

Pension Trust

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www.SLOPensionTrust.org



AGENDA

Monday, January 25, 2021 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. 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 Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020. 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://zoom.us/j/94644951715?pwd=QXdKcFJEdUd0ZSs4YU5KWEJSaTBQU09>

If you wish to listen to the teleconference meeting, please dial 669/900-6833 (Meeting ID 946-4495-1715). If you have any questions or require additional service, please contact SLOCPT at 805/781-5465.

A) PUBLIC COMMENT

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

B) ORGANIZATIONAL

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

C) CONSENT

4. Minutes of the Regular Meeting of November 23, 2020 (Approve Without Correction).
5. Reports of Deposits and Contributions for the months of November and December 2020 (Receive and File).
6. Reports of Service Retirements, Disability Retirements and DROP Participants for the months of November and December 2020 (Receive, Approve and File).
7. Monthly Investment Report for October 2020 (Receive and File).
8. Monthly Investment Report for November 2020 (Receive and File).
9. Resolution 2021-01 – Post Employment Health Plan and Indemnification – Authorization pursuant to Section 16.02(j) of the Retirement Plan – PEHP (Recommend Approval)
10. *reserved*

D) APPLICATIONS FOR DISABILITY RETIREMENT

None

E) OLD BUSINESS

None

F) NEW BUSINESS

11. Review of Pension Trust Policies – (Review and Discuss).
12. Disability Hearing Process – Plan Amendments Recommendation - (Recommend Approval)

G) INVESTMENTS

13. Annual Cashflow Analysis (Receive and File).
14. Monthly Investment Report for December 2020 (Receive and File).
15. Private Markets Discretionary Advisor Search Consultant and RFI (Review, Discuss, and Recommend Approval).
16. Asset Allocation - (Review, Discuss, and Direct Staff as necessary)

H) OPERATIONS

17. Staff Reports
18. General Counsel Reports
19. Committee Reports:
 - i. Audit Committee No Report
 - ii. Personnel Committee No Report
20. Upcoming Board Topics (subject to change)
 - i. February 22, 2021
 - a. Disability Case
 - b. Annual Cost of Living Adjustment – 2021
 - c. Quarterly Investment Report 4Q20
 - d. Capital Market Assumptions – 2021 – Verus
 - e. Diversifying Assets Investment Strategy and Investment Manager Selection
 - f. Private Markets Discretionary Advisor Search

- ii. March 22, 2021
 - a. Disability Case
 - b. Annual Actuarial Valuation planning
 - c. Employer prefunding agreement and discount rate
 - d. FY 21-22 SLOCPT administrative budget – preliminary
 - e. Disability Hearings Referee Panel Update
 - f. Private Markets Discretionary Advisor Search Consultant Selection
- iii. April 26, 2021 – planned as a non-meeting month
- iv. May 24, 2021
 - a. Annual Actuarial Valuation Assumptions Approval
 - b. FY 21-22 SLOCPT administrative budget – approval
 - c. Quarterly Investment Report
 - d. Private Markets Discretionary Advisor Strategy and Finalists
- v. June 28, 2021
 - a. 2020 Financial Audit Report / CAFR Approval
 - b. 2020 Actuarial Valuation / Contribution Rate changes
 - c. Employer prefunding amount
 - d. Private Markets Discretionary Advisor Selection

21. Trustee Comments

I) CLOSED SESSION

None

J) ADJOURNMENT

**PENSION TRUST
BOARD OF TRUSTEES**

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MINUTES

**PENSION TRUST
BOARD OF TRUSTEES**

Monday, November 23, 2020 *
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: Guy Savage President
Gere Sibbach Vice President
Taylor Dacus
Jim Hamilton
Jeff Hamm
Lisa Howe (new appointee)

Board Members Absent: Michelle Shoresman

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

General Counsel: Chris Waddell
Kristen Rogers

Consultants: Scott Whalen Verus
Stuart O’Dell Verus

Others: Michael Hobbs SLO County Human Resources
Lisa Winter SLOOPT
Zack Cziryak Reporter – FinDaily.com
Ben Maja Reporter – Fundmap.com
3 others via unidentified teleconference numbers

Call to Order: 9:35 AM by President Savage, presiding over the meeting.

A) PUBLIC COMMENT

1. None

B) ORGANIZATIONAL

2. Announcement of Elected Trustee Vacancy Appointment effective November 23, 2020

Trustee Dacus announced that Lisa Howe is appointed as an elected Trustee to complete the vacant term running through June 2021. As the remaining two elected Trustees on the Board of Trustees, Trustees Dacus and Shoresman made the appointment of Ms. Howe after soliciting letters of interest among the active members of the Retirement Plan. President Savage welcomed Ms. Howe.

3. Committees – appointment of members by President:
 - i. President Savage deferred making appointments to the standing Audit and Personnel Committees of the Board of Trustees in light of having a new elected Trustee, Lisa Howe. President Savage noted that at the next Board of Trustees meeting in January 2021, the new officers of the Board would be elected and the appointment of Trustees to Committees would be made by the Trustee elected as Board President for 2021.

C) CONSENT

4. Minutes of the Regular Meeting of September 28, 2020 (Approve Without Correction)
5. Reports of Deposits and Contributions for the months of September and October 2020 (Receive and File)
6. Reports of Service Retirements, Disability Retirements and DROP Participants for the months of September and October 2020 (Receive, Approve and File)
7. Monthly Investment Report for September 2020 (Receive and File)
8. Stipulation for the Division of Pension Benefits – Option Four Pension Benefit Election (Recommend Approval)
9. Resolution Modifying and Affirming Investment and Banking authority – Resolution 2020-05 (Recommend Approval)
10. Social Security Section 218 Agreement – Resolution 2020-06 (Recommend Approval)
11. Annual Pensionable Compensation Limit for 2021 pursuant to the Public Employees Pension Reform Act (Tier 3) (Receive and File)

Motion: Approve the Consent items.

Public Comment: none

Discussion: Trustee Savage asked about the Section 218 agreement which the Staff summarized.

Motion Made: Mr. Hamm Motion Seconded: Mr. Hamilton

Carried: Unanimous (roll call vote)

D) APPLICATIONS FOR DISABILITY RETIREMENT

- 12. Application for Ordinary Disability Retirement – Case 2020-02 (Recommend Approval)

Discussion: Staff summarized the disability case.

Motion: Approval

Public Comment: None

Motion Made: Mr. Hamm Motion Seconded: Mr. Savage

Carried:

For – Savage, Sibbach, Dacus, Hamilton, and Hamm

Abstained – Howe (as a new appointee, Ms. Howe had not yet had opportunity to review this case for reasons of medical record privacy)

Against – none

E) OLD BUSINESS

None

F) NEW BUSINESS

- 13. Resolution Number 2020-07: A Resolution Establishing the Rate of Interest to be Paid on the Normal Contributions of Members (Recommend Approval)

Discussion: Ms. Burke introduced the item. Staff recommended the rate change to 5.875%, which is the expected rate of return on investments less 1%, for 2021.

Trustee Savage noted his discussion of rates with Mr. Nelson.

Motion: Approve Resolution 2020-07

Public Comment: None

Motion Made: Mr. Savage Motion Seconded: Mr. Sibbach
Carried: Unanimous (roll call vote)

14. Resolution Number 2020-08: A Resolution Establishing the Rate of Interest to be Paid on the Additional Contributions of Members (Recommend Approval)

Discussion: Ms. Burke introduced the item. Staff recommended the rate change to 0.28%, the September 30 yield on five-year Treasury bonds used as a benchmark, for 2021.

Trustee Sibbach commented on the low rate and inquired about in-service distributions of voluntary additional contributions. Mr. Nelson explained that in-service distributions of contributions are not allowed under the plan.

Motion: Approve Resolution 2020-08

Public Comment: None

Motion Made: Mr. Sibbach Motion Seconded: Mr. Dacus

Carried: Unanimous (roll call vote)

15. Actuarial Services Request for Proposal – Actuarial Services Recommendation (Recommend Approval)

Discussion: Mr. Nelson introduced the item. The ad hoc committee of the Board for Actuarial Services met in October to review the RFP responses received. At that meeting, the committee agreed to recommend retaining Cheiron as the Plan Actuary beginning January 1, 2021 for the 2021 Annual Actuarial Valuation.

Trustee Hamm noted that all firms who submitted RFP responses were competent, and that SLOCPT should consider firms used by more California peer systems. Trustee Hamilton noted that the favored respondents were GRS and Cheiron and the California clientele of Cheiron was a tiebreaker in the decision. Trustee Sibbach reiterated what Trustees Hamm and Hamilton said.

Motion: Approval of Committee recommendation

Public Comment: None

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

Carried: Unanimous (roll call vote)

G) INVESTMENTS

16. Quarterly Investment Report for the 3rd Quarter of 2020 – Presentation by Scott Whalen, Verus (Receive and File)

Discussion: Mr. Scott Whalen of Verus, SLOCPT's investment consultant, delivered a presentation on the Trust's investments for the 3rd quarter of 2020. Mr. Whalen discussed the disappointing performance of both domestic and international equity holdings during the atypical pattern of the 2020 markets. Mr. Whalen discussed private equity an private market investments at length.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Savage Motion Seconded: Mr. Hamm

Carried: Unanimous (roll call vote)

17. Monthly Investment Report for October 2020 (Receive and File)

The monthly investment report for October 2020 was not yet available as of the date of this Board meeting; therefore, the item will be on the agenda of the January Board meeting.

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

11:00 AM – back in session

18. Liquidity Portfolio Strategy and Investment Manager Selection

Discussion: Mr. Nelson introduced the item. Per direction by the Board at the September 28, 2020 meeting, Mr. Whalen and Mr. Nelson presented their recommendation for PIMCO as the investment manager of the Short Duration Government/Investment Grade allocation in the Liquidity Portfolio. The Board discussed the investment with PIMCO and asked numerous questions.

Motion: Approve Staff recommendation

Public Comment: None

Motion Made: Mr. Savage Motion Seconded: Mr. Hamilton

Carried: Unanimous (roll call vote)

19. Asset Allocation – Implementation Glidepath – Strategy Transition Plan

Discussion: Mr. Nelson introduced the item. Mr. Whalen presented the issue of a phased transition into the revised Strategic Asset Allocation policy approve in September 2020. A phased transition over multiple years had been recommended as part of the September 2020 approval of asset allocation policy and this item elaborated on a Glidepath Implementation Benchmark (GIB) each year. This benchmark includes interim asset allocations over approximately four years with an annual review recommended.

Motion: Approve Staff recommendation

Public Comment: None

Motion Made: Mr. Hamm Motion Seconded: Mr. Savage

Carried: Unanimous (roll call vote)

11:53 AM – Board President Savage called for a break; Mr. Whalen and Mr. O’Dell from Verus exited the meeting

12:00 PM – back in session

20. Private Markets Discretionary Advisor – Search Consultant RFI

Discussion: Mr. Nelson presented the item recommending the retention of a Search Consultant to advise on the selection of a Private Markets Discretionary Advisor. The Board held a lengthy discussion on the process for a Search Consultant Request for Information (RFI) which will be used to retain a search consultant. Trustee Savage recommended review of the RFI at the January Board meeting.

Motion: Approve the use of a Search Consultant for the selection of a Private Markets Discretionary Advisor and authorize the Executive Director to draft an RFI for a search consultant.

Public Comment: None

Motion Made: Mr. Savage Motion Seconded: Mr. Dacus

Carried: Unanimous (roll call vote)

21. Alternative Investments Fee Disclosure – CA Code 7514.7

Discussion: Mr. Nelson presented the 2019 Disclosure as required by California Code Section 7514.7.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Savage Motion Seconded: Mr. Hamilton

Carried: Unanimous (roll call vote)

22. Asset Allocation

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

Public Comment: None

No Action Necessary

H) OPERATIONS

23. Staff Reports

- i. Staff reported on a marketing email unrelated to the Pension Trust sent from pensionmeeting.com to approximately 1,000 County employees. Employees have been cautioned that such communications are not authorized by the SLOCPT or the County.
- ii. Staff reported on SLOCPT’s Covid-19 re-opening plan as requested by the Board of Trustees.
- iii. Staff reported approximately 140 retirements through November 23; more are expected before the end of the year.

24. General Counsel Reports

None

25. Committee Reports:

- i. Audit Committee No Report
- ii. Personnel Committee No Report
- iii. Ad hoc Actuarial Services Committee Report – covered in Item 15

26. Upcoming Board Topics – published on meeting agenda

27. Trustee Comments

- i. President Savage expressed holiday wishes.
- ii. President Savage and Vice President Sibbach welcomed Lisa Howe to the Board of Trustees.

I) CLOSED SESSION

None

J) ADJOURNMENT

There being no further business, the meeting was adjourned at 1:04 PM. The next Regular Meeting was set for January 25, 2020, at 9:30 AM, to be a virtual online meeting.

Respectfully submitted,

Carl Nelson
Executive Director

**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF
NOVEMBER 2020**

PP 23 11/6/2020 By Employer and Tier:	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
					Employee Contributions	Employee Rate					
County Tier 1	3,166,691.54	860,108.15	27.16%	416,676.88	269,116.30	21.66%	48.82%	1,212.50	1,374.51		1,548,488.34
County Tier 2	992,133.55	279,864.04	28.21%	60,655.76	83,662.06	14.55%	42.75%	-	332.54		424,514.40
County Tier 3	3,459,000.04	915,034.91	26.45%	468,481.89	-	13.54%	40.00%	-	868.38		1,384,385.18
Superior Court Tier 1	231,723.10	64,577.59	27.87%	42,983.29	-	18.55%	46.42%	-	-		107,560.88
Superior Court Tier 3	103,558.30	27,252.94	26.32%	13,532.13	-	13.07%	39.38%	-	-		40,785.07
APCD Tier 1	54,627.62	13,529.77	24.77%	7,783.99	4,081.76	21.72%	46.49%	-	-		25,395.52
APCD Tier 3	27,301.61	6,503.99	23.82%	3,648.42	-	13.36%	37.19%	-	-		10,152.41
SLOCPT Tier 1	7,715.87	1,969.86	25.53%	1,135.78	716.80	24.01%	49.54%	-	-		3,822.44
SLOCPT Tier 2	9,171.20	2,341.40	25.53%	475.98	852.01	14.48%	40.01%	-	-		3,669.39
SLOCPT Tier 3	11,874.76	2,973.44	25.04%	1,710.06	-	14.40%	39.44%	250.00	-		4,933.50
LAFCO Tier 1	4,314.83	1,326.81	30.75%	343.46	400.85	17.25%	48.00%	-	-		2,071.12
LAFCO Tier 3	2,248.00	654.17	29.10%	241.21	-	10.73%	39.83%	-	-		895.38
RTA Tier 2	25,866.65	6,590.81	25.48%	541.62	3,362.66	15.09%	40.57%	-	-		10,495.09
RTA Tier 3	13,824.00	3,855.77	27.89%	1,544.43	-	11.17%	39.06%	-	-		5,400.20
	8,110,051.07	2,186,583.65	26.96%	1,019,754.90	362,192.44	17.04%	44.00%	1,462.50	2,575.43	\$	3,572,568.92
PP 24 11/20/2020 By Employer and Tier:											
	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
County Tier 1	3,145,583.30	855,250.26	27.19%	413,306.54	267,291.60	21.64%	48.83%	1,212.50	1,374.51		1,538,435.41
County Tier 2	991,357.05	279,407.16	28.18%	60,498.91	83,633.59	14.54%	42.72%	-	332.54		423,872.20
County Tier 3	3,504,580.14	928,365.73	26.49%	474,968.54	-	13.55%	40.04%	-	868.38		1,404,202.65
Superior Court Tier 1	232,779.68	64,874.44	27.87%	43,164.25	-	18.54%	46.41%	-	-		108,038.69
Superior Court Tier 3	102,729.49	27,028.55	26.31%	13,446.29	-	13.09%	39.40%	-	-		40,474.84
APCD Tier 1	50,649.22	12,569.78	24.82%	7,153.42	3,853.00	21.73%	46.55%	-	-		23,576.20
APCD Tier 3	27,179.20	6,475.04	23.82%	3,633.89	-	13.37%	37.19%	-	-		10,108.93
SLOCPT Tier 1	7,715.87	1,969.86	25.53%	1,135.78	716.80	24.01%	49.54%	-	-		3,822.44
SLOCPT Tier 2	9,171.20	2,341.40	25.53%	475.98	852.01	14.48%	40.01%	-	-		3,669.39
SLOCPT Tier 3	11,874.77	2,973.44	25.04%	1,710.06	-	14.40%	39.44%	250.00	-		4,933.50
LAFCO Tier 1	4,314.83	1,326.81	30.75%	343.46	400.85	17.25%	48.00%	-	-		2,071.12
LAFCO Tier 3	2,248.00	654.17	29.10%	241.21	-	10.73%	39.83%	-	-		895.38
RTA Tier 2	25,866.65	6,590.81	25.48%	541.62	3,362.66	15.09%	40.57%	-	-		10,495.09
RTA Tier 3	13,824.00	3,855.77	27.89%	1,544.43	-	11.17%	39.06%	-	-		5,400.20
	8,129,873.40	2,193,683.22	26.98%	1,022,164.38	360,110.51	17.00%	43.99%	1,462.50	2,575.43	\$	3,579,996.04
TOTAL FOR THE MONTH	16,239,924.47	4,380,266.87	26.97%	2,041,919.28	722,302.95	17.02%	43.99%	2,925.00	5,150.86	\$	7,152,564.96
TOTAL YEAR TO DATE	194,554,749.81	50,946,811.81	26.19%	23,269,391.10	8,895,539.09	16.53%	42.72%	32,060.50	347,461.90	\$	83,491,264.40

