
	RTA Tier 2	29,710.40	9,373.62	31.55%	607.39	3,862.35	15.04%	46.59%	-	-	13,843.36
	RTA Tier 3	15,797.60	5,067.06	32.07%	2,140.32	-	13.55%	45.62%	-	-	7,207.38
		10,817,701.83	3,825,738.63	35.37%	1,093,415.50	386,616.63	13.68%	49.05%	2,737.50	2,568.47	\$ 5,311,076.73
PP 23 11/18/2022	By Employer and Tier:	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Combined Rate	Additional Contributions	Service Purchases	TOTAL Contributions
	County Tier 1	2,788,721.72	917,369.65	32.90%	388,325.87	238,078.74	22.46%	55.36%	2,487.50	27,511.44	1,573,773.20
	County Tier 2	993,542.91	339,306.80	34.15%	66,672.32	84,314.55	15.20%	49.35%	-	-	490,293.67
	County Tier 3	4,762,636.44	1,555,815.93	32.67%	658,103.30	-	13.82%	46.49%	-	1,203.04	2,215,122.27
	Superior Court Tier 1	235,764.70	73,496.62	31.17%	50,924.89	-	21.60%	52.77%	-	-	124,421.51
	Superior Court Tier 3	183,812.25	54,905.52	29.87%	30,505.95	-	16.60%	46.47%	-	-	85,411.47
	APCD Tier 1	45,970.61	12,823.35	27.89%	7,643.97	3,680.19	24.63%	52.53%	-	-	24,147.51
	APCD Tier 2	3,644.80	986.28	27.06%	505.89	209.58	19.63%	46.69%	-	-	1,701.75
	APCD Tier 3	33,847.22	9,051.51	26.74%	5,519.02	-	16.31%	43.05%	-	-	14,570.53
	SLOCPT Tier 1	8,101.67	2,522.86	31.14%	1,229.83	752.65	24.47%	55.61%	-	-	4,505.34
	SLOCPT Tier 2	9,979.20	3,107.53	31.14%	563.83	927.06	14.94%	46.08%	-	-	4,598.42
	SLOCPT Tier 3	13,521.04	4,341.62	32.11%	1,807.90	-	13.37%	45.48%	250.00	-	6,399.52
	LAFCO Tier 3	10,614.28	3,411.43	32.14%	1,551.38	-	14.62%	46.76%	-	-	4,962.81
	RTA Tier 2	29,710.40	9,373.62	31.55%	607.39	3,862.35	15.04%	46.59%	-	-	13,843.36
	RTA Tier 3	17,244.52	5,516.47	31.99%	2,392.37	-	13.87%	45.86%	-	-	7,908.84
		9,137,111.76	2,992,029.19	32.75%	1,216,353.91	331,825.12	16.94%	49.69%	2,737.50	28,714.48	\$ 4,571,660.20
TOTAL FOR THE MONTH		19,954,813.59	6,817,767.82	34.17%	2,309,769.41	718,441.75	15.18%	49.34%	5,475.00	31,282.95	\$ 9,882,736.93
TOTAL YEAR TO DATE		200,220,113.35	63,089,366.88	31.51%	26,662,291.94	7,569,543.45	17.10%	48.61%	60,362.50	175,240.32	\$ 97,556,805.09

**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF
DECEMBER 2022**

PP 24 12/2/2022	By Employer and Tier:	Pensionable	Employer	Employer	Employee	Employer for	Employee	Combined	Additional	Service	TOTAL
		Salary	Contributions	Rate	Contributions	Contributions	Rate	Rate	Contributions	Purchases	Contributions
	County Tier 1	2,766,683.89	910,551.07	32.91%	385,008.51	235,959.71	22.44%	55.36%	2,487.50	1,365.43	1,535,372.22
	County Tier 2	986,607.83	337,136.08	34.17%	65,812.84	83,689.32	15.15%	49.32%	-	-	486,638.24
	County Tier 3	4,800,899.37	1,567,909.07	32.66%	663,727.36	-	13.83%	46.48%	-	1,309.37	2,232,945.80
	Superior Court Tier 1	234,379.77	73,097.43	31.19%	50,644.73	-	21.61%	52.80%	-	-	123,742.16
	Superior Court Tier 3	188,748.26	56,319.69	29.84%	31,336.20	-	16.60%	46.44%	-	-	87,655.89
	APCD Tier 1	72,085.82	20,136.16	27.93%	11,887.61	5,846.33	24.60%	52.53%	-	-	37,870.10
	APCD Tier 2	5,255.23	1,422.10	27.06%	729.52	302.09	19.63%	46.69%	-	-	2,453.71
	APCD Tier 3	46,745.97	12,504.44	26.75%	7,638.24	-	16.34%	43.09%	-	-	20,142.68
	SLOCPT Tier 1	8,101.67	2,522.86	31.14%	1,229.83	752.65	24.47%	55.61%	-	-	4,505.34
	SLOCPT Tier 2	9,979.20	3,107.53	31.14%	563.83	927.06	14.94%	46.08%	-	-	4,598.42
	SLOCPT Tier 3	13,521.05	4,341.62	32.11%	1,807.90	-	13.37%	45.48%	250.00	-	6,399.52
	LAFCO Tier 3	10,614.28	3,411.43	32.14%	1,551.38	-	14.62%	46.76%	-	-	4,962.81
	RTA Tier 2	29,710.40	9,373.63	31.55%	607.39	3,862.35	15.04%	46.59%	-	-	13,843.37
	RTA Tier 3	17,220.80	5,509.11	31.99%	2,388.24	-	13.87%	45.86%	-	-	7,897.35
		9,190,553.54	3,007,342.22	32.72%	1,224,933.58	331,339.51	16.93%	49.66%	2,737.50	2,674.80	4,569,027.61
PP 25 12/16/2022	By Employer and Tier:	Pensionable	Employer	Employer	Employee	Employer for	Employee	Combined	Additional	Service	TOTAL
	County Tier 1	2,765,515.25	910,279.09	32.92%	384,862.20	235,999.72	22.45%	55.37%	2,487.50	1,365.43	1,534,993.94
	County Tier 2	973,723.10	333,302.68	34.23%	65,603.00	82,552.50	15.22%	49.45%	-	-	481,458.18
	County Tier 3	4,832,156.46	1,578,194.78	32.66%	667,672.79	-	13.82%	46.48%	-	1,332.36	2,247,199.93
	Superior Court Tier 1	235,159.15	73,375.87	31.20%	50,819.00	-	21.61%	52.81%	-	-	124,194.87
	Superior Court Tier 3	187,097.15	55,667.18	29.75%	30,958.59	-	16.55%	46.30%	-	-	86,625.77
	APCD Tier 1	53,655.03	14,994.69	27.95%	8,823.65	4,370.44	24.59%	52.54%	-	-	28,188.78
	APCD Tier 2	3,791.20	1,025.90	27.06%	526.22	217.99	19.63%	46.69%	-	-	1,770.11
	APCD Tier 3	33,221.47	8,887.62	26.75%	5,417.53	-	16.31%	43.06%	-	-	14,305.15
	SLOCPT Tier 1	8,101.67	2,522.86	31.14%	1,229.83	752.65	24.47%	55.61%	-	-	4,505.34
	SLOCPT Tier 2	9,979.20	3,107.53	31.14%	563.83	927.06	14.94%	46.08%	-	-	4,598.42
	SLOCPT Tier 3	14,002.66	4,496.26	32.11%	1,859.64	-	13.28%	45.39%	250.00	-	6,605.90
	LAFCO Tier 3	10,614.28	3,411.43	32.14%	1,551.38	-	14.62%	46.76%	-	-	4,962.81
	RTA Tier 2	29,710.40	9,373.62	31.55%	607.39	3,862.35	15.04%	46.59%	-	-	13,843.36
	RTA Tier 3	17,220.80	5,509.11	31.99%	2,388.24	-	13.87%	45.86%	-	-	7,897.35
		9,173,947.82	3,004,148.62	32.75%	1,222,883.29	328,682.71	16.91%	49.66%	2,737.50	2,697.79	4,561,149.91
PP 26 12/30/2022	By Employer and Tier:	Pensionable	Employer	Employer	Employee	Employer for	Employee	Combined	Additional	Service	TOTAL
	County Tier 1	2,746,080.24	904,271.48	32.93%	382,341.35	234,049.18	22.45%	55.38%	2,487.50	89,218.31	1,612,367.82
	County Tier 2	991,204.15	338,716.84	34.17%	64,642.73	84,651.89	15.06%	49.23%	198.34	-	488,209.80
	County Tier 3	4,809,603.16	1,570,262.37	32.65%	666,135.45	-	13.85%	46.50%	-	4,417.41	2,240,815.23
	Superior Court Tier 1	236,027.15	73,583.09	31.18%	50,978.45	-	21.60%	52.77%	-	-	124,561.54
	Superior Court Tier 3	183,991.56	54,746.31	29.75%	30,506.90	-	16.58%	46.34%	-	-	85,253.21
	APCD Tier 1	53,655.04	14,994.69	27.95%	8,823.65	4,370.44	24.59%	52.54%	-	-	28,188.78
	APCD Tier 2	3,791.20	1,025.90	27.06%	526.22	217.99	19.63%	46.69%	-	-	1,770.11
	APCD Tier 3	33,154.26	8,869.73	26.75%	5,414.93	-	16.33%	43.09%	-	-	14,284.66
	SLOCPT Tier 1	8,101.65	2,522.79	31.14%	1,229.80	752.62	24.47%	55.61%	-	-	4,505.21
	SLOCPT Tier 2	9,979.20	3,107.53	31.14%	563.83	927.06	14.94%	46.08%	-	-	4,598.42
	SLOCPT Tier 3	13,717.64	4,404.74	32.11%	1,829.00	-	13.33%	45.44%	250.00	-	6,483.74
	LAFCO Tier 3	10,614.28	3,411.43	32.14%	1,551.38	-	14.62%	46.76%	-	-	4,962.81
	RTA Tier 2	29,710.40	9,373.64	31.55%	607.39	3,862.35	15.04%	46.59%	-	-	13,843.38
	RTA Tier 3	17,220.80	5,509.11	31.99%	2,388.24	-	13.87%	45.86%	-	-	7,897.35
		9,146,850.53	2,994,799.65	32.74%	1,217,539.32	328,831.53	16.91%	49.65%	2,935.84	93,635.72	4,637,742.06
TOTAL FOR THE MONTH		27,511,351.89	9,006,290.49	32.74%	3,665,356.19	988,853.75	16.92%	49.65%	8,410.84	99,008.31	\$ 13,767,919.58
TOTAL YEAR TO DATE		227,731,465.24	72,095,657.37	31.66%	30,327,648.13	8,558,397.20	17.08%	48.73%	68,773.34	274,248.63	\$ 111,324,724.67
PRIOR YEAR COMPARISON		215,475,700.12	61,959,691.10	28.75%	27,861,320.46	8,972,371.24	17.09%	45.85%	36,750.00	319,060.35	\$ 99,149,193.15
% CHANGE FROM PRIOR YEAR		5.69%	16.36%	2.90%	8.85%	-4.61%	-0.02%	2.88%	87.14%	-14.04%	12.28%

REPORT OF RETIREMENTS**November 2022**

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Benassi, Belinda	Department of Social Services	Service Retirement	11/05/2022	4,501.86	False
Dreyfus, Nicholas	Sheriff-Coroner	Duty Disability Retirement	10/10/2022	3,562.08	False
Grasmick, Noelle	SLO County Child Support Servi	Service Retirement	11/05/2022	4,154.05	False
Hawkins, Claire C	Department of Social Services	Service Retirement	10/01/2022	820.76	False
McMasters, Steven M	Planning Department	Service Retirement	11/17/2022	8,009.19	False
Miller, Danny Ray	Sheriff-Coroner	Duty Disability Retirement	05/29/2022	4,259.17	False
Overby, Amy	Behavioral Health	Service Retirement	10/22/2022	2,118.51	False
Robinson, Dian A	General Hospital	Service Retirement	09/01/2022	2,551.98	False
Tallman, Jan L	Human Resources	Service Retirement	11/02/2022	2,486.39	True
Wells, Dori Michelle	Alternate Payee	Service Retirement	10/01/2022	1,744.73	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 2022**

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Bahner, Kristin E	Behavioral Health	Service Retirement	12/01/2022	6,072.83	False
Evans, Anna M	Probation Department	Service Retirement	12/02/2022	5,511.50	False
Jimenez, Jennifer A	Planning Department	Service Retirement	11/18/2022	1,779.82	False
Law, Mary Brett G	Auditor-Contrlr-Treas-Tax-Coll	Service Retirement	12/10/2022	9,915.62	False
Law, Mary Brett G	Auditor-Contrlr-Treas-Tax-Coll	Additional Annuity	12/10/2022	2.02	False
Mortola, Sheri	Public Health Department	Service Retirement	12/10/2022	1,441.51	False
Perez, Irma Mora	Behavioral Health	Service Retirement	12/03/2022	3,193.87	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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San Luis Obispo, CA 93408
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Date: December 21, 2022

To: Board of Trustees

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

Agenda Item 7: Monthly Investment Report for November 2022

	November	Year to Date 2022	2021	2020	2019	2018	2017
Total Trust Investments (\$ millions)	\$1,660		\$1,775	\$1,552 year end	\$1,446 year end	\$1,285 year end	\$1,351 year end
Total Fund Return	+3.8% Gross	-6.2% Gross	15.2% Gross	8.9 % Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross
Policy Index Return (r)	+4.2%	-7.9%	12.8%	10.0 %	16.4 %	-3.2 %	13.4 %

- (r) Policy index as of Nov. 2021 Strategic Asset Allocation Policy with 2022 Interim targets:
- Public Mkt Equity- 24% Russell 3000, 17% MSCI ACWI ex-US
 - Public Mkt Debt- 11% Barclays US Aggregate,
 - Risk Diversifying 8% Barclays US Aggregate, 4% Barclays 7-10yr Treasury, 3% Barclays 5-10yr US TIPS
 - Real Estate & Infrastructure- 13% NCREIF Index (inc. Infrastructure)
 - Private Equity- 7% actual private equity returns
 - Private Credit- 4% actual private credit returns
 - Liquidity- 6% 90 day T-Bills
- Pending annual updates to interim targets.

SLOCPT Investment Returns:

The attached report from Verus covers the preliminary investment returns of the SLOCPT portfolio and general market conditions through the end of November. The attached market commentary from Verus details market conditions in November, but subsequent activity in December is not yet factored into these numbers. As of December 21st, the month has had volatile returns with equities negative and bonds flat in returns.

The Economy and Capital Markets:

- **Investment Markets**

- **Markets Outlook and Rising Interest Rates and Risk**

The attached Verus Capital Markets Update covers the bounce back to positive returns in November for equities – US and international – and bonds. Much of the November market action hinges on the outlook for Fed interest rate policy and the outlook for corporate profits. The reported expectation for the 4th quarter S&P 500 earnings growth of -1% is in line with market and analyst concerns over a pending mild recession. International assets are volatile (Chinese equities +29% in November) and returns are dominated by the record strength in the US Dollar.

- **The Economy**

- **Inflation** – The November US CPI inflation report came in at a slight decrease 7.1% year-over-year increase.
 - JP Morgan Asset Management’s chief strategist, Dr. David Kelly, in a December 14th webcast forecast that inflation is clearly waning – particularly when December decreases in gasoline prices are factored in. Also helping to lower inflation is the easing of many supply-chain disruptions as markets stabilize and supply catches up.
 - Fed forecasts of inflation for 2023 and 2024 are higher than they were a few months ago, but well below the current 7%+ rates. Fed forecasts for CPI inflation are 3.1% in 2023 and 2.5% in 2024.
- **New Jobs, Unemployment, Wages** –
 - The November jobs report from the BLS on nonfarm employment continues to show a robust pace of job creation with a gain of 263k new jobs.
 - The unemployment rate in November remained steady at 3.7%.
 - A cautionary note in the jobs data is that jobs growth is now largely coming from service sectors like education, health care and hospitality. Hiring in industries particularly sensitive to rising borrowing costs, like construction and manufacturing, started to level off, and workers put in fewer hours during the average week. Layoffs in the Technology sector with highly paid positions being lost captured headlines for November and are likely to have greater impact in areas like San Francisco.
 - JP Morgan Asset Management’s chief strategist, Dr. David Kelly, in a December 14th webcast noted that some effect on the unemployment rate may come from flat labor force participant rates. Notably – that estimates of up to 3 million Americans

afflicted with “Long-Covid” symptoms and not participating in the labor market don’t count into the unemployment rate calculation

- Wage growth continues to run above its historical trend with average hourly earnings for November coming in at 5.1% above one-year ago.
 - Fed forecasts of unemployment for 2023 and 2024 are notably higher than current levels. This indicates the Fed’s expectations that efforts to control inflation will take a toll on workers and the broader economy.
-
- **Consumer Confidence** – Markets were rattled with the release of the report on November Retail Sales. Retail sales in November were 0.6% lower than October but an increase of 6.5% over November 2021. Nevertheless, capital markets responded negatively to the November retail sales as a harbinger of a slowing economy.

 - **Monetary Policy** – At the December 14th meeting the Fed – as was widely expected - boosted its policy interest rate again by 0.50% to the range of 4.25% to 4.50% - the highest since 2007.
 - With the December FOMC meeting announcements the Fed indicated that it would do more to restrain the economy than expected. Fed forecasts of the 2023 Fed Funds rate are up from 4.6% to 5.1%. This was taken by the markets as being a bit more hawkish of a tone from the Fed than was expected – but credit markets were already pricing in a 2023 Fed Funds rate of above 5%.

Respectfully Submitted,

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**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

NOVEMBER 2022
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Labor market strength remained persistent in November as U.S. nonfarm payrolls increased by 263,000, well above the expected 200,000. The unemployment rate (3.7%) was unchanged, and the labor force participation rate fell to 62.1%, its lowest level of the year.
- The U.S. ISM Manufacturing PMI print for November came in at 49.0, down -1.2 from the prior month and below the expected 49.8. The drop below 50 was driven by decreases in new orders and backlogs.
- The University of Michigan Consumer Sentiment survey posted a reading of 54.7, down from the October reading of 59.9. The Current Economic Conditions sub-index, which measures consumers' assessment of near-term economic expectations, fell from 65.6 to 57.8 and contributed to the decline.

U.S. EQUITIES

- All major U.S. equity indices were higher in November. The Dow Jones Industrial Average (+6.0%) gained as value stocks continued to rally. At month end, the Dow had outperformed the S&P by its largest year-to-date margin (+10.2%) since 1933.
- U.S. equities rose early in the month following the release of a cooler-than-expected October CPI print. The S&P 500 Index rallied +5.5% on November 10th – its largest single-day increase since March 2020.
- 97% of S&P 500 constituents have reported Q3 earnings. Of those, 71% beat revenue estimates and 69% beat on earnings. Despite widespread beats in Q3, earnings expectations for Q4 have declined. As of November 7th, the estimated Q4 earnings growth rate for the S&P 500 measured -1.0%, down from +3.9% September 30th.

U.S. FIXED INCOME

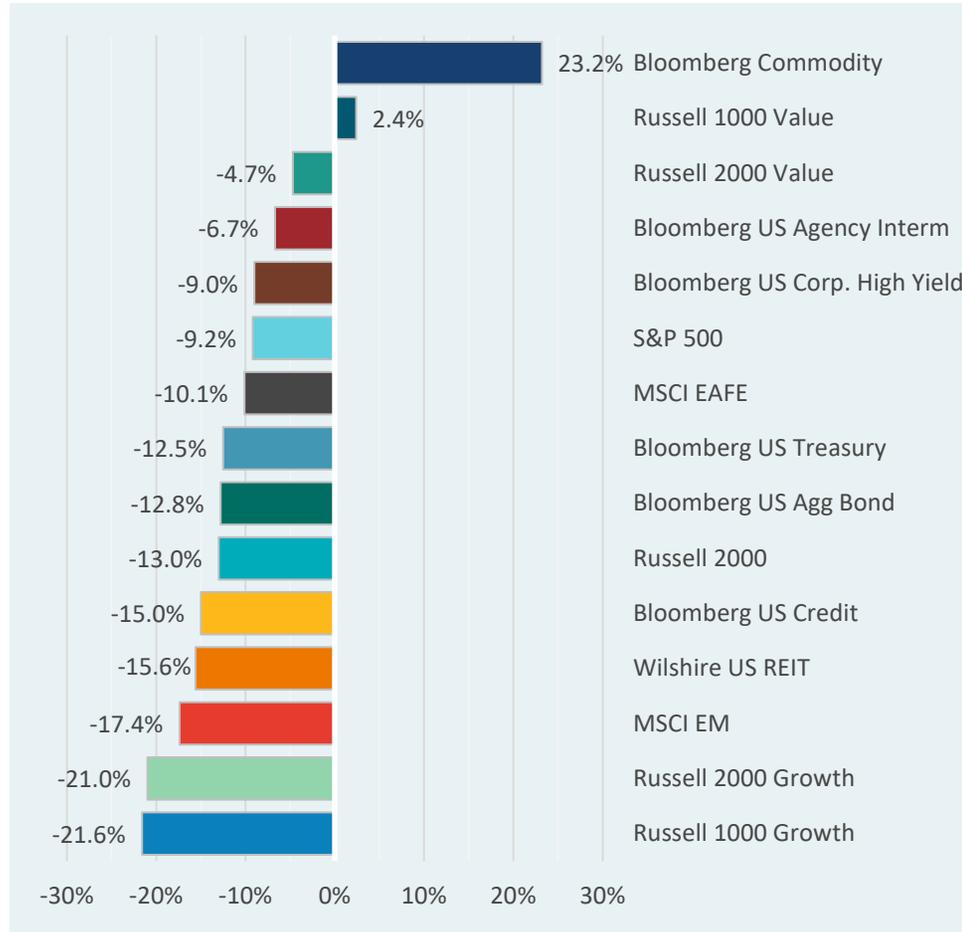
- The Fed delivered a fourth consecutive 75-basis point rate hike. In tandem with the policy rate increase, Fed Chairman Jerome Powell remarked that the U.S. still had “a ways to go” and interest rates would likely increase above the level previously anticipated by FOMC members.
- Market expectations for the path of future interest rate hikes fluctuated between perceived hawkish and dovish Fed comments but finished the month with a positive outlook after Chairman Powell's speech on November 30th. Investors priced-in a 50bp rate hike ahead of December 14th FOMC meeting.
- The Bloomberg U.S. Aggregate Index rose +3.7% after Treasury yields fell across the curve. This marked the largest 1-month increase for the Agg since December 2008.

INTERNATIONAL MARKETS

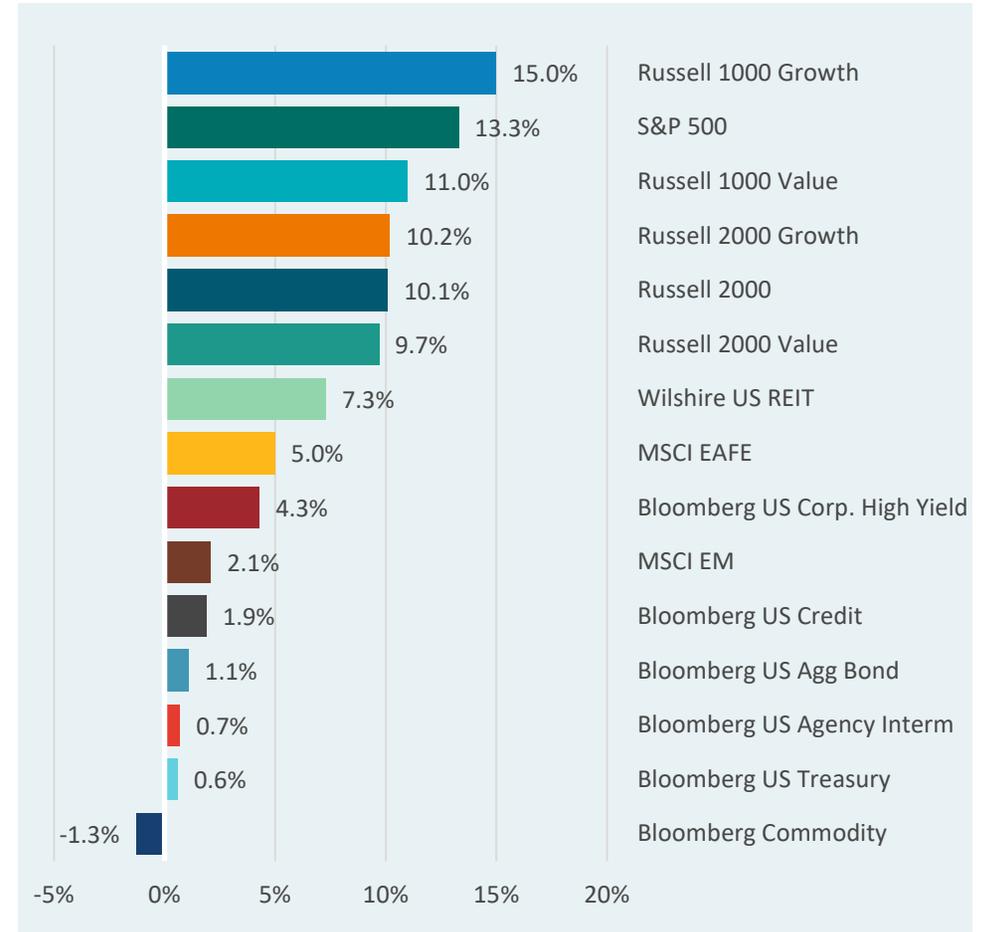
- Year-over-year headline consumer price growth in the eurozone (+10.0%) fell -0.6% compared to the prior month, more than the expected -0.2% drop. Hawkish commentary from ECB president Christine Lagarde suggested the bank would remain committed to additional rate increases despite a deceleration in prices.
- Chinese equities rallied +29.0% after state officials eased certain Covid prevention measures and signaled efforts to mitigate the negative impact of the country's strict zero-Covid policy on economic growth.
- The Japanese yen (+6.5%) strengthened and posted its largest monthly gain of the year against the U.S. dollar. Signs of a potential peak in U.S. inflation along with trimmed expectations for U.S. rate hikes contributed to yen strength.

