

Pension Trust

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



AGENDA

PENSION TRUST BOARD OF TRUSTEES

Monday, March 27, 2023 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/88693959953?pwd=TjdGMHVlWlRvTUozbW5RMDNyUT09>

Webinar ID: [886 9395 9953](#)

Passcode: [806957](#)

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 SLOOPT 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

See below

C) CONSENT

2. Minutes of the Regular Meeting of February 27, 2023 (Approve Without Correction)
3. Reports of Deposits and Contributions for the month of February 2023 (Receive and File)
4. Reports of Service Retirements, Disability Retirements and DROP Participants for the month of February 2023 (Receive, Approve and File)
5. *reserved*

D) APPLICATIONS FOR DISABILITY RETIREMENT

6. Application for Industrial Disability Retirement – Case 2022-09 (Recommend Approval)
7. Application for Industrial Disability Retirement – Case 2022-10 (Recommend Approval)
8. *reserved*

E) OLD BUSINESS

None

F) NEW BUSINESS

9. 2023 Actuarial Overview - Presentation by Anne Harper and Alice Alsberghe, Cheiron - Plan Actuary - (Discuss, Direct Actuary and Staff as necessary)

- 10. Actuarial Valuation – 2023 Actuarial Assumptions Approval - (Discuss, Direct Actuary and Staff as necessary – Recommend Approval)
- 11. Employer Contributions Prefunding and Discount Rate (Discuss, Direct Staff as necessary)
- 12. Administrative Budget for Fiscal Year 2023-2024 - Proposed – (Review, Discuss, and Direct Staff as necessary)
- 13. *Reserved*

G) INVESTMENTS

- 14. Monthly Investment Report for January 2023 (Receive and File)
- 15. *Reserved*
- 16. Asset Allocation - (Review, Discuss, and Direct Staff as necessary)

H) ORGANIZATIONAL

None

I) OPERATIONS

- 17. Staff Reports
- 18. General Counsel Reports
- 19. Committee Reports:
 - i. Audit Committee No Report
 - ii. Personnel Committee No Report

20. Upcoming Board Topics (subject to change)

- i. April 24, 2023 – planned as a non-meeting month
- ii. May 22, 2023
 - a. Disability cases (3)
 - b. Disability application process update
 - c. 2023 Actuarial Valuation Preliminary Results
 - d. SLOCPT Administrative Budget FY23-24 approval
 - e. Quarterly Investment Report
 - f. Executive Director recruitment

 - g. Personnel Committee meeting - TBS
 - h. Audit Committee – Audit exit meeting
- iii. June 26, 2023
 - a. 2022 Annual Financial Audit and ACFR
 - b. 2023 Actuarial Valuation and Contribution Rates Approval
 - c. Employer Prefunding
 - d. Executive Director recruitment
 - e. TBD
- iv. July 24, 2023 – planned as a non-meeting month
 - a. Personnel Committee Meeting - TBS
 - b. Audit Committee – Auditor RFP - TBS
- v. August 28, 2023
 - a. Mid-Year Financial Statements and Budget Status
 - b. Financial Auditor RFP
 - c. Quarterly Investment Report
 - d. Executive Director recruitment

 - e. Personnel Committee meeting - TBS
 - f. Audit Committee – Auditor RFP - TBS

21. Trustee Comments

J) CLOSED SESSION

None

K) ADJOURNMENT

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BOARD OF TRUSTEES**

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MINUTES

Monday, February 27, 2023 9:30 AM
Regular Meeting of the Pension Trust
Board of Trustees

**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 Financial Accountant

General Counsel: Chris Waddell Olson | Remcho

Consultants: Scott Whalen Verus
Claudia Schloss Verus

Others: Larry Batchelder (online) SLOCREA
Brenda Dye (online) retiree
Straith Zanartu (online) retiree
Zack Cziryak (online) Journalist - Fin News

Call to Order: 9:33 AM by President Hamm

A) PUBLIC COMMENT

1. None

B) ORGANIZATIONAL

None

C) CONSENT

2. Minutes of the Regular Meeting of January 23, 2023 (Approve Without Correction).
3. Reports of Deposits and Contributions for the month of January 2023 (Receive and File).
4. Reports of Service Retirements, Disability Retirements and DROP Participants for the month of January 2023 (Receive, Approve and File).
5. *reserved*

Motion: Approve the Consent items

Discussion: None

Public Comment: None

Motion Made: O'Quest

Motion Seconded: Shoresman

Carried: Unanimous

D) APPLICATIONS FOR DISABILITY RETIREMENT

6. *reserved*

7. *reserved*

E) OLD BUSINESS

None

F) NEW BUSINESS

8. Approval of the 2023 Annual Cost-Of-Living Adjustments provided by the San Luis Obispo County Employees Retirement Plan (Recommend Approval).

Motion: Approve the 2023 Annual Cost of Living Adjustment as presented

Discussion: Deputy Director Burke presented the recommended retiree COLA for 2023. Trustees asked several questions about the effect on the actuarial valuation results of the 2023 COLA, the operation of the COLA-bank for Tier 1 retirees and the underlying CPI data.

Public Comment: None

Motion Made: Shoresman

Motion Seconded: Grim

Carried: Unanimous

9. *Reserved*

G) INVESTMENTS

10. Quarterly Investment Report for the 4th Quarter of 2022 – Verus (Receive and File).

Motion: Receive and File the 4Q22 Quarterly Report

Discussion: Scott Whalen and Claudia Schloss of Verus presented the item. Trustees and staff asked a number of clarifying questions.

Public Comment: None

Motion Made: Howe

Motion Seconded: Sibbach

Carried: Unanimous

11. Monthly Investment Report for January 2023 (Receive and File)

Motion: Receive and File the monthly investment report

Discussion: Executive Director Nelson presented the report.

Public Comment: None

Motion Made: Howe

Motion Seconded: O'Quest

Carried: Unanimous

10:41 AM - President Hamm called for a 10-minute break.

10:53 AM – Back in session

12. 2023 Capital Market Assumptions and Strategic Asset Allocation Policy - Verus (Review, Discuss, Recommend Approval).

Motion: Approve Staff and Consultant recommendations to –

- a) Maintain current Strategic Asset Allocation long-term targets
- b) Extend the implementation period for the SAA targets to 2027
- c) Amend the 2023 Interim SAA targets as presented
- d) Continue to monitor and amend Interim SAA targets annually

Discussion: Scott Whalen and Claudia Schloss of Verus presented the item. Trustees asked numerous questions. The 2023 Verus Capital Market Assumptions including an estimate of an increase in the CMA for the SLOCPT asset allocation policy targets.

Public Comment: None

Motion Made: Howe

Motion Seconded: Grim

Carried: Unanimous

13. Private Markets Commitments – Additional Private Equity Commitment - (Review, Discuss, Recommend Approval)

Motion: Approve Staff and Consultant recommendations –

- a) Approve an additional Private Equity commitment of up to \$150 million to the existing HarbourVest SLO Fund.
- b) Authorize the Executive Director to execute necessary documents subject to legal review.
- c) With the condition that Verus verify the size of the added \$150 million commitment to Private Equity using their analysis tools. Subsequent to the meeting, Verus provided exhibits identifying the additional Private Equity commitment of \$150 million to be a reasonable size.

Discussion: Scott Whalen of Verus presented the item. Trustees engaged in an extensive discussion of the matter.

Public Comment: None

Motion Made: Grim

Motion Seconded: Shoresman

Carried: Unanimous

14. Investment Policy Statement Review, Performance Benchmarks, Investment Procedures (Review, Discuss, Recommend Approval)

Motion: Approve Staff and Consultant recommendations.

- a) Investment Policy Statement - with minor wording changes to the Environmental, Social, Governance factors section.
- b) Addendum A to the IPS – Strategic Asset Allocation – minor change to the approved benchmark for public market equities.
- c) Investment Procedures – minor change to cashflow reporting procedure.

Discussion: Scott Whalen of Verus and Executive Director Nelson presented the item. Trustees engaged in an extensive discussion and made several minor wording changes.

Public Comment: None

Motion Made: Sibbach

Motion Seconded: Shoresman

Carried: Unanimous

15. BlackRock Core Bonds Separately Managed Account (Recommend Approval).

Motion: Approve Staff and Consultant recommendations as presented to wind down earlier than planned the BlackRock core bonds account due to the transactional inefficiencies of a separately managed account of less than \$50 million.

Discussion: Scott Whalen of Verus and Executive Director Nelson presented the item.

Public Comment: None

Motion Made: Grim

Motion Seconded: Howe

Carried: Unanimous

16. Asset Allocation

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

Public Comment: None

No Action Necessary

H) OPERATIONS

17. Staff Reports

- i. Executive Director Nelson reported that he met with the Sheriff's Department to discuss their concerns with the increased number of Industrial Disability Retirement cases approved over 2021-2022. As a result of those concerns Staff is working on expanding the informational releases signed by disability retirement applicants to include release of full personnel records and Workers Compensation records to possibly use in the medical evaluation process. As an administrative matter, Staff estimates a doubling of Independent Medical Examination fees with limited medical usefulness if full personnel records were submitted along with medical evidence for IME review. Extensive Board questions on this matter led Staff to announce its intention to bring the disability application records question back to the Board as an informational agenda item after doing further research on the practices of other California public sector retirement systems in this regard.
- ii. Executive Director Nelson reported that staff is collaborating with MMRO, Inc., the SLOCPT's disability medical review provider to provide expanded IME reports to address applicant's restrictions and limitations relative to alternative jobs within the County for possible use of Plan Section 10.06.
- iii. Deputy Director Burke reported on certain changes contained in the recently enacted SECURE 2.0 Federal legislation applicable to Defined Benefit retirement plans. The collection of overpayments in DB pension plans will no longer be a requirement for tax qualification. Although the collection of overpayments to the extent possible is still a prudent Plan administrative practice.
- iv. Executive Director Nelson reported that for 2022 the SLOCPT ranked 853rd in the Pension & Investments newspaper tabulation of the 1,000 largest pension funds in the U.S.

18. General Counsel Reports

General Counsel Waddell reported that the two beneficiaries in the cases of the post-death overpayments served with a lawsuit in Nevada signed a settlement acceptable to the SLOCPT involving a lien on the house that is the primary asset of the estate. The associated interest-bearing promissory note has a term of 12 months with a possible extension to 18 months.

19. Committee Reports:

- i. Audit Committee Report
Trustees Sibbach and Howe reported on the Audit Entrance meeting with Brown Armstrong.
- ii. Personnel Committee No Report

20. Upcoming Board Topics – published on meeting agenda

21. Trustee Comments

None

I) CLOSED SESSION

None

J) ADJOURNMENT

There being no further business, the meeting was adjourned at 1:00 PM. The next Regular Meeting was set for March 27, 2023, at 9:30 AM, in the Board of Supervisors room, 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
FEBRUARY 2023**

| PP 3 2/10/2023 | Pensionable Salary | Employer Contributions | Employer Rate | Employee Contributions | Employer for | Employee Rate | Combined Rate | Additional Contributions | Service Purchases | TOTAL Contributions |
|------------------------------|----------------------|------------------------|---------------|------------------------|-------------------------------------|---------------|---------------|--------------------------|-------------------|-------------------------|
| | | | | | Employee Contributions | | | | | |
| By Employer and Tier: | | | | | | | | | | |
| County Tier 1 | 2,680,217.33 | 887,617.87 | 33.12% | 371,033.59 | 228,189.21 | 22.36% | 55.47% | 2,487.50 | 1,365.43 | 1,490,693.60 |
| County Tier 2 | 981,029.98 | 337,421.29 | 34.39% | 64,039.48 | 83,783.74 | 15.07% | 49.46% | - | - | 485,244.51 |
| County Tier 3 | 4,934,346.42 | 1,613,749.78 | 32.70% | 679,067.22 | - | 13.76% | 46.47% | - | 1,286.38 | 2,294,103.38 |
| Superior Court Tier 1 | 228,257.96 | 76,480.95 | 33.51% | 49,285.16 | - | 21.59% | 55.10% | - | - | 125,766.11 |
| Superior Court Tier 3 | 197,811.89 | 63,406.40 | 32.05% | 32,672.17 | - | 16.52% | 48.57% | - | - | 96,078.57 |
| APCD Tier 1 | 47,813.69 | 14,910.57 | 31.18% | 7,485.07 | 3,827.78 | 23.66% | 54.85% | - | - | 26,223.42 |
| APCD Tier 2 | 3,791.20 | 1,150.63 | 30.35% | 488.31 | 217.99 | 18.63% | 48.98% | - | - | 1,856.93 |
| APCD Tier 3 | 32,459.20 | 10,077.55 | 31.05% | 4,721.65 | - | 14.55% | 45.59% | - | - | 14,799.20 |
| SLOCPT Tier 1 | 8,506.26 | 2,648.85 | 31.14% | 1,291.25 | 790.23 | 24.47% | 55.61% | - | - | 4,730.33 |
| SLOCPT Tier 2 | 10,478.40 | 3,262.97 | 31.14% | 592.03 | 973.45 | 14.94% | 46.08% | - | - | 4,828.45 |
| 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 | 11,039.88 | 3,548.22 | 32.14% | 1,617.39 | - | 14.65% | 46.79% | - | - | 5,165.61 |
| 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 |
| | 9,194,977.85 | 3,033,120.50 | 32.99% | 1,216,870.03 | 321,644.75 | 16.73% | 49.72% | 2,737.50 | 2,651.81 | \$ 4,577,024.59 |
| | | | | | | | | | | |
| PP 4 2/24/2023 | Pensionable Salary | Employer Contributions | Employer Rate | Employee Contributions | Employer for Employee Contributions | Employee Rate | Combined Rate | Additional Contributions | Service Purchases | TOTAL Contributions |
| By Employer and Tier: | | | | | | | | | | |
| County Tier 1 | 2,680,188.40 | 887,420.19 | 33.11% | 370,907.63 | 228,323.30 | 22.36% | 55.47% | 2,487.50 | 1,365.43 | 1,490,504.05 |
| County Tier 2 | 985,261.06 | 338,621.17 | 34.37% | 65,378.73 | 83,518.32 | 15.11% | 49.48% | - | - | 487,518.22 |
| County Tier 3 | 4,974,909.21 | 1,626,236.25 | 32.69% | 681,687.20 | - | 13.70% | 46.39% | - | 1,394.35 | 2,309,317.80 |
| Superior Court Tier 1 | 226,313.30 | 75,928.35 | 33.55% | 48,859.74 | - | 21.59% | 55.14% | - | - | 124,788.09 |
| Superior Court Tier 3 | 204,276.57 | 65,853.79 | 32.24% | 33,790.96 | - | 16.54% | 48.78% | - | - | 99,644.75 |
| APCD Tier 1 | 47,813.69 | 14,910.57 | 31.18% | 7,485.07 | 3,827.78 | 23.66% | 54.85% | - | - | 26,223.42 |
| APCD Tier 2 | 3,791.21 | 1,150.63 | 30.35% | 488.31 | 217.99 | 18.63% | 48.98% | - | - | 1,856.93 |
| APCD Tier 3 | 36,658.44 | 11,428.44 | 31.18% | 5,300.73 | - | 14.46% | 45.64% | - | - | 16,729.17 |
| SLOCPT Tier 1 | 8,506.26 | 2,648.85 | 31.14% | 1,291.25 | 790.23 | 24.47% | 55.61% | - | - | 4,730.33 |
| SLOCPT Tier 2 | 10,478.40 | 3,262.97 | 31.14% | 592.03 | 973.45 | 14.94% | 46.08% | - | - | 4,828.45 |
| 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 | 11,039.88 | 3,548.22 | 32.14% | 1,617.39 | - | 14.65% | 46.79% | - | - | 5,165.61 |
| 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 | 15,797.60 | 5,067.06 | 32.07% | 2,140.32 | - | 13.55% | 45.62% | - | - | 7,207.38 |
| | 9,248,462.06 | 3,049,854.86 | 32.98% | 1,221,975.75 | 321,513.42 | 16.69% | 49.67% | 2,737.50 | 2,759.78 | \$ 4,598,841.31 |
| | | | | | | | | | | |
| TOTAL FOR THE MONTH | 18,443,439.91 | 6,082,975.36 | 32.98% | 2,438,845.78 | 643,158.17 | 16.71% | 49.69% | 5,475.00 | 5,411.59 | \$ 9,175,865.90 |
| | | | | | | | | | | |
| TOTAL YEAR TO DATE | 36,788,157.87 | 12,135,716.67 | 32.99% | 4,862,132.19 | 1,290,911.03 | 16.73% | 49.71% | 10,751.66 | 10,971.39 | \$ 18,310,482.94 |

REPORT OF RETIREMENTS**February 2023**

| RETIREE NAME | DEPARTMENT | BENEFIT TYPE * | EFFECTIVE DATE | MONTHLY BENEFIT | SS TEMP ANNUITY** |
|----------------------------|--------------------------|-----------------------|-----------------------|------------------------|--------------------------|
| Anderson, Sharon L | ITD | Service Retirement | 11/01/2022 | 955.33 | False |
| Klis, Kenneth A | Regional Parks | Service Retirement | 12/31/2022 | 7,238.51 | False |
| Moore, Donald | Planning Department | Service Retirement | 01/28/2023 | 735.13 | False |
| Novoa, Michele M | Home Health Agency | Service Retirement | 02/01/2023 | 564.08 | False |
| Novoa, Michele M | Home Health Agency | Additional Annuity | 02/01/2023 | 4.04 | False |
| Pozzebon, Elizabeth A | Public Health Department | Service Retirement | 01/28/2023 | 1,423.00 | False |
| Pozzebon, Elizabeth A | Public Health Department | Additional Annuity | 01/28/2023 | 25.15 | False |
| Swanson, Brian Christopher | Probation Department | Service Retirement | 12/13/2022 | 4,560.65 | False |
| Tucker, Daniel R | Probation Department | Service Retirement | 02/04/2023 | 3,441.55 | 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

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Date: March 27, 2023

To: Board of Trustees

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

Agenda Item 9: 2023 Actuarial Valuation Planning

Recommendation:

Receive a presentation from the Plan Actuary on planning for the 2023 Actuarial Valuation.

The Board of Trustees should discuss the actuarial topics presented and direct Staff and Actuary as necessary.

The approval of actuarial assumptions to use in the 2023 Actuarial Valuation are addressed in a separate Board of Trustees item.

Background:

The SLOCPT Plan Actuaries, Anne Harper and Alice Alsberghe of Cheiron will make a presentation on planning for the 2023 Annual Actuarial Valuation. They will cover projections based on the 2022 Valuation using a preliminary 2022 asset return of -8%.

These projections do not yet have the detailed actuarial calculation results for the 2023 Valuation, but they do estimate the impact of just the 2022 negative asset returns. Cheiron will also discuss the upcoming 2024 requirement to include a Low Default Risk Obligation Measure (“LDROM”) in the risk analysis section of the Actuarial Valuation report. An interactive version of the presentation can be found at the following link:

[SLOCPT – Cheiron 2023 Actuarial Valuation Planning](#)

A PDF of the presentation is also attached to this memo.

2023 Actuarial Valuation Schedule:

2023 Actuarial Valuation planning presentation March 27, 2023

Approval of assumptions for the 2023 Actuarial Valuation
(no changes recommended) March 27, 2023

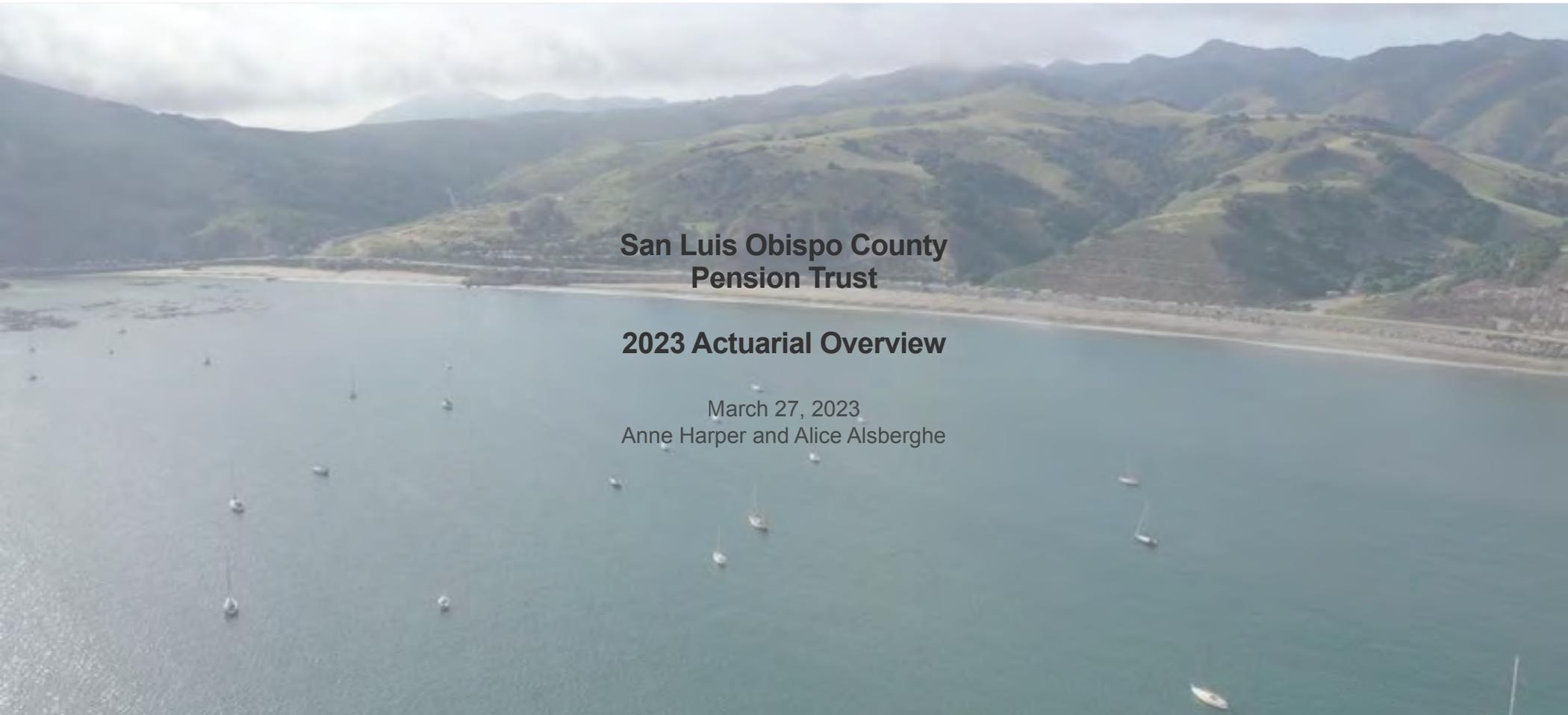
Note, because 2023 is an “off year” between biennial Actuarial Experience studies it is recommended to hold changes to actuarial assumption until next year. Of course, the Board of Trustees has the authority to change actuarial assumptions on an “out of cycle” basis if there are compelling reasons. The preferred practice of making changes to actuarial assumptions only in the biennial Actuarial Experience Study years allows the results of those studies to better inform the actuarial assumptions applied. The Plan Actuary and Staff do not recommend any changes to the actuarial assumptions for the 2023 Valuation.