**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF
DECEMBER 2020**

PP 25 12/4/2020		Pensionable	Employer	Employer	Employee	Employer for	Employee	Combined	Additional	Buy	TOTAL
By Employer and Tier:		Salary	Contributions	Rate	Contributions	Employee Contributions	Rate	Rate	Contributions	Backs	Contributions
County Tier 1		3,128,606.81	851,001.64	27.20%	412,202.00	265,775.23	21.67%	48.87%	1,212.50	1,374.51	1,531,565.88
County Tier 2		989,782.02	279,080.07	28.20%	60,317.21	83,525.49	14.53%	42.73%	-	332.54	423,255.31
County Tier 3		3,522,314.65	933,734.30	26.51%	477,391.83	-	13.55%	40.06%	-	4,925.49	1,416,051.62
Superior Court Tier 1		233,974.28	65,214.47	27.87%	43,419.52	-	18.56%	46.43%	-	-	108,633.99
Superior Court Tier 3		104,186.35	27,408.30	26.31%	13,615.83	-	13.07%	39.38%	-	-	41,024.13
APCD Tier 1		67,324.24	16,707.97	24.82%	9,509.04	5,121.16	21.73%	46.55%	-	-	31,338.17
APCD Tier 3		35,299.22	8,410.83	23.83%	4,736.06	-	13.42%	37.24%	-	-	13,146.89
SLOCPT Tier 1		7,715.87	1,969.86	25.53%	1,135.78	716.80	24.01%	49.54%	-	-	3,822.44
SLOCPT Tier 2		9,171.20	2,341.40	25.53%	475.98	852.01	14.48%	40.01%	-	-	3,669.39
SLOCPT Tier 3		11,874.77	2,973.44	25.04%	1,710.06	-	14.40%	39.44%	250.00	-	4,933.50
LAFCO Tier 1		2,157.38	663.40	30.75%	171.73	200.42	17.25%	48.00%	-	-	1,035.55
LAFCO Tier 3		2,248.00	654.17	29.10%	241.21	-	10.73%	39.83%	-	-	895.38
RTA Tier 2		25,866.65	6,590.81	25.48%	541.62	3,362.66	15.09%	40.57%	-	-	10,495.09
RTA Tier 3		13,824.00	3,855.77	27.89%	1,544.43	-	11.17%	39.06%	-	-	5,400.20
		8,154,345.44	2,200,606.43	26.99%	1,027,012.30	359,553.77	17.00%	43.99%	1,462.50	6,632.54	\$ 3,595,267.54
PP 26 12/18/2020		Pensionable	Employer	Employer	Employee	Employer for	Employee	Combined	Additional	Buy	TOTAL
By Employer and Tier:		Salary	Contributions	Rate	Contributions	Employee Contributions	Rate	Rate	Contributions	Backs	Contributions
County Tier 1		3,106,224.88	844,334.48	27.18%	400,025.57	264,458.07	21.39%	48.57%	1,212.50	1,374.51	1,511,405.13
County Tier 2		984,004.83	278,138.93	28.27%	59,068.38	83,784.01	14.52%	42.78%	-	332.54	421,323.86
County Tier 3		3,535,308.75	936,413.94	26.49%	478,994.64	-	13.55%	40.04%	-	4,004.58	1,419,413.16
Superior Court Tier 1		229,475.98	64,002.31	27.89%	42,550.39	-	18.54%	46.43%	-	-	106,552.70
Superior Court Tier 3		103,210.08	27,151.49	26.31%	13,492.23	-	13.07%	39.38%	-	-	40,643.72
APCD Tier 1		47,659.10	11,858.67	24.88%	6,683.55	3,709.19	21.81%	46.69%	-	-	22,251.41
APCD Tier 3		33,758.41	8,031.85	23.79%	4,398.14	-	13.03%	36.82%	-	-	12,429.99
SLOCPT Tier 1		7,715.87	1,969.86	25.53%	1,135.78	716.80	24.01%	49.54%	-	-	3,822.44
SLOCPT Tier 2		9,171.20	2,341.40	25.53%	475.98	852.01	14.48%	40.01%	-	-	3,669.39
SLOCPT Tier 3		11,956.37	2,993.87	25.04%	1,719.63	-	14.38%	39.42%	250.00	-	4,963.50
LAFCO Tier 3		2,248.00	654.17	29.10%	241.21	-	10.73%	39.83%	-	-	895.38
RTA Tier 2		25,866.65	6,590.81	25.48%	541.62	3,362.66	15.09%	40.57%	-	-	10,495.09
RTA Tier 3		15,798.40	4,349.17	27.53%	1,829.14	-	11.58%	39.11%	-	-	6,178.31
		8,112,398.52	2,188,830.95	26.98%	1,011,156.26	356,882.74	16.86%	43.84%	1,462.50	5,711.63	\$ 3,564,044.08
PP 27 12/31/2020		Pensionable	Employer	Employer	Employee	Employer for	Employee	Combined	Additional	Buy	TOTAL
By Employer and Tier:		Salary	Contributions	Rate	Contributions	Employee Contributions	Rate	Rate	Contributions	Backs	Contributions
County Tier 1		3,088,508.55	839,141.36	27.17%	405,621.24	262,775.01	21.64%	48.81%	1,212.50	1,374.51	1,510,124.62
County Tier 2		984,679.01	278,162.68	28.25%	60,079.84	83,024.47	14.53%	42.78%	-	332.54	421,599.53
County Tier 3		3,547,303.53	940,165.41	26.50%	480,946.55	-	13.56%	40.06%	-	2,004.58	1,423,116.54
Superior Court Tier 1		231,328.55	64,482.47	27.87%	42,919.50	-	18.55%	46.43%	-	-	107,401.97
Superior Court Tier 3		87,374.78	22,456.91	25.70%	11,401.78	-	13.05%	38.75%	-	-	33,858.69
APCD Tier 1		48,438.10	12,056.85	24.89%	6,777.96	3,781.58	21.80%	46.69%	-	-	22,616.39
APCD Tier 3		29,913.61	7,122.93	23.81%	3,960.99	-	13.24%	37.05%	-	-	11,083.92
SLOCPT Tier 1		7,715.87	1,969.86	25.53%	1,135.78	716.80	24.01%	49.54%	-	-	3,822.44
SLOCPT Tier 2		9,171.20	2,341.40	25.53%	475.98	852.01	14.48%	40.01%	-	-	3,669.39
SLOCPT Tier 3		11,956.37	2,993.87	25.04%	1,719.63	-	14.38%	39.42%	250.00	-	4,963.50
LAFCO Tier 3		2,248.00	654.17	29.10%	241.21	-	10.73%	39.83%	-	-	895.38
RTA Tier 2		25,866.65	6,590.81	25.48%	541.62	3,362.66	15.09%	40.57%	-	-	10,495.09
RTA Tier 3		15,526.92	4,281.33	27.57%	1,789.99	-	11.53%	39.10%	-	-	6,071.32
		8,090,031.14	2,182,420.05	26.98%	1,017,612.07	354,512.53	16.96%	43.94%	1,462.50	3,711.63	\$ 3,559,718.78
TOTAL FOR THE MONTH		24,356,775.10	6,571,857.43	26.98%	3,055,780.63	1,070,949.04	16.94%	43.92%	4,387.50	16,055.80	\$ 10,719,030.40
TOTAL YEAR TO DATE		218,911,524.91	57,518,669.24	26.27%	26,325,171.73	9,966,488.13	16.58%	42.85%	36,448.00	363,517.70	\$ 94,210,294.80
PRIOR YEAR COMPARISON		200,924,548.79	48,740,511.46	24.26%	22,629,458.41	9,988,554.22	16.23%	40.49%	47,268.92	260,598.73	\$ 81,666,391.74
% CHANGE FROM PRIOR YEAR		8.95%	18.01%	2.01%	16.33%	-0.22%	0.35%	2.36%	-22.89%	39.49%	15.36%

REPORT OF RETIREMENTS**November 2020**

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Alita, Margarita	Department of Social Services	Service Retirement	11/06/2020	835.37	False
Armitage, Leland S	ITD	DROP	11/01/2020	5,582.03	False
Armitage, Leland S	ITD	Additional Annuity	11/01/2020	20.94	False
Callado, Susan	Planning Department	Service Retirement	11/14/2020	3,933.86	False
Contreras, Jaime Alberto	Air Pollution Control District	Service Retirement	10/31/2020	1,567.54	False
Gillespie, Betty Maureen	Behavioral Health	Service Retirement	11/11/2020	1,212.98	False
Kurtz, Jennie Lynn	Air Pollution Control District	Service Retirement	10/17/2020	779.28	False
Stroub, Diana L	District Attorney	Service Retirement	11/14/2020	3,646.53	True
Summers, Lucinda Louise	Probation Department	Service Retirement	10/14/2020	1,455.59	False
Warner, Neil J	County Counsel	Service Retirement	11/04/2020	2,094.90	True

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

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

REPORT OF RETIREMENTS**December 2020**

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Foran, Patrick J	County Counsel	Service Retirement	11/28/2020	8,080.13	False
Fox, Charles F	Sheriff-Coroner	Service Retirement	12/08/2020	5,176.20	False
Fuhs, Timothy J	Air Pollution Control District	DROP	12/01/2020	6,864.18	False
Hendricks, Juliane	Board of Supervisors	Service Retirement	12/01/2020	1,889.45	False
Hendricks, Shaun R	ITD	Service Retirement	12/01/2020	3,449.12	False
Johnson, Lynn H	ITD	DROP	12/01/2020	7,277.00	False
Mercalfe, Tari Anne	Superior Court	Service Retirement	11/28/2020	4,053.40	False
Nall, Karen B	Planning Department	Service Retirement	11/28/2020	6,718.93	False
Nicholson, Adrienne L	Department of Social Services	Service Retirement	12/12/2020	4,464.74	False
Slaminski, Cathi E	Public Health Department	Service Retirement	12/02/2020	397.98	False
Thomas, Gregory W	Public Health Department	Service Retirement	12/31/2020	7,398.65	False
Walsh, Kelly	Planning Department	DROP	12/01/2020	2,934.53	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
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www.SLOPensionTrust.org



Date: November 23, 2020

To: Board of Trustees

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

Item 7: Monthly Investment Report for October 2020

	October	Year to Date 2020	2019	2018	2017	2016	2015
Total Trust Investments (\$ millions)	\$1,428		\$1,446 year end	\$1,285 year end	\$1,351 year end	\$1,196 year end	\$1,148 year end
Total Fund Return	-0.4% Gross	-1.0% Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross	-0.8% Gross
Policy Index Return (r)	-0.5%	2.0%	16.4 %	-3.2 %	13.4 %	7.7 %	-0.5 %

(r) Policy index as of April 1, 2020 revision to Strategic Asset Allocation Policy: 21% domestic equity, 21% international equity, 15% core bonds, 6% bank loans, 5% global bonds, 5% emerging market debt, 17% real estate, 0% commodities, 5% private equity, 5% private credit. [Pending revision to Revised Investment Policy adopted Sept. 2020 to be effective in 2021.](#)

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.

Note that the chaotic markets of 2020 at one point in March had the SLOCPT total fund return year to date at a -12.4% level. The bounce back from that low point has brought the YTD return up to a -1.0% level. Subsequent market returns in November are expected to bring the YTD return

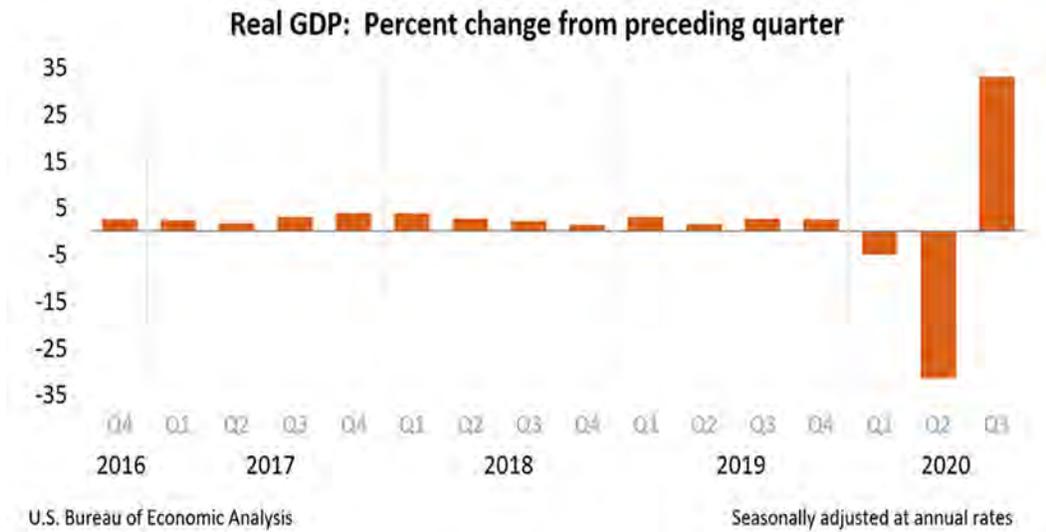
to a modest, but positive, number. Significant improvement, but still likely to lead to an actuarial loss in investments for the full year.

The Economy and Capital Markets:

➤ **GDP Growth**

- The initial report on 3Q20 U.S. GDP growth from the Bureau of Economic Analysis on October 29th showed a strong bounce back from the collapse of GDP in 2Q20. The GDP numbers for the year-to-date 2020 are –

1Q20	-5.0%	annual rate
2Q20	-31.4%	annual rate
3Q20	+33.1%	annual rate



- The Conference Board in its base case forecast from October expects the pace of GDP growth in 4Q20 to come off of the recent collapse and bounce back to be at a +3.5% annual rate. This would bring total 2020 GDP growth to about a -3.5% annual rate. The same forecast expects 2021 GDP growth to be at a +3.5% annual rate.
- JP Morgan Asset Management in their November 2021 Long Term Capital Market Assumptions report forecasts low growth and inflation for the indeterminate long term as summarized below –

	<u>Real GDP Growth</u>	<u>Inflation</u>
United States	1.8%	2.0%
Euro Area	1.3%	1.3%
Developed Markets	1.6%	1.6%
Emerging Markets	3.9%	3.3%
Global	2.4%	2.3%

➤ **Policy Responses to Pandemic**

▪ **Monetary Policy –**

- The Fed postponed its normal late October meeting to November 5th to avoid the appearance of influencing the U.S. election. At the November 5th meeting the Fed indicated no changes to its 0% lower bound for interest rates. The Fed’s comments reiterated its pledge to protect the economy and sustain the economic recovery from the bottom of the pandemic-spurred recession. The Fed’s statement also repeated its advocacy for added fiscal policy measures. Fed Chair Powell noted “We can obviously support financial stability through our lending programs. We’ll have a stronger recovery if we can get at least some more fiscal support, when it’s appropriate and at the size Congress thinks is appropriate.”
- JP Morgan’s chief strategist, Michael Cembalest, in his November 5th Eye On The Market conference call commented that financial repression is highly likely to continue indefinitely – which depresses bank earnings and fixed income investment returns.

▪ **Fiscal Policy –**

- The Federal government has continued to not bring legislation to the Senate on some version of renewed economic stimulus to follow the July 31st expiration of the supplemental unemployment benefits that were a particularly effective component of the CARES Act. With the prospect of an election outcome with divided government – Democrats in control of the Presidency and the House, Republicans in control of the Senate – it seems unlikely that added fiscal stimulus will be acted on soon. Any fiscal stimulus package that might pass would be likely to be much smaller than the proposed HEROES Act and targeted towards the most impacted sectors of the economy (restaurants and leisure).

➤ **Employment and Wages –**

- The October DOL report from the BLS on nonfarm employment showed a gain of 638k. A respectable gain by historical standards, but lagging in comparison to the early jobs gains coming off the bottom of the pandemic-caused recession. The Unemployment rate fell from 7.9% in September to 6.9% in October (February low was 3.5%).