Major asset class returns

ONE YEAR ENDING NOVEMBER



TEN YEARS ENDING NOVEMBER



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

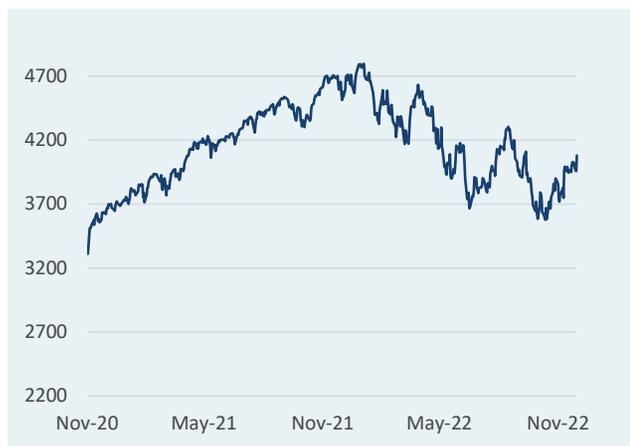
Source: Morningstar, as of 11/30/22

Source: Morningstar, as of 11/30/22

U.S. large cap equities

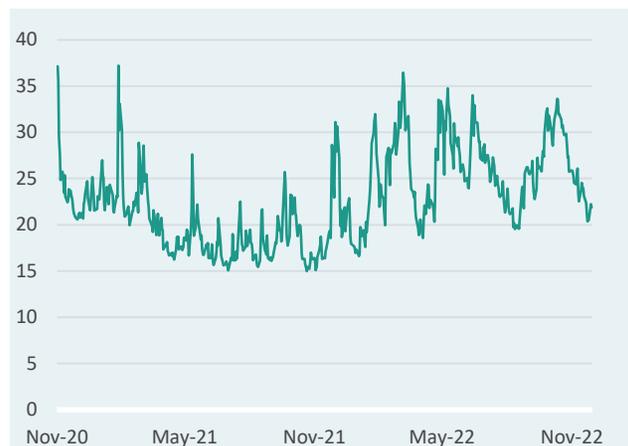
- The S&P 500 Index (+5.6%) gained for a second consecutive month. Stocks rallied early in the month following the release of a cooler-than-expected October CPI print and jumped +3.1% on the final day of trading after remarks from Fed Chairman Powell suggested a slower pace of rate hikes.
- All 11 S&P 500 GICS sectors were positive in November. Materials (+11.8%) climbed the most with support from higher industrial metals prices while Industrials (+7.9%) and Financials (+7.0%) were the next best performers. Health Care (+4.8%), Energy (+1.3%), and Consumer Discretionary (+1.0%) gained the least.
- Of the three major U.S. stock indices, the Dow Jones Industrial Average (+6.0%) was the only index to have exited bear market territory at month end. The index, which consists of large value companies, has fared better amidst rate increases and has fallen just -2.9% year-to-date.
- Expected volatility continued to decline. The Cboe Index of Implied Volatility dropped -5.3 points to 20.6% and reached lows not seen since August. The month-end close measured lower than its year-to-date (26.0%) and 1-year (25.6%) daily moving averages.

S&P 500 PRICE INDEX



Source: Bloomberg, as of 11/30/22

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as of 11/30/22

S&P 500 VALUATION SNAPSHOT

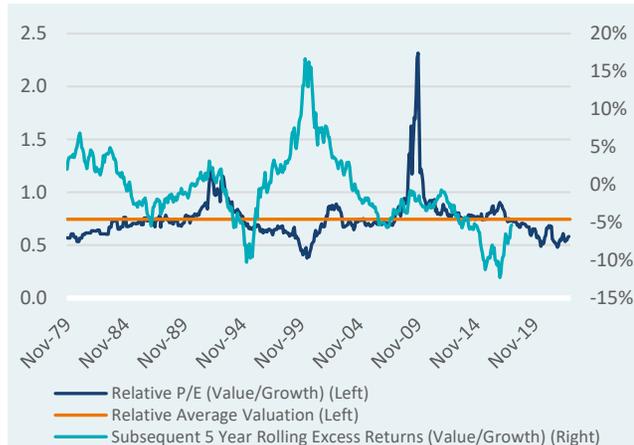


Source: Bloomberg, as of 11/30/22

Domestic equity size and style

- Value stocks (Russell 1000 Value +10.3%) outperformed growth stocks (Russell 1000 Growth +4.6%) for a fourth consecutive month and the 1-year margin between the two continued to expand. On a 1-year rolling basis, value has outpaced growth by +24.1%.
- Gains continued to be wide-spanning across the S&P 500 as 84.7% of constituents moved higher. The S&P 500 Equal Weighted Index (+6.7%) outperformed the cap-weighted index for a second straight month. Strong performance in Materials, Industrials, and Utilities, which occupy a smaller portion of the cap-weighted index, have driven equal-weight index performance.
- In a reversal of recent trends, large-cap equities (Russell 1000 Index +5.4%) outperformed small-cap equities (Russell 2000 Index +2.3%) and have fared slightly better on a year-to-date basis. Declines in small-cap Health Care and Telecommunications weighed on overall performance.
- Mid-cap (Russell Mid Cap +6.0%) stocks performed better than large- and small-caps and have fallen the least year-to-date (-12.6%). Despite strong relative year-to-date performance, November marked only the second month mid-caps have outperformed large- and small-cap stocks in 2022.

VALUE VS. GROWTH RELATIVE VALUATIONS



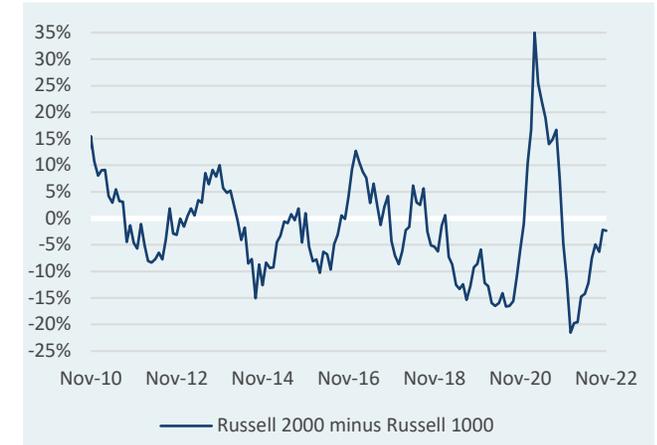
Source: FTSE, Bloomberg, as of 11/30/22

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 11/30/22

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE

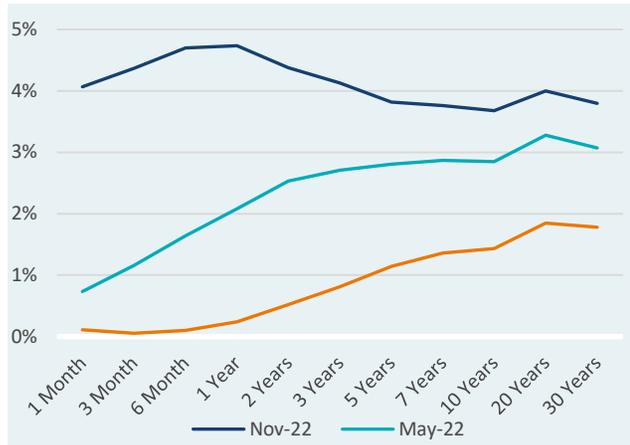


Source: FTSE, Bloomberg, as of 11/30/22

Fixed income

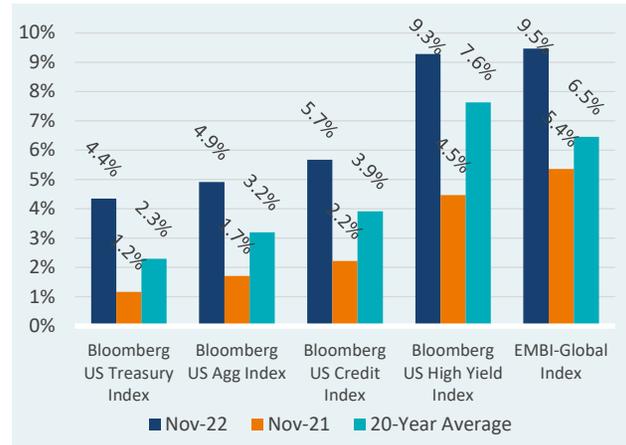
- U.S. Treasury yields fell sharply on the long end of the curve following a shift in market expectations for the Fed's rate hike path. Prices on long-dated Treasuries rallied and the 10-, 20-, and 30-year yields each dropped in excess of -40bps. The Bloomberg U.S. Long Treasury Index climbed +7.1%.
- 2-year Treasury yields hit a 15-year peak of 4.71% in the first week of November. Sentiment changed in the weeks following which culminated in a -33bp drop by month end. Despite the decline, 2-year yields have jumped +334bps since the start of the year.
- The 10-2 spread widened to -70bps with help from pronounced declines in 10-year yields. The yield curve inversion at month end exceeded the inversions that preceded the 2001 and 2008 recessions and marked the largest negative difference since 1981.
- The U.S. Dollar Index (-5%) posted its largest decline of the year, partially due to renewed expectations that the Fed would decrease the magnitude of upcoming rate hikes. This contributed to the yen (+6.5%), euro (+4.2%) and the pound sterling (+3.4%) posting their best 1-month performance of the year.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 11/30/22

NOMINAL YIELDS



Source: Morningstar, as of 11/30/22

BREAKEVEN INFLATION RATES

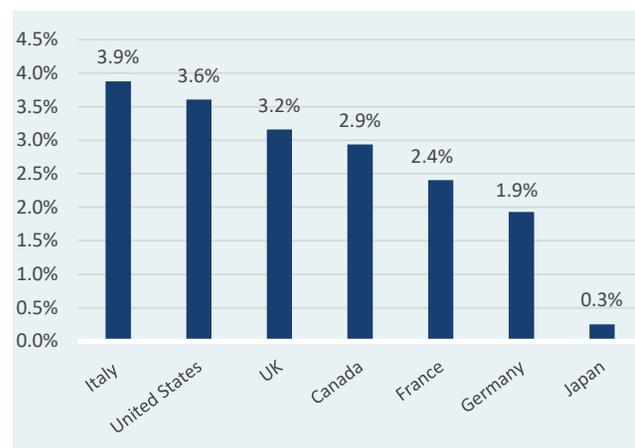


Source: Bloomberg, as of 11/30/22

Global markets

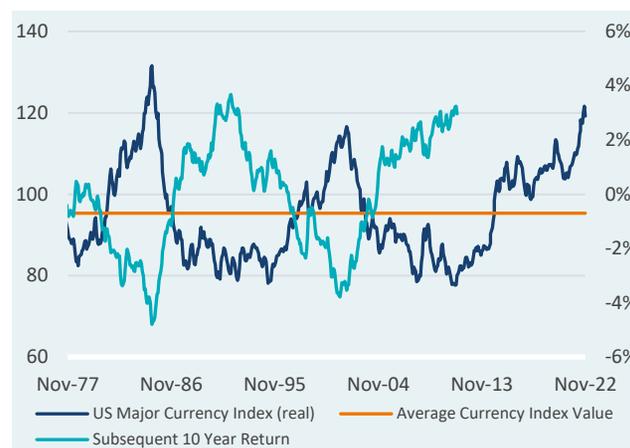
- International stocks (MSCI ACWI ex US Index +11.8%) surged with support from both developed (MSCI EAFE Index +11.3%) and emerging markets (MSCI EM Index +14.8%). Signs of relaxed Chinese Covid restrictions, cool regional inflation prints, and U.S. dollar weakness likely contributed to international overperformance.
- Chinese equities (MSCI China Index +29.0%) saw a dramatic rebound after two months of double-digit declines. Signals of eased tensions with the U.S., reduced Covid restrictions, and government support for the real estate sector (+59.4%) were factors in performance.
- The MSCI Euro Index (+13.7%) recorded its largest monthly increase since November 2020 led by gains in the Netherlands (+16.6%), Germany (+14.0%), and France (+11.7%). European equities likely gained with support of a cooler-than-expected eurozone inflation print and recent euro strength.
- Latin American equities (MSCI EM Latin America Index +0.5%) lagged despite a broad rally in EM equities. Declines were concentrated in Brazil (MSCI Brazil Index -2.9%) where equities fell on expectations that loose fiscal policy from the recently elected President Lula da Silva could delay cuts to sovereign interest rates.

GLOBAL SOVEREIGN 10-YEAR YIELDS



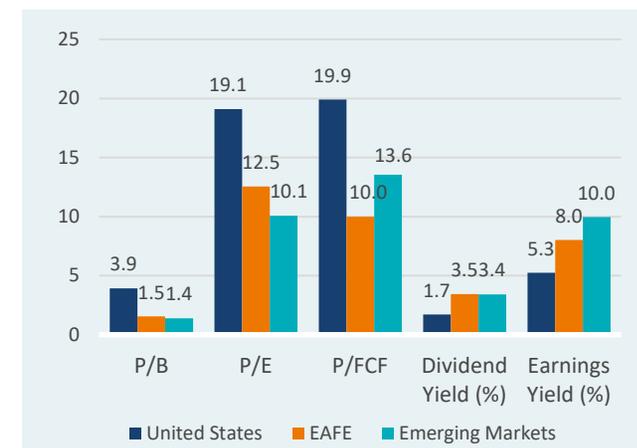
Source: Bloomberg, as of 11/30/22

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 11/30/22

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 11/30/22

Commodities

- The Bloomberg Commodity Index (+2.7%) increased in a continuation of the prior month trend. The index was pulled higher by gains in metals and softs prices and dragged lower by narrow declines in agriculture and energy products.
- Industrial metals prices surged (Bloomberg Industrial Metals Sub-Index +14.5%) on expectations that eased Covid restrictions in China could give way to revitalized economic growth. Prices for nickel – a key component in electric vehicle engines and batteries – climbed +23.8%. Copper prices – often viewed as a leading indicator for the health of the economy – increased +10.8%.

- Cotton prices (+17.5%) swelled on signs of tightening global supply. In the U.S., droughts in southern states have led to crop abandonment and lower yield expectations for the next year. Meanwhile, many farmers in India have delayed sale with hopes of higher price levels in the future. The Bloomberg Softs Sub-Index gained +7.1%.
- The Bloomberg Precious Metals Sub-Index rose +8.3% on increases in silver (+13.7%) and gold (+7.3%). The two metals were likely higher due to November declines in dollar strength and interest rates along with expectations that the global silver deficit may be as large as 194 million ounces in 2022, up from 48 million ounces a year prior.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	2.7	4.8	19.0	23.2	15.5	7.6	(1.3)
Bloomberg Agriculture	(0.3)	0.8	13.7	17.8	21.1	8.4	(1.4)
Bloomberg Energy	(0.7)	3.6	55.2	59.6	13.1	6.5	(5.6)
Bloomberg Grains	(3.3)	(2.2)	15.7	20.1	20.5	8.9	(2.9)
Bloomberg Industrial Metals	14.5	13.9	(4.5)	1.6	14.3	6.4	1.2
Bloomberg Livestock	(0.2)	6.1	5.1	6.7	(3.9)	(4.3)	(3.3)
Bloomberg Petroleum	(4.1)	8.3	46.6	66.2	16.0	10.3	(3.2)
Bloomberg Precious Metals	8.3	7.2	(5.3)	(2.6)	5.1	5.1	(1.8)
Bloomberg Softs	7.1	(3.4)	(4.1)	(3.8)	14.7	3.2	(2.9)

Source: Morningstar, as of 11/30/22

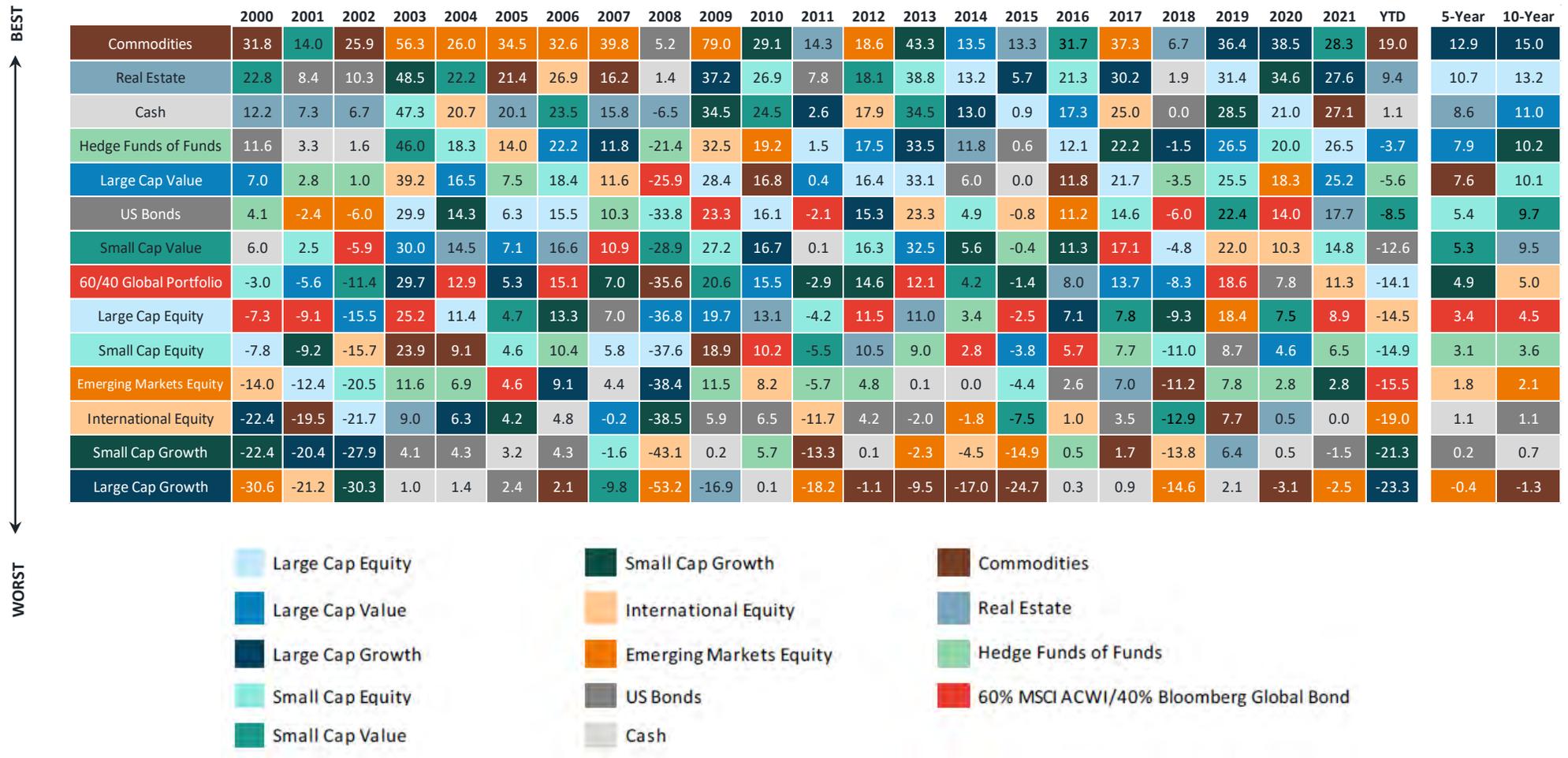
COMMODITY PERFORMANCE



Source: Bloomberg, as of 11/30/22

Appendix

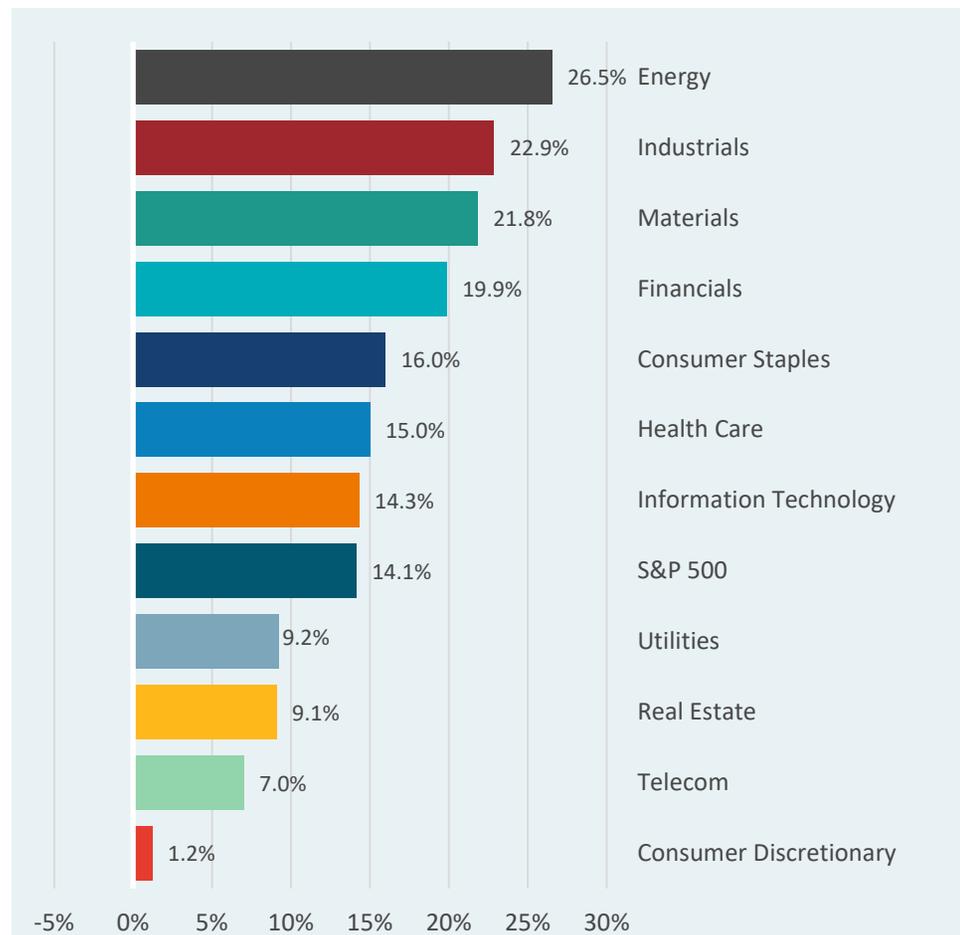
Periodic table of returns



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 9/30/22.

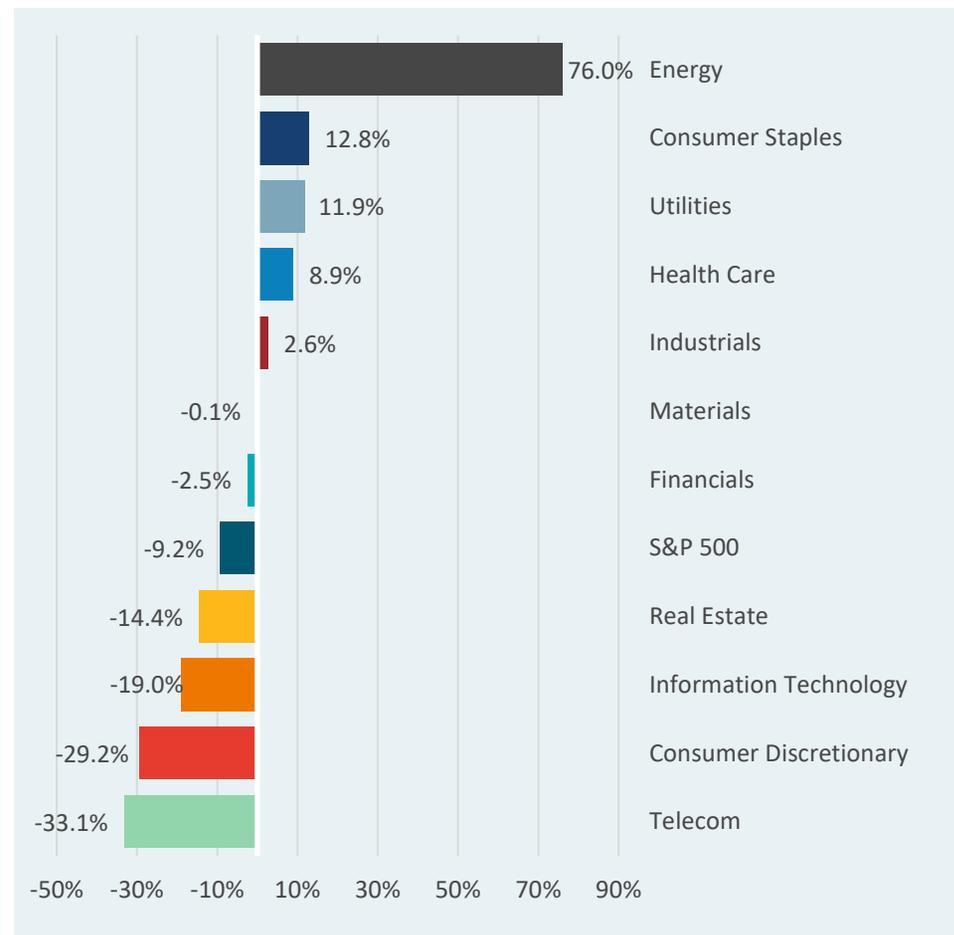
S&P 500 sector returns

QTD



Source: Morningstar, as of 11/30/22

ONE YEAR ENDING NOVEMBER



Source: Morningstar, as of 11/30/22

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	5.6	14.1	(13.1)	(9.2)	10.9	11.0	13.3
S&P 500 Equal Weighted	6.7	17.2	(7.1)	(1.3)	11.8	10.4	13.2
DJ Industrial Average	6.0	21.0	(2.9)	2.5	9.5	9.7	12.9
Russell Top 200	5.2	13.3	(14.7)	(11.2)	11.2	11.5	13.7
Russell 1000	5.4	13.9	(14.1)	(10.7)	10.6	10.7	13.2
Russell 2000	2.3	13.6	(14.9)	(13.0)	6.4	5.4	10.1
Russell 3000	5.2	13.8	(14.2)	(10.8)	10.3	10.3	12.9
Russell Mid Cap	6.0	15.4	(12.6)	(9.0)	8.7	8.5	11.8
Style Index							
Russell 1000 Growth	4.6	10.7	(23.3)	(21.6)	11.8	12.9	15.0
Russell 1000 Value	6.2	17.1	(3.7)	2.4	8.4	7.9	11.0
Russell 2000 Growth	1.6	11.3	(21.3)	(21.0)	3.7	4.9	10.2
Russell 2000 Value	3.1	16.0	(8.5)	(4.7)	8.3	5.3	9.7

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	7.8	14.3	(15.0)	(11.6)	6.6	6.4	8.7
MSCI ACWI ex US	11.8	15.1	(15.4)	(11.9)	1.8	1.5	4.2
MSCI EAFE	11.3	17.2	(14.5)	(10.1)	1.9	1.8	5.0
MSCI EM	14.8	11.3	(19.0)	(17.4)	0.1	(0.4)	2.1
MSCI EAFE Small Cap	9.9	14.6	(22.2)	(18.8)	0.1	0.3	6.5
Style Index							
MSCI EAFE Growth	11.5	16.4	(22.1)	(18.7)	1.8	3.1	6.0
MSCI EAFE Value	11.0	18.2	(6.8)	(1.2)	1.4	0.2	3.8
Regional Index							
MSCI UK	10.8	17.4	(4.5)	2.5	2.1	2.0	3.3
MSCI Japan	9.7	12.9	(16.9)	(15.3)	(0.4)	0.3	6.1
MSCI Euro	13.5	23.6	(16.8)	(11.5)	1.6	0.8	4.8
MSCI EM Asia	18.7	11.8	(20.5)	(19.3)	1.3	0.1	4.0
MSCI EM Latin American	0.5	10.2	13.5	20.3	(0.3)	0.6	(1.1)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	1.8	3.1	(10.9)	(10.7)	1.7	2.5	1.2
Bloomberg US Treasury Bills	0.3	0.5	0.9	0.9	0.6	1.2	0.7
Bloomberg US Agg Bond	3.7	2.3	(12.6)	(12.8)	(2.6)	0.2	1.1
Bloomberg US Universal	3.7	2.6	(12.7)	(12.8)	(2.4)	0.3	1.4
Duration							
Bloomberg US Treasury 1-3 Yr	0.7	0.6	(4.0)	(4.2)	(0.4)	0.7	0.6
Bloomberg US Treasury Long	7.1	1.1	(28.0)	(29.1)	(7.7)	(1.5)	0.6
Bloomberg US Treasury	2.7	1.2	(12.0)	(12.5)	(2.6)	0.1	0.6
Issuer							
Bloomberg US MBS	4.1	2.6	(11.4)	(11.5)	(3.0)	(0.4)	0.8
Bloomberg US Corp. High Yield	2.2	4.8	(10.6)	(9.0)	0.9	2.5	4.3
Bloomberg US Agency Interm	1.3	0.8	(6.5)	(6.7)	(1.3)	0.4	0.7
Bloomberg US Credit	5.0	3.9	(14.9)	(15.0)	(2.6)	0.7	1.9

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	2.7	4.8	19.0	23.2	15.5	7.6	(1.3)
Wilshire US REIT	5.8	10.2	(22.5)	(15.6)	1.2	4.5	7.3
CS Leveraged Loans	1.1	2.0	(1.4)	(0.8)	2.8	3.2	3.8
S&P Global Infrastructure	8.1	13.5	2.1	8.8	3.9	4.2	7.0
Alerian MLP	1.3	15.9	37.8	42.9	13.2	5.5	2.2
Regional Index							
JPM EMBI Global Div	7.6	7.8	(18.1)	(16.9)	(4.8)	(1.2)	1.6
JPM GBI-EM Global Div	7.1	6.2	(13.6)	(12.2)	(5.5)	(2.5)	(2.0)
Hedge Funds							
HFRI Composite	1.0	2.4	(4.1)	(3.0)	6.4	4.7	4.8
HFRI FOF Composite	0.8	1.3	(5.6)	(5.3)	4.1	3.1	3.6
Currency (Spot)							
Euro	4.2	5.1	(9.5)	(8.5)	(2.3)	(2.9)	(2.3)
Pound Sterling	3.4	6.7	(12.1)	(10.0)	(2.7)	(2.5)	(2.9)
Yen	6.5	3.7	(17.5)	(18.6)	(7.8)	(4.3)	(5.1)

Source: Morningstar, HFRI, as of 11/30/22.

Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	7.9	22.5	18.7	14.3
Global Private Equity Direct Funds *	2.5	22.2	19.7	16.6
U.S. Private Equity Direct Funds *	5.5	24.9	21.9	18.2
Europe Private Equity Direct Funds *	(0.5)	19.4	18.2	14.9
Asia Private Equity Direct Funds *	(6.9)	13.9	13.3	13.7

Public Index Time-weighted Returns				
MSCI World	(14.3)	7.0	7.7	9.5
S&P 500	(10.6)	10.6	11.3	13.0
MSCI Europe	(17.6)	1.2	2.2	5.4
MSCI AC Asia Pacific	(22.2)	1.8	2.8	5.5

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	25.7	14.0	12.2	13.4

Public Index Time-weighted Returns				
FTSE NAREIT Equity REIT	(6.3)	4.0	5.3	7.4

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	15.9	15.6	12.9	12.0

Public Index Time-weighted Returns				
S&P / LSTA U.S. Leveraged Loan 100 Index	(4.2)	1.4	2.4	3.3

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	27.1	6.6	4.9	3.5
Global Infrastructure	12.7	11.4	11.4	11.1

Public Index Time-weighted Returns				
S&P Global Natural Resources	2.9	8.6	8.9	4.6
S&P Global Infrastructure	5.6	3.5	4.8	7.2

Source: Pooled IRRs are from Thompson Reuters CJA and Time-weighted Returns are from Investment Metrics, as of June 30th, 2022. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

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

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

Notices & disclosures

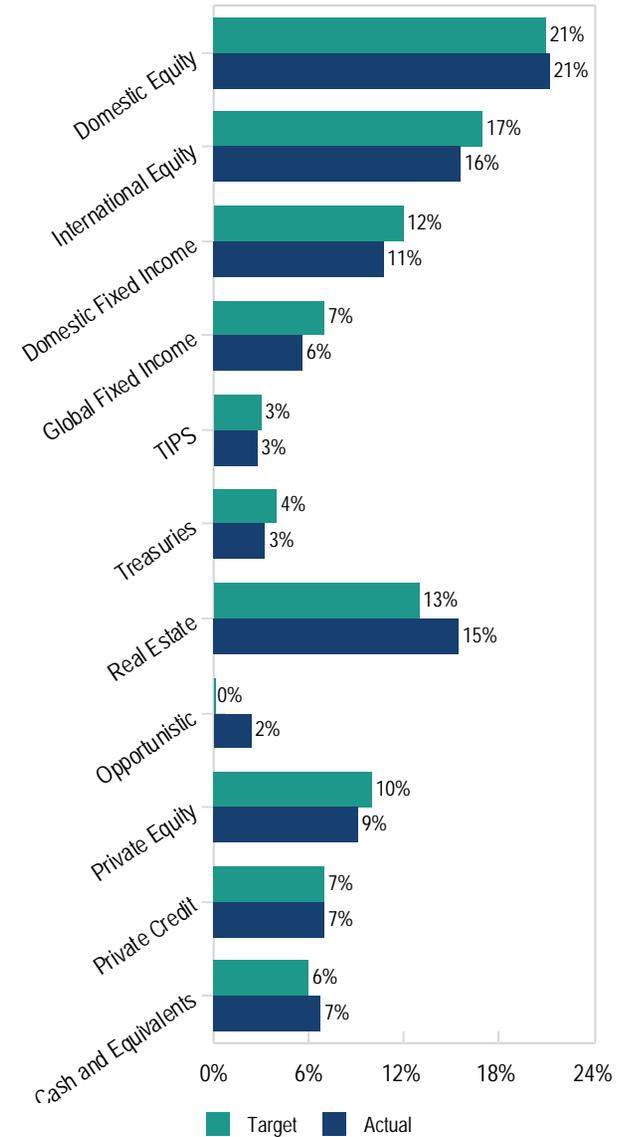
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Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: November 30, 2022

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,660,540,909	100.0	3.8	-6.2
Interim Policy Index			4.2	-7.9
FFP SAA Index			3.0	-5.0
Total Growth	1,138,079,563	68.5	4.2	-4.5
Custom Growth Benchmark			4.2	-8.5
Total Public Equity	613,496,044	36.9	8.4	-9.8
Russell 3000 Index			5.2	-14.2
Total Domestic Equity	353,023,304	21.3	6.3	-5.7
Russell 3000 Index			5.2	-14.2
PIMCO RAE US	101,922,692	6.1	5.7	2.6
S&P 500 Index			5.6	-13.1
Loomis Sayles Large Cap Growth	75,536,384	4.5	7.4	-21.9
Russell 1000 Growth Index			4.6	-23.3
Boston Partners Large Cap Value	96,864,012	5.8	5.6	0.5
Russell 1000 Value Index			6.2	-3.7
Atlanta Capital Mgmt	78,700,217	4.7	6.9	-4.4
Russell 2500 Index			4.2	-13.2
Total International Equity	260,472,740	15.7	11.5	-15.1
MSCI AC World ex USA Index			11.8	-15.0
Dodge & Cox Intl Stock	139,217,404	8.4	11.9	-4.6
MSCI AC World ex USA Value			11.2	-8.0
WCM International Growth	121,255,335	7.3	11.1	-25.2
MSCI AC World ex USA Growth			12.4	-21.6
Total Private Equity	151,456,164	9.1		
Harbourvest Partners IX Buyout Fund L.P.	13,920,183	0.8		
Pathway Private Equity Fund Investors 9 L.P.	84,330,162	5.1		
Harbourvest 2018 Global Fund L.P.	21,350,933	1.3		
Harbourvest SLO Fund Private Equity	18,356,471	1.1		
Pathway Private Equity Fund Investors 10 L.P.	13,498,415	0.8		
Total Private Credit	116,124,664	7.0		
Sixth Street Partners DCP	78,606,284	4.7		
Harbourvest SLO Credit Fund	37,518,380	2.3		

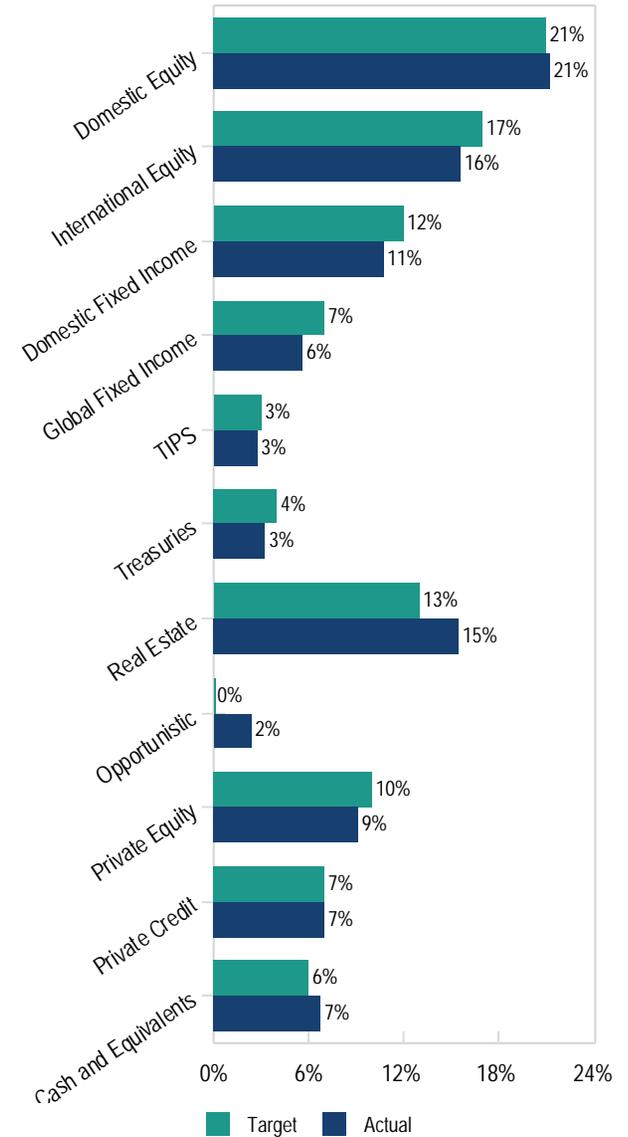


Interim Policy Index as of 1/1/2022: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 12% Bloomberg U.S. Aggregate, 4% Bloomberg US Treasury 7-10 yr, 3% Bloomberg US TIPS 5+ Year, 7% FTSE World Govt Bond Index, 11% NCREIF Property Index, 10% Actual Private Equity Return, 7% Actual Private Credit Return, 6% 90-day T-Bills, 2% ARA American Strategic Value Realty. All data is preliminary.

Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: November 30, 2022

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	257,002,691	15.5	-1.4	9.8
<i>NCREIF Property Index</i>			<i>0.0</i>	<i>9.4</i>
JP Morgan Core Real Estate	172,218,951	10.4	-2.2	6.9
<i>NCREIF-ODCE</i>			<i>0.0</i>	<i>13.1</i>
<i>NCREIF Property Index</i>			<i>0.0</i>	<i>9.4</i>
ARA American Strategic Value Realty	84,783,740	5.1	0.1	16.6
<i>NCREIF-ODCE</i>			<i>0.0</i>	<i>13.1</i>
<i>NCREIF Property Index</i>			<i>0.0</i>	<i>9.4</i>
Total Risk Diversifying	372,719,235	22.4	4.2	-12.1
<i>Total Risk Diversifying Benchmark</i>			<i>3.7</i>	<i>-14.1</i>
Total Domestic Fixed Income	279,357,220	16.8	2.7	-9.7
<i>Bloomberg U.S. Aggregate Index</i>			<i>3.7</i>	<i>-12.6</i>
BlackRock Core Bond	56,837,380	3.4	3.7	-14.9
<i>Bloomberg U.S. Aggregate Index</i>			<i>3.7</i>	<i>-12.6</i>
Dodge & Cox Income Fund	54,325,182	3.3	4.2	-10.2
<i>Bloomberg U.S. Aggregate Index</i>			<i>3.7</i>	<i>-12.6</i>
Pacific Asset Corporate Loan	68,247,136	4.1	1.4	-0.5
<i>Morningstar LSTA US Leveraged Loan</i>			<i>1.2</i>	<i>-1.0</i>
SSGA U.S. Govt Bond Index	54,437,896	3.3	2.7	-11.9
<i>Bloomberg U.S. Treasury: 7-10 Year</i>			<i>3.6</i>	<i>-13.9</i>
BlackRock TIPS	45,509,626	2.7	1.8	-10.9
<i>Bloomberg U.S. TIPS</i>			<i>1.8</i>	<i>-10.9</i>
Total Global Fixed	93,362,015	5.6	8.7	-18.4
<i>FTSE World Government Bond Index</i>			<i>4.5</i>	<i>-18.1</i>
Brandywine Global Fixed Income	40,781,498	2.5	8.0	-15.2
<i>FTSE Non-U.S. World Government Bond</i>			<i>6.0</i>	<i>-22.3</i>
Ashmore EM Blended Debt Fund	52,580,517	3.2	9.3	-21.3
<i>50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMI+</i>			<i>6.7</i>	<i>-14.7</i>

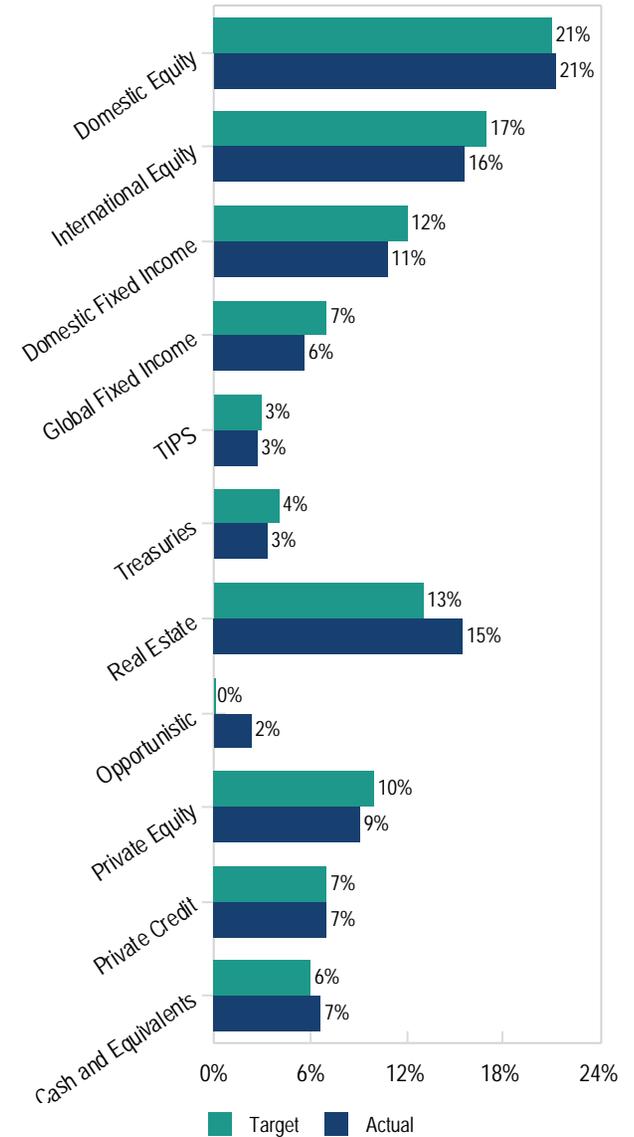


Interim Policy Index as of 1/1/2022: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 12% Bloomberg U.S. Aggregate, 4% Bloomberg US Treasury 7-10 yr, 3% Bloomberg US TIPS 5+ Year, 7% FTSE World Govt Bond Index, 11% NCREIF Property Index, 10% Actual Private Equity Return, 7% Actual Private Credit Return, 6% 90-day T-Bills, 2% ARA American Strategic Value Realty.. All data is preliminary. ARA American Strategic Value Realty as of 9/30/22.

Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: November 30, 2022

	Market Value	% of Portfolio	1 Mo	YTD
Total Liquidity	111,220,416	6.7	0.3	-1.3
<i>90 Day U.S. Treasury Bill</i>			<i>0.3</i>	<i>1.1</i>
Total Cash	111,220,416	6.7	0.3	-1.3
<i>90 Day U.S. Treasury Bill</i>			<i>0.3</i>	<i>1.1</i>
PIMCO Short Duration Fund	33,153,452	2.0	0.9	-4.5
<i>Bimbg. 1-3 Year Gov/Credit index</i>			<i>0.8</i>	<i>-3.9</i>
Cash Account	65,793,205	4.0	0.0	0.4
<i>90 Day U.S. Treasury Bill</i>			<i>0.3</i>	<i>1.1</i>
Investment Cash	12,273,759	0.7	0.0	0.4
<i>90 Day U.S. Treasury Bill</i>			<i>0.3</i>	<i>1.1</i>
Total Opportunistic	38,521,695	2.3		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	2,683,632	0.2		
Sixth Street Partners TAO	35,838,063	2.2		



Interim Policy Index as of 1/1/2022: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 12% Bloomberg U.S. Aggregate, 4% Bloomberg US Treasury 7-10 yr, 3% Bloomberg US TIPS 5+ Year, 7% FTSE World Govt Bond Index, 11% NCREIF Property Index, 10% Actual Private Equity Return, 7% Actual Private Credit Return, 6% 90-day T-Bills, 2% ARA American Strategic Value Realty. All data is preliminary.

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Board of Trustees

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



Date: January 23, 2023

To: Board of Trustees

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

Agenda Item 10: Policies Review - Ethical, Governance, Trustee Education

Recommendation:

1. Review and discuss the Pension Trust Board of Trustees approved policies on Ethics, Governance and Trustee Education.
2. Approve the revised policy documents on Ethics, Governance and Trustee Education.

Policy Background:

The Board of Trustees has previously approved multiple policies as a matter of proper fiduciary governance as shown below –

For Review January 2023

1. *Ethical and Fiduciary Conduct*
 - a. Last reviewed 2019
2. *Governance*
 - a. Last reviewed 2019
3. *Trustee Core Competencies and Education (including travel)*
 - a. Last reviewed 2019
 - b. Travel costs appendix amended 2020

For Future Review

4. Investment Policy Statement

- a. Last amended 2020 and 2021
- b. Scheduled for review with Verus – February 2023
 - i. Possible minor edits to ESG section
 - ii. Possible technical update to specified investment benchmarks
 - iii. No planned changes to Strategic Asset Allocation Policy

5. Conflict of Interest (including Form 700 filing requirements)

- a. Required biennial review to comply with statute
- b. Last reviewed 2022 – no amendments
- c. Due for review 2024

6. Personnel Policies and Procedures

- a. Last amended 2021
- b. To be reviewed by the SLOCPT's Human Resources advisor
- c. Review by Personnel Committee TBD
- d. Related Executive Director Contract to be revised as part of 2023 recruitment for a successor.

Ethical and Fiduciary Conduct:

The attached redline version of the Ethical and Fiduciary Conduct policy contains edits to accomplish -

- a. Minor format clean ups and Executive Director title updates.
- b. Page 7 – clarification on compliance with insider trading disclosures.
- c. Attachment I – Acknowledgment of Policy Compliance
 - a. Policy requires annual signing of the attached acknowledgment.

Governance:

The attached redline version of the Governance policy contains edits to accomplish -

- a. Minor format clean ups and Executive Director title updates.
- b. Page 4 – Committees – clarification of Standing Committees and Ad Hoc Committees.

Trustee Responsibilities, Core Competencies, Education, Travel:

The attached redline version of the Trustee Core Competencies and Education policy contains edits to accomplish -

- a. Minor format clean ups and Executive Director title updates.
- b. Pages 5-7 – Board Member Education
 - i. Revisions to the courses required of new Trustees to conform to current practice as the investment program has evolved to a California alternative.
 - ii. Clarification that the 12 hour/year requirement for continuing education can be applied over a rolling three year window.
 - iii. Added a Self-Study option for written materials deemed of substance and including online programs (e.g., the recently approved Board Smart system).
 - iv. Educational Conferences clarified to address the approved list of educational conferences to be published by the Executive Director. Also clarifies a similar approved list for staff training. See attached 2023 listing of approved conferences.
 - v. Board Member Reporting – clarified to encourage Trustees to report out at the next Board meeting on their evaluation of any conferences they attend.
 - vi. Brown act - clarified the exemption in the Brown Act for multiple Trustees to attend conferences together.
- d. Appendix 1: Summary of “Your Role as a Trustee” (used in recruitment)
- e. Appendix 2: Trustee Self Knowledge Assessment
- f. Appendix 3: Educational policy for Staff
- g. Appendix 4: Travel Expenses – conformed list of approved educational conferences to the Board Member Education language on pages 5-7.
- h. Appendix 4-B: Travel Reimbursement Rates – replaces amounts needing updating to reference comparable SLO County reimbursement rates as a benchmark. This eliminates the need for periodic edits to this appendix.
- i. 2023 Trustee and Staff Training – Approved Events

Mission Statement:

No changes are proposed to the Pension Trust Mission Statement and Statement of General Objectives. It is included her in a cleaned up and reformatted form for reference.

Respectfully Submitted,

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ETHICAL AND FIDUCIARY CONDUCT POLICY

Adopted April 27, 2015
Reviewed January 28, 2019
Revised January 23, 2023

~~ETHICAL AND FIDUCIARY CONDUCT POLICY~~

As ethical leaders, the Board and executive team of the Pension Trust share values about what is important and work together with mutual respect in a constructive partnership. Together, the Board and executives set the tone at the top that permeates the organization. The purpose of these policies is to provide the foundation for an ethical culture at the Pension Trust.

A. **Fiduciary Duties**

Duty of Loyalty

Board members and staff of the Pension Trust shall discharge their duties with respect to the system and the plan solely in the interest of the members, retirees and beneficiaries for the exclusive purpose of:

- Providing benefits to members and beneficiaries;
- Minimizing employer contributions; and
- Defraying reasonable expenses of administering the plan.

The Duty of Loyalty is the most fundamental of fiduciary duties. The duty of Board members and staff to Pension Trust participants and their beneficiaries must take precedence over any other duty. A trustee does not serve as an “agent” or representative of the employer, union or other constituency responsible for his or her appointment to the Board, and must act in the best

interests of all of the participants and beneficiaries even where doing so is not in the interest of the electoral or appointing authority responsible for the trustee's appointment. While a trustee may wear "two hats," one as a trustee and one reflecting another position, such as employer or union official, the trustee may only wear one hat at a time and must wear their trustee/fiduciary hat when conducting system business.

Under the ***Duty of Impartiality***, a corollary of the Duty of Loyalty, where there are conflicting interests among different groups of participants, retirees and/or beneficiaries the Pension Trust must strive to act in a way that serves the overall best interests of the system's members as a whole and avoid favoring one group over the other.

Under the ***Duty to Administer***, another corollary of the Duty of Loyalty, the Board has the sole and exclusive fiduciary duty to administer the Pension Trust in a manner that will assure prompt delivery of benefits and services to the participants and their beneficiaries.

Duty of Care

Board members and staff must discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of a like character and with like aims. This requires:

- Diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- Undertaking an appropriate analysis of a proposed course of action, including determination of the relevant facts, considering alternative courses of action and obtaining expert advice as needed (i.e., follow a "prudent process")
- Acting in accordance with the documents and instruments governing the system.

Duty to Provide for Actuarial Services

The Board, consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the Pension Trust.

Exclusive Purpose of Systems Assets

The assets of the plan shall never inure to the benefit of an employer and shall be held for the exclusive purposes of providing benefits to members and beneficiaries and defraying reasonable expenses of administering the system.

Prohibited Transactions

Except as otherwise provided by law, the board and the officers and employees of the Pension Trust shall not cause the system to engage in a transaction if they know or should know that the transaction constitutes a direct or indirect:

- Sale or exchange, or leasing, of any property from the system to a member or beneficiary for less than adequate consideration, or from a member or beneficiary to the system for more than adequate consideration.
- Lending of money or other extension of credit from the system to a member or beneficiary without the receipt of adequate security and a reasonable rate of interest, or from a member or beneficiary with the provision of excessive security or an unreasonably high rate of interest.
- Furnishing of goods, services, or facilities from the system to a member or beneficiary for less than adequate consideration, or from a member, retiree, or beneficiary to the system for more than adequate consideration.
- Transfer to, or use by or for the benefit of, a member or beneficiary of any assets of the plan for less than adequate consideration.
- Acquisition, on behalf of the system, of any employer security, real property, or loan.

Prohibitions Against Self-Dealing

Board members and officers and employees of the system shall not do any of the following:

- Deal with the assets of the system in their own interest or for their own account.
- In their individual capacity, act in any transaction involving the Pension Trust on behalf of a party, or represent a party, whose interests are adverse to the interests of the ~~plan~~ [Plan](#) or the interests of the members and beneficiaries.
- Receive any consideration for their personal account from any party conducting business with the system in connection with a transaction involving the assets of the plan.

B. Statement of Ethical Conduct

The Board has established the following Statement of Ethical Conduct and has determined that engaging in any of the following activities or conduct is inconsistent, incompatible, in conflict with or inimical to the duties of a Board member and/or staff.

No employment, activity, or enterprise shall be engaged in by any Board Member or staff, which might result in, or create the appearance of resulting in, any of the following:

1. Using the prestige or influence of the Board or staff position for private gain or the advantage of another.
2. Using Pension Trust, facilities, employees, equipment or supplies for private gain or advantage, or the private gain or advantage of another.

3. Using confidential information acquired by virtue of Pension Trust activities for private gain or the advantage of another, including, but not limited to, so-called “insider trading” as described in subsection “C”, *infra*.
4. Providing confidential information to persons to whom issuance of this information has not been authorized.
5. Receiving or accepting money or any other consideration from anyone other than the Pension Trust for the performance of an act which the Board Member or staff would be required or expected to render in the regular course or hours of his/her duties for the Pension Trust.
6. Performance of an act in his/her private capacity other than that as a member of the Pension Trust knowing that such act may later be subject, directly or indirectly, to the control, inspection, review, audit, or enforcement by such person or by the system.¹
7. Receiving or accepting, directly or indirectly, any gift, including money, any service, gratuity, favor, entertainment, hospitality, loan, or any other thing of value, from anyone who is doing or is seeking to do business of any kind with the Pension Trust or whose activities are regulated or controlled in any way by the system, under circumstances from which it reasonably could be inferred that the gift was intended to influence him/her in his/her official duties or was intended as a reward for any official action on his/her part.
8. As a Board member, having an ex parte communication on the merits of an administrative appeal with any party or their attorney until after the Board's decision is final.
9. Publishing any writing or making any statement to the media, a [P](#)lan sponsor or members of the public which purports to represent the Pension Trust’s position or policy on any matter or subject, before the Board has formally adopted a policy or position on the matter or subject. This section shall not be interpreted to preclude Board Members or staff, as private citizens, from expressing their personal views.

Nothing in this Statement shall exempt any Board Member or staff from applicable provisions of any other laws. The standards of conduct set forth in this Statement are in addition to those prescribed elsewhere in this policy and in applicable laws and rules.

