

Pension Trust

1000 Mill Street
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(805) 781-5465 Phone
(805) 781-5697 Fax
www.SLOPensionTrust.org

San Luis Obispo County
Pension Trust

SLOCPT

AGENDA

PENSION TRUST BOARD OF TRUSTEES

Monday, March 28, 2022 9:30 AM

Board of Supervisors Chambers
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/86587707661?pwd=cHhGb2FyVis3Y0FiYXNjUUVUOXI3QT09>

Passcode: 142297

If you wish to listen via phone to the meeting, please dial 669/900-6833 (Meeting ID 865 8770 7661). If you have any questions or require additional service, please contact SLOCPT at 805/781-5465.

A) PUBLIC COMMENT

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

B) ORGANIZATIONAL

None

C) CONSENT

2. Minutes of the Regular Meeting of March 28, 2022 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of February 2022 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of February 2022 (Receive, Approve and File).

D) APPLICATIONS FOR DISABILITY RETIREMENT

5. *reserved*
6. *reserved*
7. *reserved*
8. *reserved*

E) OLD BUSINESS

None

F) NEW BUSINESS

9. Employer Contributions Prefunding and Discount Rate (Discuss, Direct Staff as necessary).
10. Administrative Budget for Fiscal Year 2022-2023 - Proposed – (Review, Discuss, and Direct Staff as necessary).

G) INVESTMENTS

11. Monthly Investment Report for February 2022 (Receive and File).
12. *reserved*

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

H) OPERATIONS

14. Staff Reports

15. General Counsel Reports

16. Committee Reports:

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

17. Upcoming Board Topics (subject to change)

- i. April 25, 2022 – planned as a non-meeting month
- ii. May 23, 2022
 - a. Disabilities
 - b. Actuarial Experience Study
 - c. Actuarial Valuation Assumptions
 - d. FY 22-23 SLOCPT administrative budget – approval
 - e. Quarterly Investment Report 1Q22
 - f. Core Infrastructure Fund
 - g. TBD
- iii. June 27, 2022
 - a. 2021 Financial Audit Report / ACFR Approval
 - b. 2022 Actuarial Valuation / Contribution Rate changes
 - c. Employer prefunding amount
 - d. TBD
- iv. July 25, 2022 – planned as a non-meeting month

18. Trustee Comments

I) CLOSED SESSION

None

J) ADJOURNMENT

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BOARD OF TRUSTEES**

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MINUTES

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

**PENSION TRUST
BOARD OF TRUSTEES**

** Note – all attendees participated via videoconference as noticed on the agenda for the meeting. Public access was available via videoconference or an audio-only phone-in line.*

Board Members Present: Jeff Hamm
Jim Hamilton
Taylor Dacus
David Grim
Lisa Howe
Gere Sibbach
Michelle Shoresman

Board Members Absent: -

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

General Counsel: Chris Waddell Olson | Remcho

Consultants: Anne Harper Cheiron
Alice Alsberghe Cheiron
Scott Whalen Verus

Others: Larry Batchelder SLOCREA
Michael Hobbs SLO County Human Resources
Brenda Dye SLO County employee
Joe Ebisa Journalist – withintelligence.com
Lisa Winter SLOOPT
Anna Bastidos SLOOPT

Call to Order: 9:33 AM by President Hamm

A) MEETING VENUE

1. Resolution 2022-02 Providing Continuation of Virtual Meetings Pursuant to AB 361

Motion: Approve Resolution 2022-02

Discussion: Trustee Shoresman asked about the March meeting format. Executive Director Nelson responded that the meeting would be a hybrid format, with the Trustees attending in the County Board of Supervisors chambers and a live stream via Zoom for those who cannot attend in person.

Public Comment: None

Motion Made: Ms. Howe **Motion Seconded:** Ms. Shoresman

Carried: Unanimous (roll call vote)

B) PUBLIC COMMENT

2. None

C) ORGANIZATIONAL

None

D) CONSENT

3. Minutes of the Regular Meeting of January 24, 2022 (Approve Without Correction).
4. Report of Deposits and Contributions for the month of January 2022 (Receive and File).
5. Report of Service Retirements, Disability Retirements, and DROP Participants for the month of January 2022 (Receive, Approve and File).

Motion: Approve the Consent items

Discussion: -

Public Comment: None

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

Carried: Unanimous (roll call vote)

E) APPLICATIONS FOR DISABILITY RETIREMENT

6. Application for Industrial Disability Retirement – Case 2021-10 (Recommend Approval)

Motion: Approve Staff recommendation to approve Industrial Disability Retirement case 2021-10

Discussion: Deputy Director Burke presented the Staff recommendation. Trustees asked various questions and discussed the case.

Public Comment: None

Motion Made: Mr. Dacus **Motion Seconded:** Mr. Grim

Carried: Ayes: Trustees Hamm, Hamilton, Dacus, Grim, Howe Sibbach
 Abstention: Trustee Shoresman

F) OLD BUSINESS

None

G) NEW BUSINESS

7. Approval of the Annual Cost-of-Living Adjustments provided by the San Luis Obispo County Employees Retirement Plan (Recommend Approval).

Discussion: Staff reviewed the recommendation and calculation of the 2022 COLA. Staff also noted that Tier 1 Retirees who have a COLA bank from the previous year(s) will receive a 2.9% COLA; all other Tier 1 Retirees will receive the 2.6% COLA. Tier 2 and 3 Retirees will receive a 2.0% COLA. Trustees asked various questions.

Motion: Approve Staff recommendation

Public Comment: None

Motion Made: Mr. Sibbach **Motion Seconded:** Mr. Hamilton

Carried: Unanimous (roll call vote)

8. 2022 Actuarial Experience Study and Valuation Planning – Presentation by Anne Harper and Alice Alsberghe of Cheiron, Plan Actuary (Discuss, Director Actuary and Staff as necessary)

Discussion: Executive Director Nelson introduced the item. Anne Harper and Alice Alsberghe of Cheiron, the Plan Actuary, presented. Trustees asked various questions and discussed the topics at length. Particular areas of discussion involved the setting of the

Discount Rate and Inflation assumptions to be addressed at a later meeting after completion of the 2022 Actuarial Experience Study.

Public Comment: None

No Action Necessary

11:15 AM – Board President Hamm called for a break

11:21 AM – back in session

H) INVESTMENTS

9. Quarterly Investment Report for the 4th Quarter of 2021 – Verus (Receive and File).

Discussion: Detailed investment performance report by Scott Whalen, CFA, CAIA, Executive Managing Director and Senior Consultant, Verus. Trustees asked various questions throughout the presentation.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Hamilton **Motion Seconded:** Mr. Sibbach

Carried: Unanimous (roll call vote)

10. Monthly Investment Report for January 2022 (Receive and File)

Discussion: Monthly investment performance report by Staff and Verus

Motion: Receive and File

Public Comment: None

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

Carried: Unanimous (roll call vote)

11. Capital Market Assumptions – 2022 – Verus (Review, Discuss, Receive and File).

Discussion: Presentation on Verus' 2022 Capital Market Assumptions by Scott Whalen of Verus. The 2022 Verus CMAs are slightly higher than the 2021 CMAs, but still reflect a low-return environment given low interest rates and elevated stock valuations.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Sibbach **Motion Seconded:** Mr. Grim

Carried: Unanimous (roll call vote)

12. Private Markets Discretionary Advisor – Implementation Update (Review, Discuss, and Direct Staff).

Discussion: Executive Director Nelson made a short verbal presentation. The implementation of the previously approved hiring of HarbourVest to manage a large fund-of-one for the SLOCPT is proceeding as intended.

Public Comment: None

No Action Necessary

13. Asset Allocation

Discussion: Executive Director Nelson reported on the current asset allocation of the fund and that no action was necessary.

Public Comment: None

No Action Necessary

I) OPERATIONS

14. Staff Reports

- i. Ms. Burke presented an update on SLOCPT staff work-from-home scheduling, mask requirements for unvaccinated guests, and in-person retirement counseling meetings.
- ii. Mr. Nelson reported that SLO County has issued a Request for Proposal (RFP) for a plan provider for the SLO County Deferred Compensation Plan. The SLOCPT administers the SLO County Deferred Compensation Plan on behalf of the County.

15. General Counsel Reports

- i. Mr. Waddell reported that the ability to conduct virtual meetings under the terms of AB361 is ending and that the March 28th Board of Trustees meeting is almost certain to return to an in-person format.
- ii. Mr. Waddell reported that, effective March 31, 2022, the waiver of the retiree/temporary employee work hour limitation of 960 hours in a fiscal year as well as the mandatory waiting period of 180 days for new retirees to return to work as temporaries for their prior employer was ending.

16. Committee Reports:

- i. Audit Committee – Mr. Sibbach reported that the Audit Committee held its audit entrance meeting with Brown Armstrong
- ii. Personnel Committee No Report
- iii. Private Markets Investments (ad hoc) No Report

17. Upcoming Board Topics – published on meeting agenda

18. Trustee Comments

Trustees discussed upcoming in-person Board trainings for new Trustees.

J) CLOSED SESSION

None

K) ADJOURNMENT

There being no further business, the meeting was adjourned at 12:45 PM. The next Regular Meeting was set for March 28, 2022, at 9:30 AM, in the Board of Supervisors chambers, County Government Center, San Luis Obispo, California 93408.