➤ **Market Outlook –**

- U.S. Election – Capital market activity related to the U.S. election appear to reflect –
 - Pre-election market expectations reflected a real possibility of a Democratic sweep of the Presidency, House and Senate. Notably – this raised the possibility of an increase in corporate tax rates off the low levels of the 2017 tax act.
 - As of late November, the likelihood of a divided government scenario with a popular vote elected Democratic President, retention of a narrowed Democratic majority in the House and a small Republican majority in the Senate buoyed the

U.S. equity market. Historically, capital markets do well under both Democratic and Republican administrations, but they tend to do better when there is divided government. In the long run it is policy, not politics, that matter most to the economy and the capital markets. Possible implications of divided government include –

- Corporate tax rates unlikely to be increased supporting higher earnings estimates. Some corporate tax provisions such as depreciation, will roll back as scheduled in the 2017 tax act.
 - Individual tax rates left to increase post 2024 on the schedule embedded in the 2017 tax act.
 - Public policy changes will be limited to Executive orders and will likely roll back many of the changes of the Trump administration.
 - Trade policy with China may moderate and stabilize, but not return to pre-2016 levels given the underlying disputes. The toning down of trade tensions with China are expected to lower uncertainty in business which is positive for planning and earnings.
 - Immigration is likely to be slightly less restrictive, although major immigration reform would be limited by a divided Congress. Incremental added immigration would increase the supply of labor, and therefore economic growth.
 - Fiscal stimulus that may be passed will be limited and delayed into 1Q21. This acts as a brake on economic recovery as the effective contributions from the CARES Act expire.
 - Fed policy remaining aggressively accommodative with interest rates suppressed for the foreseeable future.
- JP Morgan Asset Management in their November 2021 Long Term Capital Market Assumptions report forecasts lower long term expected returns as excerpted below –

	<u>2021 Forecast</u>	<u>2020 Forecast</u>
Cash	1.1%	1.9%
Treasuries – Intermediate	1.5%	2.7%
Investment Grade Credit	2.5%	3.4%
High Yield Credit	4.8%	5.2%
Emerging Market Debt (in USD)	5.2%	5.6%
US Small Cap Stocks	4.6%	6.5%
US Large Cap Stocks	4.1%	5.6%
Private Equity Premium	3.7% above stocks	3.2% above stocks

Respectfully Submitted,

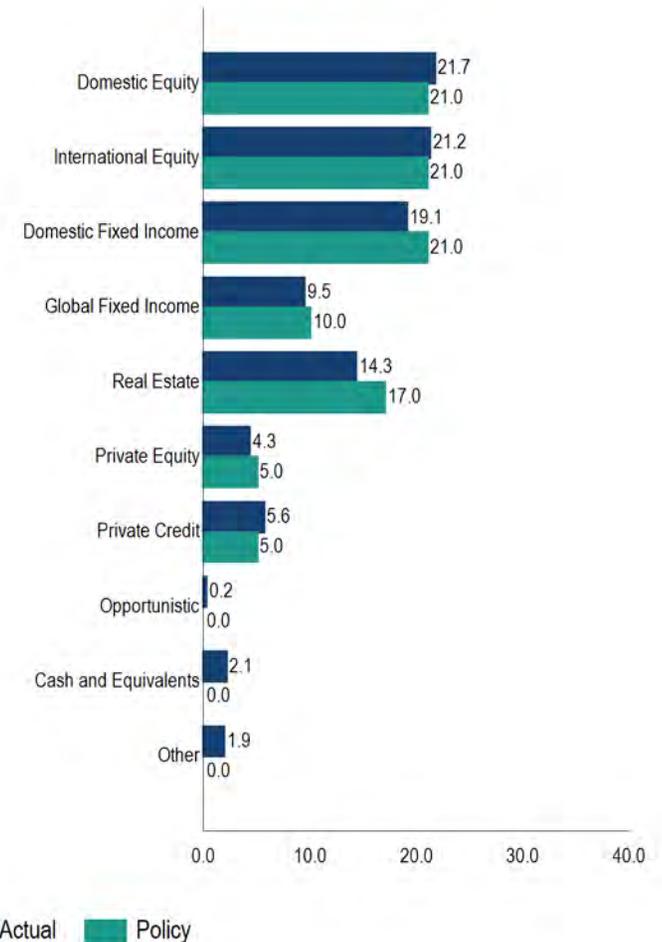
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: October 31, 2020

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,427,972,127	100.0	-0.4	-1.0
<i>Policy Index</i>			-0.5	2.0
Total Domestic Equity	309,695,870	21.7	-1.1	-2.7
<i>Russell 3000</i>			-2.2	3.1
PIMCO RAE US	68,618,218	4.8	-1.4	-12.2
<i>S&P 500</i>			-2.7	2.8
Loomis Sayles Large Cap Growth	98,438,630	6.9	-2.6	19.0
<i>Russell 1000 Growth</i>			-3.4	20.1
Boston Partners Large Cap Value	83,135,522	5.8	-0.5	-14.3
<i>Russell 1000 Value</i>			-1.3	-12.7
Atlanta Capital Mgmt	59,503,500	4.2	0.8	-7.0
<i>Russell 2500</i>			1.8	-4.1
Total International Equity	303,419,030	21.2	-1.3	-2.4
<i>MSCI ACWI ex USA Gross</i>			-2.1	-7.1
Dodge & Cox Intl Stock	132,476,597	9.3	-2.2	-19.5
<i>MSCI ACWI ex USA Value Gross</i>			-2.6	-19.3
WCM International Growth	170,942,433	12.0	-0.7	13.3
<i>MSCI ACWI ex USA Growth Gross</i>			-1.7	5.7
Total Domestic Fixed Income	272,558,476	19.1	-0.1	5.6
<i>BBgBarc US Aggregate TR</i>			-0.4	6.3
BlackRock Core Bond	98,172,889	6.9	-0.4	7.7
<i>BBgBarc US Aggregate TR</i>			-0.4	6.3
Dodge & Cox Income Fund	101,499,899	7.1	0.0	7.1
<i>BBgBarc US Aggregate TR</i>			-0.4	6.3
Pacific Asset Corporate Loan	72,885,687	5.1	0.0	-0.1
<i>S&P/LSTA Leveraged Loan Index</i>			0.2	-0.5
Total Global Fixed	134,961,902	9.5	0.4	-2.3
<i>FTSE World Govt Bond Index</i>			-0.2	6.9
Brandywine Global Fixed Income	66,960,324	4.7	0.9	--
<i>FTSE WGBI ex US TR</i>			0.3	--
Ashmore EM Blended Debt Fund	68,001,578	4.8	-0.1	-6.8
<i>50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELM+</i>			0.2	-2.5

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

Policy Index (4/1/2020): 21% Russell 3000, 21% MSCI ACWI ex. US, 31% BBgBarc Aggregate, 17% NCREIF Property, 5% Russell 3000 + 300 bp lagged, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. Stone Harbor liquidated 3/22/2019. Ashmore EM Blended Debt funded 3/31/2019. Direct RE liquidated 5/3/2019. Pathway 10 funded 3/25/2020. Sixth Street Partners TAO funded 4/16/2020. Brandywine transitioned from International FI to Global FI on 6/24/2020. PIMCO Distressed Credit liquidated 6/25/2020. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. All data is preliminary.

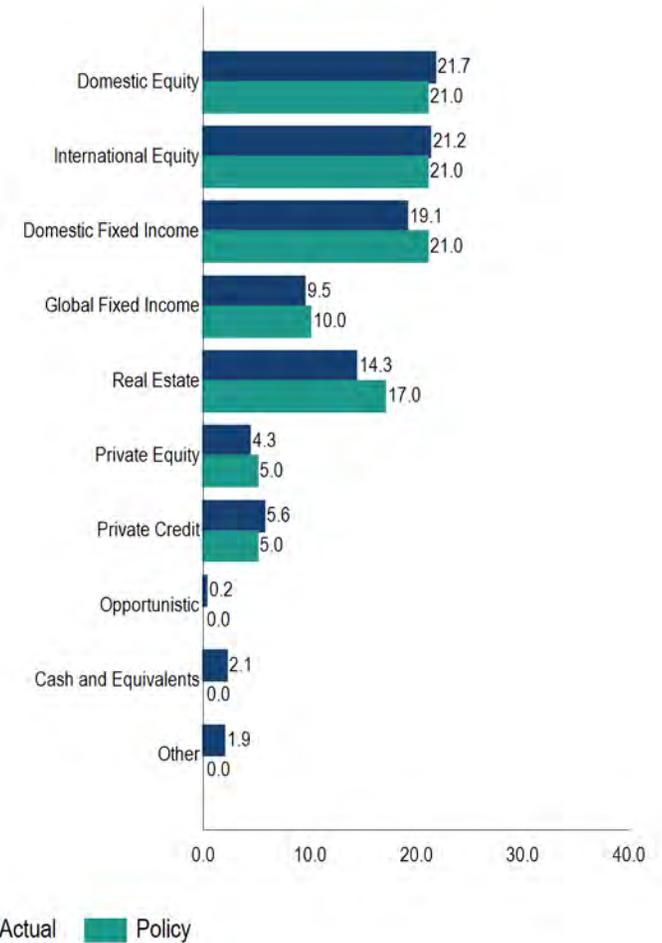
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: October 31, 2020

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	204,249,560	14.3	0.6	0.2
NCREIF Property Index			0.0	0.5
JP Morgan Core Real Estate	165,286,987	11.6	0.6	-0.5
NCREIF-ODCE			0.0	-0.1
NCREIF Property Index			0.0	0.5
ARA American Strategic Value Realty	38,962,573	2.7	0.6	3.8
NCREIF-ODCE			0.0	-0.1
NCREIF Property Index			0.0	0.5
Total Private Equity	61,531,145	4.3		
Harbourvest Partners IX Buyout Fund L.P.	14,266,371	1.0		
Pathway Private Equity Fund Investors 9 L.P.	36,172,329	2.5		
Harbourvest 2018 Global Fund L.P.	10,355,811	0.7		
Pathway Private Equity Fund Investors 10 L.P.	736,635	0.1		
Total Private Credit	66,691,385	4.7		
Sixth Street Partners DCP	66,691,385	4.7		
Total Cash	30,379,588	2.1	0.5	1.9
91 Day T-Bills			0.0	0.4
Cash Account	30,379,588	2.1	0.5	1.9
91 Day T-Bills			0.0	0.4
Total Opportunistic	17,330,844	1.2		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	3,448,434	0.2		
Sixth Street Partners TAO	13,882,410	1.0		

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

Policy Index (4/1/2020): 21% Russell 3000, 21% MSCI ACWI ex. US, 31% BBgBarc Aggregate, 17% NCREIF Property, 5% Russell 3000 + 300 bp lagged, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. Stone Harbor liquidated 3/22/2019. Ashmore EM Blended Debt funded 3/31/2019. Direct RE liquidated 5/3/2019. Pathway 10 funded 3/25/2020. Sixth Street Partners TAO funded 4/16/2020. Brandywine transitioned from International FI to Global FI on 6/24/2020. PIMCO Distressed Credit liquidated 6/25/2020. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. All data is preliminary.



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

OCTOBER 2020
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Real U.S. GDP expanded at an annualized quarterly rate of 33.1% in the third quarter (-2.9% year-over-year), following a historic -31.4% plunge in Q2. Personal consumption expenditures contributed 68% to the quarterly annualized advance. Government spending contracted following the expiration of the CARES Act, and weighed on growth.
- The U.S. labor market extended its rebound in October and nonfarm payroll employment rose by 638,000. Notable gains were seen in the leisure and hospitality sector where 4.8 million jobs have been added since April. Still, the sector's payrolls remain 3.5 million below levels seen in February. Broad unemployment improved from 7.9% to 6.9%, though the labor force participation rate remained subdued.
- The ISM Non-Manufacturing PMI ticked down from 57.8 to 56.6 in October but remained in expansionary territory (above 50.0) for the fifth consecutive month.

U.S. EQUITIES

- The S&P 500 Index continued to fall lower in October and declined -2.7%. The two largest sectors in the S&P 500, information technology (-5.1%) and health care (-4.4%), which make up 25.5% and 10.8% of the index respectively, weighed heavily on performance in October.
- At month-end, the forward 12-month P/E ratio for the S&P 500 was 20.6, well above the 5-year average P/E of 17.3.
- As of month end, 64% of companies in the S&P 500 had reported Q3 results and 86% of those companies have posted better-than-expected earnings. If 86% is the final percentage, it will be the largest percentage of companies to post positive EPS surprise since 2008.

U.S. FIXED INCOME

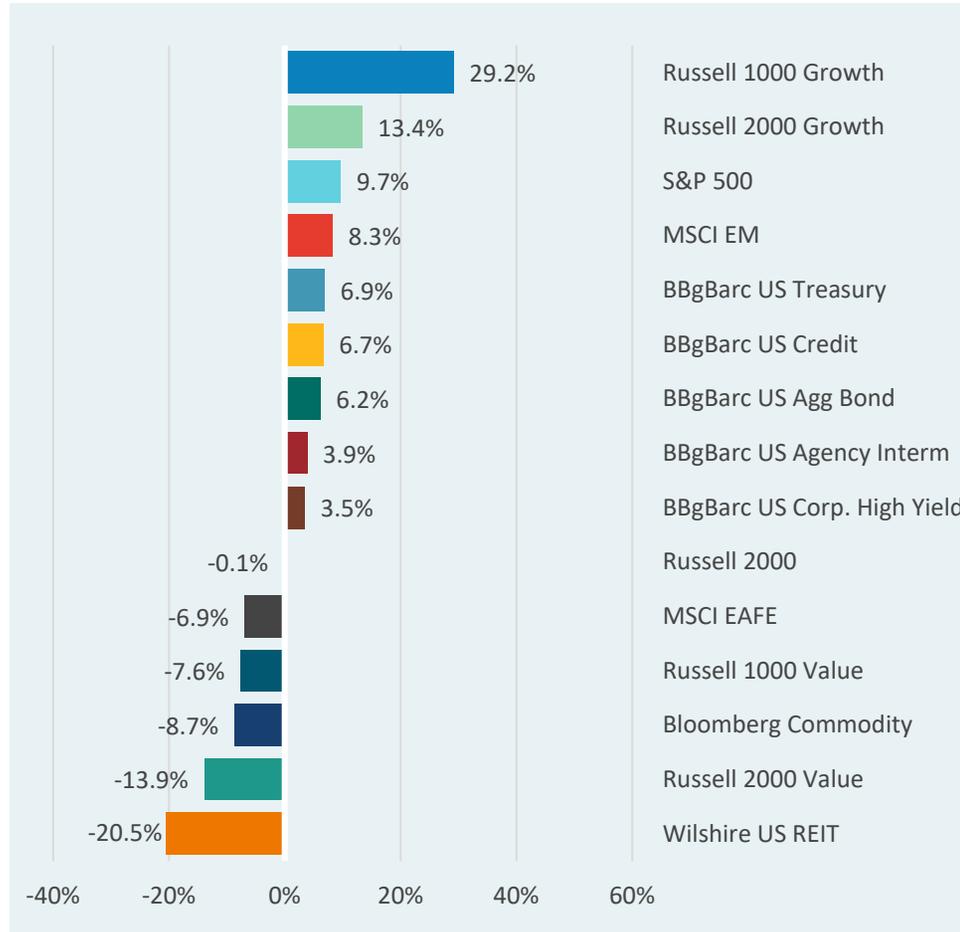
- The Federal Reserve left the target range for the federal funds rate unchanged at 0-0.25% and reiterated its commitment to keep rates accommodative until labor markets reach maximum employment and inflation exceeds 2.0% for some time. The Fed will continue to increase its holdings of Treasury securities and agency mortgage-backed securities over the coming months to support the flow of credit to households and businesses.
- Ten-year U.S. Treasury yields pushed up toward the top-end of their trading range through the pandemic and finished the month at 0.87%.
- The yield on the 30-year Treasury bond traded 19 basis points higher in October and ended the period at 1.66%. Long-duration Treasuries (BBgBarc US Treasury Long) returned -3.0%.

INTERNATIONAL MARKETS

- Chinese GDP grew at an annualized quarterly pace of 2.7% in the third quarter following an 11.5% increase in the second quarter. Year-over-year GDP growth picked up from 3.2% to 4.9%.
- The IHS Markit Eurozone Services PMI fell from 48.0 to 46.9 in October, dropping further away from the expansionary level of 50.0 over the month. Input costs increased for the fifth consecutive month, and the print indicated that weak demand led to price discounting amongst service providers.
- Eurozone GDP recovered by more than initial estimates in the third quarter, and grew at an annualized quarterly rate of 12.7% in Q3, up from -11.8% in Q2. Still, Eurozone gross domestic product remained -4.3% below its Q3 2019 level.