¹ For example, while a Board member who is also a County officer may, so long as consistent with the “two hats” rule, perform duties as a County officer even if they could be subject to Pension Trust review and a Board member who is also a Pension Trust Board member may apply for retirement, etc. even though such application is subject to Board review. However, a board member who operates a private payroll service could not contract with the Pension Trust to issue retirement checks because those checks would be subject to audit by the Pension Trust.

C. Policy Prohibiting Insider Trading

Background

The Board is committed to the highest ethical standards and strictest adherence to federal, state and foreign securities laws and regulations regarding “insider trading.” To ensure that the Pension Trust operates in a manner commensurate with its goal of promoting integrity in the investment, administration and management of securities, the Board has adopted this Policy Prohibiting Insider Trading. The policy applies to Board members and staff, which includes investment consultants and contractors affiliated with the system. The prohibition on insider trading continues to apply even after resignation from the Board or termination of employment until such time, if ever, the information becomes generally available to the public other than through disclosure by or through the Board member or staff.

“Insider trading” has been defined as buying or selling securities on the basis of material, nonpublic information relating to those securities. Any person who possesses material, nonpublic information is considered an “insider” as to that information. The prohibition against insider trading may reach anyone, not just a corporate insider, who has access to the material, nonpublic information. The scope of insider trading liability has been extended to “controlling persons,” which includes any entity or person with power of influence or control over the management, policies or activities of another person. It has also been extended to “tippees” who receive material, nonpublic information from an insider when the “tipper” (the “insider”) breaches a fiduciary duty for his or her personal benefit and the “tippee” knows or has reason to know of the breach. Liability has also been extended to fiduciaries who trade based upon misappropriated material nonpublic information obtained from their principal. The law provides civil and criminal penalties for insider trading violations.

Information is deemed material if it would be considered important by a reasonable investor in deciding whether to buy, sell or refrain from any activity regarding that company’s securities. Material information may be either positive or negative and can relate to any aspect of a company’s business. Common examples of material information include, but are not limited to: unpublished financial results and projections, news of a merger or acquisition, stock splits, public or private securities/debt offerings, changes in dividend policies or amounts, gain or loss of a major customer or supplier, major product announcements, significant changes in senior management, a change in accounting policies, major problems or successes of the business, and information relating to a company against whom the system is considering securities litigation. Material nonpublic information may not be used by Board members or staff for personal gain or to benefit relatives or friends.

Information is considered “nonpublic” if it is not available to the general public. Once it is released to the general public, it loses its status as “inside” information. However, for nonpublic information to become public, it must have been made generally available to the securities marketplace, and sufficient time must pass for the information to become available in the market. To show that material information is public, it is generally necessary to show some fact verifying

that the information has become generally available, such as disclosure in company filings with the SEC or company press releases to a national business and financial wire service, a national news service, or a national newspaper.

Policy on Insider Trading

Board members and staff may be provided or have access to confidential information, including material, nonpublic information. Any information not publicly available must be treated as confidential even if it is not designated as confidential. It is the duty of Board members and staff to maintain the confidentiality of information and to not misuse confidential information, including material nonpublic information, belonging to or relating to the system. Board members and staff who come into possession of material, nonpublic information must not intentionally or inadvertently communicate it to any third party, including but not limited to relatives and friends, unless the person has a need to know for legitimate reasons in keeping with their responsibilities to the Pension Trust. Special care should be taken so that confidential information is not disclosed inadvertently.

If Board members or staff are uncertain whether a piece of information is material, nonpublic information, they shall consult with the ~~Executive Secretary~~Executive Director or the General Counsel before taking action based upon that information. Special care should be taken so that confidential information is not disclosed inadvertently. Examples of inadvertent disclosure include, but are not limited to, discussing confidential information in non-private locations, and leaving confidential documents exposed on one's desk or in a public area.

Board members and staff in possession of material, nonpublic information may not purchase or sell securities of the concerned company or other publicly traded securities to which the information pertains. Board members and staff also may not disclose material, nonpublic information to another person who could subsequently use that information for profit. Recommending purchases or sales of securities to which the material nonpublic information relates, even without disclosing the basis for the recommendation, is prohibited.

Like insider trading, "front running" may subject Board members or Pension Trust staff to criminal and/or civil proceedings. Front running occurs when a person enters into a trade of securities with advance knowledge of pending orders from other investors. It could occur, for example, when any Board member or Pension Trust staff covered by this policy trades with the knowledge that a trade is pending on behalf of the Pension Trust. Furthermore, front running may constitute a misappropriation of Pension Trust proprietary information for private or personal gain. It is therefore the policy of the Pension Trust that front running is prohibited. Board members and Pension Trust staff may not place an order for a personal securities transaction when they know that a Pension Trust securities transaction is pending in a security of the company that is the subject of the personal securities transaction, and must wait until 15 days after such Pension Trust securities transaction is executed before placing an order for a personal securities transaction involving the securities of the company. Likewise, Board members and Pension Trust staff may not knowingly delay, hinder, modify, or cancel any internal Pension Trust buy or sell recommendation, decision, or trading order intending to facilitate a personal

securities transaction that, but for the action of the Board member or Pension Trust staff person would otherwise constitute front running or violations of state and federal laws.

Board members and staff in possession of material, nonpublic information relating to a tender offer, acquired directly or indirectly from the bidder or target company, may not trade in target company securities. Board members and staff also may not disclose such material, nonpublic information to another person where it is reasonably foreseeable that the recipient of the information could purchase or sell such company securities.

Board members and staff in possession of material, nonpublic information may not purchase, directly or indirectly, any security in the initial public offering of such security. Board members and staff also may not encourage, facilitate, or arrange such a purchase by or on behalf of any other person.

Compliance

This policy is to be delivered to all new Board members and Management and Investment staff, including consultants, upon commencement of a relationship or employment with the system. Each Board member and all Management and Investment staff must read and complete the certification in Attachment I H within 30 days of receipt of the policy and annually by April 1 of each year thereafter. The certifications shall be delivered to the Executive SecretaryExecutive Director.

The Executive SecretaryExecutive Director shall obtain written confirmation from each external manager that handles securities in public market investments Separately Managed Accounts for the Pension Trust that it has a policy against insider trading and that it enforces the policy. The written confirmation must be received by the system within 30 days of commencement of the manager's relationship with the system.

Statements of Economic Interests (Form 700s) filed by Board members or staff pursuant to state or local law may shall be reviewed by the Executive Directorssystem to insure compliance with this policy. Board members and staff should report any suspected violation of this policy to the Executive SecretaryExecutive Director or General Counsel. The Executive SecretaryExecutive Director or General Counsel is responsible for causing an investigation of any reported violation. Following such investigation, if the Executive SecretaryExecutive Director or General Counsel concludes that the policy may have been violated, he or she shall take appropriate action.

Violation of this policy may result in disciplinary action, including dismissal or other sanction. Any disciplinary action for violation of the policy may be in addition to any civil or criminal liability under federal and state securities laws and regulations and is not subject to appeal on the grounds that the violation did not ultimately result in any actual civil or criminal investigation or other legal proceeding.

D. State Conflict of Interest Rules

1. All Pension Trust Board members and designated staff and consultants shall abide by the provisions of the Political Reform Act (PRA), Government Code sections 81000, et seq, including section 87100 that prohibits Board members and designated staff and consultants from making, participating in making, or using their positions to influence Pension Trust decisions in which they have a financial interest. All Board members and designated staff and consultants are subject to the public disclosure and reporting of economic interests under either section 87200 or the Pension Trust's Conflict of Interest (COI) Code. Absent full compliance with these laws and rules, receipt by a Board member, staff or consultant from a third party of any gift, honoraria, or payment of actual transportation and related lodging and subsistence or any payment or reimbursement of the same may subject them to disqualification from participation in making decisions related to the third party. It is the recipient's responsibility to ensure that he or she does not engage in any action that places him or her in a conflict of interest and to properly disclose and report the receipt of any gift, honoraria or travel expenses under the PRA and/or Pension Trust's COI Code. Board members, staff and consultants are encouraged to confer with the General Counsel if they have questions concerning possible conflicts of interest.

2. Under section 87105 of the PRA and section 18792.5 of the regulations of the Fair Political Practices Commission (FPPC), a Board member or staff member who has a financial interest in a decision of the Pension Trust must, following the announcement of the agenda item to be discussed or voted upon, but before either the discussion or vote commences, do the following:

- Publicly identify the financial interest that gives rise to the conflict;
- Recuse themselves from discussing, voting, or attempting to use their influence to affect the outcome of a decision of the public body; and
- Leave the room until after the discussion and vote on the item in question.
- A Board Member or staff member that has a financial interest in a matter placed on the consent agenda must observe the above requirements with the exception that he or she is not required to leave the room during the consent agenda.
- In the event that the discussion or vote is to occur in closed session, the public identification may be made orally during the open session before the Board goes into closed session and may be limited to a declaration that his or her recusal is because of a conflict of interest under Government Code section 87100.

3. All Pension Trust Board members and staff shall abide by the provisions of Government Code sections 1090, et seq, which prohibit public officers and employees from, in their official capacity, making or participating in the making of any contract made by the Pension Trust in which they are financially interested.

4. Any Board Member or staff who receives an offer from any third party, other than the Pension Trust, of travel expenses (paid or reimbursed) or actual transportation and related lodging and subsistence, has the responsibility to obtain prior approval to ensure compliance with applicable laws and rules. For Board members, prior approval must be given by the full Board. For the ~~Executive Secretary~~Executive Director, prior approval must be given by the Board President or designee. For other staff, approval must be given by the ~~Executive Secretary~~Executive Director.

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E. Avoidance of Appearance of Nepotism

Even if otherwise permissible under applicable conflict of interest laws and/or Board policy, Board members should avoid participating in Pension Trust matters in which a close relation of the Board member has a personal, managerial or substantial financial interest. A “close relation” is defined as a spouse, mutual financial dependent, significant other or person in an intimate relationship; a child, parent, sibling (including in-laws and step-relations), grandparent or grandchild, niece or nephew, aunt, uncle or cousin. A “substantial financial interest” exists if the personal financial effect of the system matter on the close relation would be \$250 or more in a 12-month period and that effect is particular to the close relation as opposed to affecting a much larger group. For example, under this policy, a Board member would not be precluded from participating in a decision to recommend legislation that would increase the percentage amount of a cost-of-living adjustment paid to all retirees even if the Board members’ mother would receive this increase along with all other retirees. However, if the Board members’ mother files an appeal that contends that her specific cost-of-living adjustment had been calculated incorrectly by the system, under this policy the Board member would be precluded from participating in the decision regarding this appeal.

F. Limitation on Receipt of Gifts

Public pension plan governance is characterized by a host of competing interests, both public and private, that may challenge board members and staff in the exercise of their fiduciary roles with respect to the exclusive interest of system members. Board members and staff require independence and objectivity when interacting with existing or potential service providers to the system. The receipt of gifts and/or the solicitation of charitable contributions can create at a minimum the appearance of a conflict of interest and may violate state or local law.

1. Applicable State/Local Law

Each Board member and designated staff shall comply with the gift limitation provisions and the prohibition on the acceptance of honoraria under California Government Code sections 89500 et seq. and applicable regulations thereunder.

2. Additional Limitations

- a. No Board member or staff may receive, accept, seek or solicit, directly or indirectly, anything of economic value as a gift, gratuity or favor from a person if it could reasonably be expected that the gift, gratuity or favor would influence the vote, action or judgment of the Board or staff member; or be considered as part of a reward for action or inaction.
- c. If the Board member or staff is allowed to accept a gift under applicable law and this policy, he or she is still obligated to evaluate the propriety of accepting the gift. Board members and staff should be sensitive to the source and value of the gift, the frequency of gifts from one source, the possible motives of the giver, and the

perception of others regarding the gift. Close cases should always be decided by rejecting gifts, gratuities or favors that may raise questions regarding the board or staff member's integrity, independence and impartiality. If a board or staff member is uncertain as to whether to accept the gift, he or she should consult the General Counsel.

3. Application of Policy

Nothing in this policy supersedes any applicable provision of state or local law. Those entities engaged in business with the Pension Trust may also have reporting requirements under state or local law.

G. No Contact Policy

Upon the release of any Request for Proposal (RFP), Invitation for Bid (IFB), or comparable procurement vehicle for any Pension Trust investment or non-investment service or product, there may be no communication or contact between the applicant or bidder and Board members or staff concerning the subject of the procurement process until the process is completed.

Requests for technical clarification regarding the procurement process itself are permissible and must be directed to the person in charge of administering the contract process..

Incidental contact between a prospective bidder or its representative and Board members and staff which is exclusively social, or which clearly pertains to a matter not related to the subject procurement process, is permissible.

Any applicant or bidder who willfully violates this policy will be disqualified from any further consideration to provide the applicable service or product.

Board members and staff should report any suspected violation of this policy to the ~~Executive Secretary~~Executive Director, who will determine the appropriate course of action.

H. Disclosure of Communications

1. Disclosure of Communications between Board Members and Staff Regarding Investment Transactions or Non-Investment Matters

As a general matter, the Board recognizes that the free flow of communication between individual Board members and staff or consultants is beneficial to the conduct of system business and that requiring disclosure of all or a large part of such regular communication would create a burdensome reporting requirement that would likely serve no useful purpose. However, in those instances where conduct by an individual Board member can be reasonably interpreted as an attempt to influence the outcome of a Board or staff decision or consultant recommendation in either an investment transaction or non-investment matter, the Board recognizes that such

communications could create the potential for misunderstanding, misinformation or conflicting instructions and could be reasonably interpreted as inappropriately affecting the Board, staff or consultant. Such communications do not always rise to the level of “undue influence,” as defined and discussed in Section H (4), but nevertheless should be subject to disclosure.

Any communication regarding either a potential investment transaction or non-investment matter initiated by a Board member with either a Pension Trust employee or consultant in which the Board member is advocating for a specified outcome must be documented by the employee or consultant and reported to the General Counsel. Such communications will be disclosed to the Board if and when, in the judgment of the General Counsel, they may be material to the Board’s deliberation with respect to any system matter.

2. Avoidance of Undue Influence

The Board recognizes that if a Board member or a third party attempts to direct Pension Trust staff, a consultant or a Board member to a specified action, decision or course of conduct through the use of undue influence, sound decision-making could be compromised to the ultimate detriment of the Board as a whole and/or system members, retirees and beneficiaries.

Any staff member, consultant or Board member who believes that he or she has been subject to the attempted exercise of undue influence, as described above, should report the occurrence immediately and simultaneously to the ~~Executive Secretary~~Executive Director and to the General Counsel. The General Counsel will investigate the situation immediately and with the approval of either the Board President or Vice-President is authorized to use the services of an outside law firm to conduct the investigation if he or she deems it appropriate. Following such investigation, if the General Counsel concludes that an exercise of undue influence was attempted, he or she will take whatever action deemed to be appropriate, which will include notification to the Board and thereafter a public disclosure during an open session meeting of the Board. If the ~~Executive Secretary~~Executive Director or General Counsel believes that he or she personally has been subjected to an attempted exercise of undue influence, he or she must immediately advise the Board President unless the circumstances dictate that another Board member should instead be notified. The Board President or other Board member will investigate the situation, with the assistance of an outside law firm if appropriate, and take whatever action he or she deems to be appropriate.

All senior executives shall annually certify, in writing, that they have been free from undue influence by any individual Board member, executive or third party.

Definitions:

“Undue Influence” is defined as the employment of any improper or wrongful pressure, scheme or threat by which one’s will is overcome and he or she is induced to do or not to do an act which he or she would not do, or would do, if left to act freely.

“Third Party” means and includes a person or entity that is seeking action, opportunity, or a specific outcome from the Pension Trust regarding a system matter. The Third Party may be

seeking the action, opportunity, or outcome for his or her or its own behalf or the Third Party may be seeking it on behalf of another person or entity in the capacity of a representative, agent or intermediary, or as an advocate for a cause or group of individuals or entities. This definition includes public officials.

I. Disclosure and Recusal Requirement for Campaign Contributions

1. No officer, employee or current Board member, including any ex officio Board members may make, participate in making or in any way attempt to use his or her official position to influence a decision involving a Business Relationship with the system if the officer, employee or member has received, solicited or directed a campaign contribution of \$150 or more, individually or in the aggregate, in the twelve month period prior to the making of the decision from the person or entity seeking the Business Relationship.
2. For purposes of this policy, “Business Relationship” means a relationship between a non-governmental party and the Pension Trust for the purpose of providing investment or non-investment services or goods that is expected to generate at least \$100,000 annually in income, fees or other revenue to the party.
3. If the disqualification provision of subdivision (a) results in the lack of a quorum for the purposes of taking action on any item before the Board or any of its committees, a sufficient number of Board members to constitute a quorum will be drawn by lot from the otherwise disqualified Board members for the purpose of establishing a quorum and taking action on items before the Board or any of its committees. Board members who have been drawn by lot to constitute a quorum will have their participation deemed as necessary and shall be exempt from the restrictions of subdivision (a) for the purpose of establishing a quorum and participating in the deliberations and voting on an item for which a quorum could not be established absent this waiver of the restrictions of subdivision (a).
4. The ~~Executive Secretary~~Executive Director or General Counsel will cause an independent investigation to be performed for any reported violation of this Section and report any documented violation to the Board for action. Pension Trust staff will maintain a current list of parties engaged in an Investment Relationship subject to Section 1, subdivision (d). The disclosure and recusal requirements of Section 2, subdivision (a) do not apply to any officer, employee or Board member, including ex officio board members, if the Investment Relationship has not been published on the list maintained by system staff.

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Ethical and Fiduciary Conduct Policy – Attachment I

Acknowledgement of Compliance –

Upon taking office _____ Annually _____

I hereby acknowledge that I have been provided a copy of the Ethical and Fiduciary Conduct Policy adopted by the San Luis Obispo County Pension Trust, including its Policy Prohibiting Insider Trading. I further certify that I have read such policy and procedures, have had the opportunity to ask any necessary clarifying questions, and that I understand the policies and procedures contained therein and agree to be bound by and adhere to these policies and procedures.

Dated: _____

Name: _____

Role: _____

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San Luis Obispo County
Pension Trust

SLOOPT

SAN LUIS OBISPO COUNTY PENSION TRUST

BOARD OF TRUSTEES

GOVERNANCE POLICY

Adopted October 27, 2014
Reviewed January 28, 2019
Revised January 23, 2023

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- II. STRUCTURE AND ROLE OF THE COMMITTEES
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I. ROLE AND DUTIES OF BOARD

A. TRUSTEES

The composition of the Board of Trustees and the rules regarding the election and appointment of Trustees are set out in Article 3, section 3.05 of the Pension Trust By-Laws and Article 16, section 16.01 of the Retirement Plan.

B. DUTIES OF BOARD OF TRUSTEES

1. Retirement Plan Provisions: Article 3, section 16.02 of the Retirement Plan identifies the following duties of the Board of Trustees:

The Board of Trustees shall administer and operate the Pension Trust and Retirement Plan and shall interpret, construe, and apply all provisions of the By-Laws and the Retirement Plan, and its decision with respect thereto shall be final. Its duties, among others shall include:

- (a) It shall authorize the employment of such personnel as may be necessary for the operation of the Pension Trust and Retirement Plan including such legal, actuarial, accounting, auditing, investment and other professional services as it may deem appropriate.
- (b) It shall be responsible for the filing and maintaining of personnel, financial, and other records necessary for operation of the Pension Trust and the Retirement Plan.
- (c) It shall authorize the payment of retirement allowances and benefits under the Pension Trust and Retirement Plan.
- (d) It shall approve mortality tables, interest rates, and all other actuarial factors to be used in determining the requirements of the Pension Trust and the Retirement Plan.
- (e) It shall authorize the purchase, lease, or other acquisition of such other goods, services and property as are reasonably necessary to the operations of the Pension Trust and the Retirement Plan.
- (f) It shall annually cause to be prepared and shall adopt a budget for the operation of the Pension Trust and the Retirement Plan.
- (g) It shall administer and apply the provisions of any contract between the County and a local agency which contract is pursuant to Article 25 of this Retirement Plan.

(h) ~~Section 16.02 (h)~~ It shall have no power to, and shall not, authorize the Pension trust to act as surety for any person or entity, or as guarantor for the debt or obligations of any person or entity as stated in Section 16.02 (h), except as authorized by Section 16.02 (j).

(i) It shall have no power to, and shall not, authorize the Pension Trust to indemnify any person or entity, as stated in Section 16.02 (h) unless authorized pursuant to the limitations of Section 16.02(j).

2. By-Law Provisions: Article 4, sections 4.02 and 4.03 of the By-Laws provide that the Board of Trustees shall appoint and direct the work of the ~~Executive Secretary~~Executive Director.

3. Additional Duties: Consistent with its duties as specified in the Retirement Plan delineated above, the Board of Trustees shall also :

(a) Approve the creation or dissolution of standing and ad hoc committees of the Board of Trustees.

(b) Adopt and promulgate such policies as are necessary for the effective administration of the Pension Trust.

(c) Establish all investment objectives and policies related to the investment of Trust funds. The Board shall develop and approve guidelines for the execution of the Pension Trust's investment policies. The Board shall be responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed.

(d) Retain investment consultants to provide such services as conducting investment performance review and analysis, asset allocation studies and recommendations, investment manager searches and ongoing investment manager reviews and investment research. The Board shall be responsible for selecting a qualified Investment Consultant with the assistance and recommendation of the ~~Executive Secretary~~Executive Director and Investment Officer. The Board shall be responsible for selecting a qualified custodian with advice from the ~~Executive Secretary~~Executive Director, Investment Officer, and the Investment Consultant. The Board, in its sole discretion, may delegate to the ~~Executive Secretary~~Executive Director, Investment Officer, and to external, qualified investment management organizations, the authority and responsibility for buying and selling assets in accordance with the Board of Trustees' guidelines.

The investment authority vested in the Board shall not be delegated to any committees of the Board, except by formal resolution. Such resolutions shall specify the limits of the authority delegated and require that all actions be reported to the Board of Trustees.

(e) Review and approve the release of the Pension Trust's annual actuarial valuation and the Annual Comprehensive ~~Annual~~ Financial Report (~~CAFR~~ACFR).

(f) Commission an actuarial audit at least every five years or more frequently as determined by the Board of Trustees to confirm the valuations of the system actuary.

(g) Delegate appropriate responsibilities to the ~~Executive Secretary~~Executive Director and, consistent with its fiduciary duties, exercise general supervision over the ~~Executive Secretary~~Executive Director.

(h) Establish performance goals and objectives for and conduct an annual performance review of the ~~Executive Secretary~~Executive Director consistent with a formal policy and process that is adopted by the Board of Trustees.

II. STRUCTURE AND ROLE OF THE COMMITTEES

A. STANDING COMMITTEES

The Board of Trustees has established two standing committees, the Audit Committee and the Personnel Committee and ad hoc committees as deemed necessary. ~~In addition, the Board may establish additional ad hoc committees to assist with conducting Board business. When an ad hoc committee is created, the Board must state for the record the committee's: (1) purpose, (2) composition, (3) scope of duties, and (4) duration.~~ No more than three Trustees may be assigned to any standing or ad hoc committee.

A. Audit Committee

The duties of the Audit Committee are as follows:

- (a) Meet as necessary to fulfill its responsibilities.
- (b) Oversee the annual audit of the Pension Trust's financial statements and any other internal or external audits of the Pension Trust.
- (c) Refer all audit results to the full Board of Trustees for further action.
- (d) Recommend the issuance and timing of Requests for Proposals for selecting the outside auditor, review Requests for Proposals and oversee the selection process.
- (e) Review the adequacy of internal controls as determined by the Committee.
- (f) Direct investigations, as appropriate.
- (g) Perform other duties as directed by the Board.

B. Personnel Committee

The duties of the Personnel Committee are as follows:

- (a) Meet ~~at least quarterly and otherwise~~ as necessary to fulfill its responsibilities.
- (b) Subject to the approval of the Board of Trustees, develop and implement the recruitment strategy for the selection of the ~~Executive Secretary~~Executive Director when the position is vacant.
- (c) Develop for Board adoption the formal policy and process for the identifying the performance goals and objectives for and conducting the annual performance review of the ~~Executive Secretary~~Executive Director.
- (d) Advise the Board and the ~~Executive Secretary~~Executive Director concerning appropriate labor market benchmarks for Pension Trust personnel salaries.
- (e) Advise the Board and the ~~Executive Secretary~~Executive Director as necessary regarding the recruitment, development and retention of talent necessary to meet the business objectives of the Pension Trust.
- (f) Perform other duties as directed by the Board or as requested by the ~~Executive Secretary~~Executive Director.

C. Ad Hoc Committees

In addition, the Board may establish additional ad hoc committees to assist with conducting Board business. When an ad hoc committee is created, the Board must state for the record the committee's: (1) purpose, (2) composition, (3) scope of duties, and (4) duration.

III. ROLE OF THE BOARD PRESIDENT AND VICE-PRESIDENT

A. BOARD PRESIDENT

1. By-Law Provisions: Article 3, section 3.05 of the By-Laws provides that the President shall be elected each year by the Board of Trustees at the first regular meeting of the Board of Trustees in January, and that the term of office of the President shall be for a period of one year or until his or her successor is duly elected and qualified. Article 3, section 3.03 of the By-Laws provides that the President shall preside at all meetings of the Board of Trustees and shall preserve order and decorum, shall decide questions of order, subject to appeal to the Board of Trustees, and perform all acts, duties and functions generally appertaining to such office.
2. Additional Duties: Consistent with his or her duties as specified in the By-Laws delineated above, the Board President shall also:

- (a) Appoint the members of all of the Board of Trustees’ standing and ad-hoc committees.
- (b) Have final approval authority for whether an item is to be included or not included on the agenda for regular and special meetings of the Board of Trustees unless a majority of Board members directs that an item be included on an agenda during the “Trustee Comments” portion of a Board meeting.
- (c) Perform other duties as directed by the Board.

B. BOARD VICE-PRESIDENT

- 1. By-Law Provisions: Article 3, section 3.06 of the By-Laws provides that the Vice-President shall be elected each year by the Board of Trustees at the first regular meeting of the Board of Trustees in January, and that the term of office of the Vice-President shall be for a period of one year or until his or her successor is duly elected and qualified. Article 3, section 3.04 of the By-Laws provides that the Vice-President shall act as President of the board of Trustees in the absence of the President.
- 2. Additional Duties: The Vice-President shall also perform other duties as directed by the Board.

IV. ROLE AND DUTIES OF EXECUTIVES AND BOARD REPORTING RELATIONSHIPS

A. ~~EXECUTIVE SECRETARY~~EXECUTIVE DIRECTOR

- 1. Retirement Plan Provisions:
 - (a) **Communications to the Pension Trust:** Article 6, section 6.01 of the Retirement Plan provides that communications and requests directed to the Board of Trustees shall be made in writing, and the ~~Executive Secretary~~Executive Director shall report the substance of each such communication and/or request to the Board of Trustees.
 - (b) **Preparation of the Annual Budget:** Article 7, section 7.01 of the Retirement Plan provides that the ~~Executive Secretary~~Executive Director shall annually examine the financial requirements of the Pension Trust and shall prepare and present a budget for the coming fiscal year to the board of Trustees. The Board of Trustees shall review said proposed budget and shall adopt a budget for the coming fiscal year. The ~~Executive Secretary~~Executive Director shall send a copy of the annual budget to the County Administrative Officer.
- 2. By-Law Provisions: Article 4, sections 4.01 through 4.5 and 4.10 identifies the following role and duties of the ~~Executive Secretary~~Executive Director

(a) The ~~Executive Secretary~~Executive Director is the administrator of the Pension Trust under the Board of Trustees and is responsible to the Board of Trustees for the efficient and lawful administration of the affairs of the Pension Trust.