Preliminary Valuation results with effects of 2022 demographic and investment experience included. May 2023

Final 2023 Actuarial Valuation report June 26, 2023

Board approval of Valuation

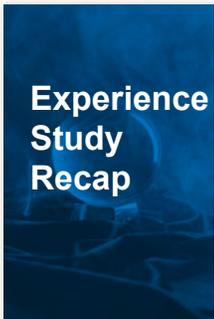
Board approval of pension contribution rate changes



San Luis Obispo County Pension Trust

2023 Actuarial Overview

March 27, 2023
Anne Harper and Alice Alsberghe





2023 Actuarial Timeline

March 27 Board Meeting

Recap of 2022

Projections with preliminary asset return of -8%

LDRM

June 26 Board Meeting

Present results of January 1, 2023 actuarial valuation

Board to adopt contribution rates





Economic Assumptions

- Inflation
- Discount Rate
- Wage/Payroll Growth
- COLA Growth

Demographic Assumptions

- Merit Increases
- Retirement, Termination, Disability, Death
- % Married at Retirement

Cost Impact



Discount Rate

Assumed annual return on investments (net of investment expenses)

Maintained 6.75%



Inflation Rate

Price inflation; building block for other assumptions

Increased assumption from 2.25% to 2.50%



Wage Growth

Base (across-the-board) pay increases

Increased assumption from 2.75% to 3.00%



COLA Rates

Annual growth in post-retirement COLAs. Affected by banking and/or cap

Increased from 2.50% to 2.75% (Tier 1); Maintained 2.00% (Tiers 2 and 3)

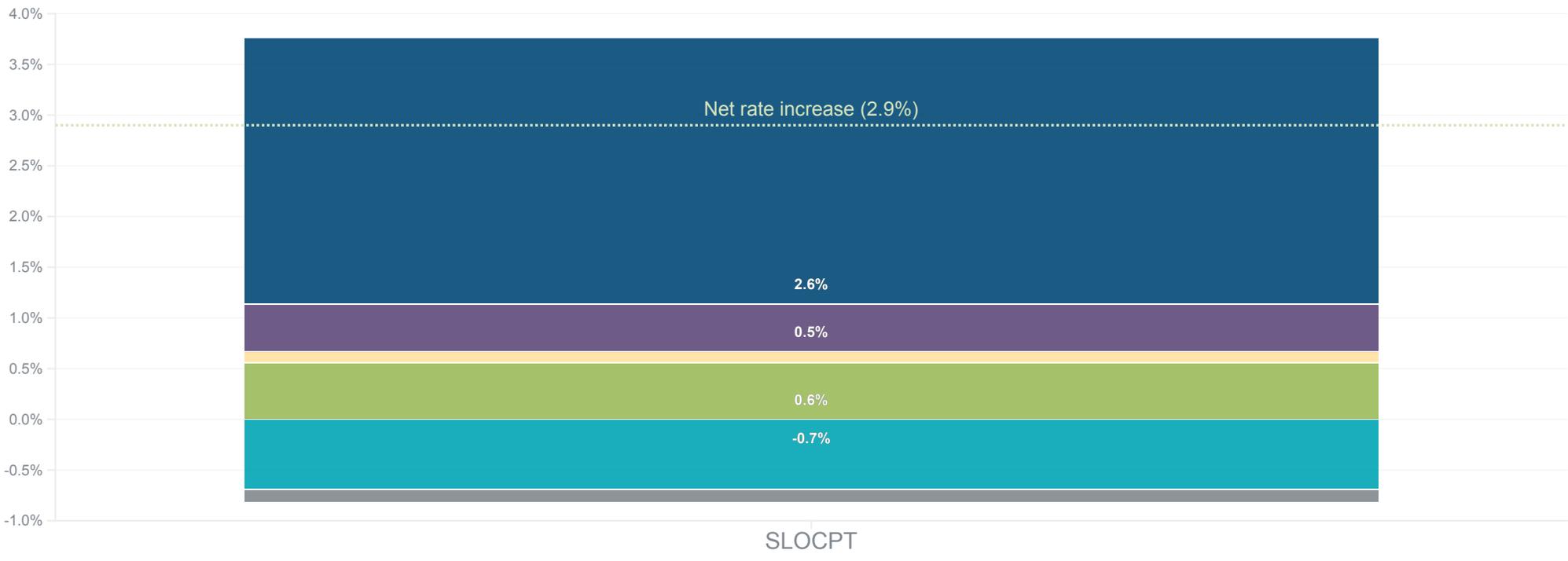




The cost impacts of the adopted assumption changes on the January 1, 2022 valuation results are shown below. The total contribution rate increase was 2.9%.

Total 2022 Contribution Rate Change by Source

Mortality Retirement Rates Termination/Refunds Merit Scale % Married Inflation/Payroll Growth/COLA Growth



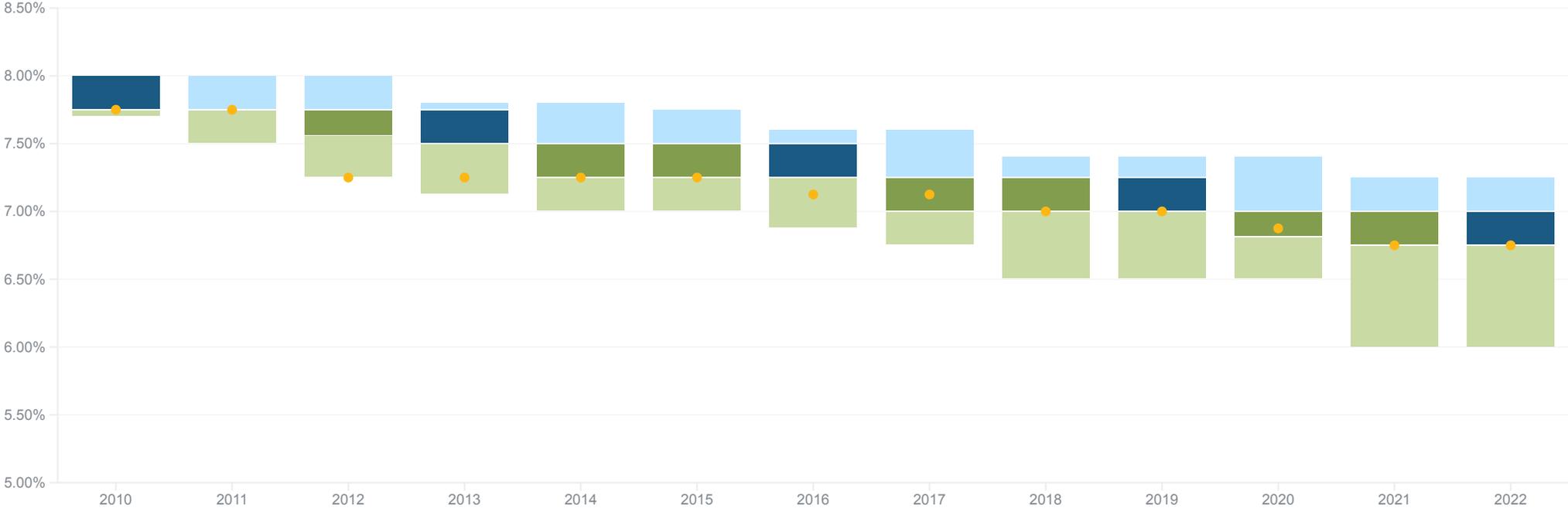
This chart shows the trend in the discount rate from Cheiron's survey of 39 large public pension plans in California for the past 13 years. SLOOPT's assumption has been at or below the median (50th percentile) for the entire period, and mostly in the lower 25th percentile.

Distribution of Discount Rates

Cheiron Survey of California Systems

SLOOPT - San Luis Obispo County

Selected Plan | Min to 25th | 25th to 50th | 50th to 75th | 75th to Max



2022 Discount Rates Cheiron Survey of California Retirement Systems Count



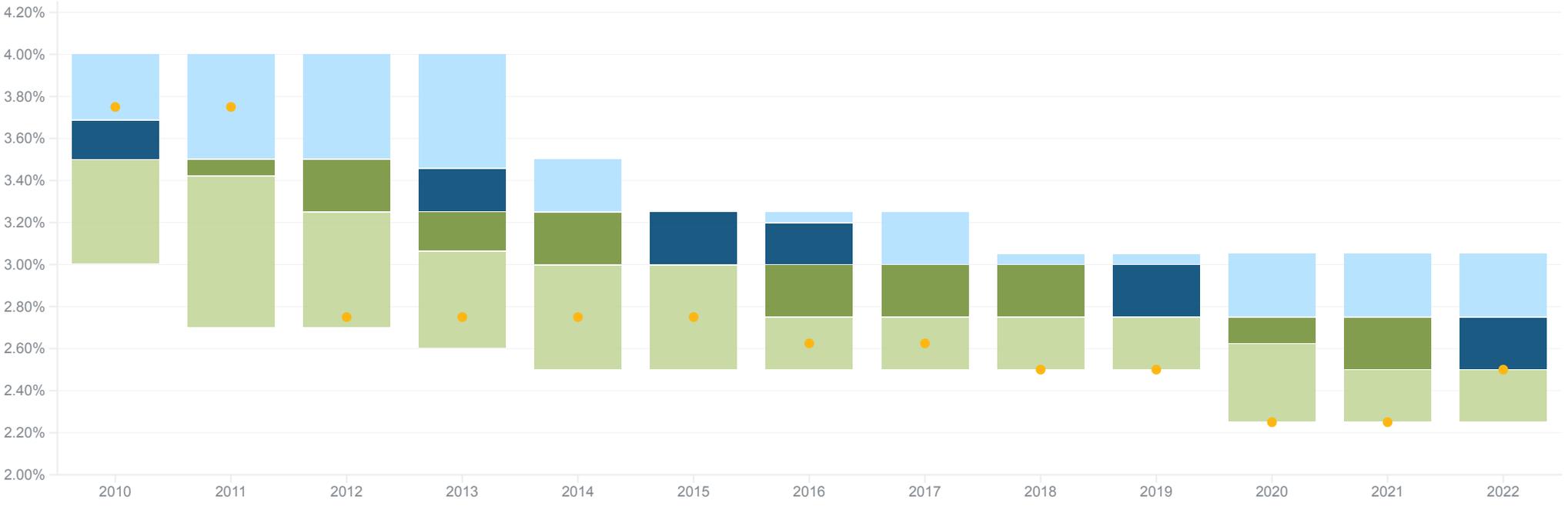
This chart shows the trend in the inflation assumption for large public pension plans in California. Since 2012, SLOOPT's assumption has been in the 25th percentile. However, the increase to 2.50% in the 2022 valuation moved SLOOPT up to the median (50th percentile).

Distribution of Inflation Assumptions

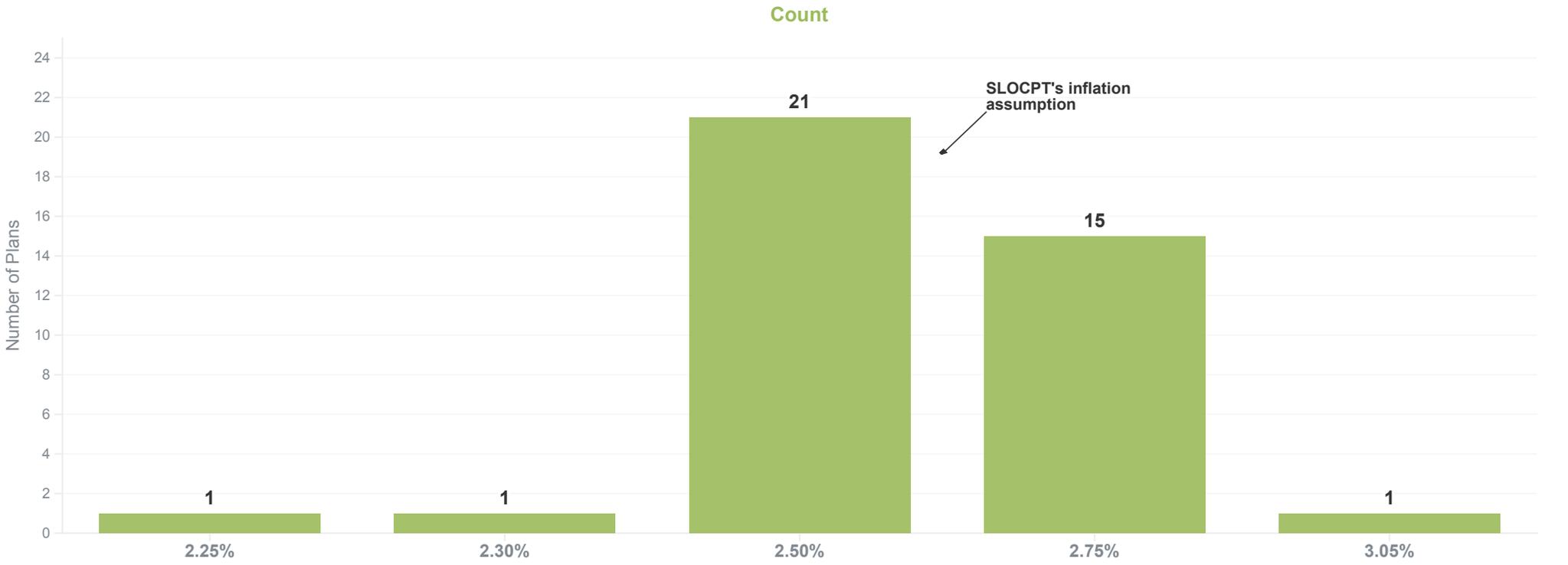
Cheiron Survey of California Systems

SLOOPT - San Luis Obispo County

Selected Plan | Min to 25th | 25th to 50th | 50th to 75th | 75th to Max



2022 Inflation Assumptions Cheiron Survey of California Retirement Systems

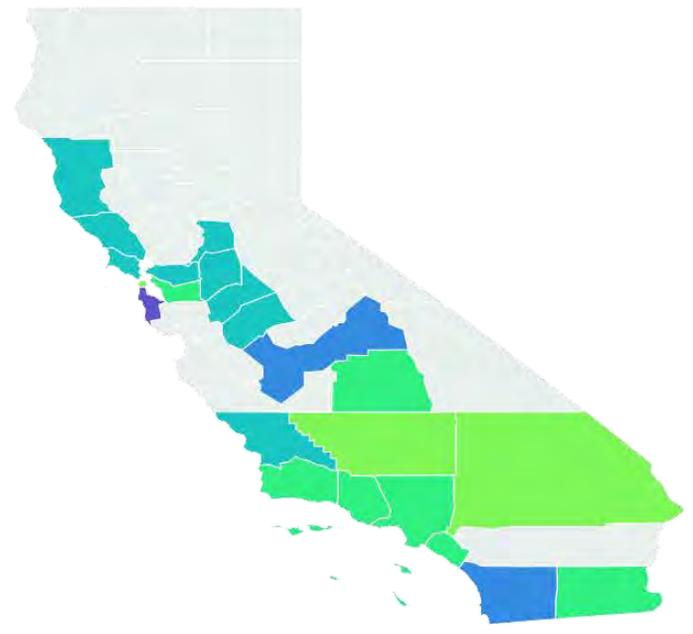
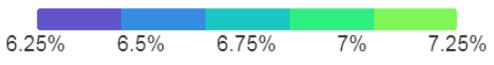




The color-coded map below shows the 2022 discount rate assumptions for the 22 Counties not in CalPERS. Clicking on each County will provide additional details, including the applicable valuation date, other economic assumptions.

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County Current Economic Assumptions (Click County for Details)



Source: Cheiron Survey





The colored dots represent other California city pension systems. Clicking on each dot will provide additional details, including the applicable valuation date, and other economic assumptions.

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Other California Public System (Click City for Details)

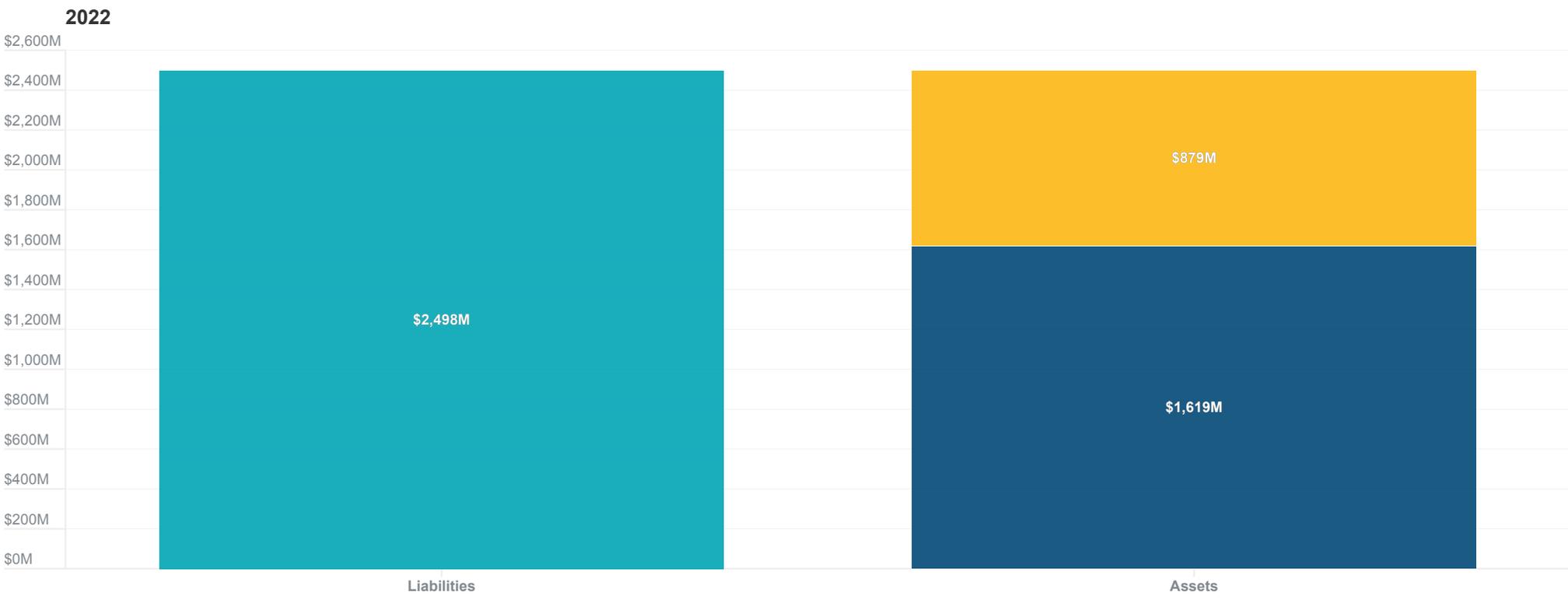
- University of California
- Fresno CERS
- Fresno Police and Fire
- CalPERS
- CalSTRS
- San Jose Police and Fire
- San Jose Federated
- San Diego CERS
- Los Angeles CERS
- Los Angeles Police and Fire
- Los Angeles Water and Power



Source: Cheiron Survey



Actuarial Liability Actuarial Value of Assets UAL





If assets returned the expected 6.75%, the UAL for the January 1, 2023 valuation was expected to decrease to \$850 million. The funded ratio was expected to **increase from 64.8% to 67.1%**.