Major asset class returns

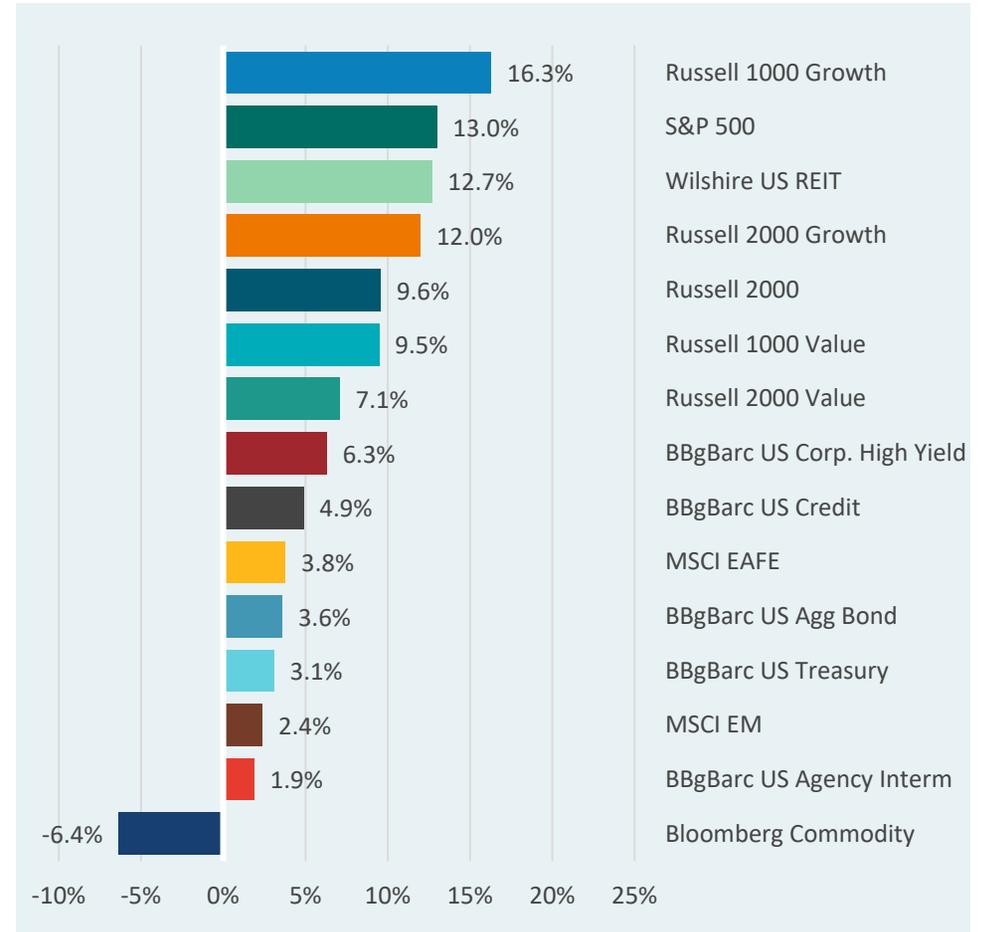
ONE YEAR ENDING OCTOBER



*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 10/31/20

TEN YEARS ENDING OCTOBER



Source: Morningstar, as of 10/31/20

U.S. large cap equities

- The S&P 500 Index ended a volatile month down -2.7%. By October 12th, the index had climbed 5.1% over the month-to-date, although gains were erased in the second half of the month. The price index reached intra-month highs of 3534 but finished October at 3270.
- At month-end, 46 companies had issued EPS guidance for the fourth quarter of 2020. Of the few companies issuing guidance, 67% of companies issued positive earnings guidance compared to the five-year average of 32%. While equities remain at lofty valuations, fundamentals appear to be on an encouraging track.
- Of the 11 major sectors in the S&P 500 Index only two, utilities (+1.3%) and telecom (+0.8%), delivered positive returns over the month. The energy (-4.4%) and information technology (-5.1%) sectors underperformed the overall index.
- The Cboe VIX Index of implied volatility jumped 11.6 points in October and closed the month at 38.0, its highest level since June, and a level well above historical averages. Investors continue to expect elevated levels of volatility around the election, levels that may then fall closer to average toward the beginning of 2021.

S&P 500 PRICE INDEX



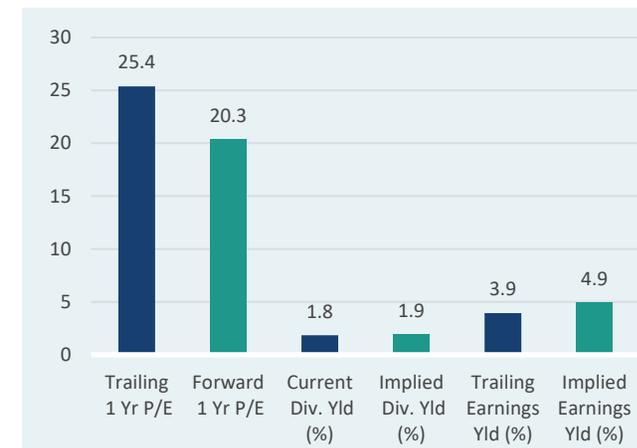
Source: Bloomberg, as of 10/31/20

IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 10/31/20

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 10/31/20

Domestic equity size and style

- Value stocks (Russell 3000 Value -1.0%) outperformed growth stocks (Russell 3000 Growth -3.2%) for the second consecutive month. Within the small cap universe, the value factor outperformed as well - Russell 2000 Value Index outpaced the Russell 2000 Growth Index by +2.8%.
- The iShares Edge MSCI USA Quality Factor ETF, an index fund which seeks to track the performance of high quality large- and mid-cap stocks based on return-on-equity ratios, earnings consistency, and leverage, fell -2.3%, but beat the overall S&P 500 Index (-2.7%).
- Small-cap equities (Russell 2000 Index +2.1%) outperformed large-cap equities (Russell 1000 Index -2.4%) in October. The heavy weight of the information technology sector within the large cap index presented material headwinds for performance.
- The S&P 500 Low Volatility High Dividend Index declined -1.3%, outperforming the S&P 500 Index (-2.7%). Investors were paid for positioning themselves more defensively within their equity portfolios in October.

VALUE VS. GROWTH RELATIVE VALUATIONS



Source: Russell, Bloomberg, as of 10/31/20

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 10/31/20

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



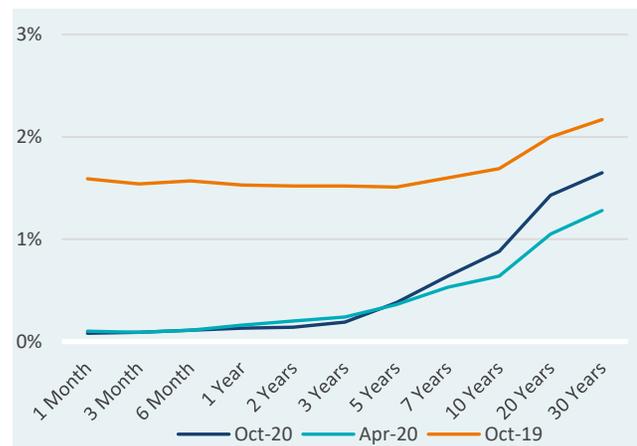
Source: FTSE, Bloomberg, as of 10/31/20

Fixed income

- The European Central Bank decided to leave its monetary policy and rates unchanged. The interest rates on the ECB’s main refinancing operation, marginal lending facility and deposit facility remain at 0.00%, 0.25% and -0.50%, respectively. The bank hinted that they would strongly consider announcing further monetary stimulus in December.
- Global rates advanced, resulting in negative performance for most bondholders. Credit spreads continued to compress however, leading riskier credit (BBgBarc HY +0.5%) to outperform safer credit (BBgBarc U.S. Agg -0.4%).

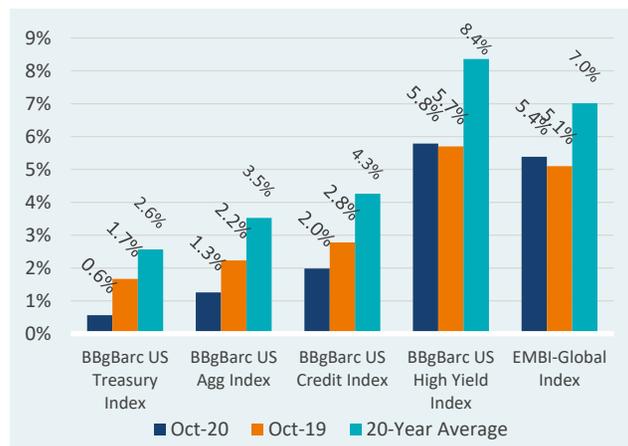
- Global risky credit performed relatively well in October. Local-currency denominated emerging market debt (J.P. Morgan GBI-EM) returned +0.4% and outperformed hard-currency denominated emerging market debt (JPM EMBI Global Diversified Index +0.0%).
- Treasury yields drifted higher, likely impacted by the increase in the chances for a Biden presidency which many investors viewed as more likely to deliver larger fiscal stimulus which might increase longer-term expectations for growth and inflation. The 10-year yield rose from 0.69% to 0.88% over the month.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 10/31/20

NOMINAL YIELDS



Source: Morningstar, as of 10/31/20

BREAKEVEN INFLATION RATES

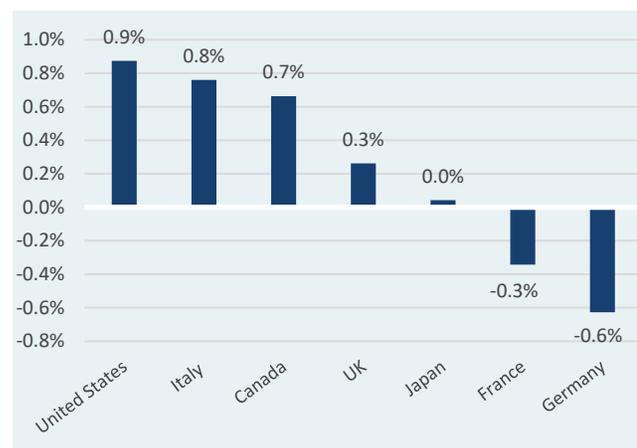


Source: Bloomberg, as of 10/31/20

Global markets

- Emerging market equities (MSCI EM +2.1%) outperformed U.S. (S&P 500 -2.7%) and international developed equities (MSCI EAFE -4.0%) in U.S. dollar terms. Asian EM equities (MSCI EM Asia +3.3%) posted strong performance in October and were a bright spot within the global equity opportunity set.
- COVID-19 case growth accelerated in October, especially in Europe. Social distancing controls were tightened or added across much of the continent, reigniting fears over the economic impacts of a second wave of sweeping lockdowns.
- European sovereign bond yields declined in October. The 10-year German bund yield fell deeper into negative territory from -0.52% to -0.63%, and Italian 10-year bond yields ticked down from 0.86% to 0.76% over the same period.
- Emerging market currencies broadly appreciated relative to the U.S. dollar, bolstering emerging market equities' (MSCI EM Index +2.1%) outperformance of world indices in U.S. dollar-terms. The Mexican peso (+4.4%) and South African rand (+3.1%) appreciated most significantly relative to the dollar in October.

GLOBAL SOVEREIGN 10-YEAR YIELDS



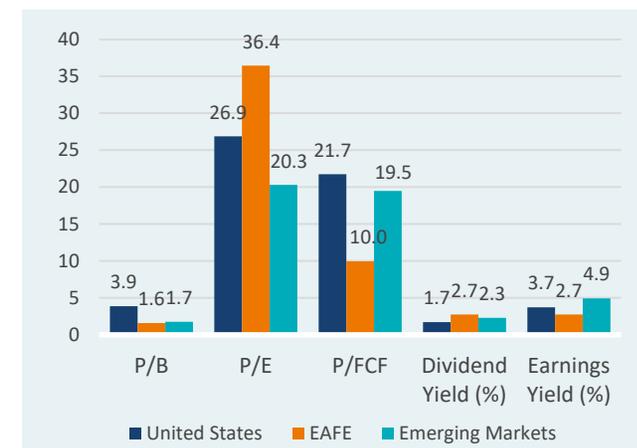
Source: Bloomberg, as of 10/31/20

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 10/31/20

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 10/31/20

Commodities

- The Bloomberg Commodity Index was up +1.4% and was driven higher by the grains (+4.2%) and industrial metals (+3.0%) sectors. Petroleum price movement reflected the downturn in other risk markets and reports of growing U.S. stockpiles likely contributed to declines.
- The petroleum sector declined -10.7% over the month and WTI crude oil prices fell to five-month lows. Accelerating coronavirus infections in Europe brought back concerns over petroleum demand, and higher-than-expected production in Libya added further downward price pressure within the sector.

- The Bloomberg Industrial Metals Sub-Index advanced +3.0% over the month, as the aluminum (+5.3%), zinc (+4.7%), and nickel (+4.3%) all posted solid gains. Copper, which holds the highest weight amongst industrial metals in the overall Bloomberg Commodity Index (7.0%), gained just +0.5%.
- The Bloomberg Agriculture Index gained +3.9% over the month. Grains (+4.2%) advanced on the strong performance of soybeans (+4.2%) and corn (+4.9%). The performance of softs (+1.6%), another component of the agriculture index, was supported by sugar prices (+6.3%).

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	1.4	1.4	(10.8)	(8.7)	(4.4)	(2.7)	(6.4)
Bloomberg Agriculture	3.9	3.9	(0.3)	5.0	(3.6)	(4.6)	(6.1)
Bloomberg Energy	(0.5)	(0.5)	(44.3)	(42.0)	(16.7)	(13.5)	(15.0)
Bloomberg Grains	4.2	4.2	1.8	4.0	(2.4)	(5.9)	(6.2)
Bloomberg Industrial Metals	3.0	3.0	4.9	2.8	(1.8)	5.8	(3.6)
Bloomberg Livestock	(1.2)	(1.2)	(26.2)	(26.6)	(13.9)	(8.1)	(4.9)
Bloomberg Petroleum	(10.7)	(10.7)	(55.6)	(50.3)	(19.3)	(14.0)	(12.8)
Bloomberg Precious Metals	(0.5)	(0.5)	22.1	22.0	11.9	8.7	1.5
Bloomberg Softs	1.6	1.6	(8.5)	3.4	(8.3)	(5.9)	(9.4)

Source: Morningstar, as of 10/31/20

COMMODITY PERFORMANCE



Source: Bloomberg, as of 10/31/20

Appendix

Periodic table of returns

BEST

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	5-Year	10-Year
Large Cap Growth	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	20.1	17.3	16.3
US Bonds	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	6.3	11.8	13.0
Small Cap Growth	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	4.7	10.4	12.0
Large Cap Equity	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	3.8	7.9	9.6
Hedge Funds of Funds	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	2.5	7.3	9.5
60/40 Global Portfolio	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.4	2.1	6.7	9.4
Emerging Markets Equity	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.0	0.9	6.3	7.1
Real Estate	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	0.5	5.8	5.8
Cash	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	0.4	4.1	3.8
Small Cap Equity	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	-6.8	3.7	3.6
International Equity	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	-10.8	3.1	2.9
Commodities	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	-10.8	2.8	2.4
Large Cap Value	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	-12.7	1.1	0.6
Small Cap Value	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-18.7	-2.7	-6.4

WORST

- Large Cap Equity
- Large Cap Value
- Large Cap Growth
- Small Cap Equity
- Small Cap Value

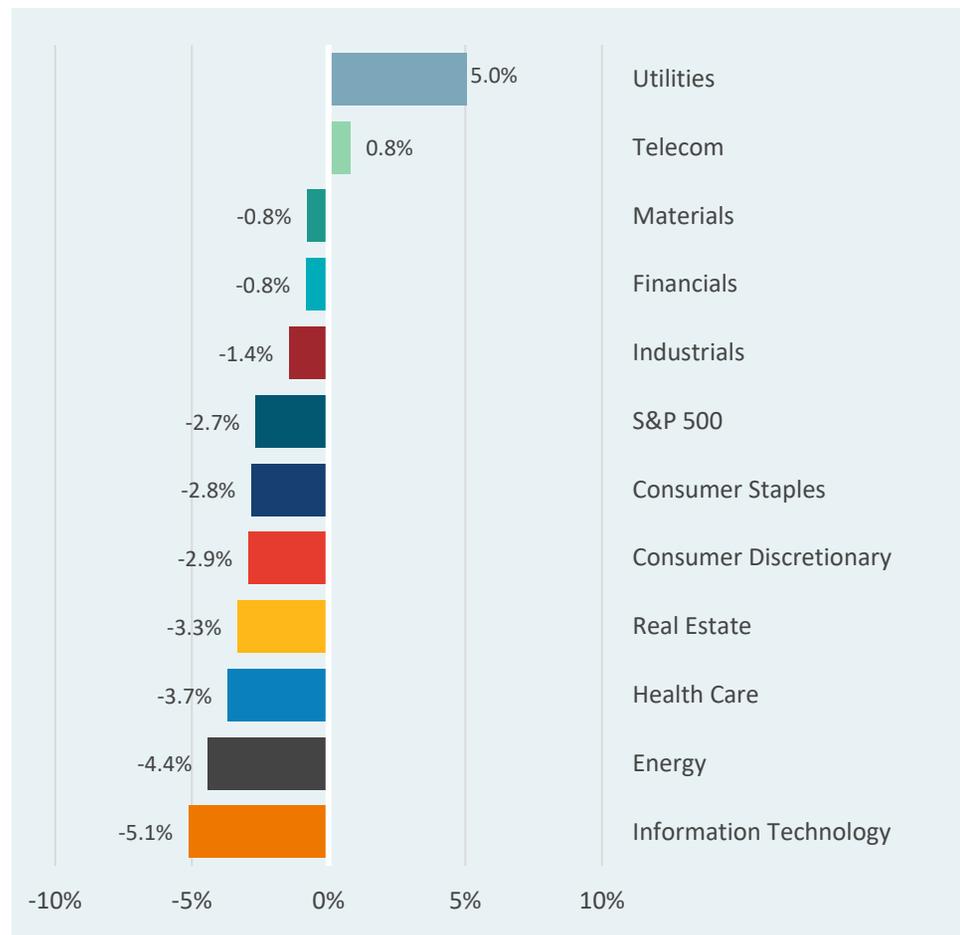
- Small Cap Growth
- International Equity
- Emerging Markets Equity
- US Bonds
- Cash

- Commodities
- Real Estate
- Hedge Funds of Funds
- 60% MSCI ACWI/40% BBgBarc Global Bond

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 9/30/20.

