

# Pension Trust

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



## AGENDA

**Monday, January 24, 2022 9:30 AM**

### **PENSION TRUST BOARD OF TRUSTEES**

\* Online only

#### 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](mailto: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.

#### **\* TELE-CONFERENCE / VIDEO-CONFERENCE**

**Due to the current pandemic Board of Trustees meetings are closed to the public attending in person until further notice.**

This meeting of the Board of Trustees will be held via teleconference and/or videoconference. Pursuant to AB 361, and based on the guidance of our Public Health Officer, California Department of Public Health, the California Governor's Office, and data from the United States Centers for Disease Control, in order to minimize the spread of the COVID-19 virus, and to align with local and federal guidelines and social distance recommendations for the containment of the virus, we are authorized to hold public meetings via teleconferencing and to make public meetings accessible telephonically or otherwise electronically to all members of the public, without making available any physical location for the public. Items of business will be limited to the matters shown on the agenda.

If you wish to view the videoconference of the meeting please access

<https://us06web.zoom.us/j/89767975078?pwd=T1dZbnlIVWhN2JsL1dXeFlxK0dwdz09>

If you wish to listen to the teleconference meeting, please dial 669/900-6833 (Meeting ID 897 6797 5078). If you have any questions or require additional service, please contact SLOCPT at 805/781-5465.

## **A) MEETING VENUE**

1. Resolution 2022-01 Providing Continuation of Virtual Meetings Pursuant to AB 361 (Recommend Approval).

## **B) PUBLIC COMMENT**

2. 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.

## **C) ORGANIZATIONAL**

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

## **D) CONSENT**

5. Minutes of the Regular Meeting of November 15, 2021 (Approve Without Correction).
6. Reports of Deposits and Contributions for the months of November and December 2021 (Receive and File).
7. Reports of Service Retirements, Disability Retirements and DROP Participants for the months of November and December 2021 (Receive, Approve and File).
8. Monthly Investment Report for October 2021 (Receive and File).
9. Monthly Investment Report for November 2021 (Receive and File).

10. Stipulation for the Division of Pension Benefits – Option Four Pension Benefit Election (Recommend Approval)

11. *reserved*

## **E) APPLICATIONS FOR DISABILITY RETIREMENT**

12. Application for Industrial Disability Retirement – Case 2021-02 (Recommend Approval).

13. Application for Ordinary Disability Retirement – Case 2021-03 (Recommend Approval).

14. Application for Industrial Disability Retirement – Case 2021-04 (Recommend Approval).

15. *reserved*

16. *reserved*

17. *reserved*

## **F) OLD BUSINESS**

None

## **G) NEW BUSINESS**

18. Disability Hearing Referee Panel Update (Recommend Approval).

19. Benefits Administration Presentation – SLOCPT Staff (Review, Discuss)

20. Fiduciary Refresher Briefing – General Counsel (Review, Discuss)

## **H) INVESTMENTS**

21. Annual Cashflow Analysis (Receive and File).

22. Monthly Investment Report for December 2021 (Receive and File).

23. Private Markets Program Review - Verus (Review, Discuss).

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

25. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).
26. *reserved*

## I) OPERATIONS

27. Staff Reports
28. General Counsel Reports
29. Committee Reports:
  - i. Audit Committee No Report
  - ii. Personnel Committee No Report
  - iii. Private Markets Investments No Report
30. Upcoming Board Topics (subject to change)
  - i. February 28, 2022
    - a. Disabilities
    - b. Annual Cost of Living Adjustment – 2022
    - c. Quarterly Investment Report 4Q21
    - d. Capital Market Assumptions – 2022 – Verus
  - ii. March 28, 2022
    - a. Annual Actuarial Valuation planning
    - b. Employer prefunding agreement and discount rate
    - c. FY 22-23 SLOCPT administrative budget – preliminary
    - d. TBD
  - iii. April 25, 2022 – planned as a non-meeting month
  - iv. May 23, 2022
    - a. Actuarial Experience Study
    - b. Actuarial Valuation Assumptions
    - c. Annual Actuarial Valuation planning
    - d. Quarterly Investment Report 1Q22
    - e. FY 22-23 SLOCPT administrative budget – approval
    - f. TBD
  - v. June 27, 2022
    - a. 2021 Financial Audit Report / ACFR Approval
    - b. 2022 Actuarial Valuation / Contribution Rate changes
    - c. Employer prefunding amount
    - d. TBD
31. Trustee Comments

**J) CLOSED SESSION**

None

**K) ADJOURNMENT**

This page left blank intentionally.

**RESOLUTION NO. 2022-01**

**SAN LUIS OBISPO COUNTY PENSION TRUST**

**ADOPTING FINDINGS THAT THERE IS A PROCLAIMED STATE OF EMERGENCY AND THAT MEETING IN PERSON POSES IMMEDIATE HEALTH AND SAFETY RISKS TO ATTENDEES AND CONTINUING AUTHORIZATION OF REMOTE TELECONFERENCE MEETINGS FOR THE BOARD OF TRUSTEES AND COMMITTEES FOR THE PERIOD OF JANUARY 24, 2022 TO FEBRUARY 22, 2022**

**WHEREAS**, on March 4, 2020, Governor Gavin Newsom declared a State of Emergency in the State of California; and

**WHEREAS** in light of ongoing concerns about public health and safety, on March 17, 2020, Governor Newsom issued Executive Order N-29-20, which suspended certain provisions of the Ralph M. Brown Act (the "Brown Act") in order to allow local government bodies to conduct open meetings safely during the coronavirus pandemic. On June 11, 2021, the Governor issued Executive Order N-08-21, extending the suspension of these provisions to allow local government bodies to continue to conduct their meetings remotely through September 30, 2021; and

**WHEREAS**, on September 10, 2021, the Legislature took additional action to allow local agencies to forego compliance with Brown Act teleconferencing requirements under specific circumstances after the expiration of the Governor's order by adopting AB 361, which amends the Brown Act's requirements for teleconferencing during a proclaimed state of emergency and when certain other conditions are met and certain findings are made. Because the bill contained an urgency clause, it took effect upon Governor Newsom's signature on September 16, 2021; and

**WHEREAS**, pursuant to AB 361, on November 15, 2021 the San Luis County Pension Trust (“SLOCPT”) adopted a resolution to continue to permit remote meetings based on the imminent health and safety risk to attendees of holding in-person meetings;

**WHEREAS**, the Brown Act, as amended, allows local agencies to make an initial determination to hold open meetings via teleconferencing when there is a proclaimed state of emergency and any of the following circumstances exist:

- 1) State or local officials have imposed or recommended social distancing
- 2) The local agency holds a meeting for the purposes of determining by majority vote if meeting in person would pose imminent health and safety risks to attendees
- 3) The local agency holds a meeting after having determined by majority vote that, as a result of the emergency, meeting in person would pose imminent risks to the health or safety of attendees.

The local agency must reconsider whether the state of emergency continues to impact the ability of the members to meet safely in person or whether local or state officials continue to impose or recommend social distancing every 30 days; and

**WHEREAS**, the rates of transmission of COVID-19 and variants in the County of San Luis Obispo continue to pose imminent risks for health of attendees at indoor gatherings involving individuals from outside the same household; and

**WHEREAS**, California Department of Public Health and the federal Centers for Disease Control and Prevention (“CDC”) caution that the Delta and Omicron variants of COVID-19 are more transmissible than prior variants of the virus, may cause more severe illness, and that even fully vaccinated individuals can spread the virus to others resulting in rapid and alarming

rates of COVID-19 cases and hospitalizations (<https://www.cdc.gov/coronavirus/2019-ncov/variants/delta-variant.html> & <https://www.cdc.gov/coronavirus/2019-ncov/variants/omicron-variant.html>); and

**WHEREAS**, the CDC has established a “Community Transmission” metric with 4 tiers designed to reflect a community’s COVID-19 case rate and percent positivity (available at <https://www.cdc.gov/coronavirus/2019-nCoV/index.html>); and

**WHEREAS**, the County of San Luis Obispo currently has a Community Transmission metric of “high” which is the most serious of the tiers; and

**WHEREAS**, to help protect against the spread of COVID-19 and variants, and to protect the health and safety of the public, the San Luis Obispo County Pension Trust (“SLOCPT”) deems it necessary to find holding in person meetings would present imminent risks to the health or safety of attendees, and thus renews its invocation of the provisions of AB 361 related to teleconferencing.

**NOW, THEREFORE, BE IT RESOLVED AND ORDERED** by the Board of Trustees of the San Luis Obispo County Pension Trust that:

1. The recitals set forth above are true and correct.
2. The Proclamation of State of Emergency in response to the COVID-19 pandemic issued by Governor Newsom on March 4, 2020 remains in effect.
3. Based on the recitals above, SLOCPT finds that meeting in person continues to present imminent risks to the health or safety of attendees.

4. SLOCPT approves meeting via teleconference for all Regular and Special Meetings of SLOCPT for the 30 days following this resolution, in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act.

Upon motion of \_\_\_\_\_, seconded by \_\_\_\_\_,

and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
President, SLOCPT Board of Trustees

ATTEST:

\_\_\_\_\_  
SLOCPT Secretary

**PENSION TRUST  
BOARD OF TRUSTEES**

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



**MINUTES**

**PENSION TRUST  
BOARD OF TRUSTEES**

**Monday, November 15, 2021 \***  
Regular Meeting of the Pension Trust  
Board of Trustees

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

**Board Members Present:** Gere Sibbach  
Taylor Dacus  
Jim Hamilton (arrived at 11:15)  
Lisa Howe  
David Grim

**Board Members Absent:** Jeff Hamm  
Michelle Shoresman

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

**General Counsel:** Chris Waddell Olson | Remcho  
Kristen Rogers Olson | Remcho

**Consultants:** Scott Whalen Verus

**Presenters:**

**Others:** Larry Batchelder SLOCREA  
Kevin Baload journalist

**Call to Order:** 9:33 AM by President Sibbach

**A) ORGANIZATIONAL**

1. Resolution 2021-03 Providing for Virtual Meetings Pursuant to AB 361

**Motion:** Approve Resolution 2021-03

**Discussion:** -

**Public Comment:** None

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

**Carried:** Unanimous (roll call vote)

**B) PUBLIC COMMENT**

2. None

**C) CONSENT**

3. Minutes of the Regular Meeting of September 27, 2021 (Approve Without Correction).
4. Report of Deposits and Contributions for the months of September and October 2021 (Receive and File).
5. Reports of Service Retirements, Disability Retirements, and DROP Participants for the months of September and October 2021 (Receive, Approve and File).
6. Monthly Investment Report for September 2021 (Receive and File).
7. Resolution Modifying and Affirming Investment and Banking authority – Resolution 2021-06 (Recommend Approval).
8. Annual Pensionable Compensation Limit for 2022 pursuant to the Public Employees Pension Reform Act (Tier 3) (Recommend Approval).

**Motion:** Approve the Consent items

**Discussion:** -

**Public Comment:** None

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

**Carried:** Unanimous (roll call vote)

**D) APPLICATIONS FOR DISABILITY RETIREMENT**

9. *Reserved*

**E) OLD BUSINESS**

None

**F) NEW BUSINESS**

10. Resolution Number 2021-04: A Resolution Establishing the Rate of Interest to be Paid on the Normal Contributions of Members (Recommend Approval).

**Motion:** Approve Resolution 2021-04

**Discussion:** Trustee questions answered on how the rate of interest paid on Normal Contributions affects Members.

**Public Comment:** None

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

**Carried:** Unanimous (roll call vote)

11. Resolution Number 2021-05: A Resolution Establishing the Rate of Interest to be Paid on the Additional Contributions of Members (Recommend Approval).

**Motion:** Approve Resolution 2021-05

**Discussion:** Trustee questions answered on how the rate of interest paid on Additional Contributions is set using the benchmark yield on the 5-year Treasury Bond to reflect the non-risk to the Member nature of Additional Contributions.

**Public Comment:** None

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

**Carried:** Unanimous (roll call vote)

**G) INVESTMENTS**

12. Quarterly Investment Report for the 3<sup>rd</sup> Quarter of 2021 – Presentation by Scott Whalen, Verus (Receive and File).

**Motion:** Receive and File the Investment Report for the 3<sup>rd</sup> Quarter of 2021.

**Discussion:** Extensive presentation by Scott Whalen of Verus with numerous Trustee questions.

**Public Comment:** None

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

**Carried:** Unanimous (roll call vote)

13. Monthly Investment Report for October 2021 (Receive and File).

**Discussion:** Staff reported that the Monthly Investment Report for October 2021 was not yet available due to the date of the November 15<sup>th</sup> meeting falling unusually early in the month. The October report will be included on the agenda for the January 24<sup>th</sup> Board meeting.

**Public Comment:** None

**No Action Necessary**

14. Asset Allocation – Implementation – Interim 2022 Policy Targets (Review, Discuss, and Recommend Approval).

**Motion:** To approve recommended Interim 2022 Policy Targets for asset allocation.

**Discussion:** Presentation by Scott Whalen of Verus

**Public Comment:** None

**Motion Made:** Mr. Sibbach

**Motion Seconded:** Mr. Grim

**Carried:** Unanimous (roll call vote)

*11:07 AM – Board President Sibbach called for a break*

*11:15 AM – back in session*

15. Private Markets Discretionary Advisor – Implementation Update (Review, Discuss, and Recommend Approval).

**Discussion:** Staff reported on the progress in implementing the hiring of HarbourVest to manage the private markets Fund-of-One approved previously. In answer to Trustee questions, Staff clarified how the separate future commitment to a core open-ended Infrastructure fund would be decided upon separately from the HarbourVest commitment. Staff discussed the draft tactical plan proposed by HarbourVest and the Private Markets Investment Committee indicated they had reviewed the plan and were in agreement.

**Public Comment:** None

**No Action Necessary**

16. Private Markets Discretionary Advisor – Indemnification – Authorization pursuant to Section 16.02(j) of the Retirement Plan (Recommend Approval).

**Motion:** To the recommended indemnification provisions in the agreements to be signed with HarbourVest as required by Section 16.02(j) of the Retirement Plan.

**Discussion:** General Counsel Waddell discussed the proposed indemnification provisions. He noted that the indemnification in the draft by HarbourVest to the

Pension Trust was for “simple negligence”, not the more common “gross negligence” standard. This is a more LP-favorable indemnity. In answer to Trustee questions General Counsel Waddell opined that the Retirement Plan’s stringent limits on the Pension Trust indemnifying other parties was appropriate even though he was not aware of any other instances where a pension fund had to actually indemnify one of their investment managers.

**Public Comment:** None

**Motion Made:** Ms. Howe

**Motion Seconded:** Mr. Sibbach

**Carried:** Unanimous (roll call vote)

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

**Discussion:** Staff reported on the current asset allocation of the fund and that no action was necessary.

**Public Comment:** None

**No Action Necessary**

## H) CLOSED SESSION

*11:57 AM – Board President Sibbach opened the Closed Session*

18. PUBLIC SECURITY. The Board will convene in closed session pursuant to Gov. Code section 54957(a) to receive a presentation on cybersecurity.

*Closed session held in a separate Zoom videoconference for Trustees only*

*12:31 AM – return from Closed Session*

Board President Sibbach reported that no action was taken in Closed Session and there was nothing to report.

## I) ANNUAL PLANNING SESSION

19. Funding Policy Update (Review, Discuss, and Direct Staff as necessary).

**Discussion:** Staff reported on projections provided by Cheiron, as the Plan Actuary, of pension contribution rates and funded status under alternative discount rate scenarios.

**Public Comment:** None

**No Action Necessary**

20. Personnel Policy Amendment (Recommend Approval)

**Motion:** To approve the amendments to the revised Personnel Policy as recommended by Staff and the Personnel Committee.

**Discussion:** Staff and General Counsel summarized the technical clean-up amendments to the Personnel Policies of the Pension Trust.

**Public Comment:** None

**Motion Made:** Mr. Grim

**Motion Seconded:** Ms. Howe

**Carried:** Unanimous (roll call vote)

**H) OPERATIONS**

21. Staff Reports

- i. Deputy Director Burke reported on the 8 disability retirement cases currently under medical review – a higher than typical number.
- ii. Executive Director Nelson reported on the status of the Pension Trust leasing office suites in the property it owns at 778 Osos St. which is attached to the main Pension Trust office at 1000 Mill St.
- iii. Deputy Director Burke reported on the painting and re-carpeting of SLOCPT’s office in November. Due to these maintenance projects, the office may need to be closed for a day or two with Member served by remote means.

22. General Counsel Reports

General Counsel Waddell reported on the basis for continued virtual Board meetings under the recently passed AB 361.

23. Committee Reports:

- i. Audit Committee No Report
- ii. Personnel Committee Report – Covered in Agenda Item #20
- iii. Private Markets Investments Report – Covered in Agenda Item #15

24. Upcoming Board Topics – published on meeting agenda

25. Trustee Comments

Trustee Shoresman commented on her recent attendance at a CALAPRS Trustees Round Table and that she found the discussion of ESG topics in investing useful. In particular, she noted that ESG criteria in investing as they focus on sustainability of an enterprise are consistent with fiduciary responsibilities.

**K) ADJOURNMENT**

There being no further business, the meeting was adjourned at 1:01 PM. The next Regular Meeting was set for January 24, 2022, at 9:30 AM, with venue type (in-person or virtual online meeting) to be determined.

Respectfully submitted,

Carl Nelson  
Executive Director

This page left blank intentionally.

**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF  
NOVEMBER 2021**

PP 22 11/5/2021	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
					Employee Contributions	Employee Rate					
<b>By Employer and Tier:</b>											
County Tier 1	2,879,231.73	882,640.62	30.66%	399,053.87	244,921.15	22.37%	53.02%	1,037.50	1,766.08		1,529,419.22
County Tier 2	1,013,436.87	321,043.13	31.68%	67,004.16	86,709.02	15.17%	46.85%	-	-		474,756.31
County Tier 3	3,992,605.48	1,206,039.49	30.21%	560,411.01	-	14.04%	44.24%	-	610.15		1,767,060.65
Superior Court Tier 1	229,642.14	68,448.97	29.81%	47,176.30	-	20.54%	50.35%	-	-		115,625.27
Superior Court Tier 3	139,034.23	39,855.33	28.67%	21,444.55	-	15.42%	44.09%	-	-		61,299.88
APCD Tier 1	44,635.60	11,986.75	26.85%	6,957.73	3,573.34	23.59%	50.45%	-	-		22,517.82
APCD Tier 2	3,370.40	876.98	26.02%	412.54	193.80	17.99%	44.01%	-	-		1,483.32
APCD Tier 3	28,491.21	7,327.73	25.72%	4,390.32	-	15.41%	41.13%	-	-		11,718.05
SLOCPT Tier 1	8,101.67	2,347.86	28.98%	1,229.83	752.65	24.47%	53.45%	-	-		4,330.34
SLOCPT Tier 2	9,629.60	2,790.66	28.98%	544.07	894.59	14.94%	43.92%	-	-		4,229.32
SLOCPT Tier 3	12,547.76	3,632.57	28.95%	1,803.74	-	14.37%	43.32%	250.00	-		5,686.31
LAFCO Tier 3	9,173.97	2,849.44	31.06%	1,258.10	-	13.71%	44.77%	-	-		4,107.54
RTA Tier 2	27,366.40	8,042.98	29.39%	565.36	3,557.63	15.07%	44.46%	-	-		12,165.97
RTA Tier 3	17,463.04	5,395.10	30.89%	2,132.10	-	12.21%	43.10%	-	-		7,527.20
	8,414,730.10	2,563,277.61	30.46%	1,114,383.68	340,602.18	17.29%	47.75%	1,287.50	2,376.23		\$ 4,021,927.20
<b>PP 23 11/19/2021</b>											
<b>By Employer and Tier:</b>											
County Tier 1	2,865,641.86	879,964.38	30.71%	397,656.73	244,330.30	22.40%	53.11%	1,037.50	1,766.08		1,524,754.99
County Tier 2	1,014,747.39	321,399.17	31.67%	68,244.05	85,560.26	15.16%	46.83%	-	-		475,203.48
County Tier 3	4,021,845.66	1,204,677.52	29.95%	576,973.27	-	14.35%	44.30%	-	610.15		1,782,260.94
Superior Court Tier 1	234,590.27	69,819.40	29.76%	48,121.86	-	20.51%	50.28%	-	-		117,941.26
Superior Court Tier 3	141,758.35	40,655.94	28.68%	21,926.64	-	15.47%	44.15%	-	-		62,582.58
APCD Tier 1	44,635.78	11,986.80	26.85%	6,957.75	3,573.37	23.59%	50.45%	-	-		22,517.92
APCD Tier 2	3,370.40	876.98	26.02%	432.76	193.80	18.59%	44.61%	-	-		1,503.54
APCD Tier 3	28,491.23	7,327.73	25.72%	4,390.33	-	15.41%	41.13%	-	-		11,718.06
SLOCPT Tier 1	8,101.67	2,347.86	28.98%	1,229.83	752.65	24.47%	53.45%	-	-		4,330.34
SLOCPT Tier 2	9,629.60	2,790.66	28.98%	544.07	894.59	14.94%	43.92%	-	-		4,229.32
SLOCPT Tier 3	12,547.77	3,632.58	28.95%	1,803.74	-	14.37%	43.32%	250.00	-		5,686.32
LAFCO Tier 3	9,173.97	2,849.44	31.06%	1,258.10	-	13.71%	44.77%	-	-		4,107.54
RTA Tier 2	27,366.40	8,042.98	29.39%	565.36	3,557.63	15.07%	44.46%	-	-		12,165.97
RTA Tier 3	17,463.04	5,395.10	30.89%	2,132.10	-	12.21%	43.10%	-	-		7,527.20
	8,439,363.39	2,561,766.54	30.35%	1,132,236.59	338,862.60	17.43%	47.79%	1,287.50	2,376.23		\$ 4,036,529.46
<b>TOTAL FOR THE MONTH</b>	<b>16,854,093.49</b>	<b>5,125,044.15</b>	<b>30.41%</b>	<b>2,246,620.27</b>	<b>679,464.78</b>	<b>17.36%</b>	<b>47.77%</b>	<b>2,575.00</b>	<b>4,752.46</b>		<b>\$ 8,058,456.66</b>
<b>TOTAL YEAR TO DATE</b>	<b>190,119,800.61</b>	<b>54,242,183.67</b>	<b>28.53%</b>	<b>24,493,776.65</b>	<b>7,957,162.50</b>	<b>17.07%</b>	<b>45.60%</b>	<b>31,387.50</b>	<b>308,126.19</b>		<b>\$ 87,032,636.51</b>

**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF  
DECEMBER 2021**

PP 24 12/3/2021	By Employer and Tier:	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
						Employee Contributions	Employee Rate				
	County Tier 1	2,850,718.73	875,980.88	30.73%	396,523.52	243,337.81	22.45%	53.17%	1,537.50	1,766.08	1,519,146.79
	County Tier 2	1,005,319.82	318,746.85	31.71%	66,884.93	85,369.63	15.14%	46.85%	-	-	471,001.41
	County Tier 3	4,044,991.23	1,221,355.20	30.19%	569,875.85	-	14.09%	44.28%	-	847.51	1,792,078.56
	Superior Court Tier 1	234,732.39	70,011.36	29.83%	48,152.56	-	20.51%	50.34%	-	-	118,163.92
	Superior Court Tier 3	139,303.18	40,000.26	28.71%	21,610.31	-	15.51%	44.23%	-	-	61,610.57
	APCD Tier 1	44,635.69	11,986.78	26.85%	6,957.74	3,573.35	23.59%	50.45%	-	-	22,517.87
	APCD Tier 2	3,370.40	876.98	26.02%	432.76	193.80	18.59%	44.61%	-	-	1,503.54
	APCD Tier 3	31,717.63	8,151.43	25.70%	4,833.95	-	15.24%	40.94%	-	-	12,985.38
	SLOCPT Tier 1	8,101.67	2,347.86	28.98%	1,229.83	752.65	24.47%	53.45%	-	-	4,330.34
	SLOCPT Tier 2	9,629.60	2,790.66	28.98%	544.07	894.59	14.94%	43.92%	-	-	4,229.32
	SLOCPT Tier 3	12,547.76	3,632.57	28.95%	1,803.74	-	14.37%	43.32%	250.00	-	5,686.31
	LAFCO Tier 3	9,173.97	2,849.44	31.06%	1,258.10	-	13.71%	44.77%	-	-	4,107.54
	RTA Tier 2	27,366.40	8,042.98	29.39%	565.36	3,557.63	15.07%	44.46%	-	-	12,165.97
	RTA Tier 3	17,463.04	5,395.10	30.89%	2,132.10	-	12.21%	43.10%	-	-	7,527.20
		8,439,071.51	2,572,168.35	30.48%	1,122,804.82	337,679.46	17.31%	47.79%	1,787.50	2,613.59	\$ 4,037,053.72
<b>PP 25 12/17/2021</b>	<b>By Employer and Tier:</b>	<b>Pensionable Salary</b>	<b>Employer Contributions</b>	<b>Employer Rate</b>	<b>Employee Contributions</b>	<b>Employer for Employee Contributions</b>	<b>Employee Rate</b>	<b>Combined Rate</b>	<b>Additional Contributions</b>	<b>Buy Backs</b>	<b>TOTAL Contributions</b>
	County Tier 1	2,848,126.14	872,021.27	30.62%	394,940.43	242,396.35	22.38%	52.99%	1,537.50	6,374.58	1,517,270.13
	County Tier 2	1,011,215.97	319,501.44	31.60%	61,241.00	91,497.57	15.10%	46.70%	-	-	472,240.01
	County Tier 3	4,056,670.25	1,223,636.81	30.16%	571,476.53	-	14.09%	44.25%	-	610.15	1,795,723.49
	Superior Court Tier 1	235,222.59	70,192.51	29.84%	48,345.91	-	20.55%	50.39%	-	-	118,538.42
	Superior Court Tier 3	141,805.33	40,716.54	28.71%	21,886.06	-	15.43%	44.15%	-	-	62,602.60
	APCD Tier 1	44,635.63	11,986.76	26.85%	6,957.73	3,573.34	23.59%	50.45%	-	-	22,517.83
	APCD Tier 2	3,370.40	876.98	26.02%	432.76	193.80	18.59%	44.61%	-	-	1,503.54
	APCD Tier 3	31,717.62	8,151.44	25.70%	4,833.95	-	15.24%	40.94%	-	-	12,985.39
	SLOCPT Tier 1	8,101.67	2,347.86	28.98%	1,229.83	752.65	24.47%	53.45%	-	-	4,330.34
	SLOCPT Tier 2	9,629.60	2,790.66	28.98%	544.07	894.59	14.94%	43.92%	-	-	4,229.32
	SLOCPT Tier 3	12,637.36	3,658.51	28.95%	1,814.24	-	14.36%	43.31%	250.00	-	5,722.75
	LAFCO Tier 3	9,173.97	2,849.44	31.06%	1,258.10	-	13.71%	44.77%	-	-	4,107.54
	RTA Tier 2	27,366.40	8,042.98	29.39%	565.36	3,557.63	15.07%	44.46%	-	-	12,165.97
	RTA Tier 3	17,463.04	5,395.10	30.89%	2,132.10	-	12.21%	43.10%	-	-	7,527.20
		8,457,135.97	2,572,168.30	30.41%	1,117,658.07	342,865.93	17.27%	47.68%	1,787.50	6,984.73	\$ 4,041,464.53
<b>PP 26 12/30/2021</b>	<b>By Employer and Tier:</b>	<b>Pensionable Salary</b>	<b>Employer Contributions</b>	<b>Employer Rate</b>	<b>Employee Contributions</b>	<b>Employer for Employee Contributions</b>	<b>Employee Rate</b>	<b>Combined Rate</b>	<b>Additional Contributions</b>	<b>Buy Backs</b>	<b>TOTAL Contributions</b>
	County Tier 1	2,833,658.37	867,613.86	30.62%	392,944.25	241,003.50	22.37%	52.99%	1,537.50	725.69	1,503,824.80
	County Tier 2	988,738.73	313,299.59	31.69%	66,649.62	83,255.53	15.16%	46.85%	-	-	463,204.74
	County Tier 3	4,061,720.49	1,226,232.87	30.19%	571,948.30	-	14.08%	44.27%	-	610.15	1,798,791.32
	Superior Court Tier 1	237,209.26	70,800.19	29.85%	48,699.14	-	20.53%	50.38%	-	-	119,499.33
	Superior Court Tier 3	144,964.09	41,383.36	28.55%	22,546.48	-	15.55%	44.10%	-	-	63,929.84
	APCD Tier 1	61,989.96	16,647.21	26.85%	9,663.55	4,962.22	23.59%	50.45%	-	-	31,272.98
	APCD Tier 2	4,126.40	1,073.70	26.02%	529.88	237.23	18.59%	44.61%	-	-	1,840.81
	APCD Tier 3	42,764.84	10,992.65	25.70%	6,534.24	-	15.28%	40.98%	-	-	17,526.89
	SLOCPT Tier 1	8,101.67	2,347.86	28.98%	1,229.83	752.65	24.47%	53.45%	-	-	4,330.34
	SLOCPT Tier 2	9,629.60	2,790.66	28.98%	544.07	894.59	14.94%	43.92%	-	-	4,229.32
	SLOCPT Tier 3	12,785.21	3,701.31	28.95%	1,836.00	-	14.36%	43.31%	250.00	-	5,787.31
	LAFCO Tier 3	9,173.97	2,849.44	31.06%	1,258.10	-	13.71%	44.77%	-	-	4,107.54
	RTA Tier 2	27,366.40	8,042.98	29.39%	565.36	3,557.63	15.07%	44.46%	-	-	12,165.97
	RTA Tier 3	17,463.04	5,395.10	30.89%	2,132.10	-	12.21%	43.10%	-	-	7,527.20
		8,459,692.03	2,573,170.78	30.42%	1,127,080.92	334,663.35	0.1727893	0.47695768	1,787.50	1,335.84	\$ 4,038,038.39
<b>TOTAL FOR THE MONTH</b>		<b>25,355,899.51</b>	<b>7,717,507.43</b>	<b>30.44%</b>	<b>3,367,543.81</b>	<b>1,015,208.74</b>	<b>17.28%</b>	<b>47.72%</b>	<b>5,362.50</b>	<b>10,934.16</b>	<b>\$ 12,116,556.64</b>
<b>TOTAL YEAR TO DATE</b>		<b>215,475,700.12</b>	<b>61,959,691.10</b>	<b>28.75%</b>	<b>27,861,320.46</b>	<b>8,972,371.24</b>	<b>17.09%</b>	<b>45.85%</b>	<b>36,750.00</b>	<b>319,060.35</b>	<b>\$ 99,149,193.15</b>
<b>PRIOR YEAR COMPARISON</b>		<b>218,911,524.91</b>	<b>57,518,669.24</b>	<b>26.27%</b>	<b>26,325,171.73</b>	<b>9,966,488.13</b>	<b>16.58%</b>	<b>42.85%</b>	<b>36,448.00</b>	<b>363,517.70</b>	<b>\$ 94,210,294.80</b>
<b>% CHANGE FROM PRIOR YEAR</b>		-1.57%	7.72%	2.48%	5.84%	-9.97%	0.52%	3.00%	0.83%	-12.23%	5.24%

**REPORT OF RETIREMENTS****November 2021**

<b>RETIREE NAME</b>	<b>DEPARTMENT</b>	<b>BENEFIT TYPE *</b>	<b>EFFECTIVE DATE</b>	<b>MONTHLY BENEFIT</b>	<b>SS TEMP ANNUITY**</b>
Bailey, Katherine Ann	Behavioral Health	Service Retirement	10/30/2021	1,005.31	False
Beason, Denise	Home Health	Service Retirement	08/01/2021	456.57	False
Beason, Denise	Home Health	Additional Annuity	08/01/2021	8.90	False
Blair, Mary E	Library	Service Retirement	10/16/2021	4,144.69	False
Cunningham, Julie	Sheriff-Coroner	Service Retirement	11/06/2021	1,722.11	False
Dietz, Elaine E	Behavioral Health	Service Retirement	10/11/2021	1,587.90	False
Jacobs, Vicki Lynne	Airports	Service Retirement	10/05/2021	929.50	False
Johnson, Mitzie Jane	Drinking Driver Programs	Service Retirement	11/19/2021	1,105.95	False
Mitchell, Jeffrey David	Public Health Department	Service Retirement	11/02/2021	869.58	False
Norfleet-Adams, Anne Scott	Behavioral Health	Service Retirement	07/08/2021	212.30	False
Rocha, Jean M	General Services	Service Retirement	10/26/2021	798.22	False
Rocha, Jean M	General Services	Additional Annuity	10/26/2021	365.61	False
Sarabia, Tomasita	SLO County Child Support Servi	Service Retirement	10/06/2021	3,279.91	False
Szwabowski, Elizabeth	Planning Department	DROP	11/01/2021	6,601.46	False
Taylor, Bonnie	Mental Health	Service Retirement	07/01/2021	2,188.89	False
Vargas, M Guadalupe	Behavioral Health	Service Retirement	10/23/2021	2,337.40	False

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

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

**REPORT OF RETIREMENTS****December 2021**

<b>RETIREE NAME</b>	<b>DEPARTMENT</b>	<b>BENEFIT TYPE *</b>	<b>EFFECTIVE DATE</b>	<b>MONTHLY BENEFIT</b>	<b>SS TEMP ANNUITY**</b>
Donaghy, Eileen M	Superior Court	Service Retirement	11/27/2021	1,512.45	False
Flores, Gina	Auditor-Contrlr-Treas-Tax-Coll	DROP	12/01/2021	3,890.08	False
Gibson, Gary Alan	Behavioral Health	Service Retirement	11/24/2021	727.47	False
Guest, Clark William	Behavioral Health	Service Retirement	11/27/2021	3,258.27	False
McMillan, Janet M	General Hospital	Service Retirement	11/19/2021	2,650.56	False
Partridge, Aura M	Department of Social Services	Service Retirement	12/03/2021	615.78	False
Partridge, Aura M	Department of Social Services	Additional Annuity	12/03/2021	12.87	False
Phillips, Gina Marie	Alternate Payee	Service Retirement	11/01/2021	1,057.22	False
Rinell, Steven J	General Services	Service Retirement	12/01/2021	882.75	False
Rinell, Steven J	General Services	Additional Annuity	12/01/2021	53.99	False
Ruscki, Evelyn Moore	Department of Social Services	Service Retirement	12/11/2021	3,771.68	False
Skelton, Cynthia A	District Attorney	Service Retirement	12/03/2021	6,591.06	False
Smelcer, JoEllen	Department of Social Services	Service Retirement	12/08/2021	2,539.78	False
Thomas, Cheryl K	Human Resources	Service Retirement	12/11/2021	2,926.02	False
Wilson, Lance E	Sheriff-Coroner	DROP	11/01/2021	6,260.82	False

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

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

# Board of Trustees

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



Date: November 19, 2021

To: Board of Trustees

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

## **Agenda Item 8: Monthly Investment Report for October 2021**

	October	Year to Date 2021	2020	2019	2018	2017	2016
Total Trust Investments (\$ millions)	\$1,756		\$1,552 year end	\$1,446 year end	\$1,285 year end	\$1,351 year end	\$1,196 year end
<b>Total Fund Return</b>	2.2% Gross	<b>12.9%</b> Gross	8.9 % Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross
Policy Index Return (r)	2.0%	10.9%	10.0 %	16.4 %	-3.2 %	13.4 %	7.7 %

- (r) Policy index as of Sept. 2020 Strategic Asset Allocation Policy with 2021 Interim targets:
- Public Mkt Equity- 20% Russell 3000, 20% MSCI ACWI ex-US
  - Public Mkt Debt- 11% Barclays US Aggregate,
  - Risk Diversifying 10% Barclays US Aggregate, 3% Barclays 7-10yr Treasury, 2% Barclays 5-10yr US TIPS
  - Real Estate & Infrastructure- 12% NCREIF Index, 3% Private RE/Infrastructure actual returns
  - Private Equity- 8% actual private equity returns
  - Private Credit- 7% actual private credit returns
  - Liquidity- 2% 90 day T-Bills, 2% Barclays 1-3yr Gov/Credit
- 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 October. The attached market commentary from Verus details market conditions in October, but subsequent activity in November is not yet factored into these numbers. As of November 19<sup>th</sup>, it appears likely that November may be a flat month for returns.

## The Economy and Capital Markets:

- **The Economy**
  - **GDP Growth** – The Commerce Department preliminary report on 3Q21 real GDP growth showed a 0.5% increase – or a 2.0% annual increase. These 3Q21 results are below the 2Q21 GDP growth at an annual rate of 6.7%. Economic growth slowed sharply over the summer as supply-chain bottlenecks and a resurgence in pandemic restrictions on activity slowed consumer spending. Notably, spending on cars fell over 17% in 3Q21 due to limits on supply. While consumers were willing and able to purchase new cars, the computer chip shortage in the new car supply-chain left dealers’ lots depleted.
  - **Inflation** – Inflation fueled by post-pandemic consumer purchases, supply-chain limits, and surging oil prices continues to create widespread concern. The October report on CPI inflation jumped more than expected with a 6.2% year-over-year change. Energy, food, rent, and automotive costs led the increase. Many economists view the current surge in inflation as transitory driven by specific events. However, lingering fears of a persistent wage-price inflation spiral weigh on some economists and much of the general public.
  
- **Economic Policy**
  - **Monetary Policy** –
    - The Fed’s Open Market Committee announced the beginning of a tapering off in asset purchases for mid-November. The probability of an increase in the Fed target for short term interest rates during 2022 increased to ~75% based on the pricing of futures contracts.
    - Fed Chair Powell delivered comments in October that were less supportive of the “transitory nature” of inflation than the Fed has been holding too of late. His remarks indicated that the risk of more persistent inflation driven by supply-constraints are of increasing concern.
  