Respectfully submitted,

Carl Nelson
Executive Director

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

PP 3	2/10/2022	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Combined Rate	Additional Contributions	Service Purchases	TOTAL Contributions
						Employee Contributions	Employee Rate				
	By Employer and Tier:										
	County Tier 1	2,790,529.22	855,325.44	30.65%	387,294.89	237,395.85	22.39%	53.04%	1,537.50	725.69	1,482,279.37
	County Tier 2	977,803.51	310,411.44	31.75%	66,311.52	82,360.25	15.20%	46.95%	-	-	459,083.21
	County Tier 3	4,140,918.59	1,248,630.41	30.15%	583,427.45	-	14.09%	44.24%	-	610.15	1,832,668.01
	Superior Court Tier 1	232,052.40	69,081.19	29.77%	47,619.13	-	20.52%	50.29%	-	-	116,700.32
	Superior Court Tier 3	157,068.00	44,955.04	28.62%	24,635.18	-	15.68%	44.31%	-	-	69,590.22
	APCD Tier 1	45,970.62	12,823.36	27.89%	7,643.98	3,680.19	24.63%	52.53%	-	-	24,147.53
	APCD Tier 2	3,471.20	939.31	27.06%	481.81	199.59	19.63%	46.69%	-	-	1,620.71
	APCD Tier 3	31,275.63	8,368.25	26.76%	5,109.27	-	16.34%	43.09%	-	-	13,477.52
	SLOCPT Tier 1	8,101.67	2,347.86	28.98%	1,229.83	752.65	24.47%	53.45%	-	-	4,330.34
	SLOCPT Tier 2	9,814.40	2,844.21	28.98%	554.52	911.75	14.94%	43.92%	-	-	4,310.48
	SLOCPT Tier 3	12,785.20	3,701.31	28.95%	1,836.00	-	14.36%	43.31%	250.00	-	5,787.31
	LAFCO Tier 3	9,973.37	3,097.66	31.06%	1,373.42	-	13.77%	44.83%	-	-	4,471.08
	RTA Tier 2	28,057.40	8,246.06	29.39%	576.17	3,647.46	15.05%	44.44%	-	-	12,469.69
	RTA Tier 3	15,836.22	4,943.80	31.22%	1,876.66	-	11.85%	43.07%	-	-	6,820.46
		8,463,657.43	2,575,715.34	30.43%	1,129,969.83	328,947.74	17.24%	47.67%	1,787.50	1,335.84	\$ 4,037,756.25
PP 4	2/25/2022										
	By Employer and Tier:										
	County Tier 1	2,797,124.59	857,349.49	30.65%	388,336.94	238,019.17	22.39%	53.04%	2,537.50	725.69	1,486,968.79
	County Tier 2	977,843.27	310,807.26	31.78%	66,489.01	82,301.81	15.22%	47.00%	-	-	459,598.08
	County Tier 3	4,165,632.50	1,256,518.34	30.16%	587,003.59	-	14.09%	44.26%	-	2,826.47	1,846,348.40
	Superior Court Tier 1	228,624.49	68,094.83	29.78%	46,884.85	-	20.51%	50.29%	-	-	114,979.68
	Superior Court Tier 3	160,160.94	45,830.24	28.62%	25,068.76	-	15.65%	44.27%	-	-	70,899.00
	APCD Tier 1	45,970.62	12,823.35	27.89%	7,643.97	3,680.20	24.63%	52.53%	-	-	24,147.52
	APCD Tier 2	3,471.20	939.31	27.06%	481.81	199.59	19.63%	46.69%	-	-	1,620.71
	APCD Tier 3	31,275.61	8,368.24	26.76%	5,109.26	-	16.34%	43.09%	-	-	13,477.50
	SLOCPT Tier 1	8,101.67	2,347.86	28.98%	1,229.83	752.65	24.47%	53.45%	-	-	4,330.34
	SLOCPT Tier 2	9,814.40	2,844.21	28.98%	554.52	911.75	14.94%	43.92%	-	-	4,310.48
	SLOCPT Tier 3	12,785.21	3,701.31	28.95%	1,836.00	-	14.36%	43.31%	250.00	-	5,787.31
	LAFCO Tier 3	8,055.75	2,502.15	31.06%	1,114.04	-	13.83%	44.89%	-	-	3,616.19
	RTA Tier 2	28,057.40	8,246.06	29.39%	576.17	3,647.46	15.05%	44.44%	-	-	12,469.69
	RTA Tier 3	15,836.22	4,943.79	31.22%	1,876.66	-	11.85%	43.07%	-	-	6,820.45
		8,492,753.87	2,585,316.44	30.44%	1,134,205.41	329,512.63	17.23%	47.68%	2,787.50	3,552.16	\$ 4,055,374.14
TOTAL FOR THE MONTH		16,956,411.30	5,161,031.78	30.44%	2,264,175.24	658,460.37	17.24%	47.67%	4,575.00	4,888.00	\$ 8,093,130.39
TOTAL YEAR TO DATE		33,887,408.01	10,317,278.12	30.45%	4,524,504.90	1,319,385.65	17.25%	47.69%	8,150.00	20,884.46	\$ 16,190,203.13

REPORT OF RETIREMENTS**February 2022**

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Gentry, Laura C	Sheriff-Coroner	Service Retirement	01/19/2022	825.82	False
Gentry, Laura C	Sheriff-Coroner	Additional Annuity	01/19/2022	1.11	False
Gutierrez, Carolina	Drinking Driver Programs	Service Retirement	02/05/2022	440.53	False
Holt, Travis Allan	Public Works ISF	Non Duty Disability Retirement	09/18/2021	462.52	False
Lavack, Randell S	Air Pollution Control	Service Retirement	12/31/2021	1,842.85	False
Mejia, Bertha L	Library	Service Retirement	12/31/2021	3,028.34	False
Mejia, Bertha L	Library	Additional Annuity	12/31/2021	28.20	False
Meyer, Spencer L	General Services	Service Retirement	12/30/2021	1,154.34	False
Nichols, John	Sheriff-Coroner	Duty Disability Retirement	11/19/2021	3,218.03	False
Parashis, Rhonda Noel	Clerk-Recorder	Service Retirement	01/29/2022	807.93	False
Vick, Judith A	Behavioral Health	Service Retirement	01/22/2022	6,278.05	True

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

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

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Date: March 28, 2022

To: Board of Trustees

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

Agenda Item 9: Employer Contributions Prefunding

Recommendation:

The Board of Trustees should discuss, and approve actions based on one of the following:

1. To agree to the FY22-23 prefunding of employer contributions from the County of San Luis Obispo and the Air Pollution Control District consistent with the automatic renewal of the Prefunding Agreement (as amended in 2017) that provides for –
 - a. Prefunding of employer paid contributions (including Employer Paid Member Contributions) as of June 30th for the upcoming fiscal year in a lump sum instead of on a pay-period basis.
 - b. Such prefunding to be calculated by SLOCPT’s actuary using a discount rate adopted on an annual basis by the Board of Trustees. The table below shows the previous year’s rate and **suggested rate for 2022 benchmarked to the Plan’s adopted real rate of return:**

	2021 FY21-22 Prefunding Adopted	2022 FY22-23 Prefunding Proposed
Prefunding Discount Rate = Plan's Real Rate of Return Assumption	4.500%	4.500%

** Note: A different real rate of return may be discussed and approved for the 2022 Actuarial Valuation at the May 2022 Board of Trustees meeting. This would not necessarily change this Prefunding discount rate since it needs to be determined in advance of the setting of the actuarial Discount Rate.*

- c. The Board of Trustees may adopt a different discount rate for Prefunding at its discretion.

- OR -

- 2. To not agree to the FY22-23 prefunding of employer contributions and to provide the County the required 60 days of notice to terminate or suspend the Prefunding Agreement in existence.

Background:

Beginning with FY14-15 SLOCPT and the County agreed to restart a prior practice of allowing the County to prepay employer pension contributions at the start of a fiscal year at a discounted rate. This agreement was amended in 2017 to set the discount rate to be used at a rate adopted on an annual basis by the Board of Trustees. The discount rate adopted by the Board of Trustees in 2021 was the then assumed real rate of return adopted and used in the January 1, 2021, Actuarial Valuation.

The basic premise for a retirement system to allow the Plan sponsor to prefund employer contributions at a discounted rate is that the retirement system then has those funds to invest longer than it would were they to be received in pay-period increments throughout the year. So, for employer contributions, instead of the normal dollar-cost-averaging of investment inflows, a more lump sum pattern of inflows is created. Employee contributions that are not paid for by the employer continue to be made on a pay-period basis throughout the year.

- If the actual earnings on investments is less than the discount rate used for the prefunding, an actuarial loss is created. The normal actuarial smoothing of gains and losses spreads out this impact.
- If the actual earnings on investments are greater than the discount rate used for the prefunding, an actuarial gain is created. The normal actuarial smoothing of gains and losses spreads out this impact.

From the Plan sponsor's side, prefunded employer contributions discounted at a rate greater than that possible to be earned in the conservative investments allowed for Treasury funds, creates budget savings.

The current market environment is one where investment returns are constrained by low interest rates and relatively high equity valuation levels. This makes the short-term potential for investment returns being below the adopted discount rate used for prefunding greater than that of historical markets. This is reflected in the intermediate (10 year) capital market assumptions presented by Verus (investment consultant) in February 2022 being approximately 6.3%. For comparison, reducing this rate by the Plan's current assumed rate of inflation of 2.25% brings this rate down to 4.05%.

Other California retirement systems have a range of practices in employer contribution prefunding including: no prefunding; prefunding discounted at the actuarial assumed rate of return; prefunding discounted at the actuarial assumed rate of return less a set spread (e.g., 50%); prefunding discounted at half of the actuarial assumed rate of return; or, prefunding at a rate considered and approved on an annual basis.

Respectfully submitted

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Date: March 28, 2022

To: Board of Trustees

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

Agenda Item 10: Administrative and Capital Expenditures Budget for Fiscal Year 2022-2023 - Proposed

Recommendation:

It is recommended that the Board of Trustees review and direct staff as necessary regarding the Proposed Administrative Budget for the Fiscal Year 2022-2023 (“FY22/23”) (Attachments A through C). A final draft of these budget schedules, based on direction given to staff, will be presented for approval at the regular meeting scheduled for May 23, 2022.

Discussion - Expenditures:

The expense categories presented in the attached **Proposed Administrative Budget** for the FY22/23 have been updated based upon varied assumptions, prior year experiences and staff’s best estimates of future events. **Overall staff believes a 0.5% increase in the total budgeted amount when compared to the approved Administrative Budget for Fiscal Year 2021-2022 is appropriate. This represents a \$15,500 increase compared to prior year from \$3.13 million to \$3.15 million.**

Staff’s basis for components of this change are further detailed in the sections bellow. This proposed amount represents 0.18% of the total unaudited Net Position of SLOOPT as of December 31, 2021.

- **Investment Expense (discretionary)** – Expense includes Investment Consultant (Verus – a flat rate contract) and Custodian Bank (JP Morgan – contract and market value dependent) fees (does not include Investment Management fees). The calculation of total predicted expenses uses assumptions based on the unaudited market value of investment assets as of 12/31/2021 where appropriate and adds a 6.3% investment

return that was taken from Verus' Capital Market Expectations report presented earlier this year. The decrease when compared to FY21-22 is attributable to the removal of the Private Markets Discretionary Advisor Search Consultant expense related to the hiring of Harbourvest.

- **Personnel Services** – (see Attachment B) Includes all expenses related to SLOCPT's staff. Assumes the following: 1) 2% increase in salaries for FY22-23, 2) payroll tax rates will stay consistent with 2022 rates currently in place, 3) cafeteria benefit of \$11,700 (employee only), \$13,200 (employee +1) and \$16,080 (family) annually per eligible employee (benchmarked to County positions in Bargain Units 7 & 11 and pro-rated for part-time employees), 4) employer pension rate increase of 1.10% effective with the pay period that includes 7/1/22, 5) applicable salary step increases and promotions for staff members determined to be eligible, 6) \$500 matched contribution to employees' deferred compensation account (benchmarked to County positions in Bargain Units 7 & 11). An additional amount was added to this year's budget to account for a 27 pay period cycle. This occurs around every 10 years and a reduction will be reflected in next year's cycle when we are back to the regular 26 pay period cycle.

Note: Salary ranges presented in Attachment B do not include the estimated 2.0% prevailing wage increase. However, the 2.0% increase is included in the overall Administrative Budget presented in Attachment A.

- **Professional Services** –
 - Accounting & Auditing: Based on quoted price from 2020 engagement letter with Brown Armstrong (SLOCPT's annual financial statement audit firm). The 2021 Audit is the fourth of the current 5-year engagement letter with Brown Armstrong.
 - Actuarial: Based on 2021 contract with Cheiron (SLOCPT's Actuary). Also includes estimate of expected costs relating to additional Actuarial services performed throughout the year. The decrease in expense is attributable to the removal of the biennial Experience Study costs that are to be performed in the current fiscal year.
 - Legal: Based on General Counsel Retainer and legal consultation relating to investment contracts, tax qualification and disability hearings. Future unforeseen legal expenses will be handled with either a Board-approved budget amendment or the use of contingency funds.
 - Medical Evaluations – Disabilities: Assumes costs associated with medical review services to be performed by MMRO and other Independent Medical Examiners (IMEs) as necessary. The increase this year is due to the increased disability applications experience in the current year.
 - Human Resources Consulting: Based on estimated costs associated with services provided by the County's Human Resources Department.