(b) The ~~Executive Secretary~~Executive Director is appointed by the Board of Trustees and serves at the pleasure of the Board of Trustees.

(c) The ~~Executive Secretary~~Executive Director shall perform his or her duties under the direction of the Board of Trustees.

(d) The ~~Executive Secretary~~Executive Director shall perform those duties set forth for the ~~Executive Secretary~~Executive Director in these By-Laws, the Retirement Plan, and as are from time-to-time assigned by the Board of Trustees.

(e) Among the duties of the ~~Executive Secretary~~Executive Director are:

(i) Serving as Secretary to the Board of Trustees.

(ii) Maintaining a written record of all official actions taken by the Board of Trustees at all meetings.

(iii) Keeping a complete record of all correspondence and documents of said Board of Trustees and of the Pension Trust.

(iv) Developing and recommending to the Board of Trustees all practices and procedures necessary for the efficient and lawful functioning of the Pension Trust and of the Pension Trust offices.

(v) Organizing and directing the operation of the office maintained by the Pension Trust and of the employees of the Pension Trust.

(vi) Overseeing the functioning of all of the agents and advisors of the Pension Trust.

(vii) Maintaining the accounts of the Pension Trust in accordance with the law and with generally accepted accounting standards.

(viii) Maintaining the records of all Pension Trust participants, members, retired members and beneficiaries.

3. Additional Duties Delegated by Board of Trustees to ~~Executive Secretary~~Executive Director

- (a) Determine the amount of and make timely payment of retirement, survivor and beneficiary benefit allowances, lump sum benefits and refunds under the Retirement Plan, including the authority to adjust any benefit payments and to correct any underpayment or overpayment of benefit payments and collect any overpayments of benefits, all in accordance with the Retirement Plan and applicable governing laws.
- (b) Establish and determine the maintenance of an effective system of internal controls and records and accounts following recognized accounting principles.
- (c) Execute documents relating to asset allocation rebalancing actions.
- (d) Negotiate, execute, amend and terminate contracts for both investment and non-investment services and/or goods as may be necessary for the administration of the Pension Trust as authorized by the Board of Trustees.
- (e) Collaborate with the Investment Consultant, supervise and oversee all activities of the Pension Trust Investment Officer (if applicable), monitor the activities of external investment managers and ensure that all investment activities are in compliance with ~~this~~ the Investment Policy.
- (f) Manage and supervise the activities of the Investment Officer at such times as this position exists and is filled.
- (g) Coordinate as part of the normal due diligence process, with the ~~Investment Officer (if applicable), on-site due diligence visitsmeetings with~~ ~~of~~ the Master Custodian, Investment Managers, and the Investment Consultant, as appropriate.
- (h) Accept service of summons and any other legal service of process for and on behalf of the Board of Trustees and/or the Pension Trust.
- (i) Act as the primary liaison for the Pension Trust with the County and other participating employers and as the primary spokesperson to stakeholders, the public, and the press.

B. DEPUTY ~~EXECUTIVE SECRETARY~~EXECUTIVE DIRECTOR

The ~~Executive Secretary~~Executive Director may appoint a Deputy ~~Executive Secretary~~ Director. The Deputy ~~Executive Secretary~~ Director shall report to and assist and support the ~~Executive Secretary~~Executive Director in the management of the Pension Trust and perform such duties and responsibilities as are determined by the ~~Executive Secretary~~Executive Director. The Deputy ~~Executive Secretary~~ Director shall have the authority to act in the place of the ~~Executive Secretary~~Executive Director in his or her absence.

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BOARD MEMBER-TRUSTEE RESPONSIBILITIES, CORE COMPETENCIES AND EDUCATION POLICY

Adopted February 24, 2014
Reviewed January 28, 2019
Revised January 27, 2020 (Appendix A)
Revised January 23, 2023

A. Introduction

Members of the Pension Trust Board of Trustees are charged with the administration of the Pension Trust (Article 16, section 17 of the California Constitution; California Government code Sections 53215 et seq.; County Code Chapter 2.56; and Article 16 of the Retirement Plan). The Pension Trust Board believes that there are identifiable responsibilities and core competencies for Board members that must be exercised and/or acquired in order to ensure the successful governance of the Pension Trust in a manner that fulfills the Board members' fiduciary duties. To help Board members gain and enhance these necessary skills, a structured program of trustee education has been developed.

The Board further recognizes that service as a Board member involves significant responsibility and requires a major commitment of time and effort in order to be successful. For that reason, a summary of trustee duties and responsibilities, which identifies the obligations that a trustee will confront upon assuming office, has been developed and approved by the Board. (Attachment Appendix 1). This summary will be provided to any individual seeking election or appointment as a Board member.

The Board further directs that this summary be refreshed, with Board member input, no less than

once every two years.

B. Board Member Responsibilities and Core Competencies

1. ATTENDANCE. All Board members are expected to attend all Board and applicable committee meetings. While attendance is not always possible, Board members should, once the calendar for a year is set, immediately flag any scheduling conflicts and thereafter manage their schedules to avoid creating additional conflicts. Absences for medical or other substantial reasons shall be deemed excused absences in the discretion of the Board ~~Chair~~ President and shall be reflected as such in the Board minutes.
2. COMMITTEE SERVICE. Each Board member should serve annually on at least one standing or ad hoc committee as appointed by the Board President. ~~Each Board member should serve on at least one standing or ad hoc committee.~~
3. PREPARATION. Board members should come to Board meetings having read the materials prepared and circulated by staff and/or consultants and having asked any questions of staff necessary to their understanding of the materials.
4. INQUISITIVENESS. Board members should be inquisitive, and should question staff, advisors and fellow board members as circumstances require in a constructive manner that encourages critical thinking and analysis. There is no such thing as a “dumb question.”
5. INTEGRITY. Board members shall conduct themselves with integrity and dignity, maintaining the highest ethical conduct at all times. They should understand system objectives and exercise care, prudence and diligence in handling confidential information.
6. KNOWLEDGE. Board members should develop and maintain their knowledge and understanding of the issues involved in the management of the system. The specific areas in which Board members should develop and maintain a high level of knowledge should include:
 - Public pension plan governance
 - Asset allocation and investment management
 - Actuarial principles and funding policies
 - Financial reporting, controls and audits
 - Risk management and oversight
 - Benefits administration
 - Disability retirement
 - Vendor selection process
 - Open meeting and public records laws
 - Fiduciary responsibility
 - Ethics, conflicts of interest and disclosures

7. EDUCATION. Board members should identify areas where they might benefit from additional education and work with staff to find educational opportunities. Board members should fulfill the training expectations outlined in the Education Policy and are encouraged to attend additional relevant educational opportunities as outlined in Section 5 of that policy.
8. COLLEGIALITY. Members shall make every effort to engage in collegial deliberations, and to maintain an atmosphere where Board or committee members can speak freely, explore ideas before becoming committed to positions, and seek information from staff and other members. Board members should come to meetings without having fixed or committed their positions in advance.
9. INDEPENDENCE. Board members and their delegates shall, upon the adoption of this policy and thereafter upon taking office, sign a pledge confirming their independence and their understanding of their fiduciary duties. The pledge shall read as follows:

“I understand that as a Board member, I must discharge my duties as a fiduciary with respect to the system solely in the interest of its members, retirees and beneficiaries. I pledge not to allow political meddling or other forms of intimidation to affect my independence of judgment in the exercise of my fiduciary responsibilities.”

C. Board Member Education

1. PURPOSE

In order to permit Board members to develop core competencies, discharge their fiduciary duties to act with care, skill, prudence, and diligence and to ensure that all Board members have a full understanding of the issues facing the system, the Board has adopted orientation and mentoring programs; mandatory fiduciary education and ethics training sessions; encourages education; and makes available appropriate periodicals to foster Board member awareness of relevant developments.

2. PRINCIPLES

The Education Policy rests on the following important principles:

- There is a unique body of knowledge that can be imparted to Board members to facilitate the carrying out of their distinct roles and responsibilities.
- Board members are responsible for making policy decisions affecting all major aspects of pension plan administration. They also must maintain

prudent oversight of the operations of the Pension Trust, including the functioning of the consultants and investment managers retained by the Pension Trust and of the assets, including the real property assets, owned by the Pension Trust. They, therefore, must acquire an appropriate level of knowledge of all significant facets of the Plan, rather than only specializing in particular areas.

- No single method of educating board members is optimal. Instead, a variety of methods is necessary and appropriate.
- This policy is not intended to dictate that Board members attend only specific conferences, programs, etc. Instead, Board members should work with the ~~Executive Secretary~~Executive Director to determine their own educational needs and which educational opportunities best address those needs.

3. ORIENTATION OF NEW BOARD MEMBERS

- Attendance. Each new Board member shall attend an orientation session.
- Timing for Orientation. The new Board member is urged to attend the orientation session before sitting at the first Board meeting as a voting member.
- Development and Content. The orientation sessions will be developed by the ~~Executive Secretary~~Executive Director and will, at a minimum, include the following topics:
 - Role and expectations of Board members.
 - A brief history and overview of the system, including the mission and purpose of the System.
 - A review of Board committees and their purposes.
 - An overview of the organizational structure and the roles of staff and key service providers, including the actuary, investment consultant, investment managers, custodian, attorneys and auditors.
 - A summary of the actuarial basis of the system, its assets and liabilities, and actuarial assumptions and methodologies.
 - A summary of the asset allocation and investment and funding policies of the system.
 - A summary of the laws and rules governing the system and the Board, including applicable open meeting and public records laws.
 - A summary of the benefit structure and administration.
 - An explanation of fiduciary responsibility, conflicts of interest, and ethics
 - A review of Board member immunity, indemnity and fiduciary insurance.
 - An explanation of the strategic planning process

- A ~~high level~~high-level review of existing Board policies
 - A briefing on current and emerging issues before the Board
 - Biographical information on the other Board members
 - A review of best practices for pension governance
 - An introduction to the Executive Management team
 - A tour of system offices, if practicable.
- Materials. At or before the orientation session, the following documents will be made available to new members:
 - A listing of names, addresses, and contact information for the Board members
 - A listing of names, addresses, and contact information for Executive Management
 - A listing of key information available on the Pension Trust's website, such as board agendas, minutes, and financial reports.
 - A copy of the Open Meeting Act
 - A list of upcoming recommended educational conferences
 - Any other relevant information or documents deemed appropriate by the ~~Executive Secretary~~Executive Director

4. MENTORING

Consistent with the Board's collegial and collaborative values, experienced Board members are available and willing to provide assistance to new Board members on an informal basis. In addition, any new Board member may request a mentor to assist him or her in becoming familiar with his or her responsibilities on the Board. If a request is made, the Board ~~Chair~~President will designate one experienced Board member to be a mentor to the new Board member for a period of one year. The mentor will be available to the new Board member for consultation or discussion on a basis that best serves the mutual interests of the new Board member and mentor.

5. ~~ONGOING~~ BOARD MEMBER EDUCATION

A. First 36 months:- In the Board members' first 36 months of service on the Board after their election or appointment, in addition to attending the orientation session, Board members should attend programs in –

1. Principles of Pension Management - such as the course sponsored by the California Association of Public Retirement Systems (CALAPRS) Principles of Pension Governance for Trustees.
2. Investments - such as the SACRS Berkeley Investment program, as well as the Portfolio Concepts and Management course sponsored by the

~~International Foundation of Employee Benefit Plans at the Wharton School at the University of Pennsylvania.~~

3. ~~Alternative educational programs will satisfy this requirement if the Executive Secretary~~Executive Director determines that they are comparable in both quality, ~~and content~~ and cost-effectiveness.

B. Ongoing:- Board members should attend **12 hours per year** of continuing education ~~during each year of his or her service. Examples include events~~, such as the CALAPRS General Assembly and CALAPRS Trustee Roundtables.

1) Staff will monitor and advise the Board members as to the number of hours of continuing education earned by each Trustee. The required 12 hours per year of continuing education will be measured over rolling three year periods to allow for greater or lesser than 12 hours in any particular year.

2) Professional education in an individual Board member's normal field of employment may be applied toward meeting the educational requirement established by this policy if the subject of such education is directly related to the individual Board member's obligations as a Trustee.

3) Board members are responsible for self-evaluating their additional educational needs and obtaining knowledge in specific needs areas in a controlled manner. Board members shall complete annually a Board member Knowledge Self-Assessment (Attachment 2) and then discuss their results and training needs with the ~~Executive Secretary~~Executive Director.

•4) While attendance at the programs suggested for newly elected or appointed trustees is deemed to fulfill the continuing education requirement during the first 36 months of service, new Board members are nevertheless encouraged to attend additional continuing education each year if feasible.

•5) **In-House Education Sessions.** Based on the personal education needs of the Board members, the ~~Executive Secretary~~Executive Director will arrange for staff or outside service providers to conduct educational sessions throughout the year at regularly scheduled Board meetings or off-sites. Time spent in such sessions will count towards fulfilling the Board member's annual continuing education responsibility.

6) **Self Study.** Attendance at educational sessions or conferences is the preferred mode of Trustee education. However, based on personal education needs of the Board members the Executive Director may approve selected topical articles, papers, books, or online training tools relevant to the duties of a Trustee for Trustee self study. Upon completion of the assigned materials the Trustee may self-certify to the Executive Director its completion and an appropriate number of hours may be counted towards the requirement for continuing education.

•~~7)~~ **Educational Conferences.** The ~~Executive Secretary~~**Executive Director** will maintain a list of educational conferences appropriate for Board members and Staff. ~~and~~ Board members may attend any of these conferences subject to the Board's travel expense policy. The ~~Executive Secretary~~**Executive Director** will scrutinize conference agendas and materials to ensure that they are geared appropriately towards education as opposed to marketing and consider whether associated recreational/entertainment activities present potential appearance concerns for board members. The ~~Executive Secretary~~**Executive Director** will regularly update this list when new educational opportunities arise. The list will also be modified to reflect the evaluations from Board members who have attended specific conferences to ensure that the conferences remain worthy of the Board's time and the System's expense. In considering out-of-state educational opportunities, board members should weigh the costs and benefits of travel versus locally based education.

~~8) **Board Member Reporting**~~**Evaluation Form.** Board members ~~must complete an Education Evaluation form upon completion of any educational conference and such form must be turned in with any request for reimbursement of expenses associated with the conference. A reimbursement will not be made without a completed Education Evaluation form~~ are requested to make a verbal report during the next Board of Trustees meeting during Trustee Comments on educational conferences they attend and significant items of learning warranting sharing with other Trustees.

~~9) **Compliance with Provisions of the Brown Act:**~~ Travel by multiple Board members shall be conducted in such a manner as to maintain compliance with the provisions of the Brown Act (Government Code Section 54950 et. seq.). Attendance by members of the Board of Trustees at educational meetings, conferences, seminars and related events is not a violation of the Brown Act provided that the conference or seminar is open the public and involves a discussion of issues of general interest to public agencies of the same type as the Pension Trust (Government Code Section 54952.2.).

6. FIDUCIARY EDUCATION SESSION

Each year the General Counsel will arrange for a fiduciary education session that will update the Board members on issues affecting their service on the Board. Board members are expected to attend.

7. ETHICS TRAINING

Board members and their designated representatives shall complete the ethics training required by Assembly Bill 1234, either through the online or in-person courses. The General Counsel will periodically provide additional training on ethics laws designed to supplement the AB 1234 training. In the event that the AB 1234 training requirement is changed in future legislation, the new training requirement shall be substituted for the existing training and shall be supplemented if necessary by training provided by the General Counsel.

8. RETIREMENT INDUSTRY PERIODICALS

Board members are encouraged to subscribe to periodicals selected from a list of pension and investment-related periodicals maintained by the ~~Executive Secretary~~Executive Director. The expense for the periodicals will be paid by the System. The ~~Executive Secretary~~Executive Director will annually review and update this list with input from the Board members.

9. COMPLIANCE

The willful failure of a Board member to comply substantially with this education policy will be reviewed by the Board for appropriate corrective action.

ATTACHMENT APPENDIX 1

**“FIDUCIARY RESPONSIBILITY”
YOUR ROLE AS A SAN LUIS OBISPO COUNTY PENSION
TRUST BOARD MEMBER**

INTRODUCTION

Board members of a public pension system provide an important service to the community. They are responsible for administering the system and overseeing the investments of the system to ensure that public employees receive a secure retirement after long years of public service. This promise to public employees allows governmental entities to attract and retain qualified employees. As a Pension Trust Board member, you can expect to commit at least 10 hours of your time each month discharging your duties to the system, not including additional time required for training and education.

The following is intended to serve as a general overview of fiduciary responsibilities and duties relating to administration of [a](#) public employee retirement system.

WHO IS A FIDUCIARY?

A fiduciary is anyone who has discretionary authority or control over plan assets and/or the administration of the employee benefit plan, whether they are administrators, staff, board members or consultants. Board members are fiduciaries charged with fiduciary responsibilities in administration of the retirement system.

YOUR FIDUCIARY DUTIES

It is important to note that your fiduciary duties are measured on an objective standard. It is not enough that you “mean well.” You must approach your duties on the Board exercising the following fiduciary duties:

1. **Duty of Loyalty:** A Board member must discharge his or her duties with respect to the system solely in the interests of and for the exclusive purpose of providing benefits to participants and their beneficiaries, minimizing employer contributions and defraying reasonable expenses of administering the system. The duty to participants and their beneficiaries is the Board member’s primary duty that takes precedence over all other duties. A Board member has an undivided duty of loyalty to the participants and beneficiaries and does not serve as an “agent” or representative of the employer, union or other constituency responsible for his or her appointment to the Board. The Board member must act in the best interests of all of the

participants and beneficiaries even where doing so is not in the best interests of the electorate or appointing authority responsible for the Board member's appointment.

2. **Duty of Impartiality:** The duty of impartiality is really a corollary of the Duty of Loyalty and applies where the Board is required to make a decision that will impact groups of participants differently. Where there are conflicting interests among different groups of participants, the Board member must act in a way that serves the overall best interests of the members of the system.
3. **Duty of Care:** Fiduciaries must discharge their duties with respect to the system with the same *care, skill, prudence and diligence* under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims. Encompassed within the duty of care are:
 - a. The duty to assure that the assets of the system are sufficient to pay the benefits promised
 - b. The duty to monitor and take corrective action when reasonably appropriate
 - c. The duty to exercise reasonable effort and diligence in making and monitoring investments for the trust and to diversify investments to maximize returns and minimize risk
 - d. The duty to consult with experts and secure and consider the advice of others to the extent necessary or appropriate to the making of informed decisions
 - e. The duty to exercise prudence in decision-making which requires asking questions, analyzing advice and recommendations from experts and understanding the rationale for actions before taking them
 - f. The duty to follow the Plan document and other applicable laws governing the retirement system and ensure that trust assets are used for the exclusive benefit of delivering benefits and related services to participants and beneficiaries

CONFLICT OF INTEREST

A fiduciary must act in the best interest of the [Pp](#)plan and its participants. Fiduciaries should exercise extraordinary precaution to assure that decisions and transactions are fair to the participants and free of any conflict of interests. Board members must not participate in any decisions that will impact, either negatively or positively, their own financial interests. The Political Reform Act requires that board members file an initial disclosure of their financial interests, an annual disclosure thereafter, and a final disclosure when they leave office. Every Board member should become familiar with the California conflict of interest and disclosure laws applicable to their duties as a public pension plan board member. Conflict of interest laws are complex. Board members should seek assistance from the General Counsel to determine that

financial disclosures are required and to seek advice in any situation giving rise to a potential conflict of interest.

DELEGATION OF RESPONSIBILITY

Many aspects of plan administration such as day-to-day operations, investment decisions and other services necessary to conduct the affairs of the system are delegated to persons other than the Board members. Fiduciaries must exercise reasonable care in delegating responsibilities over administration of the [P](#)plan. Board members must ensure that the persons selected are qualified and capable of adequately performing the duties delegated. Once delegated, Board members must actively monitor the activities of the person selected to ensure that he or she is adequately performing and that policies and procedures are being timely and accurately implemented.

PLAN ADMINISTRATION

A Board member's duties relating to plan administration will include:

1. **Legal Compliance:** Board members must ensure that the [P](#)plan maintains compliance with the [P](#)plan documents and all applicable laws governing the system. Board members comply with this duty by conducting a periodic review of plan documents and monitoring changing legal requirements.
2. **Education:** Board members are expected to educate themselves on the issues that are likely to appear in front of them and ensure that staff members also obtain sufficient education to keep current with issues that impact administration of the system. Board members should establish an ongoing education program for [B](#)board members and staff.
3. **Board and Committee Meetings:** Board members are expected to prepare for, attend and participate in regularly scheduled meetings necessary to conduct the business of the system. Board members should ensure that accurate and detailed minutes are kept of all meetings.
4. **Payment of Benefits and Claims:** Board members are responsible for ensuring that plan benefits are paid to participants and beneficiaries in a timely and accurate manner.
5. **Competency of Assets:** Board members are responsible for formulating written investment policies and guidelines and overseeing investments to ensure adequate funding of the system to pay all promised benefits.
6. **Contributions:** Board members must ensure that contributions from plan sponsors and plan participants are set accurately and collected in a timely manner to ensure adequate funding of the system.
7. **Actuarial Advice:** Board members are responsible for retaining and working with a system actuary to analyze potential long-term funding deficiencies and provide advice on contribution rates to ensure adequate funding of the system.
8. **Retention of Vendors, Consultants and Experts:** Board members are responsible for retaining vendors, consultants and experts with sufficient skills and expertise to provide the services necessary to conduct the affairs of the system and pay reasonable compensation for those services.

APPENDIX 2

BOARD MEMBER KNOWLEDGE SELF-ASSESSMENT

Introduction

Board policy provides that Board members should develop and maintain their knowledge and understanding of the issues involved in the management of the system across the broad spectrum of pension-related areas. The specific areas in which Board members should develop and maintain useful levels of knowledge shall include:

- Governance
- Asset Allocation and Investments
- Actuarial Process
- Benefits Administration
- Disability
- Fiduciary Responsibility
- Ethics, Conflicts and Disclosures
- Open Meeting and Public Records
- Financial Controls and Audits
- Vendor Selection Process

The policy goes on to state that Board members should identify areas where they might benefit from additional education and work with staff to find educational opportunities. The purpose of this self-assessment is to help Board members fulfill their responsibility to identify such areas so that they can engage in meaningful discussion with the General Counsel regarding educational needs and opportunities and make informed choices about the educational opportunities that they pursue.

Instructions

Keeping in mind that this is not a “test” and that no one besides you will see the specific results, you should answer the questions using your best judgment as to your knowledge level in the given area. As indicated, use a simple numeric scale to identify your knowledge and understanding of the subject matters, with a “1” indicating no knowledge or understanding and a “5” indicating comprehensive and detailed knowledge and understanding. When you complete the self-assessment, identify those subject areas, by either general category or specific question as applicable, where you scored the lowest. Make a note of these areas for future discussion with the General Counsel about your educational needs and upcoming educational opportunities to address those needs.

GOVERNANCE

I am confident that I understand the governance of the system.

This includes:

	1	2	3	4	5
Understanding board function, processes, committee structure, exercise of discretion, delegation of responsibilities and oversight role.					
Understanding the organizational structure and roles of staff and key service providers, including the actuary, investment consultant, attorneys and auditors.					
Understanding the laws and rules governing the system.					
Understanding the system’s independence under applicable laws.					
Understanding best practices for public pension board governance.					

ASSET ALLOCATION AND INVESTMENTS

I am confident that I understand the asset allocation and investment and funding policies of the system.

This includes:

	1	2	3	4	5
Understanding the major asset classes and their characteristics.					
Understanding specialized asset classes and techniques, such as private equity, market neutral, and securities lending.					
Understanding the concept of risk versus reward and the “efficient frontier” principle of asset allocation.					
Understanding the reports provided by staff and the investment consultant on the performance of the investment portfolio.					
Understanding the role of active management in the investment portfolio.					

ACTUARIAL PROCESS

I am confident that I understand the information provided to me by our outside actuary concerning the actuarial soundness of the system.

This includes:

	1	2	3	4	5
Understanding of how assets and liabilities of the system are calculated on an actuarial basis.					
Understanding the difference and relationship between the actuarial value of assets and the market value of assets and the asset smoothing process.					
Understanding how changes in actuarial assumptions have an impact on system assets and liabilities.					
Understanding the nature of the plan sponsors' funding obligations and the responsibility of the Board to determine the annual required contribution.					
Feeling comfortable with asking our actuary questions when I need further information, explanation or clarification on a subject.					

BENEFITS ADMINISTRATION

I am confident that I understand the benefit structure and benefits administration process at the system.

This includes:

	1	2	3	4	5
Understanding the different plans available to employees of all plan sponsors.					
Understanding how the system communicates with its members.					
Understanding the difference between the responsibility for plan design (plan sponsor) and the responsibility for plan administration (the system).					
Understanding how so-called "contingent" benefits are calculated and administered.					
Understanding how the DROP is administered.					

DISABILITY

I am confident that I understand the disability benefit structure, program administration, and hearing/appeals process at the system.

This includes:

	1	2	3	4	5
Understanding the qualifications for a disability retirement and the benefits that are provided.					
Understanding the process that is followed in disability applications, from intake through determination of eligibility.					
Understanding the medical and legal issues that are discussed during consideration of disability matters.					
Understanding the reexamination process.					
Understanding the hearing and appeal process that is followed when a member is dissatisfied.					

FIDUCIARY RESPONSIBILITY

I am confident that I understand the responsibilities that I have as a system fiduciary.

This includes:

	1	2	3	4	5
Understanding the duty to be prudent.					
Understanding the duty of loyalty and to whom that duty is owed.					
Understanding what constitutes a prohibited transaction.					
Understanding the duty to administer the plan in accordance with governing plan documents.					
Understanding how to delegate authority while retaining appropriate oversight.					

ETHICS, CONFLICTS AND DISCLOSURE

I am confident that I understand the laws, rules and policies that address ethics, conflicts and disclosure at the system. This includes:

	1	2	3	4	5
Understanding applicable state and/or local conflict of interest laws and the duty to avoid participating in a decision that affects my economic interests.					
Understanding system policies concerning conflicts of interest.					
Understanding system policies regarding disclosure by board members and/or investment managers of third party communications.					

OPEN MEETING AND PUBLIC RECORDS

I am confident that I understand the applicable laws and procedures concerning open meetings and public records.

This includes:

	1	2	3	4	5
Understanding the notice requirements for meetings, including teleconference meetings.					
Understanding the limitations on discussing matters that have not been noticed on the agenda.					
Understanding the circumstances under which communications outside of noticed meetings can be deemed under the law to be a “meeting.”					
Understanding what may and may not be discussed during a closed session.					
Understanding what constitutes a “public record” under the law and the circumstances under which system records must either be disclosed or withheld.					