- **Employment and Wages** –
  - **New Jobs** - The October jobs report from the BLS on nonfarm employment showed had a gain of 531k new jobs – above economists’ expectations of +450k and well ahead of the September gain of 194k. Some decline in Covid infection rates helped the leisure and hospitality sectors resume hiring although job gains were widespread across most sectors of the economy.
  - **Unemployment** - The unemployment rate in October edged down further to 4.6%. Still above its February 2020 low point, but mostly recovered.
    - **Local unemployment rate** – The Pacific Coast Business Times reported that unemployment in SLO County fell sharply from 5.4% in August to 4.6% in September. The California unemployment rate for September was 7.5%.

- **Labor Force Participation Rate** - The labor force participation rate remains at 61.6% down from its recent era peak of 63.3% in February 2020. A November 5<sup>th</sup> NBC News article by Martha White made some interesting observations about the workforce.

“Economists say the contours of a post-Covid economy are coming into focus, albeit slowly. One aspect of the post-Covid job market that already is clear: The pandemic fundamentally altered the contours of the American workforce, a finding that has implications for lagging labor force participation, particularly among women.

“The reality is we’ve become accustomed to having the opportunity and the ease of being able to do a lot of things at home,” said Lisa Erickson, co-head of the public markets group in U.S. Bank Wealth Management. “What the pandemic really did is accelerated and cemented that behavior.”

The pandemic also changed how many Americans relate to their jobs. “People are reassessing their life choices,” Erickson said — a collective evaluation economist say is a factor driving worker shortages in many lower-income sectors.

Dan North, senior economist at Euler Hermes North America, said: “I think the shrinkage is permanent because people are now demanding that they have work-from-home schedules, and if they don’t get them, they go somewhere else. That’s going to reduce the demand for office space,” a behavioral shift that has ripple effects on labor demand across a variety of job types.

What this means in practice is that there might be fewer people needed to do certain jobs — restaurant servers and cooks in downtown office districts, commercial construction workers, store clerks — for the foreseeable future.

Escalating wage growth remains a concern. “What we want to see is that balance between workers being able to maintain their incomes, but hopefully not so high that it contributes to an inflationary spiral,” Erickson said.

Recent productivity gains have so far helped companies offset the impact of paying higher wages on profit margins — one big reason the economy has so far been able to ward off an out-of-control inflationary wage-price spiral. “In my mind, productivity is driving growth right now,” said David Wagner, portfolio manager and analyst at Aptus Capital Advisors. “We’re becoming a more efficient nation.””

- **China – Economic Growth and U.S. Strategic Competition –**

Increasingly news is dominated by developments in China. Issues of slowing economic growth overlain with concerns of excessive debt, a housing bubble and the bankruptcy of Evergrande, an immensely large residential builder. J.P. Morgan in their October 28<sup>th</sup> Global Research report on China included these excerpts –

**“US-China tensions have taken a backseat to China’s domestic dynamics as the state of China’s economy is facing greater scrutiny.** The impact of the property market slowdown as the ongoing Evergrande saga plays out, the continued tight macroeconomic policy stance, and power shortages contributed to a 3.3% quarterly sequential contraction in 3Q. At the same time, tighter regulatory policies as part of the “Common Prosperity” agenda have further weighed on market sentiment. We stress that China is undergoing a shift in policy regime with the transition of Chinese development into a new stage and new era of lower growth. Our China economists have once again taken the growth forecast down to 7.9% oya for 2021 and 4.9% yoya for 2022 and see ongoing downside risks with the separation between macro and industrial policies likely to lead to transitional pains in the near term. We now forecast that China’s potential growth will slow down from 6% to below 3% in 2021-2035.”

**“We continue to see US-China relations as a full-fledged strategic competition that will endure, but the past few weeks were also marked by a series of bilateral talks between the US and China, with suggestions of “recoupling” in some areas.”**

#### **Investment Markets –**

- **U.S. Equities** – October U.S. equity returns were a sharp rebound from the stumble in September. Despite concerns over inflation, a steady pace of above-expectations profit reports from corporations supported market gains.
- **U.S. Bonds** – Fixed income markets experienced had mixed returns in October as inflation fears edged up Treasury rates slightly. The 10-year Treasury bond hit a recent low in yield in August at 1.18%. The 10-year Treasury had risen to a yield of 1.53% at the start of October and ended the month at 1.56%.

Respectfully Submitted,

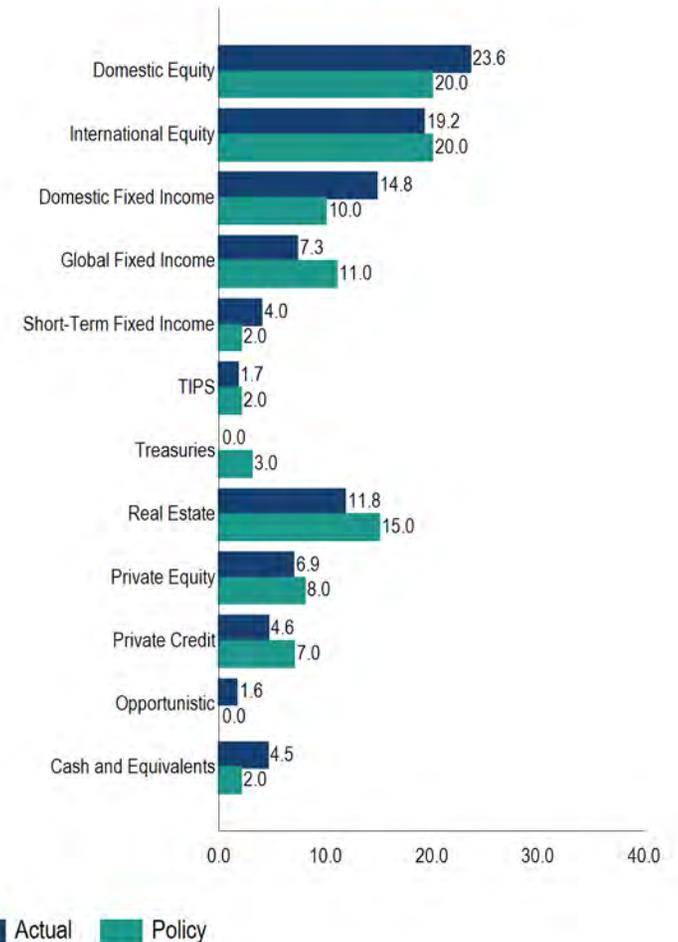
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: October 31, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Fund</b>	<b>1,755,607,149</b>	<b>100.0</b>	<b>2.2</b>	<b>12.9</b>
Interim Policy Index			2.0	10.9
FFP SAA Index			1.8	17.5
<b>Total Growth</b>	<b>1,160,526,524</b>	<b>66.1</b>	<b>3.6</b>	<b>20.0</b>
Custom Growth Benchmark			2.6	14.2
<b>Total Public Equity</b>	<b>751,362,472</b>	<b>42.8</b>	<b>4.8</b>	<b>18.2</b>
Russell 3000			6.8	22.8
<b>Total Domestic Equity</b>	<b>414,024,838</b>	<b>23.6</b>	<b>4.9</b>	<b>20.7</b>
Russell 3000			6.8	22.8
PIMCO RAE US	108,425,590	6.2	2.9	20.8
S&P 500			7.0	24.0
Loomis Sayles Large Cap Growth	112,899,377	6.4	5.9	18.3
Russell 1000 Growth			8.7	24.2
Boston Partners Large Cap Value	107,868,268	6.1	4.8	25.3
Russell 1000 Value			5.1	22.0
Atlanta Capital Mgmt	84,831,602	4.8	6.2	19.0
Russell 2500			4.9	19.4
<b>Total International Equity</b>	<b>337,337,635</b>	<b>19.2</b>	<b>4.7</b>	<b>15.8</b>
MSCI ACWI ex USA Gross			2.4	8.9
Dodge & Cox Intl Stock	164,903,538	9.4	4.2	13.5
MSCI ACWI ex USA Value Gross			1.7	11.5
WCM International Growth	172,434,097	9.8	5.2	18.0
MSCI ACWI ex USA Growth Gross			3.1	6.1
<b>Total Private Equity</b>	<b>121,723,069</b>	<b>6.9</b>		
Harbourvest Partners IX Buyout Fund L.P.	17,424,676	1.0		
Pathway Private Equity Fund Investors 9 L.P.	81,221,667	4.6		
Harbourvest 2018 Global Fund L.P.	16,840,945	1.0		
Pathway Private Equity Fund Investors 10 L.P.	6,235,781	0.4		
<b>Total Private Credit</b>	<b>80,301,901</b>	<b>4.6</b>		
Sixth Street Partners DCP	80,301,901	4.6		

Actual vs Interim Target Allocation (%)



New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BbgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BbgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BbgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

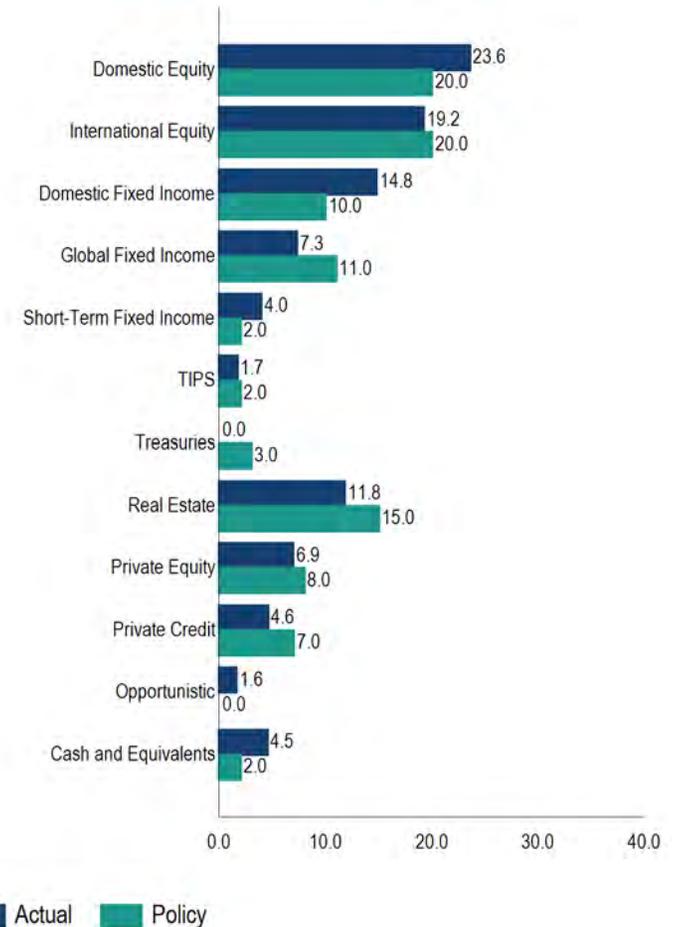
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: October 31, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Real Estate</b>	<b>207,139,081</b>	<b>11.8</b>	<b>2.3</b>	<b>12.8</b>
<i>NCREIF Property Index</i>			0.0	10.9
JP Morgan Core Real Estate	156,212,193	8.9	1.2	12.4
<i>NCREIF-ODCE</i>			0.0	13.1
<i>NCREIF Property Index</i>			0.0	10.9
ARA American Strategic Value Realty	50,926,889	2.9	6.0	14.0
<i>NCREIF-ODCE</i>			0.0	13.1
<i>NCREIF Property Index</i>			0.0	10.9
<b>Total Risk Diversifying</b>	<b>457,516,800</b>	<b>26.1</b>	<b>-0.5</b>	<b>-1.5</b>
<i>Custom Risk Diversifying Benchmark</i>			-0.2	-3.1
<b>Total Domestic Fixed Income</b>	<b>329,299,913</b>	<b>18.8</b>	<b>-0.1</b>	<b>0.5</b>
<i>Bloomberg US Aggregate TR</i>			0.0	-1.6
BlackRock Core Bond	87,860,084	5.0	-0.9	-1.9
<i>Bloomberg US Aggregate TR</i>			0.0	-1.6
Dodge & Cox Income Fund	93,348,423	5.3	-0.2	-0.4
<i>Bloomberg US Aggregate TR</i>			0.0	-1.6
Pacific Asset Corporate Loan	78,469,996	4.5	0.4	4.9
<i>S&amp;P/LSTA Leveraged Loan Index</i>			0.3	4.7
SSGA U.S. Govt Bond Index	39,603,807	2.3	-0.1	--
<i>Bloomberg US Govt/Credit 1-3 Yr. TR</i>			-0.3	--
BlackRock TIPS	30,017,603	1.7	1.1	--
<i>Bloomberg US TIPS TR</i>			1.1	--
<b>Total Global Fixed</b>	<b>128,216,887</b>	<b>7.3</b>	<b>-1.4</b>	<b>-5.9</b>
<i>FTSE World Govt Bond Index</i>			-0.4	-6.3
Brandywine Global Fixed Income	59,211,379	3.4	-0.2	-4.0
<i>FTSE WGBI ex US TR</i>			-0.7	-8.5
Ashmore EM Blended Debt Fund	69,005,508	3.9	-2.4	-7.5
<i>50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMI+</i>			-0.2	-3.1

Actual vs Interim Target Allocation (%)



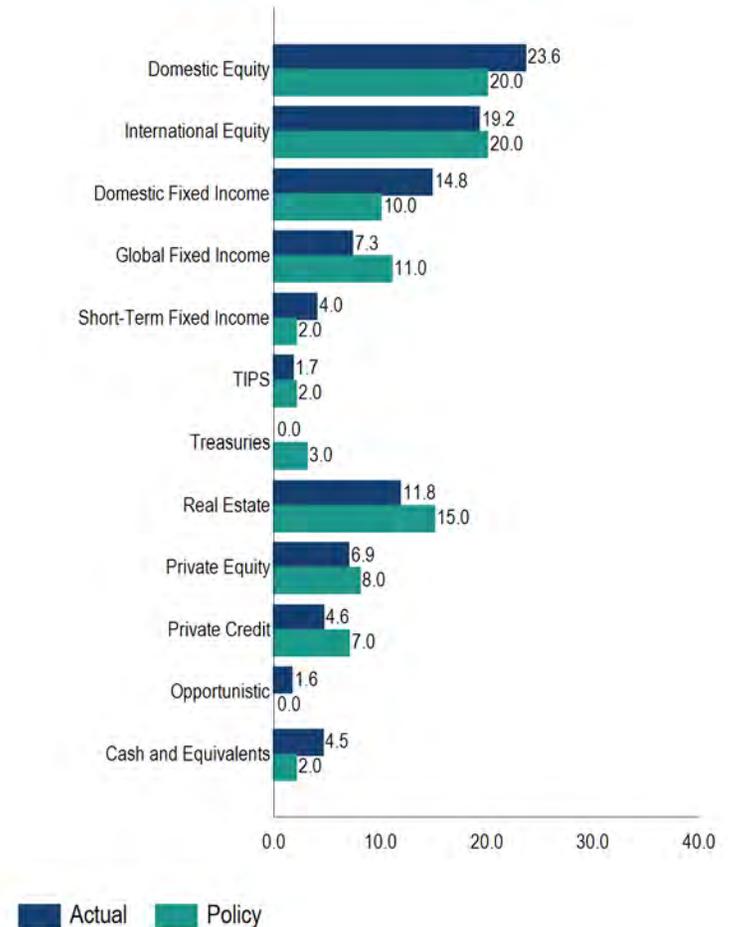
New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BbgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BbgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BbgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

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

Period Ending: October 31, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Liquidity</b>	<b>109,317,555</b>	<b>6.2</b>	<b>0.0</b>	<b>0.3</b>
91 Day T-Bills			0.0	0.0
<b>Total Cash</b>	<b>109,317,555</b>	<b>6.2</b>	<b>0.0</b>	<b>0.3</b>
91 Day T-Bills			0.0	0.0
PIMCO Short Duration Fund	29,829,089	1.7	-0.5	--
Bloomberg US Govt/Credit 1-3 Yr. TR			-0.3	--
Cash Account	70,300,402	4.0	0.2	0.8
91 Day T-Bills			0.0	0.0
Investment Cash	9,188,063	0.5	0.0	--
91 Day T-Bills			0.0	--
<b>Total Opportunistic</b>	<b>28,246,270</b>	<b>1.6</b>		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	5,206,085	0.3		
Sixth Street Partners TAO	23,040,185	1.3		

Actual vs Interim Target Allocation (%)



New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BbgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BbgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BbgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

This page left blank intentionally.



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

OCTOBER 2021  
Capital Markets Update

# Market commentary

## U.S. ECONOMICS

- Real U.S. GDP grew at a quarterly annualized rate of 2.0% in Q3, falling short of consensus estimates of 2.6%. A slowdown in consumer spending drove the deceleration in GDP as spending for durable goods – namely motor vehicles and parts – fell 26.2%.
- The Establishment Survey showed that 531,000 jobs were added to non-farm payrolls in October. The report beat expectations for 450,000 job additions. Food services and drinking places contributed 119,000 jobs to the overall increase coinciding with a sharp decline in Covid cases that reduced pandemic-related layoffs.
- The headline unemployment rate fell to 4.6% in October, dropping below the median rate of 4.8% expected by Fed officials for the end of the year as per the latest Fed Summary of Expectations. However, the labor force participation rate remained at 61.6% – below the pre-pandemic level of 63.4% -- as labor supply remained low.

## U.S. EQUITIES

- The S&P 500 Index (+7.0%) rebounded sharply in October and closed above the 4600 price level for the first-time. Strong earnings helped the market shake off concerns surrounding the deceleration of the economic recovery.
- Of the 89% of S&P 500 companies which had reported quarterly results by November 5<sup>th</sup>, 81% reported stronger-than-expected earnings and 75% beat expectations on reported revenues.
- If all remaining company financials are reported in-line with expectations, net income will have grown 39.1% year-over-year and revenue growth will be 17.3% year-over-year. Net profit margins fell from 13.1% the quarter before to 12.9% in Q3, though they remain elevated relative to their level last year (10.9%).

## U.S. FIXED INCOME

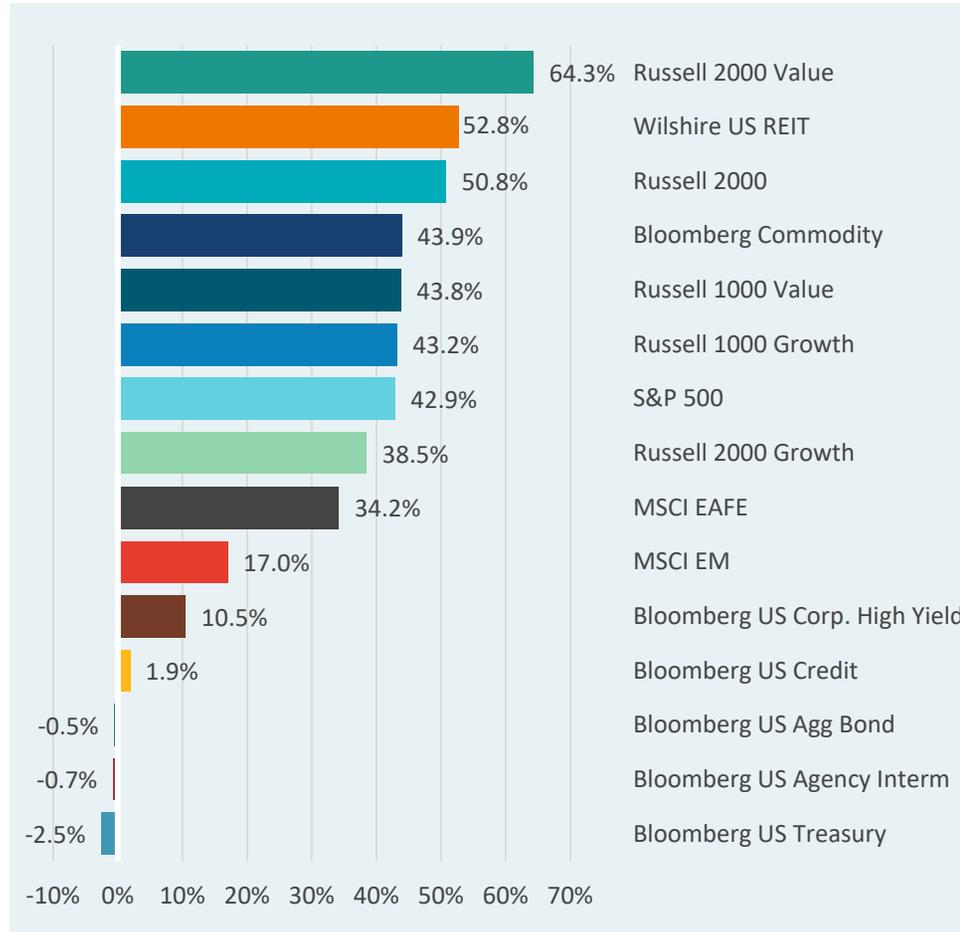
- Fed Chairman Powell, speaking at the 2021 Bank for International Settlements Conference, exhibited a hawkish tone and expressed increased concern over inflation being more persistent than expected. Powell stated, “the risks are clearly now to longer and more-persistent [supply] bottlenecks, and thus to higher inflation.”
- The probability of at least one 25-basis point rate hike by July 2022 increased from 28% to 75% based on the CME FedWatch Tool which extrapolates the market’s fed funds rate expectations from 30-day federal fund futures contracts. The probability that the fed funds rate would increase 50 basis points by the end of 2022 increased from 32% to 75%.
- The Federal Open Market Committee announced it would begin tapering its asset purchases of \$120 billion per month in mid-November. The taper will include \$10 billion in Treasuries and \$5 billion in mortgage-backed securities, per month.

## INTERNATIONAL MARKETS

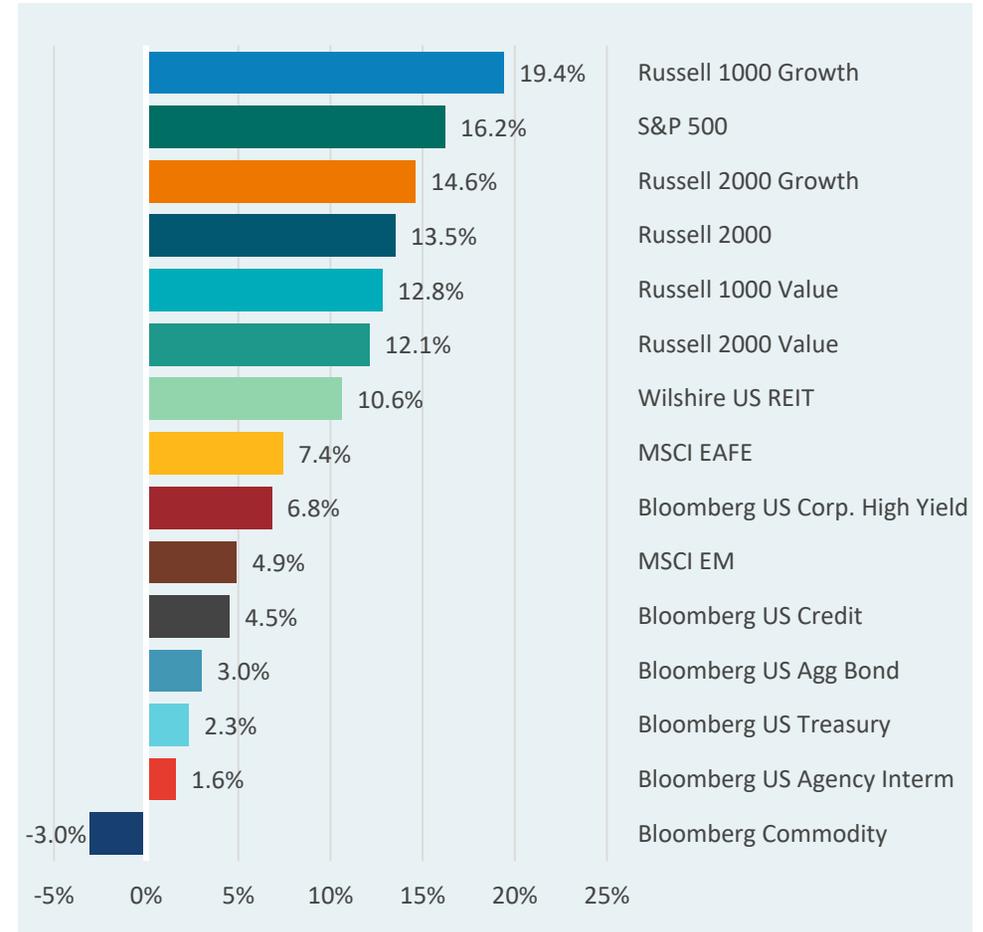
- The MSCI Asia Pacific Index’s 12-month forward EPS estimates have dropped to 12-year lows relative to the MSCI AC World Index. The decreased expectations were led by Australia, South Korea and countries in Southeast Asia such as Malaysia.
- Chinese equities recovered (MSCI China +3.1%) in October but other equity markets in Asia (MSCI EM Asia ex China -0.2%) moved mostly sideways over the month.
- The Japanese Yen fell -2.1% relative to the U.S. Dollar in October and hurt those that invested in Japanese equities without a local currency hedge (MSCI Japan -3.4% unhedged vs MSCI Japan 100% hedged to USD -1.2%).

# Major asset class returns

ONE YEAR ENDING OCTOBER



TEN YEARS ENDING OCTOBER



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

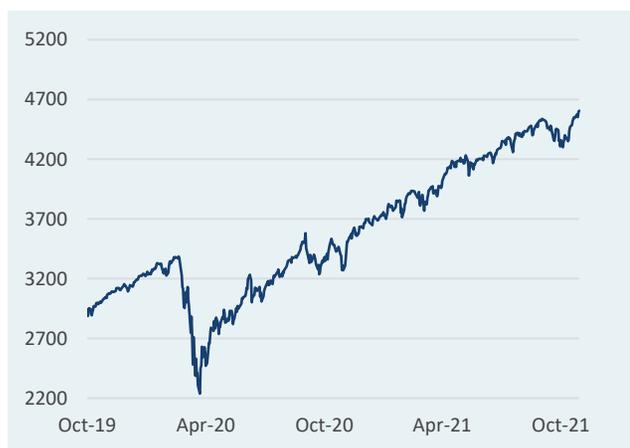
Source: Morningstar, as of 10/31/21

Source: Morningstar, as of 10/31/21

# U.S. large cap equities

- The S&P 500 Index climbed 7.0% in October. The Consumer Discretionary (+10.9%) sector led the gains for the overall index. The gains in Consumer Discretionary were largely driven by a +42.6% advance in Tesla stock that contributed to 63.4% of the sector's total return.
- All 11 S&P 500 GICS sectors had positive returns in October, led by the Consumer Discretionary (+10.9%), Energy (+10.4%) and Information Technology (+8.2%) sectors. The Utilities (+4.7%), Consumer Staples (+3.9%), and Telecommunication (+2.8%) sectors lagged the broader index.
- The Energy sector's (+10.4%) performance was driven by strong earnings from large oil companies which posted \$24.9 billion in Q3 earnings growth. Chevron and Exxon Mobile accounted for \$13 billion of the \$26.9 billion in year-over-year earnings growth. The Energy sector is now up 111.3% over the last year.
- The Cboe VIX Index of implied volatility ended the month at 16.3 and dropped to an intra-month low of 15.0, the lowest level since February 2020. Strong earnings and increased certainty surrounding the coming Fed taper seemed to have reduced volatility expectations over the month.

**S&P 500 PRICE INDEX**



Source: Bloomberg, as of 10/31/21

**IMPLIED VOLATILITY (VIX INDEX)**



Source: Cboe, as of 10/31/21

**S&P 500 VALUATION SNAPSHOT**

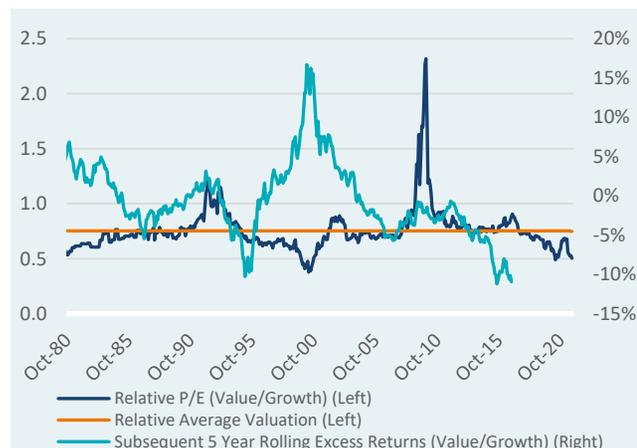


Source: Bloomberg, as of 10/31/21

# Domestic equity size and style

- The Russell 3000 Growth (+8.4%) rebounded in October and outperformed the Russell 3000 Value (+5.0%). Risk assets performed well despite interest rate increases which can apply pressure to steep valuation levels.
- Large cap companies (Russell 1000 +6.9%) outperformed small cap companies (Russell 2000 +4.3%). The rebound in large-cap equities from September expanded the year-to-date relative outperformance of large cap stocks to +6.0% from +2.8% a month prior.
- The S&P 500 High Beta Index measures the performance of the 100 constituents most sensitive to changes in overall S&P 500 returns. The S&P High Beta Index (+7.4%), outperformed the S&P 500 Index (+7.0%).
- Performance within the large-cap space was largely attributable to only six names, which made up 43% of the returns over the month. The concentration in returns limited breadth in the market and the cap-weighted index (S&P 500 +7.0%) outperformed the equal-weighted Index (S&P 500 Equal Weight +5.3%).

**VALUE VS. GROWTH RELATIVE VALUATIONS**



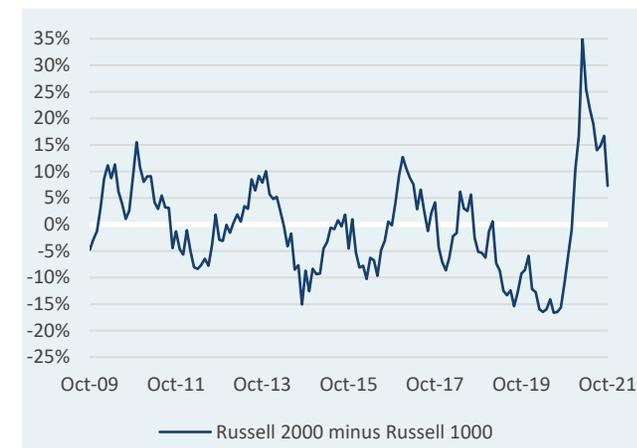
Source: FTSE, Bloomberg, as of 10/31/21

**VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE**



Source: FTSE, Bloomberg, as of 10/31/21

**SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE**



Source: FTSE, Bloomberg, as of 10/31/21

# Fixed income

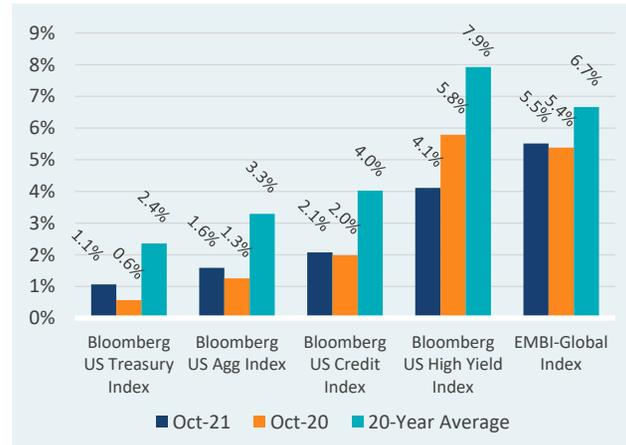
- The Consumer Price Index rose 6.2% year-over-year in October, the fastest pace since 1990 and above the median expectation of 5.9%. Price increases were broad-based and exacerbated by supply chain bottlenecks and the tightness in the labor market.
- Breakeven inflation rates measure the market's expectations for inflation rates over a period. The five-year breakeven inflation rate reached 3.0% intra-month, the highest level since 2004. The 10-year breakeven inflation rate reached 2.7% intra-month, the highest level since 2006.
- The yield curve flattened over the month as markets priced in a 25-basis point rate hike in July 2022 and the short end of the curve shifted higher. The spread between the 30- and 5-year U.S. Treasury yields decreased 35 basis points in October to just 0.75%.
- The 30-year U.S. Treasury yield fell 15 basis points over the month to 2.08%. At the long end of the curve, the 30-year yield ended the month five basis points lower than the 20-year yield, a sign of uncertainty in the market and potential concern the Fed may take more aggressive rate action to combat inflation.

**U.S. TREASURY YIELD CURVE**



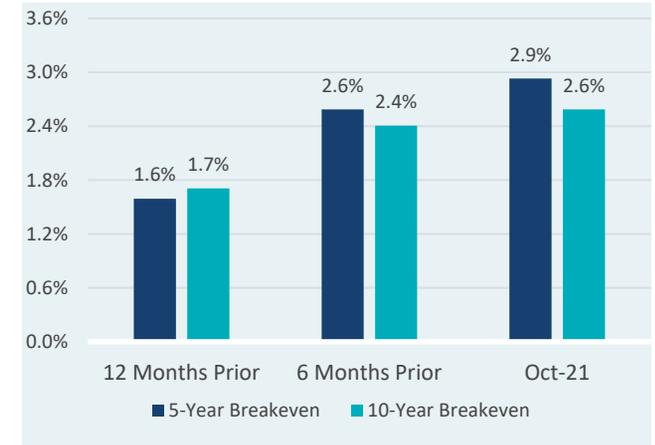
Source: Bloomberg, as of 10/31/21

**NOMINAL YIELDS**



Source: Morningstar, as of 10/31/21

**BREAKEVEN INFLATION RATES**

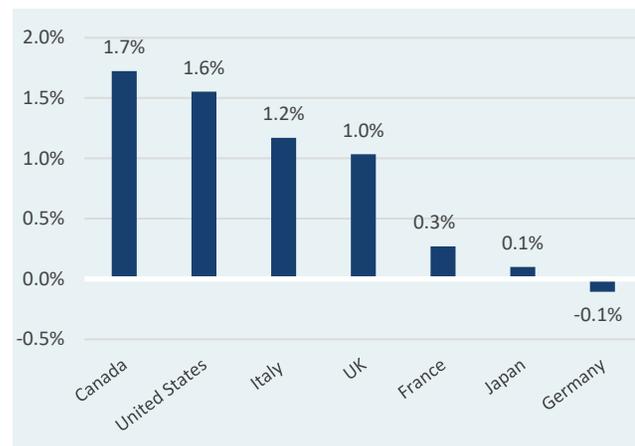


Source: Bloomberg, as of 10/31/21

# Global markets

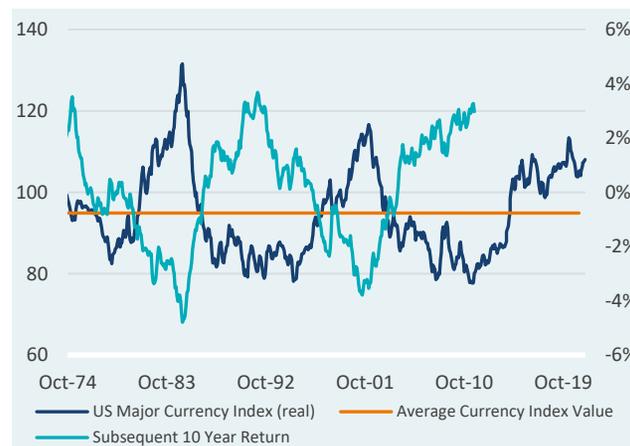
- Global equity performance (MSCI ACWI +5.1%) was driven in part by strong equity returns in U.S. markets (S&P 500 +7.0%). The global equity benchmark was weighed down by developed (MSCI EAFE +2.5%) and emerging market (MSCI EM +1.0%) equities.
- Returns in European markets (MSCI Euro +4.4%) were not able to offset losses in other developed countries such as Japan (MSCI Japan -3.4%) which weighed on developed markets in October. Japan has experienced a lackluster economic reopening and equities declined despite the lifting of its state of emergency at the start of the month.
- Emerging markets (MSCI EM +1.0%) remained a laggard over the month. Weakness in Latin America (MSCI Latin America -5.3%) was a headwind for emerging markets. Brazilian equities (MSCI Brazil -9.1%) dropped to their lowest level in six months. Soaring consumer prices and a widening fiscal deficit has forced Brazilian policy makers to raise rates by 5.75% since March 2021.
- Domestic mid-cap equities (MSCI USA Mid Cap Index +6.4%) recovered more from the September pullback as compared to international equities in the mid-cap space (MSCI ACWI ex US Mid Cap +1.5%).

## GLOBAL SOVEREIGN 10-YEAR YIELDS



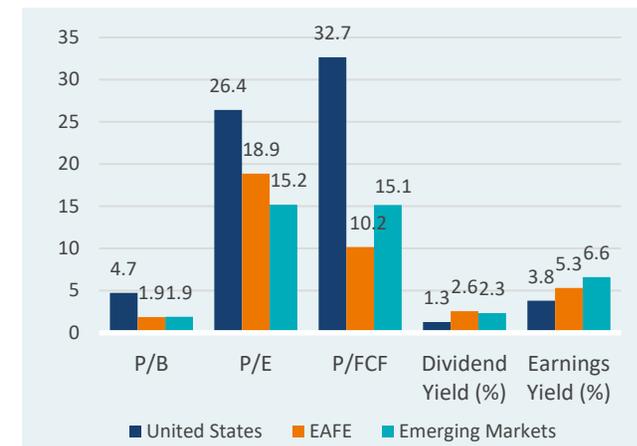
Source: Bloomberg, as of 10/31/21

## U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 10/31/21

## MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 10/31/21

# Commodities

- The Bloomberg Commodity Index saw a positive 2.6% return over the month. Gains in the broad commodity basket were led by Petroleum (+8.7%), Industrial Metals (+4.5%) and Grains (+3.8%).
- The Bloomberg Petroleum Sub-Index (+8.7%) was the top performing sub-index within the broad commodities basket. The domestic demand for crude oil has returned to pre-pandemic levels and has largely outpaced supply. Production of domestic crude oil remains 10% below 2019 average levels of production.