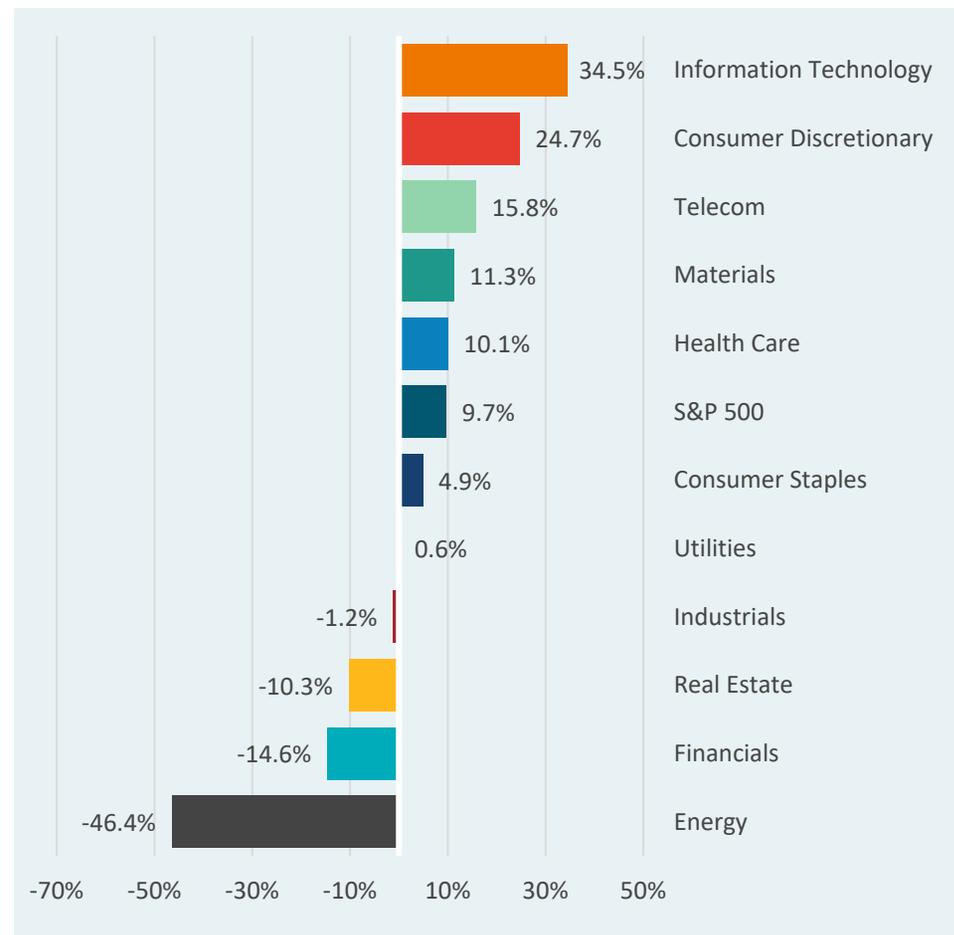
S&P 500 sector returns

OCTOBER



Source: Morningstar, as of 10/31/20

ONE YEAR ENDING OCTOBER



Source: Morningstar, as of 10/31/20

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(2.7)	(2.7)	2.8	9.7	10.4	11.7	13.0
S&P 500 Equal Weighted	(0.6)	(0.6)	(5.3)	0.6	5.9	8.6	11.6
DJ Industrial Average	(4.5)	(4.5)	(5.4)	0.3	6.7	11.1	11.8
Russell Top 200	(3.4)	(3.4)	5.9	13.4	12.1	12.9	13.7
Russell 1000	(2.4)	(2.4)	3.8	10.9	10.6	11.8	13.0
Russell 2000	2.1	2.1	(6.8)	(0.1)	2.2	7.3	9.6
Russell 3000	(2.2)	(2.2)	3.1	10.1	10.0	11.5	12.8
Russell Mid Cap	0.6	0.6	(1.7)	4.1	6.8	9.0	11.4
Style Index							
Russell 1000 Growth	(3.4)	(3.4)	20.1	29.2	18.8	17.3	16.3
Russell 1000 Value	(1.3)	(1.3)	(12.7)	(7.6)	1.9	5.8	9.5
Russell 2000 Growth	0.8	0.8	4.7	13.4	7.9	10.4	12.0
Russell 2000 Value	3.6	3.6	(18.7)	(13.9)	(4.1)	3.7	7.1

INTERNATIONAL EQUITY

Broad Index							
MSCI ACWI	(2.4)	(2.4)	(1.1)	4.9	5.5	8.1	7.9
MSCI ACWI ex US	(2.1)	(2.1)	(7.5)	(2.6)	(0.2)	4.3	3.4
MSCI EAFE	(4.0)	(4.0)	(10.8)	(6.9)	(1.2)	2.8	3.8
MSCI EM	2.1	2.1	0.9	8.3	1.9	7.9	2.4
MSCI EAFE Small Cap	(3.5)	(3.5)	(7.5)	(1.4)	(0.4)	5.4	6.5
Style Index							
MSCI EAFE Growth	(4.0)	(4.0)	0.5	5.2	4.8	6.6	6.2
MSCI EAFE Value	(4.0)	(4.0)	(21.6)	(18.4)	(7.4)	(1.1)	1.3
Regional Index							
MSCI UK	(5.0)	(5.0)	(27.3)	(22.3)	(7.4)	(2.8)	1.1
MSCI Japan	(1.6)	(1.6)	(2.3)	0.3	1.8	5.1	5.8
MSCI Euro	(6.6)	(6.6)	(15.0)	(11.4)	(4.5)	1.2	2.2
MSCI EM Asia	3.3	3.3	11.6	20.1	5.0	10.4	5.5
MSCI EM Latin American	(1.1)	(1.1)	(36.8)	(33.1)	(11.1)	0.6	(6.1)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	(0.6)	(0.6)	8.5	9.1	5.5	4.4	3.2
BBgBarc US Treasury Bills	0.0	0.0	0.7	1.0	1.7	1.2	0.7
BBgBarc US Agg Bond	(0.4)	(0.4)	6.3	6.2	5.1	4.1	3.6
Duration							
BBgBarc US Treasury 1-3 Yr	(0.0)	(0.0)	3.1	3.2	2.7	1.8	1.3
BBgBarc US Treasury Long	(3.0)	(3.0)	17.7	13.8	10.8	7.7	7.2
BBgBarc US Treasury	(0.9)	(0.9)	7.9	6.9	5.2	3.6	3.1
Issuer							
BBgBarc US MBS	(0.0)	(0.0)	3.6	3.9	3.7	3.0	2.9
BBgBarc US Corp. High Yield	0.5	0.5	1.1	3.5	4.2	6.3	6.3
BBgBarc US Agency Interm	(0.1)	(0.1)	3.9	3.9	3.2	2.3	1.9
BBgBarc US Credit	(0.2)	(0.2)	6.2	6.7	6.0	5.6	4.9

OTHER

Index							
Bloomberg Commodity	1.4	1.4	(10.8)	(8.7)	(4.4)	(2.7)	(6.4)
Wilshire US REIT	(2.5)	(2.5)	(18.8)	(20.5)	(0.1)	5.7	12.7
CS Leveraged Loans	0.2	0.2	(0.7)	1.5	3.0	4.6	5.0
Alerian MLP	4.4	4.4	(46.1)	(44.9)	(19.5)	(13.2)	(4.0)
Regional Index							
JPM EMBI Global Div	(0.0)	(0.0)	(0.5)	1.0	3.4	5.6	5.2
JPM GBI-EM Global Div	0.4	0.4	(5.9)	(3.8)	1.3	3.9	0.4
Hedge Funds							
HFRI Composite	0.4	0.4	1.2	4.2	2.6	3.8	3.5
HFRI FOF Composite	0.2	0.2	2.8	5.4	2.6	3.0	2.8
Currency (Spot)							
Euro	(0.7)	(0.7)	3.8	4.4	(0.0)	1.1	(1.8)
Pound	0.0	0.0	(2.4)	(0.1)	(0.9)	(3.5)	(2.1)
Yen	0.9	0.9	4.0	3.4	2.8	2.9	(2.6)

Source: Morningstar, HFRI, as of 10/31/20

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	4.0	10.5	8.8	12.0
Global Private Equity Direct Funds *	9.3	13.8	12.1	14.5
U.S. Private Equity Direct Funds *	9.7	14.8	12.3	15.5
Europe Private Equity Direct Funds *	5.1	12.6	14.0	13.5
Asia Private Equity Direct Funds *	13.1	13.0	11.0	13.4

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
MSCI World	2.8	6.7	6.9	10.0
S&P 500	7.5	10.7	10.7	14.0
MSCI Europe	(6.8)	0.0	1.5	5.7
MSCI AC Asia Pacific	1.0	3.2	4.0	6.0

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(1.4)	6.0	7.7	12.3

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
FTSE NAREIT Equity REIT	(13.0)	0.0	4.1	9.1

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	(1.5)	5.2	6.5	10.0

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P / LSTA U.S. Leveraged Loan 100 Index	(0.5)	2.5	3.0	4.1

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	(23.7)	(7.3)	(4.3)	0.5
Global Infrastructure	3.2	8.4	10.0	9.8

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P Global Natural Resources	(16.8)	(0.1)	0.9	1.5
S&P Global Infrastructure	(14.8)	(0.9)	2.6	6.9

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of June 30th, 2020. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

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

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

Notices & disclosures

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San Luis Obispo County Pension Trust *SLOOPT*

Date: December 23, 2020

To: Board of Trustees

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

Item 8: Monthly Investment Report for November 2020

	November	Year to Date 2020	2019	2018	2017	2016	2015
Total Trust Investments (\$ millions)	\$1,517		\$1,446 year end	\$1,285 year end	\$1,351 year end	\$1,196 year end	\$1,148 year end
Total Fund Return	7.0% Gross	5.8% Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross	-0.8% Gross
Policy Index Return (r)	6.1%	8.2%	16.4 %	-3.2 %	13.4 %	7.7 %	-0.5 %

(r) Policy index as of April 1, 2020 revision to Strategic Asset Allocation Policy: 21% domestic equity, 21% international equity, 15% core bonds, 6% bank loans, 5% global bonds, 5% emerging market debt, 17% real estate, 0% commodities, 5% private equity, 5% private credit. [Pending revision to Revised Investment Policy adopted Sept. 2020 to be effective in 2021.](#)

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.

Note that the chaotic markets of 2020 at one point in March had the SLOOPT total fund return year to date at a -12.4% level. The bounce back from that low point has brought the YTD return up to a 5.8% level. November returns on equities were quite large. Subsequent market returns in December are expected to bring the YTD return to a modest, but positive, number in the area of

5% depending on what the last two weeks of the year bring. Significant improvement, but still likely to lead to a small actuarial loss in investments for the full year.

The Economy and Capital Markets:

➤ **GDP Growth**

- The Fed's summary of economic projections released in December forecast U.S. real GDP growth recovering to 4.2% in 2021, versus the prior forecast of 4.0% in 2021.

➤ **Policy Responses to Pandemic**

▪ **Monetary Policy –**

- The Fed at its December 16th meeting left interest rates unchanged and continue asset purchases to bolster the economy.
- Fed Chair Powell commented after the meeting that the Fed would continue to bolster demand for some time. He added that “the next few months are likely to be very challenging”. He also addressed the economic outlook for a challenging near-term plagued by pandemic impacts on the economy, and a much more positive outlook following widespread vaccinations. Powell commented that government policies are “trying to work together to try to create a bridge across this economic chasm that was created by the pandemic, and for many Americans that bridge is there and they're across it. But there's a group for which they don't have a bridge yet” and suggested that more fiscal stimulus from Congress is necessary.

▪ **Fiscal Policy –**

- The Federal government has not yet passed legislation for a renewed round of fiscal stimulus. As of Friday, December 18th, there are indications of intent by the House and the Senate to pass a package of added stimulus near \$900 billion. The details are unclear, but are expected to include extended and supplemented jobless benefits, and assistance to small business. The package appears to not include additional assistance for State and Local governments.

➤ **Employment and Wages –**

- The November DOL report from the BLS on nonfarm employment continued a trend towards slowing with a gain of 245k. Still a net positive for job gains in November, but one shadowed by further business contraction yet to come in December. The Unemployment rate fell from 6.9% in October to 6.9% in November (February low was 3.5% / April high was 14.7%).
- The fall in unemployment is partially due to the decline in the Labor Force Participation Rate as it has fallen from above 63% in January to 61.5% in October. Over four million people left the U.S. work force entirely from February to November largely due to pandemic effects. In addition, the number of long-term unemployed (who find it harder

to return to work) is stubbornly high at nearly 37 million vs. 20 million at the start of the year. Re-entry of these workers to the labor force may be a protracted process.

- Jobless claims as of December 17th had increased noticeably to a 4-week average of over 812k initial jobless benefit claims. Resurgent layoffs of employees as economic activity slowed or contracted from its recent recovery were a significant factor.
- More positively, monthly wages have recovered for those employed to near pre-pandemic levels. This is accompanied by a growing productivity rate which in the long-run improves standards of living.
- The Fed's summary of economic projections released in December forecast unemployment declining to 5% in 2021, versus the prior forecast of 5.5% in 2021.
- Local unemployment rates in November –
 - San Luis Obispo County 5.4%.
 - Tri-County region 6.0% (Ventura, Santa Barbara, SLO)
 - California 8.2%

➤ **Market Outlook –**

- Surging equity markets during November and early December are clearly looking ahead, past near-term economic upsets of pandemic economic restrictions.
- The following summary is from the KKR (Kohlberg Kravis Roberts) 2021 Global Macro Outlook publication. The Pension invests in one of KKR's many private credit funds – the KKR Mezzanine Debt Fund I started in 2010 and nearing its final phases. This report is self-admittedly more optimistic than the general market consensus, but it is of interest.

“KKR today released its 2021 Global Macro Outlook piece by Henry McVey, Head of Global Macro and Asset Allocation (GMAA). In “**Another Voice**,” McVey outlines his team's perspective on why we are entering a new period of heightened economic growth that will create significant potential investment opportunities.

In McVey's view, several forces at work are likely to lead to strong gains in global nominal GDP in the year ahead, including:

- **Sustained Government Spending.** We expect this will support major initiatives in broadband, education, supply chain resilience, energy transition and climate change, health care coverage, and traditional infrastructure.
- **A Stronger than Expected Rebound in Consumer Spending Once the Vaccine is Widely Available.** We think the potential magnitude of this spending power could be underestimated, as consumers at the high end have benefitted from increased rates of savings while those at the low end have been supported by generous government transfers.
- **The Federal Reserve and its Global Peers Remaining Aggressive.** We expect the Federal Reserve to remain extremely aggressive on the bond

buying front and also expect more action from the Bank of England and the European Central Bank in 2021.

- **Faster Than Expected Recovery in Asia, with Continued Expansion beyond China.** The recent surge in Japan's stock market suggest cyclical growth is accelerating, and we also see China's millennial population remaining increasingly resilient in 2021. Given China typically accounts for about one third of global growth each year, this positive momentum has important implications for the global economy.

Overall, this transition towards faster nominal GDP growth is hugely important for investors, and permeates all aspects of the GMAA team's top-down thinking. To this end, the team is bullish on the following themes as we enter 2021:

- **Asset-based Cash Flows:** We have entered a unique period where global central bankers, particularly in the U.S., are doing everything in their power to stoke some inflation to accelerate growth in nominal GDP by holding nominal interest rates at record low levels. In the near-term, the importance of an above average cash flow generated by these assets could improve trading multiples. Longer-term, we think the value of the sound collateral that backs the cash flows will further enhance performance.
- **Rise of the Global Millennial:** We think we are at an inflection point for consumption patterns by the global millennial, with the most powerful part of the global millennial story emanating from Asia. All told, there are now 822 million Asian millennials, 12 times more than in the U.S.
- **Fiscal Beneficiaries, Including ESG, Amidst a Renaissance in Big Government:** In a world of low rates and high unemployment, we expect governments to spend aggressively to sustain economic growth and to push for higher minimum wages. As part of the trend towards higher fiscal outlays, we think that many aspects of ESG should benefit.
- **Domestication of Global Demand and Supply:** We believe rising nationalistic sentiment, combined with a post-COVID focus on redundant, reliable and resilient supply chains for critical products, will lead to more local bias in terms of both consumption and production. We now expect global capex to surprise on the upside in the second half of the year.
- **Embrace Dislocation and Dispersions:** Though perhaps not as extreme as in 2020, we expect 2021 to be another year of heightened volatility. This backdrop should present global allocators of capital with opportunities to take advantage of both periodic dislocations and heightened dispersions.
- **Secular Winners:** While there is clearly a more distinct cyclical bias inherent in our portfolio for 2021, innovation is still highly relevant in the world we envision. Indeed, given all the seismic changes that have taken place in Healthcare, Security, Software, and Consumerism, we still want to be long disruptors.