FINANCIAL CONTROLS AND AUDITS

I am confident that I understand the system of financial reporting, controls and audits.

This includes:

	1	2	3	4	5
Understanding the respective roles of the Chief Financial Officer, Chief Compliance Officer, the Internal Auditor, and the outside auditor.					
Understanding the Comprehensive Annual Financial Report (CAFR).					
Understanding the concepts of “risk assessment” and developing internal controls to address those risks.					
Understanding the responsibility for maintaining the security of confidential information kept by the system.					
Understanding the present relationship between the system and the plan sponsor(s) with respect to the system’s financial controls and reporting.					

VENDOR SELECTION PROCESS

I am confident that I understand the vendor selection process.

This includes:

	1	2	3	4	5
Understanding when an RFP must be conducted and whether the Board must first approve the RFP.					
Understanding the “no contact” provisions of Board policy as they relate to RFP’s.					

APPENDIX 3

POLICY ON EDUCATIONAL REQUIREMENTS FOR STAFF OF THE PENSION TRUST

The employees and staff of the Pension Trust have an obligation, concurrent with that of the Board of Trustees, to maintain and increase their professional knowledge, and to stay informed and exercise prudent oversight of the advisors and managers retained by the Pension Trust, as well as the assets of the Pension Trust, including the real property assets held by the Trust. In order to clearly memorialize these responsibilities and to set forth the administrative procedures necessary or convenient to accomplish them, the Board of Trustees establishes the following minimum attendance guidelines regarding the Education Requirements for the ~~Executive Secretary~~Executive Director and staff designated by the ~~Executive Secretary~~Executive Director for attendance at training or continuing education:

1. During the ~~Executive Secretary~~Executive Director's term of employment, the ~~Executive Secretary~~Executive Director shall attend one or more educational programs presented by an approved sponsor annually.
2. For all staff designated by the ~~Executive Secretary~~Executive Director, attendance at one or more educational programs presented by an approved sponsor each year during designated staff member's term of employment. CALAPRS General Assemblies ~~and~~, appropriate CALAPRS Roundtables, CALAPRS Staff Training programs, and P2P educational conferences shall be recognized as applicable toward meeting those requirements.

APPENDIX 4

**POLICY ON REIMBURSEMENT FOR EXPENSES INCURRED
FOR TRAVEL ON PENSION TRUST BUSINESS, INCLUDING
EDUCATION AND DUE DILIGENCE:**

A. Authorization for attendance by Trustees and staff at conferences, meetings, seminars and travel necessary to conduct the business of the Pension Trust at Pension Trust expense is hereby granted subject to the following:

1. The program includes subject matter directly pertinent to the operation or administration of the Trust.
2. The program includes subject matter that will enhance the professional knowledge or expertise of Trustees or staff, therefore providing benefit to the Pension Trust.
3. The necessary funds are available within the annual budget of the Pension Trust.
4. The number of nights authorized for overnight lodging is held to the period of the meeting plus timely travel and availability of public transportation.

B. Authorization for attendance without expense reimbursement: Authorization for attendance without travel reimbursement (but on Pension Trust time) at conferences, meetings, educational classes and seminars which relate to work in which the Trustee or staff member is engaged is hereby granted provided that said attendance will benefit both the Trust and the attendee.

C. Authorization for Travel to Educational Programs or for Business (In-state):

1. Pursuant to the conditions set forth herein, travel for the following Pension Trust business is hereby approved within the State of California:
 - a. Travel for necessary and essential Pension Trust business.
 - b. Travel for attendance at programs offered by approved providers as set forth in Section I - Approved Sponsors of Educational Programs of this policy.

D. Authorization for Travel to Educational Programs or for Business (Out of State):

1. Pursuant to the conditions set forth herein, travel for Pension Trust business is hereby approved for travel out of state for attendance at programs offered by approved providers as set forth in Section 5: Educational Conferences - of this

policy and for due diligence visitations as specified in The Pension Trust's Investment Policy.

2. Travel to seminars, conferences and classes sponsored by providers *other* than those identified in Section C-5(B)(7): Educational Conferences including the list of educational conferences appropriate for Board members and Staff approved by the Executive Director, must be approved by the Board of Trustees. A request from the attendee shall be included in the Board meeting agenda and approved by the Board. Sufficient information about the reason for the trip shall be provided to allow adequate evaluation.
3. Unless otherwise provided by the Retirement Plan or the provisions of this Policy, employees of the Pension Trust must obtain authorization from the Board of Trustees prior to travel out of state for educational programs. The minutes shall reflect approval of the travel for audit purposes. The Board of Trustees shall review the request and shall approve or disapprove the request, based on the criteria set forth Section C-5(B)(7): Educational Conferences in Section II-A of this policy.

Travel out of state to attend educational programs sponsored by those identified in Section C-5(B)(7): Educational Conferences including the list of educational conferences appropriate for Board members and Staff approved by the Executive Director providers in Section I: Approved Sponsors of Educational Programs, or for purposes of conducting due diligence visitations ~~required by Section II of this policy~~, or travel necessary for business operational purposes as authorized by the Executive Director shall not require prior approval by the Board of Trustees.

E. Reimbursement

1. Meals: Meal expense incurred while traveling or performing Pension Trust business shall be reimbursed based on actual expenses incurred not to exceed the per diem amount established pursuant to this policy. Meal expenses in excess of the per diem amount established herein shall be reimbursed upon presentation of proper substantiation and justification. Per diem meal limits are set forth in Appendix A. In cases where the per diem rate is used, supporting expense logs or meal receipts should be maintained by the Trustee or staff to support the claim. Individual meal expenses in excess of \$25.00 should be supported with a receipt attached to the travel claim.
2. Transportation:
 - a. Consistent with work schedules, distance and time requirements, the least expensive method of travel should be utilized.
 - b. Individuals using privately owned automobiles must certify that

appropriate insurance is in effect prior to beginning travel.

- c. Reimbursement for use of privately owned vehicles will be on a rate per mile basis as specified in Appendix A to this Policy.
- d. Commercial Auto Rental: Individuals will be reimbursed for the actual cost of car rentals and fuel when appropriate substantiation is presented. Damage and personal accident insurance should not be purchased, as the Pension Trust is covered for such liability through its insurance coverage.
- e. Air Travel: Reimbursement for the cost of commercial air tickets shall be made upon presentation of proper substantiation. Reimbursement shall be limited to coach fare.
- f. Railroad Transportation: Reimbursement for the cost of railroad tickets shall be made upon presentation of appropriate substantiation. Reimbursement shall be limited to coach or business fare, unless approved by the Board of Trustees.

3. Lodging:

- a. 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.** Individuals traveling on Pension Trust business should make advance lodging arrangements through the Pension Trust Office.
 - b. Individuals who are traveling on Pension Trust business (other than attendance at seminars, conferences or classes) shall be reimbursed for actual lodging expenses up to the limits established by this policy. Maximum lodging limits are set forth in Appendix A which shall be reviewed annually and adjusted as necessary by the Board of Trustees.
4. Business Expenses: Individuals who are traveling on Pension Trust business shall be reimbursed for actual and necessary business expenses (as the term is defined in this policy), other than meals, transportation and lodging. Business expenses must be directly related to the purpose of travel.
5. Claims for Reimbursement: Claims for reimbursement of authorized travel expenses will be submitted on a Pension Trust Travel Reimbursement form. The Executive Director, or designee thereof, shall review the claim for accuracy and compliance with this policy. Reimbursement shall be made by the Office of Pension Trust. Claims and supporting documentation shall be maintained in

the office of the Pension Trust for a period of five years.

F. Waiver of Policy: The Board of Trustees may waive any provision of this policy if it determines that extraordinary circumstances exist which indicate that such waiver is in the best interests of the Pension Trust.

~~**G. Compliance with Provisions of the Brown Act:** Travel by multiple Board members shall be conducted in such a manner as to maintain compliance with the provisions of the Brown Act (Government Code Section 54950 et. seq.). Attendance by members of the Board of Trustees at educational meetings, conferences, seminars and related events is not a violation of the Brown Act provided that the conference or seminar is open to the public and involves a discussion of issues of general interest to public agencies of the same type as the Pension Trust (Government Code Section 54952.2.).~~ **B**

GH. Definitions

1. The following definitions shall apply to this Travel Policy
 - a. Pension Trust Business: Consists of activities directly related to the functions of the San Luis Obispo County Pension Trust.
 - b. Authorized Personnel: Those eligible for reimbursement of expenses incurred for the Pension Trust include:
 - i. Members of the Pension Trust Board of Trustees.
 - ii. Officers, employees and agents of the Pension Trust.
 - iii. Assigned employees of the County subject to approval by the Board of Trustees.
 - c. Authorized Point of Departure: The authorized point of departure shall be the individual's residence, normal work location or such other place that may be designated by the Board of Trustees.
 - d. Authorized Point of Return: The authorized point of return shall be the individual's residence, normal work location or such other place that may be designated by the Board of Trustees.
 - e. Lodging: Lodging expenses consist of those charges for overnight sleeping or dwelling accommodations as required during travel for the conduct of Pension Trust business. Reimbursable lodging expenses shall be limited to single occupancy rates.
 - f. Meals: Meal expenses shall be those charged for food and beverages

purchased and consumed in the course of Pension Trust business.

- g. Transportation Expenses: Transportation expenses are the direct costs related to movement from the authorized point of departure to the authorized point of return. Transportation expenses include, but are not limited to, common carrier tickets, private vehicle mileage and car rental charges.
- h. Other Transportation Expenses: These expenses include taxi, bus and streetcar fares; road, bridge and ferry tolls; parking fees and other incidental costs related to the individual's transportation.
- i. Business Expenses: Business expenses are all expenses incidental to travel on Pension Trust business that are not transportation, lodging or meal expenses. Business expenses include, but are not limited to, conference registration fees, telephone, telegraph, hotel internet connection fees and fax charges related to Pension Trust business, reasonable non-meal gratuities (i.e., sky-caps, bellhops, etc.).
- j. Expenses Not Reimbursed by the Pension Trust:
 - i. Airline or other travel insurance.
 - ii. Annual premium for personal property insurance.
 - iii. Unauthorized extra charges.
 - iv. Traffic or parking violations.
 - v. Gasoline purchase for private vehicles whenever the individual claims reimbursement at the established per mile rate.
 - vi. Additional expenses for spouses or other traveling companions are not reimbursable.

APPENDIX A4-B

TRAVEL REIMBURSEMENT RATES

Effective January 23, 2023

1. ~~1.~~ **MEALS & INCIDENTALS:** ~~Per diem~~ Total daily costs reimbursed at actual cost up to a maximum specified in the current County of San Luis Obispo Employee Travel Reimbursement policy. Receipts not required unless paid on SLOCPT credit card. reimbursement rate for meals and incidentals: \$55.00.

2. ~~2.~~ **PRIVATE CARVEHICLE 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. ~~3.~~ **LODGING REIMBURSEMENT RATE FOR TRAVEL OTHER THAN TRAVEL SPECIFIED IN SECTION H, E, 3 (a):**
 - A. ~~Reimbursed at actual cost up to a maximum rate specified in the current County of San Luis Obispo Employee Travel Reimbursement policy. Receipts required.~~ General Travel ————— \$175 per night plus tax & parking

 - B. — San Francisco (Downtown Ctr) \$250 per night plus tax & parking
(Suburban Area) ————— \$200 per night plus tax & parking

 - C. — L. A. (Financial/Civic Center) \$250 per night plus tax & parking
(Suburban Area) ————— \$200 per night plus tax & parking

 - D. — San Diego (Financial/Civic Center) — \$250 per night plus tax & parking
(Suburban Area) ————— \$200 per night plus tax & parking

 - E. — New York — Boston (Financial Ctr) — \$300 per night plus tax & parking
(Suburban Area) ————— \$230 per night plus tax & parking

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

 - C. 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~~

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San Luis Obispo County
 Pension Trust

SLOCPT

Memo

To: Board of Trustees
 SLOCPT Staff
 From: Carl Nelson, Executive Director
 Date: January 4, 2023
 Subject: **Trustee and Staff Training – Approved Events**

Pursuant to the adopted SLOCPT Board of Trustees policy on Board Member Core Competencies and Education Policy the following sponsors of educational programs are approved for 2023 and until revised by the Executive Director.

Board of Trustees:

Trustee Educational Programs Sponsor and Event	Exper- ienced Trustees	New Trustees	Notes
CALAPRS Principles of Pension Governance for Trustees <i>recommended</i>	***	*	Required for new Trustees Inc. AB1234 Ethics session (E)
SACRS Berkeley Investment Program <i>recommended</i>	***	*	Required for new Trustees Rigorous program
Board Smart – Online training sessions in modules <i>recommended</i>	**		Self Study option

Trustee Educational Programs Sponsor and Event	Experienced Trustees	New Trustees	Notes
Self Study – Reading supplied or approved by the Executive Director	**		Self Study option Trustee to self-certify completion
Pension Bridge ESG Summit	**		Subject to Executive Director review of agenda on a year by-year basis
CALAPRS General Assembly <i>recommended</i>	**	**	+ AB1234 Ethics session (E)
CALAPRS Advanced Principles of Pension Governance for Trustees <i>recommended</i>	** ***		
Pension Bridge Annual Conference (Investments)	**	**	Subject to Executive Director review of agenda on a year by-year basis
CALAPRS Trustees Round Table <i>recommended</i>	**	**	
IFEBP - Wharton – Portfolio Concepts and Management		**	2 nd choice alternate for the SACRS Berkeley program
IFEBP - Wharton – Alternatives Investments	**		
IFEBP – Investments Institute	**		

Trustee Educational Programs Sponsor and Event	Experienced Trustees	New Trustees	Notes
Institutional Investor Public Funds Round Table	**		Subject to Executive Director review of agenda on a year by-year basis
SACRS Spring Conference	**		
NCPERS Public Pension Funding Forum	**		
Nossaman Fiduciaries Forum	** ***	**	
SACRS Fall Conference	**		

* Required for new Trustees within first 36 months

** Possible educational conference depending on Trustee interest

*** Worthwhile as a refresher course for more experienced Trustees even if they previously attended this program.

(E) AB1234 Ethics training – 2 hour class – required of public officials biennially. May be satisfied by a general AB1234 class for your other positions, or may be satisfied by a pension-specific AB1234 class at the CALAPRS Principles course or the CALAPRS General Assembly. Copy of your certificate for the class should be provided to the Executive Director for documentation.

Other conference opportunities evaluated by the Executive Director on a case by case basis for appropriateness. Special consideration to be given to conferences that –

- Are not out of state.
- Broadly educational in nature – pension management, fiduciary issues, investments, actuarial, etc.
- Not primarily marketing in nature.
- Not primarily sponsored by one or a limited group of investment management firms. However, very specific training programs such as those offered by PIMCO may be considered on their academic merits.
- That do not present a potential appearance of being inappropriate for Trustees (e.g., excessive recreational programs associated with the conference).
- In additions, Trustees that attend other educational programs for their primary employment or professional certifications that have strong applicability to Pension

content should discuss with the Executive Director the possibility of counting some portion of the hours for those programs towards their Pension Trustee education. Past examples have included some CPA continuing education or Government Finance Officers Association classes with applicable sessions.

SLOCPT Staff:

Staff Educational Programs Sponsor and Event	Experienced Staff	New Staff	Notes
CALAPRS Staff Training Overview Intermediate Advanced	*** ***	* * *	
CALAPRS Round Tables Benefits, Accountants, Investments, Administrators, Admin Assts, Compliance, Legal, and others to be offered	**	**	Typically virtual programs without travel
CALAPRS Staff specific training Disabilities, and others to be offered	** ***		
CALAPRS General Assembly	**		Executive Director and/or Deputy Director
CALAPRS Administrators Institute	**		Executive Director and/or Deputy Director
SACRS Spring and Fall Conferences	**		Executive Director and/or Deputy Director
SACRS Berkeley Investment Program	**		Executive Director, Deputy Director, Investment Officer
P2P Pension Financial conference	**		
LRS – PensionGold Teaming Conference or other LRS sponsored educational sessions	** ***	**	

- * Strongly encouraged for new staff within first 12 months
- ** Possible educational conference depending on Staff training needed
- *** Worthwhile as a refresher course for more experienced Staff even if they previously attended this program.

Board of Trustees

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Date: January 23, 2023

To: Board of Trustees

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

Agenda Item 13: Cash Flow Analysis for 2023

Recommendation:

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

Discussion:

This report is presented in accordance with the requirements of Section V, Investment Administration, of the SLOCPT's Investment Procedures (supplement to the Investment Policy Statement).

This report is an information item only and is ministerial in nature. It is the intention of SLOCPT to keep three months' worth of Retirement Benefits in easily accessed bank accounts and the SLO County Treasury account that receives pension contributions. This is part of the liquidity allocation included in the Plan's Strategic Asset Allocation policy.

Please note that the County's and APCD's employer paid contributions are currently prepaid through June 30, 2023. 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>2023</u>
Contributions	126,700,000
Net Investment Drawdowns	(5,450,000) *
Total Inflows (a)	<u>\$ 121,250,000</u>
<u>Expected Cash Outflows:</u>	
Benefit Payments	\$ (128,700,000)
+ est. COLA for 2023	(2,600,000)
Termination Refunds	(3,500,000)
Death Benefits	(1,000,000)
Administrative Expenses	(3,300,000)
Total Outflows (b)	<u>\$ (139,100,000)</u>
Net Cashflow (a + b)	<u>\$ (17,850,000)</u>
Current Cash Holdings **	<u>50,850,000</u>
Total Cash Available (at year end)	<u><u>\$ 33,000,000</u></u>

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

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

Board of Trustees

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San Luis Obispo County Pension Trust *SLOCPT*

Date: January 23, 2023

To: Board of Trustees

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

Agenda Item 14: Monthly Investment Report for December 2022

	December	Year to Date 2022	2021	2020	2019	2018	2017
Total Trust Investments (\$ millions)	\$1,617		\$1,775	\$1,552 year end	\$1,446 year end	\$1,285 year end	\$1,351 year end
Total Fund Return	-1.8% Gross	-7.9% Gross	15.2% Gross	8.9 % Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross
Policy Index Return (r)	-1.6%	-9.3%	12.8%	10.0 %	16.4 %	-3.2 %	13.4 %

- (r) Policy index as of Nov. 2021 Strategic Asset Allocation Policy with 2022 Interim targets:
- Public Mkt Equity- 24% Russell 3000, 17% MSCI ACWI ex-US
 - Public Mkt Debt- 11% Barclays US Aggregate,
 - Risk Diversifying 8% Barclays US Aggregate, 4% Barclays 7-10yr Treasury, 3% Barclays 5-10yr US TIPS
 - Real Estate & Infrastructure- 13% NCREIF Index (inc. Infrastructure)
 - Private Equity- 7% actual private equity returns
 - Private Credit- 4% actual private credit returns
 - Liquidity- 6% 90 day T-Bills
- Pending annual updates to interim targets.

SLOCPT Investment Returns:

The attached report from Verus covers the preliminary investment returns of the SLOCPT portfolio and general market conditions through the end of December. The attached market commentary from Verus details market conditions in December, but subsequent activity in January is not yet factored into these numbers. As of January 18th, the month has had positive returns for both equities and bonds

SLOCPT Investments:

The attached Verus Capital Markets Update covers the tumultuous year for the SLOCPT portfolio. The final rate of return may change slightly with the full 4Q22 quarterly report due in February. The preliminary total return (gross of fees) for 2022 by asset class are –

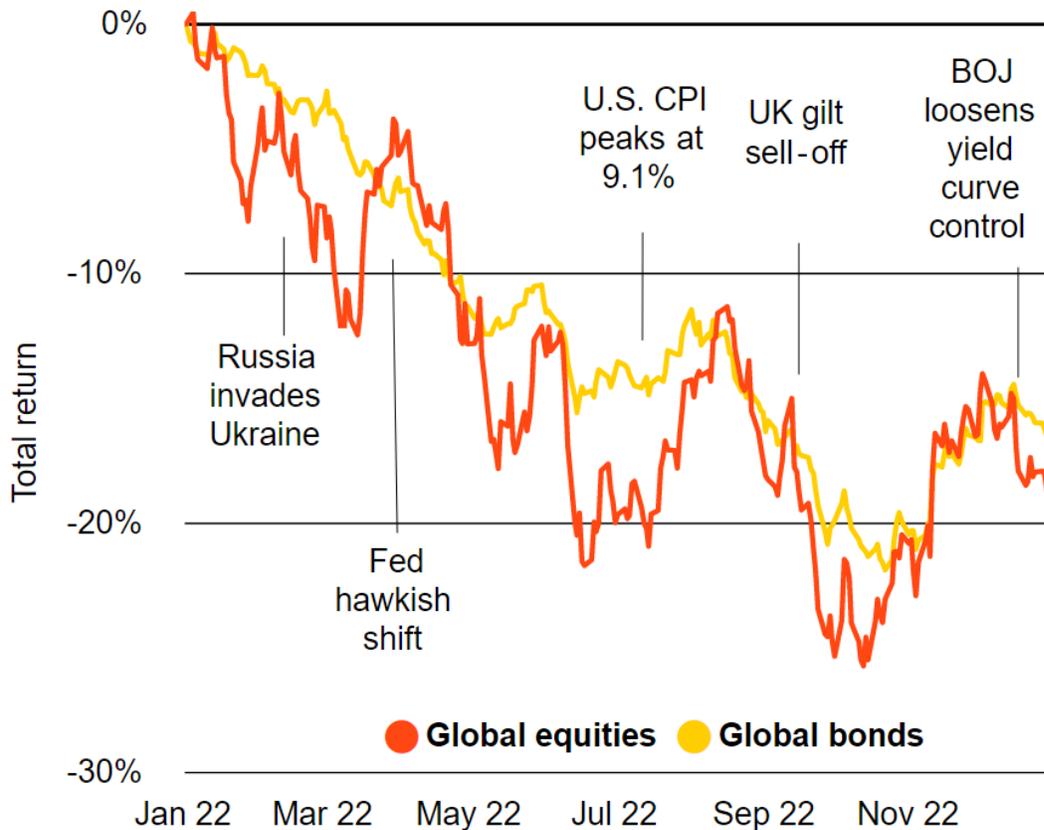
	<u>SLOCPT</u>	<u>Benchmark</u>	
Domestic Equity	-10.4%	-19.2%	Russell 3000
International Equity	-17.4%	-15.6%	MSCI ACWI ex US
Real Estate	8.1%	9.4%	NCREIF
Domestic Fixed Income*	-10.0%	-13.0%	Blmbg, US Agg.
Global Fixed Income	-17.0%	-18.3%	FTSE World Govt
Liquidity	- 1.2%	1.5%	90 day T Bill
Total Fund	- 7.9%	- 9.3%	Interim Policy Mix

* includes the Risk diversifying portfolios

Capital Markets:

- **Investment Markets** - 2022 was a historic year with both equities and bonds hit by double digit negative returns. The following comments and chart from BlackRock Investment shows the global equity and bond returns for the year.

“Last year’s shocks were extreme, causing sharp stock and bond sell-offs. See the chart. Russia amassing troops on Ukraine’s border quickly erupted in the full-blown war that is still raging. That sent energy prices soaring, stoking already hot inflation from pandemic-induced production constraints. Headline inflation surged to 40-year highs, spurring the Federal Reserve to embark on the steepest rate hike path since the early 1980s. A year ago, markets expected policy rates to rise to 1% by year-end. They are four times as much now, and we see more to come. Other shocks like the UK gilt crisis showed a return of the so-called bond vigilantes: market forces punishing fiscal splurges with higher yields and diving currencies. The Bank of Japan also surprised markets by loosening its yield control policy just days before year-end.”



Sources: BlackRock Investment Institute with data from Refinitiv Datastream and Bloomberg, December 2022. Notes: The chart shows to returns for the MSCI ACWI index (orange) and Bloomberg Global Aggregate index for bonds (yellow) since the styeart-to-dateart of the year. Data as of Dec. 29, 2022.

- **JP Morgan Asset Management – Eye On The Market outlook 2023** - Attached to the end of this memo are excerpted pages from the Annual Market Outlook publication put out by Michael Cembalest of JP Morgan Asset Management. The cover illustration is a long tradition of this publication and is always topical. The first page introduction of the report covers a lot of topics briefly and is worth reading. If Trustees are interested in reading the full report (31 pages), I would be glad to send it to you.

The Economy:

- **Inflation** – The December US CPI inflation report showed a small decline in prices for the month as falling fuel and airfare prices were factored in. The trailing year rate for inflation moderated to a 6.5% year-over-year increase.
- **New Jobs, Unemployment, Wages** –

- The December jobs report from the BLS on nonfarm employment showed a slowing pace of job creation with a gain of 223k new jobs.
 - The unemployment rate in December declined slightly to 3.5%.
 - The New York Times article of 1/6/23 on the December jobs report quoted Chris Varvares, co-head of U.S. economics for S&P Global Market Intelligence -
 - “If the U.S. economy is slipping into recession, nobody told the labor market. The report this morning highlighted the step-down in growth relative to 2021, but it’s to a level that’s still almost double what would be trend growth in employment.”
 - The Labor Force Participation rate remains little changed at 62.3% - about 1% below its pre-pandemic level in 2020. Labor force participation has recovered to pre-pandemic levels in the prime working age groups but remains lower in the age 54 and up age group. This reflects the persisting effect of a surge in retirements in 2020-2022.
 - Wage growth continues to run above its historical trend with average hourly earnings for December coming in at 4.6% above one-year ago.
- **Monetary Policy** – The next Fed meeting is scheduled for February 1st. The current range for the Fed Funds rate is 4.25% to 4.50%. The bond markets currently expect the Fed to enact a more modest 0.25% increase at the February meeting.

Respectfully Submitted,



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

DECEMBER 2022
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Job growth continued to surpass expectations as nonfarm payrolls grew by 223,000, above the expected increase of 200,000. The unemployment rate fell -0.1% to 3.5% and labor force participation edged +0.2% higher to 62.3%. Year-over-year wage growth (+4.6%) decelerated and came in below expectations (+5.0%).
- The ISM Manufacturing PMI declined -0.6 points to 48.4 and marked the index's second consecutive month in contractionary territory (indicated by a reading below 50).
- In a reversal from November, all components of the University of Michigan Consumer Sentiment Index (59.7) improved. Inflation expectations for the year ahead fell -0.5% to 4.4%, the lowest level in 18 months.

U.S. EQUITIES

- All major equity indices ended the month in the red. The S&P 500 Index fell -5.8% to end the year down -18.1%, its lowest calendar year return since 2008. Equities pared earlier gains following hawkish commentary from the Fed at their December meeting.
- Expectations for Q4 S&P 500 earnings growth continue to fall. Per FactSet, the bottom-up estimate for year-over-year Q4 earnings growth measured -4.1%, down from -1.0% in November.
- Nine of the eleven S&P GICS sectors saw downward revisions to their Q4 earnings growth estimates in the fourth quarter. Declines in estimates were led by the Materials, Consumer Discretionary, and Communications sectors. In a continuation of recent earnings trends, the Energy sector is expected to deliver the highest year-over-year Q4 earnings growth rate at +62.7%.