- The Industrial Metals Sub-Index (+4.5%) experienced tailwinds from zinc (+15.8%) a metal used in the process of galvanizing steel. The spike followed announcements that European smelters would cut zinc production amid high energy costs, with the cuts amounting to 11% of global production.
- The Precious Metals Sub-Index (+3.0%) was also able to help the broad commodity basket higher. The price of silver retraced +7.8% back toward recent moving averages reversing the trend of losses seen over the last 4 months totaling -20.9%.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	2.6	2.6	32.5	43.9	8.6	5.2	(3.0)
Bloomberg Agriculture	2.9	2.9	22.7	43.3	12.5	1.8	(2.4)
Bloomberg Energy	2.1	2.1	78.5	83.5	(3.5)	1.7	(9.5)
Bloomberg Grains	3.8	3.8	17.6	37.9	11.8	2.4	(2.5)
Bloomberg Industrial Metals	4.5	4.5	25.4	39.1	14.7	11.2	0.7
Bloomberg Livestock	(1.8)	(1.8)	4.7	8.6	(8.6)	(2.0)	(4.7)
Bloomberg Petroleum	8.7	8.7	73.1	132.6	(0.2)	6.6	(6.0)
Bloomberg Precious Metals	3.0	3.0	(7.3)	(4.6)	13.0	5.4	(1.6)
Bloomberg Softs	1.9	1.9	38.8	56.1	10.4	(2.4)	(5.9)

Source: Morningstar, as of 10/31/21

## COMMODITY PERFORMANCE



Source: Bloomberg, as of 10/31/21

# Appendix

# Periodic table of returns

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	5-Year	10-Year
Commodities	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	32.5	25.5	19.4
Small Cap Value	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	19.2	16.3
Large Cap Growth	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	24.2	17.9	14.6
Large Cap Equity	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	23.2	15.5	13.5
Large Cap Value	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	22.0	12.6	12.8
Small Cap Equity	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.4	14.0	17.2	12.4	12.1
International Equity	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.0	10.3	11.0	9.8	9.0
Real Estate	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	10.9	9.8	7.4
Small Cap Growth	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	7.6	9.4	6.9
Hedge Funds of Funds	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	7.2	6.8	4.9
60/40 Global Portfolio	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	6.0	6.2	4.5
Cash	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	0.0	5.2	3.0
Emerging Markets Equity	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	-0.3	3.1	0.6
US Bonds	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-1.6	1.1	-3.0

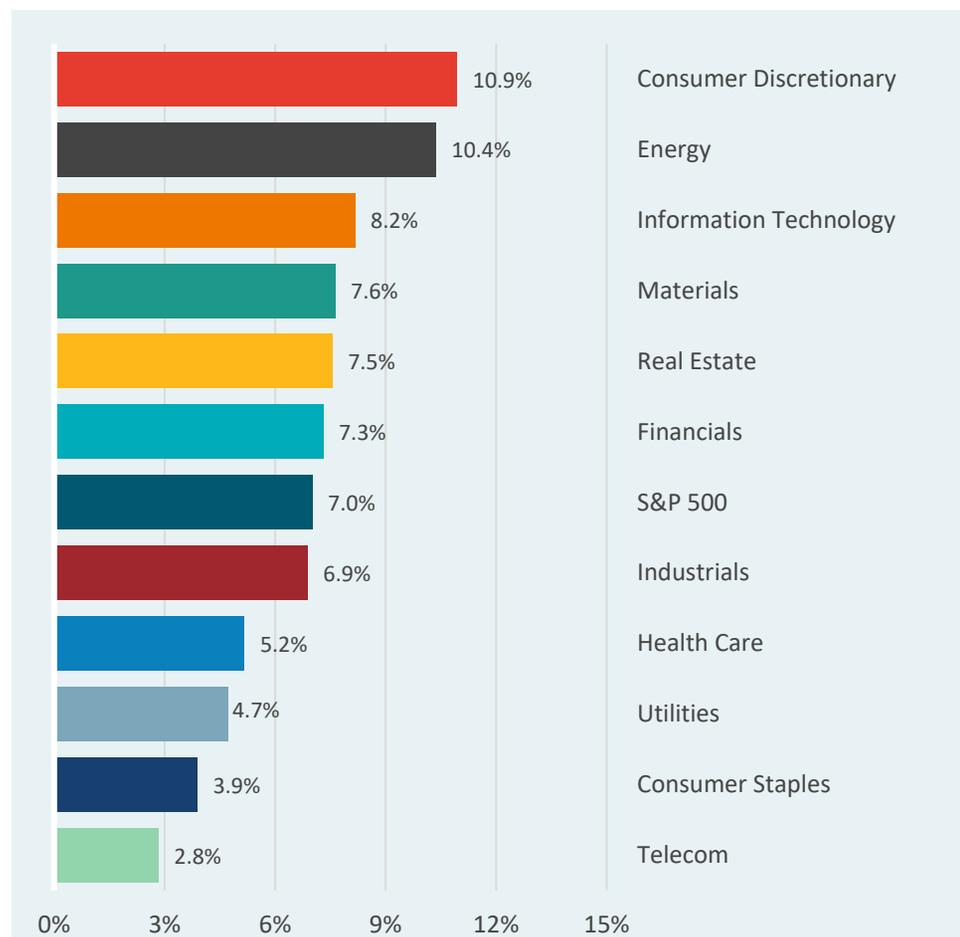
BEST  
↑  
↓  
WORST



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 9/30/21.

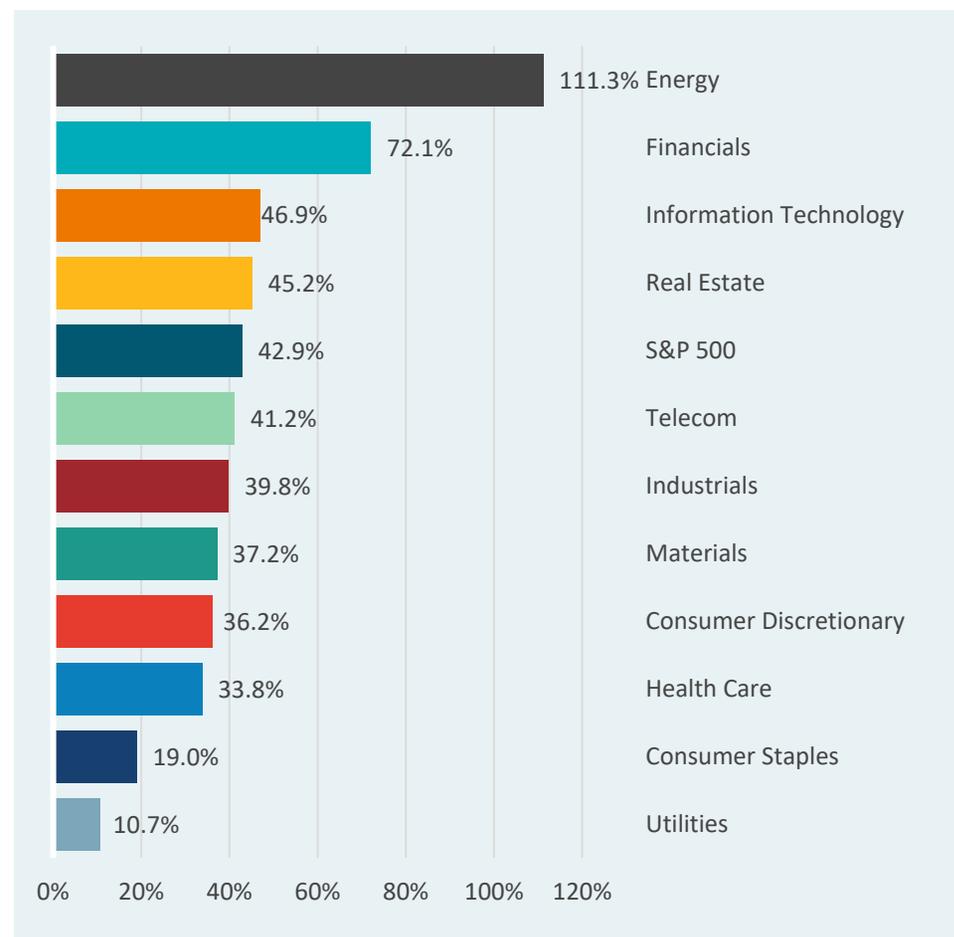
# S&P 500 sector returns

QTD



Source: Morningstar, as of 10/31/21

ONE YEAR ENDING OCTOBER



Source: Morningstar, as of 10/31/21

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	7.0	7.0	24.0	42.9	21.5	18.9	16.2
S&P 500 Equal Weighted	5.3	5.3	25.2	49.3	19.2	16.4	15.2
DJ Industrial Average	5.9	5.9	18.8	37.7	15.1	17.2	14.3
Russell Top 200	7.3	7.3	23.6	42.9	22.8	20.2	16.9
Russell 1000	6.9	6.9	23.2	43.5	22.0	19.2	16.3
Russell 2000	4.3	4.3	17.2	50.8	16.5	15.5	13.5
Russell 3000	6.8	6.8	22.8	43.9	21.6	18.9	16.1
Russell Mid Cap	5.9	5.9	22.0	45.4	19.9	16.5	14.8
<b>Style Index</b>							
Russell 1000 Growth	8.7	8.7	24.2	43.2	29.4	25.5	19.4
Russell 1000 Value	5.1	5.1	22.0	43.8	13.9	12.4	12.8
Russell 2000 Growth	4.7	4.7	7.6	38.5	18.6	17.9	14.6
Russell 2000 Value	3.8	3.8	27.6	64.3	13.4	12.6	12.1

## INTERNATIONAL EQUITY

<b>Broad Index</b>							
MSCI ACWI	5.1	5.1	16.8	37.3	17.5	14.7	11.3
MSCI ACWI ex US	2.4	2.4	8.4	29.7	12.0	9.8	6.7
MSCI EAFE	2.5	2.5	11.0	34.2	11.5	9.8	7.4
MSCI EM	1.0	1.0	(0.3)	17.0	12.3	9.4	4.9
MSCI EAFE Small Cap	1.6	1.6	11.7	35.8	13.4	11.4	10.1
<b>Style Index</b>							
MSCI EAFE Growth	3.3	3.3	10.4	30.0	16.8	13.1	9.4
MSCI EAFE Value	1.6	1.6	11.4	38.3	6.0	6.2	5.2
<b>Regional Index</b>							
MSCI UK	4.0	4.0	16.7	43.7	6.2	6.8	4.6
MSCI Japan	(3.4)	(3.4)	2.3	19.9	9.5	8.3	8.0
MSCI Euro	4.4	4.4	15.4	44.8	12.7	10.5	7.4
MSCI EM Asia	1.3	1.3	(2.9)	11.7	14.8	11.3	7.4
MSCI EM Latin American	(5.3)	(5.3)	(10.6)	21.9	(4.2)	(1.2)	(3.2)

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
Bloomberg US TIPS	1.1	1.1	4.7	7.1	8.4	4.7	3.1
Bloomberg US Treasury Bills	(0.0)	(0.0)	0.0	0.1	1.2	1.2	0.7
Bloomberg US Agg Bond	(0.0)	(0.0)	(1.6)	(0.5)	5.6	3.1	3.0
Bloomberg US Universal	(0.1)	(0.1)	(1.2)	0.5	5.8	3.4	3.4
<b>Duration</b>							
Bloomberg US Treasury 1-3 Yr	(0.3)	(0.3)	(0.4)	(0.3)	2.5	1.6	1.1
Bloomberg US Treasury Long	1.9	1.9	(5.8)	(5.8)	11.0	4.6	5.0
Bloomberg US Treasury	(0.1)	(0.1)	(2.6)	(2.5)	5.0	2.4	2.3
<b>Issuer</b>							
Bloomberg US MBS	(0.2)	(0.2)	(0.9)	(0.6)	4.0	2.2	2.4
Bloomberg US Corp. High Yield	(0.2)	(0.2)	4.4	10.5	7.4	6.4	6.8
Bloomberg US Agency Interm	(0.5)	(0.5)	(1.0)	(0.7)	3.0	1.9	1.6
Bloomberg US Credit	0.2	0.2	(1.1)	1.9	7.7	4.6	4.5

## OTHER

<b>Index</b>							
Bloomberg Commodity	2.6	2.6	32.5	43.9	8.6	5.2	(3.0)
Wilshire US REIT	8.0	8.0	34.7	52.8	14.4	9.9	10.6
CS Leveraged Loans	0.2	0.2	4.9	8.5	4.2	4.5	4.8
Alerian MLP	5.0	5.0	46.3	85.7	(0.9)	(1.7)	0.8
<b>Regional Index</b>							
JPM EMBI Global Div	0.0	0.0	(1.3)	4.4	6.4	4.2	5.4
JPM GBI-EM Global Div	(1.3)	(1.3)	(7.6)	0.8	3.9	2.0	0.4
<b>Hedge Funds</b>							
HFRI Composite	1.6	1.6	11.4	23.4	10.2	7.7	5.7
HFRI FOF Composite	1.4	1.4	7.2	15.6	8.1	6.2	4.5
<b>Currency (Spot)</b>							
Euro	(0.1)	(0.1)	(5.4)	(0.7)	0.7	1.1	(1.8)
Pound Sterling	1.7	1.7	0.3	6.0	2.4	2.3	(1.6)
Yen	(2.1)	(2.1)	(9.5)	(8.3)	(0.3)	(1.6)	(3.7)

Source: Morningstar, HFRI, as of 10/31/21

# 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	61.1	22.6	18.7	13.1
Global Private Equity Direct Funds *	61.3	25.9	22.3	15.6
U.S. Private Equity Direct Funds *	66.0	28.0	23.3	17.2
Europe Private Equity Direct Funds *	61.5	24.9	23.3	12.9
Asia Private Equity Direct Funds *	45.4	20.8	19.0	14.9

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
MSCI World	39.0	15.0	14.8	10.7
S&P 500	40.8	18.7	17.6	14.8
MSCI Europe	35.1	8.7	10.3	5.6
MSCI AC Asia Pacific	34.3	10.3	12.6	7.0

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	19.5	8.4	9.4	11.9

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
FTSE NAREIT Equity REIT	38.0	10.1	6.3	9.4

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	34.1	12.1	12.6	11.1

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P / LSTA U.S. Leveraged Loan 100 Index	9.4	4.3	4.7	4.1

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	26.6	(3.0)	2.5	1.4
Global Infrastructure	16.8	10.3	11.2	9.8

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P Global Natural Resources	49.3	6.1	11.4	2.3
S&P Global Infrastructure	23.2	5.6	6.2	6.2

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

\* Includes Buyout, Growth Equity and Venture Capital.

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

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

# Notices & disclosures

**Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended. Additional information about Verus Advisory, Inc. available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Verus – also known as Verus Advisory™.

# Board of Trustees

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



Date: December 20, 2021

To: Board of Trustees

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

## **Agenda Item 9: Monthly Investment Report for November 2021**

	November	Year to Date 2021	2020	2019	2018	2017	2016
Total Trust Investments (\$ millions)	\$1,737		\$1,552 year end	\$1,446 year end	\$1,285 year end	\$1,351 year end	\$1,196 year end
<b>Total Fund Return</b>	-0.8% Gross	<b>12.2%</b> Gross	8.9 % Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross
Policy Index Return (r)	-1.0%	9.9%	10.0 %	16.4 %	-3.2 %	13.4 %	7.7 %

- (r) Policy index as of Sept. 2020 Strategic Asset Allocation Policy with 2021 Interim targets:
- Public Mkt Equity- 20% Russell 3000, 20% MSCI ACWI ex-US
  - Public Mkt Debt- 11% Barclays US Aggregate,
  - Risk Diversifying 10% Barclays US Aggregate, 3% Barclays 7-10yr Treasury, 2% Barclays 5-10yr US TIPS
  - Real Estate & Infrastructure- 12% NCREIF Index, 3% Private RE/Infrastructure actual returns
  - Private Equity- 8% actual private equity returns
  - Private Credit- 7% actual private credit returns
  - Liquidity- 2% 90 day T-Bills, 2% Barclays 1-3yr Gov/Credit
- Pending annual updates to interim targets.

### **SLOOPT Investment Returns:**

The attached report from Verus covers the preliminary investment returns of the SLOOPT portfolio and general market conditions through the end of November. The attached market commentary from Verus details market conditions in November, but subsequent activity in December is not yet factored into these numbers. As of December 17th, December has been a positive month for returns thus far.

## The Economy and Capital Markets:

- **The Economy**
  - **Inflation** – Inflation increases rooted in post-pandemic consumer purchases, supply-chain limits, and surging oil prices continue to dominate economic news. The November report on CPI inflation worsened yet again to a 6.8% year-over-year change. Energy, food, rent, and automotive costs again led the increase. Many economists expect the inflation rate to moderate as the post-pandemic surge matures. However, the view that the inflation rate increases are purely transitory is fading and some level of higher inflation is becoming embedded in analysts' expectations. Of more concern is the growing expectation in consumers that inflation is a problem that will grow and cause real harm as their real rate of income growth goes negative. This view can trend towards a self-fulfilling prophecy that has large public policy, monetary policy and political impacts.
  
- **Economic Policy**
  - **Monetary Policy** –
    - At its December 15th meeting the Fed announced that they would cut back on the asset purchase monetary stimulus twice as fast as previously expected. The policy statement issued by the Fed forecast the end of the bond-buying program by March. Ending the asset purchase stimulus program earlier positions the Fed to employ its more traditional tool of raising short term interest rates to restrain inflation.
    - The survey of Fed Governors in December indicated an increased probability of short-term rates being raised three times in 2022 from their near-zero current level to as high as 2.1% by the end of 2023.
    - The Fed's increased hawkishness is based on inflation running well above the Fed target of 2.0%. It also reflects a shift in stance at the Fed that a strengthening labor market and elevated inflation pressures – possibly more than just transitory - warrant a tightening of monetary policy.
    - Capital markets reacted positively to the Fed announcements. The S&P 500 began December 15<sup>th</sup> at a small loss and surged after the Fed announcements to end the day 1.7% higher. Normally, increasing interest rates are an anathema to the stock market. However, the Fed taking firm steps to restrain inflation are a positive for the stock and bond markets outweighing, for now, the added cost of borrowing.
  
- **Employment and Wages** –
  - **New Jobs** - The November jobs report from the BLS on nonfarm employment showed had a gain of 210k new jobs – below analysts' expectations. However, the BLS made upward revisions totaling +82k to its initial estimates of new jobs for September and October. Part of the story on new jobs in November is based on a tight labor market where it is more difficult to hire staff. To be counted as a new job in the BLS jobs report a position has to be filled – not just created and vacant.

- **Unemployment** - The unemployment rate in November dropped sharply from 4.6% to 4.2%. The healthy drop in the unemployment rate reflects the tight labor market and a quick recovery from 2020. In December 2020 the unemployment rate was 6.7%. This same amount of improvement from 6.2% unemployment to 4.2% in November took 3.5 years in the 2014 to 2017 recovery.
- **Labor Force Participation Rate** - The labor force participation rate remains low at 61.8% down from its recent era peak of 63.3% in February 2020.
  - Neil Irwin of the NY Times in a December 3<sup>rd</sup> article commented –
 

“A tight job market — one in which workers are scarce and employers have to compete to attract workers — is generally the goal of economic policy. Compensation tends to rise, and workers are confident in their ability to find a new job. The new numbers are just the latest evidence that this is the world American workers are living in right now. (Among the other evidence: The rate of people voluntarily quitting their jobs is at record levels.)

That’s not to say everything is perfect. The share of adults in the labor force remains significantly below pre-pandemic levels — 61.8 percent in November, compared with 63.3 percent in February 2020. That reflects in part the decisions of people to retire early. And it remains unclear how many of those people might return to work as the economy and public health conditions improve.”
  - **Population Trends in Labor Availability** - The labor force participation rate must be looked at with the caveat that it reflects the continued retirement of baby boomers. A significant factor to labor and the economic outlook is that the U.S. population aged 16-64 has fallen by 465k since early 2020. This prime-working-years population is likely to fall further in 2022 due to the aging of the baby boom cohort and very limited immigration.

## Investment Markets –

- **2022 Outlook** – JP Morgan Asset Management’s chief global strategist, Dr. David Kelly, in the firm’s 2022 Outlook report summarizes their views as -
  - “As pandemic effects fade, U.S. economic growth should reaccelerate into early 2022 and then slow for the rest of the year as the economy heads towards full employment. Inflation should ease but remain above its pre-pandemic pace.
  - 2022 should see a second year of above-trend global nominal growth, but with more synchronous momentum across regions. This should cause some depreciation of the U.S. dollar, albeit with some fits and starts, due to differences in the timing of monetary policy normalization.
  - Central banks are moving to normalize policy due to persistent above-trend inflation and a stronger, more synchronized rebound in global growth.
  - Profit growth looks set to drive returns as rising earnings tame current above-average valuations.

- 2022 should be a strong year for international equity market performance across regions, driven by gains in earnings expectations and reasonable valuations. These markets provide investors an attractive combination of both cyclical and growth.
- International commitments and domestic legislation should maintain momentum in sustainable investing alternatives.
- Low rates and muted expected returns from traditional financial assets have led alternatives to transition from optional to essential.
- Given the nature of the global recovery and shifting pockets of opportunity, sector and security selection across asset classes will be of paramount importance.”

Respectfully Submitted,

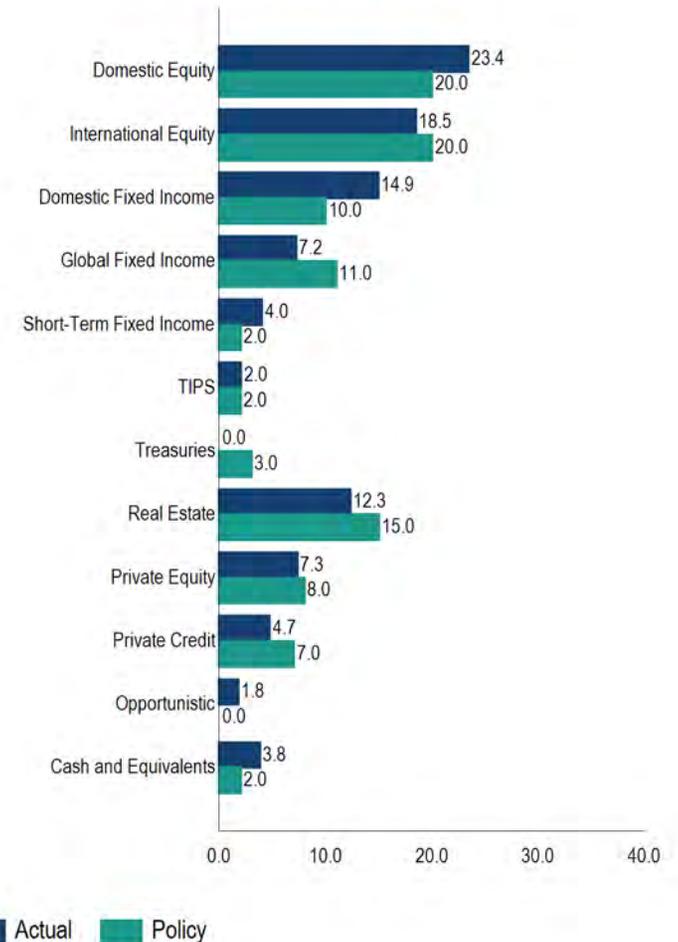
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: November 30, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Fund</b>	<b>1,737,087,368</b>	<b>100.0</b>	<b>-0.8</b>	<b>12.2</b>
Interim Policy Index			-1.0	9.9
FFP SAA Index			0.2	17.9
<b>Total Growth</b>	<b>1,150,795,930</b>	<b>66.2</b>	<b>-1.0</b>	<b>18.9</b>
Custom Growth Benchmark			-1.3	12.8
<b>Total Public Equity</b>	<b>727,685,717</b>	<b>41.9</b>	<b>-3.1</b>	<b>14.5</b>
Russell 3000			-1.5	20.9
<b>Total Domestic Equity</b>	<b>406,730,117</b>	<b>23.4</b>	<b>-1.7</b>	<b>18.6</b>
Russell 3000			-1.5	20.9
PIMCO RAE US	108,116,906	6.2	-0.3	20.5
S&P 500			-0.7	23.2
Loomis Sayles Large Cap Growth	111,208,303	6.4	-1.5	16.5
Russell 1000 Growth			0.6	25.0
Boston Partners Large Cap Value	105,457,510	6.1	-2.2	22.5
Russell 1000 Value			-3.5	17.7
Atlanta Capital Mgmt	81,947,398	4.7	-3.4	14.9
Russell 2500			-4.2	14.4
<b>Total International Equity</b>	<b>320,955,600</b>	<b>18.5</b>	<b>-4.8</b>	<b>10.2</b>
MSCI ACWI ex USA Gross			-4.5	4.0
Dodge & Cox Intl Stock	154,212,871	8.9	-6.4	6.2
MSCI ACWI ex USA Value Gross			-5.4	5.5
WCM International Growth	166,742,729	9.6	-3.2	14.2
MSCI ACWI ex USA Growth Gross			-3.6	2.3
<b>Total Private Equity</b>	<b>127,466,286</b>	<b>7.3</b>		
Harbourvest Partners IX Buyout Fund L.P.	17,424,676	1.0		
Pathway Private Equity Fund Investors 9 L.P.	86,173,743	5.0		
Harbourvest 2018 Global Fund L.P.	16,840,945	1.0		
Pathway Private Equity Fund Investors 10 L.P.	7,026,922	0.4		
<b>Total Private Credit</b>	<b>82,143,518</b>	<b>4.7</b>		
Sixth Street Partners DCP	82,143,518	4.7		

Actual vs Interim Target Allocation (%)



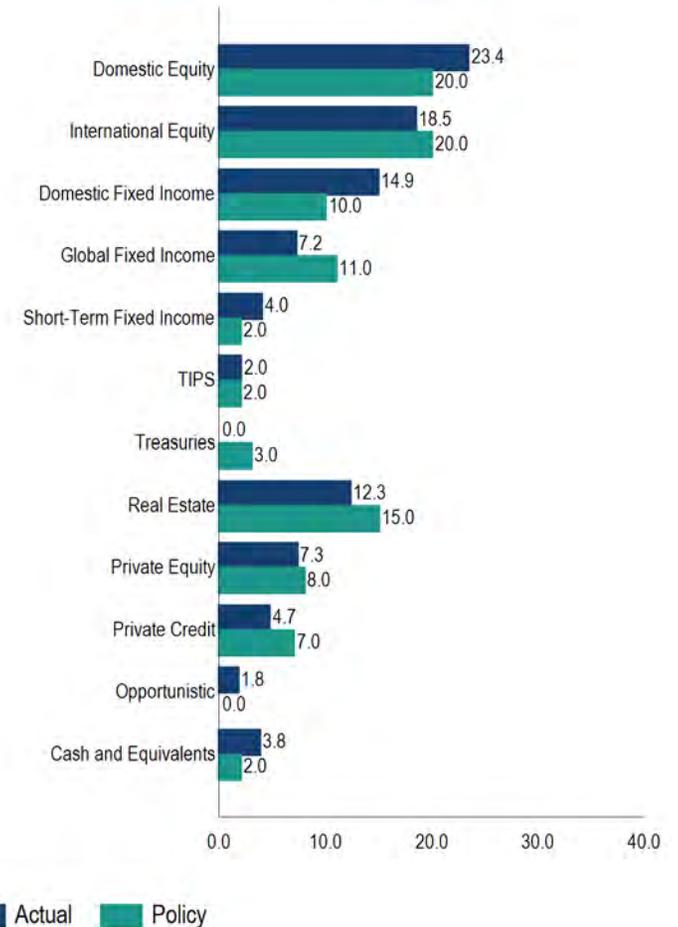
New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BbgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BbgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BbgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

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

Period Ending: November 30, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Real Estate</b>	<b>213,500,409</b>	<b>12.3</b>	<b>3.0</b>	<b>16.2</b>
NCREIF Property Index			0.0	10.9
JP Morgan Core Real Estate	162,573,520	9.4	4.0	16.9
NCREIF-ODCE			0.0	13.1
NCREIF Property Index			0.0	10.9
ARA American Strategic Value Realty	50,926,889	2.9	0.0	14.0
NCREIF-ODCE			0.0	13.1
NCREIF Property Index			0.0	10.9
<b>Total Risk Diversifying</b>	<b>460,312,324</b>	<b>26.5</b>	<b>-0.5</b>	<b>-1.9</b>
Custom Risk Diversifying Benchmark			0.3	-2.8
<b>Total Domestic Fixed Income</b>	<b>334,873,518</b>	<b>19.3</b>	<b>0.2</b>	<b>0.7</b>
Bloomberg US Aggregate TR			0.3	-1.3
BlackRock Core Bond	88,192,930	5.1	0.4	-1.5
Bloomberg US Aggregate TR			0.3	-1.3
Dodge & Cox Income Fund	93,086,208	5.4	-0.2	-0.7
Bloomberg US Aggregate TR			0.3	-1.3
Pacific Asset Corporate Loan	78,394,808	4.5	-0.1	4.9
S&P/LSTA Leveraged Loan Index			-0.2	4.5
SSGA U.S. Govt Bond Index	39,899,905	2.3	0.7	--
Bloomberg US Govt/Credit 1-3 Yr. TR			-0.1	--
BlackRock TIPS	35,299,667	2.0	0.9	--
Bloomberg US TIPS TR			0.9	--
<b>Total Global Fixed</b>	<b>125,438,807</b>	<b>7.2</b>	<b>-2.1</b>	<b>-7.9</b>
FTSE World Govt Bond Index			-0.1	-6.4
Brandywine Global Fixed Income	58,702,338	3.4	-0.9	-4.9
FTSE WGBI ex US TR			-0.6	-9.1
Ashmore EM Blended Debt Fund	66,736,469	3.8	-3.2	-10.4
50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELM1+			-2.3	-5.2

Actual vs Interim Target Allocation (%)



New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BbgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BbgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BbgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

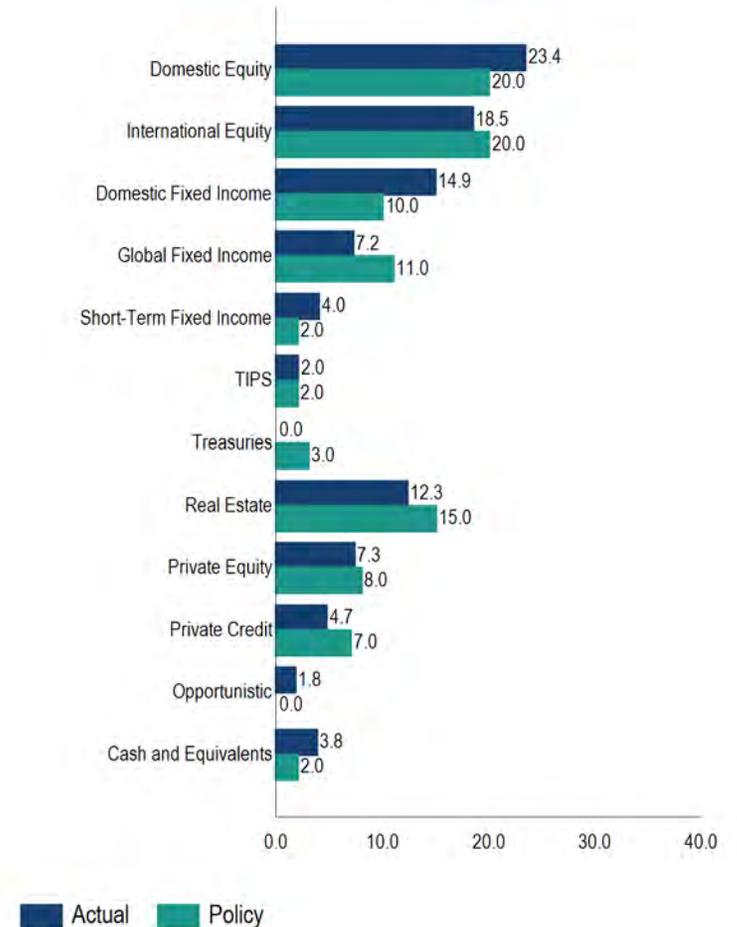
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: November 30, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Liquidity</b>	<b>95,577,993</b>	<b>5.5</b>	<b>-0.1</b>	<b>0.2</b>
91 Day T-Bills			0.0	0.0
<b>Total Cash</b>	<b>95,577,993</b>	<b>5.5</b>	<b>-0.1</b>	<b>0.2</b>
91 Day T-Bills			0.0	0.0
PIMCO Short Duration Fund	29,768,338	1.7	-0.2	--
Bloomberg US Govt/Credit 1-3 Yr. TR			-0.1	--
Cash Account	61,683,352	3.6	0.0	0.8
91 Day T-Bills			0.0	0.0
Investment Cash	4,126,304	0.2	0.0	--
91 Day T-Bills			0.0	--
<b>Total Opportunistic</b>	<b>30,401,120</b>	<b>1.8</b>		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	5,206,085	0.3		
Sixth Street Partners TAO	25,195,035	1.5		

Actual vs Interim Target Allocation (%)



New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BbgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BbgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BbgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

This page left blank intentionally.



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

NOVEMBER 2021  
Capital Markets Update

# Market commentary

## U.S. ECONOMICS

- Headline unemployment dropped to 4.2% from 4.6% in October. The labor force participation rate ticked up to 61.8%, as 594,000 people joined the labor force, but is still 1.5% below the February 2020 level.
- Non-farm payrolls increased by only 210,000 – far short of analyst expectations for 550,000 new jobs. Leisure and hospitality job growth slowed, with the sector adding just 23,000 jobs compared with 170,000 in the prior month.
- Average hourly earnings rose 4.8% year over year, coming in below the expected 5.0% print. Wages grew more rapidly in sectors that have seen the most disruption from the pandemic, with leisure and hospitality wages up 13.7% year over year.

## U.S. EQUITIES

- The S&P 500 Index began the month with six-straight record-high closes but closed November down -0.7% as the emergence of the Omicron variant led to trepidation among investors.
- The Omicron variant, which was labeled as a ‘variant of concern’ by the WHO on November 26th, helped drive a risk-off sentiment across markets. Omicron was initially seen as potentially more dangerous and infectious than the Delta variant, but as initial studies have been conducted it seems likely that vaccines will be effective against the variant and Omicron may also cause less severe illness.
- Q3 saw a record \$232 billion in share repurchases, exceeding the previous record set in the wake of the Tax Cuts and Jobs Act. The Biden administration has proposed a 1% excise tax on all share buybacks as a funding mechanism for the Build Back Better Act intended to dissuade public companies from repurchasing shares.

## U.S. FIXED INCOME

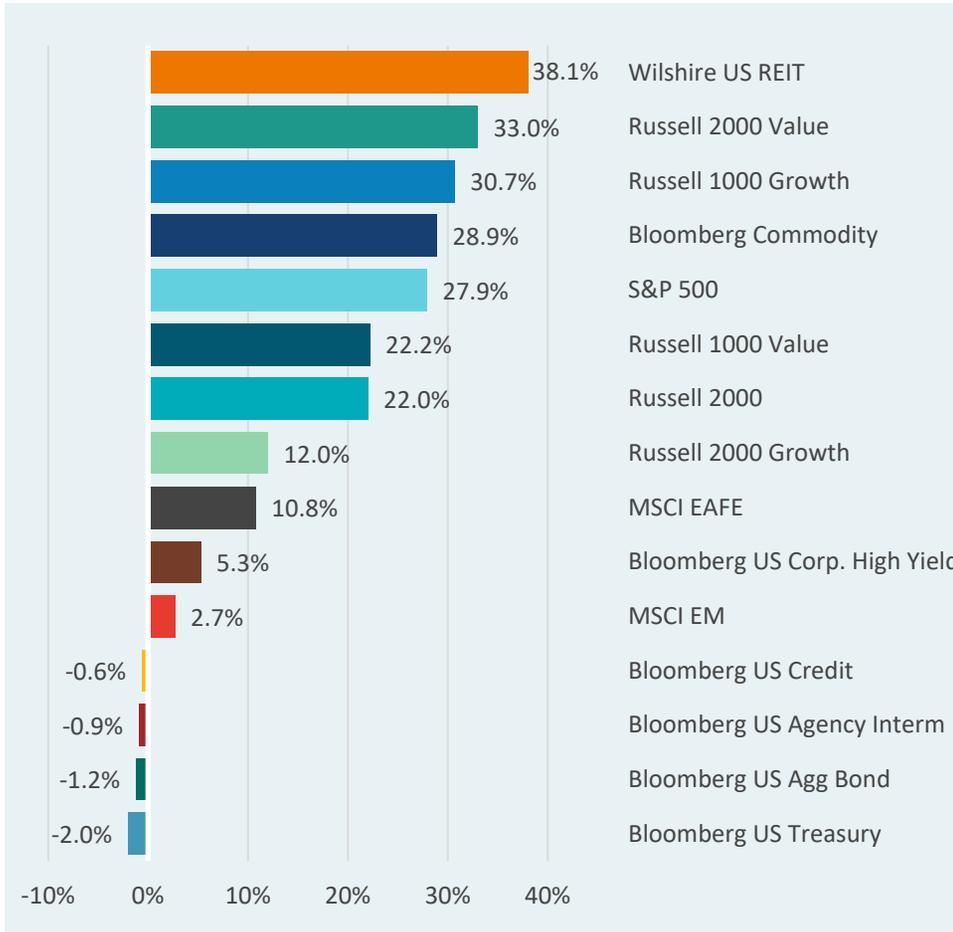
- Testifying before Congress, Fed Chairman Jerome Powell made a hawkish pivot and said that it was time to retire the word “transitory” to describe the inflation outlook. Powell additionally indicated that the asset purchase program may need to be accelerated to clear the way for earlier rate hikes to combat more persistent inflationary pressures.
- The Federal Reserve began tapering its asset purchase program, reducing purchases of Treasuries and mortgage-backed securities by \$10 and \$5 billion, respectively. At this pace, the taper would be completed by June 2022 though analysts expect the pace of the taper to potentially accelerate and conclude in March 2022.
- U.S. Treasuries rallied to end the month as investors took a more defensive stance following the emergence of the Omicron variant. The 10-year Treasury yield fell 11 basis points and ended at 1.44%.