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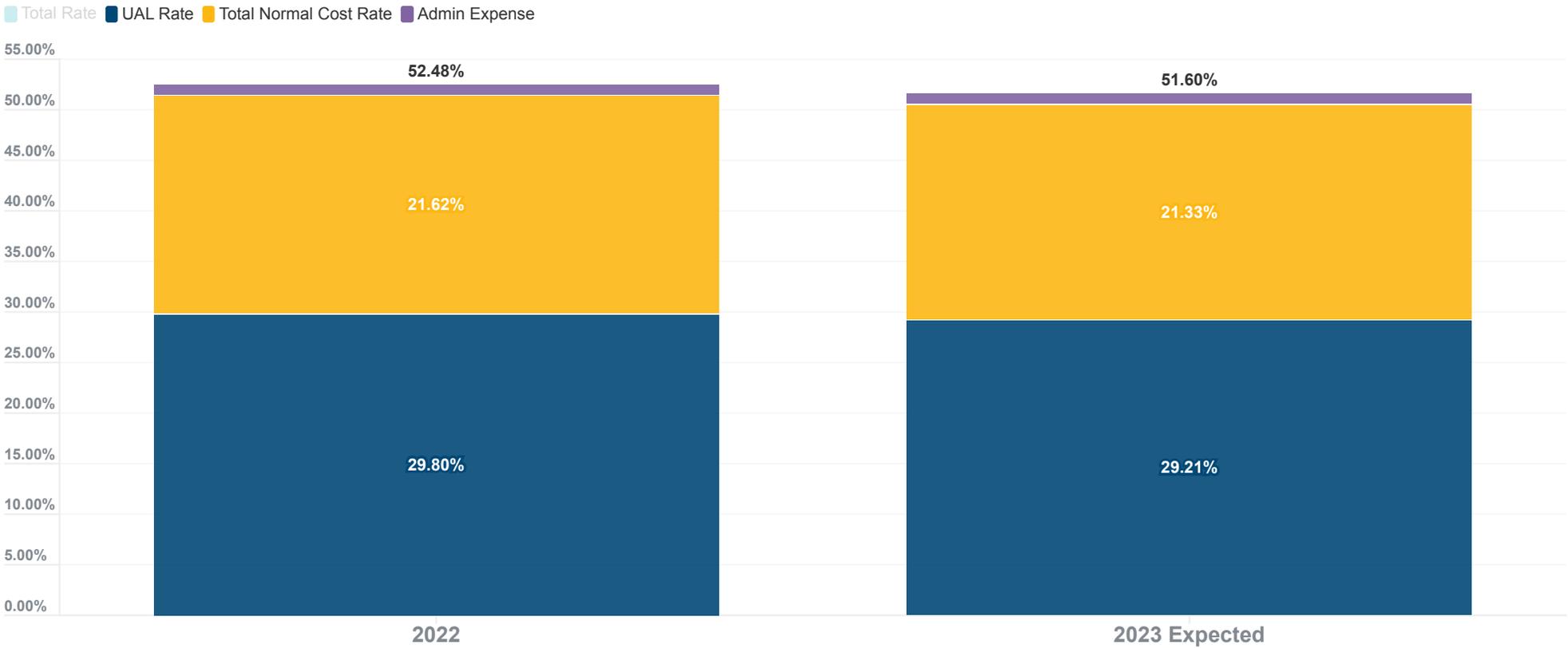
Actuarial Liability Actuarial Value of Assets UAL



Actuarial Liability Actuarial Value of Assets UAL



Here are the results from January 1, 2022 actuarial valuation and the expected total contribution rate for the January 1, 2023, assuming all assumptions met. The total Actuarially Determined Contribution (ADC) was expected to **decrease from 52.48% to 51.60%**.

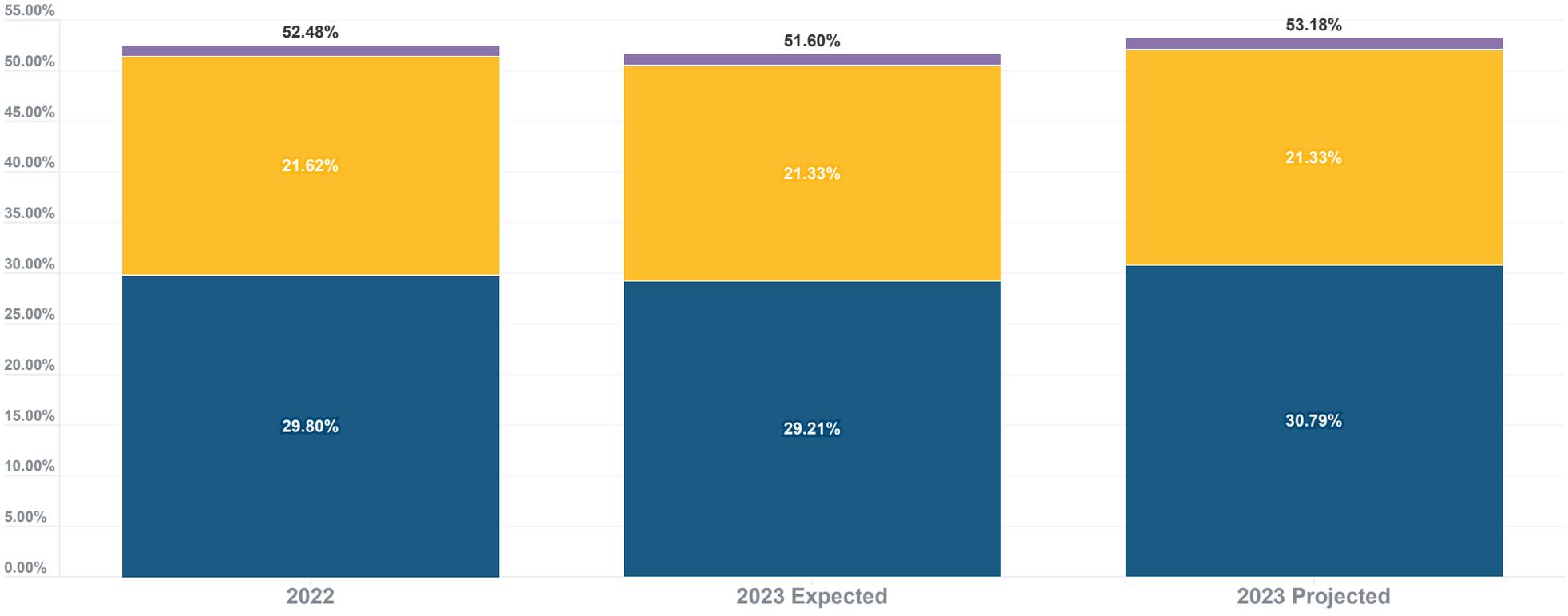




With the -8% return for calendar year 2022, the ADC is projected to **increase slightly from 52.48% to 53.18%** (assuming there are no gains or losses on the liabilities).

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■ Total Rate
 ■ UAL Rate
 ■ Total Normal Cost Rate
 ■ Admin Expense



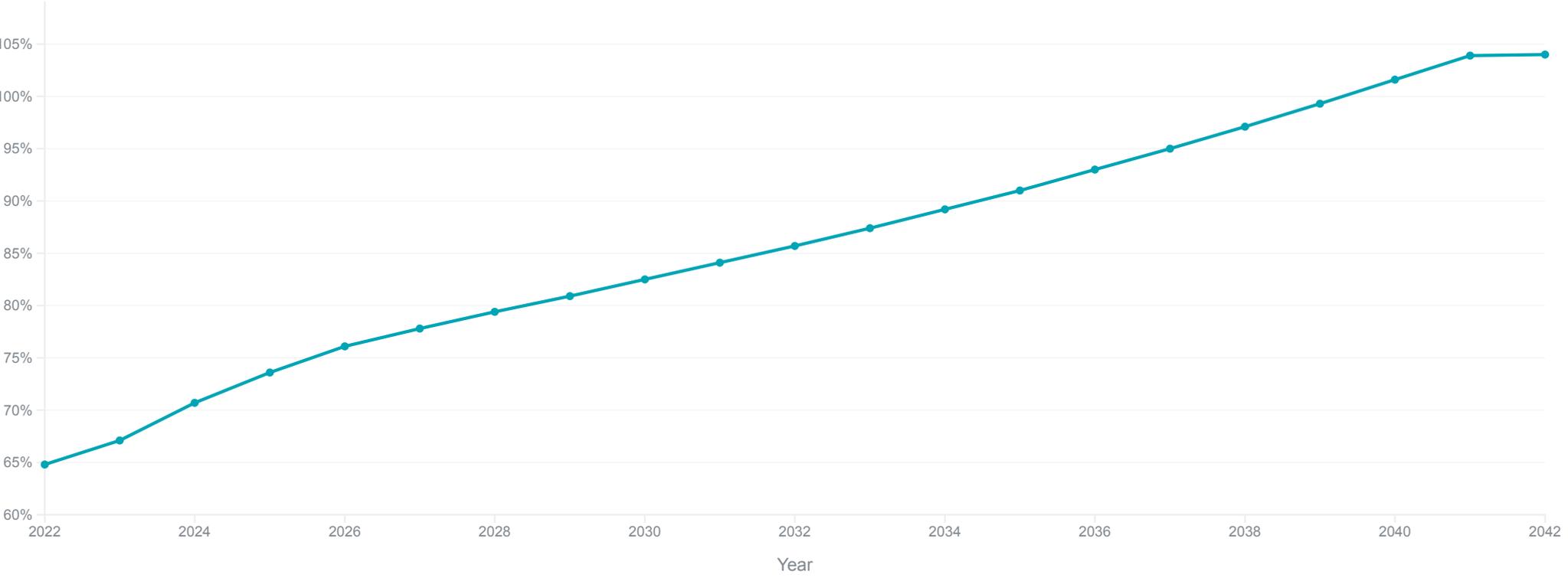




The funded ratio projections are shown below from the January 1, 2022 valuation.

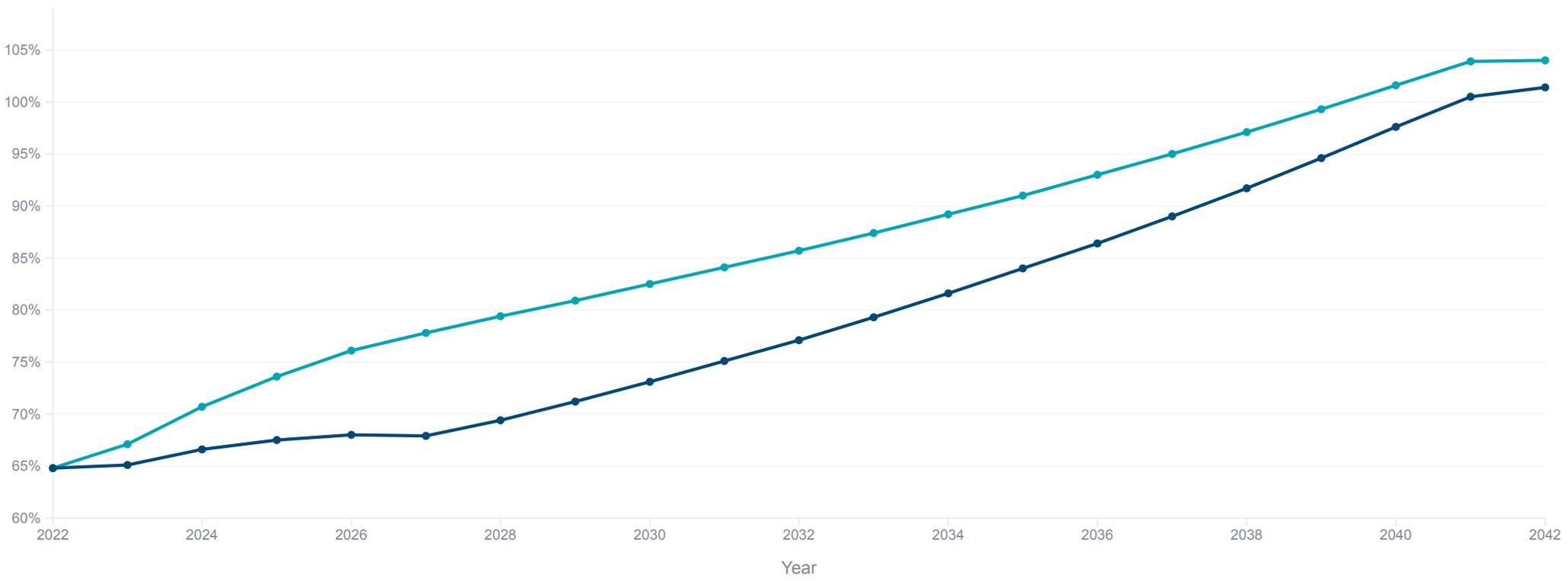
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■ 2022 Valuation ■ 2022 Valuation with -8% asset return



The yellow line shows the projection based on an estimated -8% asset return for 2022, which is lower than the 2022 valuation projection. The funding progress is very gradual for the next 5 years while the asset loss is recognized. However, SLOCPT is projected to be over 80% funded by 2034 and 100% by the end of the projection period.

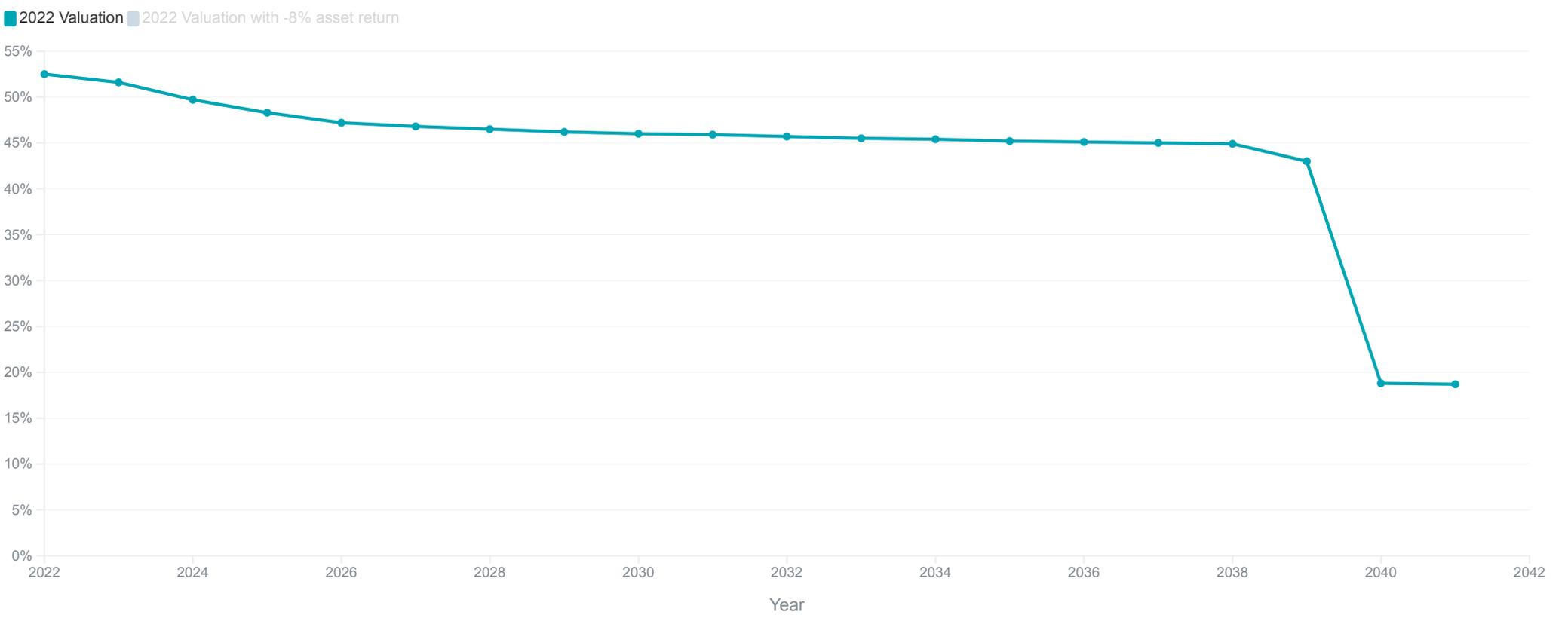
■ 2022 Valuation ■ 2022 Valuation with -8% asset return



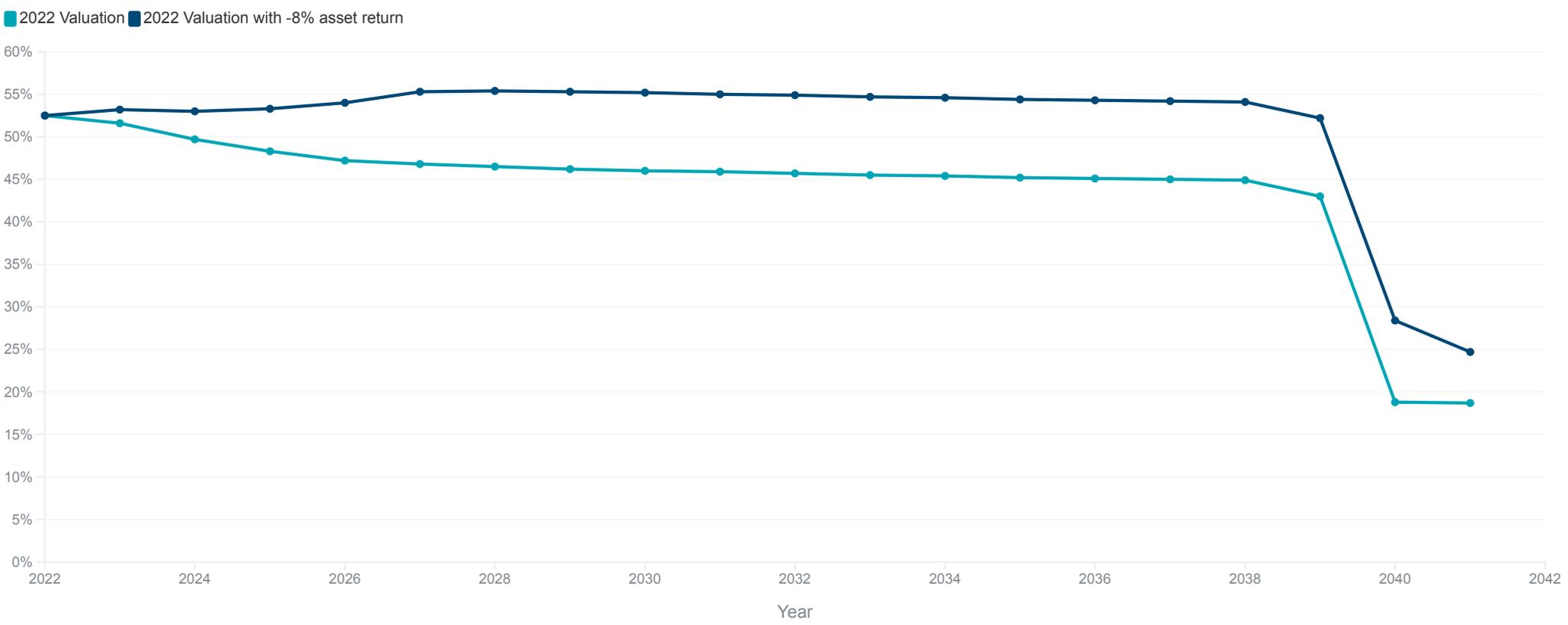


The projection below shows the ADC rate from the January 1, 2022 valuation, with the rate decreasing over the next 5 years, then leveling off, and dropping significantly in 2040 when the majority of the UAL is fully paid.

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With a -8% asset return for 2022, contribution rate **increases** slightly over the next five years, and levels off around 55% of pay compared to around 45% of pay from the 2022 valuation results. However, you do see a similar drop in 2040 when the majority of the UAL is paid.





In late 2021, the Actuarial Standards Board adopted an updated Actuarial Standard of Practice (**ASOP #4**), which includes new disclosure requirements for pension plans. **Most things will stay the same!** Beginning with the January 1, 2024 actuarial valuation report, a measurement known as the **Low Default Risk Obligation Measure (LDRM)** must be included. However, LDRM will **NOT** be used to calculate SLOCPT's contribution rates or funded ratio.



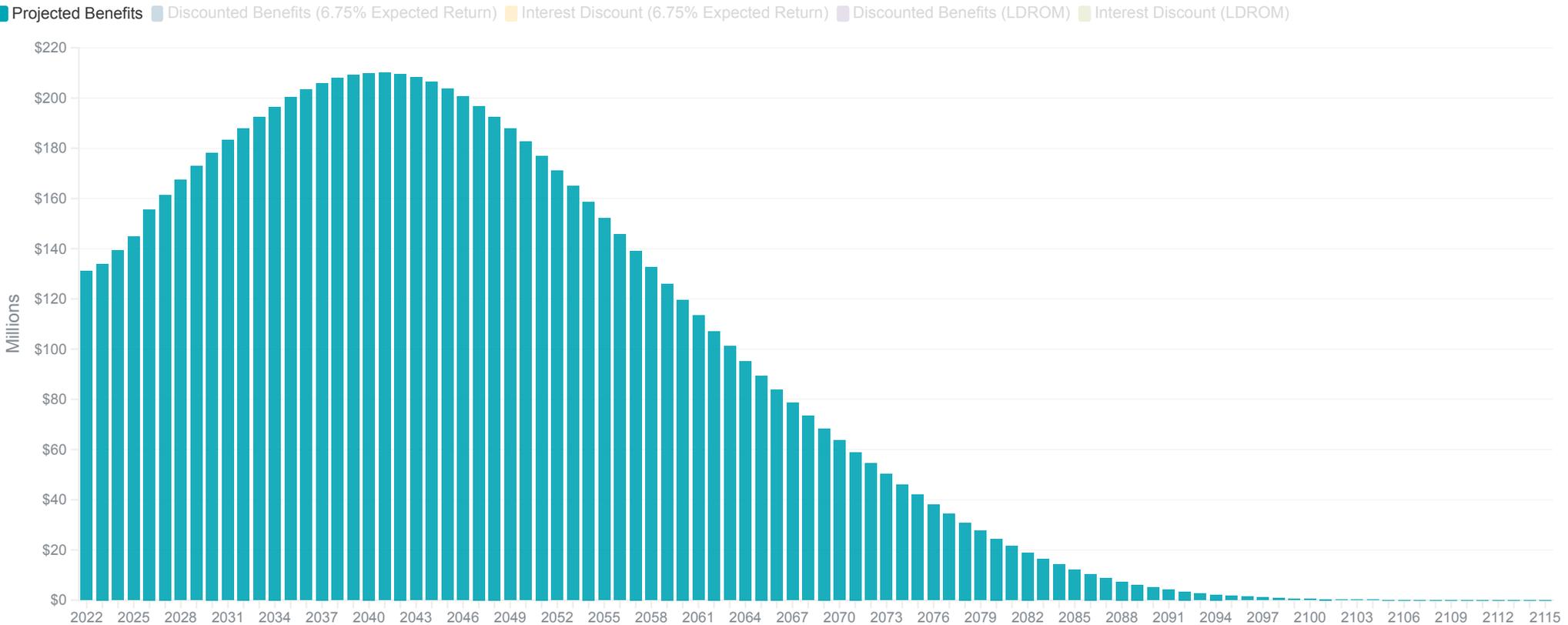


How are liabilities calculated?