What does all this mean for asset allocation and investing? The GMAA team's key points are as follows:

- **Equities will likely outperform Credit in 2021, but the real story will be about narrowing dispersions as market breadth widens.**
- **Continue to lighten up on sovereign debt and shorten duration, as the bull market in risk-free rates that started in 1982 is now over.**
- **Increase exposure to collateral-based cash flow with income generation and pricing power, including Asset Based Finance, Infrastructure, and parts of both Real Estate Equity and Real Estate Credit.**
- **Sell dollars to fund other investments.**
- **Buy U.S. exporters, Asian Equities, and high-quality EM Local Debt (both Public and Private).**
- **Overweight Opportunistic Credit, dislocation funds, relative value hedge funds, and macro funds.**
- **Overweight Global Private Equity vehicles that leverage the illiquidity premium.”**

Respectfully Submitted,

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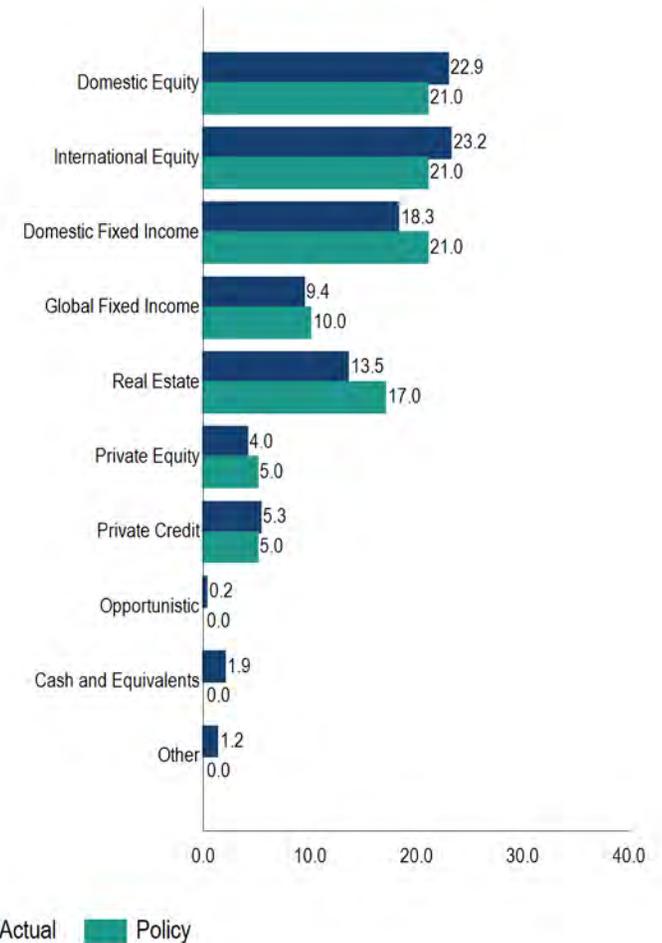
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: November 30, 2020

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,517,498,078	100.0	7.0	5.8
<i>Policy Index</i>			6.1	8.2
Total Domestic Equity	347,841,030	22.9	12.3	9.2
<i>Russell 3000</i>			12.2	15.7
PIMCO RAE US	78,565,830	5.2	14.5	0.5
<i>S&P 500</i>			10.9	14.0
Loomis Sayles Large Cap Growth	106,665,000	7.0	8.4	29.0
<i>Russell 1000 Growth</i>			10.2	32.4
Boston Partners Large Cap Value	95,456,559	6.3	14.9	-1.6
<i>Russell 1000 Value</i>			13.5	-1.0
Atlanta Capital Mgmt	67,153,641	4.4	12.9	4.9
<i>Russell 2500</i>			16.3	11.5
Total International Equity	351,804,502	23.2	16.0	13.2
<i>MSCI ACWI ex USA Gross</i>			13.5	5.4
Dodge & Cox Intl Stock	160,558,145	10.6	21.3	-2.4
<i>MSCI ACWI ex USA Value Gross</i>			17.1	-5.5
WCM International Growth	191,246,357	12.6	11.9	26.7
<i>MSCI ACWI ex USA Growth Gross</i>			10.2	16.4
Total Domestic Fixed Income	276,991,711	18.3	1.6	7.3
<i>BBgBarc US Aggregate TR</i>			1.0	7.4
BlackRock Core Bond	99,398,563	6.6	1.3	9.0
<i>BBgBarc US Aggregate TR</i>			1.0	7.4
Dodge & Cox Income Fund	103,509,112	6.8	2.0	9.3
<i>BBgBarc US Aggregate TR</i>			1.0	7.4
Pacific Asset Corporate Loan	74,084,035	4.9	1.6	1.6
<i>S&P/LSTA Leveraged Loan Index</i>			2.2	1.8
Total Global Fixed	142,030,881	9.4	5.3	2.8
<i>FTSE World Govt Bond Index</i>			1.6	8.6
Brandywine Global Fixed Income	69,910,212	4.6	4.5	--
<i>FTSE WGBI ex US TR</i>			2.3	--
Ashmore EM Blended Debt Fund	72,120,669	4.8	6.1	-1.1
<i>50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELM+</i>			4.1	1.5

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

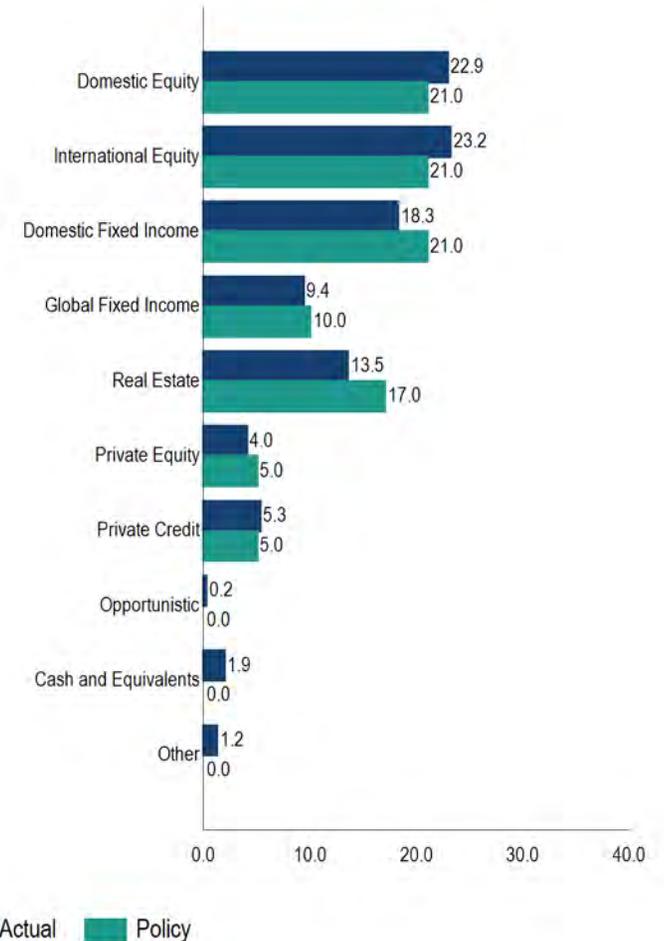
Policy Index (4/1/2020): 21% Russell 3000, 21% MSCI ACWI ex. US, 31% BBgBarc Aggregate, 17% NCREIF Property, 5% Russell 3000 + 300 bp lagged, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. Stone Harbor liquidated 3/22/2019. Ashmore EM Blended Debt funded 3/31/2019. Direct RE liquidated 5/3/2019. Pathway 10 funded 3/25/2020. Sixth Street Partners TAO funded 4/16/2020. Brandywine transitioned from International FI to Global FI on 6/24/2020. PIMCO Distressed Credit liquidated 6/25/2020. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. All data is preliminary.

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

Period Ending: November 30, 2020

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	205,255,046	13.5	0.5	0.7
NCREIF Property Index			0.0	0.5
JP Morgan Core Real Estate	166,292,472	11.0	0.6	0.1
NCREIF-ODCE			0.0	-0.1
NCREIF Property Index			0.0	0.5
ARA American Strategic Value Realty	38,962,573	2.6	0.0	3.8
NCREIF-ODCE			0.0	-0.1
NCREIF Property Index			0.0	0.5
Total Private Equity	61,158,781	4.0		
Harbourvest Partners IX Buyout Fund L.P.	14,266,371	0.9		
Pathway Private Equity Fund Investors 9 L.P.	35,991,300	2.4		
Harbourvest 2018 Global Fund L.P.	10,355,811	0.7		
Pathway Private Equity Fund Investors 10 L.P.	545,299	0.0		
Total Private Credit	66,691,385	4.4		
Sixth Street Partners DCP	66,691,385	4.4		
Total Cash	29,537,376	1.9	0.0	1.9
91 Day T-Bills			0.0	0.4
Cash Account	29,537,376	1.9	0.0	1.9
91 Day T-Bills			0.0	0.4
Total Opportunistic	17,299,441	1.1		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	3,417,031	0.2		
Sixth Street Partners TAO	13,882,410	0.9		

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

Policy Index (4/1/2020): 21% Russell 3000, 21% MSCI ACWI ex. US, 31% BBgBarc Aggregate, 17% NCREIF Property, 5% Russell 3000 + 300 bp lagged, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. Stone Harbor liquidated 3/22/2019. Ashmore EM Blended Debt funded 3/31/2019. Direct RE liquidated 5/3/2019. Pathway 10 funded 3/25/2020. Sixth Street Partners TAO funded 4/16/2020. Brandywine transitioned from International FI to Global FI on 6/24/2020. PIMCO Distressed Credit liquidated 6/25/2020. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. All data is preliminary.



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

NOVEMBER 2020
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Nonfarm payrolls grew by 245,000 but remained 8.5 million below the pre-crisis peak, and the number of people who have been out of work for at least 27 weeks rose by 385,000 to 3.9 million, underscoring some of the labor market damage inflicted by pandemic-related shutdowns. Job gains were concentrated in the transportation and warehousing sectors, while government employee headcounts were diminished as temporary census workers fell out of employment.
- The NAHB Housing Market Index increased from 85 to an all-time high of 90 in November. The housing market continues to be a bright spot in the U.S. economy supported by record-low mortgage rates and strong demand for suburban houses that are further away from the big cities which have been hit hard by pandemic-driven lockdowns.
- The ISM Manufacturing PMI faded from a two-year-high of 59.3 in October to 57.5 in November but remained firmly above 50.0 indicating an upward trend for manufacturing sector activity.

U.S. EQUITIES

- Markets rallied significantly toward the beginning of the month on the assumption that the most likely outcome of the general election was a Biden Presidency and a Republican Senate, which could result in larger fiscal stimulus, as well as delayed or reduced tax hikes.
- The S&P 500 Index rose +10.9% over the month in what was the best November in history for the overall index. Positive news regarding several vaccine candidates catalyzed the positive price action.
- Pfizer and Moderna announced a Covid-19 vaccine that was more than 94% effective in preventing the virus. AstraZeneca also reported that its vaccine has an average efficacy of 70%.

U.S. FIXED INCOME

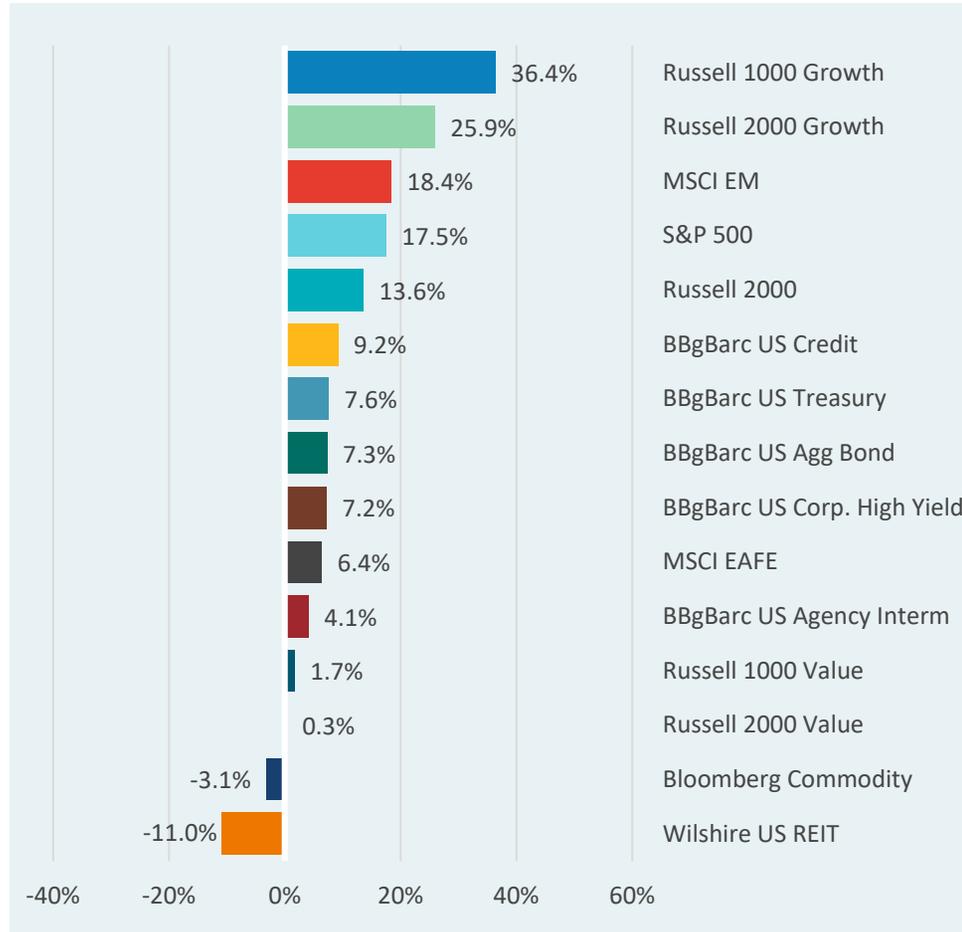
- President-elect Joe Biden announced his intention to nominate Janet Yellen to head the Treasury Department. If approved by Congress, observers expect her to back government spending to address the devastating effects of the coronavirus on the economy.
- Optimism is rising surrounding the prospect of another \$908 billion in fiscal stimulus. The bill would aid small businesses, increase unemployment payments, as well as provide funding for vaccine distribution, transit systems and airlines.
- The Treasury Secretary Steven Mnuchin has asked the Fed to extend several of the federal reserve programs that were set to expire at year end. Mnuchin also requested that the Fed return roughly \$450 billion in unused funds which the Treasury provided earlier in the year as collateral backstopping facilities such as the Main Street Lending Program, as well as four other programs.

INTERNATIONAL MARKETS

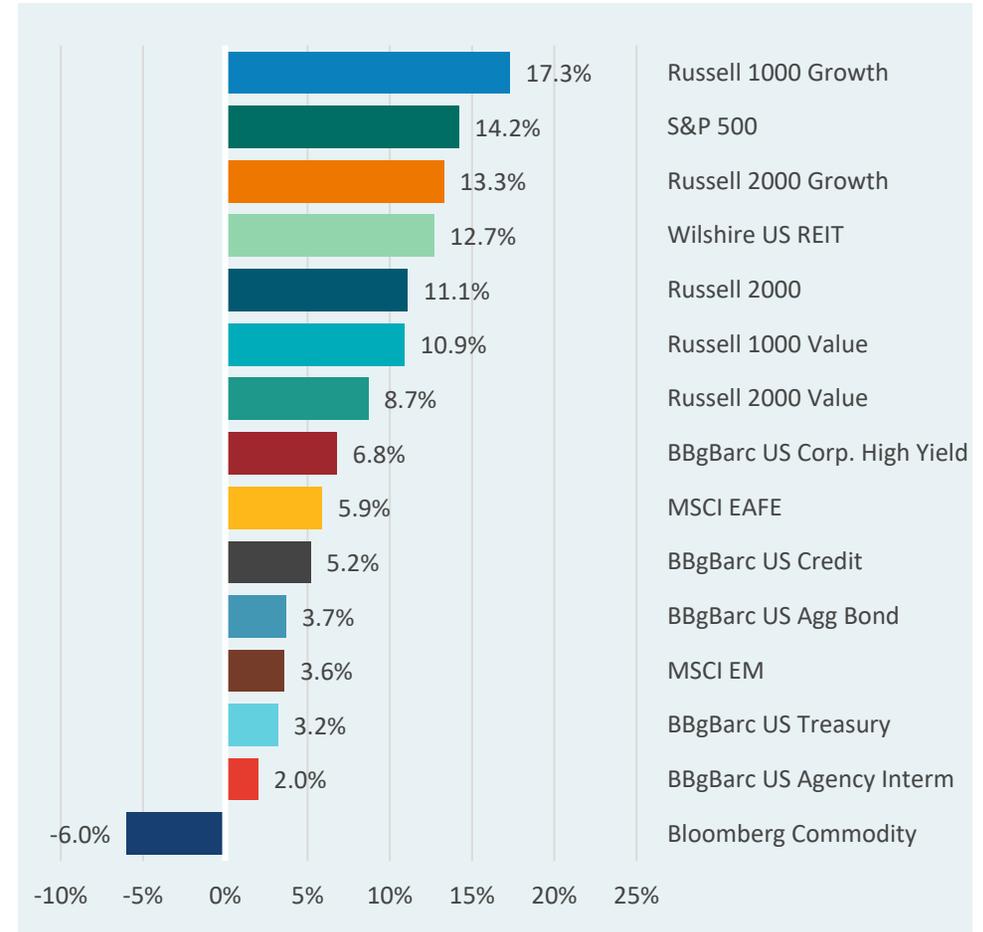
- Markit's Eurozone Composite PMI fell from 50.0 to 45.1 in November, back into contractionary territory. Economic activity in the region has been hit hard by the re-imposition of lockdowns.
- Eurozone CPI fell -0.3% YoY in November, down from +0.2% in October but in line with estimates.
- Joe Biden confirmed that he will not make any "immediate moves" to lift tariffs on Chinese imports. As of October, China was only 55% of the way to fulfilling the purchase commitment it made under the phase one trade deal.