## INTERNATIONAL MARKETS

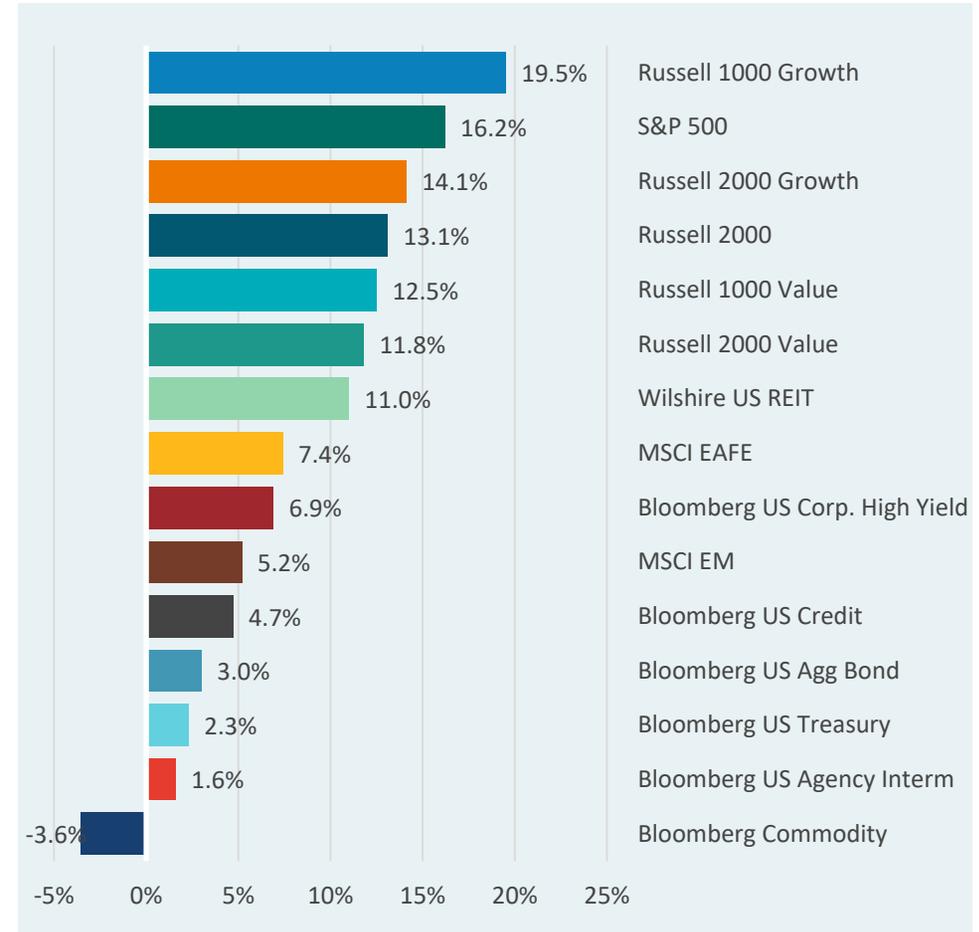
- The risk-sensitive Australian Dollar depreciated 5.2% against the U.S. Dollar over the month. The dovish stance of Australia’s central bank and sharp Omicron-linked declines in commodity prices associated with the Australian Dollar hurt the currency.
- Emerging market currencies (JPM EMCI -4.4%) weakened against the U.S. Dollar in November as less stable emerging market currencies such as the Turkish Lira (-28.7%) sold off. The Central Bank of Turkey cut its benchmark interest rate by 1.0% despite inflation running more than four times higher than its 5% target.
- Chinese equities slid over the month (MSCI China -5.8%) and were a weak spot for emerging markets in Asia (MSCI EM Asia ex Japan -3.9%).

# Major asset class returns

ONE YEAR ENDING NOVEMBER



TEN YEARS ENDING NOVEMBER



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

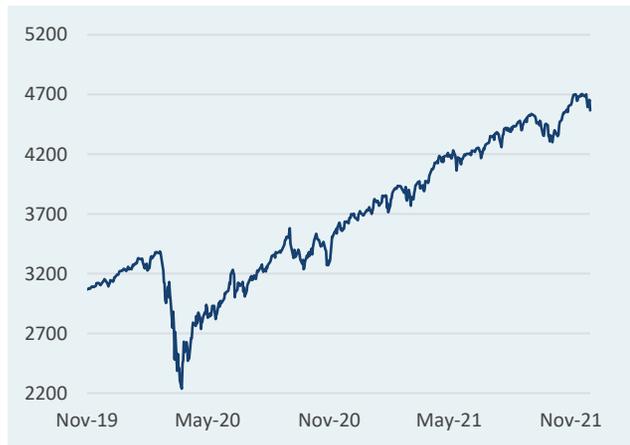
Source: Morningstar, as of 11/30/21

Source: Morningstar, as of 11/30/21

# U.S. large cap equities

- The S&P 500 Index saw a volatile month in November and ended down -0.7%. The Information Technology sector (+4.4%) buoyed the overall index, primarily due to Apple (+10.5%) and Nvidia (+27.8%) which offset the 15 largest detractors within the overall index.
- Of the 11 S&P 500 GICS sectors only two posted positive returns, the Information Technology (+4.4%) and Consumer Discretionary (+2.0%) sectors helped the overall index and were the top performers. The Financials (-5.7%), Communications Services (-5.2%), and Energy (-5.1%) sectors posted the worst performance over the month.
- As the yield curve flattened in November the Financials sector (-5.7%) sold off. Banks and other financial institutions are more profitable when the difference between short- and long-term rates increases because they can borrow at the short end and lend at the longer end of the curve.
- The Cboe VIX Index of implied volatility ended the month at 27.2 and reached an intra-month high of 28.6, the highest level in nine months. News of the Omicron variant and increased concerns over persistent inflation stirred volatility in the markets.

**S&P 500 PRICE INDEX**



Source: Bloomberg, as of 11/30/21

**IMPLIED VOLATILITY (VIX INDEX)**



Source: Cboe, as of 11/30/21

**S&P 500 VALUATION SNAPSHOT**

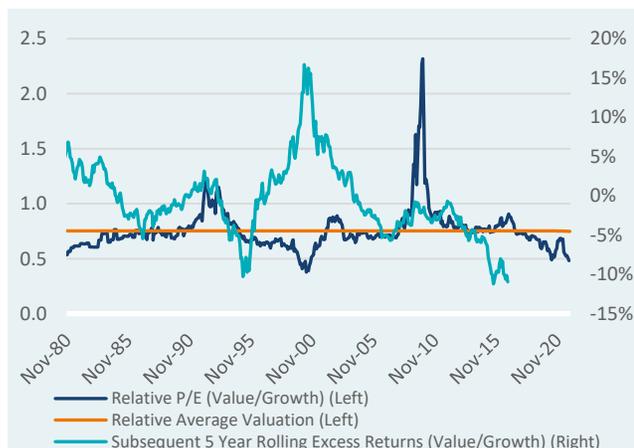


Source: Bloomberg, as of 11/30/21

# Domestic equity size and style

- The growth factor (Russell 3000 Growth +0.3%) strongly outperformed the value factor (Russell 3000 Value -3.5%). Value-leaning cyclical stocks in the Industrials (-4.4%), Financials (-5.0%), and Energy (-5.3%) sectors sold off.
- As shorter-maturity Treasury yields rose and longer-maturity yields fell, companies expecting earnings over a shorter time period outperformed those companies expecting earnings further out in the future. For example, Information Technology companies benefitted from declines in longer-term interest rates that reduced the discount rate on future earnings.
- Small cap equities (Russell 2000 -4.2%) fared worse than large cap equities (Russell 1000 -1.3%). A 29.5% Information Technology sector (+4.3%) weight in the Russell 1000, compared with a weight of just 14.5% in the more value-leaning Russell 2000, helped support the overall large cap index.
- Small cap equities ended the month -10.0% below their all time high and entered correction territory during the month, while large cap equities ended just -3.5% below their all time high. Small cap stocks are generally more vulnerable to negative economic environments.

**VALUE VS. GROWTH RELATIVE VALUATIONS**



Source: FTSE, Bloomberg, as of 11/30/21

**VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE**



Source: FTSE, Bloomberg, as of 11/30/21

**SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE**

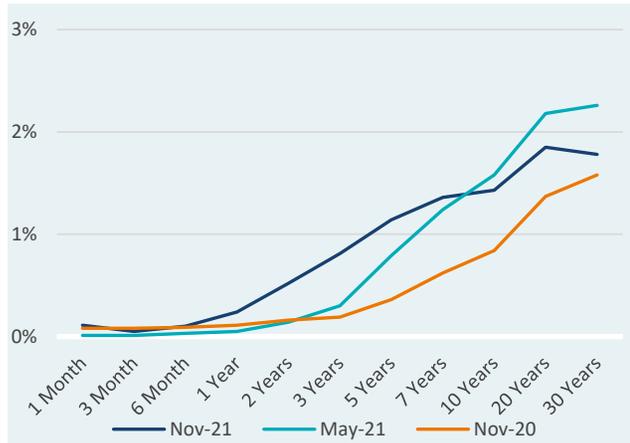


Source: FTSE, Bloomberg, as of 11/30/21

# Fixed income

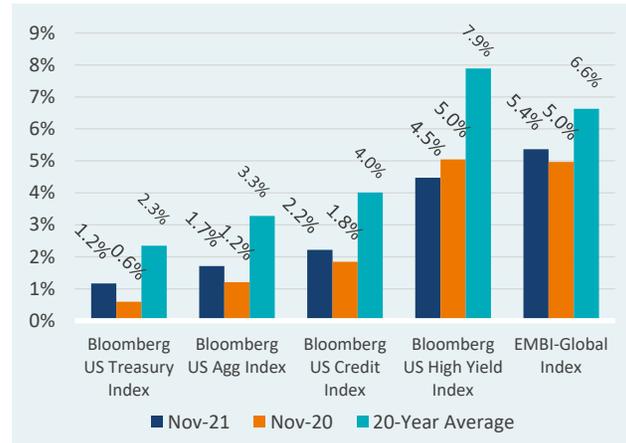
- The Consumer Price Index climbed 6.8% year-over-year, meeting the median economist expectation. The print represents the largest year-over-year increase since 1982. While energy (+33.3%) and used vehicles (+31.4%) have seen sharp increases over the year, food (+6.1%) and services (+3.4%) prices are also rising well above the Fed’s 2.0% average inflation target.
- The yield curve continued to flatten as the spread between 10 and 2-year Treasuries fell 16 basis points. Over the last six months, the 30-year yield has dropped by 48 basis points while the three-year yield has increased by 51 basis points.
- High yield spreads increased by 52 basis points in November, ending the month at 3.67%. The selloff in high yield bonds (ICE BofA U.S. High Yield -1.0%) came alongside increasing likelihood of an accelerated taper and expectations for earlier rate action by the Fed. The effective yield on the index ended the month at 4.8%, the highest level since November 2020.
- The Ice BofA MOVE Index which can be used to measure the implied volatility of Treasury options rose 11.3% over the month. The index rises in line with market concerns that interest rates will also rise.

**U.S. TREASURY YIELD CURVE**



Source: Bloomberg, as of 11/30/21

**NOMINAL YIELDS**



Source: Morningstar, as of 11/30/21

**BREAKEVEN INFLATION RATES**

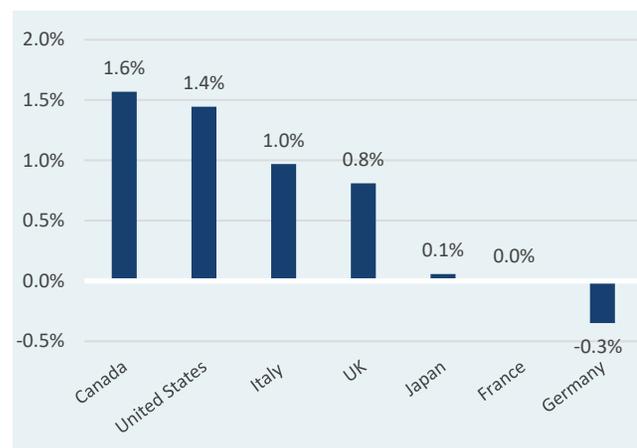


Source: Bloomberg, as of 11/30/21

# Global markets

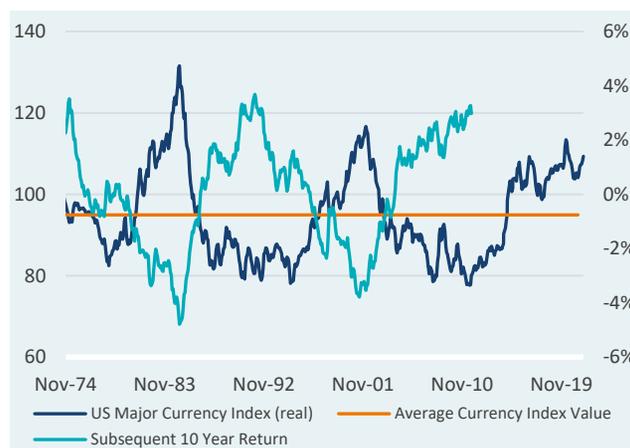
- Global equities (MSCI ACWI -2.4%) were buoyed by U.S. markets (S&P 500 -0.7%) but faced headwinds from emerging (MSCI EM -4.1%) and developed (MSCI EAFE -4.7%) equities.
- International developed markets (MSCI EAFE -4.7%) were one of the worst performing regions among global market indices. Japanese equities (MSCI Japan -2.5%) sold off less than other developed nations but were not able to offset losses in the Euro area (MSCI Euro -6.4%) and the United Kingdom (MSCI UK -5.4%). Europe was already seeing a worsening of the pandemic before the variant was identified.
- In a decision which surprised analysts, the Bank of England held its main rate at 0.1% during their November meeting. UK Gilts rallied across maturities, with the 10-year Gilt yield falling 22 basis points and the 30-year Gilt yield falling 26 basis points.
- The JPM GBI-EM Index (-2.7%), which tracks local-currency denominated emerging market government bonds, fell to its lowest level since May 2020. The weakness has been driven by a range of factors including political discord in Latin America where high inflation has kept EM central banks accommodative, contributing to currency depreciation.

**GLOBAL SOVEREIGN 10-YEAR YIELDS**



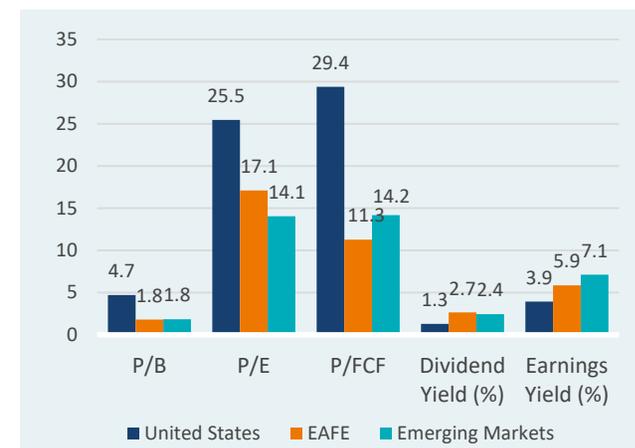
Source: Bloomberg, as of 11/30/21

**U.S. DOLLAR MAJOR CURRENCY INDEX**



Source: Federal Reserve, as of 11/30/21

**MSCI VALUATION METRICS (3-MONTH AVG)**



Source: Bloomberg, as of 11/30/21

# Commodities

- The Bloomberg Commodity Index fell -7.3%, the largest drop for the index since April 2020. The Bloomberg Energy Sub-Index dropped 17.1% as investors speculated that new restrictions around the globe implemented to limit the spread of the Omicron variant would crimp economic activity and weigh on the price of oil and energy.
- The Bloomberg Energy Sub-Index (-17.1%) was a drag on the broad commodities index (-7.3%). WTI crude oil prices fell -20.7% to \$66.18 per barrel. The Biden administration announced the release of 50 million barrels from the Strategic Petroleum Reserve.

- The Bloomberg Livestock Sub-Index which is comprised of live cattle and lean hogs rose 2.2%. The gain in the Livestock Sub-Index came alongside rising food prices, which have grown 6.1% over the last year. Meat prices for consumers, not including poultry or fish, are up 16.0% year-over-year.
- The Bloomberg Softs Sub-Index was the top performer for the commodities basket. Gains in the sub-index were driven entirely by coffee prices – front-month futures contracts for coffee rose 12.4%. Coffee prices are at 10-year highs in part because of shipping bottlenecks, shipping rates are increasing to a historically high price.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(7.3)	(4.9)	22.8	28.9	6.1	3.3	(3.6)
Bloomberg Agriculture	(0.4)	2.6	22.3	35.0	12.2	2.4	(1.8)
Bloomberg Energy	(17.1)	(15.4)	47.9	47.0	(8.4)	(2.9)	(11.1)
Bloomberg Grains	(0.9)	2.9	16.5	30.4	10.7	2.7	(1.9)
Bloomberg Industrial Metals	(2.3)	2.1	22.5	22.9	13.1	8.6	0.8
Bloomberg Livestock	2.2	0.4	7.0	9.3	(8.6)	(2.4)	(4.8)
Bloomberg Petroleum	(17.0)	(9.8)	43.6	54.8	1.3	1.9	(8.2)
Bloomberg Precious Metals	(1.5)	1.5	(8.7)	(0.6)	12.4	6.8	(1.8)
Bloomberg Softs	3.4	5.4	43.6	52.3	13.0	(0.3)	(5.1)

Source: Morningstar, as of 11/30/21

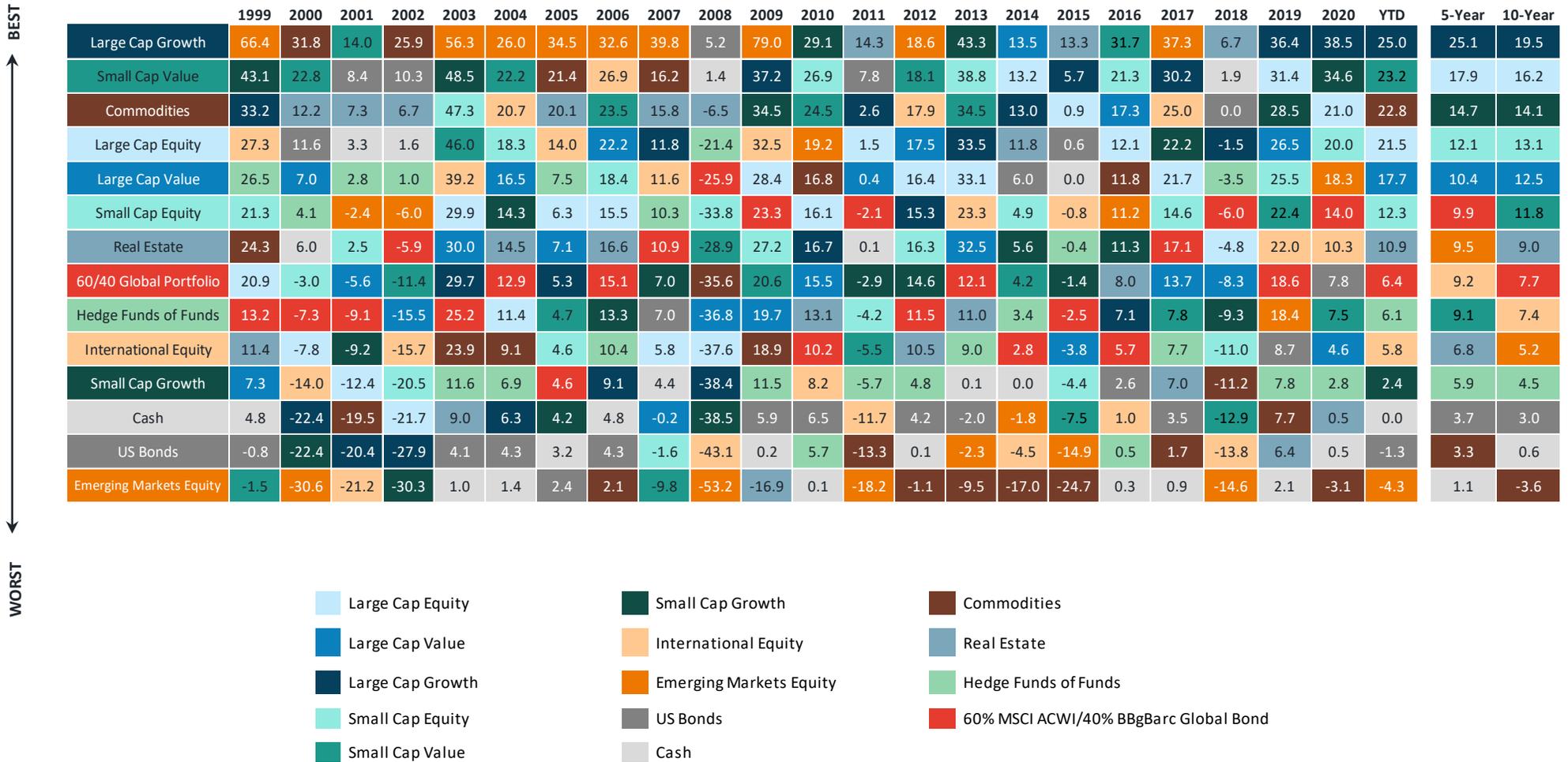
## COMMODITY PERFORMANCE



Source: Bloomberg, as of 11/30/21

# Appendix

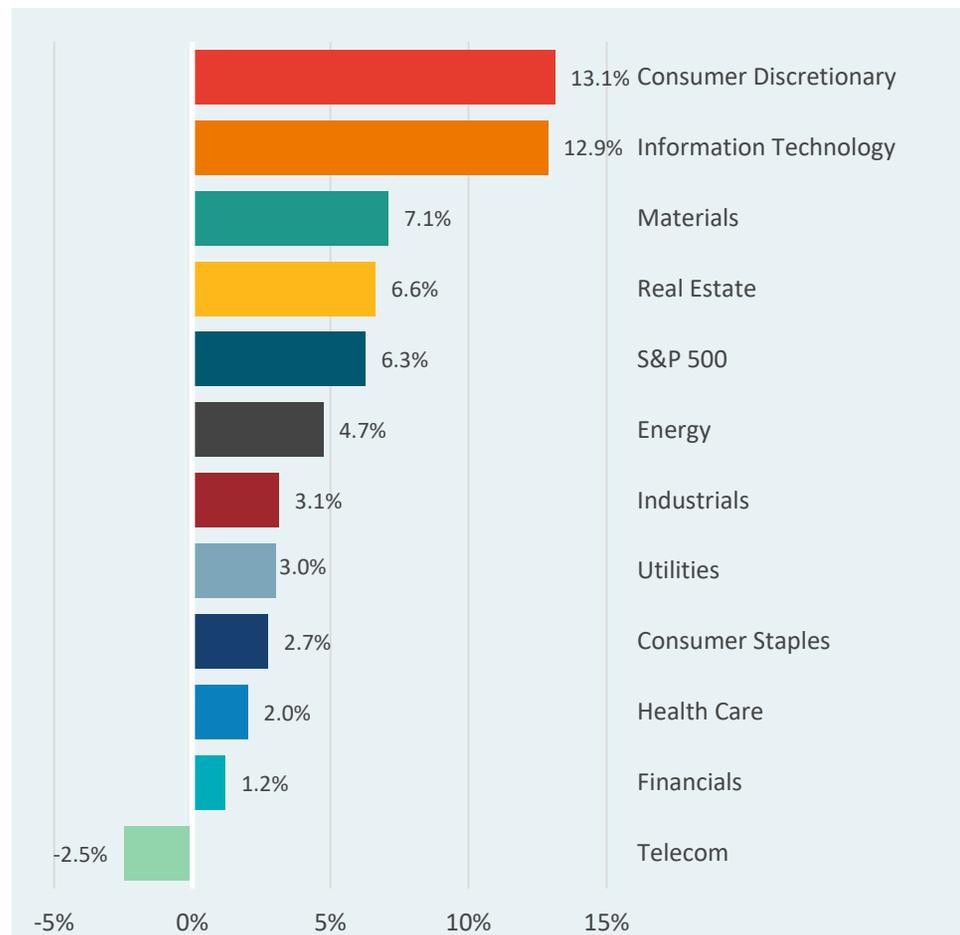
# Periodic table of returns



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 9/30/21.

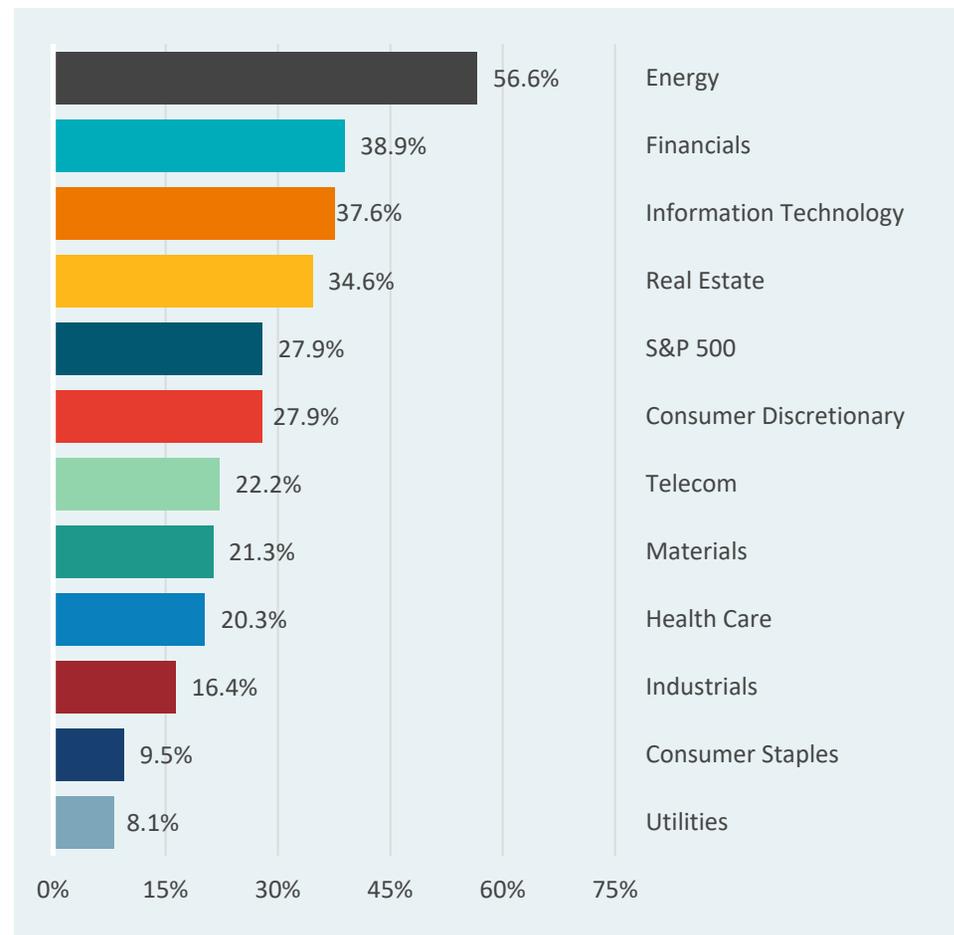
# S&P 500 sector returns

QTD



Source: Morningstar, as of 11/30/21

ONE YEAR ENDING NOVEMBER



Source: Morningstar, as of 11/30/21

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	(0.7)	6.3	23.2	27.9	20.4	17.9	16.2
S&P 500 Equal Weighted	(2.5)	2.6	22.1	27.3	17.1	14.6	15.0
DJ Industrial Average	(3.5)	2.2	14.6	18.5	12.9	15.1	13.8
Russell Top 200	(0.6)	6.7	22.9	27.9	21.8	19.3	16.8
Russell 1000	(1.3)	5.5	21.5	26.7	20.6	17.9	16.2
Russell 2000	(4.2)	(0.1)	12.3	22.0	14.2	12.1	13.1
Russell 3000	(1.5)	5.1	20.9	26.3	20.2	17.5	16.0
Russell Mid Cap	(3.5)	2.3	17.8	23.3	17.5	14.4	14.4
<b>Style Index</b>							
Russell 1000 Growth	0.6	9.3	25.0	30.7	29.2	25.1	19.5
Russell 1000 Value	(3.5)	1.4	17.7	22.2	11.5	10.4	12.5
Russell 2000 Growth	(4.9)	(0.4)	2.4	12.0	16.1	14.7	14.1
Russell 2000 Value	(3.4)	0.3	23.2	33.0	11.5	9.1	11.8

## INTERNATIONAL EQUITY

<b>Broad Index</b>							
MSCI ACWI	(2.4)	2.6	14.0	19.3	16.0	14.0	11.4
MSCI ACWI ex US	(4.5)	(2.2)	3.5	9.1	10.0	9.3	6.7
MSCI EAFE	(4.7)	(2.3)	5.8	10.8	9.8	9.2	7.4
MSCI EM	(4.1)	(3.1)	(4.3)	2.7	9.3	9.5	5.2
MSCI EAFE Small Cap	(5.6)	(4.1)	5.5	12.7	11.5	10.7	10.1
<b>Style Index</b>							
MSCI EAFE Growth	(3.4)	(0.2)	6.6	11.8	15.4	13.1	9.5
MSCI EAFE Value	(6.0)	(4.5)	4.7	9.3	4.0	5.1	5.1
<b>Regional Index</b>							
MSCI UK	(5.4)	(1.6)	10.4	16.5	4.8	5.5	4.3
MSCI Japan	(2.5)	(5.7)	(0.2)	3.9	8.5	8.3	8.2
MSCI Euro	(6.4)	(2.3)	8.0	12.3	10.4	9.8	7.3
MSCI EM Asia	(3.6)	(2.4)	(6.5)	0.1	11.5	11.3	8.0
MSCI EM Latin American	(3.0)	(8.1)	(13.2)	(2.9)	(4.5)	0.5	(2.9)

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
Bloomberg US TIPS	0.9	2.0	5.6	6.8	8.5	5.3	3.1
Bloomberg US Treasury Bills	0.0	0.0	0.0	0.1	1.1	1.2	0.7
Bloomberg US Agg Bond	0.3	0.3	(1.3)	(1.2)	5.5	3.7	3.0
Bloomberg US Universal	0.1	0.0	(1.0)	(0.7)	5.7	3.9	3.4
<b>Duration</b>							
Bloomberg US Treasury 1-3 Yr	(0.0)	(0.4)	(0.4)	(0.3)	2.4	1.7	1.1
Bloomberg US Treasury Long	2.7	4.6	(3.3)	(4.4)	11.3	6.7	5.0
Bloomberg US Treasury	0.8	0.7	(1.8)	(2.0)	5.0	3.2	2.3
<b>Issuer</b>							
Bloomberg US MBS	(0.1)	(0.3)	(1.0)	(0.7)	3.7	2.5	2.4
Bloomberg US Corp. High Yield	(1.0)	(1.1)	3.3	5.3	7.4	6.3	6.9
Bloomberg US Agency Interm	0.0	(0.5)	(1.0)	(0.9)	2.9	2.0	1.6
Bloomberg US Credit	0.1	0.3	(1.0)	(0.6)	7.7	5.2	4.7

## OTHER

<b>Index</b>							
Bloomberg Commodity	(7.3)	(4.9)	22.8	28.9	6.1	3.3	(3.6)
Wilshire US REIT	(0.3)	7.6	34.3	38.1	12.6	10.1	11.0
CS Leveraged Loans	(0.2)	0.1	4.7	6.1	4.4	4.4	4.8
Alerian MLP	(7.7)	(2.7)	35.9	39.3	(3.1)	(3.6)	(0.0)
<b>Regional Index</b>							
JPM EMBI Global Div	(1.8)	(1.8)	(3.2)	(1.3)	5.9	4.6	5.2
JPM GBI-EM Global Div	(2.7)	(4.0)	(10.1)	(7.0)	2.0	2.9	0.4
<b>Hedge Funds</b>							
HFRI Composite	(2.2)	(0.9)	8.7	13.7	9.4	7.0	5.6
HFRI FOF Composite	(1.2)	0.3	6.1	10.0	7.8	5.9	4.5
<b>Currency (Spot)</b>							
Euro	(2.7)	(2.9)	(8.0)	(5.9)	(0.2)	1.2	(1.8)
Pound Sterling	(3.5)	(1.9)	(3.2)	(0.9)	1.2	1.2	(1.7)
Yen	0.4	(1.7)	(9.1)	(8.2)	0.0	0.1	(3.7)

Source: Morningstar, HFRI, as of 11/30/21

# 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	61.1	22.6	18.7	13.1
Global Private Equity Direct Funds *	61.3	25.9	22.3	15.6
U.S. Private Equity Direct Funds *	66.0	28.0	23.3	17.2
Europe Private Equity Direct Funds *	61.5	24.9	23.3	12.9
Asia Private Equity Direct Funds *	45.4	20.8	19.0	14.9

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
MSCI World	39.0	15.0	14.8	10.7
S&P 500	40.8	18.7	17.6	14.8
MSCI Europe	35.1	8.7	10.3	5.6
MSCI AC Asia Pacific	34.3	10.3	12.6	7.0

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	19.5	8.4	9.4	11.9

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
FTSE NAREIT Equity REIT	38.0	10.1	6.3	9.4

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	34.1	12.1	12.6	11.1

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P / LSTA U.S. Leveraged Loan 100 Index	9.4	4.3	4.7	4.1

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	26.6	(3.0)	2.5	1.4
Global Infrastructure	16.8	10.3	11.2	9.8

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P Global Natural Resources	49.3	6.1	11.4	2.3
S&P Global Infrastructure	23.2	5.6	6.2	6.2

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

\* Includes Buyout, Growth Equity and Venture Capital.

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

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

# Notices & disclosures

**Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended. Additional information about Verus Advisory, Inc. available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Verus – also known as Verus Advisory™.

**Board of Trustees**

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

San Luis Obispo County  
Pension Trust  
**SLOOPT**

Date: January 24, 2022

To: Board of Trustees

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

**Agenda Item 10: Stipulation for the Division of Pension Benefits – Option Four Pension Benefit Election**

**Recommendation:**

It is recommended that the Board approve an Optional Settlement No. 4 as ordered in the attached draft of Stipulated Domestic Relations Order (DRO) Re: Division of San Luis Obispo County Pension Trust Retirement Plan Benefits and Allowances for Member Cindy Rattigan. Legal counsel agrees with this recommendation.

**Discussion:**

The San Luis Obispo County Employees Retirement Plan (the “Plan”) provides for four different optional settlements, aside from the Unmodified Allowance. The Unmodified Allowance is the maximum allowance payable to a Member that also provides for a 50% continuance of monthly benefits to be paid to an eligible survivor (spouse or registered domestic partner for one year prior to retirement). Article 13: Options Available After Retirement of the Plan allows a Member to elect an actuarially reduced monthly benefit to provide for a larger continuing monthly allowance for their survivor, or a continuance or lump sum payment to a named beneficiary that would not qualify as an eligible survivor. The four alternative options are summarized as:

Option 1 – provides that any remaining employee contributions are paid to named beneficiary or beneficiaries upon the death of the Retiree.

Option 2 – provides a 100% continuance of the actuarially reduced monthly benefit be paid to the named beneficiary upon death of the Retiree.

Option 3 – provides a 50% continuance of the actuarially reduced monthly benefit to be paid to the named beneficiary that is not a survivor upon death of the Retiree.

Option 4 – provides an **actuarially equivalent** continuance of monthly benefits to be paid to the named beneficiary upon the death of the Retiree (not greater than that available under Option 2). The terms of the Retirement Plan for Option 4 **require Board of Trustees approval.**

In this case, Ms. Rattigan is an active Member of the SLOCPT who has filed for dissolution of marriage. As part of the settlement of community property she and her former spouse (Alternate Payee) have agreed to a division of their interests with regards to the benefits provided by the SLOCPT that will occur at the time she retires from County service. The Alternate Payee will receive his portion of the monthly retirement allowance for his lifetime. When parties elect to split their interests at the point of retirement, the Alternate Payee's benefit under the Unmodified Allowance and Options 1, 2, and 3 ceases upon the death of the Retiree. As a result, Ms. Rattigan is required to elect **Option 4** at the time of her retirement to accommodate the continuing monthly benefit to her Alternate Payee at the time of her passing.

Attached, for your review is the draft DRO. This DRO establishes that Ms. Rattigan, upon retirement, must select **Option 4**. Ms. Rattigan's Unmodified Allowance will be calculated and then divided pursuant to that which is described in the order. At that time, the Alternate Payee's allowance will be further adjusted (reduced) using appropriate actuarial methods to reflect the Alternate Payee's life expectancy thus ensuring an actuarial equivalent benefit is distributed in a manner consistent with the Plan.