How are they used?

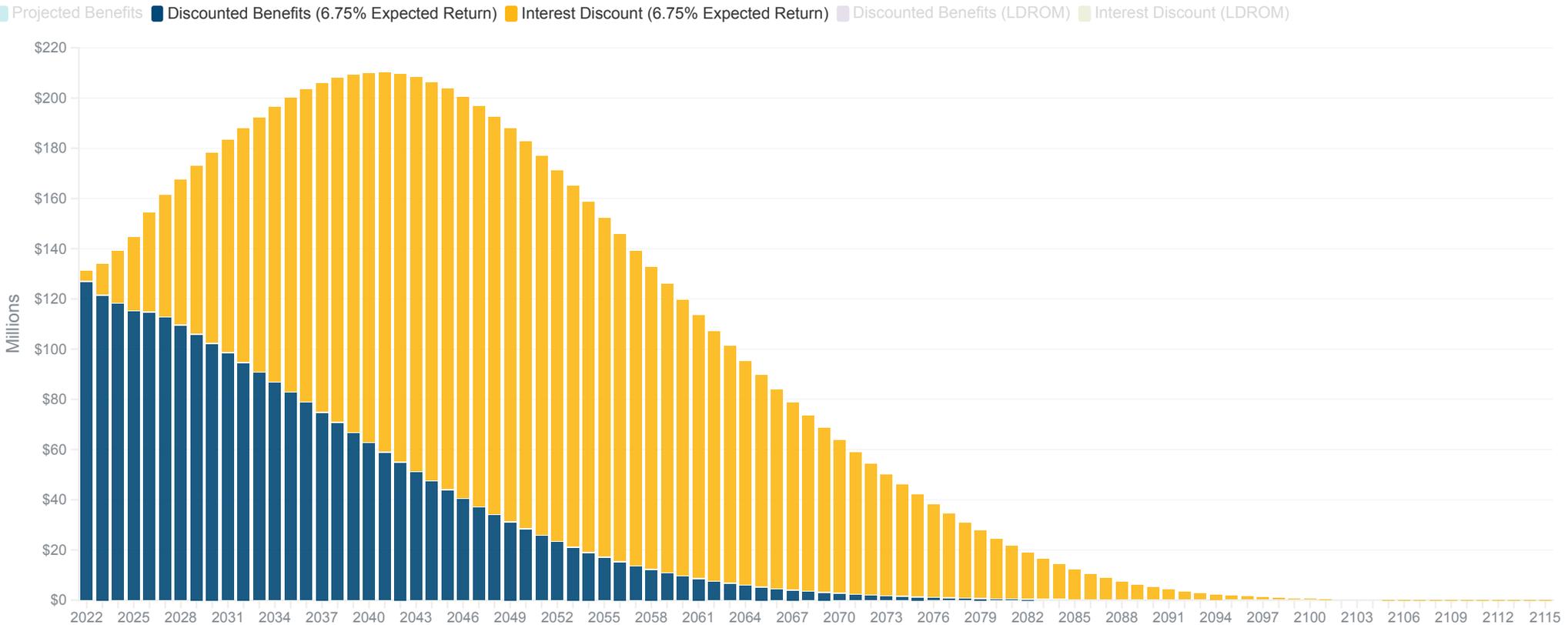


To calculate liabilities, we first project expected benefit payments based on service earned to date for the current population (actives and inactive).





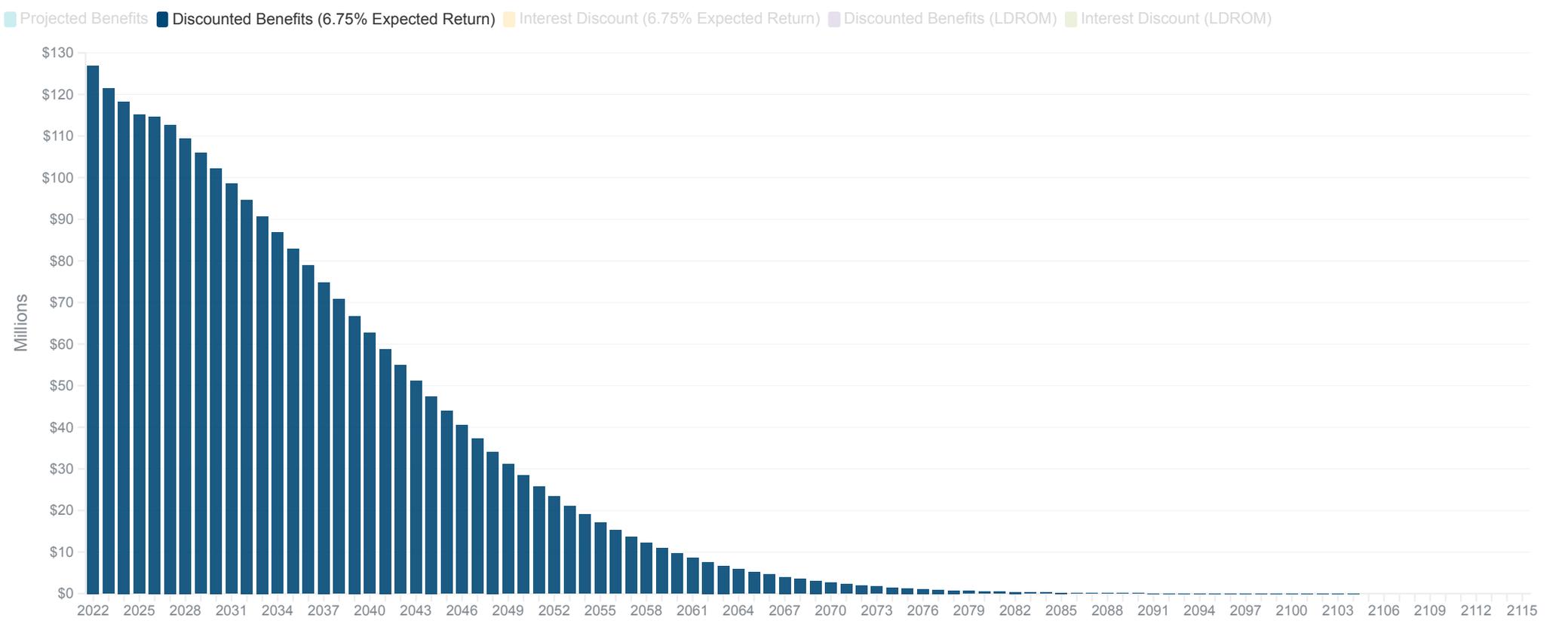
Next, an **interest discount** is applied based on the assumed rate of return on assets (6.75% for SLOCPT), which reduces the value of future benefits because of the **time value of money**.





Reducing by the interest discount, leaves us with the **value in today's dollars.**

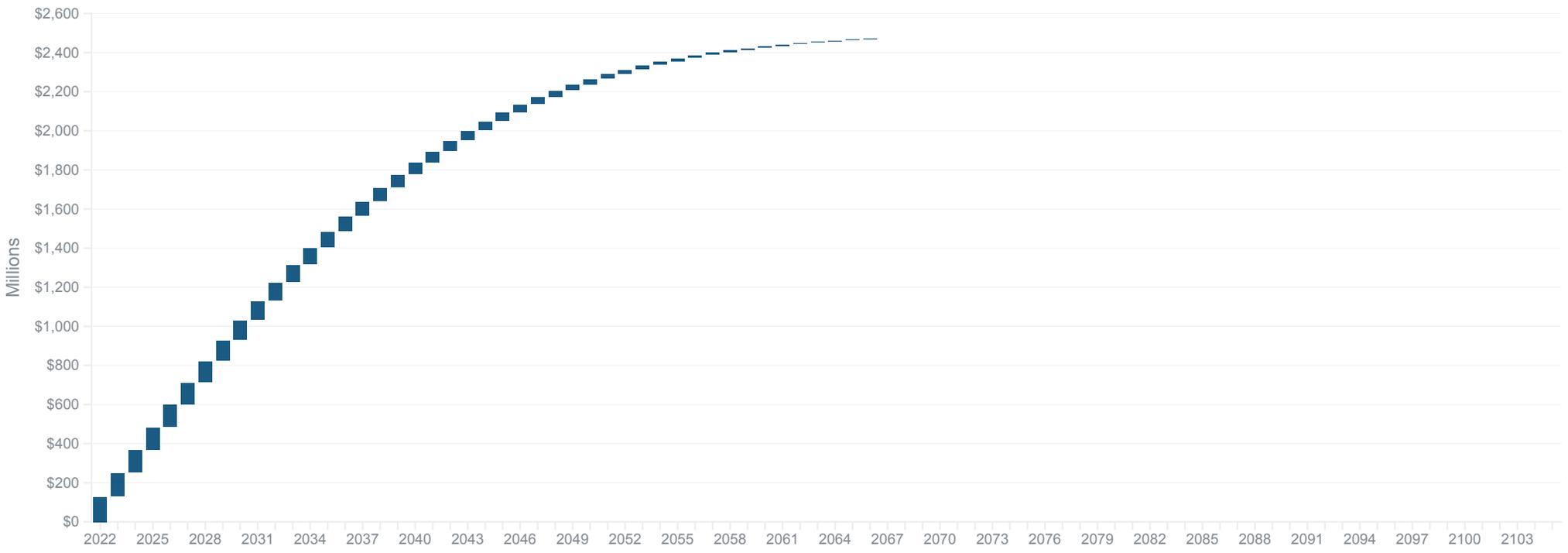
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Sum of Discounted Benefit Payments

Base ■ Discounted Benefits



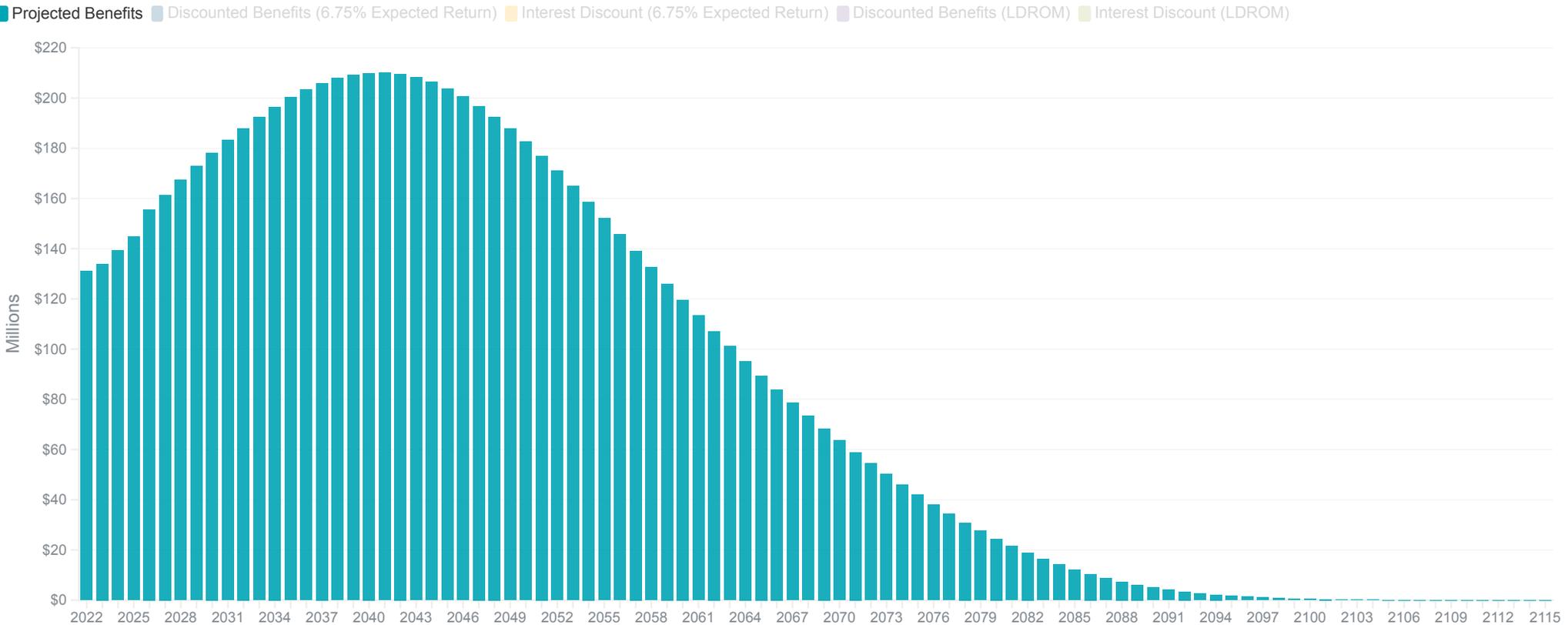


...and express as a single sum, the **Actuarial Liability** (AL) which used to calculate contribution requirements, the unfunded actuarial liability (UAL) and funded ratios.

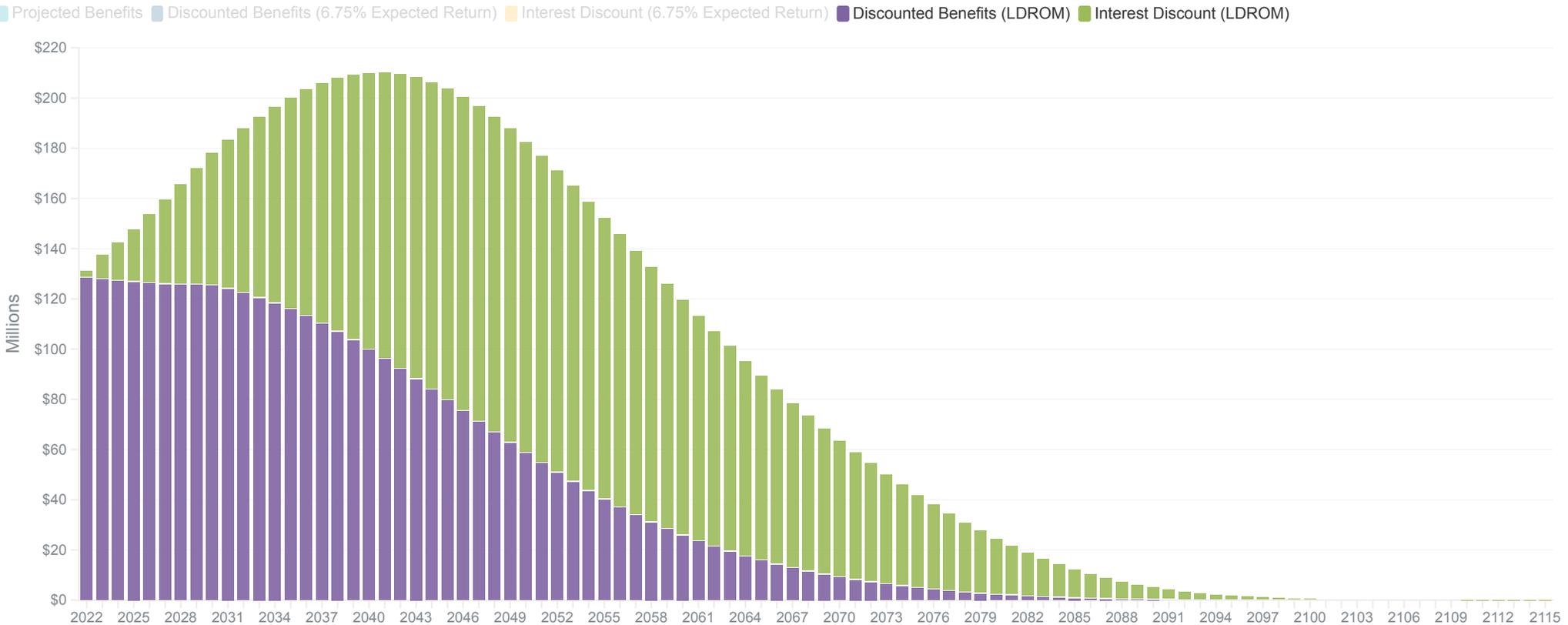
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Funding Liability LDRM

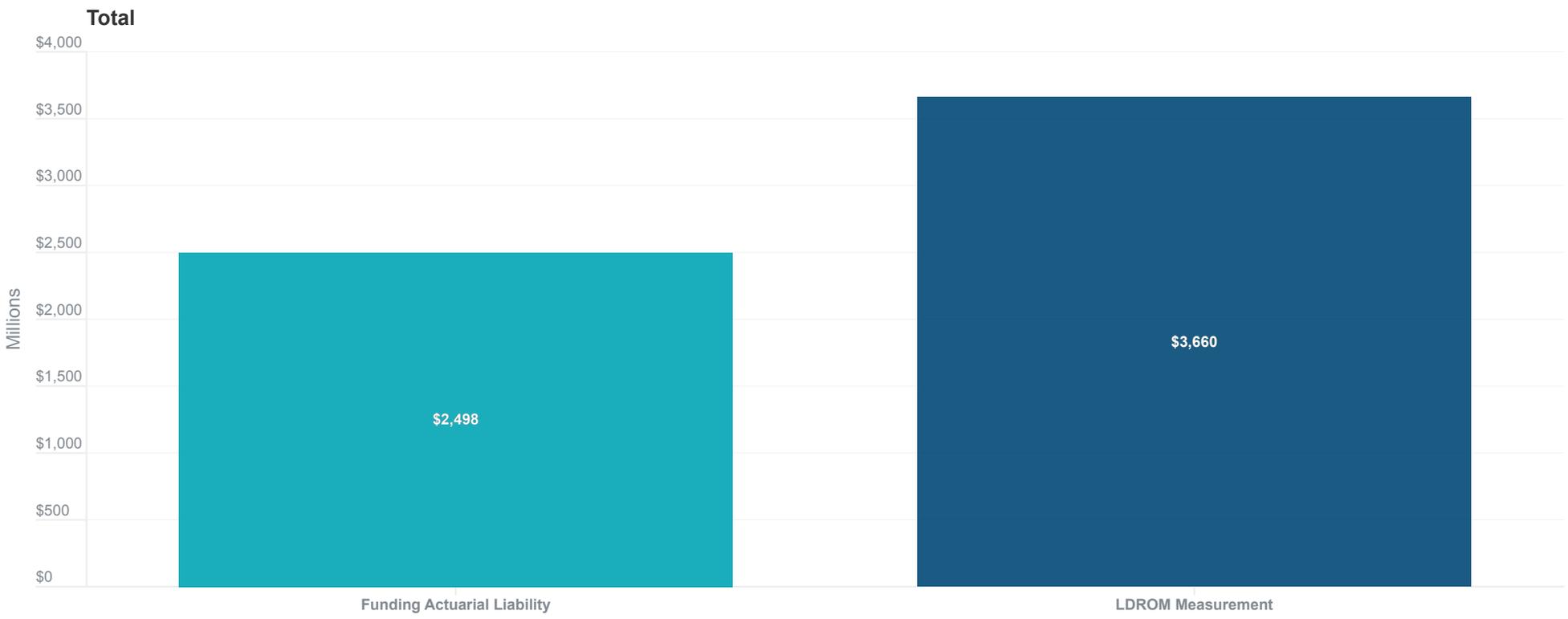




However, a discount rate derived from low-default-risk fixed income securities must be used such as U.S. Treasury yields, highly rated municipal or corporate bonds yields. Here we use a 4.0% discount rate as a proxy.

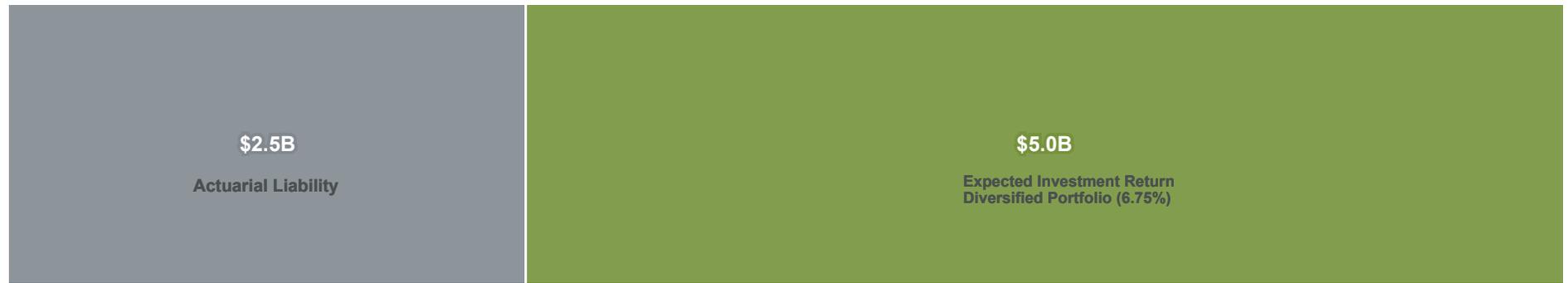


Funding Liability LDROM





Here we show the discounted benefit payments and the expected investment return based on a diversified portfolio (top bars) and a low-default risk portfolio (bottom bars), together.





One framework for communicating the difference between LDROM and the Actuarial Liability can be viewed as the expected savings from investing in a diversified portfolio instead of a low-default-risk portfolio. Actual savings will depend on how the diversified portfolio performs. Or, this difference can also be viewed as the cost of eliminating investment risk.