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.

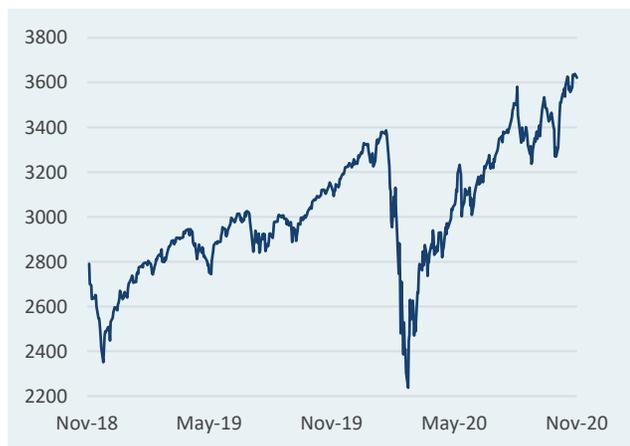
Source: Morningstar, as of 11/30/20

Source: Morningstar, as of 11/30/20

U.S. large cap equities

- The S&P 500 Index posted a strong month of performance in November and gained 10.9%. The price index hit fresh record highs of 3638 on November 27th.
- The trailing 12-month price-to-earnings (P/E) ratio for the S&P 500 rose to 28.4 from 25.6 a month ago, well above the 5-year average P/E ratio of 20.8. As prices continued to increase, the index is expected to report the third largest year-over-year decline in earnings since the global financial crises, due to the impact of COVID-19 on numerous industries.
- All 11 major sectors in the S&P 500 posted a positive return in November. The top-performing sectors were those originally hit hardest by the social distancing lockdowns such as, energy (+28.0%), financials (+16.9%), and industrials (+16.0%).
- The Cboe VIX Index of implied volatility fell 17.4 points from 38.0 in October to close the month at 20.6 points. On the November 30th, the index hit 20.6, the lowest level for the index since the pandemic began, and below the two-year average daily level of 22.3.

S&P 500 PRICE INDEX



Source: Bloomberg, as of 11/30/20

IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 11/30/20

S&P 500 VALUATION SNAPSHOT

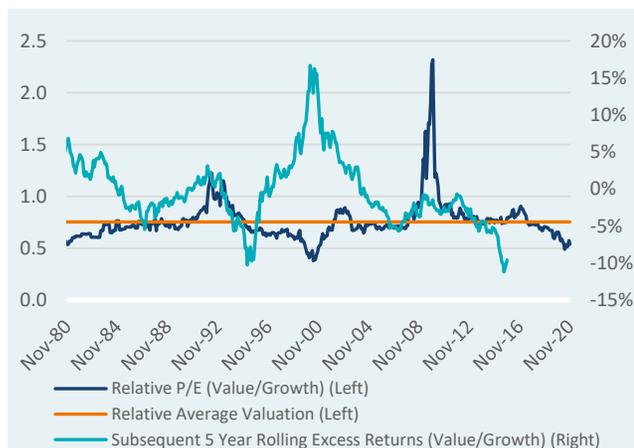


Source: Bloomberg, as of 11/30/20

Domestic equity size and style

- Value stocks (Russell 3000 Value +13.8%) outperformed growth stocks (Russell 3000 Growth +10.7%) for the third consecutive month. The outperformance of the value style index was helped by larger weights relative to growth both in the energy and financial sectors.
- Small-cap equities (Russell 2000 Index +18.4%) outperformed large-cap equities (Russell 1000 Index +11.8%) for the third consecutive month in November. Positive news surrounding vaccine effectiveness drove a rotation into small cap stocks, which tend to outperform in anticipation of higher economic growth.
- Exposure to the momentum factor stocks hurt investors in November as news surrounding several more efficacious-than-expected vaccines spurred rotations into beaten-down stocks primed for recovery. The S&P 500 Index outperformed the S&P 500 Momentum Index by +3.9% in November.
- The MSCI USA Cyclical - Defensives Total Return Spread Index returned 3.6% over the month. Positive performance was likely supported by investors' anticipation of increasing economic activity over the intermediate-term as vaccines are rolled out.

VALUE VS. GROWTH RELATIVE VALUATIONS



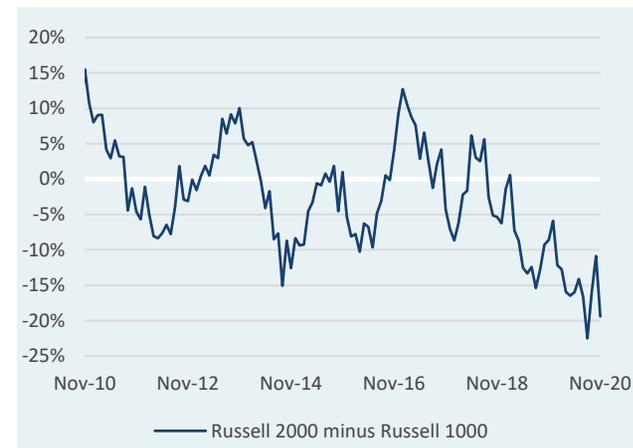
Source: Russell, Bloomberg, as of 11/30/20

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 11/30/20

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



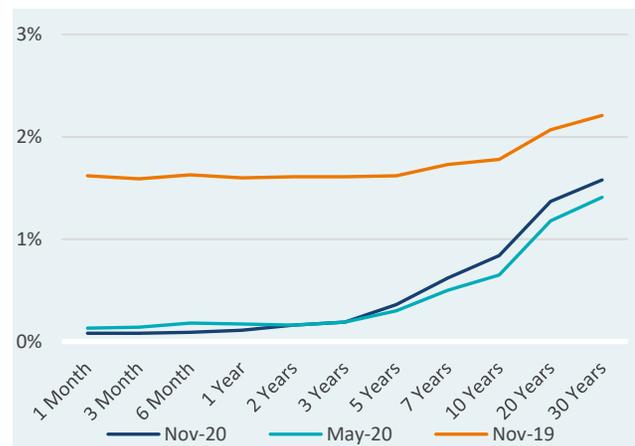
Source: FTSE, Bloomberg, as of 11/30/20

Fixed income

- The 30-year U.S. Treasury yield fell 7 basis points to 1.58% while the 2-year yield increased just 2 basis points to end the month at 0.16%. Longer-duration securities (BBgBarc US Treasury Long +1.2%) outperformed shorter-duration securities (BBgBarc US Treasury 1-3 Yr. +0.0%) as the yield curve flattened.
- Longer-term interest rates slid through the month, resulting in positive performance for many bondholders. Credit spreads tightened further and hit their lowest levels through the pandemic, leading riskier credit (BBgBarc U.S. Credit +2.5%) to outperform safer credit (BBgBarc U.S. Agg Bond +1.0%).

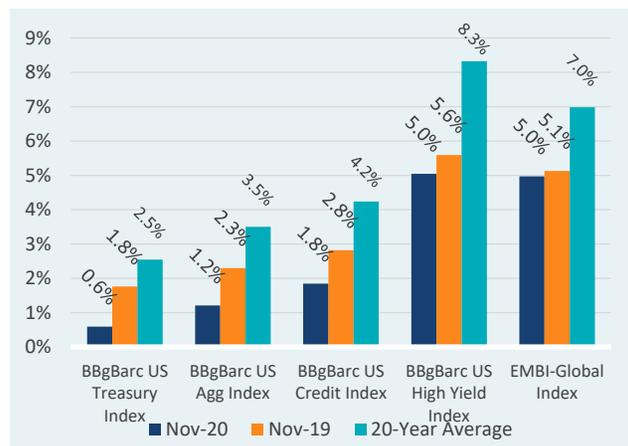
- Emerging market currency appreciation relative to the U.S. dollar helped support outperformance of local-currency denominated emerging market debt (J.P. Morgan GBI-EM +5.5%) relative to hard-currency denominated emerging market debt (JPM EMBI Global Diversified Index +3.9%).
- Reflation trades paid off over the month as breakeven inflation rates continued to recover on the expectation that growth and inflation will increase over the longer-term. The 10-year breakeven inflation rate rose another 10 basis points in November to 1.8%.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 11/30/20

NOMINAL YIELDS



Source: Morningstar, as of 11/30/20

BREAKEVEN INFLATION RATES

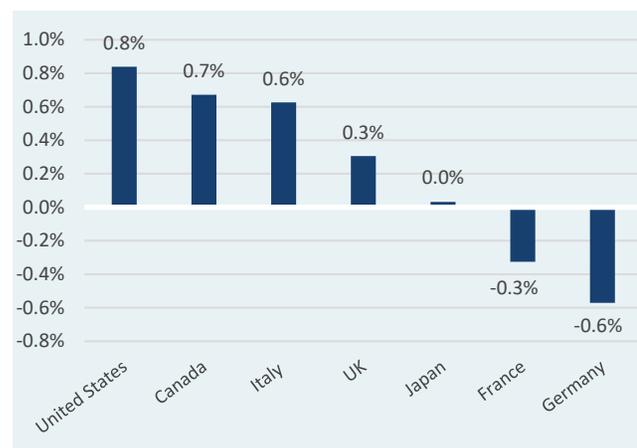


Source: Bloomberg, as of 11/30/20

Global markets

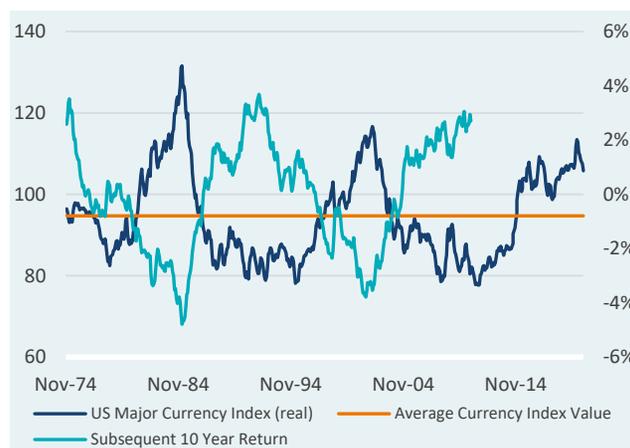
- Global equities (MSCI ACWI) gained +12.3% over the month of November while emerging market equities (MSCI EM +9.2%) underperformed, in U.S. dollar terms. The Asian segment of the emerging markets complex (MSCI EM Asia +7.5%) weighed on performance, while Latin American equities (+21.9%) outperformed, bolstered by significant currency tailwinds.
- The pound (+3.3%) helped the MSCI UK Index return +16.8% over the month. The United Kingdom was the first to approve the use and begin the distribution of Pfizer & BioNTech’s m-RNA based vaccine candidate.
- International developed equities (MSCI EAFE) returned +15.5% in November, beating the global benchmark. Eurozone equities (+20.7%) outperformed Japanese equities (+12.5%) in dollar terms, and strength in the Euro (+2.7%) versus the U.S. dollar added to the relative outperformance for the Eurozone.
- The Chinese trade surplus increased from \$58.4B in October to \$75.4B in November. The country reported strong increases in goods exports to the rest of the world despite the yuan hovering near multi-year peaks relative to the U.S. dollar. Exports rose 21.1% year-over-year, the fastest YoY growth since February 2018.

GLOBAL SOVEREIGN 10-YEAR YIELDS



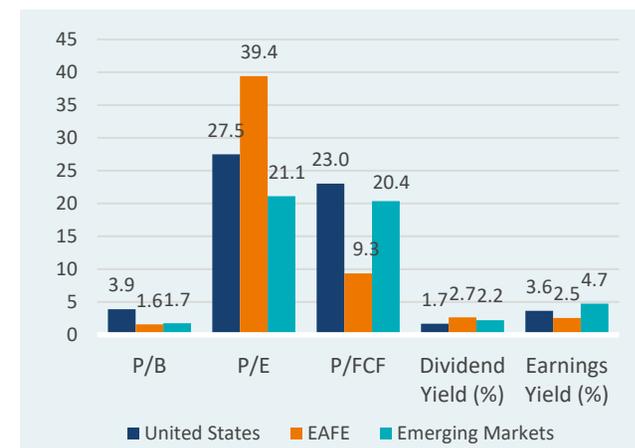
Source: Bloomberg, as of 11/30/20

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 11/30/20

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 11/30/20

Commodities

- The Bloomberg Commodity Index rose +3.5% in November but remains down -7.7% over the year-to-date. While the entire commodity complex performed well over the month, the gain in the overall index was driven by upward movements in crude oil prices. The Bloomberg Petroleum Index returned 24.7%.
- The petroleum sector had a bounce back month returning +24.7% in November. The average crude oil price through the month was \$43/barrel, up from \$40 in October. Positive news surrounding the coronavirus vaccines, as well as the extension of certain OPEC+ production curbs supported oil prices.

- The Bloomberg Industrial Metals Sub-Index was the second best performing sub-index and advanced +10.5% over the month. Copper, which holds the largest weight within the sub index, returned +12.6% while both aluminum and zinc returned +10.4%.
- The Bloomberg Agriculture Index climbed +5.8% over the month. Performance of softs (+6.0%), helped the overall agriculture index higher on the back of, strong returns of coffee (+15.2%). Grains (+4.8%) a component of the agriculture index showed continued strength and was supported by soybeans (+11.6%) and corn (+5.6%) commodities.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	3.5	5.0	(7.7)	(3.1)	(3.2)	(0.6)	(6.0)
Bloomberg Agriculture	5.8	9.9	5.5	11.6	(1.9)	(3.0)	(5.2)
Bloomberg Energy	3.5	2.9	(42.3)	(38.4)	(16.4)	(10.9)	(14.8)
Bloomberg Grains	4.8	9.2	6.7	11.6	(0.8)	(4.1)	(5.2)
Bloomberg Industrial Metals	10.5	13.9	16.0	19.5	2.9	9.9	(2.4)
Bloomberg Livestock	1.6	0.3	(25.0)	(23.8)	(11.7)	(6.3)	(5.1)
Bloomberg Petroleum	24.7	11.4	(44.6)	(39.3)	(14.0)	(8.0)	(11.1)
Bloomberg Precious Metals	(5.5)	(5.9)	15.4	19.9	9.9	9.2	0.4
Bloomberg Softs	6.0	7.7	(3.0)	3.1	(7.2)	(4.9)	(8.5)

Source: Morningstar, as of 11/30/20

COMMODITY PERFORMANCE



Source: Bloomberg, as of 11/30/20

Appendix

Periodic table of returns

BEST

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	5-Year	10-Year
Large Cap Growth	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	32.4	19.6	17.3
Small Cap Growth	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	23.1	14.2	14.3
Large Cap Equity	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	16.1	13.2	13.3
60/40 Global Portfolio	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	10.4	10.7	11.1
Small Cap Equity	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	10.4	10.3	10.9
Emerging Markets Equity	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.4	10.2	8.6	9.4
US Bonds	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.0	7.4	8.4	8.7
Hedge Funds of Funds	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	6.4	6.8	6.9
International Equity	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	3.0	6.3	5.9
Real Estate	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	0.5	6.2	3.7
Cash	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	0.4	4.3	3.6
Large Cap Value	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	-1.0	3.6	3.1
Small Cap Value	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	-3.0	1.1	0.6
Commodities	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-7.7	-0.6	-6.0

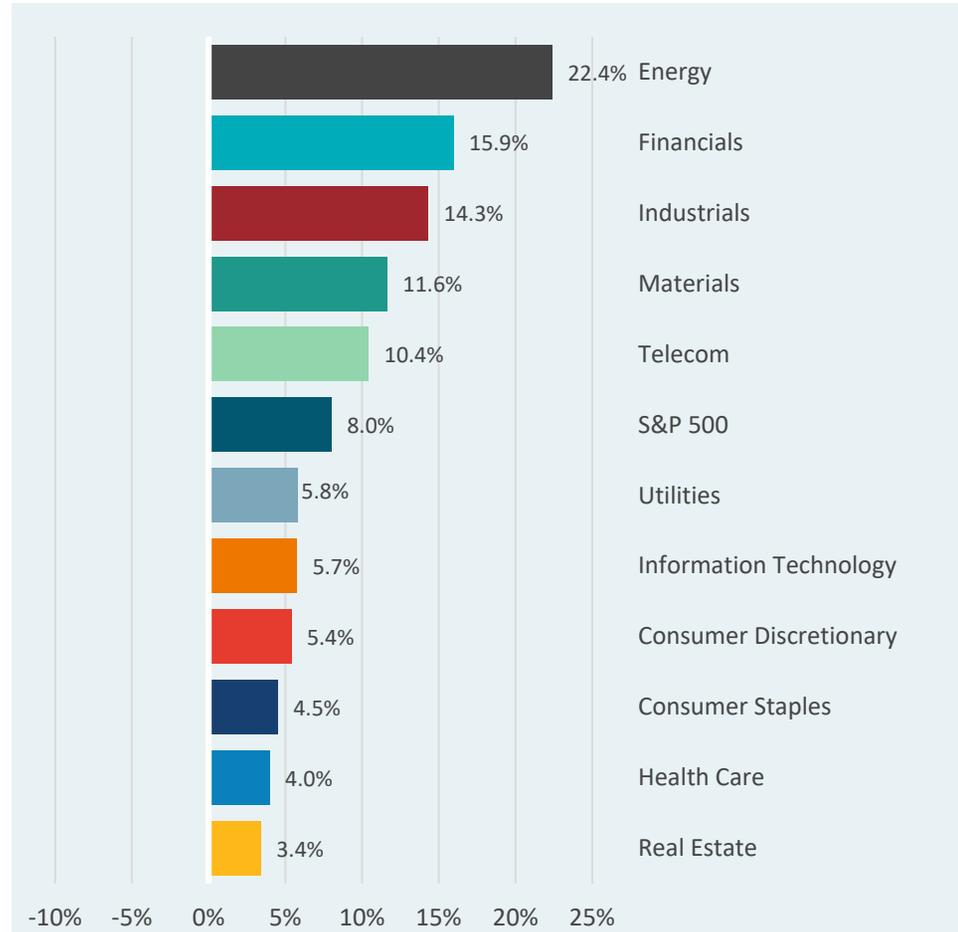
WORST

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

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 9/30/20.