**Also attached is a letter from Cheiron, SLOCPT's actuary, who has reviewed the DRO and has certified that it fulfills the definition of actuarial equivalence.**

Respectfully submitted,

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

Jeffrey S. Rattigan  
[Redacted]

Respondent, In Pro Per

SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN LUIS OBISPO

In re the Marriage of	)	NO: 21FL-0493
Petitioner: CINDY L. RATTIGAN	)	STIPULATED DOMESTIC RELATIONS
and	)	ORDER RE: DIVISION OF SAN LUIS
Respondent: JEFFREY S. RATTIGAN	)	OBISPO COUNTY PENSION TRUST
	)	RETIREMENT PLAN BENEFITS AND
	)	ALLOWANCES

Petitioner, Cindy L. Rattigan, and Respondent, Jeffrey S. Rattigan, hereby stipulate as follows:

**RECITALS**

- Petitioner and Respondent were married to each other on September 27, 1997. They separated on July 27, 2021.
- This Court has personal jurisdiction over both Petitioner and Respondent and jurisdiction over the subject matter of this Order and the dissolution of marriage action. The Pension Trust was properly joined as a party claimant to this action pursuant to sections 2060 through 2065 of the California Family Code.
- The San Luis Obispo County Pension Trust ("Pension Trust") was formed, exists and is administered under section 53215, et seq., of the Government Code and Chapter 2.56 of the San Luis Obispo County Code and the Pension Trust By-Laws and Pension Trust Retirement Plan (Retirement Plan).

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

**IT IS HEREBY ORDERED BY THE COURT THAT:**

1. This Order is entered pursuant to the California Family Code.

2. Cindy L. Rattigan ("Member") and Jeffrey S. Rattigan ("Alternate Payee") have acquired a community interest in the Member's rights under the Retirement Plan and attributable the Member's Pension Trust Service Credit from the date of marriage up to the date of separation of the parties.

3. Surviving Spouse. The Court finds that, as of the date of separation of the parties, the member had not retired from employment and that, therefore, the Alternate Payee is not qualified as, and will not qualify to become, a "Surviving Spouse" under Section 7.04(b) of the Retirement Plan.

4. Calculation of the Community Property Interest. The parties' Community Property Interest in the Member's rights under the Retirement Plan shall be a fraction:

- a. whose numerator is that portion of the Member's Pension Trust Service Credit accrued from:
  - 1) the date of marriage of the parties; or
  - 2) the date of the Member's entry into the Pension Trust, whichever is later,
- and extending to the date of separation of the parties; and

b. whose denominator is the Member's Pension Trust Service Credit from the date of the Member's entry into the Pension Trust until the Member's Effective Date of Retirement.

The resulting fraction shall be converted to a percentage interest, which shall be the Community Property Interest.

5. Calculation of Alternate Payee's Share. The Alternate Payee's Share of the Community Property Interest shall be determined by multiplying the Community Property Interest by one-half.

6. Award of the Alternate Payee's Share. The Court allocates and awards to the

1 Alternate Payee, as the Alternate Payee's sole and separate property, the Alternate Payee's  
2 Share of the Community Property Interest in the Member's rights under the Retirement Plan.

3 The Alternate Payee's Share of the Community Property Interest of the Member's rights  
4 under the Retirement Plan shall apply to, but not be limited to, the Monthly Retirement Allowance  
5 paid to the Member during the Member's lifetime, the Alternate Payee's interest in the  
6 Retirement Plan as a beneficiary of the Member and the Alternate Payee's share of any  
7 Employee Additional Contribution account in the name of Member. All Retirement Plan  
8 allowances and benefits which are not awarded to the Alternate Payee pursuant to this Order  
9 shall be the Member's sole and separate property.

10 If the Member retires on a disability retirement, the Alternate Payee's Community  
11 Property Interest shall be applied to the Monthly Retirement Allowance which would otherwise  
12 be paid to the Member if the Member had retired on a Service Retirement Benefit. In addition,  
13 if the Member retires on a disability retirement that commences before the date the Member is  
14 eligible for a Service Retirement Benefit, the Alternate Payee shall not be entitled to receive any  
15 portion of the amount payable by the Retirement Plan until the date the Member would have  
16 been eligible for a Service Retirement Benefit.

17 If Member retires on a Industrial Disability Retirement then, pursuant to *In Re Marriage*  
18 *of Higinbotham* (1988) 203 Cal.App. 3d 322, 249 Cal.Rptr. 798, the tax benefit, if any, related  
19 to the Members disability retirement shall be the separate property of the member. Therefore,  
20 the Alternate Payee is awarded the Alternate Payee's Community Property Interest from the  
21 taxable portion of the benefit, if any, to the maximum extent possible. If the Alternate Payee's  
22 Community Property Interest is larger than the taxable portion of the benefit, the amount in  
23 excess of the taxable portion shall be paid from the non-taxable portion of the benefit.

24 7. Member's Additional Contributions. In the event that the Member has an  
25 Employee Additional Contribution account with the Retirement Plan, the Alternate Payee's Share  
26 of that account shall be paid to the Alternate Payee in accordance with Section 5.07 of the  
27 Retirement Plan.



1 Allowance, as set forth in section 8, above, by separate warrant directly from the Pension  
2 Trust. Payments of the Alternate Payee's Share of the Community Property Interest of the  
3 Member's Monthly Retirement Allowance shall commence on or after the date on which  
4 Member has attained the earliest retirement age as defined in the Retirement Plan, but only  
5 on and after such time as Member actually retires or otherwise receives payment of a Monthly  
6 Retirement Allowance under the Retirement Plan.

7 **10. Payments to the Alternate Payee in the Event of the Death of the Member**  
8 **before Retirement.**

9 a. **Member is not qualified to retire.** If the Member dies before the Member  
10 is qualified to retire, then the Alternate Payee shall be paid the Alternate Payee's  
11 Share of the death benefit provided for by Section 7.01 of the Retirement Plans (or  
12 Section 7.03 of the Retirement Plan if the Member was a Safety Member).

13 b. **Member is qualified to retire.** If the Member dies after the Member is  
14 qualified to retire, and has an Eligible Surviving Spouse at the time of death, and if the  
15 Eligible Surviving Spouse elects to receive the death benefit provided by Section 7.02  
16 of the Retirement Plan (or Section 7.03 as applicable), then the Alternate Payee shall  
17 be paid the Alternate Payee's proportionate share of the death benefit provided for by  
18 Section 7.02 of the Retirement Plan (or Section 7.03 as applicable). The benefit  
19 payable to the Eligible Surviving Spouse shall be adjusted to reflect the payment of  
20 the Alternate Payee's share of the death benefit.

21 **11. Alternate Payee's Death.** If the Alternate Payee dies after payment of benefits  
22 to the Alternate Payee has commenced pursuant to Paragraphs 8 and 9, all payments shall  
23 cease, because the payments have been adjusted under Option 4 to be paid over the lifetime  
24 of the Alternate Payee.

25 The Alternate Payee shall have the right to name a beneficiary in the event that the  
26 Alternate Payee dies prior to the date that the Member retires, and shall do so as soon as  
27 practicable after this Order is approved by the Court. If the Alternate Payee dies prior to the date

1 that payment of benefits to the Alternate Payee has commenced, and if Member subsequently  
2 dies before retirement, the Administrator shall pay the amount(s) which would otherwise have  
3 been paid to the Alternate Payee pursuant to Paragraph 10.1 or 10.b, by separate warrant,  
4 directly to the beneficiary designated by the Alternate Payee by filing a Designation of  
5 Beneficiary form with the Administrator.

6 If the Alternate Payee dies prior to the date that payment of benefits to the Alternate  
7 Payee has commenced, and if Member subsequently receives a Monthly Retirement Allowance,  
8 the Administrator shall pay the Alternate Payees Share of the Community Property Interest of  
9 the Member's Monthly Retirement Allowance (subject to any restrictions related to disability  
10 retirement, as provided in Paragraph 6), by separate warrant, directly to the beneficiary  
11 designated by the Alternate Payee. Such payments shall cease upon the death of the Member  
12 If the Alternate Payee designates the minor child(ren) of the parties as beneficiary, then no  
13 monthly survivor benefits shall be payable to said minor child(ren) pursuant to Section 704(b) of  
14 the Pension Trust Retirement Plan during such time as said minor child(ren) are receiving a  
15 retirement allowance as the beneficiary of the Alternate Payee.

16 12. Responsibility for Taxes. The Member and the Alternate Payee shall be  
17 responsible for, and pay, any taxes due in connection with his or her receipt of distributions from  
18 the Pension Trust. Accordingly, any benefit payments disbursed to the Alternate Payee pursuant  
19 to this Order will be reported to the Internal Revenue Service as income paid to the Alternate  
20 Payee.

21 13. Member Information. For the purpose of making any retirement allowance or  
22 benefit payments provided by the terms of this Order or providing and notice required by the  
23 terms of this Order, Member's name and current mailing address are as follows:

24 Name: Cindy L. Rattigan

25 Address: [REDACTED]

26 14. Alternate Payee Information. For the purpose of making any retirement  
27 allowance or benefit payments provided by the terms of this Order or providing and notice

1 required by the terms of this Order, Alternate Payee's name and current mailing address are as  
2 follows:

3 Name: Jeffrey S. Rattigan

4 Address: [REDACTED]

5 15. Notice of change of address or telephone number shall be made in writing to the  
6 Pension Trust, addressed as follows, or as the Executive Secretary may specify in a written  
7 notice to Member and Alternate Payee:

8 San Luis Obispo County Pension Trust  
9 1000 Mill Street  
San Luis Obispo, California 93408

10 16. The Member and the Alternate Payee shall sign all forms, letters and other  
11 documents as required to effect the distribution(s) described herein and the intent of the Order.

12 17. The Alternate Payee and the Alternate Payee's agents and attorneys are  
13 authorized to receive information from the Pension Trust concerning the Member's allowances  
14 and benefits as may be needed to establish the Alternate Payee's account.

15 18. The Member shall act as constructive trustee of any benefits assigned to the  
16 Alternate Payee under this Order which may be paid to or received by the Member. The  
17 Member, as trustee, shall promptly pay or transmit any such benefits to the Alternate Payee at  
18 the Alternate Payee's last known address. The Alternate Payee shall act as constructive trustee  
19 of any benefits assigned to the Member under this Order which may be paid to or received by  
20 the Alternate Payee. The Alternate Payee, as trustee, shall promptly pay or transmit any such  
21 benefits to the Member at the Member's last known address.

22 19. This Order shall be administered and interpreted in conformity with the laws  
23 governing the Pension Trust, the By-Laws and the Retirement Plan and other applicable law.  
24 If such laws, By-Laws, or Retirement Plan are amended, then the Member and the Alternate  
25 Payee shall immediately take the steps necessary to amend this Order to comply with any such  
26 amendments, changes.

27 20. The Member, the Alternate Payee, and the Court intend that this Order meet all

1 requirements of a domestic relations order under the Pension Trust Laws and other laws of the  
2 State of California, and the Court shall reserve jurisdiction to modify this Order and to resolve  
3 any disputes that may arise among the parties and the Executive Secretary concerning benefit  
4 payments or any other aspect of this Order. If any portion of this Order is rendered invalid or  
5 otherwise unenforceable, the Court reserves jurisdiction to make an appropriate adjustment to  
6 effectuate the intent of the parties. Any future fees, taxes, and/or penalties will be assessed  
7 against the parties who then have an interest payable from the Pension Trust.

8           21. This Stipulation and Order shall not expand the contractual or statutory  
9 obligations, whether substantive or procedural, of the Pension Trust with respect to paying the  
10 above allowances and/or benefits.

11           22. Should either Member or Alternate Payee breach this Order or be called upon to  
12 enforce this Order by reason of the acts or omissions of the other, the prevailing party shall be  
13 entitled to litigation expenses and costs and reasonable attorneys' fees. This provision shall not  
14 be construed as a waiver by any party of any remedy for enforcement by any party hereto as  
15 against any other party.

16           23. Each party shall perform any act reasonably necessary to cause into effect or  
17 verify the carrying into effect of the terms of this Order.

18 ///  
19 ///  
20 ///  
21 ///  
22 ///  
23 ///  
24 ///  
25 ///  
26 ///  
27 ///

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

24. This order shall continue to be effective with respect to any successor or transferee plan of Retirement Plan and/or the Pension Trust, including any plan into which the Retirement Plan and/or the Pension Trust is merged.

Date: \_\_\_\_\_

\_\_\_\_\_  
CINDY L. RATTIGAN  
Petitioner, In Pro Per

Date: \_\_\_\_\_

\_\_\_\_\_  
JEFFREY S. RATTIGAN  
Respondent, In Pro Per

**ORDER**

IT IS SO ORDERED:

Date: \_\_\_\_\_

\_\_\_\_\_  
JUDGE OF THE SUPERIOR COURT

*Via Electronic Mail*

January 13, 2022

Mr. Carl Nelson  
Executive Director  
San Luis Obispo County Pension Trust  
1000 Mill Street  
San Luis Obispo, California 93408

Re: Rattigan Domestic Relations Order No. 21FL-0493

Dear Carl:

The purpose of this letter is to confirm that the DRO issued by the Superior Court of California, County of San Luis Obispo, in regard to the member (Cindy L. Rattigan) and her Alternate Payee (Jeffrey S. Rattigan) fulfills the definition of actuarial equivalence. In particular, this DRO includes the Option 4 benefit.

The alternate payee's unmodified allowance will be adjusted for the alternate payee's expected lifetime to create an actuarial equivalent benefit according to Section 13.05 of the By-Laws and Retirement Plan of the San Luis Obispo County Pension Trust, including revisions through June 27, 2021.

If you have any questions or need additional information, please feel free to e-mail me at [aharper@cheiron.us](mailto:aharper@cheiron.us) or call me at 1-877-243-4766, ext. 1107.

Sincerely,  
Cheiron



Anne D. Harper, FSA, MAAA, EA  
Principal Consulting Actuary

# Pension Trust

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



Date: January 24, 2022

To: Board of Trustees

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

## **Agenda Item 18: Renewal of Hearing Officer Panel**

### **Recommendation:**

It is recommended that the Board of Trustees (“BoT”) approve the renewal of the panel of attorneys that will serve as Hearing Officers in contested SLOCPT disability matters as outlined below.

### **Discussion:**

At its March 27, 2017 meeting, the BoT approved the establishment of a Hearing Officer panel that comprised attorneys who regularly provide such services to other systems, including the Santa Barbara Employees’ Retirement System (SBCERS). Five-year contracts were entered into with all three attorneys that are due to expire in March. In the five year period, one hearing was conducted for SLOCPT by a panel Hearing Officer.

SBCERS updated its panel last year, entering into new five-year agreements with the following attorneys: Catherine Harris, Deborah Wissley and Irene Ayala. SBCERS continues to be agreeable to SLOCPT’s use of their panel.

Staff and the General Counsel believe that having three available referees on the Pension Trust’s panel continues to be appropriate, notwithstanding the infrequency of hearings during the prior five-year period. As such, it is recommended that the Board approve the execution of contracts with Ms. Harris, Ms. Wissley and Ms. Ayala. We anticipate signing three-year contracts with a fixed hourly rate of \$200 per hour (representing a \$25 per hour increase from the rate in the original agreements) with reimbursement for round trip travel expenses and no hourly payment for travel time per the terms of the SBCERS contracts. No funds would be owed under the contracts unless and until a hearing was assigned to a

referee. We note that it is likely that any such hearings will be conducted virtually as long as the Covid-19 pandemic is ongoing.

Respectfully submitted,

Carl Nelson  
Executive Director

Amy Burke  
Deputy Director

Chris Waddell  
General Counsel

## Board of Trustees

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



Date: January 24, 2022

To: Board of Trustees

From: Amy Burke – Deputy Director  
Lisa Winter – Retirement Program Specialist  
Anna Bastidos - Retirement Program Specialist

### **Agenda Item 19: Benefits Administration Educational Presentation**

#### **Recommendation:**

To receive and file the accompanying presentation on how the Pension Trust administers its benefits and provides member services.

#### **Discussion:**

The Board of Trustees normally addresses high level Pension Trust business such as actuarial valuation and investment policy. What the Board normally does not see is the crucial efforts of the Staff to administer the retirement benefits and provide customer service to active Members and Retirees. The SLOCPT may have a relationship with Members from new hire in their 20s to retirement in their 60s and their death in their 80s – and possibly further with their surviving spouse.

The presentation follows the life-cycle of a SLOCPT member –

1. New hire onboarding
2. Services provided while an Active Member
3. Refunds etc. for separated Members
4. Inactive or Deferred Members accounts
5. Retirement Counseling and actual retirement
6. Services provided for Retirees
7. Surviving spouse continuances or death benefits

Respectfully Submitted,

This page left blank intentionally.

# Membership Life Cycle

SLOCPT Presentation  
1/24/2022



1

## New and Returning Members

- SLO County Employees Retirement Plan + contracting agencies:
  - SLO County
  - SLO County Superior Court
  - SLO County APCD
  - SLO County RTA (only administrative staff)
  - SLOCPT
  - SLO County LAFCO
- Mandatory for all permanent Employees – full time and part time
- Elected Officials are given the option to participate

2

## Initial Meeting with SLOCPT Retirement Technician

- Brief Introduction to the Plan and its benefits
- Determine Employee Contribution Rate
  - Prior Service in SLOCPT
  - Reciprocity
  - Rate is routed to Employer
- Importance of Beneficiary Designation
- Service Purchase?

3

## Active Member Services

- New Entrant onboarding
- Recording Contributions
- Crediting Interest to their Accrual accounts
- Reciprocity and associated Rate Changes
- Service Purchases
- Position changes and associated rate changes
- Divorces – Domestic Relations Orders
  - Account splits
  - Time Rule (Option 4)
- Beneficiary Changes
- Award letters
- Individual Counseling as requested
- Disability Retirement applications
- Presentations
- Active Member Death Benefits

4

## Deferred Retirement Option Program "DROP"

- Designed for those at max benefit
- Limited eligibility - Tier 1 specific bargaining units
- Same benefit options as service retirement
- Retirement benefit deposited in DROP account
- DROP account is a defined contribution form
- Investment options parallel the Deferred Compensation Plan
- Participation - 6 months to maximum of 5 years
- Member continues employment
- Contributions cease for Member and Employer
- Participants eligible for annual retiree COLA
- Easy transition to Service Retirement
- Considered "retired" in Actuarial Valuations

5

## Employment Separation

- Termination Packets are sent to each separated employee (unless actively pursuing retirement)
  - Details options specific to status as of separation
  - Includes current account balance, explanation of tax considerations and estimate if applicable
- Separated Employees are offered 3 options depending on qualification
  - Refund (including rollovers)
  - Deferred/Reciprocal Status
  - Retirement

6

## Inactive Member Services

- Those who separated employment prior to vesting
- Annual Statement
- Annual reminder to refund contributions

7

## Terminated Member Services

- Those who have elected to receive a refund or a rollover to an IRA or similar account
- 1099 issuance following payment
- Redeposit for Reciprocity

8

## Deferred Member Services

- Those who separated employment following vesting or who have established reciprocity
- Bi-weekly interest credited
- Award letters
- Annual Statement
- Annual maximum benefit notice at 65/67

9

## Retirement Process

- Multiple counseling sessions
- Must receive Application no later than the last day of the month they wish to retire
- Select Benefit Option (survivor continuance)
  - Unmodified (50% continuance)
  - Option 1-3
- Finalize any outstanding DRO's
- Other retirement decisions
  - DROP?
  - Direct Deposit
  - Tax Withholding
  - Employer sponsored health coverage
- Initial Benefit Payment

**I DON'T WANT TO  
I DON'T HAVE TO  
YOU CAN'T MAKE ME  
→ I'M ←  
RETIRED**

10

## Retiree Services

- Payment Changes
  - Direct Deposit
  - Tax Withholding
  - Employer Sponsored Health Premiums
  - Levies/Garnishments
  - DROs in retirement
- Demographic Changes
  - Name changes
  - Address changes
- Award Letters
- POAs
- 1099s
- Monitoring of temporary employment
- Death Benefits – Survivor continuance or final lump sum benefit

# Pension Trust

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



Date: January 24, 2022

To: Board of Trustees

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

## **Agenda Item 20: Fiduciary Refresher Briefing**

### **Recommendation:**

Chris Waddell, General Counsel, will present a Board educational session on Fiduciary Responsibilities. This is an annual refresher briefing on fiduciary issues.

This page left blank intentionally.

# Setting The Actuarial Assumed Rate of Return in a (Projected) Low-Investment Return Environment: Does the Fiduciary Duty of Care Require a “Race to the Bottom”?

San Luis Obispo County Pension Trust

January 24, 2022

Chris Waddell

Kristen Rogers

**Olson | Remcho**

# Today's Agenda

- “Fiduciary Duty in a Nutshell”
- The Fiscal Environment We Find Ourselves in
- Drilling Down on the following standard:
  - “... prudent person acting in a **like capacity** and familiar with these matters would use in the conduct of an **enterprise of a like character and with like aims.**”
- Can we avoid something akin to dancing the limbo?



# *Applicable Fiduciary Duties*

- Duty of Loyalty *Cal. Const. Art. 26, §17(b)*
- Duty of Care *Cal. Const. Art. 26, §17(c)*
- Did I Mention There are a Few More?
  - Duty to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries *Cal. Const. Art. 26, §17(a)*
  - Duty to diversify investments *Cal. Const. Art. 26, §17(d)*
  - Duty to provide for actuarial services in order to assure the competency of the assets of the public pension or retirement system *Cal. Const. Art. 26, §17(e)*

# *Duty of Loyalty*

- “Most fundamental” fiduciary duty
  - “...the punctilio of an honor the most sensitive...” (Justice Cardozo)
  - **“A retirement board’s duty to its participants and beneficiaries shall take precedence over any other duty”** (California Constitution)
- Board member must place the interests of system participants above all other interests
  - Not harm the interests of system members and beneficiaries by doing any of the following:
    - Acting in the fiduciary’s own interests ( no self-dealing)
    - Acting in the interests of the plan sponsor or a third party (avoid prohibited transactions)
    - Favoring the interests of one group of members/beneficiaries over those of another group (Duty of impartiality)

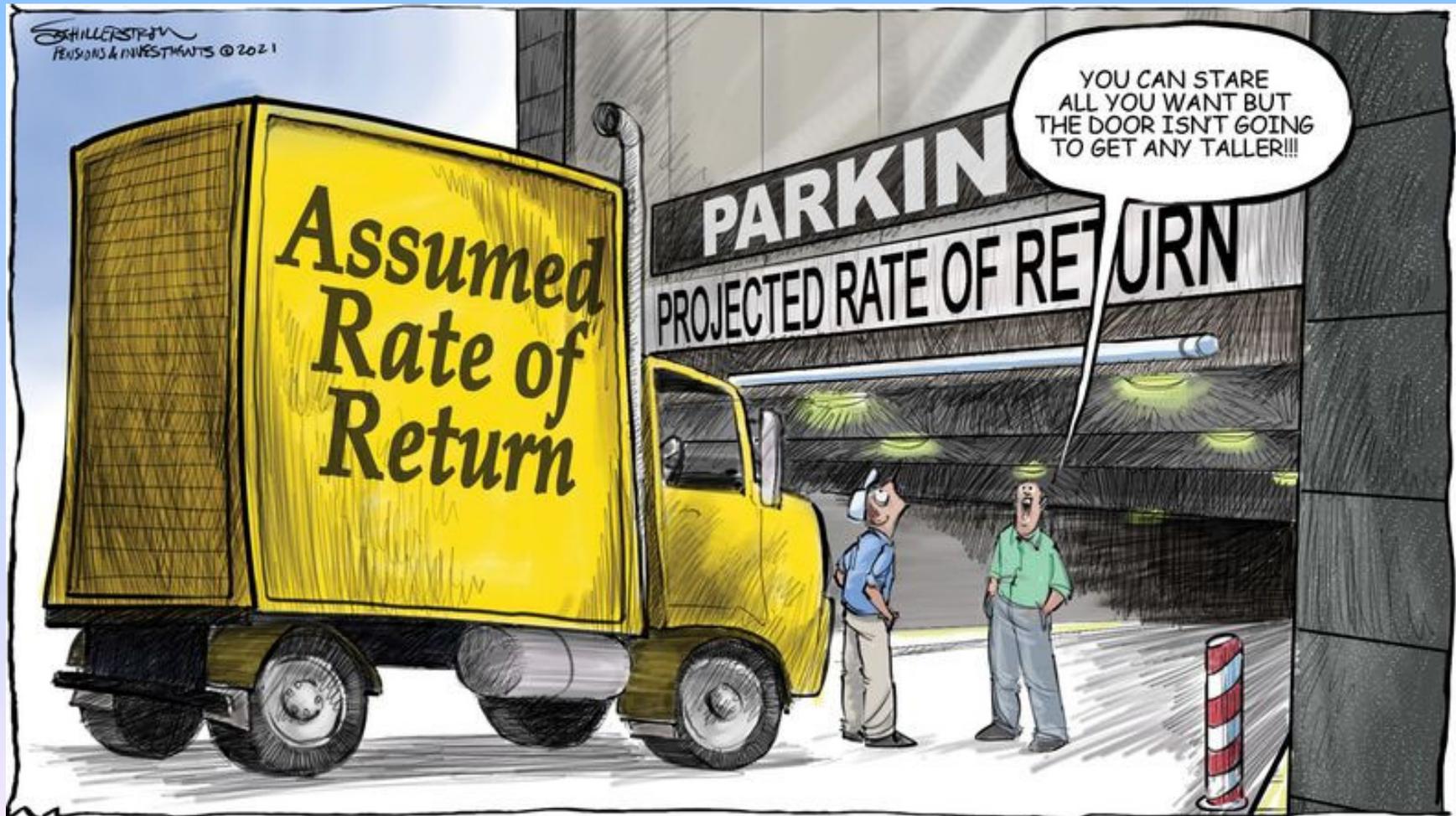
# *Duty of Care*

- Must act “with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.”
  - Focus on conduct of fiduciary and extent of his/her investigation and performance of acts consistent with the specific purpose and circumstances of the plan (“procedural prudence”)

# *Duty to Diversify*

- “The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”
  - Generally viewed as being a part of the duty of care.

# Statement of the Problem:



# *Last Year's Returns Were Great, But---*

- Projections are for a low-return environment for the next 10 years:

Year	Exp. 10-year Annualized Return	Expected Risk(Std. Dev.)	Range of 10-year Annualized Return Outcomes (95% Confidence Interval)
2017	6.3%	11.1%	0.5% - 12.1%
2018	6.0%	11.4%	0.1% - 11.9%
2019	6.7%	11.4%	0.8% - 12.6%
2020 (legacy)	6.2%	11.1%	0.4% - 12.0%
2020 (FFP)	6.9%	11.4%	1.0% - 12.8%
2021	5.6%	11.4%	-0.3% - 11.5%

# *What's a Prudent Trustee to Do?*

- Stay the course?
  - With or without altering asset allocation?
    - Is the former akin to “Don’t Worry, be Happy?”
    - Does the latter place you in jeopardy of a portrayal as layering on too much risk to chase return?

*Borenstein: CalPERS gambles with taxpayers’ money once again*

Nation’s largest pension system chooses riskier investment bets rather than upfront contributions to cover shortfall
- Further reduce the assumed rate of return?
  - But what will the increase be in Member and employer costs?

# *And Then There's New York' State's Approach:*

“DiNapoli bolsters pension fund stability—and cuts tax-funded costs” by E.J. McMahon, Empire Center, August 25, 2021

- Huh?
- Combination of:
  - One time elimination of asset smoothing—actuarial value of assets = market value of assets following 2021 returns of 33.55%
  - Reducing assumed rate of return from 6.8% to 5.9%

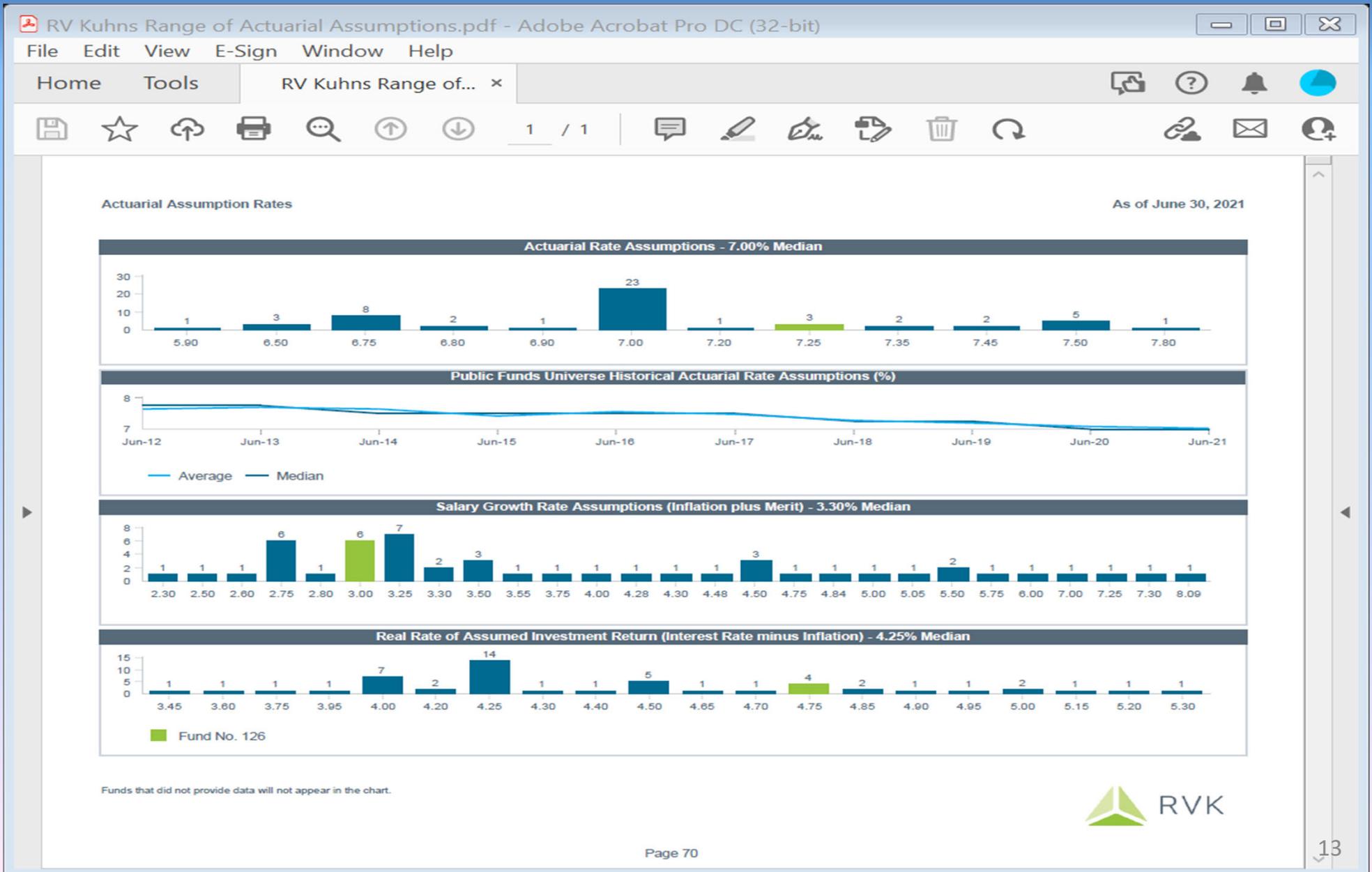
# *What Does the Duty of Loyalty Command?*

- “Perfect” (negative) duty *not* to favor interests of the plan sponsor and/or taxpayers over the interests of system members, retirees and beneficiaries.
- Perception may or may not equal reality—*O’Neal et. al., v. Stanislaus County Employees’ Retirement Association* (2017) 8 Cal. App. 5<sup>th</sup> 1184.
  - StanCERA ended up in trial over the issue of whether they made certain plan funding decisions in an effort to favor the plan sponsor (bad) or system Members (good).
  - StanCERA ultimately prevailed, but it was a long, drawn-out fight.

# *What does the Duty of Care Require?*

- “Imperfect” (Positive) duty to act prudently:
  - Emphasizes process over outcome;
  - Not “one size fits all;”
  - Evaluate in terms of the actions of prudent fiduciaries for other systems facing similar circumstances;
  - Independent of the question of good faith (“good heart, empty head” not good enough).

# What Are Our Peer Systems Doing?



# *Remember the CalPERS “Eight Questions” ? Do They Help Here?*

1. Do the agenda materials and presentation/discussion at the meeting provide all of the information necessary for a proper understanding of the issue so that we can make a sound, informed decision?
2. Have all of the potential benefits and risks resulting from this decision been appropriately identified and analyzed?
3. Have all viable alternatives to this proposal been appropriately identified and analyzed?

# *CalPERS “Eight Questions”—Cont’d*

4. Are staff and the outside expert (where applicable) in agreement on the recommended course of action?
  - If not, are the bases for disagreement adequately explained?
  - Are both recommendations reasonable (so that I can reasonably choose/decide between them), or do we need to seek another opinion?
5. Were any questions that we had before and during the discussion of the item sufficiently addressed?

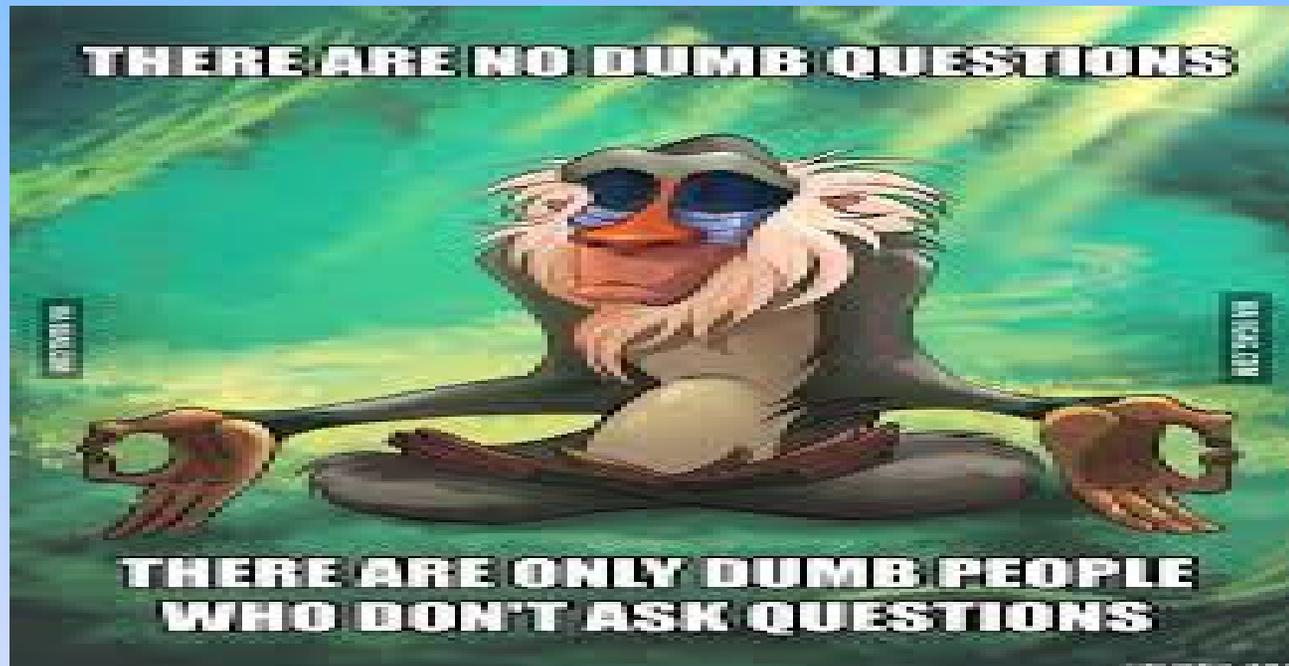
## *CalPERS “Eight Questions”—Cont’d*

6. Do I have any actual or potential conflicts of interest that prevent me from participating in this decision or make it advisable for me not to do so?
7. Does my intended vote reflect what I feel to be in the best interests of the System’s members, beneficiaries and retirees as a whole, without regard to the interests of any constituency or appointing power responsible for my position as a Board member?
8. Will the results of the Board’s decision favor the interests of one group of the System’s members, beneficiaries or retirees over those of another group?

# *Given All of This, What's the Bottom Line?*

- First and foremost, make your decision based upon your *informed belief* as to what is in the best interests of SLOCPT Members, Retirees, and Beneficiaries.
- *Inform your belief* by listening and asking questions of your experts, in order to gain a full understanding of SLOCPT's unique circumstances (e.g., current funded level, asset allocation, overall risk tolerance, etc.).
- Remember that every system is different, so consider, *but do not consider yourselves bound in any way* by how our peer systems are dealing with this issue.

# Questions?



Chris Waddell

Kristen Rogers

**Olson | Remcho**

**Board of Trustees**

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



Date: January 24, 2022

To: Board of Trustees

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

**Agenda Item 21: Cash Flow Analysis for 2022**

**Recommendation:**

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

**Discussion:**

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

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

Please note that the County’s and APCD’s employer paid contributions are currently prepaid through June 30, 2022. This causes a timing issue as funds are received in one discounted lump sum payment in July of each year for contributions due in fiscal years ending June 30. The following projection does not consider the impacts of this prefunding and the associated discount.