Most likely to add the LDROM measurement in the risk section of the actuarial valuation report where we already show discount rate sensitivity (+/- 1%) in the liabilities.

Again, this disclosure has **no impact** on the Actuarial Determined Contribution (ADC) or the Plan's funded ratio.



San Luis Obispo County Pension Trust Consultants



Anne Harper
Principal Consulting
Actuary
FSA, EA, MAAA
San Diego



Alice Alsberghe
Consulting Actuary
ASA, EA, MAAA
San Diego



Tim Hall
Associate Actuary
FSA, EA, MAAA
San Diego



Certification

The purpose of this presentation is to present information relating to SLOCPT 2022 actuarial valuation results and future projections.

In preparing our presentation, we relied on information (some oral and some written) supplied by SLOCPT. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. The data and actuarial assumptions used (unless modified within this communication) are described in our January 1, 2022 actuarial valuation report.

Future projections may differ significantly from the projections presented in this presentation due to such factors as the following: plan experience different from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

To the best of our knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared for the SLOCPT Retirement Board for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.



Pension Trust

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San Luis Obispo County Pension Trust *SLOOPT*

Date: March 27, 2023

To: Board of Trustees

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

Agenda Item 10: Actuarial Valuation – 2023 Actuarial Assumptions Approval

Recommendation:

Following the presentation from SLOOPT’s actuary on planning for the 2023 Actuarial Valuation (Item 9 on the agenda), direct the Actuary to use the following Actuarial Assumptions in finalizing the 2023 Annual Actuarial Valuation -

| | 2022 Valuation | Recommended for 2023 Valuation <i>No changes recommended</i> |
|--|--|--|
| Rate of Return | | |
| Inflation | 2.50% | 2.50% |
| Real Rate of Return | <u>4.25%</u> | <u>4.25%</u> |
| Earnings Assumption & Discount Rate | 6.75% | 6.75% |
| Administrative Expenses | \$2.3 million/year + annual increases at 2.75% | \$2.3 million/year + annual increases at 2.75% |

| | 2022 Valuation | Recommended for 2023 Valuation <i>No changes recommended</i> |
|--|---|---|
| Retiree COLAs | | |
| Tier 1 | 2.75% <i>(inflation + 0.25%)</i> | 2.75% <i>(inflation + 0.25%)</i> |
| Tiers 2 & 3 <i>(max.)</i> | 2.00% | 2.00% |
| Interest on Member Contributions | 5.75% | 5.75% |
| Family Composition (% married) | 70% Males 55% Females | 70% Males 55% Females |
| Salary Increase | 3.00% + merit 2.50% inflation + <i>Separate rate for Misc. and Safety/Probation, higher increases for members with 7+ years of service</i> | 3.00% + merit 2.50% inflation + <i>Separate rate for Misc. and Safety/Probation, higher increases for members with 7+ years of service</i> |
| Payroll Growth | | |
| Wage Inflation | 2.50% | 2.50% |
| Productivity Increase | <u>0.50%</u> 3.00% | <u>0.50%</u> 3.00% |
| Termination/Withdrawal | Service-based | Service-based |
| Reciprocal Transfers | | |
| % of non-active Members | 30.00% | 30.00% |

| | 2022 Valuation | Recommended for 2023 Valuation <i>No changes recommended</i> |
|--|---|---|
| Mortality - Healthy Lives | | |
| Active members – Miscellaneous | Pub-2010 General Above-Median Employee table | Pub-2010 General Above-Median Employee table |
| Active members – Safety and Probation | Pub-2010 Safety Above-Median Employee table | Pub-2010 Safety Above-Median Employee table |
| Retirees – Miscellaneous and Beneficiaries | Pub-2010 Above-Median Annuitant table, without adjustments | Pub-2010 Above-Median Annuitant table, without adjustments |
| Retirees – Safety and Probation | Pub-2010 Safety Above-Median Annuitant table, with 99% Male / 101% Female adjustments | Pub-2010 Safety Above-Median Annuitant table, with 99% Male / 101% Female adjustments |
| Mortality - Disabled Lives | Pub-2010 General Disabled Annuitant Table | Pub-2010 General Disabled Annuitant Table |
| Rates of Retirement | Separate rates for members with less than 25 years of service and members with more Also adjusted based on actual experience | Separate rates for members with less than 25 years of service and members with more Also adjusted based on actual experience |

Discussion:

It is the policy of SLOCPT to have an annual Actuarial Valuation to assist in setting the total level of contributions necessary to fund the retirement system – the Total Combined Actuarially Determined Contribution (Total ADC). In support of that annual Actuarial Valuation, SLOCPT conducts a biennial Actuarial Experience Study to ensure future projections are consistent with experience and are realistic. In these Experience Studies

the Actuary analyzes the trailing five years of Plan demographic and financial experience to determine what actuarial assumptions should be recommend to the Board of Trustees for use in the annual Actuarial Valuation. 2023 is not an Experience Study year.

It has been the practice of SLOCPT to change major actuarial assumptions (if change is warranted) on a biennial basis in conjunction with the Actuarial Experience Study and in a coordinated manner. For example, changes in expected inflation have an impact on multiple assumptions – Earnings, Salary Growth, Retiree COLAs – so logically those changes should be made at the same time.

The latest Actuarial Experience Study was completed in 2022. For 2023, as a year between the biennial Experience Studies, it is preferable to defer making any changes to actuarial assumptions until the next Experience Study year unless there are compelling reasons for an out-of-cycle change in assumptions.

SLOCPT’s Actuary and Staff recommend no changes to major assumptions noted above. These assumptions will determine the resulting Actuarially Determined Contribution (ADC) rate increase to be presented to the Board in June.

Pension Trust

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Date: March 27, 2023

To: Board of Trustees

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

Agenda Item 11: Employer Contributions Prefunding

Recommendation:

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

1. To agree to the FY23-24 prefunding of employer contributions from the County of San Luis Obispo and the Air Pollution Control District - if they so elect - 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 SLOOPT’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 2023 benchmarked to the Plan’s adopted real rate of return:**

| | FY22-23 Prefunding Adopted | FY23-24 Prefunding Proposed |
|---|----------------------------------|--|
| Prefunding Discount Rate = Plan’s Real Rate of Return Assumption | 4.25% | 4.25% |

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

- *OR* -

2. To not agree to the FY23-24 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 2022 was the then assumed real rate of return adopted and used in the January 1, 2022, 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.

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,

Pension Trust

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www.SLOPensionTrust.org



Date: March 27, 2023

To: Board of Trustees

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

Agenda Item 12: Administrative and Capital Expenditures Budget for Fiscal Year 2023-2024 - 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 2023-2024 (“FY23/24”) (Attachments A through C). A final draft of these budget schedules, based on direction given to staff and any updated projections, will be presented for approval at the regular meeting scheduled for May 22, 2023.

Discussion - Expenditures:

The expense categories presented in the attached **Proposed Administrative Budget** for the FY23/24 have been updated based upon varied assumptions, prior year experiences and staff’s best estimates of future events. **Overall staff believes a 9.9% increase in the total budgeted amount when compared to the approved Administrative Budget for Fiscal Year 2022-2023 is appropriate. This represents a \$315,000 increase compared to prior year from \$3.18 million to \$3.50 million.**

Staff’s basis for components of this change are further detailed in the sections bellow. This proposed amount represents 0.22% of the total unaudited Net Position of SLOCPT as of December 31, 2022.

- **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 12/31/2022 where appropriate and adds a 7.2% investment

return that was taken from Verus' Capital Market Expectations report presented earlier this year.

- **Personnel Services** – (see Attachment B) Includes all expenses related to SLOCPT's staff. Assumes the following:
 - a) 2.5% increase in salaries for FY23-24 (based on the County's 2022 resolution approving wage increase for the SLOCPT benchmarked positions),
 - b) payroll tax rates will stay consistent with 2023 rates currently in place,
 - c) cafeteria benefit of \$11,700 (employee only), \$14,100 (employee +1) and \$17,780 (family) annually per eligible employee (benchmarked to County positions in Bargain Units 7 & 11 and pro-rated for part-time employees),
 - d) employer pension rate increase of 2.38% effective with the pay period that includes 7/1/23,
 - e) applicable salary step increases and promotions for staff members determined to be eligible (note all current staff will reach step 6 in this budget cycle),
 - f) \$500 matched contribution to employees' deferred compensation account (benchmarked to County positions in Bargain Units 7 & 11),
 - g) \$500 Wellness and Development reimbursement (benchmarked to County positions in Bargain Units 7 & 11),
 - h) successor Executive Director hired at step 2 with a Tier 2 pension
 - i) additional Executive Director salary expenses for a one-month transition period added in consideration of the incumbent Executive Director's retirement and an assumed overlap with a successor.

Note: Salary ranges presented in Attachment B do not include the estimated 2.5% prevailing wage increase. However, the 2.5% increase is included in the overall Administrative Budget presented in Attachment A.

- **Professional Services** –
 - Accounting & Auditing: Based on the current contract with Brown Armstrong (SLOCPT's annual financial statement audit firm). The 2022 Audit is the fifth of the current 5-year engagement letter with Brown Armstrong. The Board will be making a decision later in the year whether to re-engage Brown Armstrong or go out for RFP to entertain a new Auditor relationship.
 - 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 increase in expense is attributable to the addition of the biennial Experience Study costs that are to be performed in the upcoming 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) or Independent Psychiatric Examiners (IPEs) as necessary. The increase this year is due to the increased disability applications experience in the current year as well as the possible increased costs associated with more extensive disability review procedures being added to MMRO current duties.
 - 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. Additionally, this year, a one-time cost of \$35,000 has been added in anticipation of recruitment cost for a successor Executive Director including the retention of an Executive Recruitment firm (subject to Board approval).
- **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%. The increased costs experienced in FY22/23 were attributed a steep inflation in Cyber Liability coverage which was an industry wide event after the global pandemic.
 - 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 form the current year into FY23-24 and are reflected in proposed total. Additional costs for building repairs planned in the near-term (which include water damage for an exterior closet and gutter repair) have also been incorporated.
 - 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).
 - 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. Such payments are sometimes due to the SLOCPT paying retirement benefits in advance instead of in arrears (Social Security pays benefits in arrears for comparison).
- **Contingencies** – 5% of total budget to be used for unexpected expenses.
 - **Capital Expenditures** – (see Attachment D) To plan for and obtain approval for costs that would be capitalized. These costs will be directly related to elective software upgrades or improvements, building improvements and large equipment purchases. Since these costs are typically depreciated over their useful lives on SLOCPT’s income statement, Staff has chosen to present these on a different schedule and account for them using the balance sheet totals rather than the annual depreciation that is expensed. This year Staff is asking for approval to re-roof 1000 Mill Street. A 5% contingency has been included.

Attachments:

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

Attachment B – Proposed Staffing

Attachment C – Proposed Training & Travel

Attachment D – Proposed Capital Expenditures

ATTACHMENT A

**San Luis Obispo County Pension Trust
PROPOSED ADMINISTRATIVE BUDGET:
Fiscal Year 2023-2024**

| | FY21-22 Actual Expenses | FY22-23 Estimated Expenses | FY22-23 Adopted Budget | FY23-24 Proposed Budget | Increase/ Decrease From PY |
|---|-------------------------------|----------------------------------|------------------------------|-------------------------------|----------------------------------|
| INVESTMENT EXPENSE: | | | | | |
| Invest. Exp. (Custody, Consultant) | \$ 660,475 | \$ 629,000 | \$ 634,000 | \$ 637,000 | \$ 3,000 |
| ADMINISTRATIVE EXPENSE: | | | | | |
| Personnel Services | \$ 1,159,854 | \$ 1,356,000 | \$ 1,356,500 | \$ 1,452,000 | \$ 95,500 |
| Professional Service | | | | | |
| Accounting & Auditing | 59,800 | 60,000 | 60,000 | 66,000 | 6,000 |
| Actuarial | 142,031 | 96,000 | 96,000 | 139,000 | 43,000 |
| Legal | 187,188 | 226,000 | 220,000 | 220,000 | - |
| Medical Evaluations - Disabilities | 22,225 | 94,000 | 30,000 | 100,000 | 70,000 |
| Human Resources Consulting | 5,000 | 5,000 | 5,000 | 5,000 | - |
| Information Technology Services | 351,193 | 246,000 | 249,000 | 255,000 | 6,000 |
| Banking and Payroll | 16,604 | 18,000 | 21,000 | 18,000 | (3,000) |
| Other Professional Services | 9,212 | 2,000 | 2,000 | 37,000 | 35,000 |
| Total Professional Services | \$ 793,253 | \$ 747,000 | \$ 683,000 | \$ 840,000 | \$ 157,000 |
| Other Expenses | | | | | |
| Trustee Election Expenses | - | 6,000 | 6,000 | 6,000 | - |
| Insurance | 130,804 | 159,000 | 136,000 | 167,000 | 31,000 |
| Building Maintenance | 78,505 | 39,000 | 58,000 | 74,000 | 16,000 |
| Office Expense | 16,295 | 25,000 | 25,000 | 29,000 | 4,000 |
| Memberships & Publications | 5,152 | 6,000 | 6,500 | 6,500 | - |
| Postage | 30,312 | 32,000 | 32,000 | 33,000 | 1,000 |
| Communications | 2,579 | 3,000 | 3,000 | 3,000 | - |
| Training & Travel | 9,041 | 50,000 | 56,000 | 47,500 | (8,500) |
| Information Technology | 12,690 | 25,000 | 31,000 | 33,000 | 2,000 |
| Equipment | 4,508 | 2,000 | 3,000 | 2,000 | (1,000) |
| Bad Debt | 5,740 | 4,000 | - | - | - |
| Total Other Expenses | \$ 295,626 | \$ 351,000 | \$ 356,500 | \$ 401,000 | \$ 44,500 |
| Contingencies | \$ - | \$ - | \$ 152,000 | \$ 167,000 | \$ 15,000 |
| TOTAL ADMINISTRATIVE | \$ 2,248,733 | \$ 2,454,000 | \$ 2,548,000 | \$ 2,860,000 | \$ 312,000 |
| ADMIN. + INVESTMENT | \$ 2,909,208 | \$ 3,083,000 | \$ 3,182,000 | \$ 3,497,000 | \$ 315,000 |

Increase from Prior Year Budget

9.9%

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ATTACHMENT B

| San Luis Obispo County Pension Trust PROPOSED STAFFING: | FY21-22 | FY22-23 | FY22-23 | FY23-24 | Increase / | Projected | Projected | Projected | Projected |
|--|-------------|-------------------|-------------|--------------------|-----------------------|-------------|-------------|-------------|-------------|
| | Actual | Amended Budget | Actual | Proposed Budget | (Decrease) From PY | FY24-25 | FY25-26 | FY26-27 | FY27-28 |
| 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 | 1.80 | 1.80 | 0.05 | 1.80 | 1.80 | 1.80 | 1.80 |
| 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 | 7.60 | 8.10 | 0.05 | 8.10 | 8.10 | 8.10 | 8.10 |

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 | 97.29 | 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 | 77.84 | Benchmarked to County BU 7 |
| Retirement Programs Spec. III <i>#9663 Risk Mgmt. Analyst III</i> | 43.71 | 45.90 | 48.20 | 50.61 | 53.14 | 55.80 | Benchmarked to County BU 7 |

ATTACHMENT B

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> | 38.01 | 39.91 | 41.91 | 44.01 | 46.21 | 48.52 | Benchmarked to County BU 7 |
| Retirement Programs Spec. I <i>#9657 Risk Mgmt. Analyst I</i> | 32.31 | 33.93 | 35.63 | 37.41 | 39.28 | 41.24 | Benchmarked to County BU 7 |
| Accountant IV <i>#2055 Auditor-Analyst III</i> | 43.20 | 45.36 | 47.63 | 50.01 | 52.51 | 55.14 | Benchmarked to County BU 7 |
| Accountant III <i>#907 Accountant III</i> | 38.44 | 40.36 | 42.38 | 44.50 | 46.73 | 49.07 | Benchmarked to County BU 7 |
| Accountant II <i>#906 Accountant II</i> | 33.40 | 35.07 | 36.82 | 38.66 | 40.59 | 42.62 | Benchmarked to County BU 7 |
| Accountant I <i>#905 Accountant I</i> | 28.40 | 29.82 | 31.31 | 32.88 | 34.52 | 36.25 | Benchmarked to County BU 7 |
| Retirement Technician <i>#913 Accounting Technician - Conf.</i> | 25.63 | 26.91 | 28.26 | 29.67 | 31.15 | 32.71 | Benchmarked to County BU 11 |
| Administrative Asst. III <i>#2223 Administrative Asst. III - Conf.</i> | 21.92 | 23.02 | 24.17 | 25.38 | 26.65 | 27.98 | Benchmarked to County BU 11 |
| Administrative Asst. II <i>#2222 Administrative Asst. II - Conf.</i> | 19.93 | 20.93 | 21.98 | 23.09 | 24.23 | 25.44 | Benchmarked to County BU 11 |
| Administrative Asst. I <i>#2221 Administrative Asst. I - Conf.</i> | 17.94 | 18.84 | 19.78 | 20.77 | 21.81 | 22.90 | Benchmarked to County BU 11 |
| Part-Time Temporary Office Assistant <i>#911 Account Clerk</i> | 20.26 | 21.27 | 22.33 | 23.46 | 24.62 | 25.85 | N/A |

ATTACHMENT C

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

| | FY21-22 Actual | Current FY22-23 YTD | FY22-23 Amended Budget | FY23-24 Proposed Budget | Increase / (Decrease) From PY Budget |
|---|---------------------------|------------------------------------|---------------------------------------|--|---|
| <i>CALAPRS General Assembly</i> | | | | | |
| Attendees - Board | 2 | - | 3 | 3 | - |
| Attendees - Staff | 1 | - | 2 | 2 | - |
| Total Expense | 4,046 | - | 7,250 | 7,250 | - |
| <i>CALAPRS Advanced Trustee Institute (UCLA)</i> | | | | | |
| Attendees - Board | - | - | 2 | 1 | (1) |
| Attendees - Staff | - | - | - | - | - |
| Total Expense | - | - | 6,900 | 3,450 | (3,450) |
| <i>CALAPRS Principles for Trustees</i> | | | | | |
| Attendees - Board | 2 | 1 | 3 | 2 | (1) |
| Attendees - Staff | - | - | - | - | - |
| Total Expense | 1,000 | 6,321 | 9,900 | 6,600 | (3,300) |
| <i>SACRS Trustees Training- Berkeley</i> | | | | | |
| Attendees - Board | - | 1 | 3 | 3 | - |
| Attendees - Staff | 1 | - | 1 | - | (1) |
| Total Expense | 500 | 5,045 | 15,000 | 14,250 | (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 | - | - | - | - | - |
| Attendees - Staff | - | - | 1 | 1 | - |
| Total Expense | - | - | 1,025 | 1,025 | - |
| <i>CALAPRS Administrators Institute</i> | | | | | |
| Attendees - Board | - | - | - | - | - |
| Attendees - Staff | 2 | - | 1 | 2 | 1 |
| Total Expense | 1,000 | - | 1,600 | 3,200 | 1,600 |
| <i>CALAPRS Management Academy</i> | | | | | |
| Attendees - Board | - | - | - | - | - |
| Attendees - Staff | - | - | 1 | 1 | - |
| Total Expense | - | - | 3,350 | 3,350 | - |

ATTACHMENT C

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

| | FY21-22 Actual | Current FY22-23 YTD | FY22-23 Amended Budget | FY23-24 Proposed Budget | Increase / (Decrease) From PY Budget |
|--|---------------------------|------------------------------------|---------------------------------------|--|---|
| <i>CALAPRS Trustees Roundtables (2/yr)</i> | | | | | |
| Attendees - Board | 4 | 2 | 2 | 2 | - |
| Attendees - Staff | - | - | - | - | - |
| Total Expense | 200 | 100 | 100 | 100 | - |
| <i>CALAPRS Administrators Roundtables (2/yr)</i> | | | | | |
| Attendees - Board | - | - | - | - | - |
| Attendees - Staff | 4 | 1 | 4 | 4 | - |
| Total Expense | 200 | 50 | 200 | 200 | - |
| <i>CALAPRS Attorneys Roundtables (3/yr)</i> | | | | | |
| Attendees - Board | - | 2 | - | 3 | 3 |
| Attendees - Staff | 1 | - | 3 | - | (3) |
| Total Expense | 50 | 100 | 150 | 150 | - |
| <i>CALAPRS Operations Roundtables (4/yr)</i> | | | | | |
| Attendees - Board | - | - | - | - | - |
| Attendees - Staff | 2 | 1 | 6 | 6 | - |
| Total Expense | 100 | 50 | 300 | 300 | - |
| <i>CALAPRS - Board, Faculty, and related travel</i> | | | | | |
| Attendees - Board | - | - | - | - | - |
| Attendees - Staff | - | 2 | 3 | 1 | (2) |
| Total Expense | - | 1,273 | 1,550 | 700 | (850) |
| <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>Leadership SLO</i> | | | | | |
| Attendees - Board | - | - | - | - | - |
| Attendees - Staff | - | - | - | 1 | 1 |
| Total Expense | - | - | - | 1,800 | 1,800 |