U.S. FIXED INCOME

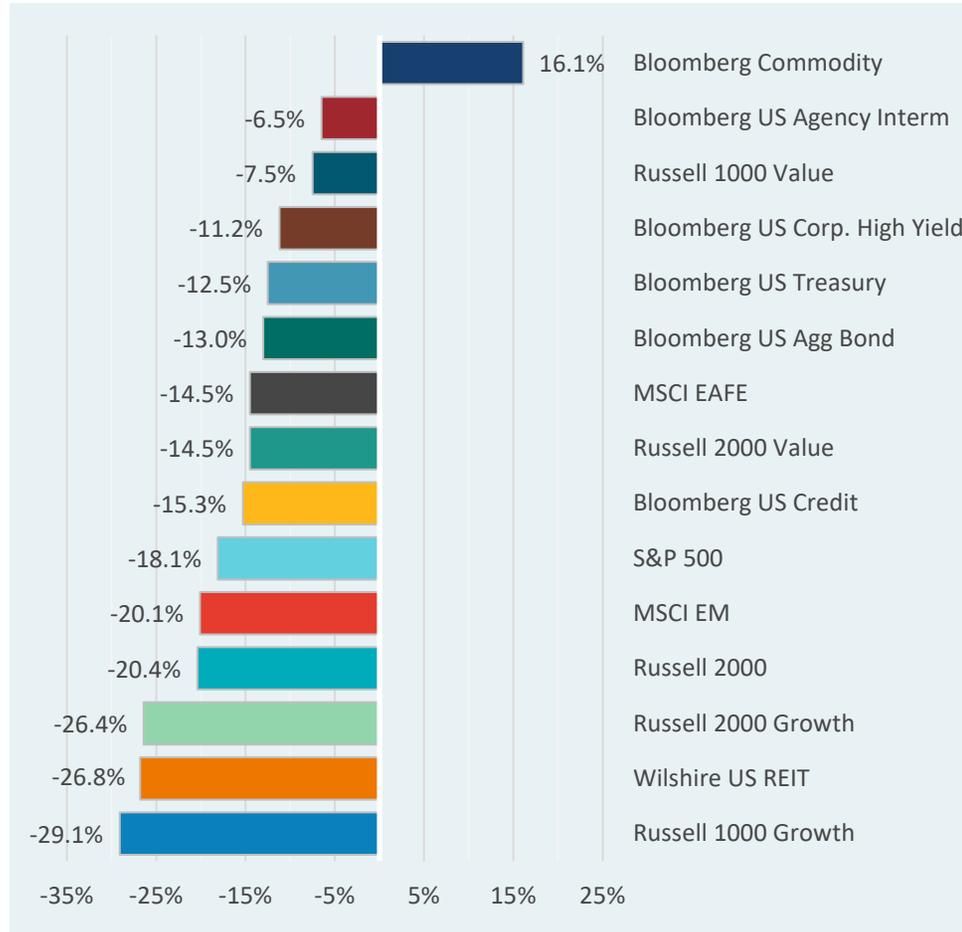
- The Fed increased their target rate by 50bps, in line with market expectations. The hike was lower than the four 75bp hikes that preceded but came alongside hawkish commentary and a downward revised Summary of Economic Projections.
- In the Fed's latest Summary of Economic Projections, GDP growth expectations were revised lower compared to September while the expected unemployment rate increased. Estimates for the terminal rate moved to 5.1%, +0.5% higher from the previous quarter's forecast of 4.6%.
- The Bloomberg U.S. Aggregate Bond Index (-0.5%) fell slightly to end the year down -13.1%, the worst calendar year performance for the U.S. Agg in its 46-year recorded history.

INTERNATIONAL MARKETS

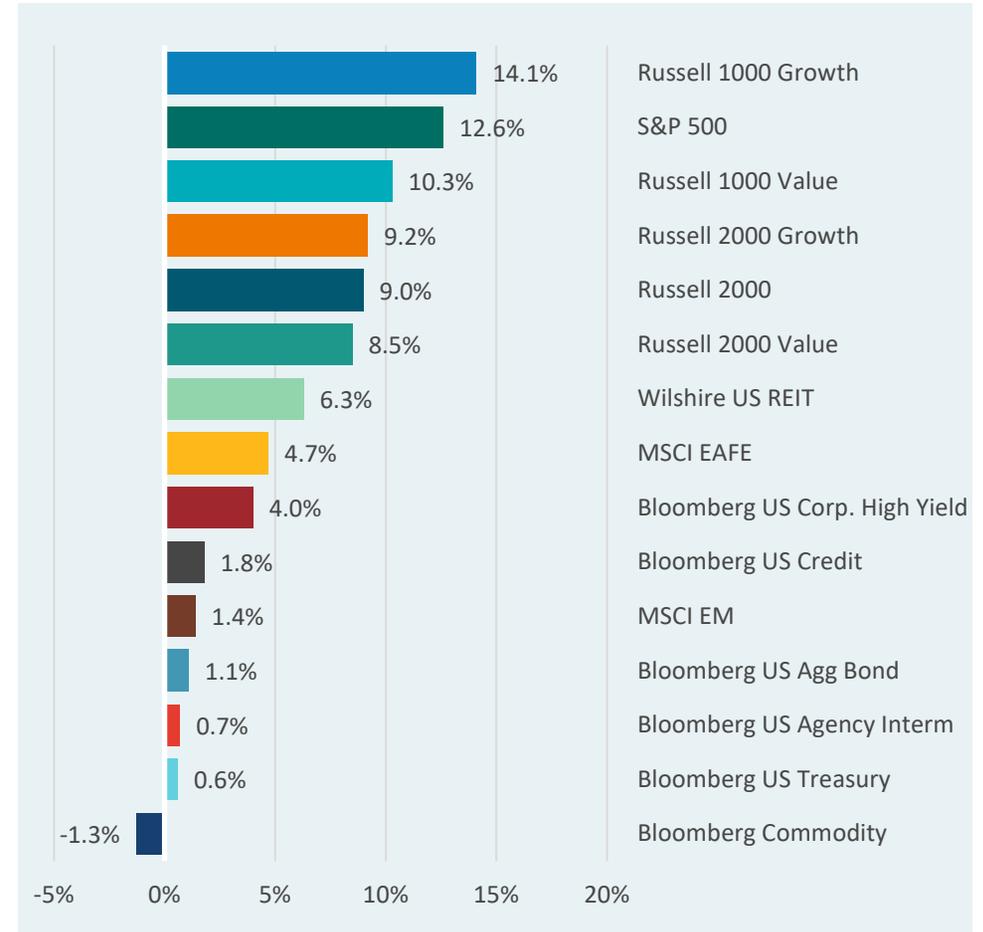
- News of reduced COVID-19 restrictions along with hopes of a full 2023 reopening boosted Chinese equities (MSCI China Index +5.6%). China's recent move to end quarantine periods for inbound travelers made it one of few major equity markets to end the month in the green.
- Shares in the U.K. (MSCI UK Index -0.4%) were more resilient relative to other markets but still finished the month down. The BOE followed other central banks and raised rates by 50bps while warning of future hikes if inflationary pressures persist.
- The Japanese yen (+5.8%) continued to strengthen and hit a four-month high against the dollar. The currency rallied after the BOJ expanded the interest rate band around its target rate to 50bp from 25bp. Japanese equities (MSCI Japan Index +0.3%) rose over the month despite declines in many other developed markets.

Major asset class returns

ONE YEAR ENDING DECEMBER



TEN YEARS ENDING DECEMBER



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

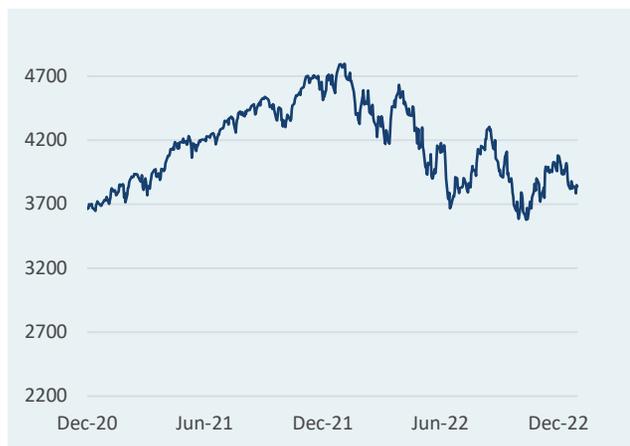
Source: Morningstar, as of 12/31/22

Source: Morningstar, as of 12/31/22

U.S. large cap equities

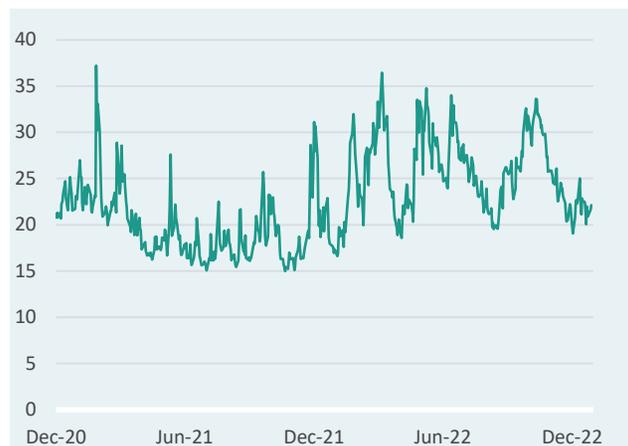
- The S&P 500 Index (-5.8%) reversed course and erased prior month gains. Positive investor sentiment from the preceding two months was quelled by renewed fears of an impending recession and persistent hawkish comments and actions from the Federal Reserve.
- All 11 S&P 500 GICS Sectors ended lower. Defensive sectors outperformed, led by Utilities (-0.5%), Health Care (-1.9%), and Consumer Staples (-2.8%). Growth-oriented sectors including Consumer Discretionary (-11.3%), Information Technology (-8.4%), and Communications (-7.8%) saw the biggest declines.
- The Cboe VIX Index increased +1.1 points to 21.7 despite reaching an intra-month high of 25.1. The index declined markedly (-10.0) in the fourth quarter to end 2022 below its 1-year daily moving average (25.6) and near its 5-year moving average (21.3).
- Only 16.7% of S&P 500 constituents advanced over the month, with no index members gaining more than 10.0%. Losses were widespread and steep in 2022 as 72.3% of constituents declined, each by an average of -24.6% per S&P Global.

S&P 500 PRICE INDEX



Source: Bloomberg, as of 12/31/22

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as of 12/31/22

S&P 500 VALUATION SNAPSHOT

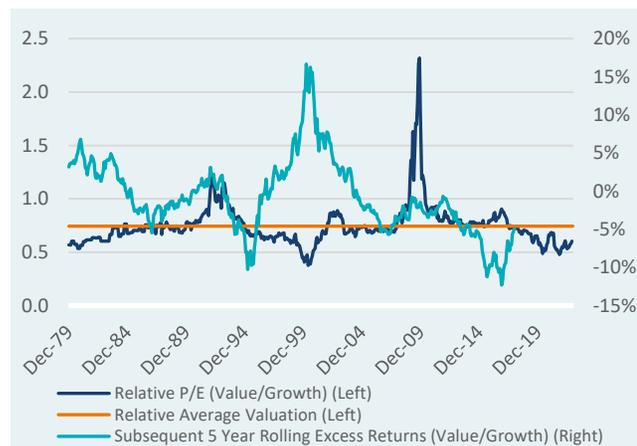


Source: Bloomberg, as of 12/31/22

Domestic equity size and style

- Value (Russell 1000 Value Index -4.0%) outperformed growth (Russell 1000 Growth Index -7.7%) for the fifth straight month. Value stocks gained steam in the second half of the year alongside high inflation and rate hikes, outperforming growth by +21.6% in 2022.
- Within value, large-cap names (-4.0%) held up better than small-caps (Russell 2000 Value -6.6%) and outperformed by +7.0% on the year. The performance gap was largely driven by higher weights to energy and lower weights to information technology and consumer discretionary in the large-cap value index.
- Mid-cap stocks (Russell Mid Cap Index -5.4%) beat large- (Russell 1000 Index -5.8%) and small-cap stocks (Russell 2000 Index -6.5%) for a second consecutive month. Mid-caps fell the least among equity sizes on a 1-year basis, down -17.3% compared to large- (-19.1%) and small-cap companies (-20.4%).
- The S&P 500 Equal Weighted Index (-4.7%) beat the cap-weighted index (-5.8%) for a third consecutive month with help from strong performance from defensive sectors. In 2022, the equal-weighted index outperformed the cap-weighted index by +6.7%, its largest margin of overperformance since 2010.

VALUE VS. GROWTH RELATIVE VALUATIONS



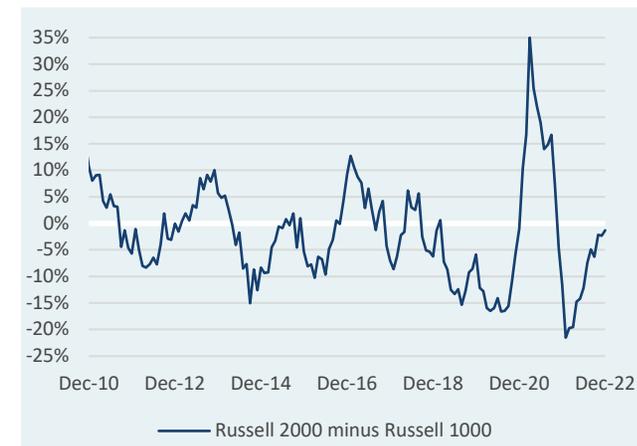
Source: FTSE, Bloomberg, as of 12/31/22

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 12/31/22

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 12/31/22

Fixed income

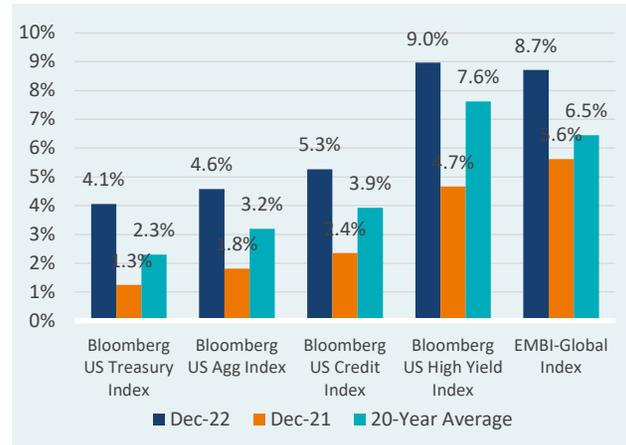
- Yields rose across the curve after a volatile month. Despite falling sharply in the first half of the month on a cooler-than-expected November inflation print, yields moved higher toward month end as market participants responded to upward revisions in the interest rate path estimated by Fed officials.
- The 10-2 spread remained inverted but narrowed to -53bps, down -17bps from the four decade high of -70bps in the month prior. 2-year yields increased a modest 3bps over the month while 10-year yields rose 20bps.
- The Bloomberg US Long Treasury Index (-1.7%) declined as yield increases were more exaggerated on the long-end of the curve. Yields on 20- and 30-year Treasuries jumped in excess of 40bps in the second half of the month.
- U.S. market-based inflation expectations moved lower on signs of potentially decelerating consumer prices and Fed tightening. The 10-year breakeven inflation rate hit its lowest level of the year (2.13%) near mid-month and both the 5- and 10-year breakeven rates ended more than -20bp below their 1-year daily averages.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 12/31/22

NOMINAL YIELDS



Source: Morningstar, as of 12/31/22

BREAKEVEN INFLATION RATES

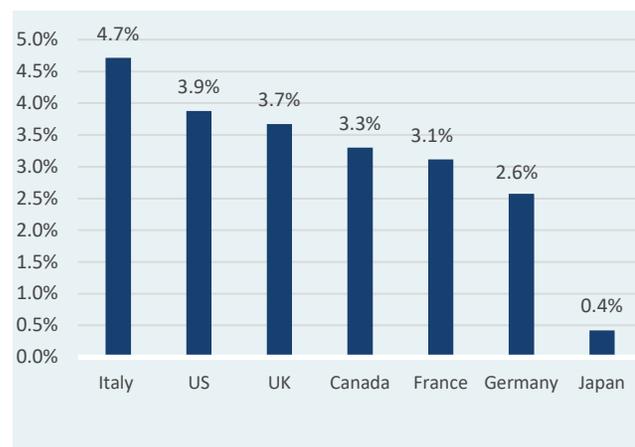


Source: Bloomberg, as of 12/31/22

Global markets

- Global equities (MSCI ACWI Index -3.9%) fell across major markets, driven largely by declines in U.S. shares. Developed markets outperformed emerging markets, although moves were relatively muted.
- Value outperformed growth in both U.S. and International equities. International value (MSCI EAFE Value Index +1.3%) rose while growth (MSCI EAFE Growth Index -1.1%) declined in December. This trend held over the 1-year period as international value outperformed growth by +17.3%
- Yields on sovereign debt rose across developed markets. Italian bonds fell most among G-10 countries as 10-year yields jumped +80bps to 4.7%. Yields faced upward pressure from the ECB's recently announced quantitative tightening measures set to commence in March.
- Latin American equities (MSCI EM Latin American Index -4.0%) lagged peers in a reversal of recent trends. Underperformance in the region was likely driven by weakness in Mexican stocks (-6.5%) and double-digit declines in Peruvian equities fueled by political unrest.

GLOBAL SOVEREIGN 10-YEAR YIELDS



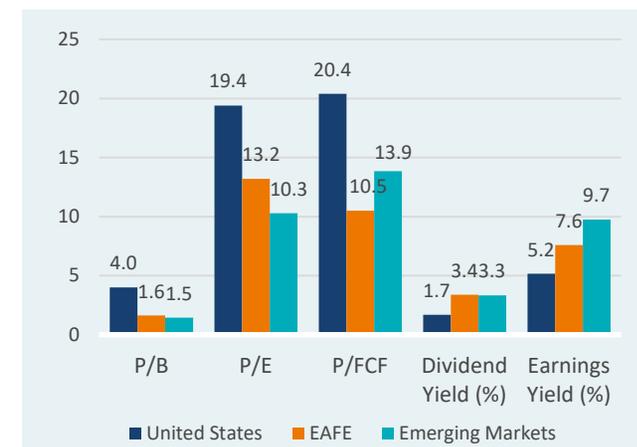
Source: Bloomberg, as of 12/31/22

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 12/31/22

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 12/31/22

Commodities

- The Bloomberg Commodity Index fell -2.4% driven by a sharp reversal in natural gas prices (-35.4%) which weighed on overall energy performance (Bloomberg Energy Sub-Index -12.2%). Energy declines were buoyed by continued gains in metals along with positive performance from agriculture.
- The Bloomberg Industrial Metals Sub-Index rose +2.2% after nickel prices (+11.2%) saw a second-straight month of double-digit gains. Nickel finished the year +43.2% higher and was the only constituent of the sub-index to end the year in positive territory.

- Precious metals prices (Bloomberg Precious Metals Sub-Index +5.7%) continued to rise. Gold prices gained +4.6% to finish a flat year (-0.1%) and silver prices rallied +11.6% to end the year higher (+2.9%). Signs of a potential slowdown in both rate hikes and economic growth likely contributed to recent price appreciation.
- The Bloomberg Grains Sub-Index gained +2.0% on higher prices for soybean related products. Ongoing drought in Argentina, one of the world’s largest soybean producers, contributed to sharp increases in soybean meal (+14.6%), a soybean by-product used as a protein supplement for livestock.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(2.4)	2.2	16.1	16.1	12.7	6.4	(1.3)
Bloomberg Agriculture	1.6	2.4	15.5	15.5	19.5	9.1	(0.8)
Bloomberg Energy	(12.2)	(9.1)	36.2	36.2	5.9	3.0	(6.6)
Bloomberg Grains	2.0	(0.3)	18.0	18.0	19.4	9.7	(2.1)
Bloomberg Industrial Metals	2.2	16.4	(2.4)	(2.4)	14.0	5.0	1.5
Bloomberg Livestock	2.2	8.5	7.4	7.4	(3.7)	(3.8)	(3.2)
Bloomberg Petroleum	(0.7)	7.5	45.6	45.6	12.3	8.9	(3.4)
Bloomberg Precious Metals	5.7	13.3	0.1	0.1	5.7	5.7	(0.9)
Bloomberg Softs	0.6	(2.8)	(3.5)	(3.5)	12.7	3.0	(2.8)

Source: Morningstar, as of 12/31/22

COMMODITY PERFORMANCE



Source: Bloomberg, as of 12/31/22

Appendix

Periodic table of returns

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	5-Year	10-Year
Commodities	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	11.0	14.1
Real Estate	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	9.1	12.4
Cash	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	27.1	1.5	8.6	10.3
Hedge Funds of Funds	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	26.5	-4.7	6.7	9.5
Large Cap Value	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	25.2	-7.5	6.4	9.2
US Bonds	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	22.4	14.0	17.7	-13.0	4.1	9.0
Small Cap Value	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	22.0	10.3	14.8	-14.5	4.1	8.5
International Equity	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	11.3	-14.5	3.5	4.8
60/40 Global Portfolio	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	8.9	-17.3	3.2	4.7
Large Cap Equity	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	6.5	-19.1	2.7	3.6
Emerging Markets Equity	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	2.8	-20.1	1.5	1.4
Small Cap Equity	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	0.0	-20.4	1.2	1.1
Small Cap Growth	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	-1.5	-26.4	0.0	0.7
Large Cap Growth	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-2.5	-29.1	-1.4	-1.3

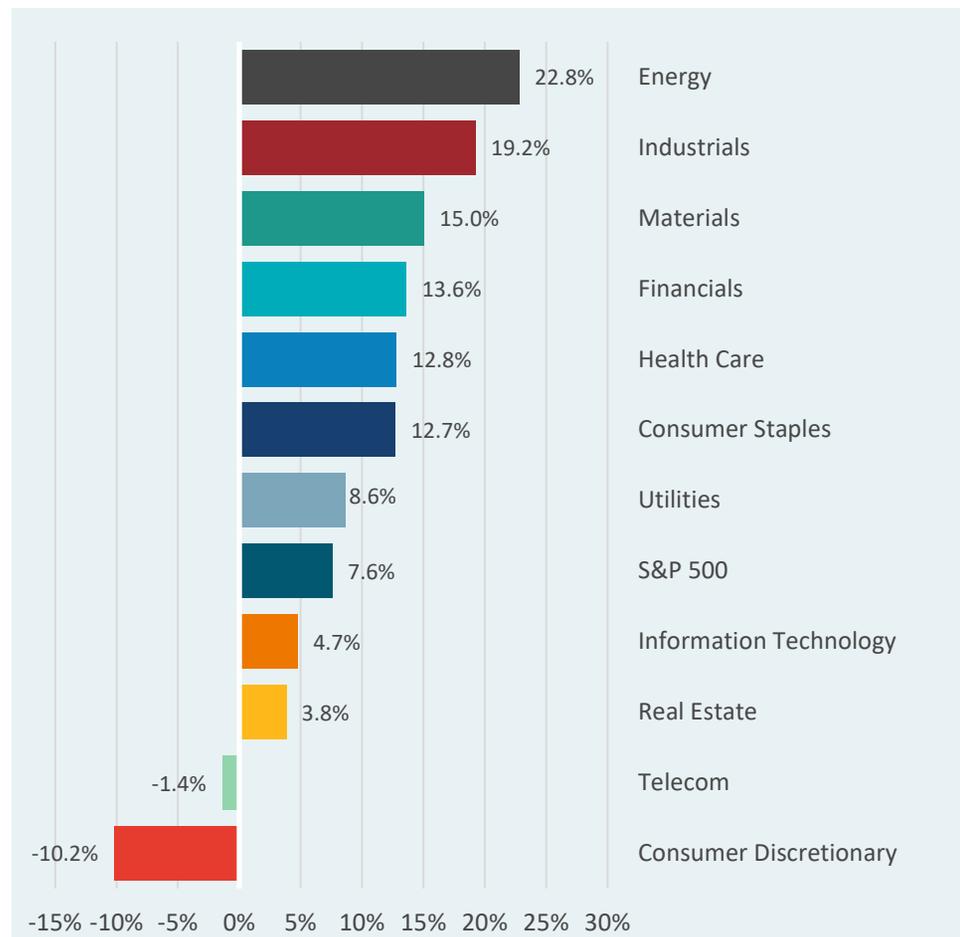
BEST
↑
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WORST



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 9/30/22.