SLOCPT

Annual Cashflow projections

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

<u>Expected Cash Inflows:</u>	<u>2022</u>
Contributions	111,900,000
Net Investment Drawdowns	<b>(3,150,000) *</b>
Total Inflows (a)	<u>\$ 108,750,000</u>
<u>Expected Cash Outflows:</u>	
Benefit Payments	\$ (122,200,000)
+ est. COLA for 2022	(2,400,000)
Termination Refunds	(3,400,000)
Death Benefits	(500,000)
Administrative Expenses	(3,000,000)
Total Outflows (b)	<u>\$ (131,500,000)</u>
<b>Net Cashflow ( a + b )</b>	<u><b>\$ (22,750,000)</b></u>
Current Cash Holdings **	<u>53,950,000</u>
<b>Total Cash Available (at year end)</b>	<u><u>\$ 31,200,000</u></u>

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

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

# Board of Trustees

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



Date: January 24, 2022

To: Board of Trustees

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

## **Agenda Item 22: Monthly Investment Report for December 2021**

	December	Year to Date 2021	2020	2019	2018	2017	2016
Total Trust Investments (\$ millions)	\$1,777		\$1,552 year end	\$1,446 year end	\$1,285 year end	\$1,351 year end	\$1,196 year end
<b>Total Fund Return</b>	2.5% Gross	<b>15.3% Gross</b>	8.9 % Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross
Policy Index Return (r)	2.4%	12.7%	10.0 %	16.4 %	-3.2 %	13.4 %	7.7 %

- (r) Policy index as of Sept. 2020 Strategic Asset Allocation Policy with 2021 Interim targets:
- Public Mkt Equity- 20% Russell 3000, 20% MSCI ACWI ex-US
  - Public Mkt Debt- 11% Barclays US Aggregate,
  - Risk Diversifying 10% Barclays US Aggregate, 3% Barclays 7-10yr Treasury, 2% Barclays 5-10yr US TIPS
  - Real Estate & Infrastructure- 12% NCREIF Index, 3% Private RE/Infrastructure actual returns
  - Private Equity- 8% actual private equity returns
  - Private Credit- 7% actual private credit returns
  - Liquidity- 2% 90 day T-Bills, 2% Barclays 1-3yr Gov/Credit
- Pending annual updates to interim targets.

### **SLOCPT Investment Returns:**

The attached report from Verus covers the preliminary investment returns of the SLOCPT portfolio and general market conditions through the end of December. The attached market commentary from Verus details market conditions in December, but subsequent activity in January is not yet factored into these numbers. As of January 19th, the month has had a negative trend for returns.

## The Economy and Capital Markets:

- **The Economy**
  - **Inflation** – Inflation continued its significant increase in response to surging consumer demand, supply constraints, energy demand/supply imbalances, housing prices and labor shortages. The preliminary December 2021 CPI increase for the full year was 7.0% - a significant uptick from the already climbing inflation rate earlier in the year.
  - **Attached at the end of this memo are two pages extracted from the J.P. Morgan year-end “Eye on the Market” report by Michael Cembalest – Chair of Market and Investment Strategy. The report titled “Reflation: Endgame” is part of Cembalest’s well written, and humorously illustrated, year-end reports. It describes the Superheroes influencing inflation, economic growth and capital markets.**
  
- **Economic Policy**
  - **Monetary Policy** –
    - At its December 15th meeting the Fed announced that they would cut back on the asset purchase monetary stimulus twice as fast as previously expected.
    - NEPC in their January 7, 2022, market commentary covered the shift at the Fed well –

“Mid-week, the Fed Open Market Committee released their December meeting minutes, which struck a hawkish tone. Policymakers suggested rate hikes could start soon after balance sheet tapering is complete given the solid economic and labor market backdrop. In response, the market is now pricing in an 80% probability of a rate hike during the March meeting and is fully pricing in three 25 basis point rate hikes during 2022. As such, U.S. yields moved higher during the week, with the 10-year and 30-year Treasury yields increasing 26 and 21 basis points, respectively. The movement was largely driven by rising real rates.”
  
- **Employment and Wages** –
  - **New Jobs** - The December jobs report from the BLS on nonfarm employment showed a gain of 199k new jobs – about half of the increase expected by analysts. However, robust wage growth and a stagnant labor force participation rate suggest that U.S. economy is nearing full employment.
  - **Unemployment** - The unemployment rate in December declined from 4.2% to 3.9%.
    - **SLO Area Unemployment** – The November unemployment data for SLO County recorded a further drop to 3.6% unemployment. This improvement had some influence from new jobs, the primary driver is a reduction in the workforce. The number of filled jobs in SLO County is still significantly below its pre-pandemic level as the number of job-seekers has contracted.

- **Labor Force Participation Rate** - The labor force participation rate remains low at 61.9% down from its recent era peak of 63.3% in February 2020.

## Investment Markets –

- **2022 Outlook** – JP Morgan in their December 13, 2021 report on Global Asset Allocation and the outlook for 2022 opined -

### “Asset Allocation

Our view is that 2022 will be the year of a full global recovery and an end of the global pandemic, thanks to achieving broad population immunity and with the help of human ingenuity, such as new therapeutics. We believe this will produce a strong cyclical recovery, a return of global mobility, and a release of pent-up demand from consumers (e.g. travel, services) and corporates (inventory, capex and buyback recovery), within the backdrop of still-easy monetary policy. For this reason, we remain positive on equities, commodities and emerging markets, and negative on bonds. We expect the outperformance of cyclical assets and value, recovery of riskier and more volatile assets, and headwinds for defensive bond proxies and market segments that benefited from the pandemic. As the recovery runs its course, markets will begin adjusting to tighter monetary conditions, a process that will likely inject volatility. Despite our positive market outlook, there are risks that investors will need to monitor and manage in 2022, including increased geopolitical tensions, a looming energy crisis, uncertainties around high inflation, and normalization of monetary policy.”

### “Macroeconomic Outlook

**We remain confident that the global expansion will pass its first resiliency test of supply shocks and new wave of infections, and that above-potential growth will be sustained in the coming quarters.** While European growth may sag, Asia is set to surge as mobility has increased significantly along with rising vaccination rates. In addition, global manufacturing should benefit as Asian supply constraints abate. We also bank on additional policy stimulus from China and Japan, and a household saving rate drop in the US that more than offsets a large purchasing power squeeze. In all, we expect global GDP gains averaging 4.6%ar in the three quarters ending in 2Q22, two percentage points above our estimated potential pace. Easing global supply constraints should cool price pressures and we look for global CPI inflation to moderate toward a 3%ar during 1H22. As pandemic-related volatility fades, we expect the underlying drivers of this cycle to come to the fore. They point to far different macroeconomic outcomes than seen in the past two expansions. The expansion is tilting in a reflationary direction as a result of the interaction between growth-oriented policies and healthy private sector fundamentals. Credit and balance sheet problems that generated stiff headwinds in the post-GFC expansion have been replaced by tailwinds. Combined with a financial sector backdrop likely to support credit availability, demand growth should remain strong.”

Respectfully Submitted,

This page left blank intentionally.



EYE ON THE MARKET OUTLOOK 2022

# Reflation: Endgame

These superheroes all contribute in their own way to a rise in prices, wages, economic growth and asset prices. See inside cover for details. In this year's Outlook, we look at the consequences of reflation for equity markets that are already pricing in plenty of good news. Special topics include China and the regulatory purge, dividend investing, real assets (commercial real estate, timber and infrastructure), investments in fintech and cybersecurity firms, ESG impacts on portfolios and the high cost of Brexit.

By **Michael Cembalest**

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

# Our Reflation: Endgame cover

This year's cover depicts how these superheroes all contribute in their own way to a rise in prices, wages, economic growth and asset prices:



### Politicians creating the largest stimulus on record

COVID monetary and fiscal stimulus across the developed world was 2x-3x larger than similar stimulus after the Global Financial Crisis, and that's before including 2021 bills and proposed US infrastructure and reconciliation spending. One by-product: \$1 trillion in positive US wealth effects from rising stock markets, rising home prices and increased refinancing by homeowners.



### Vaccine resisters

The US has one of the largest unvaccinated populations in the developed world at 30%. This cohort increases community spread, reduces the labor supply, sustains the shift to goods spending and creates the need for more gov't spending to support employment and incomes. A recent survey: 37% of unvaccinated US workers said they would quit if faced with employer-mandated vaccination or testing.



### Work from home employees

Due to COVID, services spending collapsed and goods spending surged, driving goods price inflation to the highest levels since the 1970's. Categories with 20%+ spending increases vs pre-COVID levels: household, telecommunications and computer equipment; home furnishings and power tools; recreational goods and clothing. Many are import-intensive and semiconductor-intensive, worsening supply chain bottlenecks.



### Labor force drop-outs and switchers

Several million people dropped out of the labor force, or shifted sectors or states. The Census Bureau estimated in December that 2.5 million people were not working due to concerns about getting or spreading COVID. Job switching out of manufacturing and agriculture into self-employed transportation and construction has tightened the labor force as well. One consequence: excess job seekers in some states and excess job openings in others.



### A large jump in retirees

COVID drove a surge in US retirement with roughly 1.5 million more people leaving the labor force than usual from January 2020 to August 2021. Academic research points to an increased pace of retirement when 401k account and housing values are rising sharply.



### Healthcare regulators in Asia, the US and Europe

Lockdown rules are still much tighter in Asia, leading to underutilized factories, supply chain shortages, etc. In China, COVID protocols are amongst the tightest in the world. In the US, Kaiser estimates that ~2.5 million people left a job in late 2021 due to vaccination requirements enacted by healthcare regulators and/or company policy.



### Working mothers facing childcare constraints

The reopening of schools improved this issue, but the Census Bureau still estimated in December that more than 5 million people were not working due to child care constraints. Most of these people are working mothers: female labor force participation rates declined twice as much as male participation rates since February 2020.



### Missing immigrant workers

Visas issued to immigrants and temporary workers collapsed during the pandemic, resulting in 700,000 fewer workers in the US labor supply. This follows on the pre-COVID Trump era when net immigration fell to its lowest levels since the 1980's. Another factor driving wage inflation higher.



### Oil, natural gas and coal producers

Thermal energy producers have reverted into their shells, reducing capital spending on new projects by 75% from peak levels. Global demand for thermal energy is unchanged, leading to energy price inflation and food price inflation as well given rising demand for biodiesel.

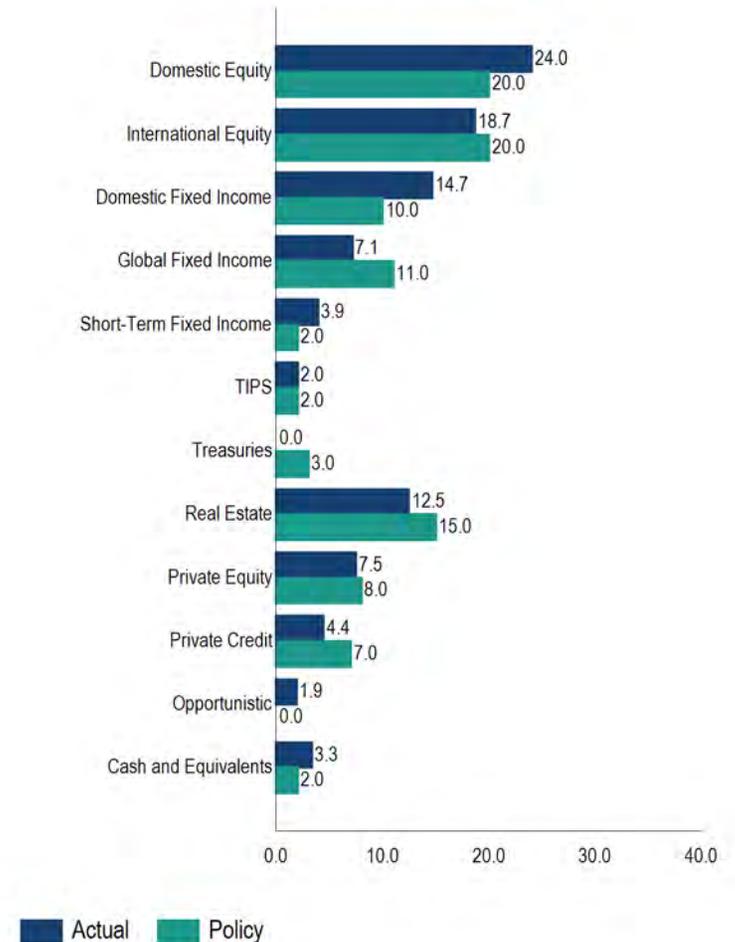
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: December 31, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Fund</b>	<b>1,770,526,926</b>	<b>100.0</b>	<b>2.5</b>	<b>15.3</b>
Interim Policy Index			2.4	12.7
FFP SAA Index			2.1	20.9
<b>Total Growth</b>	<b>1,187,519,769</b>	<b>67.1</b>	<b>3.6</b>	<b>23.5</b>
Custom Growth Benchmark			3.1	16.5
<b>Total Public Equity</b>	<b>756,125,360</b>	<b>42.7</b>	<b>5.1</b>	<b>20.3</b>
Russell 3000			3.9	25.7
<b>Total Domestic Equity</b>	<b>425,186,694</b>	<b>24.0</b>	<b>5.6</b>	<b>25.3</b>
Russell 3000			3.9	25.7
PIMCO RAE US	115,073,115	6.5	6.5	28.3
S&P 500			4.5	28.7
Loomis Sayles Large Cap Growth	109,802,731	6.2	2.5	19.4
Russell 1000 Growth			2.1	27.6
Boston Partners Large Cap Value	112,643,851	6.4	6.9	30.9
Russell 1000 Value			6.3	25.2
Atlanta Capital Mgmt	87,666,997	5.0	7.0	23.0
Russell 2500			3.3	18.2
<b>Total International Equity</b>	<b>330,938,666</b>	<b>18.7</b>	<b>4.4</b>	<b>15.1</b>
MSCI ACWI ex USA Gross			4.2	8.3
Dodge & Cox Intl Stock	157,988,013	8.9	5.2	11.7
MSCI ACWI ex USA Value Gross			5.4	11.1
WCM International Growth	172,950,653	9.8	3.8	18.5
MSCI ACWI ex USA Growth Gross			3.0	5.4
<b>Total Private Equity</b>	<b>132,334,231</b>	<b>7.5</b>		
Harbourvest Partners IX Buyout Fund L.P.	18,562,941	1.0		
Pathway Private Equity Fund Investors 9 L.P.	86,389,149	4.9		
Harbourvest 2018 Global Fund L.P.	18,597,751	1.1		
Pathway Private Equity Fund Investors 10 L.P.	8,784,390	0.5		
<b>Total Private Credit</b>	<b>78,418,331</b>	<b>4.4</b>		
Sixth Street Partners DCP	78,418,331	4.4		

Actual vs Interim Target Allocation (%)



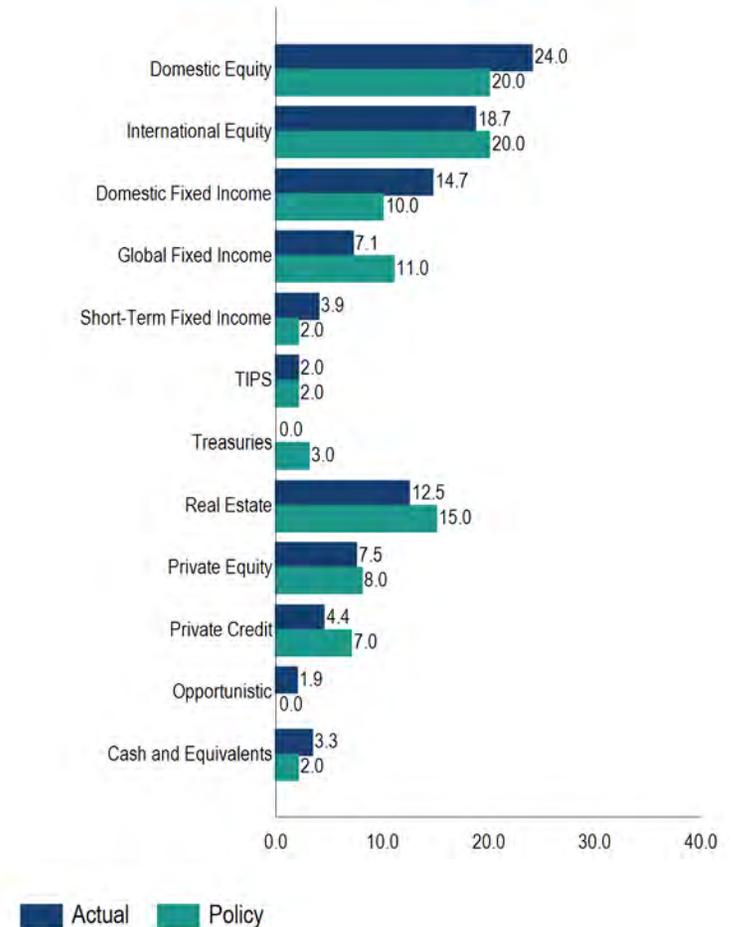
New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BBgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BBgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BBgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

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

Period Ending: December 31, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Real Estate</b>	<b>220,641,848</b>	<b>12.5</b>	<b>1.9</b>	<b>18.5</b>
NCREIF Property Index			0.0	10.9
JP Morgan Core Real Estate	166,852,959	9.4	2.6	19.9
NCREIF-ODCE			0.0	13.1
NCREIF Property Index			0.0	10.9
ARA American Strategic Value Realty	53,788,889	3.0	0.0	14.0
NCREIF-ODCE			0.0	13.1
NCREIF Property Index			0.0	10.9
<b>Total Risk Diversifying</b>	<b>461,196,059</b>	<b>26.0</b>	<b>0.4</b>	<b>-1.5</b>
Custom Risk Diversifying Benchmark			-0.4	-3.2
<b>Total Domestic Fixed Income</b>	<b>334,631,876</b>	<b>18.9</b>	<b>0.3</b>	<b>1.0</b>
Bloomberg US Aggregate TR			-0.3	-1.5
BlackRock Core Bond	88,469,341	5.0	0.3	-1.2
Bloomberg US Aggregate TR			-0.3	-1.5
Dodge & Cox Income Fund	92,168,457	5.2	0.2	-0.5
Bloomberg US Aggregate TR			-0.3	-1.5
Pacific Asset Corporate Loan	78,904,369	4.5	0.7	5.6
S&P/LSTA Leveraged Loan Index			0.6	5.2
SSGA U.S. Govt Bond Index	39,691,667	2.2	-0.5	--
Bloomberg US Govt/Credit 1-3 Yr. TR			-0.2	--
BlackRock TIPS	35,398,042	2.0	0.3	--
Bloomberg US TIPS TR			0.3	--
<b>Total Global Fixed</b>	<b>126,564,183</b>	<b>7.1</b>	<b>0.9</b>	<b>-7.0</b>
FTSE World Govt Bond Index			-0.6	-7.0
Brandywine Global Fixed Income	59,195,437	3.3	0.8	-4.1
FTSE WGBI ex US TR			-0.7	-9.7
Ashmore EM Blended Debt Fund	67,368,746	3.8	1.0	-9.5
50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELM1+			1.4	-3.9

Actual vs Interim Target Allocation (%)



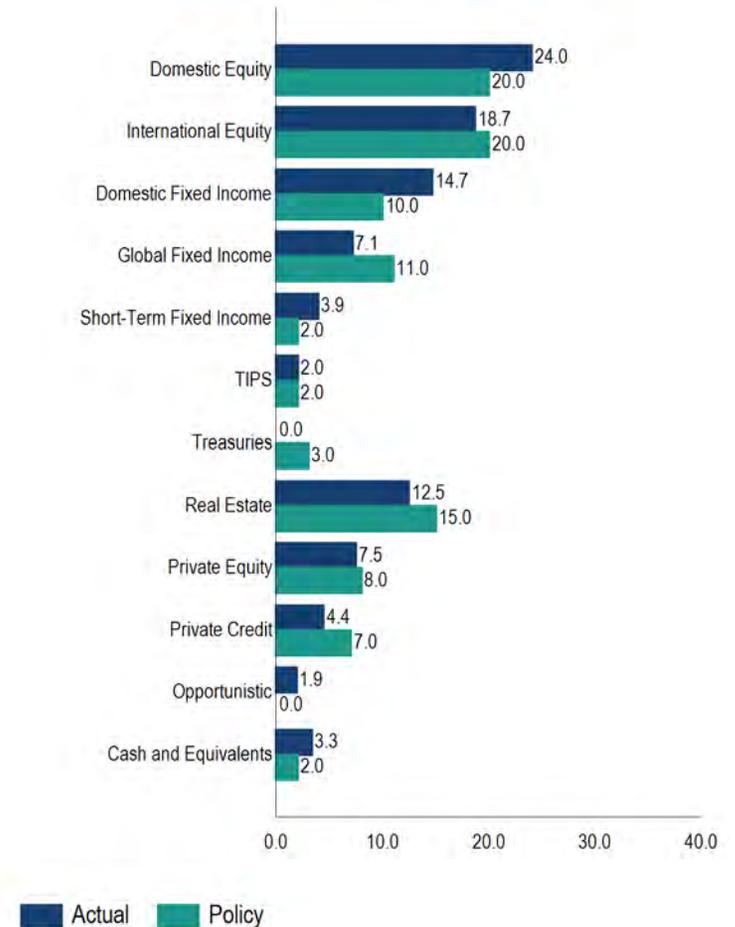
New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BbgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BbgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BbgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

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

Period Ending: December 31, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Liquidity</b>	<b>88,299,283</b>	<b>5.0</b>	<b>0.0</b>	<b>0.2</b>
91 Day T-Bills			0.0	0.0
<b>Total Cash</b>	<b>88,299,283</b>	<b>5.0</b>	<b>0.0</b>	<b>0.2</b>
91 Day T-Bills			0.0	0.0
PIMCO Short Duration Fund	29,730,651	1.7	-0.1	--
Bloomberg US Govt/Credit 1-3 Yr. TR			-0.2	--
Cash Account	54,010,256	3.1	0.0	0.8
91 Day T-Bills			0.0	0.0
Investment Cash	4,558,376	0.3	0.0	--
91 Day T-Bills			0.0	--
<b>Total Opportunistic</b>	<b>33,511,814</b>	<b>1.9</b>		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	5,206,085	0.3		
Sixth Street Partners TAO	28,305,729	1.6		

Actual vs Interim Target Allocation (%)



New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BbgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BbgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BbgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

This page left blank intentionally.

**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

DECEMBER 2021  
Capital Markets Update

# Market commentary

## U.S. ECONOMICS

- U.S. non-farm payrolls increased by 199,000 in December, significantly short of economist expectations for 450,000 new jobs. Payrolls grew by 6.4 million in 2021, the most added in a single year, though payrolls remain 3.6 million beneath pre-pandemic levels.
- The headline unemployment rate fell to 3.9% from 4.2% in November. Wages climbed 4.7% from a year prior and continued to substantiate views of a tight US labor market.
- The ISM Services PMI fell to 62.0, marking the 19<sup>th</sup> consecutive month of expansion, though the pace of expansion moderated from the record level set in November. Decreased supplier delivery times, which fell 11.8 points to 63.9, indicated that some supply chain disruptions may have eased.

## U.S. EQUITIES

- The S&P 500 posted four record closes in the final month of 2021 and produced a 4.5% gain to close at 4766 points. The S&P 500 recorded 70 record closes during the year, the most since 1995.
- Whether companies can continue to preserve profit margins in Q4 remains in question. Producer prices rose in the most recent month by the largest annual amount since 2010. Producer prices are a leading indicator to what consumers might pay if companies preserve margins by passing on increasing costs to consumers.
- The \$1.75 trillion Build Back Better Act stalled in the Senate as it was unable to gain the support of Senator Manchin, a key swing vote. The bill – which would extend child tax credits and incentivize investment in clean energy among other spending measures – will be a priority as the 2022 mid-term elections approach.

## U.S. FIXED INCOME

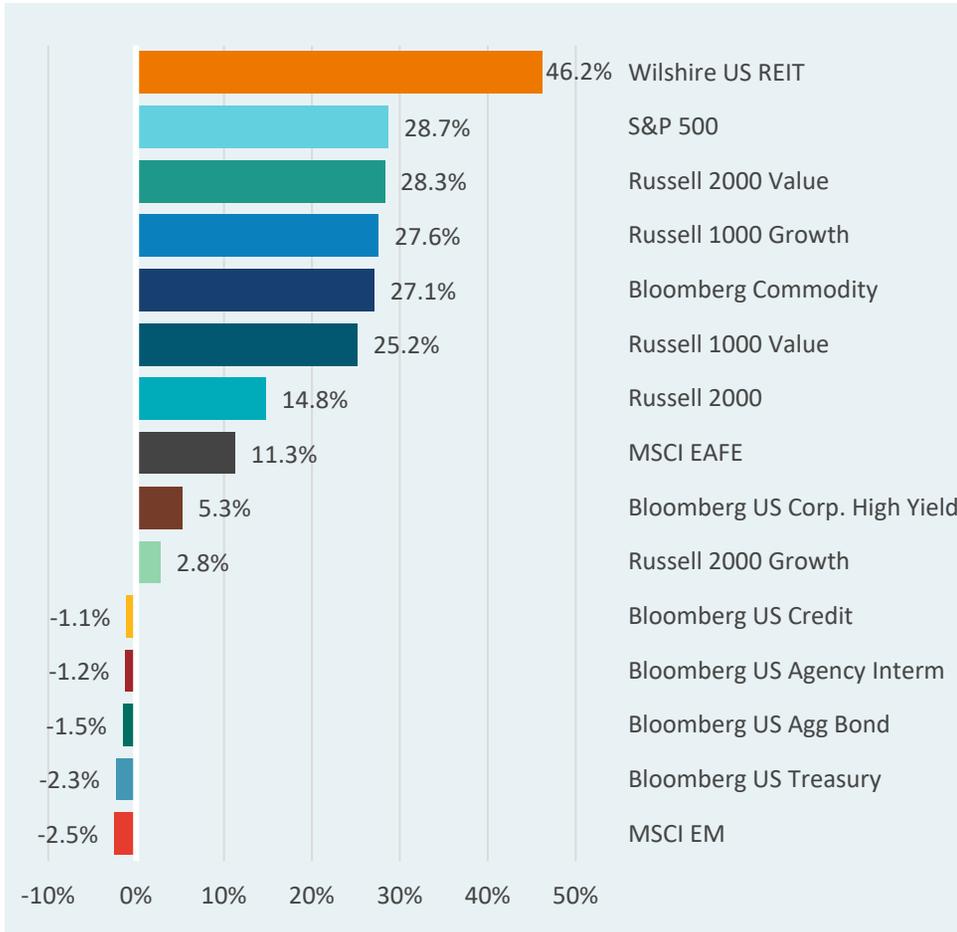
- The Federal Reserve persisted in its commitment to a hawkish stance to further combat surging prices. The Fed increased the pace of its taper to \$30 billion, a doubling from the month before. Looking ahead, the Fed will be considering how soon after the conclusion of the taper process they will be able to start decreasing the size of their balance sheet.
- The range for federal funds was left unchanged at near-zero levels, but the Fed is expected to begin hiking interest rates in March. Most Fed officials expect three quarter-percentage-point interest-rate increases in 2022, a change from September when half of officials thought there would be no hikes in 2022.
- Shorter-dated US Treasury yields rose by more than longer-dated Treasuries as the yield curve flattened. U.S. Treasury yields rose across maturities (2yr +21bps, 30yr +12bps), resulting in negative performance for fixed income investors.

## INTERNATIONAL MARKETS

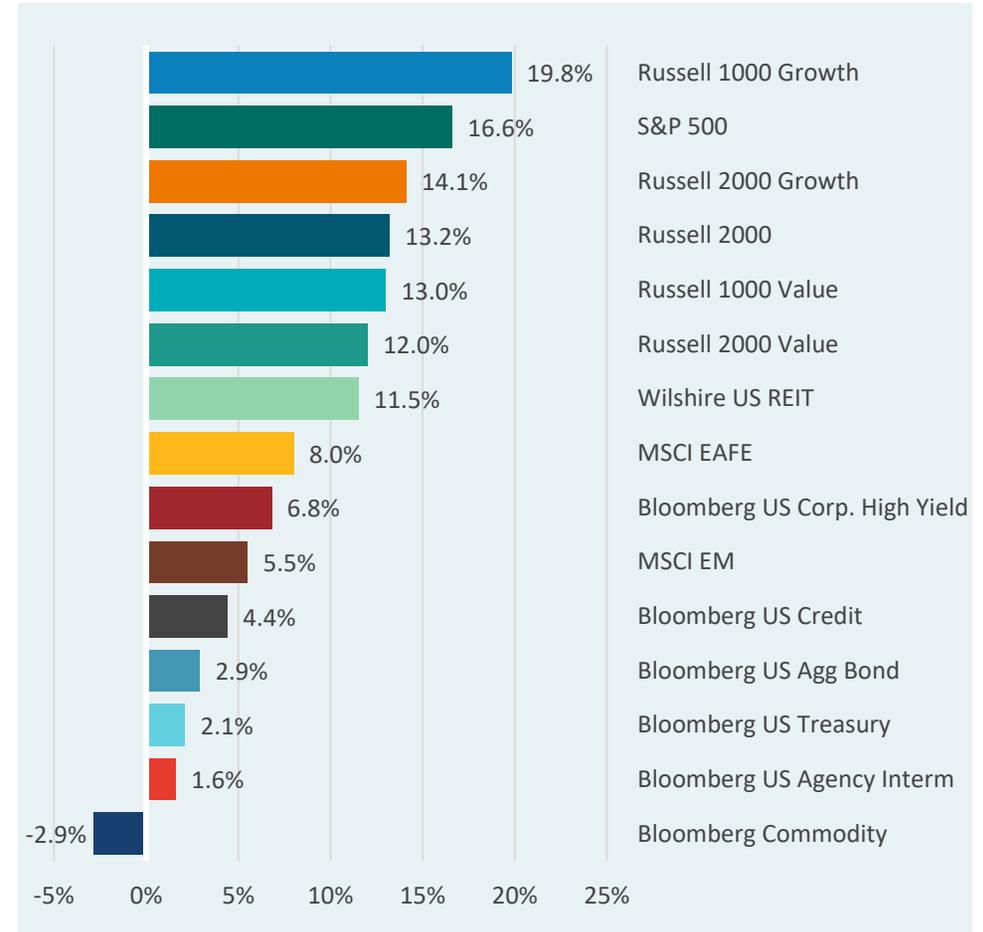
- The Japanese Yen depreciated -1.4% against the U.S. Dollar in December. The currency is down -10.3% in 2021 as the currency remains near a 5-year low.
- Monetary policy in China remains supportive: the one-year loan prime rate was cut for the first time since April 2020, which came alongside a cut in the reserve requirement ratio. Chinese growth is expected to cool in 2022.
- The Turkish Lira (+1.3%) stabilized against the U.S. Dollar following President Erdogan's announcement that the government would protect Lira holders from exchange rate fluctuations.

# Major asset class returns

ONE YEAR ENDING DECEMBER



TEN YEARS ENDING DECEMBER



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

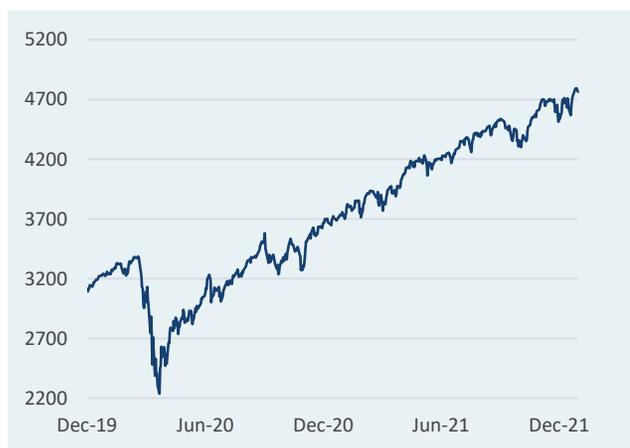
Source: Morningstar, as of 12/31/21

Source: Morningstar, as of 12/31/21

# U.S. large cap equities

- The S&P 500 Index closed the month 4.5% higher despite concern from investors surrounding the increasing case count of the new Omicron variant of Covid-19. The S&P 500 rose 28.7% in 2021, marking the third year of consecutive positive returns.
- Of the 11 S&P 500 GICS sectors 10 posted positive returns and the Consumer Discretionary sector was the only sector to post a negative return (-0.3%). The Consumer Staples (+10.3%), Real Estate (+10.2%) and Utilities (+9.6%) sectors were the top performing sectors in the index.
- The Cboe VIX Index of implied volatility fell from 31.1 to 17.2 in December. Concerns surrounding the Omicron variant seemed to have little impact on the index and trading volumes slowed as the year approached its end.
- With 66 initial public offerings in December, full year IPOs totaled 1,058 in 2021 – the most recorded in a single year. Low rates and high levels of fiscal stimulus over the year helped make going public attractive. The wave of IPOs has been a benefit to revenues for the firms that underwrite and finance the offerings. The Financials sector climbed 35.0% in 2021.

**S&P 500 PRICE INDEX**



Source: Bloomberg, as of 12/31/21

**IMPLIED VOLATILITY (VIX INDEX)**



Source: Cboe, as of 12/31/21

**S&P 500 VALUATION SNAPSHOT**

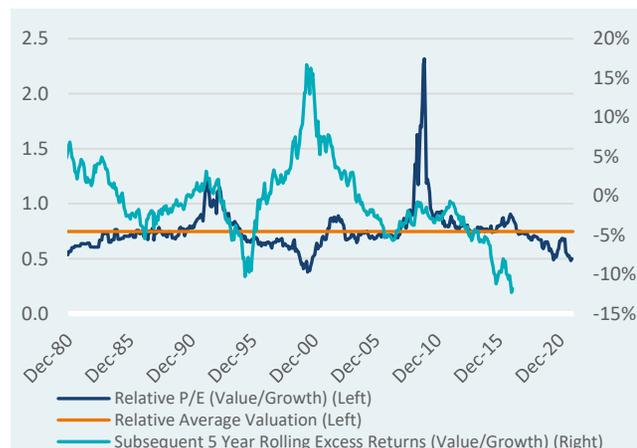


Source: Bloomberg, as of 12/31/21

# Domestic equity size and style

- Value factor stocks (Russell 3000 Value +6.2%) strongly outperformed growth factor stocks (Russell 3000 Growth +2.0%) and brought the spread between the two styles to within roughly 50 basis points over the year ended 2021. Companies in the Telecommunication Services and Utilities sectors helped the value factor outperform over the month.
- Defensive stocks outpaced cyclical stocks by 5.1% in December. More defensive sectors such as Health Care and Utilities led gains in equity markets. Stocks within sectors that are more cyclical lagged, such as the Financials, Information Technology, and Energy sectors.
- Large-cap equities (Russell 1000 +4.1%) outpaced small cap-equities (Russell 2000 +2.2%) for the 3<sup>rd</sup> consecutive month. Small-cap equities are generally more sensitive to economic conditions and have been restrained in part by the Omicron variant’s potential to lead to new social restrictions that can hamper growth.
- Positive returns within the S&P 500 Index had a high degree of breadth over the month. Of the index’s constituents, 76% advanced and the equal-weighted index outperformed the market-cap weighted index (S&P 500 Equal Weighted +6.2% vs. S&P 500 +4.5%).

**VALUE VS. GROWTH RELATIVE VALUATIONS**



Source: FTSE, Bloomberg, as of 12/31/21

**VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE**



Source: FTSE, Bloomberg, as of 12/31/21

**SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE**

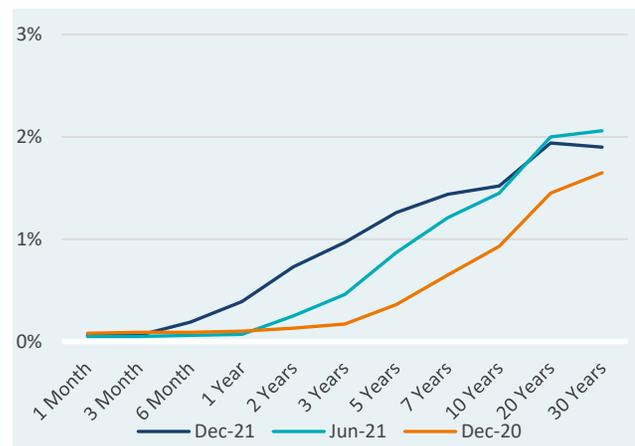


Source: FTSE, Bloomberg, as of 12/31/21

# Fixed income

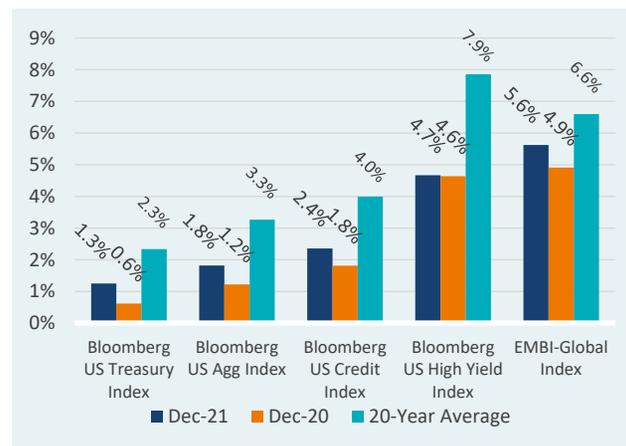
- Increases in breakeven inflation rates can show that markets believe that prices may increase at a faster rate over the intermediate term. The five-year breakeven inflation rate rose by 10 basis points over the month but ended the year 30 basis points below its peak of 3.2% in November as the market priced in earlier rate action by the Fed.
- Corporate high-yield bonds (Bloomberg US Corp. HY +1.9%) provided insulation to fixed income investors amid a month of rate rises (Bloomberg US Agg -0.3%). High yield bonds tend to have lower interest-rate sensitivity relative to investment-grade bonds.
- In what has been a benign credit environment spreads have compressed to near decade lows. The spread of high-yield bonds (-57 basis points), emerging market debt (-42 basis points) and investment grade debt (-5 basis points) all compressed further over the month.
- The Bank of England approved a 15-basis point increase in its key policy rate, becoming the first G7 country to lift rates since the onset of Covid. Gilt yields surged across maturities following the surprise announcement. The Omicron variant may hinder economic growth in line with the reimplementations of lockdowns and prolonged supply chain disruptions.