ATTACHMENT C

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

| | FY21-22 Actual | Current FY22-23 YTD | FY22-23 Amended Budget | FY23-24 Proposed Budget | Increase / (Decrease) From PY Budget |
|--|---------------------------|------------------------------------|---------------------------------------|--|---|
| <i>Software Training</i> | | | | | |
| Attendees - Board | - | - | - | - | - |
| Attendees - Staff | - | 1 | 2 | 1 | (1) |
| Total Expense | - | 1,217 | 4,000 | 2,000 | (2,000) |
| <i>Public Pension Financial Forum</i> | | | | | |
| Attendees - Board | - | - | - | - | - |
| Attendees - Staff | - | 1 | - | - | - |
| Total Expense | - | 758 | - | - | - |
| <i>Misc. Board and Staff Training</i> | | | | | |
| Total Expense | 447 | 78 | 1,525 | 1,525 | - |
| Subtotal Training and Travel | | | | | |
| Training | 5,747 | 9,528 | 32,370 | 26,700 | (5,670) |
| Travel (air, hotel, food) | 3,121 | 4,098 | 16,950 | 15,725 | (1,225) |
| Mileage Reimb. | 21 | 1,206 | 6,150 | 4,300 | (1,850) |
| Misc. Travel | 153 | 159 | 530 | 775 | 245 |
| Total Training and Travel | 9,042 | 14,991 | 56,000 | 47,500 | (8,500) |

ATTACHMENT D

**San Luis Obispo County Pension Trust
PROPOSED CAPITAL EXPENDITURES BUDGET:
Fiscal Year 2023-2024**

| | FY21-22 Actual Expenditures | FY22-23 Estimated Expenditures | FY22-23 Adopted Budget | FY23-24 Proposed Budget | Increase/ Decrease From PY |
|---|-----------------------------------|--------------------------------------|------------------------------|-------------------------------|----------------------------------|
| BUILDING EXPENDITURES: | | | | | |
| Exterior | | | | | |
| Roof | - | - | - | 55,000 | 55,000 |
| Windows | - | - | - | - | - |
| Paint | - | - | - | - | - |
| Parking Lot | - | - | - | - | - |
| Landscape | - | - | - | - | - |
| Total Exterior | \$ - | \$ - | \$ - | \$ 55,000 | \$ 55,000 |
| Interior | | | | | |
| HVAC | - | - | - | - | - |
| Paint | - | - | - | - | - |
| Flooring | - | - | - | - | - |
| Plumbing | - | - | - | - | - |
| Elevator | - | 150,000 | 150,000 | - | (150,000) |
| Security System | - | - | - | - | - |
| Total Interior | \$ - | \$ 150,000 | \$ 150,000 | \$ - | \$ (150,000) |
| SOFTWARE EXPEDITURES: | | | | | |
| Software Purchases *** | \$ - | \$ - | \$ - | \$ - | \$ - |
| Software Upgrades and Improvements | \$ - | \$ - | \$ - | \$ - | \$ - |
| EQUIPMENT EXPEDITURES: | | | | | |
| Capitalized Equipment Purchases | \$ - | \$ - | \$ - | \$ - | \$ - |
| CONTINGENCIES | \$ - | \$ - | \$ 7,500 | \$ 2,750 | \$ (4,750) |
| TOTAL CAPITAL EXPENDITURES | \$ - | \$ 150,000 | \$ 157,500 | \$ 57,750 | \$ (99,750) |

Board of Trustees

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

San Luis Obispo County Pension Trust *SLOCPT*

Date: March 27, 2023

To: Board of Trustees

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

Agenda Item 14: Monthly Investment Report for February 2023

| | February | Year to Date 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---------------------------------------|-------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| Total Trust Investments (\$ millions) | \$1,626 | | \$1,614 year end | \$1,775 year end | \$1,552 year end | \$1,446 year end | \$1,285 year end |
| Total Fund Return | -1.8% Gross | 1.8% Gross | -8.0% Gross | 15.2% Gross | 8.9 % Gross | 16.3 % Gross | -3.2 % Gross |
| Policy Index Return (r) | -1.7% | 1.8% | -9.7% | 12.8% | 10.0 % | 16.4 % | -3.2 % |

- (r) Policy index as of Nov. 2021 Strategic Asset Allocation Policy with 2023 Interim targets:
- Public Mkt Equity- 21% Russell 3000, 17% MSCI ACWI ex-US
 - Public Mkt Debt- 10% Barclays US Aggregate,
 - Risk Diversifying 4% Barclays US Aggregate, 5% Barclays 7-10yr Treasury, 4% Barclays 5-10yr US TIPS
 - Real Estate & Infrastructure- 15% NCREIF Index (inc. Infrastructure)
 - Private Equity- 10% actual private equity returns
 - Private Credit- 8% 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 March is not yet factored into these numbers. As of March 17th, the month has had negative returns for equities and positive returns for bonds.

SLOCPT Investments:

The attached Verus Capital Markets Update details the investment results for the month and Verus' capital market commentary.

Capital Markets:

- **Investment Markets** - February saw a pullback from the positive returns in January. For February, equity markets fell – both US stocks (S&P 500 -2.4% and International stocks (MSCI ACWI ex-US -2.7%). Bonds also declined due to added increases in interest rates (Bloomberg US Aggregate bonds -2.6 %).
- **Banking turmoil** – On March 10th the banking industry was roiled by the failure and insolvency of Silicon Valley Bank (SVB) – the 16th largest bank in the U.S. with \$209 billion in assets. A second bank, Signature Bank, also failed over the weekend.
 - SVB was seized by bank regulators due to plummeting liquidity in the face of a bank run by depositors. The SVB situation is qualitatively different from the 2008-2009 banking crisis in that SVB's assets are generally of high quality.
 - SVB carried a high-risk profile with extreme reliance on institutional and venture capital deposits – that are far more likely to leave quickly than the more traditional retail deposits. SVB was a major lender in the technology industry as well as holding large amounts of Treasury and mortgage-backed bonds.
 - All banks carry “asset/liability mismatch” risk - short term deposits versus longer term loans. SVB's economics were impacted by increases in short term interest rates that increased the rate they needed to pay on deposits. To worsen the situation, the long-term bonds that made up a large portion of SVB's assets had lost close to 50% of their market value due to rapidly increasing interest rates. However, these bonds under bank accounting rules were still carried at face value in SVB's “Hold to Maturity” category.
 - SVB's risk was magnified by its reliance on rapid-to-leave institutional deposits. When SVB was forced to liquidate large parts of its bond holdings and realize losses that had been previously not reportable under bank accounting rules, depositors were alarmed and pulled their funds.
 - The U.S. Treasury, the Fed and the FDIC have pledged to cover depositor losses for accounts larger than the \$250k FDIC insurance limit so the remaining depositors are expected to not suffer losses. This move by the regulators is not the same as a “bail out” as was done for some systemically important banks in 2008-2009. It is anticipated that the liquidation of the remaining bonds owned by SVB and the wiping out of all owners' equity will cover the guaranteed deposits at little or no cost to the Treasury. Also, SVB management has been dismissed.
 - SLOCPT investments are not expected to be directly affected by the SVB problems. A possible increase in private credit investment opportunities – particularly for Sixth Street Partners portfolios – is a potential positive factor.

The Economy:

- **Inflation –**

- The February US CPI inflation report showed continued upward pressure on prices for the month, albeit at a slowing pace. The trailing year rate for inflation moderated to a 6.0% year-over-year increase and a 0.4% monthly increase.
- Markets appeared to view the expected moderation in inflation combined with turmoil in the banking sector as a positive factor suggesting a pause in Fed increases to interest rates.

- **New Jobs, Unemployment, Wages –**

- The February jobs report from the BLS on nonfarm employment showed a continued strength in the economy with a gain of 311k new jobs.
- The strong job results for February continues to challenge the Fed in its efforts to raise interest rates and cool the pace of the economy and lower inflation.
- The unemployment rate in February ticked up slightly to 3.6% - partly as a result of more participants returning to the workforce.
- The Labor Force Participation rate increased slightly to 62.5% - still about 1% below its pre-pandemic level in 2020 but giving some indication of improved wages drawing participants back into the labor market.
- Wage growth in February from the BLS report showed a modest year-over-year increase of 4.6%. This is a positive in terms of economic fears of a wage-price-spiral starting. However, recent real wage growth economy-wide is negative on average.

Wage growth is still not keeping up with inflation

Year-over-year percentage change in earnings vs. inflation



Data is seasonally adjusted. • Source: Bureau of Labor Statistics • By Ella Koeze

- **Monetary Policy –**

- Fed Chair Powell earlier in March had commented that with persistent strength in the economy that larger and faster interest rate increases may be necessary to curb inflation.
- As of March 10th, with the failure of Silicon Valley Bank (SVB), the outlook for further Fed rate increases became less sure given the stress in the banking system. The Fed's response to the SVB failure in terms of banking oversight was swift and decisive. In terms of monetary policy, the Fed response will be known at the next Fed meeting on March 22nd. Markets had been anticipating a 50 basis point increase in rates by the Fed in March. Current market expectations are more in line with a 25 basis point rate hike.
- The European Central Bank on March 16th continued to focus on inflation with a 50 basis point increase in short term interest rates. Following the ECB rate hike U.S. financial markets priced in a 72% probability of the Fed raising the Fed Funds rate by 25 basis points in March with one more rate increase later in the year likely. These expectations were down from the weeks prior to the SVB bank crisis.

Respectfully Submitted,

A decorative geometric pattern of overlapping triangles in shades of blue and green is overlaid on the left side of the image. A large white triangle is positioned to the left of the main title text.

**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

FEBRUARY 2023
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Labor market strength remained persistent, but job growth decelerated compared to the month prior. U.S. nonfarm payrolls increased by 311,000, above expectations of 225,000. In addition to continued job strength, both the unemployment (3.6%) and labor force participation (62.5%) rates ticked higher.
- The University of Michigan Index of Consumer Sentiment continued its ascent from all-time lows tallied in mid-2022 to reach 67.0 in February. While the index was boosted by improved sentiment around the economy, inflation expectations for the year ahead rose +0.2% to 4.1% while long-term expectations were stable at 2.9%.
- The ISM Manufacturing PMI (47.4) remained in contractionary territory for a fourth consecutive month. All index components were in contractionary territory aside from the Prices Index (51.3).

U.S. EQUITIES

- After climbing in early February, all major equity indices declined as hopes for a more dovish Federal Reserve waned. Investors assessed a greater likelihood of higher interest rates following hotter-than-expected CPI and PCE inflation prints which pressured risk markets.
- Per FactSet, 99% of S&P 500 constituents had reported Q4 earnings as of March 3rd, and reported results were nearly in-line with estimates from a month prior. Earnings per share (EPS) growth for the index measured -4.6% in Q4 2022 and marked the first year-over-year decline since Q3 2020.
- In addition to negative growth, earnings among index constituents fared worse than normal relative to analyst expectations. Just 68% of index members beat EPS estimates in Q4, below the 5- and 10-year averages of 77% and 73%, respectively.

U.S. FIXED INCOME

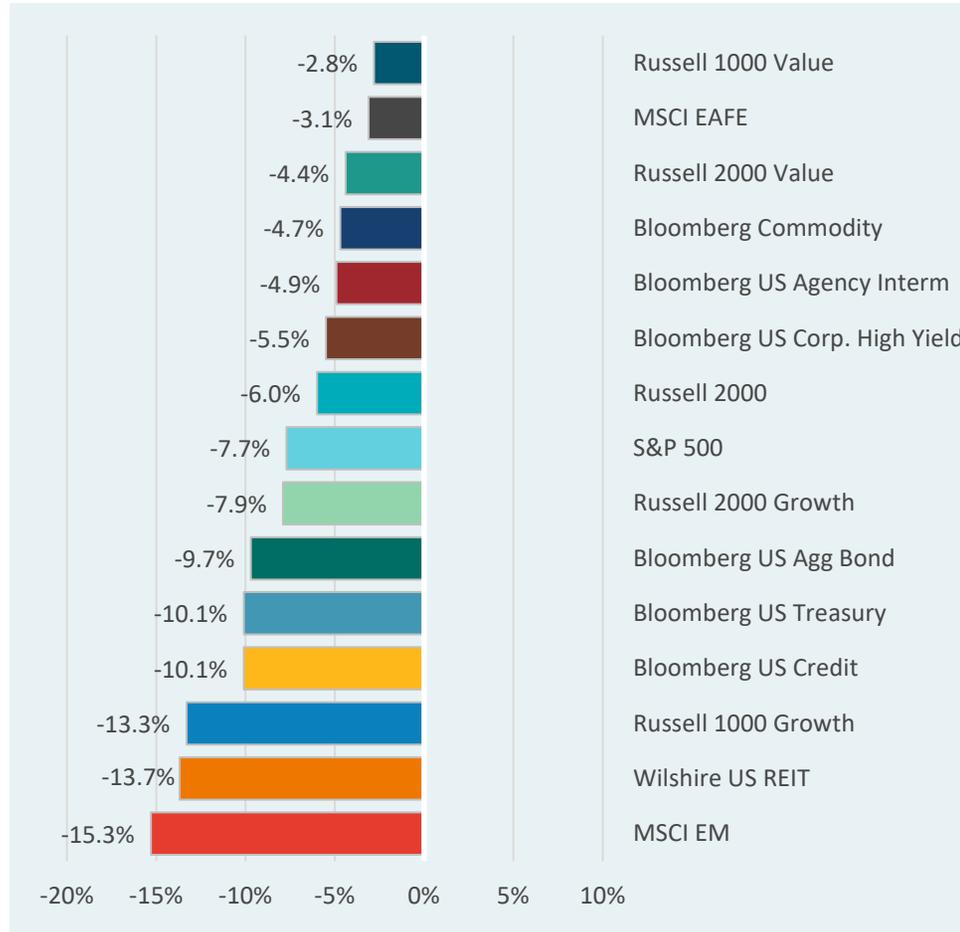
- On the 1st of the month the Federal Reserve voted unanimously to raise the target fed fund rate to a range of 4.50% to 4.75%. The 25bps hike was accompanied by perceived dovish commentary, but optimism quickly faded as Chairman Powell reiterated that rates may be higher for longer and that disinflation still had a long way to go.
- Yields across the curve moved higher but were more pronounced in the 10- and 2-year which rose by +40bps and +60bps, respectively. As a result, the 10/2 spread widened to -89bps, the largest deficit in over 30 years.
- In a reversal from January, the dollar regained some strength with the DXY Index rising +2.7%. The rebound was likely driven by the hawkish repricing of rate hike expectations and higher-than-expected inflation data releases.

INTERNATIONAL MARKETS

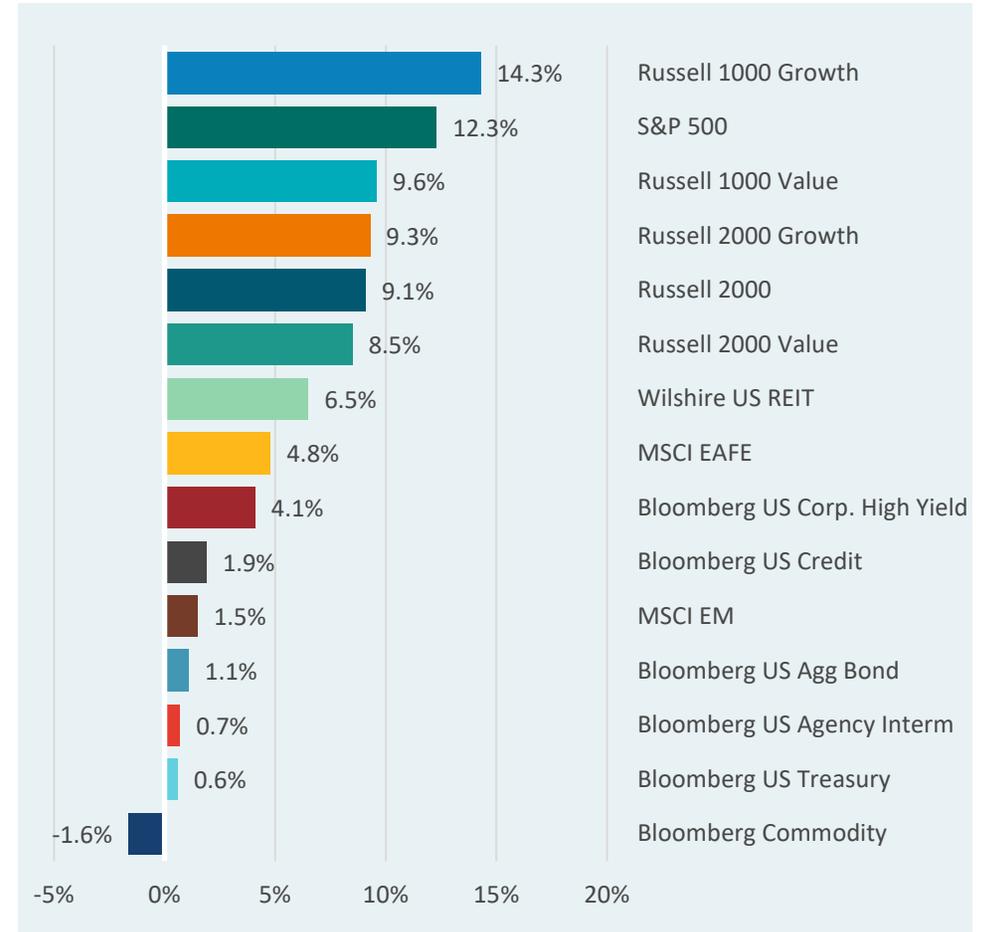
- Sovereign bond yields rose globally following additional rate hikes from major central banks. The ECB and the Bank of England both raised interest rates by +50bps.
- The MSCI UK Index (+0.2%) was the only broad regional index with positive performance for the month. The GDP release from the Office for National Statistics showed that unlike in Q3, the UK economy did not contract in Q4. Improved company earnings and signs of slowing inflation were also contributing factors.
- Japan nominated Kazuo Ueda to begin as the next BOJ governor in April. Ueda joins the Bank amidst 41-year high inflation. There remains uncertainty as to whether the future governor will make quick strides to reverse nearly a decade of dovish BOJ policy.

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.

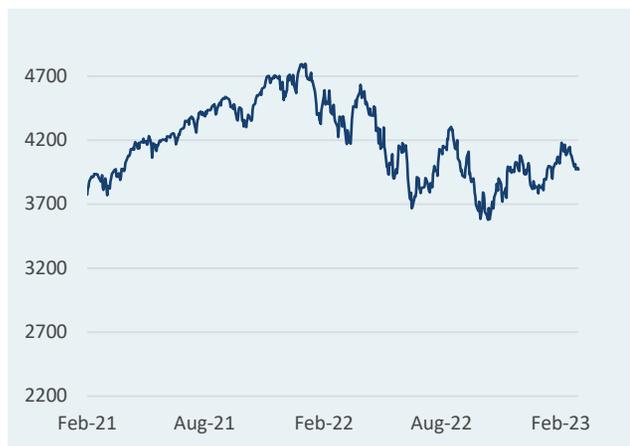
Source: Morningstar, as of 2/28/23

Source: Morningstar, as of 2/28/23

U.S. large cap equities

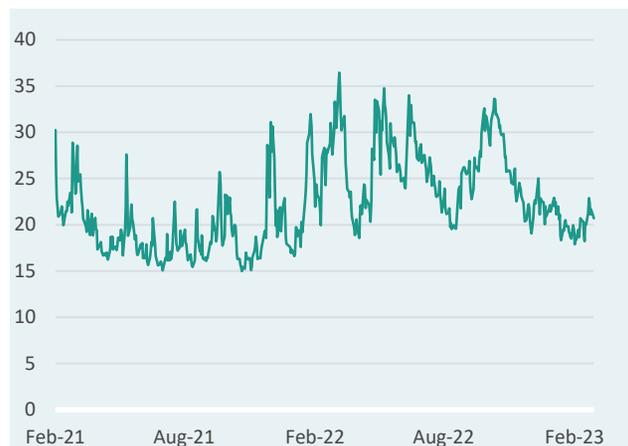
- The S&P 500 Index (-2.4%) reversed course after a wave of strong economic data increased investor expectations of prolonged Fed hawkishness. Additional headwinds, including declines in Q1 earnings estimates and weaker-than-expected guidance from U.S. conglomerates, weighed on large-cap performance.
- All S&P 500 GICS Sectors declined aside from Technology (+0.4%). The Industrials (-0.9%) and Consumer Discretionary (-2.1%) sectors fell narrowly while losses were largest in the Energy (-7.1%), Real Estate (-5.9%), and Utilities (-5.9%) sectors.
- The Technology sector moved higher with help from a continued recovery in semiconductor names along with growing discussion of the rise in artificial intelligence. Chipmaker Nvidia (NVDA), who occupies 1.7% of the S&P 500, rallied +18.8% on strong Q4 earnings and expectations of market leadership in AI computing.
- The Cboe VIX Index of implied volatility rose by a modest +1.3 points to end the month at 20.7 despite hitting a new 1-year low on February 1st. Volatility tapered-off toward the end of the month as investors accepted a greater likelihood of aggressive Fed action, in sharp contrast to the optimism of early February.

S&P 500 PRICE INDEX



Source: Bloomberg, as of 2/28/23

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as of 2/28/23

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 2/28/23

Domestic equity size and style

- Large-cap growth equities (-1.2%) fell less than value (-3.5%) in a second month of growth overperformance. Growth equities rallied early in the month on sentiment that the Fed might slow its tightening cycle, but changing expectations drove a reversal.
- Small-cap stocks (-1.7%) declined narrowly and continued their year-to-date outperformance of large-caps. The Russell 2000 Index has led domestic equity indices in 2023, outperforming the S&P 500 and Dow Jones Industrial Average by 4.2% and 9.0%, respectively.
- Despite the recent rally, small-caps appear more cheaply valued compared to large-cap peers when measured against historical multiples. The Russell 2000 was trading at 21.1x forward earnings at month end, representing a 10.6% discount to its 10-year average, compared to just a 1.7% discount on the S&P 500.
- Recent strength in more concentrated sectors including technology and consumer discretionary drove a reversal in the relative performance of the equal-weight index. The S&P 500 Equal Weight Index fell -3.3%, lagging the cap-weighted index by -0.8%.