- Information Technology Services: Includes expenses related to PensionGold software system maintenance (per contract) and IT services provided by the County of San Luis Obispo. The decrease in budgeted expense is related to the County's restructuring of IT costs which were based off the County's IT Department's relayed estimates.
 - Banking & Payroll: Includes estimated banking fees for SLOCPT's two banking relationships (Union Bank and Pacific Premier) and fees associated with payroll services provided by Paychex.
 - Other Professional Services: Based on estimated expense for professional services not related to categories listed above.
- **Other Expenses –**
 - Trustee Election Expenses: County Clerk Recorder fees related to annual Trustee elections. Actual cost will be lower if there is an uncontested candidacy.
 - Insurance: Includes Fiduciary, General, Property, and Cyber liability coverages. Estimate is based on current year expense plus 5%.
 - Building & Maintenance: Estimate based on current year expenses. Totals include operating expenses such as janitorial services, building utilities and landscape maintenance. Costs associated with parking lot resurfacing have been rolled into FY22-23 and are reflected in proposed total.
 - Office Expense: Expense includes general office supplies and printing and mailing services provided by ASAP Reprographics.
 - Memberships & Publications: Includes industry specific memberships and publications.
 - Postage: Estimate based on current year expenses.
 - Communications: Includes cost associated with telephone services provided by County IT. Estimate is based on County-supplied budget document.
 - Training & Travel: (see Attachment C) Based on optimistic view that business travel will resume to normal levels.
 - Information Technology: Expense includes all purchases relating to tangible IT equipment. Assumes staggered four-year replacement cycle for office computers.
 - Equipment: Includes expenses associated with copier and office furniture purchases. Decrease is due to removal of furniture expense and furniture needs are not expected.

- Bad Debt Expense: This is a new category that will not be budgeted for but may see an expense from time to time. It is directly tied to benefit overpayments relating to late death notifications that we were not able to collect.
- **Contingencies** – 5% of total budget to be used for unexpected expenses.

Attachments:

Attachment A – Proposed Administrative Budget for Fiscal Year 2022-2023

Attachment B – Proposed Staffing

Attachment C – Proposed Training & Travel

**San Luis Obispo County Pension Trust
PROPOSED ADMINISTRATIVE BUDGET:
Fiscal Year 2022-2023**

	FY20-21 Actual Expenses	FY21-22 Estimated Expenses	FY21-22 Adopted Budget	FY22-23 Proposed Budget	Increase/ Decrease From PY
INVESTMENT EXPENSE:					
Invest. Exp. (Custody, Consultant)	\$ 550,579	\$ 660,000	\$ 664,000	\$ 607,000	\$ (57,000)
ADMINISTRATIVE EXPENSE:					
Personnel Services	\$ 1,193,398	\$ 1,213,000	\$ 1,239,000	\$ 1,356,500	\$ 117,500
Professional Service					
Accounting & Auditing	58,632	60,000	60,000	60,000	-
Actuarial	98,789	128,000	114,000	90,000	(24,000)
Legal	185,504	219,000	220,000	220,000	-
Medical Evaluations - Disabilities	22,575	36,000	25,000	30,000	5,000
Human Resources Consulting	5,000	5,000	5,000	5,000	-
Information Technology Services	194,624	295,000	267,500	249,000	(18,500)
Banking and Payroll	17,989	21,000	21,000	21,000	-
Other Professional Services	1,601	7,000	2,000	2,000	-
Total Professional Services	\$ 584,714	\$ 771,000	\$ 714,500	\$ 677,000	\$ (37,500)
Other Expenses					
Trustee Election Expenses	-	6,000	6,000	6,000	-
Insurance	136,445	133,000	145,000	139,000	(6,000)
Building Maintenance	48,219	88,000	58,000	58,000	-
Office Expense	17,243	22,000	28,000	25,000	(3,000)
Memberships & Publications	5,531	6,000	6,500	6,500	-
Postage	28,019	29,000	30,000	30,000	-
Communications	2,853	3,000	4,500	3,000	(1,500)
Training & Travel	7,330	29,000	47,000	56,000	9,000
Information Technology	16,146	27,000	30,500	30,500	-
Equipment	2,875	8,000	10,000	3,000	(7,000)
Bad Debt	-	6,000	-	-	-
Total Other Expenses	\$ 264,661	\$ 357,000	\$ 365,500	\$ 357,000	\$ (8,500)
Contingencies	\$ -	\$ -	\$ 149,000	\$ 150,000	\$ 1,000
TOTAL ADMINISTRATIVE	\$ 2,042,773	\$ 2,341,000	\$ 2,468,000	\$ 2,540,500	\$ 72,500
ADMIN. + INVESTMENT	\$ 2,593,352	\$ 3,001,000	\$ 3,132,000	\$ 3,147,500	\$ 15,500

Increase from Prior Year Budget

0.5%

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San Luis Obispo County Pension Trust PROPOSED STAFFING:									
	FY20-21 Actual	FY21-22 Amended Budget	FY21-22 Actual	FY22-23 Proposed Budget	Increase / (Decrease) From PY	Projected FY23-24	Projected FY24-25	Projected FY25-26	Projected FY26-27
Positions (FTEs):									
Executive Director	1.00	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00
Deputy Directory	1.00	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00
Retirement Programs Spec. III	2.00	2.00	2.00	2.00	-	2.00	2.00	2.00	2.00
Retirement Programs Spec. II	-	-	-	-	-	-	-	-	-
Retirement Programs Spec. I	-	-	-	-	-	-	-	-	-
Retirement Technician	1.75	1.75	1.75	1.75	-	1.75	1.75	1.75	1.75
Accountant IV	0.80	0.80	0.80	0.80	-	0.80	0.80	0.80	0.80
Accountant III	-	-	-	-	-	-	-	-	-
Accountant II	-	-	-	-	-	-	-	-	-
Accountant I	-	-	-	-	-	-	-	-	-
Administrative Asst. III	1.00	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00
Administrative Asst. II	-	-	-	-	-	-	-	-	-
Part-Time Temporary Office Asst.	-	0.50	-	0.50	-	0.50	0.50	0.50	0.50
TOTAL POSITIONS	7.55	8.05	7.55	8.05	-	8.05	8.05	8.05	8.05

PROPOSED SALARY & BENEFIT BENCHMARKS:

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

FY 22-23	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Benefits: (health, pension, other)
Executive Director <i>Subject to change per Contract Approval</i>	76.25	80.03	84.05	88.26	92.66		Benchmarked to County BU 7 + \$450/month auto allowance (not pensionable)
Deputy Director <i>80% of Executive Director</i>	61.00	64.02	67.24	70.61	74.13		Benchmarked to County BU 7
Retirement Programs Spec. III <i>#9663 Risk Mgmt. Analyst III</i>	41.94	44.04	46.24	48.55	50.98	53.53	Benchmarked to County BU 7

PROPOSED SALARY & BENEFIT BENCHMARKS: (continued)

FY 22-23	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Benefits: (health, pension, other)
Retirement Programs Spec. II <i>#9658 Risk Mgmt. Analyst II</i>	35.85	37.64	39.52	41.50	43.58	45.76	Benchmarked to County BU 7
Retirement Programs Spec. I <i>#9657 Risk Mgmt. Analyst I</i>	31.06	32.61	34.24	35.96	37.75	39.64	Benchmarked to County BU 7
Accountant IV <i>#2055 Auditor-Analyst III</i>	41.94	44.04	46.24	48.55	50.98	53.53	Benchmarked to County BU 7
Accountant III <i>#907 Accountant III</i>	36.25	38.06	39.96	41.96	44.06	46.26	Benchmarked to County BU 7
Accountant II <i>#906 Accountant II</i>	31.52	33.10	34.76	36.50	38.33	40.25	Benchmarked to County BU 7
Accountant I <i>#905 Accountant I</i>	26.90	28.25	29.66	31.14	32.70	34.34	Benchmarked to County BU 7
Retirement Technician <i>#913 Accounting Technician - Conf.</i>	24.87	26.11	27.42	28.79	30.23	31.74	Benchmarked to County BU 11
Administrative Asst. III <i>#2203 Administrative Asst. III - Conf.</i>	20.30	21.32	22.39	23.51	24.69	25.92	Benchmarked to County BU 11
Administrative Asst. II <i>#2222 Administrative Asst. II - Conf.</i>	18.45	19.37	20.34	21.36	22.43	23.55	Benchmarked to County BU 11
Administrative Asst. I <i>#2221 Administrative Asst. I - Conf.</i>	16.74	17.58	18.46	19.38	20.35	21.37	Benchmarked to County BU 11
Part-Time Temporary Office Assistant <i>#911 Account Clerk</i>	19.67	20.65	21.68	22.76	23.90		N/A

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

	FY20-21 Actual	Current FY21-22 YTD	FY21-22 Amended Budget	FY22-23 Proposed Budget	Increase / (Decrease) From PY Budget
<i>CALAPRS General Assembly</i>					
Attendees - Board	6	-	3	3	-
Attendees - Staff	2	-	2	2	-
Total Expense	2,500	-	7,250	7,250	-
<i>CALAPRS Advanced Trustee Institute (UCLA)</i>					
Attendees - Board	1	-	1	2	1
Attendees - Staff	-	-	-	-	-
Total Expense	650	-	3,450	6,900	3,450
<i>CALAPRS Trustees Training-Pepperdine</i>					
Attendees - Board	2	2	3	3	-
Attendees - Staff	-	-	-	-	-
Total Expense	1,000	1,000	9,900	9,900	-
<i>SACRS Trustees Training- Berkeley (new)</i>					
Attendees - Board	-	-	2	3	1
Attendees - Staff	-	1	1	1	-
Total Expense	-	500	11,250	15,000	3,750
<i>SACRS Semi-Annual Conferences</i>					
Attendees - Board	-	-	1	1	-
Attendees - Staff	-	-	-	-	-
Total Expense	-	-	1,550	1,550	-
<i>Nossaman Fiduciaries Forum</i>					
Attendees - Board	-	-	1	-	(1)
Attendees - Staff	-	-	-	1	1
Total Expense	-	-	1,025	1,025	-
<i>CALAPRS Administrators Institute</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	2	2	2	1	(1)
Total Expense	1,000	1,000	3,200	1,600	(1,600)
<i>CALAPRS Management Academy</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	-	1	1
Total Expense	-	-	-	3,350	3,350

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

	FY20-21 Actual	Current FY21-22 YTD	FY21-22 Amended Budget	FY22-23 Proposed Budget	Increase / (Decrease) From PY Budget
<i>CALAPRS Trustees Roundtables (2/yr)</i>					
Attendees - Board	1	1	2	2	-
Attendees - Staff	-	-	-	-	-
Total Expense	50	50	100	100	-
<i>CALAPRS Administrators Roundtables (2/yr)</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	2	1	4	4	-
Total Expense	100	50	200	200	-
<i>CALAPRS Investment Officers Roundtables (2/yr)</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	1	-	-	-	-
Total Expense	50	-	-	-	-
<i>CALAPRS Attorneys Roundtables (3/yr)</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	3	1	3	3	-
Total Expense	225	50	150	150	-
<i>CALAPRS Operations Roundtables (4/yr)</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	6	-	6	6	-
Total Expense	350	-	300	300	-
<i>CALAPRS Disability training</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	1	-	(1)
Total Expense	-	-	50	-	(50)
<i>CALAPRS Overview Course (3 class series)</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	4	-	1	-	(1)
Total Expense	800	-	250	-	(250)
<i>CALAPRS - Board, Faculty, and related travel</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	4	3	(1)
Total Expense	-	-	2,200	1,550	(650)

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

	FY20-21 Actual	Current FY21-22 YTD	FY21-22 Amended Budget	FY22-23 Proposed Budget	Increase / (Decrease) From PY Budget
<i>NCPERS Trustee Educational Seminar</i>					
Attendees - Board	-	4	-	-	-
Attendees - Staff	-	1	-	-	-
Total Expense	-	1,500	-	-	-
<i>Investment Seminars</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	1	1	-
Total Expense	-	-	1,600	1,600	-
<i>Software Training</i>					
Attendees - Board	-	-	-	-	-
Attendees - Staff	-	-	2	2	-
Total Expense	-	-	3,000	4,000	1,000
<i>Misc. Board and Staff Training</i>					
Total Expense	605	138	1,525	1,525	-
Subtotal Training and Travel					
Training	7,330	4,288	25,320	32,370	7,050
Travel (air, hotel, food)	-	-	14,100	15,950	1,850
Mileage Reimb.	-	-	7,050	7,150	100
Misc. Travel	-	-	530	530	-
Total Training and Travel	7,330	4,288	47,000	56,000	9,000

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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: March 28, 2022

To: Board of Trustees

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

Agenda Item 11: Monthly Investment Report for February 2022

	February	Year to Date 2022	2021	2020	2019	2018	2017
Total Trust Investments (\$ millions)	\$1,705		\$1,775	\$1,552 year end	\$1,446 year end	\$1,285 year end	\$1,351 year end
Total Fund Return	-1.3% Gross	-3.1% Gross	15.2% Gross	8.9 % Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross
Policy Index Return (r)	-117%	-3.7%	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 February. The attached market commentary from Verus details market conditions in February, but subsequent activity in February is not yet factored into these numbers. As of March 18th, the month has had significantly negative returns.