**U.S. TREASURY YIELD CURVE**



Source: Bloomberg, as of 12/31/21

**NOMINAL YIELDS**



Source: Morningstar, as of 12/31/21

**BREAKEVEN INFLATION RATES**

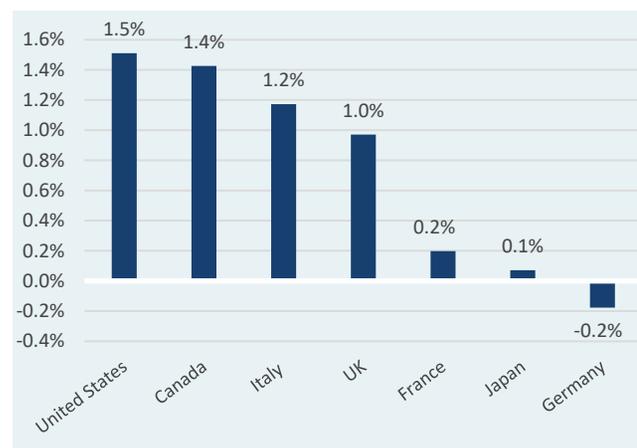


Source: Bloomberg, as of 12/31/21

# Global markets

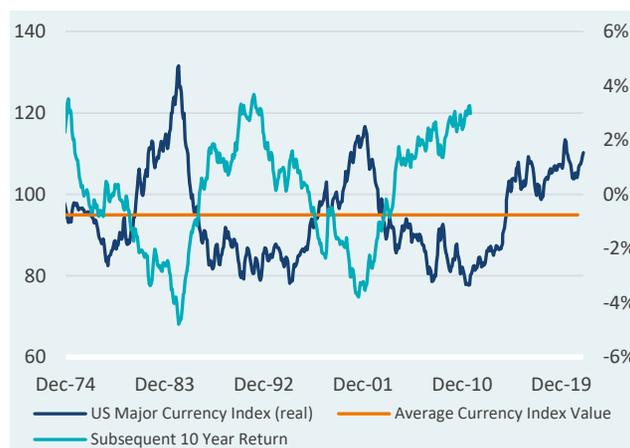
- Global equities (MSCI ACWI +4.0%) were led by both developed market equities (MSCI EAFE +5.1%) and U.S. equities (S&P 500 +4.5%). Emerging market equities (MSCI EM +1.9%) underperformed other world indices but still posted modest returns.
- Developed markets (MSCI EAFE +5.1%) were led higher by strong returns in the United Kingdom (MSCI UK +7.3%) and Europe (MSCI Euro +6.3%). Investors that held local currencies in both the United Kingdom and Europe benefited from a weakening dollar. The Pound and the Euro appreciated 2.4% and 1.0%, respectively, against the U.S. Dollar.
- Emerging market equities (MSCI EM +1.9%) faced headwinds in Asia (MSCI EM Asia +1.5%) as decreased growth prospects in China weighed on the region. Latin American markets (MSCI EM Latin America +5.9%) contributed positively to the emerging market basket.
- The new Omicron variant of Covid-19 has been spreading quickly across the globe. The variant has caused countries to limit travel and sparked new social distancing measures. Beijing banned travel from the U.S. and Europe and is implementing strict policies to fight Omicron. Port quarantine policies and other measures may pose new issues for supply chains.

**GLOBAL SOVEREIGN 10-YEAR YIELDS**



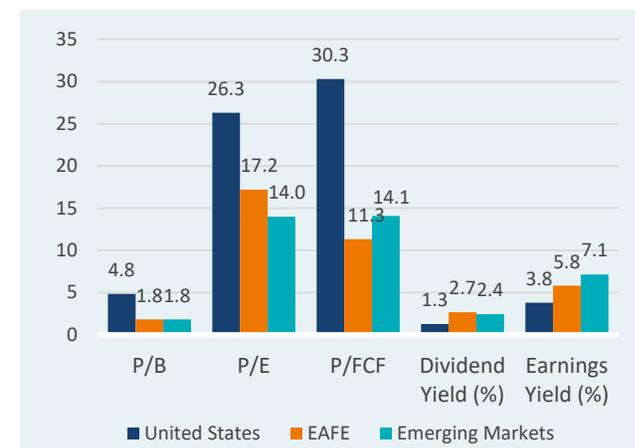
Source: Bloomberg, as of 12/31/21

**U.S. DOLLAR MAJOR CURRENCY INDEX**



Source: Federal Reserve, as of 12/31/21

**MSCI VALUATION METRICS (3-MONTH AVG)**



Source: Bloomberg, as of 12/31/21

# Commodities

- The Bloomberg Commodity Index rose +3.5% in the last month of the year, led higher by the Petroleum (+13.4%), and Industrial Metals (+6.4%) Sub-Indexes. Overall performance was dragged down by lackluster returns in the Livestock (+1.5%) and Softs (+0.3%) Sub-Indexes.
- The Bloomberg Petroleum Sub-Index (+13.4%) rebounded in December, bringing its year-to-date return to +62.9%, as WTI crude oil futures contracts rallied +13.9%. Ecuador, Libya and Nigeria – which accounted for 3.6% of global petroleum production in the first nine months of 2021 – faced major production issues that decreased supply over the month.
- The Bloomberg Energy Sub-Index (+2.8%) was weighed down by natural gas which accounts for as much of a weight in the index as WTI Crude Oil (~27% target weight). Prices for natural gas fell following government weather forecasts that were projected warmer-than-expected and provided relief to heating prices.
- The Bloomberg Industrial Metals Sub-Index climbed +6.4% and posted the highest calendar year return since 2009 (+30.3%). All the industrial metals saw gains over the month, notably aluminum (+6.5%) led gains for the year and was up +42.5%. High energy costs pressured aluminum smelters to limit operations.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	3.5	(1.6)	27.1	27.1	9.9	3.7	(2.9)
Bloomberg Agriculture	3.6	6.3	26.7	26.7	14.5	3.6	(1.8)
Bloomberg Energy	2.8	(13.0)	52.1	52.1	(0.9)	(4.0)	(10.4)
Bloomberg Grains	3.8	6.8	21.0	21.0	12.6	3.6	(2.1)
Bloomberg Industrial Metals	6.4	8.6	30.3	30.3	17.5	11.1	1.8
Bloomberg Livestock	1.5	1.9	8.6	8.6	(7.9)	(3.9)	(4.2)
Bloomberg Petroleum	13.4	2.3	62.9	62.9	9.2	2.9	(6.9)
Bloomberg Precious Metals	2.8	4.3	(6.1)	(6.1)	11.3	7.9	(0.3)
Bloomberg Softs	0.3	5.7	44.0	44.0	15.6	0.5	(4.9)

Source: Morningstar, as of 12/31/21

## COMMODITY PERFORMANCE



Source: Bloomberg, as of 12/31/21

# Appendix

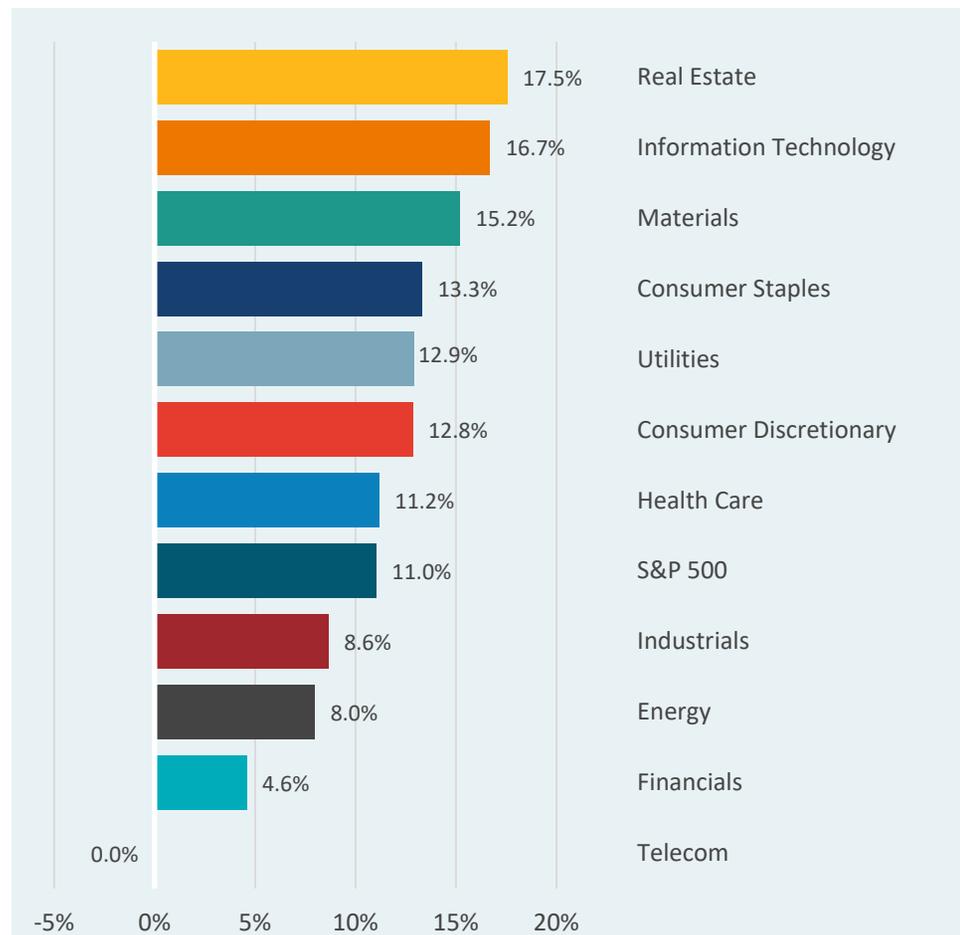
# Periodic table of returns



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 9/30/21.

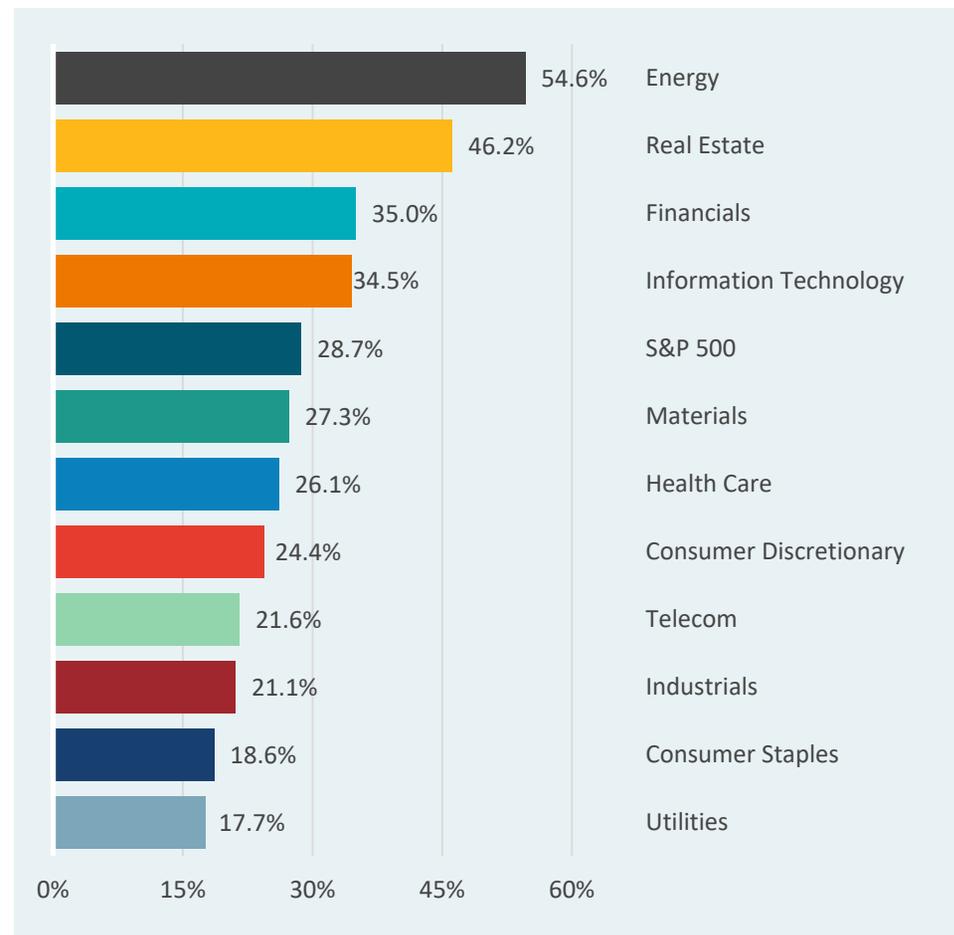
# S&P 500 sector returns

Q4 2021



Source: Morningstar, as of 12/31/21

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/21

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	4.5	11.0	28.7	28.7	26.1	18.5	16.6
S&P 500 Equal Weighted	6.2	9.0	29.6	29.6	23.6	15.7	15.6
DJ Industrial Average	5.5	7.9	20.9	20.9	18.5	15.5	14.2
Russell Top 200	4.0	11.0	27.9	27.9	27.3	19.7	17.2
Russell 1000	4.1	9.8	26.5	26.5	26.2	18.4	16.5
Russell 2000	2.2	2.1	14.8	14.8	20.0	12.0	13.2
Russell 3000	3.9	9.3	25.7	25.7	25.8	18.0	16.3
Russell Mid Cap	4.1	6.4	22.6	22.6	23.3	15.1	14.9
<b>Style Index</b>							
Russell 1000 Growth	2.1	11.6	27.6	27.6	34.1	25.3	19.8
Russell 1000 Value	6.3	7.8	25.2	25.2	17.6	11.2	13.0
Russell 2000 Growth	0.4	0.0	2.8	2.8	21.2	14.5	14.1
Russell 2000 Value	4.1	4.4	28.3	28.3	18.0	9.1	12.0

## INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
MSCI ACWI	4.0	6.7	18.5	18.5	20.4	14.4	11.9
MSCI ACWI ex US	4.1	1.8	7.8	7.8	13.2	9.6	7.3
MSCI EAFE	5.1	2.7	11.3	11.3	13.5	9.5	8.0
MSCI EM	1.9	(1.3)	(2.5)	(2.5)	10.9	9.9	5.5
MSCI EAFE Small Cap	4.4	0.1	10.1	10.1	15.6	11.0	10.8
<b>Style Index</b>							
MSCI EAFE Growth	4.3	4.1	11.3	11.3	19.0	13.6	10.1
MSCI EAFE Value	6.0	1.2	10.9	10.9	7.8	5.3	5.8
<b>Regional Index</b>							
MSCI UK	7.3	5.6	18.5	18.5	8.7	6.2	5.1
MSCI Japan	1.9	(4.0)	1.7	1.7	11.7	8.5	8.3
MSCI Euro	6.3	3.9	14.9	14.9	14.6	9.7	8.4
MSCI EM Asia	1.5	(1.0)	(5.1)	(5.1)	13.3	11.9	8.1
MSCI EM Latin American	5.9	(2.7)	(8.1)	(8.1)	(2.4)	1.5	(2.2)

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
Bloomberg US TIPS	0.3	2.4	6.0	6.0	8.4	5.3	3.1
Bloomberg US Treasury Bills	0.0	0.0	0.0	0.0	1.0	1.2	0.7
Bloomberg US Agg Bond	(0.3)	0.0	(1.5)	(1.5)	4.8	3.6	2.9
Bloomberg US Universal	(0.1)	(0.0)	(1.1)	(1.1)	5.2	3.8	3.3
<b>Duration</b>							
Bloomberg US Treasury 1-3 Yr	(0.2)	(0.6)	(0.6)	(0.6)	2.0	1.6	1.1
Bloomberg US Treasury Long	(1.4)	3.1	(4.6)	(4.6)	8.8	6.5	4.5
Bloomberg US Treasury	(0.5)	0.2	(2.3)	(2.3)	4.1	3.1	2.1
<b>Issuer</b>							
Bloomberg US MBS	(0.1)	(0.4)	(1.0)	(1.0)	3.0	2.5	2.3
Bloomberg US Corp. High Yield	1.9	0.7	5.3	5.3	8.8	6.3	6.8
Bloomberg US Agency Interm	(0.2)	(0.7)	(1.2)	(1.2)	2.4	2.0	1.6
Bloomberg US Credit	(0.1)	0.2	(1.1)	(1.1)	7.2	5.1	4.4

## OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Index</b>							
Bloomberg Commodity	3.5	(1.6)	27.1	27.1	9.9	3.7	(2.9)
Wilshire US REIT	8.8	17.1	46.2	46.2	19.2	10.9	11.5
CS Leveraged Loans	0.6	0.7	5.4	5.4	5.4	4.3	4.8
S&P Global Infrastructure	6.6	4.6	11.9	11.9	10.2	7.8	7.7
Alerian MLP	3.7	0.9	40.9	40.9	1.0	(3.7)	(0.3)
<b>Regional Index</b>							
JPM EMBI Global Div	1.4	(0.4)	(1.8)	(1.8)	5.9	4.7	5.3
JPM GBI-EM Global Div	1.6	(2.5)	(8.7)	(8.7)	2.1	2.8	0.7
<b>Hedge Funds</b>							
HFRI Composite	1.3	0.6	10.3	10.3	10.9	7.1	5.8
HFRI FOF Composite	0.8	0.7	6.5	6.5	8.6	5.8	4.6
<b>Currency (Spot)</b>							
Euro	1.0	(1.9)	(7.1)	(7.1)	(0.2)	1.5	(1.3)
Pound Sterling	2.4	0.5	(0.9)	(0.9)	2.1	1.9	(1.4)
Yen	(1.4)	(3.1)	(10.3)	(10.3)	(1.6)	0.3	(4.0)

Source: Morningstar, HFRI, as of 12/31/21

# 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	61.1	22.6	18.7	13.1
Global Private Equity Direct Funds *	61.3	25.9	22.3	15.6
U.S. Private Equity Direct Funds *	66.0	28.0	23.3	17.2
Europe Private Equity Direct Funds *	61.5	24.9	23.3	12.9
Asia Private Equity Direct Funds *	45.4	20.8	19.0	14.9

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
MSCI World	39.0	15.0	14.8	10.7
S&P 500	40.8	18.7	17.6	14.8
MSCI Europe	35.1	8.7	10.3	5.6
MSCI AC Asia Pacific	34.3	10.3	12.6	7.0

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	19.5	8.4	9.4	11.9

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
FTSE NAREIT Equity REIT	38.0	10.1	6.3	9.4

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	34.1	12.1	12.6	11.1

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P / LSTA U.S. Leveraged Loan 100 Index	9.4	4.3	4.7	4.1

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	26.6	(3.0)	2.5	1.4
Global Infrastructure	16.8	10.3	11.2	9.8

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P Global Natural Resources	49.3	6.1	11.4	2.3
S&P Global Infrastructure	23.2	5.6	6.2	6.2

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

\* Includes Buyout, Growth Equity and Venture Capital.

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

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

# Notices & disclosures

**Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended. Additional information about Verus Advisory, Inc. available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Verus – also known as Verus Advisory™.

## Board of Trustees

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



Date: January 24, 2022

To: Board of Trustees

From: Carl Nelson – Executive Director  
Amy Burke – Deputy Director  
Scott Whalen – Verus

### **Agenda Item 23: Private Markets Program Review - Verus**

#### **Recommendation:**

Receive a presentation on the existing private markets program from Scott Whalen, Verus, the Pension Trust's investment consultant.

#### **Background:**

Private market assets are investments that are not traded on public exchanges or markets such as stocks and bonds. Private market assets are expected to have greater returns than public market assets, but with far less liquidity. The private markets investments program for the SLOCPT began in 2011 and currently makes up over 12% of the total fund in Private Equity and Private Credit. Real Estate is also a private market asset (excluding publicly traded REITS) but is not included in this report. SLOCPT's Real Estate investments are currently in two open-end funds so are better considered separately.

This report is on the Private Equity and Private Credit programs already in existence. As such they deserve a closer review with the Board of Trustees. The Verus presentation points out the actual performance of the SLOCPT's private markets program through 3Q21.

Future SLOCPT private market investments in the expanded allocations to Private Equity, Private Credit, and Infrastructure will be managed by HarbourVest in the fund-of-one structure previously approved by the Board.

Respectfully submitted,

This page left blank intentionally.



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



**OCTOBER 2021**

Private markets program review

**San Luis Obispo County Pension Trust**

# Table of contents



VERUSINVESTMENTS.COM

SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

SAN FRANCISCO 415-362-3484

---

Executive Summary **PAGE 3**

---

Overview **PAGE 4**

---

Private Equity **PAGE 8**

---

Private Credit **PAGE 15**

---

Appendix **PAGE 22**

**Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Additional information about Verus Advisory, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Verus – also known as Verus Advisory™.

# Executive summary

## Private Equity

- SLOCPT's private equity program comprises 6.3% of the total fund relative to its 18% long-term target.
- The program utilizes two managers (HarbourVest and Pathway) in a multi-series, global fund structure to gain sector, geographic, and vintage year diversification.
- The program has performed well since inception.

## Private Credit

- SLOCPT's private credit program comprises 4.7% of the total fund relative to its 12% long-term target.
- The private credit program was initiated through a single-platform, multi-fund structure.
- The program began with a \$75million commitment to three separate funds in 2016. An additional commitment of \$20million was added in late 2018 and \$37.5million in 2020 to bring the total private credit commitment to \$132.5million.
- The program continues to exceed performance expectations.

## Recommendations

- Based on the planned transition to FFP and the current allocation at targets, we recommend no additional commitments at this time.

# I. Overview

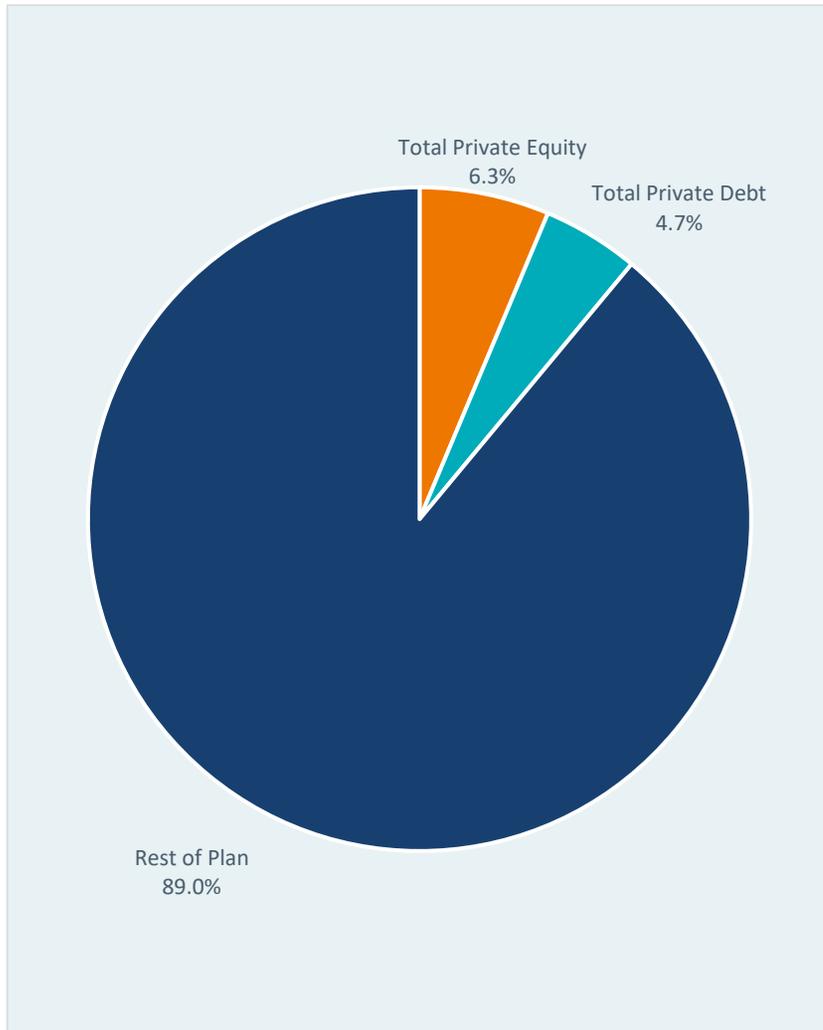
# Portfolio allocation (as of 9/30/21)

Asset Class	Long-Term FFP Targets	Current
Public Market Equity	30%	41.5%
Private Equity	18%	7.0%
Public Market Debt	15%	26.6%
Private Credit	12%	4.7%
Open-end Real Estate	5%	11.7%
Private Real Estate & Infrastructure	10%	0%
Cash & Equivalents	10%	6.9%
Opportunistic <sup>1</sup>	0%	1.6%

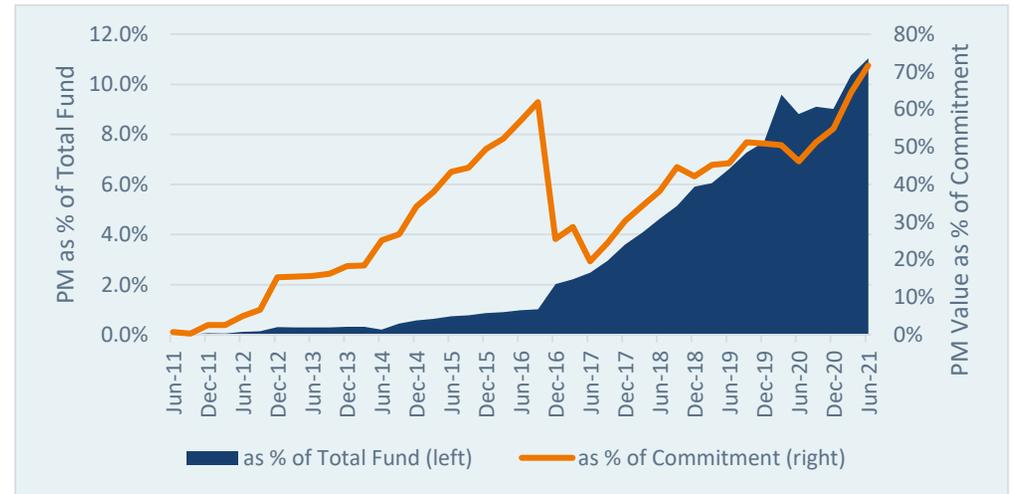
<sup>1</sup>Opportunistic is composed of KKR Mezzanine and TAO Contingent. KKR is winding down and TAO was funded in April 2020.

# Private markets program at a glance

PRIVATE MARKETS AS % OF TOTAL FUND



PRIVATE MARKETS VALUE AS % OF COMMITMENT AND TOTAL FUND



PRIVATE MARKETS TOTAL COMMITMENT AND CURRENT VALUE



As of 6/30/21

# Current private market holdings

Vintage	Manager & Fund Name	Estimated 6/30 Market Value <sup>3</sup>	Total Commitment	Capital Called	% Called	Remaining Commitment	Capital Returned	Market Value as of IRR date	Distrib/ Paid-In (DPI) <sup>1</sup>	Tot. Value/ Paid-In (TVPI) <sup>2</sup>	Net IRR Since Inception <sup>4</sup>	IRR Date
2011	HarbourVest Partners IX-Buyout Fund L.P.	\$16,712,202	\$20,000,000	\$17,050,000	85%	\$2,950,000	\$18,197,970	\$17,781,634	106.7%	204.8%	19.2%	12/31/20
2018	HarbourVest Partners 2018 Global Fund L.P.	\$14,809,895	\$20,000,000	\$11,600,000	58%	\$8,400,000	\$1,022,070	\$14,601,734	8.8%	136.5%	28.8%	12/31/20
2010	KKR Mezzanine Partners I L.P.	\$4,776,399	\$20,000,000	\$20,000,000	100%	\$0	\$29,632,339	\$4,817,716	148.2%	172.0%	6.6%	3/31/21
2016	Sixth Street Partners Diversified Credit Program <sup>6</sup>	\$78,801,880	\$132,500,000	\$81,085,536	61%	\$51,414,464	\$23,498,734	\$79,561,015	29.0%	126.2%	10.9%	3/31/21
2017	Pathway Private Equity Fund Investors 9 L.P.	\$69,518,872	\$65,000,000	\$37,005,356	57%	\$27,994,644	\$394,145	\$48,167,058	1.1%	188.9%	24.5%	12/31/20
2020	Pathway Private Equity Fund Investors 10 L.P.	\$4,775,251	\$20,000,000	\$1,100,678	6%	\$18,899,322	\$46,848	-	4.3%	438.1%	-	-
2020	Sixth Street Partners Adjacent Opportunities <sup>6</sup>	\$25,069,650	\$60,000,000	\$22,344,691	37%	\$37,655,309	\$2,338,171	\$8,254,667	10.5%	122.7%	11.0%	3/31/21
<b>Total Alternative Illiquids</b>		<b>\$214,464,149</b>	\$337,500,000	\$190,186,261	56%	\$147,313,739	\$75,130,277	\$173,183,824	39.5%	152.3%		
<b>% of Portfolio (Market value)</b>		<b>12.8%</b>										

	Management Fee	Admin Fee	Interest Expense	Other Expense	Total Expense <sup>5</sup>
HarbourVest Partners IX-Buyout Fund L.P.	\$49,831	\$0	\$0	\$5,545	\$55,376
HarbourVest Partners 2018 Global Fund L.P.	\$38,993	\$0	\$0	\$15,637	\$54,630
KKR Mezzanine Partners I L.P.	\$7,753	\$0	\$0	\$399	\$8,152
SSP Diversified Credit Program	\$0	\$0	\$0	\$23,209	\$23,209
Pathway Private Equity Fund Investors 9 L.P.	\$0	\$0	\$0	\$0	\$0
Pathway Private Equity Fund Investors 10 L.P.	\$0	\$0	\$0	\$0	\$0
SSP Adjacent Opportunities <sup>6</sup>	\$126,725	\$0	\$265,521	\$22,615	\$414,861
	\$223,302	\$0	\$265,521	\$67,405	<b>\$556,228</b>

<sup>1</sup>(DPI) is equal to (capital returned / capital called)

<sup>2</sup>(TVPI) is equal to (market value + capital returned) / capital called

<sup>3</sup>Last known market value + capital calls – distributions

<sup>4</sup> Net IRR is calculated on the cash flows of the underlying investments of the fund and is net of the underlying fund fees and carried interest

<sup>5</sup>All fees and expenses are for 1Q 2021

<sup>6</sup>Sixth Street Partners was previously known as TSSP

Excerpt from SLOCPT'S 6/30/21 performance report. Private equity holdings data are reported on a lagged cycle and are reflective of the last known values at the time of the report.

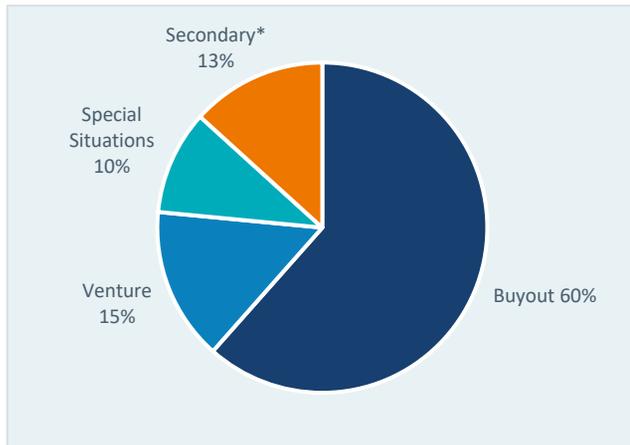
KKR Mezzanine and SSP Adjacent Opportunities are categorized as Opportunistic within SLOCPT's investment policy and are not part of this study.

# II. Private equity

# Diversification within the PE program

- The program is diversified across four funds, two managed by HarbourVest and two by Pathway.
- The most recent allocation was to Pathway Fund 10, which had its first draw in March 2020.
- Currently, the largest allocation is to Pathway Fund 9 at \$65million with the others at \$20million each.
- The program currently spans 11 vintage years with the highest concentration in years 2018 and 2019 (a function of both managers deploying a large allocation into funds).
- Leveraged Buyouts make up most of the program, with a caveat. Underlying secondary investments can be categorized as buyout, venture, credit, etc. We include secondaries as a strategy/stage type because fund managers will allocate to second-hand deals to mitigate the j-curve or to pick up an undervalued asset with high upside potential.