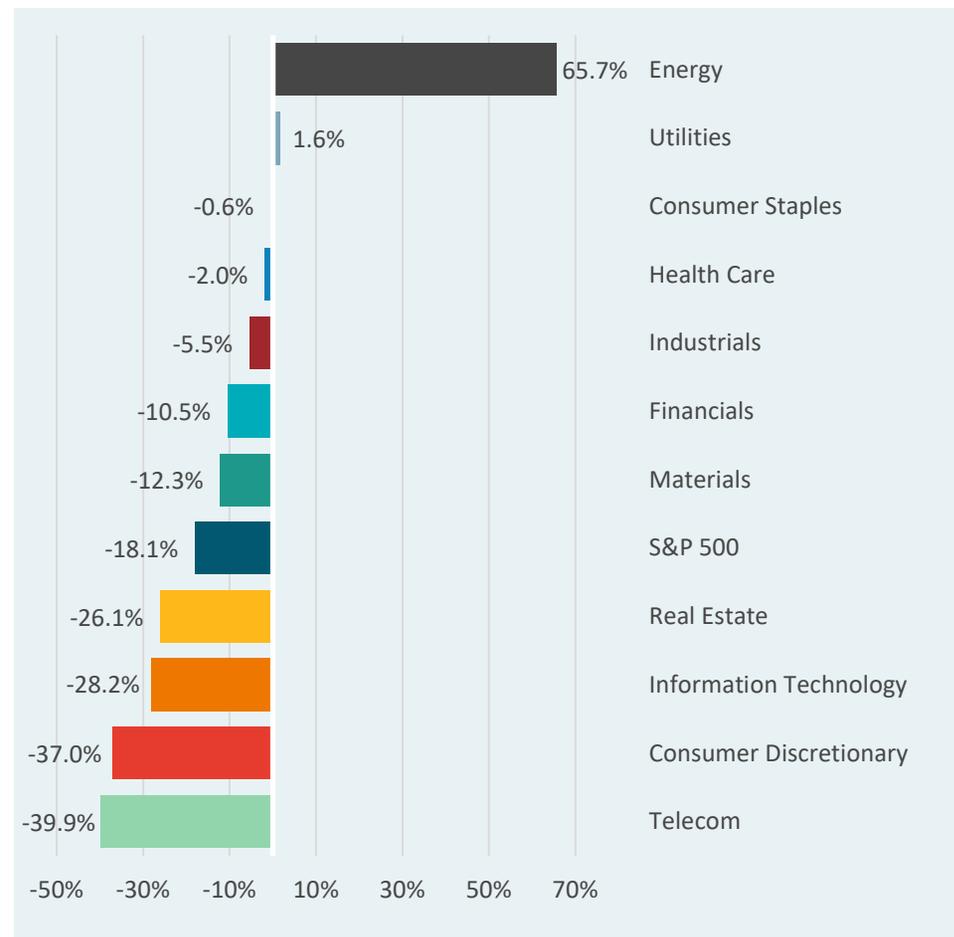
S&P 500 sector returns

QTD



Source: Morningstar, as of 12/31/22

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/22

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(5.8)	7.6	(18.1)	(18.1)	7.7	9.4	12.6
S&P 500 Equal Weighted	(4.7)	11.6	(11.4)	(11.4)	9.0	9.1	12.4
DJ Industrial Average	(4.1)	16.0	(6.9)	(6.9)	7.3	8.4	12.3
Russell Top 200	(6.0)	6.6	(19.8)	(19.8)	7.9	9.9	12.9
Russell 1000	(5.8)	7.2	(19.1)	(19.1)	7.3	9.1	12.4
Russell 2000	(6.5)	6.2	(20.4)	(20.4)	3.1	4.1	9.0
Russell 3000	(5.9)	7.2	(19.2)	(19.2)	7.1	8.8	12.1
Russell Mid Cap	(5.4)	9.2	(17.3)	(17.3)	5.9	7.1	11.0
Style Index							
Russell 1000 Growth	(7.7)	2.2	(29.1)	(29.1)	7.8	11.0	14.1
Russell 1000 Value	(4.0)	12.4	(7.5)	(7.5)	6.0	6.7	10.3
Russell 2000 Growth	(6.4)	4.1	(26.4)	(26.4)	0.6	3.5	9.2
Russell 2000 Value	(6.6)	8.4	(14.5)	(14.5)	4.7	4.1	8.5

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	(3.9)	9.8	(18.4)	(18.4)	4.0	5.2	8.0
MSCI ACWI ex US	(0.7)	14.3	(16.0)	(16.0)	0.1	0.9	3.8
MSCI EAFE	0.1	17.3	(14.5)	(14.5)	0.9	1.5	4.7
MSCI EM	(1.4)	9.7	(20.1)	(20.1)	(2.7)	(1.4)	1.4
MSCI EAFE Small Cap	1.1	15.8	(21.4)	(21.4)	(0.9)	(0.0)	6.2
Style Index							
MSCI EAFE Growth	(1.1)	15.0	(22.9)	(22.9)	0.5	2.5	5.6
MSCI EAFE Value	1.3	19.6	(5.6)	(5.6)	0.6	0.2	3.5
Regional Index							
MSCI UK	(0.4)	17.0	(4.8)	(4.8)	0.3	1.0	3.1
MSCI Japan	0.3	13.2	(16.6)	(16.6)	(1.0)	0.2	5.6
MSCI Euro	(0.5)	23.0	(17.2)	(17.2)	0.5	0.8	4.3
MSCI EM Asia	(0.8)	10.8	(21.1)	(21.1)	(1.3)	(0.6)	3.6
MSCI EM Latin American	(4.0)	5.7	8.9	8.9	(4.8)	(1.1)	(2.1)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	(1.0)	2.0	(11.8)	(11.8)	1.2	2.1	1.1
Bloomberg US Treasury Bills	0.4	0.9	1.3	1.3	0.7	1.2	0.8
Bloomberg US Agg Bond	(0.5)	1.9	(13.0)	(13.0)	(2.7)	0.0	1.1
Bloomberg US Universal	(0.3)	2.2	(13.0)	(13.0)	(2.5)	0.2	1.3
Duration							
Bloomberg US Treasury 1-3 Yr	0.2	0.7	(3.8)	(3.8)	(0.5)	0.7	0.7
Bloomberg US Treasury Long	(1.7)	(0.6)	(29.3)	(29.3)	(7.4)	(2.2)	0.6
Bloomberg US Treasury	(0.5)	0.7	(12.5)	(12.5)	(2.6)	(0.1)	0.6
Issuer							
Bloomberg US MBS	(0.4)	2.1	(11.8)	(11.8)	(3.2)	(0.5)	0.7
Bloomberg US Corp. High Yield	(0.6)	4.2	(11.2)	(11.2)	0.0	2.3	4.0
Bloomberg US Agency Interm	0.0	0.8	(6.5)	(6.5)	(1.3)	0.4	0.7
Bloomberg US Credit	(0.4)	3.4	(15.3)	(15.3)	(2.9)	0.4	1.8

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	(2.4)	2.2	16.1	16.1	12.7	6.4	(1.3)
Wilshire US REIT	(5.6)	4.0	(26.8)	(26.8)	(0.5)	3.4	6.3
CS Leveraged Loans	0.4	2.3	(1.1)	(1.1)	2.3	3.2	3.8
S&P Global Infrastructure	(2.2)	11.0	(0.2)	(0.2)	1.7	3.9	6.5
Alerian MLP	(4.7)	10.5	31.4	31.4	8.3	3.6	2.1
Regional Index							
JPM EMBI Global Div	0.3	8.1	(17.8)	(17.8)	(5.3)	(1.3)	1.6
JPM GBI-EM Global Div	2.2	8.5	(11.7)	(11.7)	(6.1)	(2.5)	(2.0)
Hedge Funds							
HFRI Composite	(0.4)	2.2	(4.3)	(4.3)	5.7	4.4	4.7
HFRI FOF Composite	0.9	2.4	(4.7)	(4.7)	3.9	3.2	3.6
Currency (Spot)							
Euro	3.7	8.9	(6.2)	(6.2)	(1.7)	(2.3)	(2.1)
Pound Sterling	1.0	7.8	(11.2)	(11.2)	(3.2)	(2.3)	(3.0)
Yen	5.8	9.7	(12.7)	(12.7)	(6.3)	(3.1)	(4.1)

Source: Morningstar, HFRI, as of 12/31/22.

Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	7.9	22.5	18.7	14.3
Global Private Equity Direct Funds *	2.5	22.2	19.7	16.6
U.S. Private Equity Direct Funds *	5.5	24.9	21.9	18.2
Europe Private Equity Direct Funds *	(0.5)	19.4	18.2	14.9
Asia Private Equity Direct Funds *	(6.9)	13.9	13.3	13.7

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
MSCI World	(14.3)	7.0	7.7	9.5
S&P 500	(10.6)	10.6	11.3	13.0
MSCI Europe	(17.6)	1.2	2.2	5.4
MSCI AC Asia Pacific	(22.2)	1.8	2.8	5.5

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	25.7	14.0	12.2	13.4

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
FTSE NAREIT Equity REIT	(6.3)	4.0	5.3	7.4

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	15.9	15.6	12.9	12.0

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P / LSTA U.S. Leveraged Loan 100 Index	(4.2)	1.4	2.4	3.3

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	27.1	6.6	4.9	3.5
Global Infrastructure	12.7	11.4	11.4	11.1

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P Global Natural Resources	2.9	8.6	8.9	4.6
S&P Global Infrastructure	5.6	3.5	4.8	7.2

Source: Pooled IRRs are from Thompson Reuters CJA and Time-weighted Returns are from Investment Metrics, as of June 30th, 2022. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

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

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

Notices & disclosures

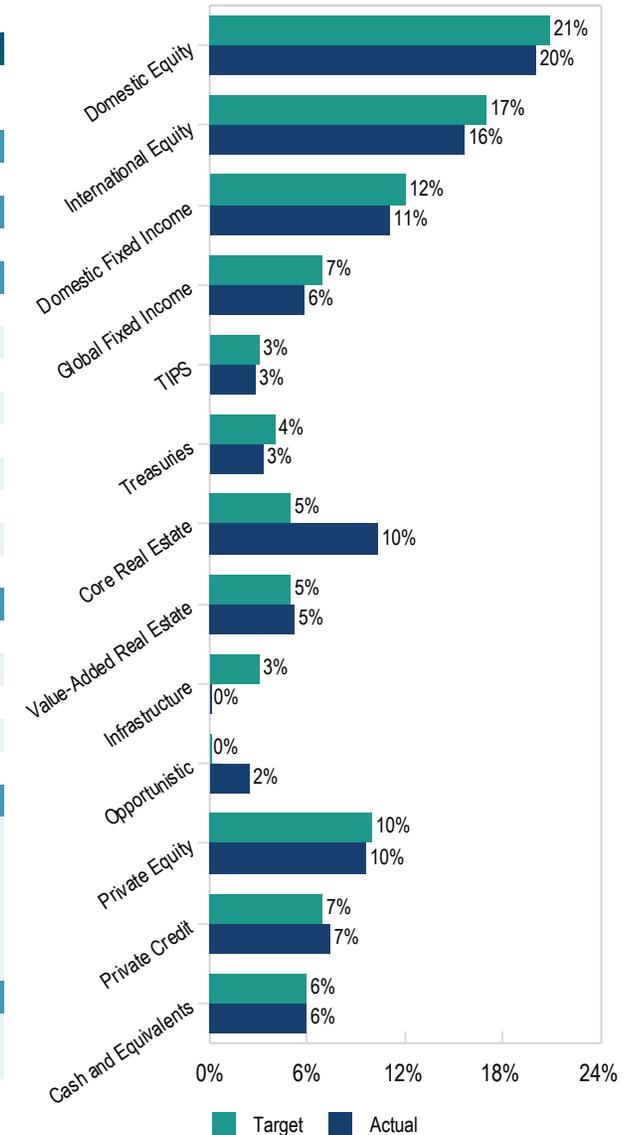
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Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: December 31, 2022

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,617,376,349	100.0	-1.8	-7.9
Interim Policy Index			-1.6	-9.3
FFP SAA Index			-1.5	-6.4
Total Growth	1,107,521,894	68.5	-2.6	-7.0
Custom Growth Benchmark			-2.8	-11.1
Total Public Equity	578,492,906	35.8	-4.0	-13.4
Russell 3000 Index			-5.9	-19.2
Total Domestic Equity	325,269,550	20.1	-5.0	-10.4
Russell 3000 Index			-5.9	-19.2
PIMCO RAE US	91,301,098	5.6	-5.4	-3.0
S&P 500 Index			-5.8	-18.1
Loomis Sayles Large Cap Growth	70,477,848	4.4	-6.7	-27.1
Russell 1000 Growth Index			-7.7	-29.1
Boston Partners Large Cap Value	87,734,138	5.4	-4.3	-3.8
Russell 1000 Value Index			-4.0	-7.5
Atlanta Capital Mgmt	75,756,465	4.7	-3.7	-7.9
Russell 2500 Index			-5.9	-18.4
Total International Equity	253,223,357	15.7	-2.7	-17.4
MSCI AC World ex USA Index			-0.7	-15.6
Dodge & Cox Intl Stock	136,865,968	8.5	-1.6	-6.2
MSCI AC World ex USA Value			0.1	-8.0
WCM International Growth	116,357,389	7.2	-4.0	-28.2
MSCI AC World ex USA Growth			-1.5	-22.8
Total Private Equity	155,854,669	9.6		
Harbourvest Partners IX Buyout Fund L.P.	13,920,183	0.9		
Pathway Private Equity Fund Investors 9 L.P.	83,503,440	5.2		
Harbourvest 2018 Global Fund L.P.	20,447,507	1.3		
Harbourvest SLO Fund Private Equity	24,556,471	1.5		
Pathway Private Equity Fund Investors 10 L.P.	13,427,068	0.8		
Total Private Credit	120,343,061	7.4		
Sixth Street Partners DCP	79,824,681	4.9		
Harbourvest SLO Credit Fund	40,518,380	2.5		

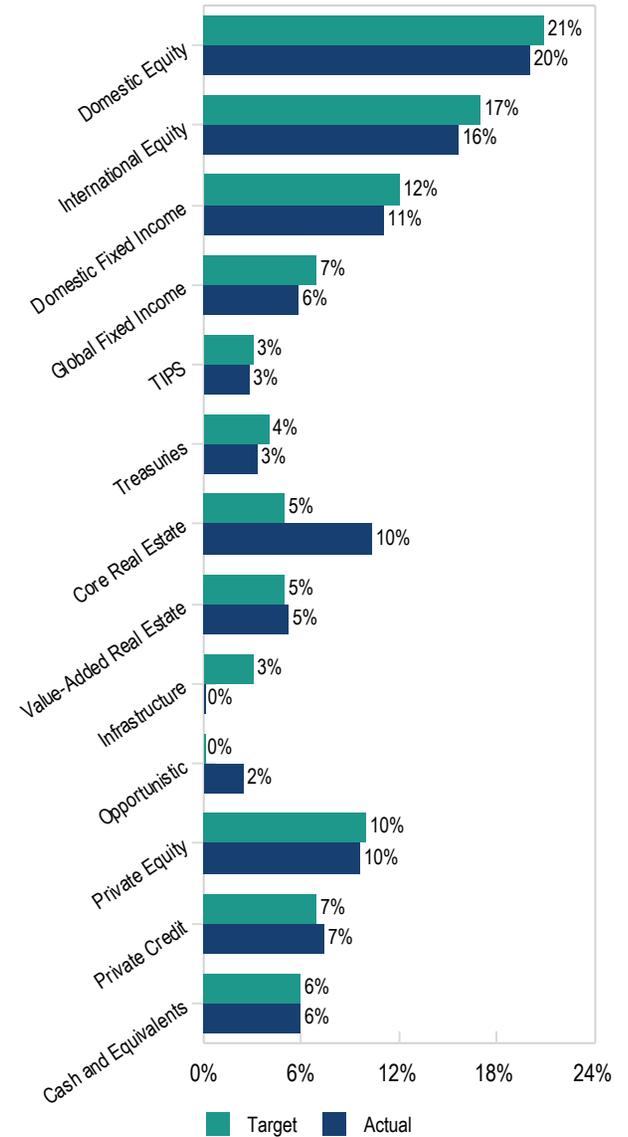


Interim Policy Index as of 1/1/2022: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 12% Bloomberg U.S. Aggregate, 4% Bloomberg US Treasury 7-10 yr, 3% Bloomberg US TIPS 5+ Year, 7% FTSE World Govt Bond Index, 11% NCREIF Property Index, 10% Actual Private Equity Return, 7% Actual Private Credit Return, 6% 90-day T-Bills, 2% ARA American Strategic Value Realty. ARA Strategic Value Realty as of 9/30/22. All data is preliminary.

Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: December 31, 2022

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	252,831,257	15.6	-1.6	8.1
NCREIF Property Index			0.0	9.4
JP Morgan Core Real Estate	168,047,518	10.4	-2.4	4.3
NCREIF-ODCE			-5.0	7.5
NCREIF Property Index			0.0	9.4
ARA American Strategic Value Realty	84,783,740	5.2	0.1	16.7
NCREIF-ODCE			-5.0	7.5
NCREIF Property Index			0.0	9.4
Total Risk Diversifying	373,409,046	23.1	0.2	-12.0
Total Risk Diversifying Benchmark			-0.4	-14.5
Total Domestic Fixed Income	278,438,678	17.2	-0.3	-10.0
Blmbg. U.S. Aggregate Index			-0.5	-13.0
BlackRock Core Bond	56,828,770	3.5	0.0	-14.9
Blmbg. U.S. Aggregate Index			-0.5	-13.0
Dodge & Cox Income Fund	54,146,876	3.3	-0.3	-10.5
Blmbg. U.S. Aggregate Index			-0.5	-13.0
Pacific Asset Corporate Loan	68,430,070	4.2	0.3	-0.2
Morningstar LSTA US Leveraged Loan			0.4	-0.6
SSGA U.S. Govt Bond Index	54,063,721	3.3	-0.7	-12.5
Blmbg. U.S. Treasury: 7-10 Year			-1.1	-14.9
BlackRock TIPS	44,969,240	2.8	-1.2	-11.9
Blmbg. U.S. TIPS			-1.0	-11.8
Total Global Fixed	94,970,369	5.9	1.8	-17.0
FTSE World Government Bond Index			-0.2	-18.3
Brandywine Global Fixed Income	41,448,660	2.6	1.6	-13.8
FTSE Non-U.S. World Government Bond			0.3	-22.1
Ashmore EM Blended Debt Fund	53,521,708	3.3	1.9	-19.9
50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMI+			1.2	-13.6

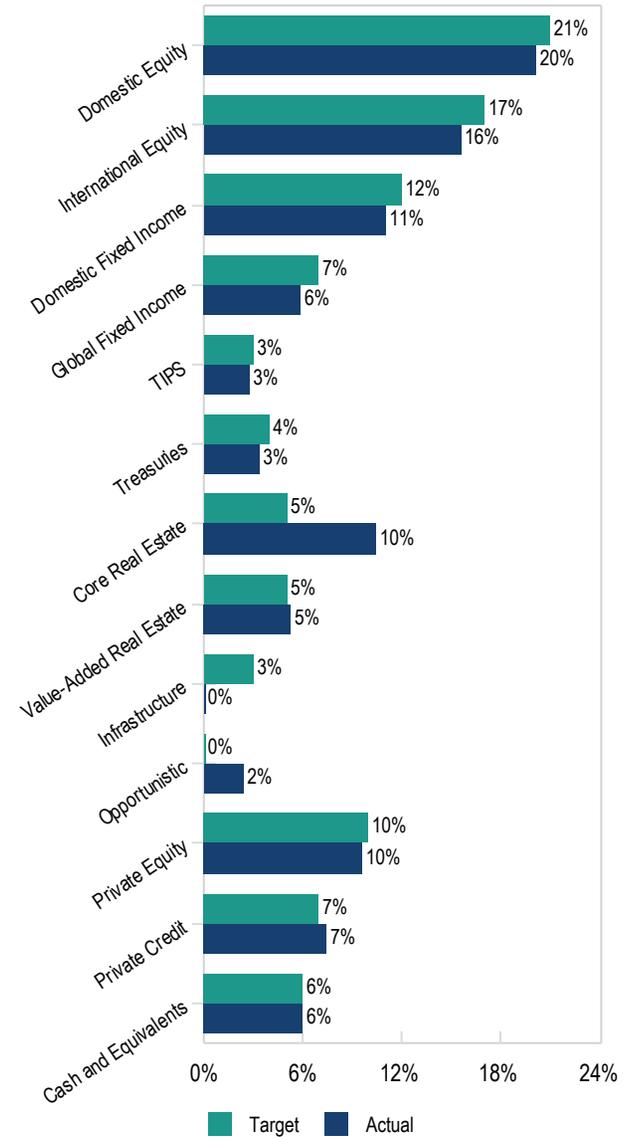


Interim Policy Index as of 1/1/2022: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 12% Bloomberg U.S. Aggregate, 4% Bloomberg US Treasury 7-10 yr, 3% Bloomberg US TIPS 5+ Year, 7% FTSE World Govt Bond Index, 11% NCREIF Property Index, 10% Actual Private Equity Return, 7% Actual Private Credit Return, 6% 90-day T-Bills, 2% ARA American Strategic Value Realty. ARA Strategic Value Realty as of 9/30/22. All data is preliminary.

Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: December 31, 2022

	Market Value	% of Portfolio	1 Mo	YTD
Total Liquidity	97,398,246	6.0	0.1	-1.2
90 Day U.S. Treasury Bill			0.4	1.5
Total Cash	97,398,246	6.0	0.1	-1.2
90 Day U.S. Treasury Bill			0.4	1.5
PIMCO Short Duration Fund	33,230,057	2.1	0.3	-4.3
Bloomberg 1-3 Year Gov/Credit Index			0.2	-3.7
Cash Account	50,936,047	3.1	0.0	0.4
90 Day U.S. Treasury Bill			0.4	1.5
Investment Cash	13,232,141	0.8	0.5	0.9
90 Day U.S. Treasury Bill			0.4	1.5
Total Opportunistic	39,047,164	2.4		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	2,683,639	0.2		
Sixth Street Partners TAO	36,363,525	2.2		



Interim Policy Index as of 1/1/2022: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 12% Bloomberg U.S. Aggregate, 4% Bloomberg US Treasury 7-10 yr, 3% Bloomberg US TIPS 5+ Year, 7% FTSE World Govt Bond Index, 11% NCREIF Property Index, 10% Actual Private Equity Return, 7% Actual Private Credit Return, 6% 90-day T-Bills, 2% ARA American Strategic Value Realty. ARA Strategic Value Realty as of 9/30/22. All data is preliminary.

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EYE ON THE MARKET OUTLOOK 2023

The End of the Affair

The affair with the market catalysts of the last decade is over now, and a new era of investing begins.

By **Michael Cembalest**

Chairman of Market and Investment Strategy for J.P. Morgan Asset & Wealth Management



The End of the Affair

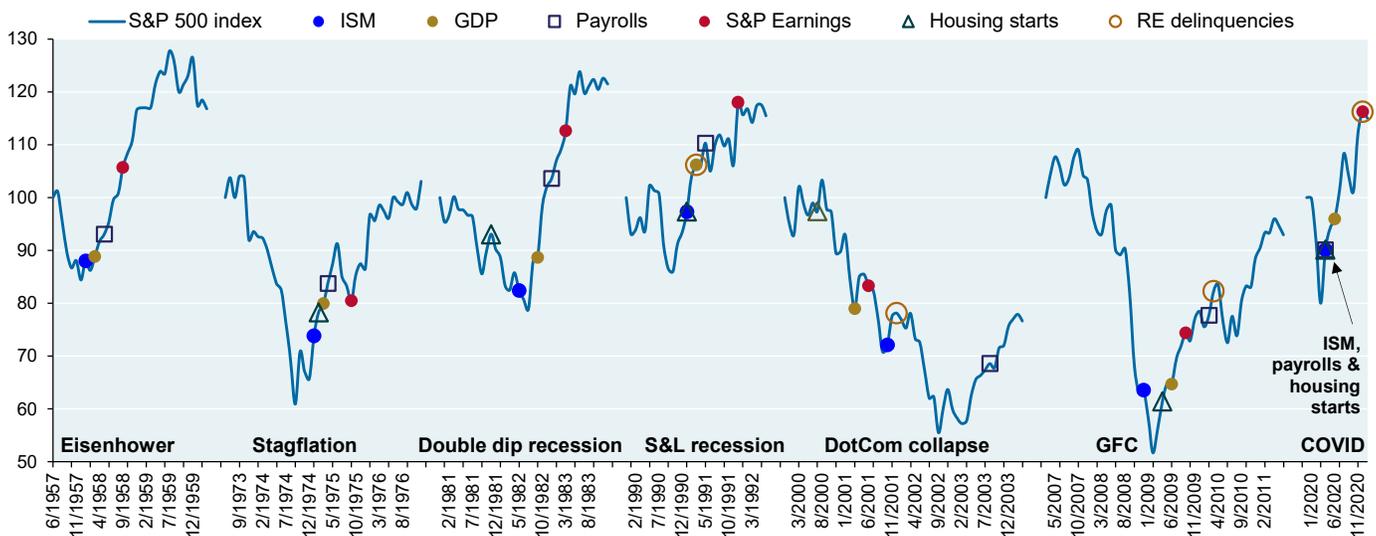
It was nice while it lasted. The tattered posters on the cover show the remnants of some equity market catalysts over much of the last decade and in particular 2020-2021: profitless innovation, the Fed’s quantitative easing, the discredited Western conceit of “geopolitical change through trade”, the cocktail napkin appeal of Modern Monetary Theory and massive fiscal stimulus, unsustainable negative real interest rates and “TINA” (there is no alternative to equities), the dream sequence of a rapid transition to renewable energy, the Potemkin village of many metaverse/fintech narratives and the pseudo-libertarian gibberish of unregulated crypto.

The largest combined monetary and fiscal experiment in history is ending now, and a major growth slowdown is coming to the US and Europe. But: avoid the trap of becoming more bearish the lower the market gets, and be prepared to take advantage of selloffs when/if they occur. As shown below, in the history of US recessions (with the exception of the dot-com collapse of 2001), equity markets bottomed well before the bottom in GDP, payrolls, S&P 500 earnings and housing starts and the peak in household/corporate delinquencies. The ISM survey has been the most reliable coincident indicator of a bottom in equities, which is why we pay so much attention to it. If history is any guide, the equity bottom would also coincide with the end of Fed hikes. I expect equity markets to bottom sometime in the first half of next year, and for the October 2022 lows to hold.

Our outlook begins with a discussion of leading indicators and what equity markets are pricing in already. The sections that follow examine US inflation which we believe will cool enough for the Fed to pause at 5% in the spring; the decline in globalization and implications for investors; how the end of negative real rates may usher in a period of improved stock picking by value-oriented managers; how a regulatory wave is coming to the Fintech/crypto world; where we see value in global fixed income now that Central Bank financial repression is ending; and the latest news on mRNA vaccines and the 1969 moon landing.

Michael Cembalest
JP Morgan Asset Management

When recessions occur, the ISM survey has been the best coincident indicator of a bottom in equities
S&P 500 indexed at 100 at start of each period, dots show when each indicator bottomed



Source: BEA, Census, NAR, Shiller, Bloomberg, S&P Dow Jones, JPMAM. 2022.

Board of Trustees

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Date: January 23, 2023

To: Board of Trustees

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

Agenda Item 16: Asset Allocation – December 2022

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

As a report on current asset allocation relative to the 2022 Interim SAA Target Allocation the following table provides details. The January version of this report will include the Interim SAA Target Allocation adopted for 2023.

Asset values may differ slightly from those shown in the Monthly Investment report due to when the report was run as various market values are finalized for month-end.

Note – asset allocation management is being administered to efficiently incorporate the mid-July prefunding of SLO County employer contributions of approximately \$76 million. This infusion of cash shifted the allocation to Liquidity above its target. The extra liquidity was used to fund retiree payroll of approximately \$10 million per month over July-January. The funding of retiree payroll in the February-June period will necessitate normal rebalancing drawdowns of various Growth portfolios each month.

FFP Asset Mix	Est. Market Value (\$000s)	% Allocation	SAA Target Allocation	Variance
	12/31/22		2022 Interim	
Bank (operating)	2,604	0.2%	0.1%	0.0%
SLOC Treasury	48,332	3.0%	2.0%	1.0%
JPM short term	13,232	0.8%	0.9%	-0.1%
Short Duration	33,230	2.1%	3.0%	-0.9%
LIQUIDITY	97,398	6.0%	6.0%	0.0%
Equity- Public Mkt US	323,549	20.1%	21.0%	-0.9%
Equity- Public Mkt Intl	253,223	15.7%	17.0%	-1.3%
Equity- Public Mkt Global	-	0.0%		0.0%
Bank Loans	68,247	4.2%	4.0%	0.2%
Bonds- Intl.	41,448	2.6%	3.0%	-0.4%
Bonds- Emerging Mkts	53,106	3.3%	4.0%	-0.7%
Real Estate- Core	168,047	10.4%	7.0%	3.4%
Real Estate- Value Add	84,784	5.3%	4.0%	1.3%
Infrastructure	-	0.0%	2.0%	-2.0%
Private Equity	154,587	9.6%	10.0%	-0.4%
Private Credit	119,476	7.4%	7.0%	0.4%
Opportunistic	39,047	2.4%	0.0%	2.4%
GROWTH	1,305,516	80.9%	79.0%	1.9%
Bonds- Core	110,919	6.9%	8.0%	-1.1%
Treasuries - Intermediate	54,064	3.4%	4.0%	-0.6%
TIPS	44,969	2.8%	3.0%	-0.2%
RISK DIVERSIFYING	209,952	13.0%	15.0%	-2.0%
TOTAL	1,612,866	100.0%	100.0%	
Liquidity + Risk Diversifying		19.1%	21.0%	-1.9%

Respectfully submitted,