The Economy and Capital Markets:

- **The Economy**
 - **Inflation** – Inflation continues to dominate economic news. The CPI index ended February with a 7.9% year-over-year increase. While the spread between Treasury bond yields and TIPS yields continues to predict inflation moderating to less than half of the recent increases, the immediate pain of elevated short term inflation increasing drives consumer expectations.
 - **Wage Growth** – Wage increases on a trailing year basis in February showed a 5.1% year-over-year growth. This reflects the current tight labor market as many jobs go unfilled.
 - **New Jobs** - The February jobs report from the BLS on nonfarm employment showed a larger than expected gain of 678k new jobs.
 - **Unemployment** - The unemployment rate in January was little changed at 4.0%.

- **Economic Policy**
 - **Monetary Policy** – At its March 16th meeting the Fed increased short term interest rates by the widely expected amount of 0.25%. This was the first rate increase since 2018 and puts the target range for Fed funds in the 0.25% to 0.50% range. This move followed the significant slowing and end of the asset purchase monetary stimulus.
 - The Fed is embarked on a process of raising borrowing costs in the hopes of slowing the demand that may fuel inflation. Projections released by the Federal Open Market Committee signal the likelihood of the Fed raising rates up to six more times this year (which would mean rates 1.75% higher at the end of this year than last).
 - The Fed cautions that inflation will not immediately abate in response to its initial interest rate hikes. The Fed projects prices to rise by 4.3% over the course of 2022, well above the 2.6% pace it had projected in December. In 2023, the Fed hopes to bring that pace down to 2.7% and then to 2.3% in 2024.

Investment Markets –

- **War in Europe** – Markets have been roiled throughout January and February over, not just inflation and interest rate fears, but the Russian invasion of Ukraine. In addition to the human tragedy of Russian aggression, the economic disruptions of the sanctions placed against Russia by western nations are large. Led by the U.S., the scope of economic sanctions used to extract retribution on Russia are wide and carefully targeted. One of the most noticeable side effects in the U.S. is the sharp rise in oil prices that have led to a surge in gasoline prices. This fuels increased inflation fears, and curtails travel which has an inhibiting effect on GDP growth.

Respectfully Submitted,

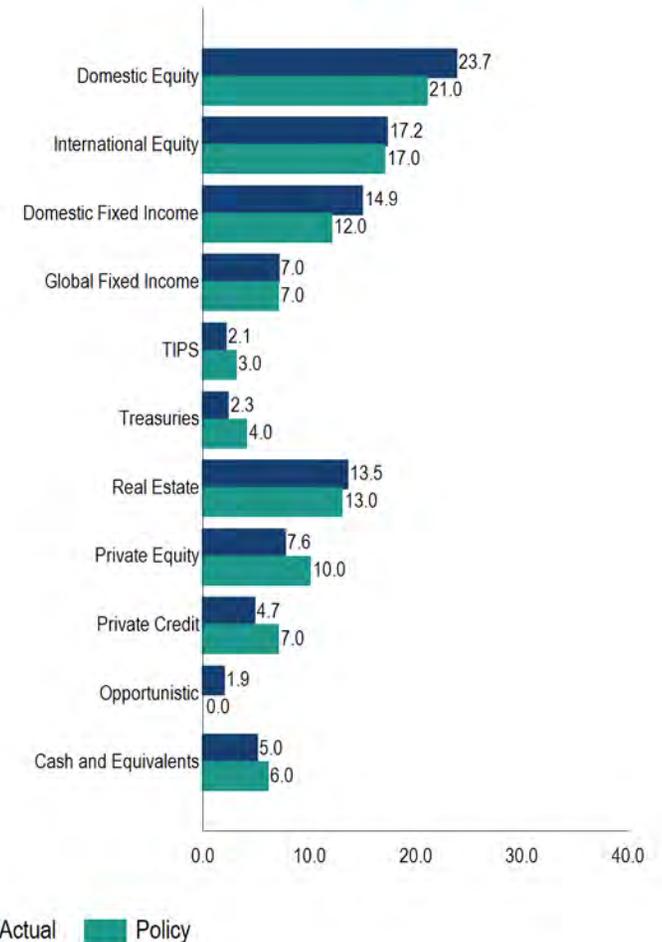
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: February 28, 2022

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,705,080,875	100.0	-1.3	-3.1
Interim Policy Index			-1.1	-3.7
FFP SAA Index			-0.5	-2.4
Total Growth	1,139,799,453	66.8	-1.3	-3.4
Custom Growth Benchmark			-1.3	-4.2
Total Public Equity	698,814,819	41.0	-3.0	-6.8
Russell 3000			-2.5	-8.3
Total Domestic Equity	404,694,995	23.7	-1.7	-4.8
Russell 3000			-2.5	-8.3
PIMCO RAE US	112,689,944	6.6	-1.7	-2.0
S&P 500			-3.0	-8.0
Loomis Sayles Large Cap Growth	98,327,939	5.8	-4.6	-10.4
Russell 1000 Growth			-4.2	-12.5
Boston Partners Large Cap Value	111,828,370	6.6	-0.7	-0.7
Russell 1000 Value			-1.2	-3.5
Atlanta Capital Mgmt	81,848,742	4.8	0.4	-6.6
Russell 2500			1.1	-7.3
Total International Equity	294,119,825	17.2	-4.7	-9.4
MSCI ACWI ex USA Gross			-2.0	-5.6
Dodge & Cox Intl Stock	159,795,502	9.4	-4.2	-1.3
MSCI ACWI ex USA Value Gross			-1.2	-0.3
WCM International Growth	134,324,323	7.9	-5.3	-17.5
MSCI ACWI ex USA Growth Gross			-2.8	-10.6
Total Private Equity	130,121,178	7.6		
Harbourvest Partners IX Buyout Fund L.P.	16,851,850	1.0		
Pathway Private Equity Fund Investors 9 L.P.	85,076,324	5.0		
Harbourvest 2018 Global Fund L.P.	18,597,751	1.1		
Pathway Private Equity Fund Investors 10 L.P.	9,595,253	0.6		
Total Private Credit	80,944,557	4.7		
Sixth Street Partners DCP	80,944,557	4.7		

Actual vs Interim Target Allocation (%)



New Policy Index as of 1/1/2022 24% Russell 3000, 17% MSCI ACWI ex-US (Gross), 15% BbgBarc U.S. Aggregate, 7% FTSE WGBI, 4% BbgBarc US Treasury 7-10 yr, 3% BbgBarc US TIPS, 13% NCREIF Property Index, 7% Actual Private Equity Return, 4% Actual Private Credit Return, 6% 91 day T-Bills. 2% allocation to Infrastructure is to NCREIF Property, until a more appropriate benchmark is established. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

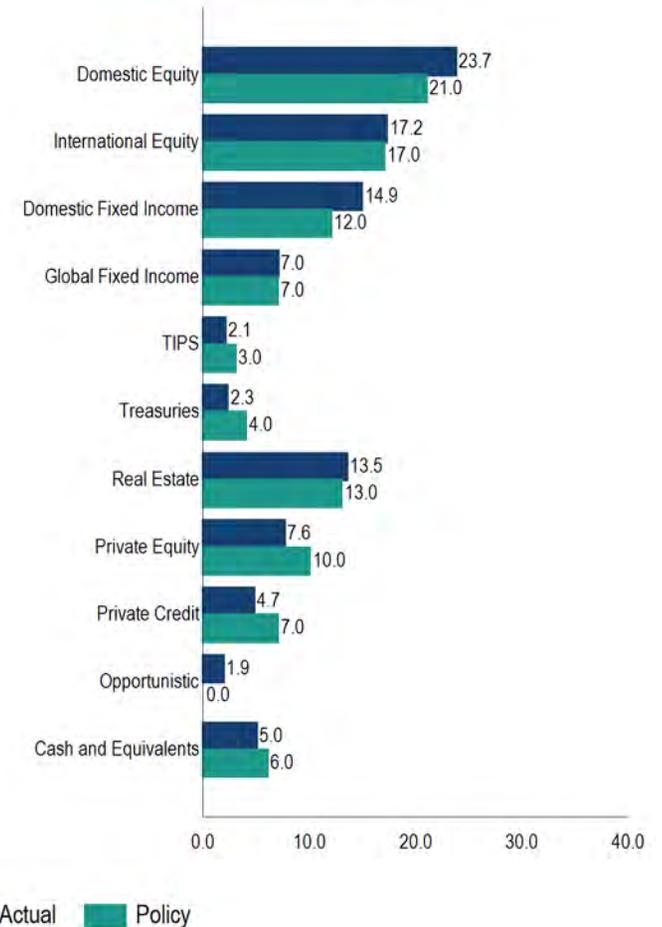
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: February 28, 2022

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	229,918,898	13.5	2.1	4.2
NCREIF Property Index			0.0	0.0
JP Morgan Core Real Estate	173,550,632	10.2	2.8	3.9
NCREIF-ODCE			0.0	0.0
NCREIF Property Index			0.0	0.0
ARA American Strategic Value Realty	56,368,266	3.3	0.0	5.0
NCREIF-ODCE			0.0	0.0
NCREIF Property Index			0.0	0.0
Total Risk Diversifying	448,038,097	26.3	-1.5	-2.9
Custom Risk Diversifying Benchmark			-0.8	-2.9
Total Domestic Fixed Income	327,871,063	19.2	-0.8	-2.2
Bloomberg US Aggregate TR			-1.1	-3.2
BlackRock Core Bond	85,038,607	5.0	-1.4	-3.5
Bloomberg US Aggregate TR			-1.1	-3.2
Dodge & Cox Income Fund	90,161,908	5.3	-1.3	-3.2
Bloomberg US Aggregate TR			-1.1	-3.2
Pacific Asset Corporate Loan	78,979,479	4.6	-0.3	0.2
S&P/LSTA Leveraged Loan Index			-0.5	-0.2
SSGA U.S. Govt Bond Index	38,692,047	2.3	-0.7	-2.5
Bloomberg US Treasury 7-10 Yr TR			-0.3	-2.7
BlackRock TIPS	34,999,021	2.1	0.9	-1.1
Bloomberg US TIPS TR			0.9	-1.2
Total Global Fixed	120,167,034	7.0	-3.3	-5.0
FTSE World Govt Bond Index			-1.1	-3.1
Brandywine Global Fixed Income	58,395,285	3.4	-0.3	-1.2
FTSE WGBI ex US TR			-1.3	-3.5
Ashmore EM Blended Debt Fund	61,771,749	3.6	-6.1	-8.2
50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMI+			-5.0	-6.3