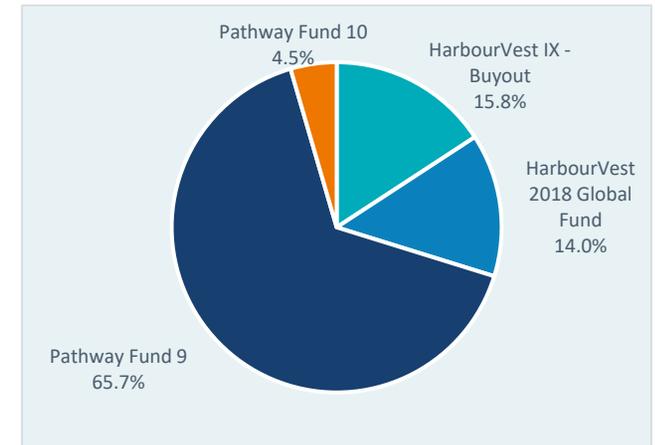
## STRATEGY/STAGE DIVERSIFICATION



## VINTAGE YEAR DIVERSIFICATION



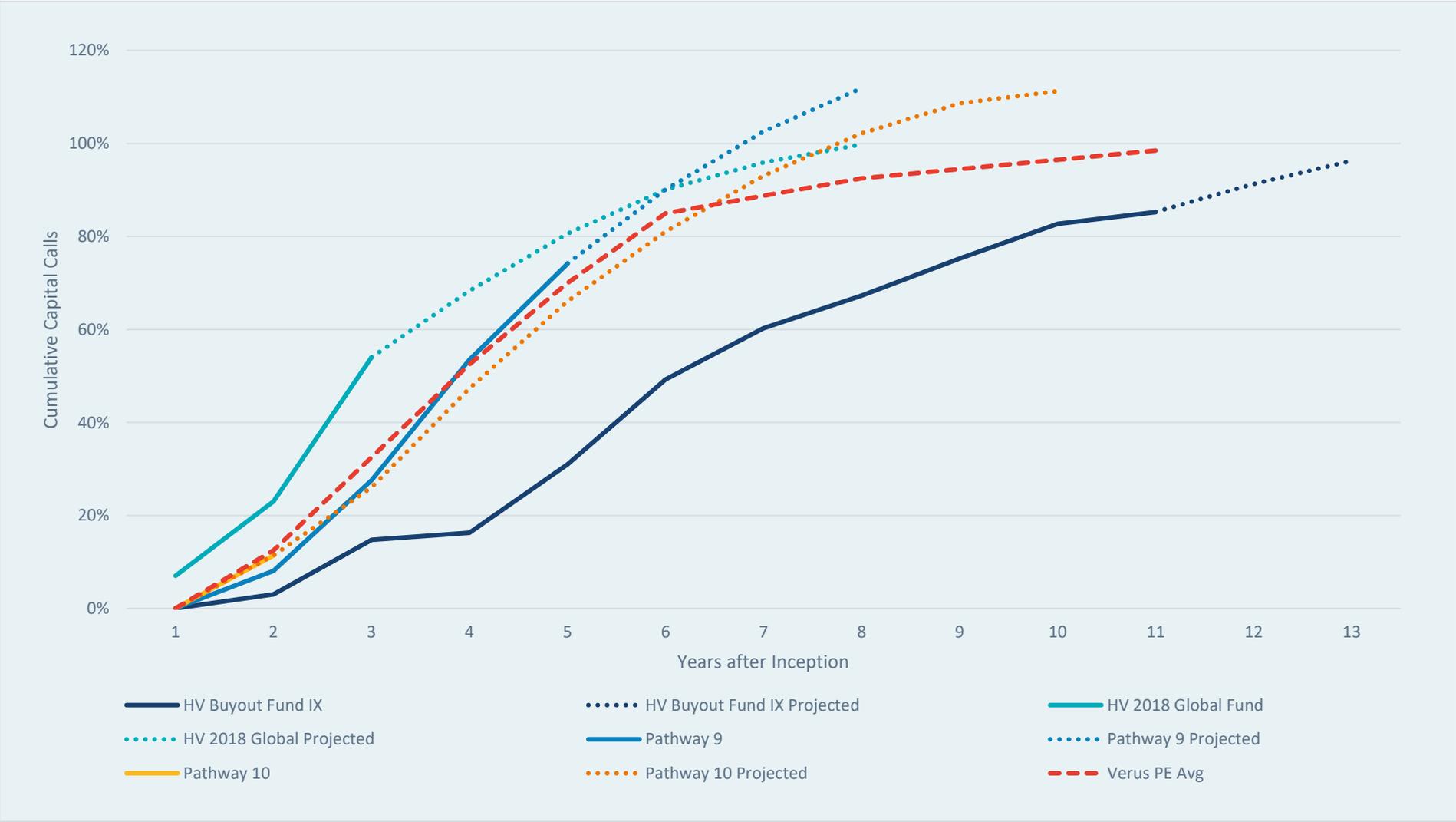
## MANAGER DIVERSIFICATION



Based on market values as of 6/30/21

\* Please see appendix for detail

# Capital call pace



Projected figures based on capital call projections as of 6/30/20

# Capital call pace



Projected figures based on capital call projections as of 6/30/20

# Program fees

	HarbourVest Fund IX Buyout	Pathway 9	HarbourVest 2018 Global Fund	Pathway 10
Commitment	\$20,000,000	\$65,000,000	\$20,000,000	\$20,000,000
Vintage Year	2011	2017	2018	2020
Year 1	0.25%	0.21%	0.45%	0.20%
Year 2	0.50%	0.43%	0.66%	0.41%
Year 3	0.75%	0.64%	0.88%	0.61%
Year 4	1.00%	0.86%	0.88%	0.81%
Year 5	1.00%	0.86%	0.88%	0.81%
Year 6	1.00%	0.86%	0.88%	0.81%
Year 7	1.00%	0.86%	0.88%	0.81%
Year 8	1.00%	0.86%	0.88%	0.81%
Year 9	1.00%	0.77%	0.66%	0.73%
Year 10	1.00%	0.68%	0.45%	0.65%
Year 11	0.90%	0.60%	0.22%	0.57%
Year 12	0.81%	0.51%	0.13%	0.49%
Average	0.85%	0.68%	0.65%	0.64%

Total lifetime private equity program costs average to about 70 bps<sup>1</sup>

1. Calculation is cap-weighted based on commitment amounts of current funds.

# Private equity performance as of 6/30/21

Fund	Net IRR	Unlevered IRR	PME Return	PME Benchmark
HarbourVest Fund IX – Buyout <sup>1</sup>	19.1%	17.9%	14.4%	S&P 500
			12.9%	Russell 2000
HarbourVest 2018 Global <sup>1</sup>	31.1%	18.7%	20.9%	MSCI World ex-US
Pathway Fund 9	32.9%	NA	20.9%	S&P 500
			18.6%	MSCI World
Pathway Fund 10	NM	NM	NM	NM

See Appendix for PME calculation notes

Source: Harbourvest, Pathway

NA – Not applicable

NM – Not meaningful

<sup>1</sup>as of 3/31/21

# Private equity pacing projections

Fund	Vintage Year	Commitment	Remaining Commitment	Cumulative to date	(Contributions) / Distributions										
					2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
HarbourVest IX Buyout	2011	\$20.0	\$3.5												
Net Cash Flow					\$3.4	\$5.3	\$5.8	\$4.6	\$2.4	\$1.0	\$0.3				
NAV				\$16.7	\$15.1	\$11.5	\$6.9	\$3.1	\$1.1	\$0.2	\$0.0				
HarbourVest 2018 Global Fund	2018	\$20.0	\$13.6												
Net Cash Flow					(\$0.9)	\$0.3	\$3.1	\$4.8	\$6.3	\$4.2	\$3.4	\$2.7	\$2.2	\$0.0	
NAV				\$14.8	\$17.3	\$18.9	\$17.8	\$14.8	\$10.1	\$6.9	\$4.2	\$2.0	\$0.0	\$0.0	
Pathway 9	2017	\$65.0	\$31.2												
Net Cash Flow					(\$6.8)	\$2.7	\$15.7	\$21.5	\$19.2	\$19.8	\$17.9	\$14.2	\$10.4	\$7.4	
NAV				\$69.5	\$83.1	\$88.5	\$81.5	\$67.9	\$55.4	\$41.0	\$27.1	\$15.6	\$6.8	\$0.0	
Pathway 10	2020	\$20.0	\$19.4												
Net Cash Flow					(\$2.9)	(\$4.0)	(\$3.1)	(\$1.8)	\$2.0	\$4.8	\$5.0	\$3.9	\$4.4	\$3.9	
NAV				\$4.8	\$8.0	\$12.5	\$16.4	\$19.3	\$18.6	\$14.9	\$10.8	\$7.6	\$3.7	(\$0.0)	
<b>PE Balance</b>		<b>\$125.0</b>	<b>\$67.7</b>	<b>\$105.8</b>	<b>\$123.5</b>	<b>\$131.4</b>	<b>\$122.6</b>	<b>\$105.1</b>	<b>\$85.1</b>	<b>\$63.1</b>	<b>\$42.2</b>	<b>\$25.2</b>	<b>\$10.5</b>	<b>\$0.0</b>	
<b>% of Total Assets</b>				<b>6.3%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>6.1%</b>	<b>4.9%</b>	<b>3.8%</b>	<b>2.6%</b>	<b>1.7%</b>	<b>0.9%</b>	<b>0.4%</b>	<b>0.0%</b>	
<b>Total Plan Assets</b>				<b>\$1,672</b>	<b>\$1,752</b>	<b>\$1,841</b>	<b>\$1,941</b>	<b>\$2,050</b>	<b>\$2,164</b>	<b>\$2,285</b>	<b>\$2,413</b>	<b>\$2,549</b>	<b>\$2,691</b>	<b>\$2,842</b>	

Total Plan Assets growth rate is based on the forecasted expected return from the 2021 strategic asset allocation study

As of 6/30/21

Please see appendix for list of assumptions

# III. Private credit

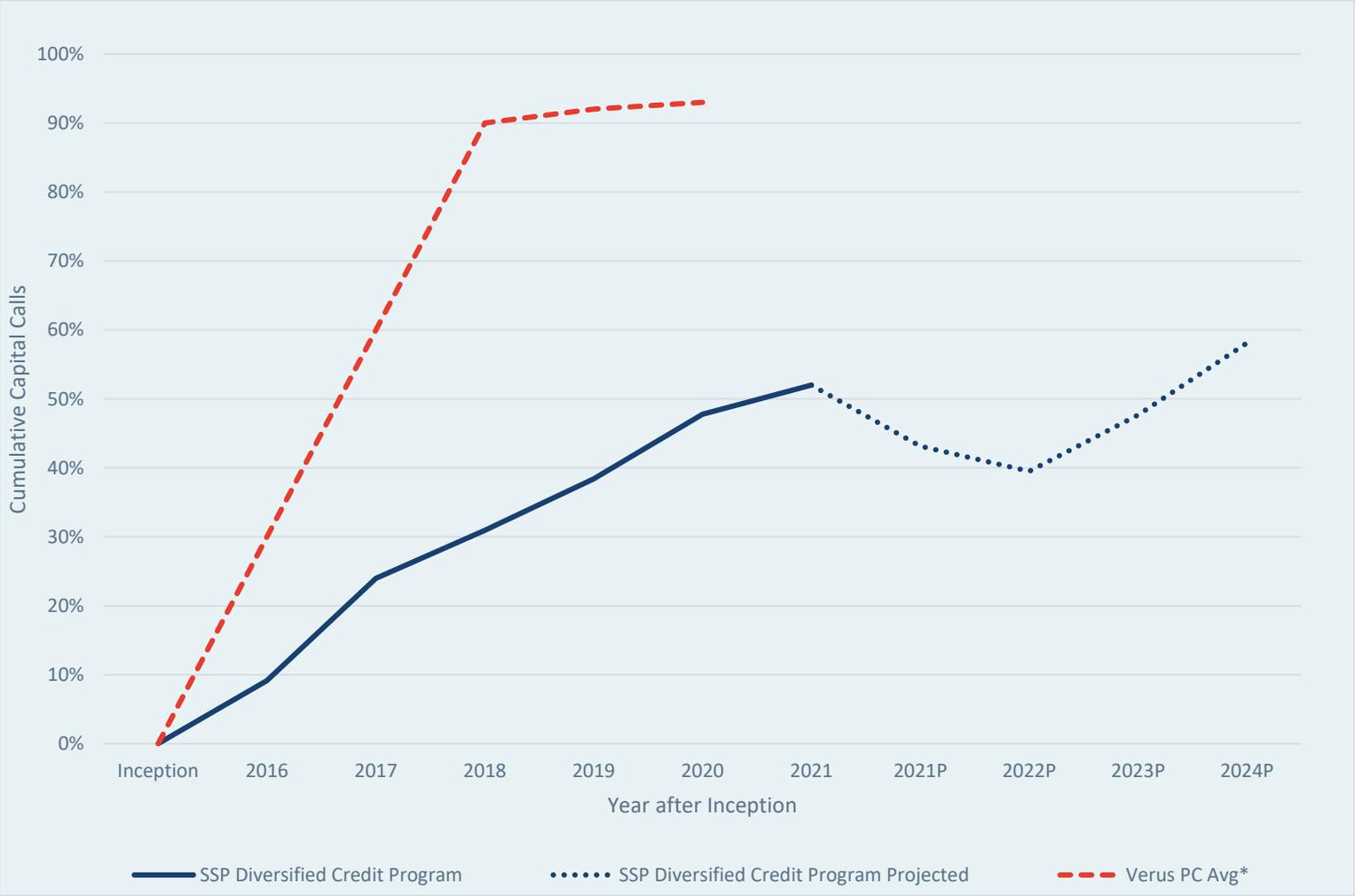
# Diversification within the PC program

- The private credit program is diversified across the Sixth Street platforms and includes four funds: TAO (broad special situation), SLE (European lending), CMS (CLO Equity) and Growth (Growth Debt).
- The private credit program was implemented in December 2016 with a commitment of \$75 million. An additional \$20 million commitment was added in April 2019, allocated to Growth I; \$18,750,000 commitment was added in December 2019, allocated to CMS III; and \$18,750,000 added in April 2020, allocated to SLE II.
- The program is structured such that SLOCPT will automatically roll its commitment forward into the next in the series of each fund listed above, unless it chooses to “opt out”.
- Currently, SLOCPT’s total commitment to private credit equals \$132.5 million.

**STRATEGY DIVERSIFICATION**



# Capital call pace



The dip in projected pacing is due to anticipated net distributions

Projected figures based on net capital call projections as of 6/30/20 including contributions and distributions.

# Fund descriptions

## **TAO**

Focuses on the entire set of credit opportunities generated across the TSSP platform. It is TSSP's most flexible investment vehicle and can house any investment that meets the firm's broad investment criteria.

## **SLE** *(previously TSLE)*

Focuses on direct loans to middle-market companies, primarily in Europe.

## **CMS** *(previously TICP)*

Focuses on investments in the floating-rate leveraged loan and structured credit markets.

## **Growth** *(previously TCS)*

Focuses on providing flexible financing solutions to growth companies (i.e., companies growing faster than the economy that require a high level of investment capital for continued expansion).

# Private credit program fees

	SLE <sup>3,4</sup>		TAO 3.0 <sup>1</sup>		CMS II <sup>2</sup>		Growth I <sup>3,5</sup>		CMS III <sup>2</sup>		SLE II <sup>3,4</sup>	
Commitment	\$18,750,000		\$37,500,000		\$18,750,000		\$20,000,000		\$18,750,000		\$18,750,000	
Vintage Year	2015		2016		2016		2018		2020		2020	
	Committed <sup>6</sup>	Invested <sup>6</sup>	Unused	Invested	Unused	Invested	Unused	Invested	Unused	Invested	Committed <sup>7</sup>	Invested <sup>7</sup>
Year 1	1.50%	1.50%	0.65%	1.35%	0.00%	0.30%	1.00%	1.50%	0.00%	0.30%	0.25%	1.25%
Year 2	1.50%	1.50%	0.65%	1.35%	0.00%	0.30%	1.00%	1.50%	0.00%	0.30%	0.25%	1.25%
Year 3	1.50%	1.50%	0.65%	1.35%	0.00%	0.30%	1.00%	1.50%	0.00%	0.30%	0.25%	1.25%
Year 4	1.50%	1.50%	0.65%	1.35%	0.00%	0.30%	1.00%	1.50%	0.00%	0.30%	0.25%	1.25%
Year 5	0.85%	1.25%	0.65%	1.35%	0.00%	0.30%	1.00%	1.50%	0.00%	0.30%	0.25%	1.25%
Year 6	0.00%	1.25%	0.65%	1.35%	0.00%	0.30%	0.00%	1.50%	0.00%	0.30%	0.00%	1.25%
Year 7	0.00%	1.25%	0.00%	1.35%	0.00%	0.30%	0.00%	1.50%	0.00%	0.30%	0.00%	1.25%
Year 8	0.00%	1.25%	0.00%	1.35%	0.00%	0.30%	0.00%	1.50%	0.00%	0.30%	0.00%	1.25%
Year 9	0.00%	1.25%	0.00%	1.35%	0.00%	0.30%	0.00%	1.50%	0.00%	0.30%	0.00%	1.25%
Year 10	0.00%	1.25%	0.00%	1.35%	0.00%	0.30%	0.00%	1.50%	0.00%	0.30%	0.00%	1.25%
Year 11			0.00%	1.35%								
<b>Average</b>	<b>0.69%</b>	<b>1.35%</b>	<b>0.35%</b>	<b>1.35%</b>	<b>0.00%</b>	<b>0.30%</b>	<b>0.50%</b>	<b>1.50%</b>	<b>0.00%</b>	<b>0.30%</b>	<b>0.13%</b>	<b>1.25%</b>

Note: For illustrative purposes only. Commitment periods are based on TSSP's views and are subject to change. Furthermore, the above table is a simplification. Please refer to fund documentation for the complete terms and definitions.

1 Assumes termination of TAO 3.0 after Minimum Commitment Period of 5.5 years, with subsequent wind down of portfolio lasting 5 years.

2 Assumes 10-year fund life.

3 Assumes wind down of portfolio lasts 5 years.

4 SLE Year 5 includes adjustment for one-year commitment period extension.

5 DCP commitment to Growth I was made in April 2019, analysis above shows all fund commitments beginning in "Year 1".

6 During SLE commitment period (before 1-year extension), management fees are calculated based on LP fund commitments. To accurately represent fees for DCP, they are included in Total Sixth Street for both the unused/committed and invested columns.

7 SLOCPT received early close discount

# Private credit performance

SSP Vehicle	Net IRR	De-levered Net IRR	PME Return	PME Benchmark <sup>1</sup>
TAO 3.0	10.5%	NA	3.9%	S&P/LSTA Lev Loan <sup>2</sup>
			3.9%	Credit Suisse Lev Loan <sup>3</sup>
CMS II	8.9%	NA	3.6%	S&P/LSTA Lev Loan
			3.6%	Credit Suisse Lev Loan
CMS III	18.9%	NA	4.8%	S&P/LSTA Lev Loan
			4.8%	Credit Suisse Lev Loan
SLE I <sup>4</sup>	13.1%	NA	3.3%	S&P/LSTA Lev Loan
			3.4%	Credit Suisse Lev Loan
SLE II <sup>5</sup>	6.9%	NA	9.7%	S&P/LSTA Lev Loan
			9.7%	Credit Suisse Lev Loan
Growth I	28.4%	NA	5.9%	S&P/LSTA Lev Loan
			5.9%	Credit Suisse Lev Loan

Note: All performance numbers are as of 6/30/21. Past performance does not guarantee future results, which may vary.

1. The benchmark numbers above are presented as a Public Market Equivalent (“PME”) analysis based on the actual timing of net cash flows in the Sixth Street vehicles. For all funds, the investor’s individual net cash flows were used. Index performance has been adjusted to include 75bps impact from management fees, as these indices cannot be accessed directly. Please refer to the disclaimers at the beginning of this presentation for additional disclosure regarding the use of benchmark indices.

2. S&P/LSTA Leveraged Loan Total Return Index (Bloomberg Finance).

3. Credit Suisse Leveraged Loan Total Return Index (Bloomberg Finance).

4. As of 6/30/21, the SLE I Main Fund had returned a levered net IRR of 9.9% and an unlevered net IRR of 9.1%. SLOCPT is invested in the SLE I USD feeder fund. The net return shown here reflects SLOCPT’s actual net IRR based on their investor-specific cash flows.

5. As of 6/30/21, the SLE II Main Fund had returned a levered net IRR of 8.6% and an unlevered net IRR of 6.0%. SLOCPT is invested in the SLE II USD feeder fund. The net return shown here reflects SLOCPT’s actual net IRR based on their investor-specific cash flows.

Source: Sixth Street Partners

# Private credit program projections

Sixth Street Partners Vehicle	Vintage Year	Commitment	Remaining Commitment	Cumulative To Date	(Contributions) / Distributions			
					2021	2022	2023	2024
SLE <sup>2</sup>	2015	\$18.75						
Net Contributions/Distributions					20.0%	20.0%	10.0%	5.0%
TAO 3.0 <sup>1</sup>	2016	\$37.50						
Net Contributions/Distributions					(3.0)%	0.0%	1.0%	1.0%
CMS II <sup>2</sup>	2016	\$18.75						
Net Contributions/Distributions					10.0%	15.0%	35.0%	15.0%
Growth I <sup>1</sup>	2018	\$20.00						
Net Contributions/Distributions					(25.0)%	(10.0)%	10.0%	25.0%
CMS III <sup>1</sup>	2020	\$18.75						
Net Contributions/Distributions					(35.0)%	(30.0)%	10.0%	15.0%
SLE II <sup>1</sup>	2020	\$18.75						
Net Contributions/Distributions					(25.0)%	(20.0)%	(10.0)%	10.0%
Total Fund Level		\$132.50	\$32.66					
Net Cash Flow					\$11.75	\$4.81	(\$10.81)	(\$13.81)
NAV				\$78.80	\$72.57	\$72.84	\$88.75	\$108.77
<b>PC Balance</b>		<b>\$132.50</b>	<b>\$32.66</b>	<b>\$78.80</b>	<b>\$72.57</b>	<b>\$72.84</b>	<b>\$88.75</b>	<b>\$108.77</b>
<b>% of Total Assets</b>				<b>4.7%</b>	<b>4.1%</b>	<b>3.9%</b>	<b>4.4%</b>	<b>5.1%</b>
<b>Total Plan Assets</b>				<b>\$1,672</b>	<b>\$1,752</b>	<b>\$1,841</b>	<b>\$1,941</b>	<b>\$2,050</b>

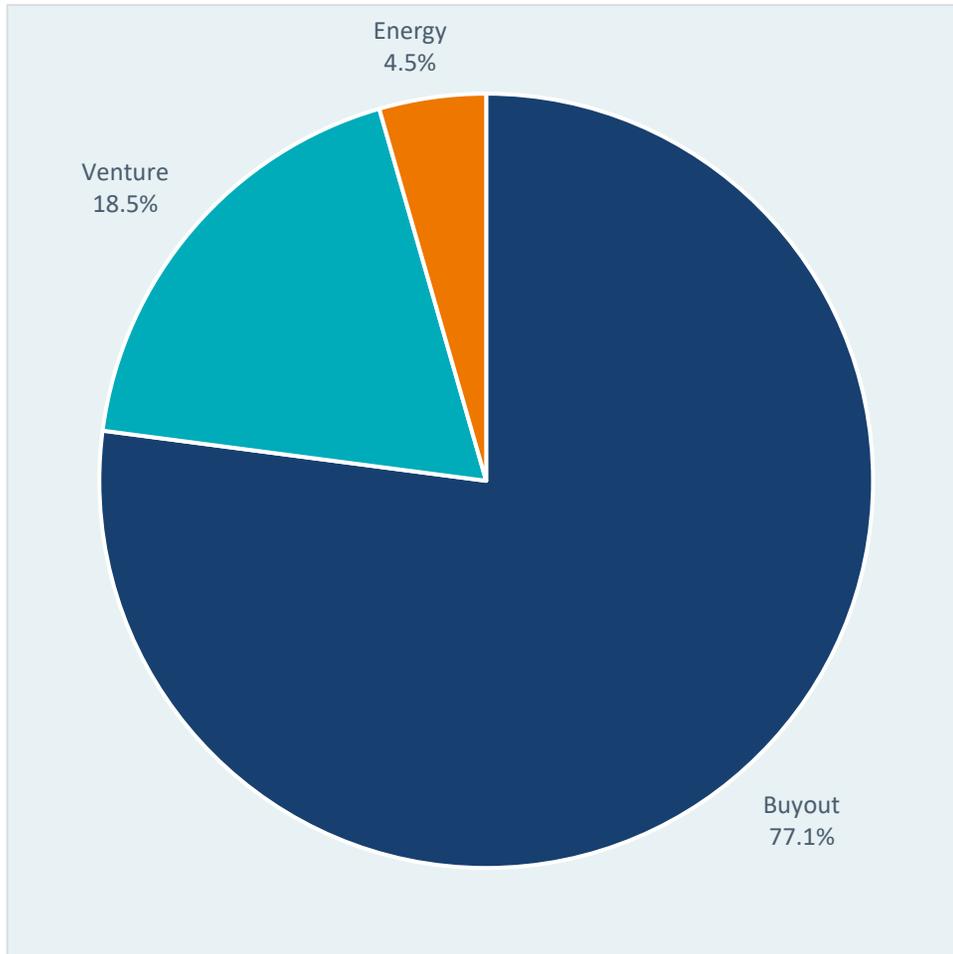
Note: Estimates above are illustrative cash flows that represent SSP's current estimate based on a number of subjective judgements and current market conditions that are subject to change. No assurance can be given that actual cash flows will not differ from these estimates.

Total Plan Assets growth rate is based on the forecasted expected return from the 2021 strategic asset allocation study

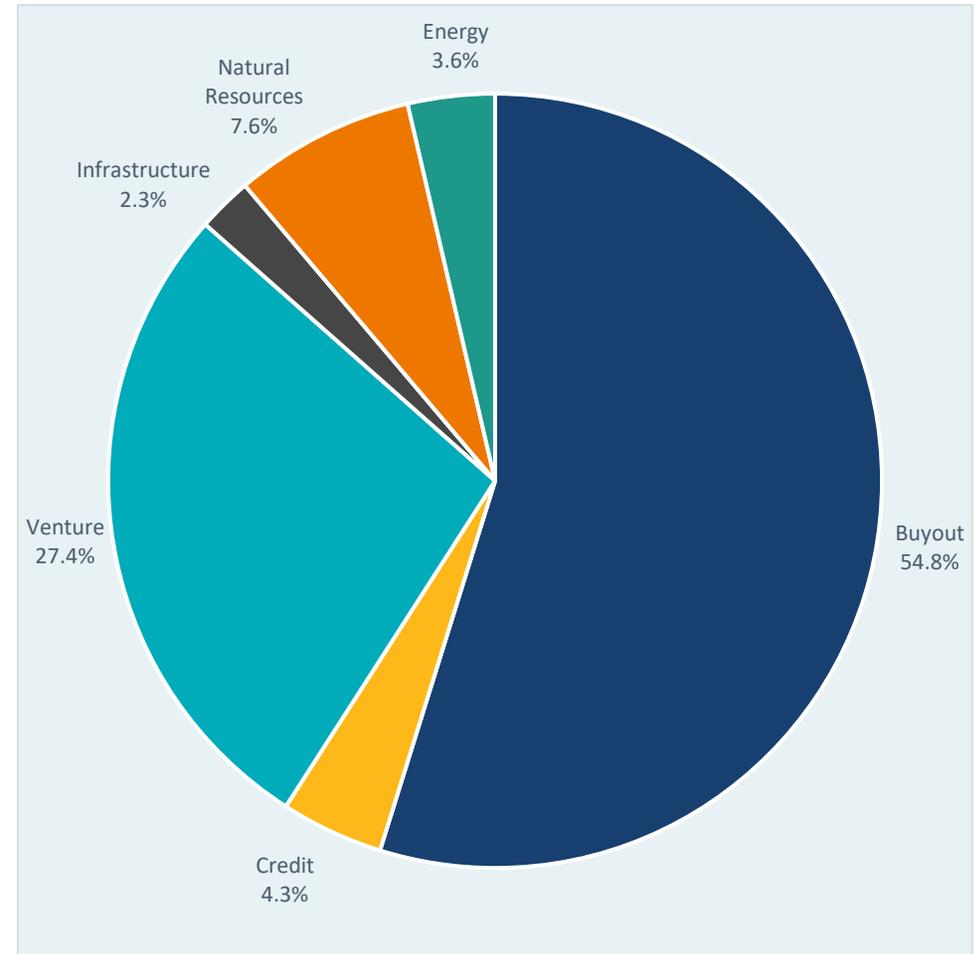
# Appendix

# HarbourVest secondary investment detail

HARBOURVEST FUND IX BUYOUT – 5.6% SECONDARIES



HARBOURVEST GLOBAL FUND 2018 – 42.9% SECONDARIES



Source: HarbourVest portal. Based on NAV as of the most recent date available (3/31/21)

# Assumptions for PE cash flow model

- Asset Values are represented in millions.
- This is a hypothetical model based on reasonable assumptions and does not reflect actual timing and should not be interpreted as predicting the future.
- IRR over each fund's entire life will be different
- Pathway's proprietary projection model is based upon the following assumptions:
  - PPEF I-9 is fully committed
  - PPEF I-10 assumes \$300mm committed over a 3-year period
  - Where applicable, March 31, 2021, exchange rates are used. These exchange rates are assumed to remain constant
  - Expected annual contributions are based on the ratio of pooled paid-in capital to commitment, using historical vintage year data captured by Pathway and data provided by Thomson Reuters.
  - Expected annual distributions are based on the ratio of pooled distributions to paid-in capital, using historical vintage year data captured by Pathway and data provided by Thomson Reuters.
  - Each partnership has a 14-year life (including extensions).
  - Cash flow projections include the underlying partnerships' fees and expenses, as well as the fund of funds' management fees and expenses.
- Total Plan assets are assumed to grow on the following schedule based on the February 2021 Asset Allocation study of the annual transition to long term policy:
  - 2021 – 4.8%
  - 2022 – 5.1%
  - 2023 – 5.4%
  - 2024 and thereafter – 5.6%
- Current MVs are based on last known valuation.
- NAV at future dates are estimated based on cash flows and implied remaining life IRR.
- Cash flows occur at year end.

# Assumptions for PC cash flow model

- Asset Values are represented in millions.
- This is a hypothetical model based on reasonable assumptions and does not reflect actual timing and should not be interpreted as predicting the future.
- Contribution and distribution forecasts are provided by Sixth Street Partners at the request of Verus. Hypothetical assumptions are based on experience of prior funds, current market conditions, and current fund expectations. Actual pace and timing of cash flows is likely to be different.
- Drawdowns and distributions will continue beyond the final year (2024) shown in this exercise.
- Total Plan assets are assumed to grow on the following schedule based on the February 2021 asset allocation study of the annual transition to long term policy:
  - 2021 – 4.8%
  - 2022 – 5.1%
  - 2023 – 5.4%
  - 2024 and thereafter – 5.6%
- Current MVs are based on last known balance.
- NAV at future dates are estimated based on cash flows and Verus forecasted returns for the private credit asset class.
- Footnotes:
  - 1Represents % of committed capital.
  - 2No incremental capital to be called.

# Public Market Equivalent (PME)

- PME information represents adjusted model performance of each index as if the respective index had been purchased and sold at the time of the limited partners' capital calls and distributions, with the remainder held at the date noted. Dividends are not reinvested.
- Under this methodology, the capital calls for the purchase of the public market index are the same as the capital calls for the Fund(s). The distributions for the sales of the public market index are scaled to represent the same proportion of the Fund's NAV at the time of the distribution.
  - For example, if the Fund distributes 5% of NAV, then 5% of the index NAV is distributed. Thus, the index returns presented are not actual index returns, but adjusted model returns.
- In certain instances, the comparison is based on the PME+ (public market equivalent) method as described in an article titled, "Beating the Public Market," by Christophe Rouvinez, as published in the Private Equity International in December 2003 / January 2004. When using this methodology, both the Fund and the adjusted index are assumed to have the same ending NAV. The ending NAV for the adjusted index is derived by scaling the distributions by a constant scaling factor, while preserving the overall cash flow pattern.

# Private equity projections - expanded

Fund	Vintage Year	Commitment	Remaining Commitment	Cumulative to date	(Contributions) / Distributions										
					2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
HarbourVest IX Buyout	2011	\$20.0	\$3.5												
Contributions (%)				(85%)	(6%)	(5%)	(4%)	0%	0%	0%	0%				
Distributions (%)				91%	23%	32%	33%	23%	12%	5%	1%				
Contributions (\$)				(\$17.1)	(\$1.2)	(\$1.1)	(\$0.7)	\$0.0	\$0.0	\$0.0	\$0.0				
Distributions (\$)				\$18.2	\$4.6	\$6.3	\$6.5	\$4.6	\$2.4	\$1.0	\$0.3				
Net Cash Flow					\$3.4	\$5.3	\$5.8	\$4.6	\$2.4	\$1.0	\$0.3				
NAV				\$16.7	\$15.1	\$11.5	\$6.9	\$3.1	\$1.1	\$0.2	\$0.0				
HarbourVest 2018 Global Fund	2018	\$20.0	\$13.6												
Contributions (%)				(58.0%)	(14.3%)	(12.3%)	(9.5%)	(5.8%)	(3.9%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Distributions (%)				\$0.1	9.6%	13.8%	25.0%	30.0%	35.4%	21.0%	17.1%	13.6%	10.9%	4.8%	
Contributions (\$)				(\$11.6)	(\$2.9)	(\$2.5)	(\$1.9)	(\$1.2)	(\$0.8)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Distributions (\$)				\$1.0	\$1.9	\$2.8	\$5.0	\$6.0	\$7.1	\$4.2	\$3.4	\$2.7	\$2.2	\$2.2	\$1.0
Net Cash Flow					(\$0.9)	\$0.3	\$3.1	\$4.8	\$6.3	\$4.2	\$3.4	\$2.7	\$2.2	\$2.2	\$0.0
NAV				\$14.8	\$17.3	\$18.9	\$17.8	\$14.8	\$10.1	\$6.9	\$4.2	\$2.0	\$0.0	\$0.0	\$0.0
Pathway 9	2017	\$65.0	\$31.2												
Contributions (%)				(56.9%)	(15.9%)	(12.5%)	(9.3%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Distributions (%)				0.6%	5.5%	16.6%	33.5%	33.1%	29.6%	30.4%	27.5%	21.8%	16.0%	11.4%	
Contributions (\$)				(\$37.0)	(\$10.3)	(\$8.1)	(\$6.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Distributions (\$)				\$0.4	\$3.6	\$10.8	\$21.8	\$21.5	\$19.2	\$19.8	\$17.9	\$14.2	\$10.4	\$7.4	\$7.4
Net Cash Flow					(\$6.8)	\$2.7	\$15.7	\$21.5	\$19.2	\$19.8	\$17.9	\$14.2	\$10.4	\$7.4	\$7.4
NAV				\$69.5	\$83.1	\$88.5	\$81.5	\$67.9	\$55.4	\$41.0	\$27.1	\$15.6	\$6.8	\$0.0	\$0.0
Pathway 10	2020	\$20.0	\$19.4												
Contributions (%)				(5.5%)	(14.7%)	(21.3%)	(18.7%)	(15.0%)	(12.0%)	(9.1%)	(6.5%)	(2.6%)	0.0%	0.0%	
Distributions (%)				0.2%	0.0%	1.2%	3.3%	5.8%	21.8%	33.1%	31.7%	22.1%	22.1%	19.5%	
Contributions (\$)				(\$1.1)	(\$2.9)	(\$4.3)	(\$3.7)	(\$3.0)	(\$2.4)	(\$1.8)	(\$1.3)	(\$0.5)	\$0.0	\$0.0	\$0.0
Distributions (\$)				\$0.0	\$0.0	\$0.2	\$0.7	\$1.2	\$4.4	\$6.6	\$6.3	\$4.4	\$4.4	\$3.9	\$3.9
Net Cash Flow					(\$2.9)	(\$4.0)	(\$3.1)	(\$1.8)	\$2.0	\$4.8	\$5.0	\$3.9	\$4.4	\$3.9	\$3.9
NAV				\$4.8	\$8.0	\$12.5	\$16.4	\$19.3	\$18.6	\$14.9	\$10.8	\$7.6	\$3.7	(\$0.0)	
<b>PE Balance</b>		<b>\$125.0</b>	<b>\$67.7</b>	<b>\$105.8</b>	<b>\$123.5</b>	<b>\$131.4</b>	<b>\$122.6</b>	<b>\$105.1</b>	<b>\$85.1</b>	<b>\$63.1</b>	<b>\$42.2</b>	<b>\$25.2</b>	<b>\$10.5</b>	<b>\$0.0</b>	
<b>% of Total Assets</b>				<b>6.3%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>6.1%</b>	<b>4.9%</b>	<b>3.8%</b>	<b>2.6%</b>	<b>1.7%</b>	<b>0.9%</b>	<b>0.4%</b>	<b>0.0%</b>	
<b>Total Plan Assets</b>				<b>\$1,672</b>	<b>\$1,752</b>	<b>\$1,841</b>	<b>\$1,941</b>	<b>\$2,050</b>	<b>\$2,164</b>	<b>\$2,285</b>	<b>\$2,413</b>	<b>\$2,549</b>	<b>\$2,691</b>	<b>\$2,842</b>	

Total Plan Assets growth rate is based on the forecasted expected return from the 2021 strategic asset allocation study

# Private credit projections - expanded

Sixth Street (TSSP) Vehicle	Vintage Year	Commitment	Remaining Commitment	Cumulative To Date	(Contributions) / Distributions			
					2021	2022	2023	2024
SLE <sup>2</sup>	2015	\$18.75						
Net Contributions/Distributions					20.0%	20.0%	10.0%	5.0%
High					22.5%	22.5%	12.5%	7.5%
Low					17.5%	17.5%	7.5%	2.5%
TAO 3.0 <sup>1</sup>	2016	\$37.50						
Net Contributions/Distributions					(3.0)%	0.0%	1.0%	1.0%
High					(0.5)%	2.5%	3.5%	3.5%
Low					(5.5)%	(2.5)%	(1.5)%	(1.5)%
CMS II <sup>2</sup>	2016	\$18.75						
Net Contributions/Distributions					10.0%	15.0%	35.0%	15.0%
High					12.5%	17.5%	37.5%	17.5%
Low					7.5%	12.5%	32.5%	12.5%
Growth I <sup>1</sup>	2018	\$20.00						
Net Contributions/Distributions					(25.0)%	(10.0)%	10.0%	25.0%
High					(22.5)%	(7.5)%	12.5%	27.5%
Low					(27.5)%	(12.5)%	7.5%	22.5%
CMS III <sup>1</sup>	2020	\$18.75						
Net Contributions/Distributions					(35.0)%	(30.0)%	10.0%	15.0%
High					(32.5)%	(27.5)%	12.5%	17.5%
Low					(37.5)%	(32.5)%	7.5%	12.5%
SLE II <sup>1</sup>	2020	\$18.75						
Net Contributions/Distributions					(25.0)%	(20.0)%	(10.0)%	10.0%
High					(22.5)%	(17.5)%	(7.5)%	12.5%
Low					(27.5)%	(22.5)%	(12.5)%	7.5%
Total Fund Level		\$132.50	\$32.66					
Net Contributions/Distributions (%)				(43%)				
Net Contributions/Distributions (\$)				(\$57.59)				
Net Cash Flow					\$11.75	\$4.81	(\$10.81)	(\$13.81)
NAV				\$78.80	\$72.57	\$72.84	\$88.75	\$108.77
<b>PC Balance</b>		<b>\$132.50</b>	<b>\$32.66</b>	<b>\$78.80</b>	<b>\$72.57</b>	<b>\$72.84</b>	<b>\$88.75</b>	<b>\$108.77</b>
<b>% of Total Assets</b>				<b>4.7%</b>	<b>4.1%</b>	<b>3.9%</b>	<b>4.4%</b>	<b>5.1%</b>
<b>Total Plan Assets</b>				<b>\$1,672</b>	<b>\$1,752</b>	<b>\$1,841</b>	<b>\$1,941</b>	<b>\$2,050</b>

Total Plan Assets growth rate is based on the forecasted expected return from the 2021 strategic asset allocation study

## Board of Trustees

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



Date: January 24, 2022

To: Board of Trustees

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

### **Agenda Item 24: Asset Allocation – December 2021**

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

As a report on current asset allocation relative to the 2021 Interim SAA Target Allocation the following table provides details. Asset values may differ slightly from those shown in the Monthly Investment report due to when the report was run as various market values are finalized for month-end.

Note that the \$70 million prefunding of SLO County employed contributions took place during July. The remaining amount of this contribution prefunding remains in the Liquidity portfolios for payment of retirement benefits over the remainder of 2021 and early 2022. This accounts for the higher than typical allocation to the Treasury portfolio in the Liquidity area.

FFP Asset Mix	Est. Market Value (\$000s) 12/31/21	% Allocation	SAA Target Allocation 2021 Interim	Variance
Bank (operating)	1,929	0.1%	-	0.1%
SLOC Treasury	52,081	2.9%	1.6%	1.3%
JPM short term	4,558	0.3%	0.4%	-0.1%
Short Duration	29,731	1.7%	2.0%	-0.3%
<b>LIQUIDITY</b>	88,299	5.0%	4.0%	1.0%
Equity- Public Mkt US	425,269	24.0%	22.0%	2.0%
Equity- Public Mkt Intl	335,043	18.9%	18.0%	0.9%
Equity- Public Mkt Global	-	0.0%	0.0%	0.0%
Bank Loans	78,904	4.5%	4.0%	0.5%
Bonds- Intl.	59,195	3.3%	3.0%	0.3%
Bonds- Emerging Mkts	67,369	3.8%	4.0%	-0.2%
Real Estate- Core	166,853	9.4%	12.0%	-2.6%
Real Estate- Value Add	53,789	3.0%	1.5%	1.5%
Infrastructure	-	0.0%	1.5%	-1.5%
Private Equity	76,032	4.3%	8.0%	-3.7%
Private Credit	131,051	7.4%	7.0%	0.4%
Opportunistic	31,357	1.8%	0.0%	1.8%
<b>GROWTH</b>	1,424,862	80.5%	81.0%	-0.5%
Bonds- Core	181,415	10.3%	10.0%	0.3%
Long Treasuries	39,692	2.2%	3.0%	-0.8%
TIPS	35,398	2.0%	2.0%	0.0%
<b>RISK DIVERSFYING</b>	256,505	14.5%	15.0%	-0.5%
<b>TOTAL</b>	1,769,666	100.0%	100.0%	

Respectfully submitted,