VALUE VS. GROWTH RELATIVE VALUATIONS



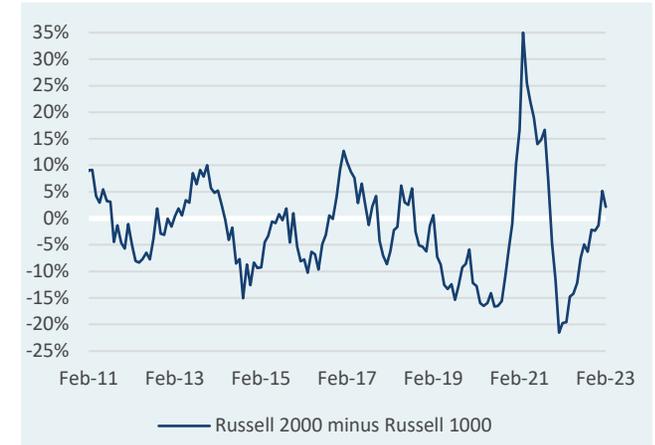
Source: FTSE, Bloomberg, as of 2/28/23

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 2/28/23

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 2/28/23

Fixed income

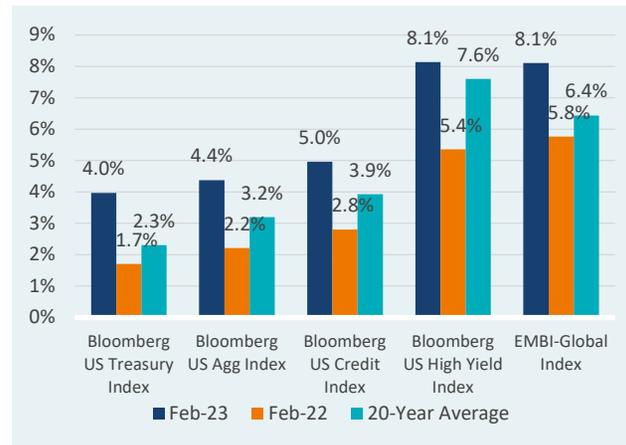
- Persistent strength in U.S. economic data reversed prior month expectations of an incoming Fed pivot. Yields rose across the curve on renewed investor bets that the Fed would continue to raise interest rates in its effort to combat high inflation.
- Recent highs in yields have made short-term government tenors appear increasingly attractive compared to other investments. Yields on 6-month T-bills rose +38bps to end the month at 5.17%, now exceeding earnings yields on the 60/40 portfolio (5.09%) for the first time since 2001.
- Expectations of higher rates made for a tough environment in the bond market in February. The Bloomberg US Aggregate was down -2.6%, negative across all sub-indices but particularly on the long end of the curve. The Bloomberg US Long Treasury Index was down -4.7%.
- Leveraged loans (Morningstar LSTA U.S. Leveraged Loan Index +0.6%) outperformed the broader fixed income landscape, given the low duration of the index. Lower quality CCC-rated leveraged loans outperformed other ratings across the index.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 2/28/23

NOMINAL YIELDS



Source: Morningstar, as of 2/28/23

BREAKEVEN INFLATION RATES

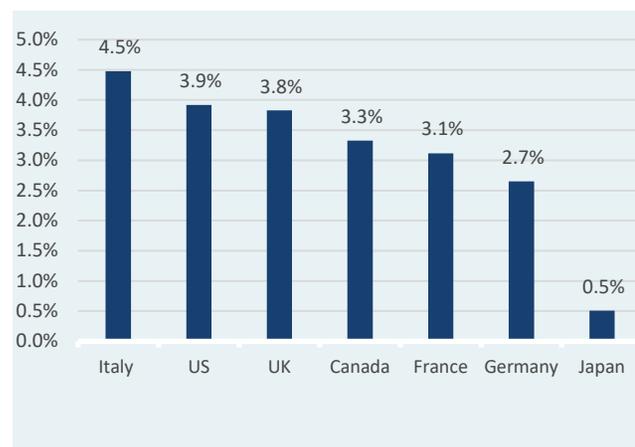


Source: Bloomberg, as of 2/28/23

Global markets

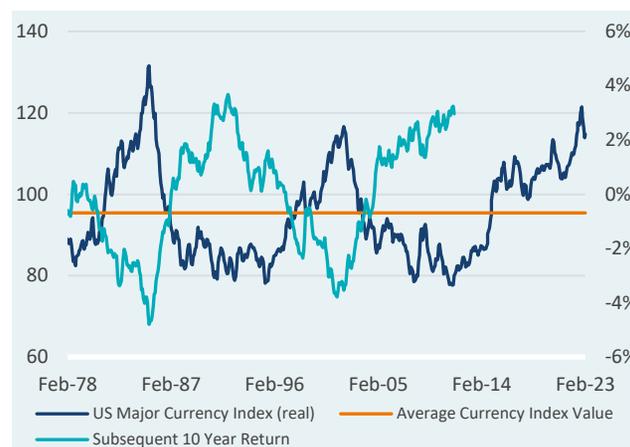
- Global equities (MSCI ACWI Index -2.9%) marginally underperformed domestic equities but are up year-to-date. An increase in sovereign bond yields across developed markets along with rising tensions in key emerging market countries weighed on global equity performance.
- In contrast to domestic trends, international value stocks (MSCI EAFE Value -1.4%) fell less than growth (MSCI EAFE Growth -2.8%). The value index holds a greater percentage of energy stocks, the only international developed sector to end the month in the green.
- The MSCI China Index (-9.9%) was one of the hardest hit markets. Among other factors, China faced headwinds from rising geopolitical tensions, weaker economic growth expectations, and some fading enthusiasm around its reopening.
- The MSCI Emerging Markets Index fell -6.5%, underperforming global equities. The strengthening of the dollar, re-escalation of US-China tensions and expectations for continued rate hikes likely contributed to the difficult environment.

GLOBAL SOVEREIGN 10-YEAR YIELDS



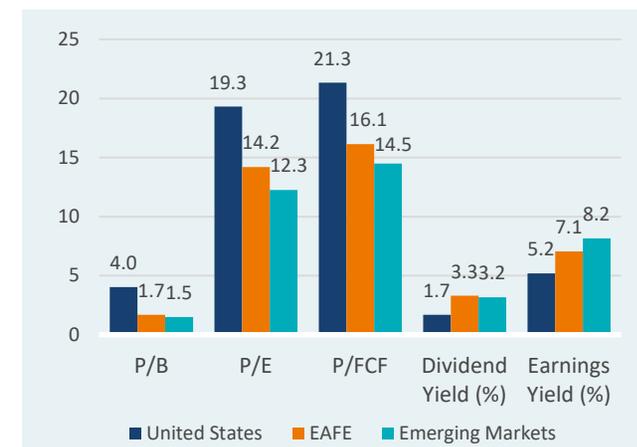
Source: Bloomberg, as of 2/28/23

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 2/28/23

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 2/28/23

Commodities

- The Bloomberg Commodity Index fell -4.7% in a continuation of the recent downtrend in commodities markets. Notable gains were limited to lower-weight index constituents including the Livestock and Softs Sub-Indices while larger components including metals and agriculture led the index lower.
- Within grains, soft red winter and hard red winter wheat led the decline – down -7.3% and -7.5% respectively. Global wheat prices have experienced downward pressure from investor expectations of supply recovery and stabilization in Australia, Canada, and Russia going into 2023.

- All components of the Bloomberg Industrial Metals Sub-Index (-9.1%) finished in the negative. Zinc (-11.6%), aluminum (-10.7%), and nickel (-18.4%) struggled even amid the China reopening. While the general outlook remains uncertain, rising inventories have begun to alleviate some of the pricing pressures created by shortages over the past year.
- The Bloomberg Precious Metals Index finished the month -6.8% lower. Gold (-5.6%) and silver (-11.6%) both retreated in February, with silver posting its worst 1-month performance since March 2020.

INDEX AND SECTOR PERFORMANCE

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|-----------------------------|-------|--------|--------|--------|--------|--------|---------|
| Bloomberg Commodity | (4.7) | (5.2) | (5.2) | (4.7) | 15.5 | 5.3 | (1.6) |
| Bloomberg Agriculture | (3.2) | (1.0) | (1.0) | (0.7) | 21.9 | 7.6 | (0.8) |
| Bloomberg Energy | (3.3) | (12.6) | (12.6) | (6.6) | 11.2 | 0.8 | (8.0) |
| Bloomberg Grains | (5.5) | (5.5) | (5.5) | (6.5) | 19.9 | 6.5 | (2.6) |
| Bloomberg Industrial Metals | (9.1) | (1.8) | (1.8) | (12.5) | 17.2 | 5.0 | 1.7 |
| Bloomberg Livestock | 0.8 | (2.0) | (2.0) | 0.7 | 1.8 | (3.5) | (2.8) |
| Bloomberg Petroleum | (3.5) | (3.6) | (3.6) | 9.0 | 22.1 | 8.4 | (3.8) |
| Bloomberg Precious Metals | (6.8) | (2.7) | (2.7) | (6.3) | 4.7 | 5.3 | (0.5) |
| Bloomberg Softs | 0.4 | 9.0 | 9.0 | 3.3 | 18.0 | 6.0 | (1.8) |

Source: Morningstar, as of 2/28/23

COMMODITY PERFORMANCE



Source: Bloomberg, as of 2/28/23

Appendix

Periodic table of returns

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | YTD | 5-Year | 10-Year |
|-------------------------|------|------|------|------|------|-------|-------|------|-------|------|------|-------|-------|------|------|-------|------|------|------|-------|------|--------|---------|
| Small Cap Growth | 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 | 8.8 | 11.5 | 14.3 |
| Small Cap Equity | 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 | 7.9 | 9.7 | 12.1 |
| Large Cap Growth | 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 | 7.0 | 7.5 | 9.6 |
| Small Cap Value | 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 | 7.0 | 7.2 | 9.3 |
| International Equity | 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 | 5.8 | 6.4 | 9.1 |
| Large Cap Equity | 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 | 4.2 | 6.0 | 8.8 |
| 60/40 Global Portfolio | 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 | 2.4 | 5.3 | 8.5 |
| Large Cap Value | 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 | 1.5 | 5.1 | 4.8 |
| Emerging Markets Equity | 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 | 0.9 | 3.2 | 4.8 |
| Cash | 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 | 0.6 | 3.0 | 3.6 |
| US Bonds | 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 | 0.4 | 2.6 | 1.5 |
| Real Estate | 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 | 0.0 | 1.3 | 1.1 |
| Hedge Funds of Funds | 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 | -4.7 | 0.5 | 0.8 |
| Commodities | 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 | -5.2 | -1.9 | -1.6 |

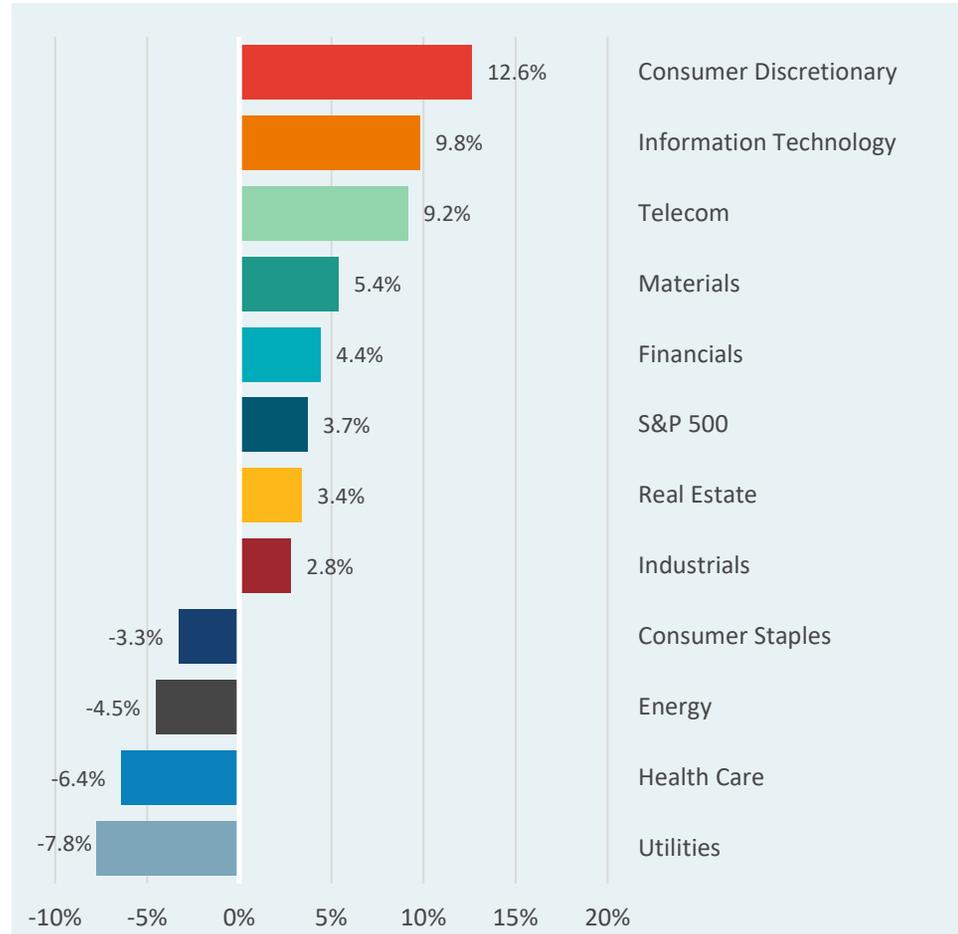
BEST
↑
↓
WORST



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 12/31/22.

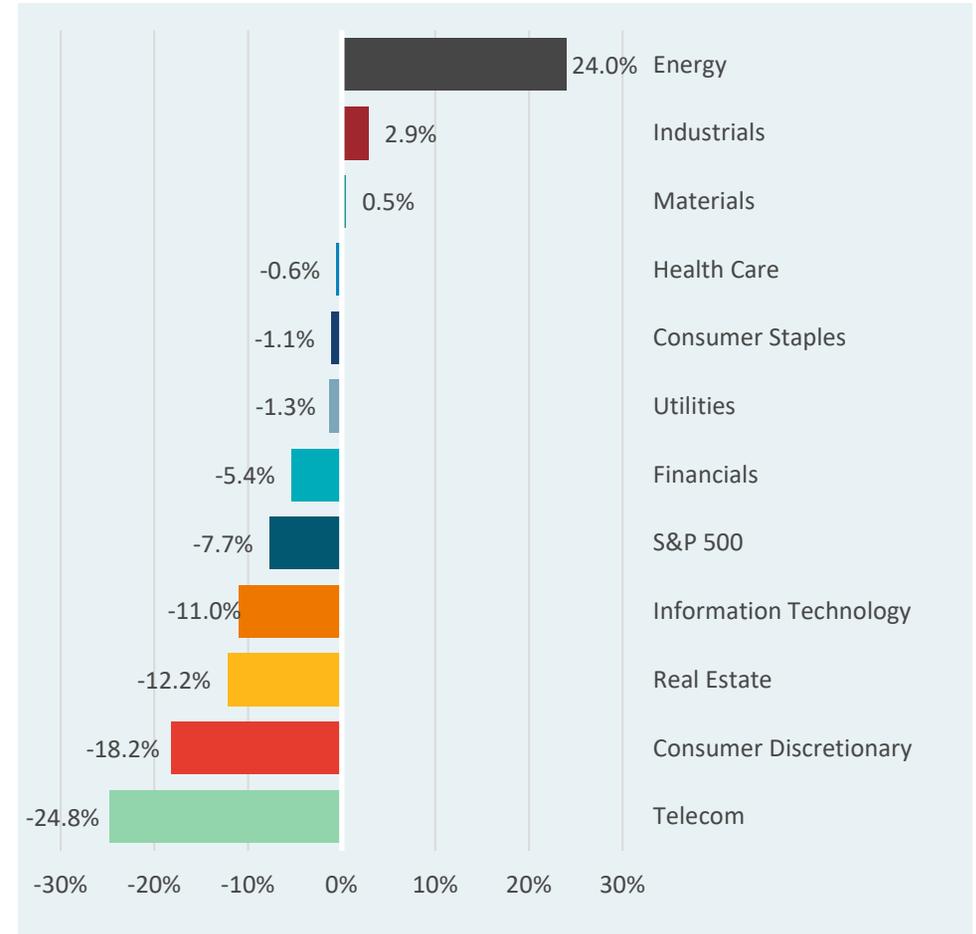
S&P 500 sector returns

QTD



Source: Morningstar, as of 2/28/23

ONE YEAR ENDING FEBRUARY



Source: Morningstar, as of 2/28/23

Detailed index returns

DOMESTIC EQUITY

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|------------------------|-------|-------|-------|--------|--------|--------|---------|
| Core Index | | | | | | | |
| S&P 500 | (2.4) | 3.7 | 3.7 | (7.7) | 12.1 | 9.8 | 12.3 |
| S&P 500 Equal Weighted | (3.3) | 3.8 | 3.8 | (3.0) | 14.6 | 9.9 | 12.0 |
| DJ Industrial Average | (3.9) | (1.1) | (1.1) | (1.6) | 11.0 | 7.8 | 11.3 |
| Russell Top 200 | (2.4) | 3.6 | 3.6 | (9.3) | 12.1 | 10.2 | 12.6 |
| Russell 1000 | (2.4) | 4.2 | 4.2 | (8.2) | 11.9 | 9.7 | 12.1 |
| Russell 2000 | (1.7) | 7.9 | 7.9 | (6.0) | 10.1 | 6.0 | 9.1 |
| Russell 3000 | (2.3) | 4.4 | 4.4 | (8.1) | 11.8 | 9.4 | 11.9 |
| Russell Mid Cap | (2.4) | 5.7 | 5.7 | (5.0) | 11.5 | 8.4 | 10.7 |
| Style Index | | | | | | | |
| Russell 1000 Growth | (1.2) | 7.0 | 7.0 | (13.3) | 12.1 | 11.5 | 14.3 |
| Russell 1000 Value | (3.5) | 1.5 | 1.5 | (2.8) | 11.0 | 7.2 | 9.6 |
| Russell 2000 Growth | (1.1) | 8.8 | 8.8 | (7.9) | 6.5 | 5.1 | 9.3 |
| Russell 2000 Value | (2.3) | 7.0 | 7.0 | (4.4) | 12.9 | 6.4 | 8.5 |

INTERNATIONAL EQUITY

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|------------------------|-------|------|------|--------|--------|--------|---------|
| Broad Index | | | | | | | |
| MSCI ACWI | (2.9) | 4.1 | 4.1 | (8.3) | 8.8 | 5.8 | 7.9 |
| MSCI ACWI ex US | (3.5) | 4.3 | 4.3 | (7.2) | 5.3 | 1.6 | 3.9 |
| MSCI EAFE | (2.1) | 5.8 | 5.8 | (3.1) | 6.8 | 2.6 | 4.8 |
| MSCI EM | (6.5) | 0.9 | 0.9 | (15.3) | 1.0 | (1.9) | 1.5 |
| MSCI EAFE Small Cap | (2.2) | 5.1 | 5.1 | (9.7) | 5.3 | 0.7 | 6.1 |
| Style Index | | | | | | | |
| MSCI EAFE Growth | (2.8) | 5.5 | 5.5 | (7.2) | 5.6 | 3.5 | 5.6 |
| MSCI EAFE Value | (1.4) | 6.2 | 6.2 | 0.6 | 7.5 | 1.3 | 3.8 |
| Regional Index | | | | | | | |
| MSCI UK | 0.2 | 6.8 | 6.8 | (0.1) | 8.4 | 3.0 | 3.6 |
| MSCI Japan | (3.8) | 2.1 | 2.1 | (9.3) | 3.4 | 0.1 | 5.1 |
| MSCI Euro | (0.7) | 11.1 | 11.1 | 1.7 | 8.5 | 2.8 | 5.4 |
| MSCI EM Asia | (6.9) | 1.2 | 1.2 | (15.3) | 1.6 | (0.8) | 3.6 |
| MSCI EM Latin American | (6.2) | 3.1 | 3.1 | (0.3) | 2.3 | (2.2) | (1.9) |

FIXED INCOME

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|-------------------------------|-------|-------|-------|--------|--------|--------|---------|
| Broad Index | | | | | | | |
| Bloomberg US TIPS | (1.4) | 0.4 | 0.4 | (10.4) | 0.2 | 2.6 | 1.2 |
| Bloomberg US Treasury Bills | 0.3 | 0.7 | 0.7 | 2.0 | 0.8 | 1.3 | 0.8 |
| Bloomberg US Agg Bond | (2.6) | 0.4 | 0.4 | (9.7) | (3.8) | 0.5 | 1.1 |
| Bloomberg US Universal | (2.5) | 0.6 | 0.6 | (9.3) | (3.4) | 0.7 | 1.4 |
| Duration | | | | | | | |
| Bloomberg US Treasury 1-3 Yr | (0.8) | (0.0) | (0.0) | (2.8) | (1.0) | 0.8 | 0.6 |
| Bloomberg US Treasury Long | (4.7) | 1.4 | 1.4 | (24.1) | (11.0) | (0.7) | 1.0 |
| Bloomberg US Treasury | (2.3) | 0.1 | 0.1 | (10.1) | (4.2) | 0.4 | 0.6 |
| Issuer | | | | | | | |
| Bloomberg US MBS | (2.6) | 0.6 | 0.6 | (9.1) | (3.6) | (0.1) | 0.8 |
| Bloomberg US Corp. High Yield | (1.3) | 2.5 | 2.5 | (5.5) | 1.3 | 2.9 | 4.1 |
| Bloomberg US Agency Interm | (1.2) | 0.0 | 0.0 | (4.9) | (1.9) | 0.6 | 0.7 |
| Bloomberg US Credit | (3.0) | 0.7 | 0.7 | (10.1) | (3.8) | 1.1 | 1.9 |

OTHER

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---------------------------|-------|-------|-------|--------|--------|--------|---------|
| Index | | | | | | | |
| Bloomberg Commodity | (4.7) | (5.2) | (5.2) | (4.7) | 15.5 | 5.3 | (1.6) |
| Wilshire US REIT | (4.8) | 6.0 | 6.0 | (13.7) | 4.0 | 7.1 | 6.5 |
| CS Leveraged Loans | 0.6 | 3.2 | 3.2 | 2.3 | 3.7 | 3.6 | 4.0 |
| S&P Global Infrastructure | (3.4) | 1.5 | 1.5 | (0.1) | 5.1 | 5.4 | 6.4 |
| Alerian MLP | (1.8) | 4.1 | 4.1 | 17.0 | 17.9 | 5.4 | 1.2 |
| Regional Index | | | | | | | |
| JPM EMBI Global Div | (2.2) | 0.9 | 0.9 | (8.6) | (5.2) | (0.7) | 1.8 |
| JPM GBI-EM Global Div | (3.2) | 1.0 | 1.0 | (6.1) | (4.3) | (3.0) | (2.0) |
| Hedge Funds | | | | | | | |
| HFRI Composite | (0.3) | 1.8 | 1.8 | (0.4) | 4.8 | 3.2 | 3.4 |
| HFRI FOF Composite | (0.5) | 2.2 | 2.2 | 0.1 | 7.4 | 4.8 | 4.6 |
| Currency (Spot) | | | | | | | |
| Euro | (2.4) | (0.6) | (0.6) | (5.6) | (1.2) | (2.8) | (2.1) |
| Pound Sterling | (1.7) | 0.6 | 0.6 | (9.8) | (1.8) | (2.6) | (2.2) |
| Yen | (4.5) | (3.1) | (3.1) | (15.5) | (7.5) | (4.8) | (3.8) |

Source: Morningstar, HFRI, as of 2/28/23.