Actual vs Interim Target Allocation (%)



New Policy Index as of 1/1/2022 24% Russell 3000, 17% MSCI ACWI ex-US (Gross), 15% BBgBarc U.S. Aggregate, 7% FTSE WGBI, 4% BbgBarc US Treasury 7-10 yr, 3% BBgBarc US TIPS, 13% NCREIF Property Index, 7% Actual Private Equity Return, 4% Actual Private Credit Return, 6% 91 day T-Bills. 2% allocation to Infrastructure is to NCREIF Property, until a more appropriate benchmark is established. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

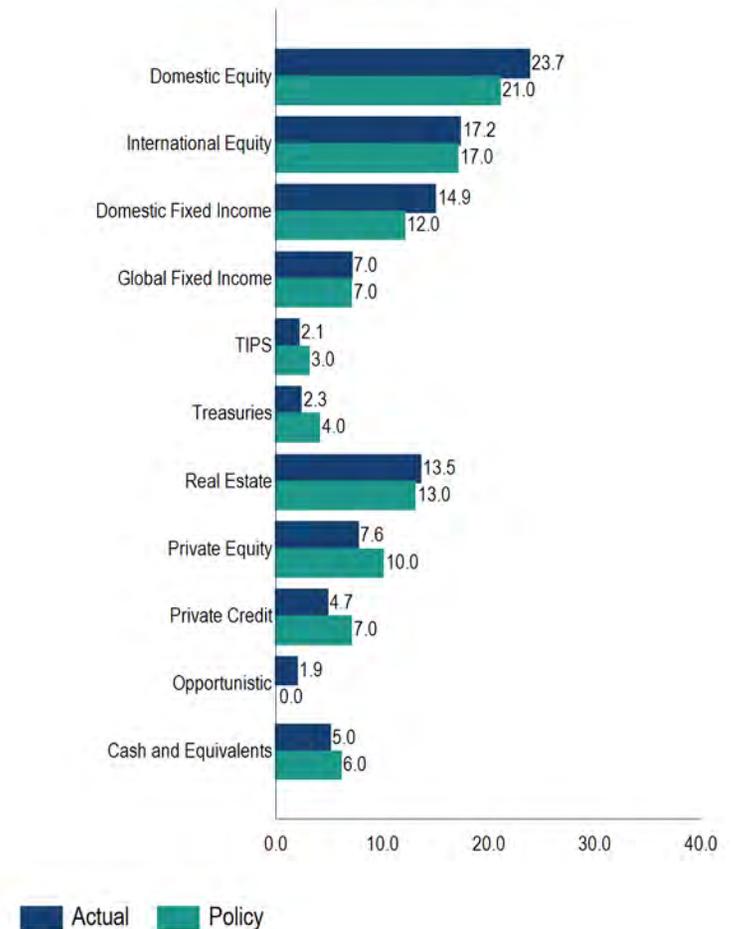
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: February 28, 2022

	Market Value	% of Portfolio	1 Mo	YTD
Total Liquidity	84,916,810	5.0	-0.3	-0.4
91 Day T-Bills			0.0	0.0
Total Cash	84,916,810	5.0	-0.3	-0.4
91 Day T-Bills			0.0	0.0
PIMCO Short Duration Fund	29,279,288	1.7	-0.8	-1.4
Bloomberg US Govt/Credit 1-3 Yr. TR			-0.4	-1.1
Cash Account	38,457,892	2.3	0.0	0.2
91 Day T-Bills			0.0	0.0
Investment Cash	17,179,629	1.0	0.0	0.0
91 Day T-Bills			0.0	0.0
Total Opportunistic	32,326,515	1.9		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	5,267,936	0.3		
Sixth Street Partners TAO	27,058,579	1.6		

Actual vs Interim Target Allocation (%)



New Policy Index as of 1/1/2022 24% Russell 3000, 17% MSCI ACWI ex-US (Gross), 15% BbgBarc U.S. Aggregate, 7% FTSE WGBI, 4% BbgBarc US Treasury 7-10 yr, 3% BbgBarc US TIPS, 13% NCREIF Property Index, 7% Actual Private Equity Return, 4% Actual Private Credit Return, 6% 91 day T-Bills. 2% allocation to Infrastructure is to NCREIF Property, until a more appropriate benchmark is established. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

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**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

FEBRUARY 2022
Capital Markets Update

Market commentary

U.S. ECONOMICS

- The Consumer Price Index increased 7.9% for the 12-months ended February – the highest headline inflation print in 40 years – and met economist expectations. Rising food and energy costs were the main drivers of headline inflation growth. Excluding the more volatile food and energy prices, inflation was 6.4% year-over-year.
- U.S. non-farm payrolls expanded by 678,000 jobs, exceeding economist expectations (+423,000). The print marked the largest expansion in seven months. Job additions in Leisure and Hospitality (+179,000) led broad employment gains as Covid cases subsided.
- The unemployment rate fell to a post pandemic low of 3.8%. The Fed Chair described the labor market as very tight, but nominal wages grew by less than expected (5.8%), rising just 5.1% year-over-year.

U.S. EQUITIES

- The S&P 500 declined -3.0% and entered a technical correction intra-month. The escalation of Russo-Ukrainian tensions to a full-scale invasion of Ukraine – and the numerous sanctions placed on Russia in response – weighed on equities.
- The U.S. and allies enacted sweeping sanctions against Russia in response to the invasion of Ukraine. The sanctions include a freeze on a majority of the Russian Central Bank's foreign currency reserves, blocking several major Russian banks from SWIFT, and sanctions against Russian oligarchs and politicians who supported the invasion.
- Many corporations, ranging from leisure and hospitality to industrial manufacturers and e-commerce, have suspended or greatly reduced activities in Russia in order to comply with sanctions and public pressure. According to analysis by Yale professor Jeffrey Sonnenfeld, over 330 companies have withdrawn from Russia as of March 10th.

U.S. FIXED INCOME

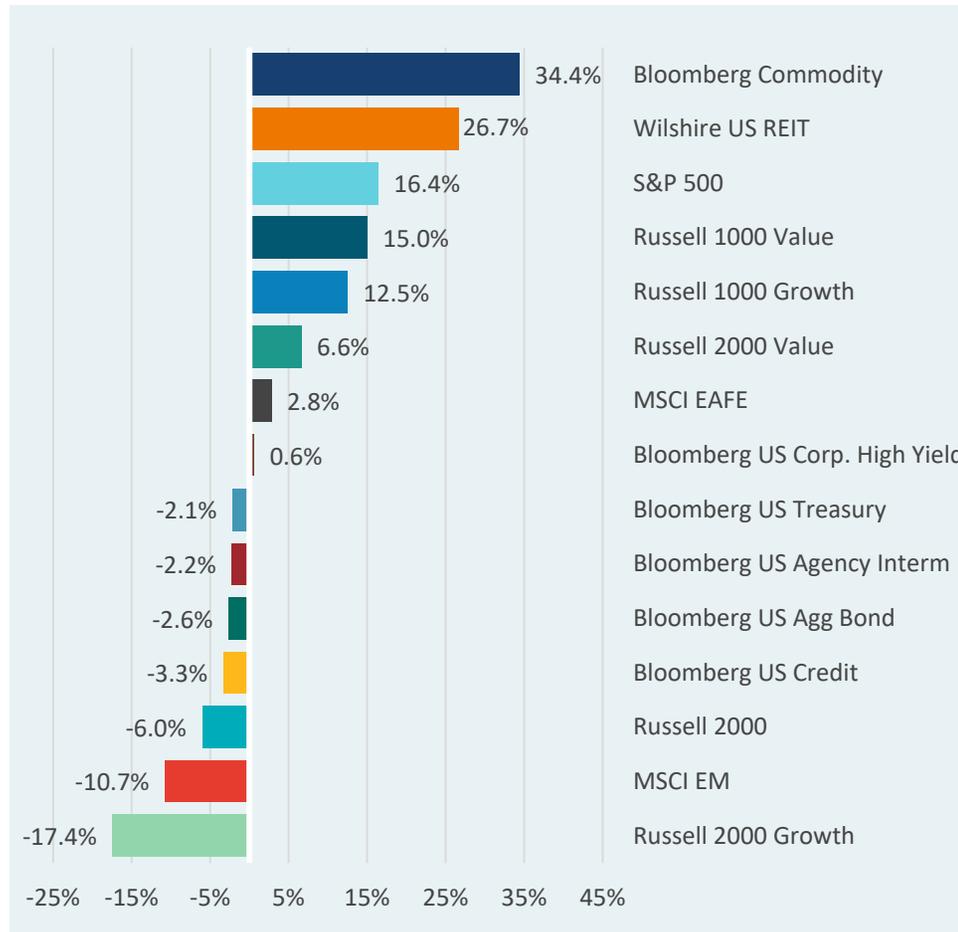
- The 10-year breakeven inflation rate, which represents market expectations for average inflation over the same period, rose 18 basis points to end the month at 2.62%. Many commodities saw sharp price increases in the wake of Russia's invasion of Ukraine, spurring concerns that inflation could prove to be more persistent.
- U.S. Treasury yields initially rose but ended the month well below intra-month highs. The U.S. 10-Year Treasury yield crossed over 2.0% for the first time since July 2019 before falling to end the month at 1.8% as the Russian invasion of Ukraine helped drive a rally in Treasuries in the second half of the month.
- The number of quarter-point rate hikes expected by year end, as implied by fed funds futures, increased from 4.9 to 5.4. At month end, investors had priced in an implied effective federal funds rate of 1.3% by the conclusion of the December Fed Meeting.

INTERNATIONAL MARKETS

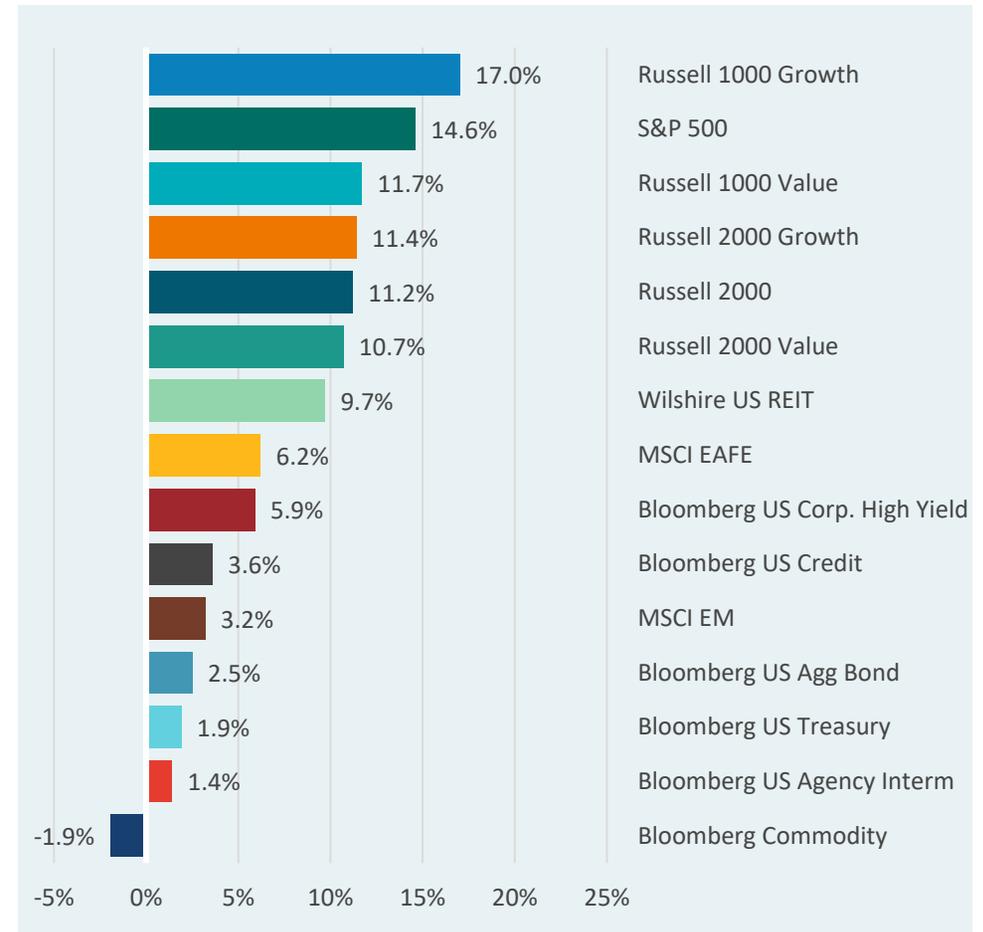
- The broad and harsh sanctions placed on Russia led the Central Bank to take extreme measures in order to defend the Russian ruble. The ruble lost -27.8% of its value relative to the U.S. dollar as investors and corporations pulled out of the currency and Russia was extricated from global financial markets.
- European countries (MSCI Europe -2.8%) have become increasingly reliant on Russia as a source of energy. Sharp moves in European natural gas prices rippled through European markets. European natural gas prices traded two standard deviations higher than the long-term average intra-month.
- Japan (MSCI Japan -1.1%) was one of the top performing countries within developed economies (MSCI EAFE -1.8%).

Major asset class returns

ONE YEAR ENDING FEBRUARY



TEN YEARS ENDING FEBRUARY



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

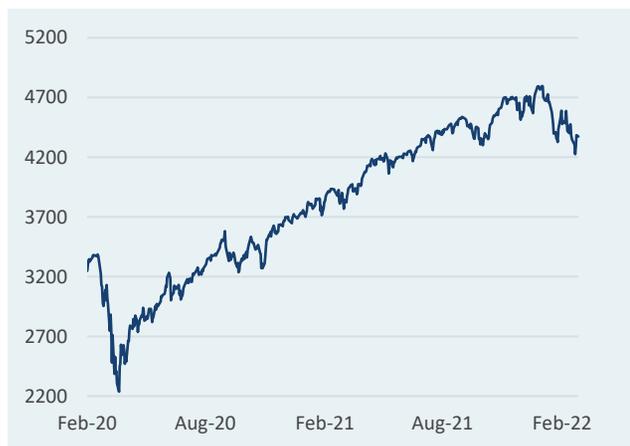
Source: Morningstar, as of 2/28/22

Source: Morningstar, as of 2/28/22

U.S. large cap equities

- After staging a brief advance to start the month, the S&P 500 Index fell -3.0%. The decline was influenced by investors selling out of risk assets due to concerns over rising geopolitical tensions in eastern Europe.
- The Energy sector (+7.1%) recorded the only positive return of the 11 S&P 500 GICS sectors. The Industrials (-0.8%) and Materials (-1.2%) sectors contributed to the overall index return with the S&P 500 Sub-Index Metals and Mining up +20.3% as a result of supply constraints in commodities. The Communications Services (-7.0%), Real Estate (-4.9%) and Information Technology (-4.9%) sectors led declines for the index.
- The Communications Services sector fell -7.0% and detracted 70 basis points from monthly overall index performance. Meta (-32.6%) was the worst performer within Communication Services, as well as the overall index, as a poor earnings report revealed weak advertising revenues and increased competition.
- The Cboe VIX Index of implied volatility ended the month at an elevated level of 30.1, well above the five-year average level of 18.7. Uncertainty surrounding potential outcomes of the Russian invasion of Ukraine and intermediate effects of sanctions helped drive volatility in the second half of the month.

S&P 500 PRICE INDEX



Source: Bloomberg, as of 2/28/22

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as of 2/28/22

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 2/28/22

Domestic equity size and style

- Value factor stocks (Russell 3000 Value -1.0%) fell less than growth factor stocks (Russell 3000 Growth -4.0%). The outperformance of value stocks for the third consecutive month was helped by the fact that some concentrated growth names saw severe drops following poor earnings.
- Small-cap stocks were a bright spot in domestic equities (Russell 2000 +1.0%) and outperformed large-cap stocks (Russell 1000 -2.7%). Many small-cap stocks are characterized by a greater degree of domestic concentration and were partially shielded from geopolitical tensions abroad.
- In a month of continued risk asset repricing, the S&P 500 Momentum Index (-2.0%) outperformed the S&P 500 Index (-3.0%). Momentum factor investing involves buying recent top performers and selling underperformers. The outperformance is attributable largely to recent trends in the performance of value.
- The Information Technology sector detracted -1.2% from the relative performance of large-caps which hold a 14.2% overweight relative to small-caps. A 3.7% relative overweight to the Energy and Materials sectors within small-caps also added 50 basis points to the relative outperformance of small-cap equities.

VALUE VS. GROWTH RELATIVE VALUATIONS



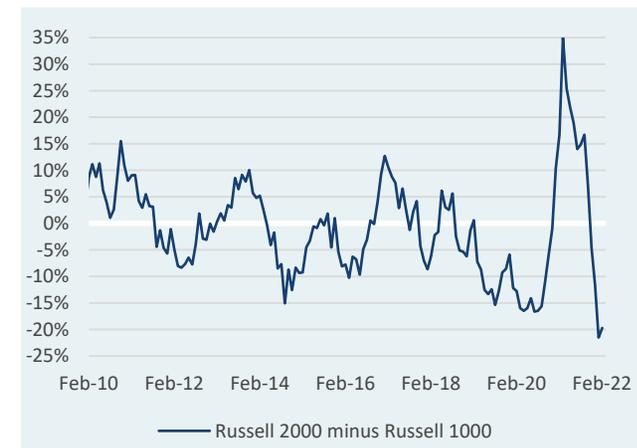
Source: FTSE, Bloomberg, as of 2/28/22

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 2/28/22

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 2/28/22

Fixed income

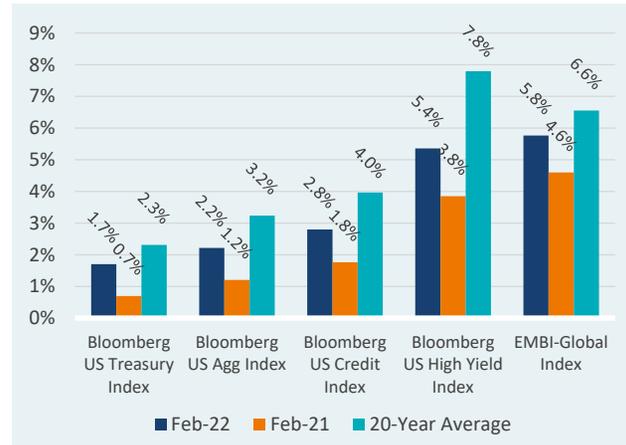
- Yields (Bloomberg US Aggregate -1.1%) pared early gains in the second half of the month as the Russian invasion of Ukraine drove a rotation out of risk assets into generally less-risky fixed income securities.
- Monetary policy at the Bank of England continued to tighten: the Bank Rate was raised for the second time in three months by 25 basis points to a rate of 0.50%. Almost half of the voting members of the Monetary Policy Committee wanted to raise rates by an additional 25 basis points to combat inflation. The meeting minutes cautioned that inflation could soon surpass 7% due to rising energy costs.
- Global risky credit fell as investors set their sights on safer assets. U.S. high yield bonds (Bloomberg US Corp. High Yield -1.0%) sold off less than hard-currency denominated emerging market debt (JPM EMBI Global Diversified) which saw a decline of -6.5%.
- High-yield credit (ICE BofA US High Yield Index) spreads expanded 14 basis points to 3.8%. Continued expectations for tightening of monetary policy and geopolitical risk associated with the Russian invasion of Ukraine likely helped increase the risk premium associated with already-risky credits.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 2/28/22

NOMINAL YIELDS



Source: Morningstar, as of 2/28/22

BREAKEVEN INFLATION RATES

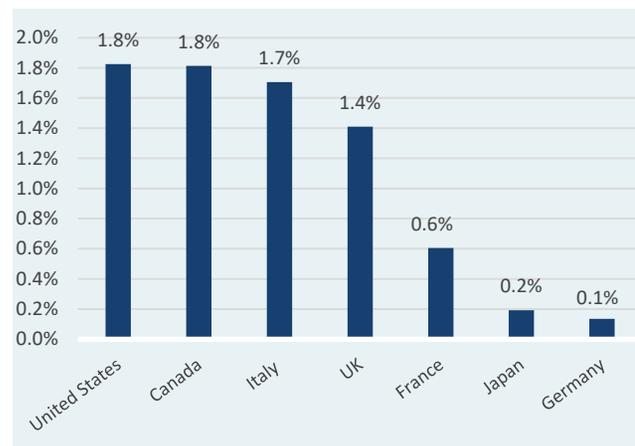


Source: Bloomberg, as of 2/28/22

Global markets

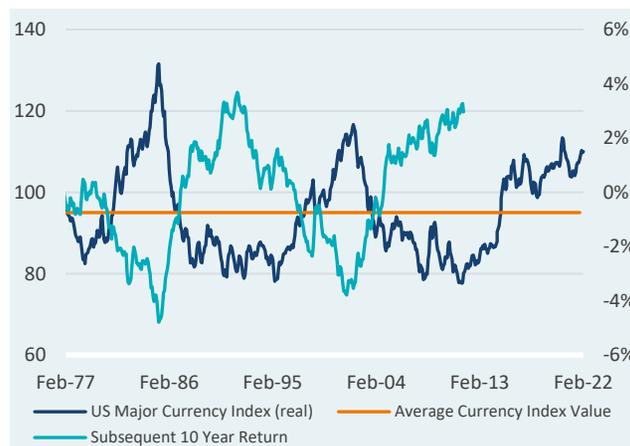
- Global equities (MSCI ACWI -2.6%) fell for the second consecutive month to start the year. Declines in risk assets were mostly led by emerging market (MSCI EM -3.0%) and U.S. (S&P 500 -3.0%) equities. Developed markets (MSCI EAFE -1.8%) held up better than other major world markets, helped by performance in the U.K. (MSCI U.K. +0.8%).
- The United Kingdom (MSCI U.K. +0.8%) was one the top performing regions globally. Equities within the U.K. were led higher from its materials sector (MSCI U.K. Materials +11.1%) likely bolstered by price pressures across nearly all commodities.
- Within the emerging market basket (MSCI EM -3.0%), Latin American equities (MSCI EM Latin American +4.8%) saw gains over the month and partially offset losses from European (MSCI EM Europe -38.8%) and Asian equities (MSCI EM Asia -2.4%). Returns within Latin America were driven by the heavily-weighted Materials (+11.3%) and Energy (+5.7%) sectors.
- German equities (MSCI German -7.3%) weighed on the basket of Euro-area nations (MSCI Euro -5.5%). Germany relies on Russia for more than half of its natural gas and is generally more dependent on Russia for energy than other large Euro-area nations.