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 | (1.6) | 21.3 | 17.3 | 14.0 |
| Global Private Equity Direct Funds * | (5.0) | 21.1 | 18.3 | 16.2 |
| U.S. Private Equity Direct Funds * | (2.3) | 24.2 | 20.9 | 17.9 |
| Europe Private Equity Direct Funds * | (11.4) | 17.3 | 15.2 | 14.1 |
| Asia Private Equity Direct Funds * | (9.5) | 11.9 | 11.2 | 12.9 |
| Public Index Time-weighted Returns | | | | |
| MSCI World | (19.6) | 4.6 | 5.3 | 8.1 |
| S&P 500 | (15.5) | 8.2 | 9.2 | 11.7 |
| MSCI Europe | (24.8) | (1.7) | (1.2) | 3.4 |
| MSCI AC Asia Pacific | (27.7) | (1.7) | (0.6) | 3.7 |

| Private Real Estate Pooled IRRs | 1 Year | 3 Year | 5 Year | 10 Year |
|---|--------|--------|--------|---------|
| U.S. All Private Real Estate | 15.7 | 13.5 | 11.9 | 13.3 |
| Public Index Time-weighted Returns | | | | |
| FTSE NAREIT Equity REIT | (16.4) | (2.0) | 2.9 | 6.3 |

| Private Credit Pooled IRRs | 1 Year | 3 Year | 5 Year | 10 Year |
|---|--------|--------|--------|---------|
| U.S. All Private Debt ** | 9.9 | 15.3 | 12.4 | 11.6 |
| Public Index Time-weighted Returns | | | | |
| S&P / LSTA U.S. Leveraged Loan 100 Index | (3.9) | 1.4 | 2.5 | 3.0 |

| Private Real Assets Pooled IRRs | 1 Year | 3 Year | 5 Year | 10 Year |
|---|--------|--------|--------|---------|
| Global Nature Resources *** | 25.2 | 8.7 | 5.1 | 3.6 |
| Global Infrastructure | 9.4 | 10.8 | 10.3 | 10.7 |
| Public Index Time-weighted Returns | | | | |
| S&P Global Natural Resources | 1.0 | 9.1 | 5.7 | 3.4 |
| S&P Global Infrastructure | (6.0) | (0.1) | 2.1 | 5.7 |

Source: Pooled IRRs are from Thompson Reuters CJA and Time-weighted Returns are from Investment Metrics, as of September 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

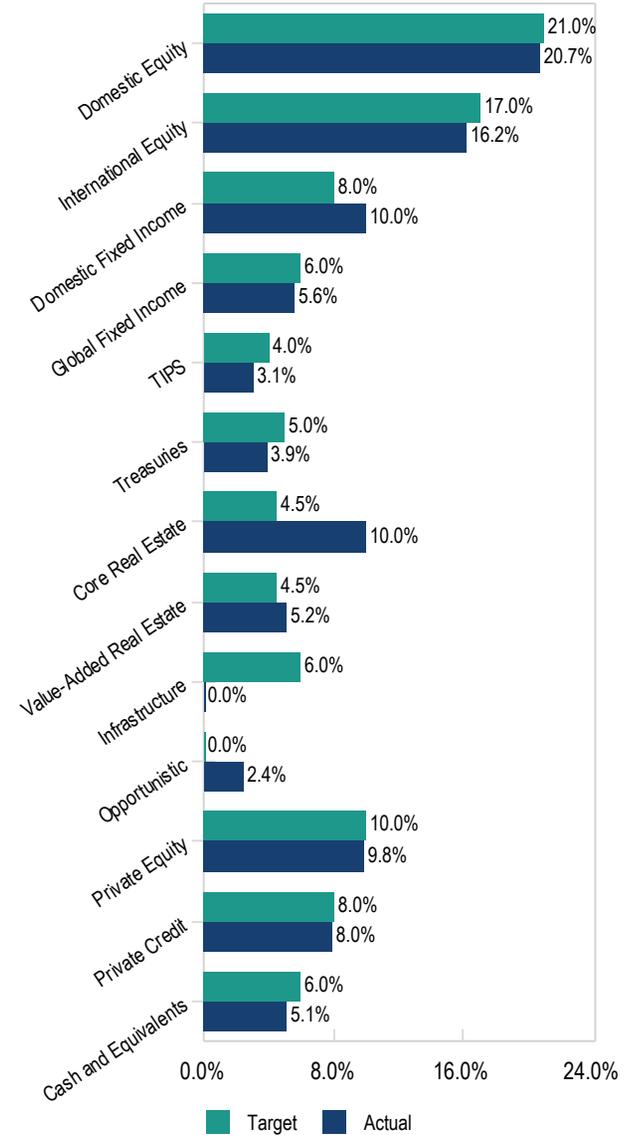
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Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: February 28, 2023

| | Market Value | % of Portfolio | 1 Mo | YTD |
|---|----------------------|----------------|-------------|------------|
| Total Fund | 1,626,288,372 | 100.0 | -1.8 | 1.8 |
| Interim Policy Index | | | -1.7 | 1.8 |
| FFP SAA Index | | | -1.3 | 1.3 |
| Total Growth | 1,136,259,724 | 69.9 | -1.8 | 2.2 |
| Custom Growth Benchmark | | | -1.6 | 2.5 |
| Total Public Equity | 600,097,161 | 36.9 | -3.0 | 4.7 |
| Public Equity Benchmark | | | -2.9 | 4.4 |
| Total Domestic Equity | 337,406,637 | 20.7 | -3.2 | 3.8 |
| Russell 3000 Index | | | -2.3 | 4.4 |
| PIMCO RAE US | 92,357,949 | 5.7 | -3.9 | 1.2 |
| S&P 500 Index | | | -2.4 | 3.7 |
| Loomis Sayles Large Cap Growth | 78,440,883 | 4.8 | -2.1 | 11.4 |
| Russell 1000 Growth Index | | | -1.2 | 7.0 |
| Boston Partners Large Cap Value | 88,989,371 | 5.5 | -3.1 | 1.5 |
| Russell 1000 Value Index | | | -3.5 | 1.5 |
| Atlanta Capital Mgmt | 77,618,434 | 4.8 | -3.7 | 2.5 |
| Russell 2500 Index | | | -2.3 | 7.4 |
| Total International Equity | 262,690,524 | 16.2 | -2.7 | 5.8 |
| MSCI AC World ex USA Index | | | -3.5 | 4.3 |
| Dodge & Cox Intl Stock | 139,155,264 | 8.6 | -3.0 | 5.3 |
| MSCI AC World ex USA Value | | | -2.7 | 4.9 |
| WCM International Growth | 123,535,260 | 7.6 | -2.4 | 6.3 |
| MSCI AC World ex USA Growth | | | -4.3 | 3.8 |
| Total Private Equity | 159,725,743 | 9.8 | | |
| Harbourvest Partners IX Buyout Fund L.P. | 12,685,578 | 0.8 | | |
| Pathway Private Equity Fund Investors 9 L.P. | 82,141,465 | 5.1 | | |
| Harbourvest 2018 Global Fund L.P. | 20,679,928 | 1.3 | | |
| Harbourvest SLO Fund Private Equity | 29,958,330 | 1.8 | | |
| Pathway Private Equity Fund Investors 10 L.P. | 14,260,442 | 0.9 | | |
| Total Private Credit | 129,694,777 | 8.0 | | |
| Sixth Street Partners DCP | 79,824,681 | 4.9 | | |
| Harbourvest SLO Credit Fund | 49,870,096 | 3.1 | | |

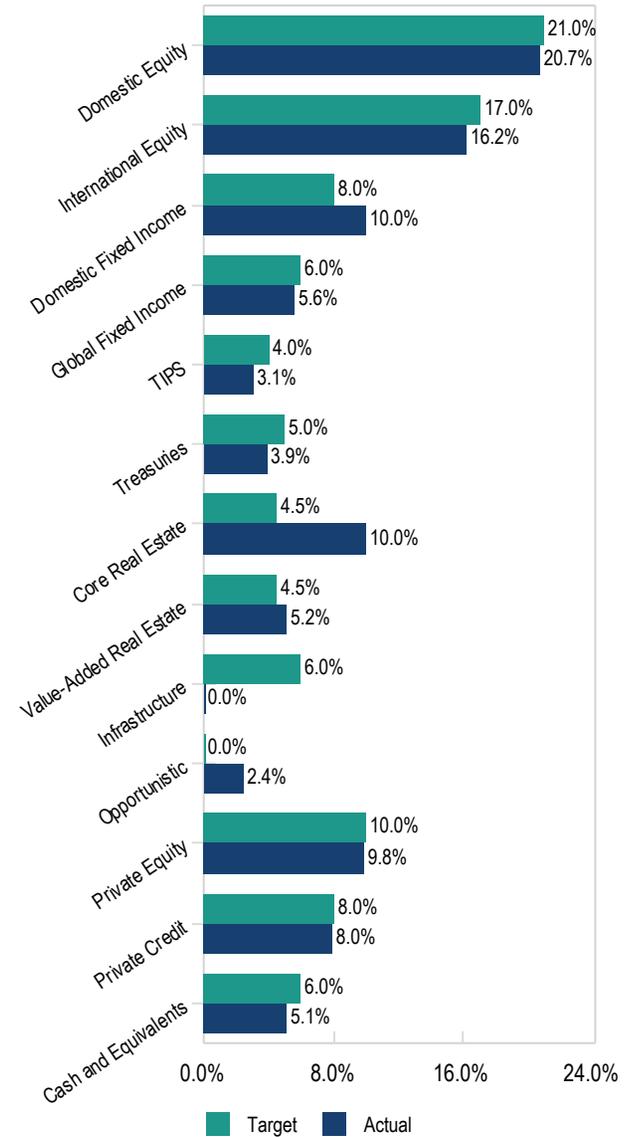


Interim Policy Index as of 1/1/2023: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 8% Bloomberg U.S. Aggregate, 5% Bloomberg US Treasury 7-10 yr, 4% Bloomberg US TIPS 5+ Year, 6% FTSE World Govt Bond Index, 9% NCREIF Property Index, 10% Actual Private Equity Return, 8% Actual Private Credit Return, 6% 90-day T-Bills, 6% ARA American Strategic Value Realty. ARA Strategic Value Realty as of 12/31/22. All data is preliminary.

Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: February 28, 2023

| | Market Value | % of Portfolio | 1 Mo | YTD |
|---|--------------------|----------------|-------------|-------------|
| Total Real Estate | 246,742,044 | 15.2 | -0.9 | -1.1 |
| NCREIF Property Index | | | 0.0 | 0.0 |
| JP Morgan Core Real Estate | 162,840,602 | 10.0 | -1.4 | -1.7 |
| NCREIF-ODCE | | | 0.0 | 0.0 |
| NCREIF Property Index | | | 0.0 | 0.0 |
| ARA American Strategic Value Realty | 83,901,442 | 5.2 | 0.0 | 0.0 |
| NCREIF-ODCE | | | 0.0 | 0.0 |
| NCREIF Property Index | | | 0.0 | 0.0 |
| Total Risk Diversifying | 367,701,310 | 22.6 | -2.2 | 1.2 |
| Total Risk Diversifying Benchmark | | | -2.7 | 0.2 |
| Total Domestic Fixed Income | 277,065,355 | 17.0 | -1.5 | 1.3 |
| Blmbg. U.S. Aggregate Index | | | -2.6 | 0.4 |
| BlackRock Core Bond | 47,279,511 | 2.9 | -2.6 | 0.4 |
| Blmbg. U.S. Aggregate Index | | | -2.6 | 0.4 |
| Dodge & Cox Income Fund | 49,972,495 | 3.1 | -2.3 | 1.4 |
| Blmbg. U.S. Aggregate Index | | | -2.6 | 0.4 |
| Pacific Asset Corporate Loan | 65,663,648 | 4.0 | 0.6 | 3.4 |
| Morningstar LSTA US Leveraged Loan | | | 0.6 | 3.3 |
| SSGA U.S. Govt Bond Index | 64,006,446 | 3.9 | -2.3 | 0.3 |
| Blmbg. U.S. Government | | | -2.3 | 0.1 |
| BlackRock TIPS | 50,143,255 | 3.1 | -1.4 | 0.6 |
| Blmbg. U.S. TIPS | | | -1.4 | 0.4 |
| Total Global Fixed | 90,635,955 | 5.6 | -4.4 | 0.8 |
| FTSE World Government Bond Index | | | -3.3 | -0.3 |
| Brandywine Global Fixed Income | 41,343,753 | 2.5 | -4.8 | -0.2 |
| FTSE Non-U.S. World Government Bond | | | -4.1 | -0.7 |
| Ashmore EM Blended Debt Fund | 49,292,202 | 3.0 | -4.1 | 1.7 |
| 50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMH+ | | | -2.4 | 1.0 |

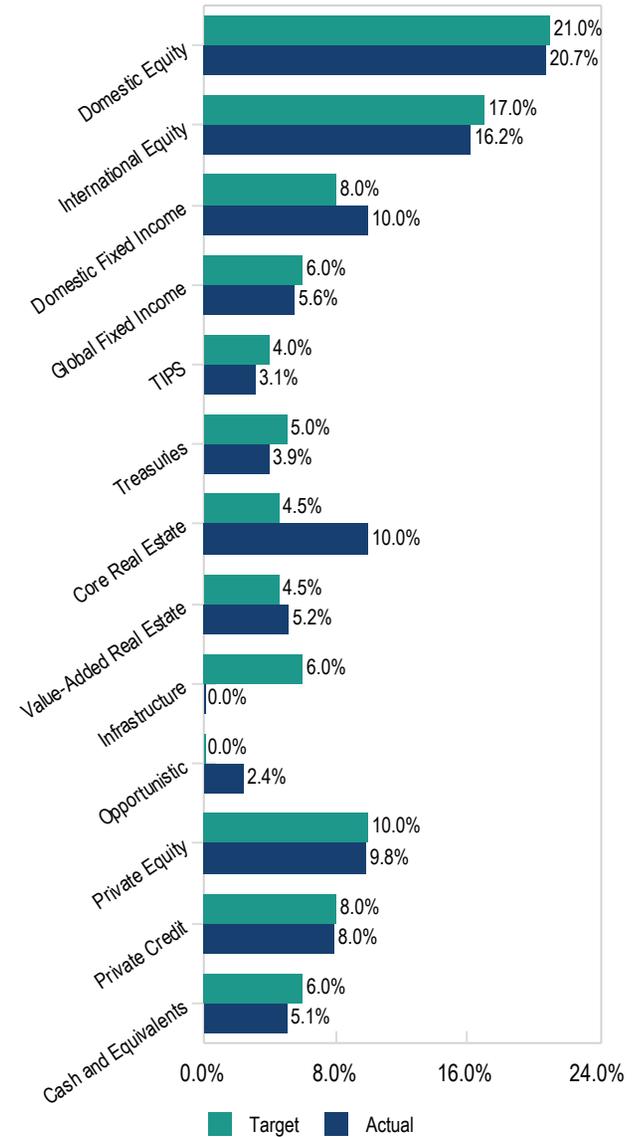


Interim Policy Index as of 1/1/2023: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 8% Bloomberg U.S. Aggregate, 5% Bloomberg US Treasury 7-10 yr, 4% Bloomberg US TIPS 5+ Year, 6% FTSE World Govt Bond Index, 9% NCREIF Property Index, 10% Actual Private Equity Return, 8% Actual Private Credit Return, 6% 90-day T-Bills, 6% ARA American Strategic Value Realty. ARA Strategic Value Realty as of 12/31/22. All data is preliminary.

Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: February 28, 2023

| | Market Value | % of Portfolio | 1 Mo | YTD |
|--|-------------------|----------------|-------------|------------|
| Total Liquidity | 82,743,447 | 5.1 | -0.2 | 0.4 |
| 90 Day U.S. Treasury Bill | | | 0.3 | 0.6 |
| Total Cash | 82,743,447 | 5.1 | -0.2 | 0.4 |
| 90 Day U.S. Treasury Bill | | | 0.3 | 0.6 |
| PIMCO Short Duration Fund | 33,309,154 | 2.0 | -0.6 | 0.3 |
| Blmbg. 1-3 Year Gov/Credit index | | | -0.7 | 0.1 |
| Cash Account | 34,848,333 | 2.1 | 0.0 | 0.5 |
| 90 Day U.S. Treasury Bill | | | 0.3 | 0.6 |
| Investment Cash | 14,585,959 | 0.9 | 0.2 | 0.3 |
| 90 Day U.S. Treasury Bill | | | 0.3 | 0.6 |
| Total Opportunistic | 39,583,891 | 2.4 | | |
| Kohlberg Kravis Roberts & Co. Mezzanine Partners I | 2,745,404 | 0.2 | | |
| Sixth Street Partners TAO | 36,838,487 | 2.3 | | |



Interim Policy Index as of 1/1/2023: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 8% Bloomberg U.S. Aggregate, 5% Bloomberg US Treasury 7-10 yr, 4% Bloomberg US TIPS 5+ Year, 6% FTSE World Govt Bond Index, 9% NCREIF Property Index, 10% Actual Private Equity Return, 8% Actual Private Credit Return, 6% 90-day T-Bills, 6% ARA American Strategic Value Realty. ARA Strategic Value Realty as of 12/31/22. All data is preliminary.

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Board of Trustees

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Date: March 27, 2023

To: Board of Trustees

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

Agenda Item 16: Asset Allocation – February 2023

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 2023 Interim SAA Target Allocation the following table provides details. Also shown is a comparison to the SAA Target Allocation targeted for 2027.

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 | Strategic Asset Allocation |
|-------------------------------|----------------------------|--------------|-----------------------|----------|----------------------------|
| | 02/28/22 | | 2023 Revised Interim | | Long Term |
| Bank (operating) | 1,323 | 0.1% | 0.1% | 0.0% | 0.1% |
| SLOC Treasury | 33,525 | 2.1% | 1.9% | 0.1% | 1.7% |
| JPM short term | 14,586 | 0.9% | 1.5% | -0.6% | 2.3% |
| Short Duration | 33,309 | 2.0% | 2.5% | -0.5% | 6.0% |
| LIQUIDITY | 82,743 | 5.1% | 6.0% | -0.9% | 10.0% |
| Equity- Public Mkt US | 337,403 | 20.7% | 21.0% | -0.3% | 16.0% |
| Equity- Public Mkt Intl | 262,690 | 16.1% | 17.0% | -0.9% | 14.0% |
| Equity- Public Mkt Global | - | 0.0% | | 0.0% | |
| Bank Loans | 65,664 | 4.0% | 4.0% | 0.0% | |
| Bonds- Intl. | 41,343 | 2.5% | 3.0% | -0.5% | |
| Bonds- Emerging Mkts | 49,292 | 3.0% | 3.0% | 0.0% | |
| Real Estate- Core | 162,840 | 10.0% | 9.0% | 1.0% | 5.0% |
| Real Estate- Value Add | 83,901 | 5.2% | 4.0% | 1.2% | 5.0% |
| Infrastructure | - | 0.0% | 2.0% | -2.0% | 5.0% |
| Private Equity | 161,526 | 9.9% | 10.0% | -0.1% | 18.0% |
| Private Credit | 129,343 | 7.9% | 8.0% | -0.1% | 12.0% |
| Opportunistic | 39,584 | 2.4% | 0.0% | 2.4% | |
| GROWTH | 1,333,587 | 81.9% | 81.0% | 0.9% | 75.0% |
| Bonds- Core | 97,266 | 6.0% | 4.0% | 2.0% | |
| Treasuries - Intermediate | 64,006 | 3.9% | 5.0% | -1.1% | 8.0% |
| TIPS | 50,143 | 3.1% | 4.0% | -0.9% | 7.0% |
| RISK DIVERSIFYING | 211,416 | 13.0% | 13.0% | 0.0% | 15.0% |
| TOTAL | 1,627,746 | 100.0% | 100.0% | | 100.0% |
| Liquidity + Risk Diversifying | | 18.1% | 19.0% | -0.9% | 25.0% |

Respectfully submitted,