GLOBAL SOVEREIGN 10-YEAR YIELDS



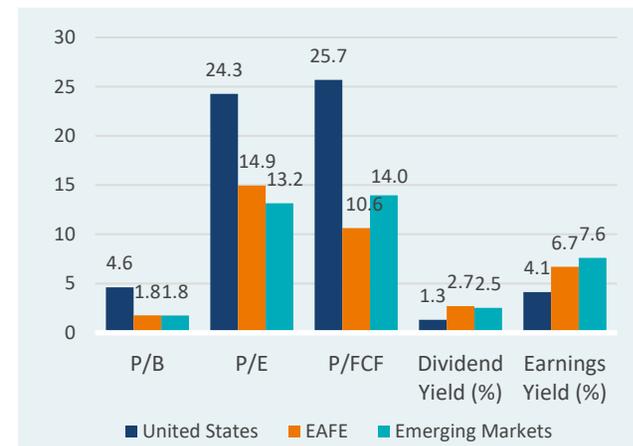
Source: Bloomberg, as of 2/28/22

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 2/28/22

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 2/28/22

Commodities

- The Bloomberg Commodity Index climbed +6.2% as the Russian invasion of Ukraine prompted harsh sanctions and disrupted markets of two commodity powerhouses. Rallies in the price of wheat and corn led to strong returns in grains (+13.2%). Petroleum (+10.6%) also helped the overall commodity index higher.
- Wheat prices rallied +21.6% over the month and reached the highest level since 2015 intra-month. Russia and Ukraine account for roughly 29% of the global supply of wheat. The jump in wheat (+21.6%) and corn (+10.6%) prices helped boost the Bloomberg Grain Sub-Index (+13.2%).

- Brent crude oil prices jumped +12.3% to roughly \$98 per barrel, the highest level since 2014. Prices advanced in part due to concerns that Russian oil – which accounts for around 10% of global supply – could become the target of broad sanctions. Russian oil was largely self-sanctioned by Western energy companies to prevent association with Russia, leading government officials to search for new incremental energy supplies.
- The Industrial Metals Sub-Index (+6.4%) was helped higher by aluminum (+11.4%) – which hit an all-time high intra-month – and Nickel (+8.7%). Russia is the largest producer of aluminum outside of China.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	6.2	15.6	15.6	34.4	12.9	6.6	(1.9)
Bloomberg Agriculture	8.9	15.2	15.2	34.2	20.4	5.9	(0.7)
Bloomberg Energy	4.5	27.4	27.4	59.3	2.5	2.9	(8.3)
Bloomberg Grains	13.2	19.2	19.2	33.1	20.7	6.5	(0.8)
Bloomberg Industrial Metals	6.4	9.5	9.5	29.6	16.7	11.0	1.6
Bloomberg Livestock	1.5	4.5	4.5	8.3	(6.0)	(3.1)	(4.1)
Bloomberg Petroleum	10.6	28.9	28.9	66.7	11.0	9.1	(5.5)
Bloomberg Precious Metals	6.5	4.0	4.0	5.0	12.0	6.6	(1.0)
Bloomberg Softs	(1.7)	1.9	1.9	34.1	15.9	0.5	(4.8)

Source: Morningstar, as of 2/28/22

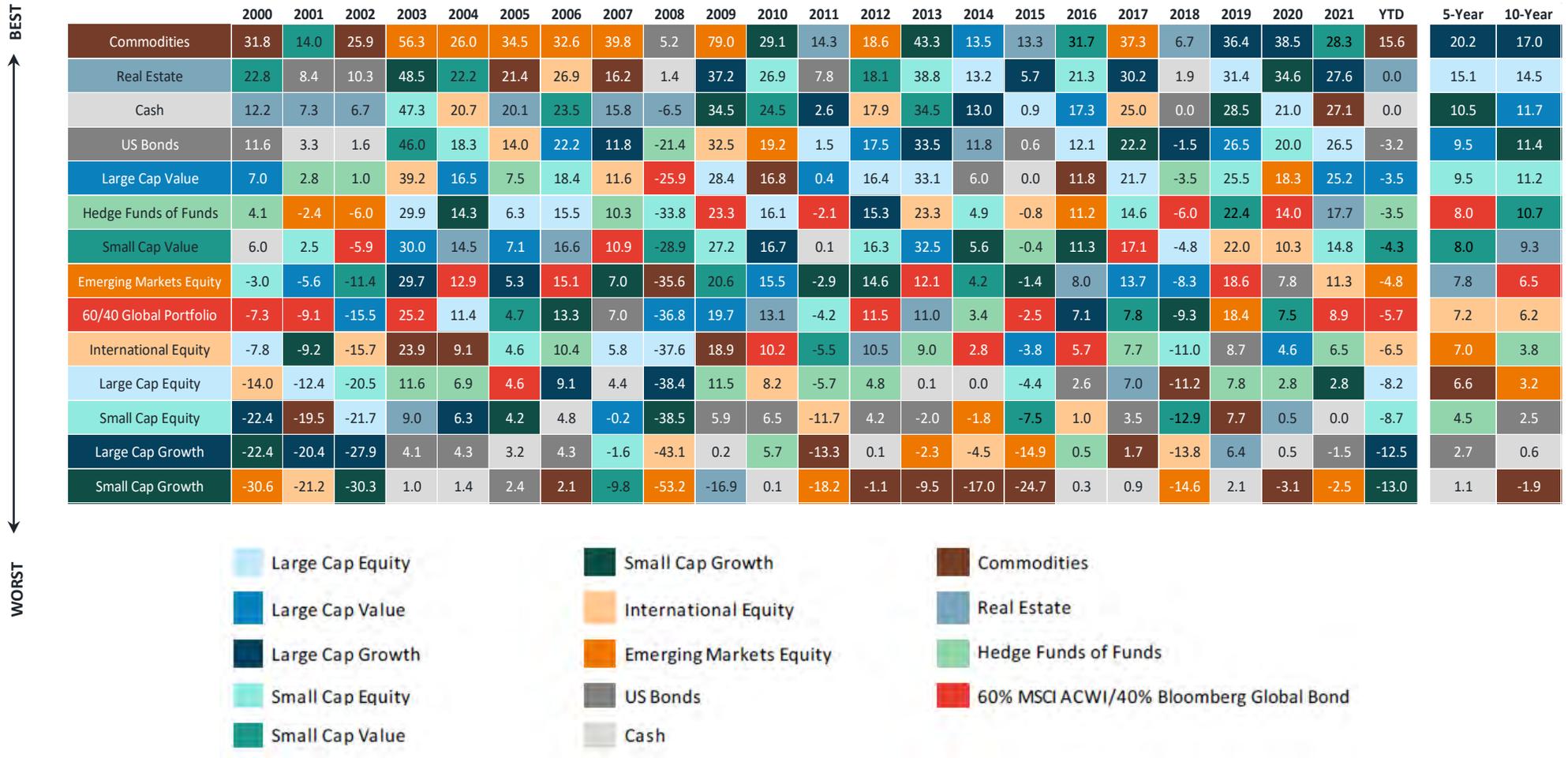
COMMODITY PERFORMANCE



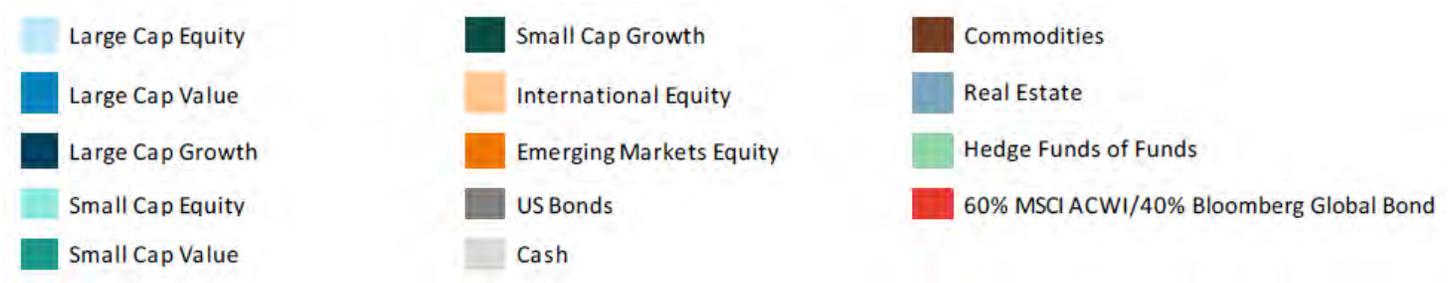
Source: Bloomberg, as of 2/28/22

Appendix

Periodic table of returns



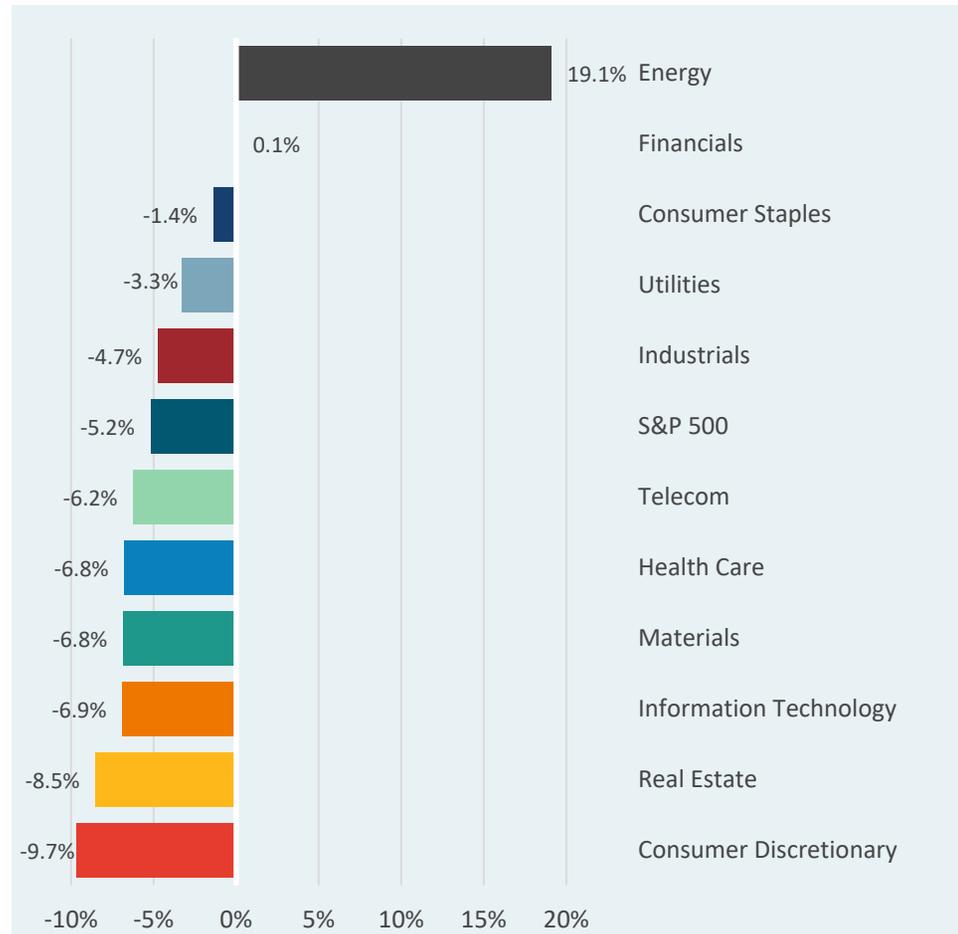
BEST
↑
↓
WORST



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 12/31/21.

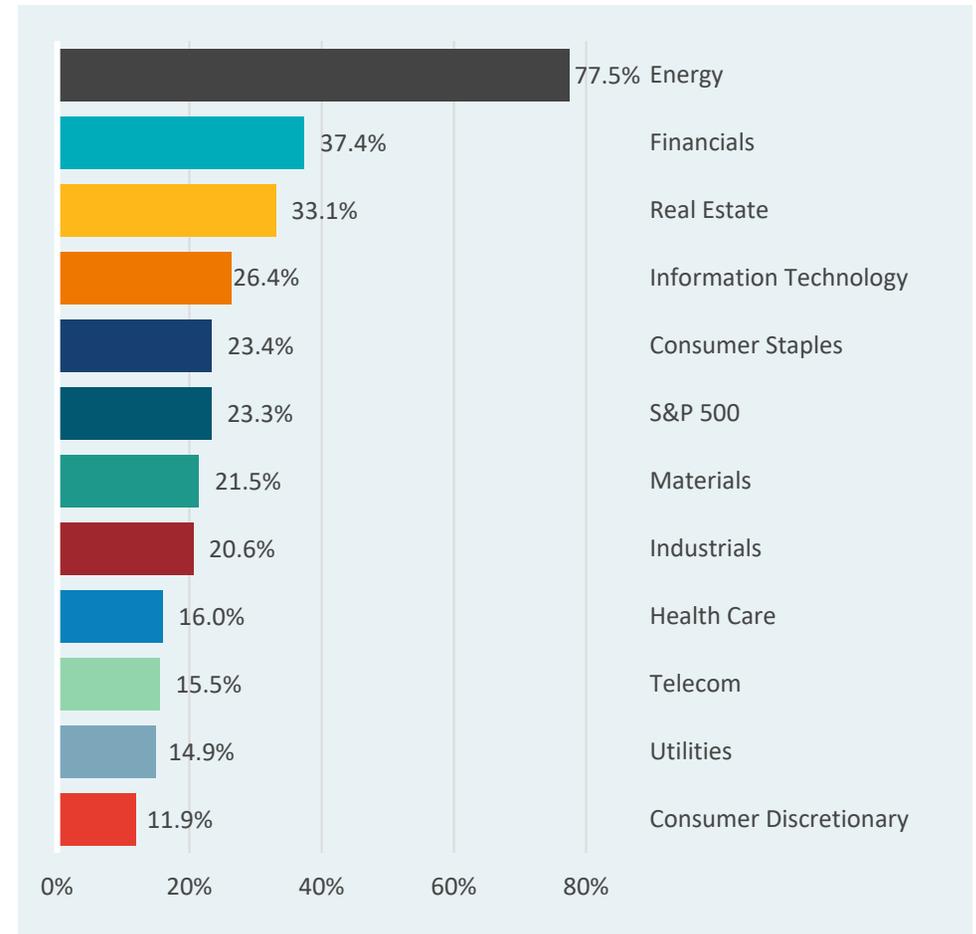
S&P 500 sector returns

QTD



Source: Morningstar, as of 2/28/22

ONE YEAR ENDING FEBRUARY



Source: Morningstar, as of 2/28/22

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(3.0)	(8.0)	(8.0)	16.4	18.2	15.2	14.6
S&P 500 Equal Weighted	(0.9)	(5.2)	(5.2)	16.8	16.3	13.3	13.9
DJ Industrial Average	(3.3)	(6.4)	(6.4)	11.6	11.7	12.7	12.7
Russell Top 200	(3.4)	(8.3)	(8.3)	16.3	19.5	16.2	15.1
Russell 1000	(2.7)	(8.2)	(8.2)	13.7	18.1	15.1	14.5
Russell 2000	1.1	(8.7)	(8.7)	(6.0)	10.5	9.5	11.2
Russell 3000	(2.5)	(8.3)	(8.3)	12.3	17.6	14.7	14.3
Russell Mid Cap	(0.7)	(8.0)	(8.0)	7.1	14.3	12.0	12.8
Style Index							
Russell 1000 Growth	(4.2)	(12.5)	(12.5)	12.5	23.2	20.2	17.0
Russell 1000 Value	(1.2)	(3.5)	(3.5)	15.0	12.2	9.5	11.7
Russell 2000 Growth	0.4	(13.0)	(13.0)	(17.4)	9.2	10.5	11.4
Russell 2000 Value	1.7	(4.3)	(4.3)	6.6	10.9	8.0	10.7

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	(2.6)	(7.4)	(7.4)	7.8	13.4	11.4	9.8
MSCI ACWI ex US	(2.0)	(5.6)	(5.6)	(0.4)	7.7	7.3	5.4
MSCI EAFE	(1.8)	(6.5)	(6.5)	2.8	7.8	7.2	6.2
MSCI EM	(3.0)	(4.8)	(4.8)	(10.7)	6.0	7.0	3.2
MSCI EAFE Small Cap	(1.3)	(8.5)	(8.5)	(1.5)	8.6	7.9	8.3
Style Index							
MSCI EAFE Growth	(2.2)	(12.5)	(12.5)	(1.0)	10.2	9.4	7.4
MSCI EAFE Value	(1.4)	(0.3)	(0.3)	6.3	4.8	4.6	4.7
Regional Index							
MSCI UK	0.8	1.7	1.7	16.6	5.7	5.8	4.3
MSCI Japan	(1.1)	(6.1)	(6.1)	(5.0)	7.2	6.1	6.7
MSCI Euro	(5.5)	(9.6)	(9.6)	2.0	7.4	7.1	6.0
MSCI EM Asia	(2.4)	(5.8)	(5.8)	(15.1)	7.9	8.6	5.8
MSCI EM Latin American	4.8	12.6	12.6	14.3	(1.8)	1.7	(2.7)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	0.9	(1.2)	(1.2)	6.1	7.5	4.8	2.8
Bloomberg US Treasury Bills	0.0	(0.0)	(0.0)	(0.0)	0.9	1.1	0.6
Bloomberg US Agg Bond	(1.1)	(3.2)	(3.2)	(2.6)	3.3	2.7	2.5
Bloomberg US Universal	(1.4)	(3.5)	(3.5)	(2.7)	3.4	2.9	2.8
Duration							
Bloomberg US Treasury 1-3 Yr	(0.4)	(1.1)	(1.1)	(1.7)	1.5	1.3	1.0
Bloomberg US Treasury Long	(1.5)	(5.5)	(5.5)	(1.0)	7.0	4.9	4.1
Bloomberg US Treasury	(0.7)	(2.5)	(2.5)	(2.1)	3.1	2.4	1.9
Issuer							
Bloomberg US MBS	(1.0)	(2.4)	(2.4)	(2.9)	1.9	1.9	2.0
Bloomberg US Corp. High Yield	(1.0)	(3.7)	(3.7)	0.6	5.3	4.9	5.9
Bloomberg US Agency Interm	(0.6)	(1.7)	(1.7)	(2.2)	1.7	1.6	1.4
Bloomberg US Credit	(1.9)	(5.0)	(5.0)	(3.3)	4.5	3.7	3.6
OTHER							
Index							
Bloomberg Commodity	6.2	15.6	15.6	34.4	12.9	6.6	(1.9)
Wilshire US REIT	(3.3)	(10.0)	(10.0)	26.7	10.7	8.0	9.7
CS Leveraged Loans	(0.5)	(0.1)	(0.1)	3.2	4.0	4.1	4.5
S&P Global Infrastructure	6.6	4.6	11.9	11.9	10.2	7.8	7.7
Alerian MLP	4.8	16.5	16.5	44.1	2.0	(1.8)	0.6
Regional Index							
JPM EMBI Global Div	(6.5)	(9.2)	(9.2)	(7.5)	0.8	2.0	3.9
JPM GBI-EM Global Div	(5.0)	(5.0)	(5.0)	(10.0)	(1.1)	1.0	(0.8)
Hedge Funds							
HFRI Composite	0.6	(1.4)	(1.4)	3.5	8.6	6.3	5.1
HFRI FOF Composite	(0.7)	(3.5)	(3.5)	0.3	5.9	4.5	3.8
Currency (Spot)							
Euro	0.2	(1.2)	(1.2)	(7.5)	(0.5)	1.1	(1.7)
Pound Sterling	0.0	(0.9)	(0.9)	(4.0)	0.3	1.5	(1.7)
Yen	0.0	(0.0)	(0.0)	(7.5)	(1.1)	(0.6)	(3.5)

Source: Morningstar, HFRI, as of 2/28/22.

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	58.6	23.9	19.8	14.2
Global Private Equity Direct Funds *	52.3	26.6	22.7	17.4
U.S. Private Equity Direct Funds *	58.4	29.2	24.2	18.9
Europe Private Equity Direct Funds *	52.1	26.2	23.7	15.4
Asia Private Equity Direct Funds *	31.4	19.0	17.6	15.5

Public Index Time-weighted Returns				
MSCI World	28.8	13.1	13.7	12.7
S&P 500	30.0	16.0	16.9	16.6
MSCI Europe	27.3	7.8	8.8	8.2
MSCI AC Asia Pacific	18.3	8.5	9.6	8.3

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	25.3	10.7	10.6	12.6

Public Index Time-weighted Returns				
FTSE NAREIT Equity REIT	37.4	10.0	6.8	11.3

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	33.5	13.7	13.0	12.6

Public Index Time-weighted Returns				
S&P / LSTA U.S. Leveraged Loan 100 Index	6.7	3.9	4.3	4.7

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	30.6	(2.4)	2.7	2.1
Global Infrastructure	14.8	10.4	11.2	10.4

Public Index Time-weighted Returns				
S&P Global Natural Resources	42.2	4.6	9.5	4.6
S&P Global Infrastructure	23.0	6.7	6.0	7.8

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of September 30th, 2021. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

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

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

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Date: March 28, 2022

To: Board of Trustees

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

Agenda Item 13: Asset Allocation – February 2021

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

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

FFP Asset Mix	Est. Market Value (\$000s)	% Allocation	SAA Target Allocation	Variance
	02/28/22		2022 Interim	
Bank (operating)	1,870	0.1%	0.1%	0.0%
SLOC Treasury	36,588	2.1%	1.6%	0.5%
JPM short term	17,183	1.0%	1.3%	-0.3%
Short Duration	29,348	1.7%	3.0%	-1.3%
LIQUIDITY	84,989	5.0%	6.0%	-1.0%
Equity- Public Mkt US	404,695	23.7%	21.0%	2.7%
Equity- Public Mkt Intl	294,120	17.3%	17.0%	0.3%
Equity- Public Mkt Global	-	0.0%		0.0%
Bank Loans	78,979	4.6%	4.0%	0.6%
Bonds- Intl.	58,395	3.4%	3.0%	0.4%
Bonds- Emerging Mkts	61,772	3.6%	4.0%	-0.4%
Real Estate- Core	173,551	10.2%	7.0%	3.2%
Real Estate- Value Add	56,368	3.3%	4.0%	-0.7%
Infrastructure	-	0.0%	2.0%	-2.0%
Private Equity	80,945	4.7%	10.0%	-5.3%
Private Credit	130,121	7.6%	7.0%	0.6%
Opportunistic	32,327	1.9%	0.0%	1.9%
GROWTH	1,371,272	80.4%	79.0%	1.4%
Bonds- Core	175,044	10.3%	8.0%	2.3%
Treasuries - Intermediate	38,692	2.3%	4.0%	-1.7%
TIPS	34,999	2.1%	3.0%	-0.9%
RISK DIVERSFYING	248,735	14.6%	15.0%	-0.4%
TOTAL	1,704,997	100.0%	100.0%	

Respectfully submitted,