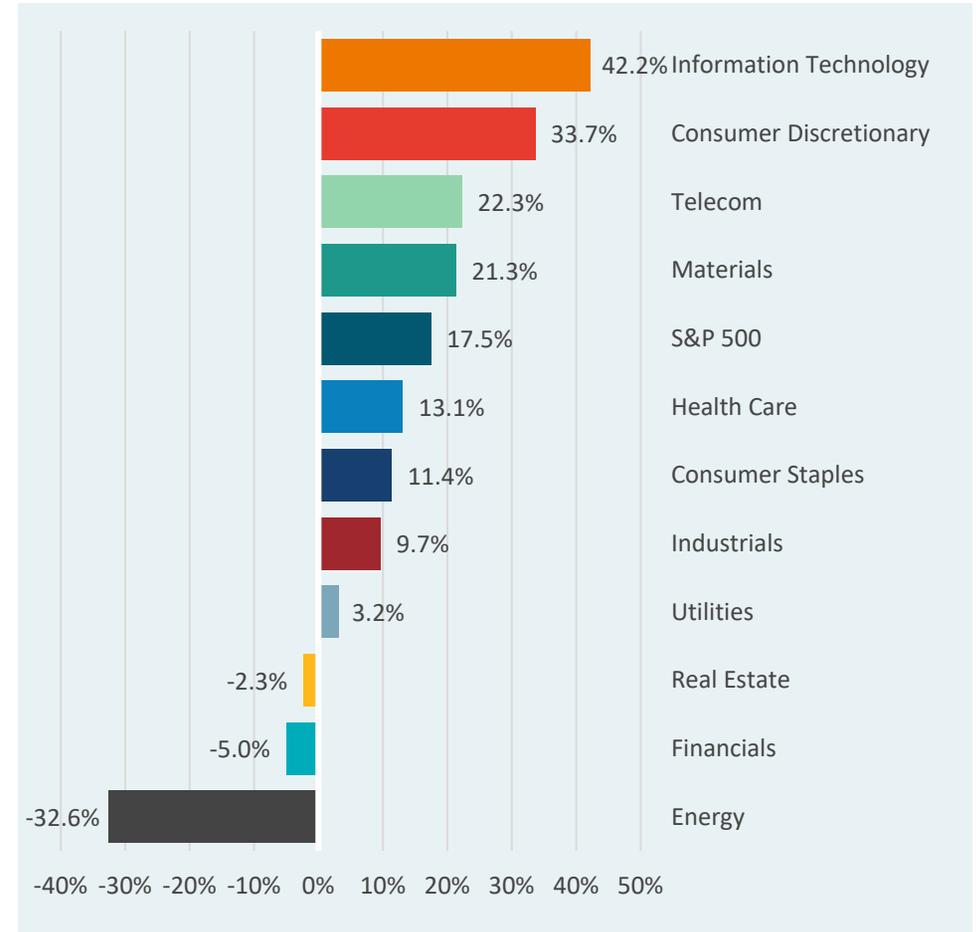
S&P 500 sector returns

QTD



Source: Morningstar, as of 11/30/20

ONE YEAR ENDING NOVEMBER



Source: Morningstar, as of 11/30/20

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	10.9	8.0	14.0	17.5	13.2	14.0	14.2
S&P 500 Equal Weighted	14.3	13.6	8.2	11.2	9.3	11.5	13.0
DJ Industrial Average	12.1	7.1	6.1	8.1	9.4	13.5	13.2
Russell Top 200	11.1	7.3	17.6	21.2	15.0	15.2	14.9
Russell 1000	11.8	9.1	16.1	19.4	13.7	14.2	14.3
Russell 2000	18.4	20.9	10.4	13.6	7.1	10.3	11.1
Russell 3000	12.2	9.7	15.7	19.0	13.2	13.9	14.0
Russell Mid Cap	13.8	14.5	11.9	14.4	10.3	11.8	12.7
Style Index							
Russell 1000 Growth	10.2	6.5	32.4	36.4	21.5	19.6	17.3
Russell 1000 Value	13.5	12.0	(1.0)	1.7	5.3	8.4	10.9
Russell 2000 Growth	17.6	18.5	23.1	25.9	12.8	13.2	13.3
Russell 2000 Value	19.3	23.6	(3.0)	0.3	0.8	6.8	8.7

INTERNATIONAL EQUITY

Broad Index							
MSCI ACWI	12.3	9.6	11.1	15.0	9.0	10.8	9.4
MSCI ACWI ex US	13.5	11.0	5.0	9.5	3.8	7.4	5.2
MSCI EAFE	15.5	10.9	3.0	6.4	3.3	6.2	5.9
MSCI EM	9.2	11.5	10.2	18.4	4.9	10.7	3.6
MSCI EAFE Small Cap	13.7	9.8	5.2	9.8	3.5	8.1	8.3
Style Index							
MSCI EAFE Growth	12.3	7.8	12.8	16.0	8.5	9.3	7.8
MSCI EAFE Value	18.9	14.1	(6.8)	(3.4)	(2.2)	2.9	3.8
Regional Index							
MSCI UK	16.8	10.9	(15.1)	(10.7)	(2.5)	0.7	3.2
MSCI Japan	12.5	10.7	9.9	12.2	4.9	7.8	6.8
MSCI Euro	20.7	12.7	2.5	5.6	1.6	5.5	5.4
MSCI EM Asia	7.5	11.0	19.9	28.4	7.5	12.7	6.5
MSCI EM Latin American	21.9	20.5	(23.0)	(15.0)	(4.1)	5.6	(3.9)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	1.1	0.5	9.7	10.1	5.8	4.7	3.5
BBgBarc US Treasury Bills	0.0	0.0	0.7	0.9	1.7	1.2	0.7
BBgBarc US Agg Bond	1.0	0.5	7.4	7.3	5.5	4.3	3.7
Duration							
BBgBarc US Treasury 1-3 Yr	0.0	(0.0)	3.1	3.3	2.8	1.9	1.3
BBgBarc US Treasury Long	1.2	(1.8)	19.1	15.8	10.9	8.1	7.5
BBgBarc US Treasury	0.3	(0.6)	8.3	7.6	5.4	3.8	3.2
Issuer							
BBgBarc US MBS	0.1	0.0	3.6	3.9	3.8	3.0	2.9
BBgBarc US Corp. High Yield	4.0	4.5	5.1	7.2	5.7	7.6	6.8
BBgBarc US Agency Interm	0.1	(0.0)	4.0	4.1	3.4	2.4	2.0
BBgBarc US Credit	2.5	2.3	8.9	9.2	6.9	6.2	5.2

OTHER

Index							
Bloomberg Commodity	3.5	5.0	(7.7)	(3.1)	(3.2)	(0.6)	(6.0)
Wilshire US REIT	10.3	7.6	(10.4)	(11.0)	2.3	5.7	12.7
CS Leveraged Loans	2.1	2.3	1.5	3.1	3.7	4.6	5.0
Alerian MLP	23.8	29.2	(33.2)	(27.3)	(13.1)	(7.9)	(2.2)
Regional Index							
JPM EMBI Global Div	3.9	3.8	3.3	5.4	4.6	6.4	6.0
JPM GBI-EM Global Div	5.5	5.9	(0.8)	3.3	2.5	5.5	1.5
Hedge Funds							
HFRI Composite	6.2	6.5	7.3	9.3	4.5	5.0	4.1
HFRI FOF Composite	3.4	3.8	6.4	8.2	3.8	3.6	3.1
Currency (Spot)							
Euro	2.7	2.0	6.6	8.5	0.1	2.5	(0.8)
Pound	3.3	3.3	0.8	3.2	(0.5)	(2.4)	(1.5)
Yen	0.3	1.2	4.2	5.0	2.4	3.4	(2.2)

Source: Morningstar, HFRI, as of 11/30/20

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	4.0	10.5	8.8	12.0
Global Private Equity Direct Funds *	9.3	13.8	12.1	14.5
U.S. Private Equity Direct Funds *	9.7	14.8	12.3	15.5
Europe Private Equity Direct Funds *	5.1	12.6	14.0	13.5
Asia Private Equity Direct Funds *	13.1	13.0	11.0	13.4

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
MSCI World	2.8	6.7	6.9	10.0
S&P 500	7.5	10.7	10.7	14.0
MSCI Europe	(6.8)	0.0	1.5	5.7
MSCI AC Asia Pacific	1.0	3.2	4.0	6.0

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(1.4)	6.0	7.7	12.3

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
FTSE NAREIT Equity REIT	(13.0)	0.0	4.1	9.1

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	(1.5)	5.2	6.5	10.0

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P / LSTA U.S. Leveraged Loan 100 Index	(0.5)	2.5	3.0	4.1

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	(23.7)	(7.3)	(4.3)	0.5
Global Infrastructure	3.2	8.4	10.0	9.8

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P Global Natural Resources	(16.8)	(0.1)	0.9	1.5
S&P Global Infrastructure	(14.8)	(0.9)	2.6	6.9

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of June 30th, 2020. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

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

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

Notices & disclosures

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Board of Trustees

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



Date: January 25, 2021

To: Board of Trustees

From: Chris Waddell – General Counsel

Agenda Item Agenda Item 9: Resolution 2021.01—Post-Employment Health Plan and Indemnification Authorization pursuant to Section 16.02(j) of Retirement Plan--PEHP

Recommendation:

It is recommended that the Board of Trustees (“BoT”) authorize the Board President to complete and execute the documents necessary to enroll Pension Trust staff in the PEHP and make findings relative to and approve indemnification pursuant to Section 16.02(j) of the Retirement Plan for the following contract:

- Employer Participation Agreement for the Post Employment Health Plan For Non-Collectively Bargained Public Employees

Discussion:

At its November 25, 2019 meeting, the BoT authorized the enrollment of Pension Trust employees in a PEHP that is identical in form to the plan that has been available to non-represented County employees. In order to finalize this program the attached documents need to be completed and signed by a representative of the “Employer.” The General Counsel believes that since the Executive Director would be eligible to participate in this program once it is enacted, it is most appropriate for the Board President to complete and sign these documents. It should be noted that it is anticipated that the Plan for Pension Trust employees will operate similarly in all respects to the Plan that non-represented County employees participate in, with the exception that the maximum amount of sick leave payout that can be contributed to the Plan will be \$10,000 for Pension Trust employees as compared to the maximum of \$15,000 for non-represented County employees. The lower amount reflects the consensus of Pension Trust Staff.

In addition, since the Participation Agreement provides for indemnification by the Pension Trust for losses incurred by the Plan Administrator (Nationwide) resulting from any breach by the Pension Trust of the Agreement (with a reciprocal indemnification obligation by Nationwide to the Pension Trust), Board approval this agreement is required based upon Section 16.02(j) of the Retirement Plan.

As you will recall, from 2007 until May, 2016, the Retirement Plan contained in Section 16.02(i) a blanket prohibition on the Pension Trust indemnifying any party. This prohibition became increasingly problematic in the limits it placed on the Pension Trust to enter into contracts, including those for investment management services and commercial banking. On May 10, 2016, the Retirement Plan was amended by the Board of Supervisors for certain technical and housekeeping amendments as recommended by the BoT. These Plan amendments included the following modification of Section 16.02 dealing with indemnification:

Article 16: Administrations and Operation – Section 16.02 excerpt –

...

“(h) Except as provided in section 16.02 (j), it shall have no power to, and shall not, authorize the Pension trust to act as surety for any person or entity, or as guarantor for the debt or obligations of any person or entity. (11-20-2007)

(i) Except as provided in section 16.02 (j), It shall have no power to, and shall not, authorize the Pension Trust to indemnify any person or entity. (11-20-2007)

(j) Notwithstanding sections 16.02 (h) and/or 16.02(i), the Board of Trustees may authorize the Pension Trust to: 1) act as surety for; 2) act as guarantor for; or 3) indemnify any person or entity if the Board of Trustees makes all of the following findings:

- (i) Based upon the assessment of the Executive Director, that it is not possible to obtain comparable services at comparable costs from service providers without having to agree to a surety, guarantor, or indemnification relationship;
- (ii) Based upon the assessment of the Executive Director, that if a surety, guarantor or indemnification relationship is required to obtain comparable services at comparable costs, such relationship is not available from another service provide under contractual provisions that would provide greater protection to the Pension Trust;
- (iii) Based upon the assessment of the Executive Director and General Counsel, that all potential risks of loss and costs to the Pension Trust resulting from the surety, guarantor or indemnification relationship have been identified and that all available actions to minimize such risks have been considered and, where appropriate, taken;
- (iv) Based upon the assessment of the General Counsel, the process used to evaluate the surety, guarantor or indemnification relationship fulfills the fiduciary duties of the members of the Board of Trustees and Pension Trust staff.”

It is my assessment that the above criteria are met and that approval of the participation Agreement with Nationwide is appropriate under the totality of the circumstances, which include, but are not

limited to, the minimal risk of loss, the reciprocal nature of the indemnification obligation, and the County's participation in this program for its non-represented employees.

I recommend that the Board adopt the findings and approve the indemnification provisions with Nationwide, and authorize the Board President to complete and execute the necessary documents to permit the enrollment of Pension Trust employees in the PEHP.

Respectfully Submitted,

Chris Waddell
General Counsel

Attachments

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**SAN LUIS OBISPO COUNTY
PENSION TRUST**

PRESENT: Gere Sibbach, Guy Savage, Michelle Shoresman,
Jeff Hamm, James Hamilton, Taylor Dacus, Lisa Howe

ABSENT:

RESOLUTION NO. 2021-01

**IN THE MATTER OF ADOPTING THE POST EMPLOYMENT HEALTH PLAN FOR
PUBLIC EMPLOYEES (PEHP) FOR THE EMPLOYEES OF THE SAN LUIS OBISPO
COUNTY PENSION TRUST**

WHEREAS, a Post Employment Health Plan for Public Employees has been established for eligible public employees, pursuant to section 501(c)(9) of the Internal Revenue Code permitting such plans; and

WHEREAS, the Plan may be funded with mandatory Eligible Employee contributions on behalf of the eligible employees in a manner permitted under the Plan; and

WHEREAS, under the PEHP program, Nationwide Retirement Solutions (NRS), Inc. will provide administrative services in exchange for a fee as agreed upon by the Employer and NRS;

NOW THEREFORE THE EMPLOYER DOES HEREBY RESOLVE AS FOLLOWS:

The Board of Trustees of the Employer, meeting in regularly scheduled session, this 25th day of January, 2021, hereby adopts this PEHP program on behalf of the eligible employees of the Employer.

The officers and employers of the Employer are hereby authorized to execute, on behalf of the eligible employees of the Employer, a participation agreement with NRS, authorizing NRS to act as the Administrator of the Plan and the agent of the Employer, and other such agreements and contracts as are necessary to implement the program.

Adopted: January 25, 2021

Approved as to Form and Legal Effect

Chris Waddell
General Counsel

SIGNED: _____

President, Board of Trustees
San Luis Obispo County Pension Trust

ATTEST: _____
Carl Nelson, Executive Director



Disclosure and Acknowledgment Form Post Employment Health Plan (PEHP®)

PO Box 182797, Columbus, OH 43218-2797
Phone: 877-677-3678 • Fax: 877-677-4329 • NRSforu.com

As with all plans receiving tax exempt status under the Internal Revenue Code (IRC), the Nationwide Post Employment Health Plan (PEHP) offers you and your employees' significant benefits that also come with important limitations. Your Nationwide representative is prepared to help you understand the Plan's benefits and limitations. Please understand Nationwide nor its representatives may give legal or tax advice. You should consult with your legal and tax advisers before making decisions about establishing PEHP for your employees.

PEHP is funded through a voluntary employees beneficiary association (VEBA), a tax-exempt trust authorized by IRC Section 501(c)(9). PEHP, as a Health Reimbursement Arrangement (HRA), must also comply with the regulatory requirements of HRAs. PEHP is not a retirement plan nor is it a Deferred Compensation Plan. To operate within Internal Revenue Service (IRS) requirements, PEHP must comply with requirements different than those of retirement plans. Some of those requirements are outlined below:

Please read and initial the following:

1. _____ Contributions must be made solely by the Employer or as a mandatory employee contribution. Contributions of unused vacation and sick leave conversion benefits are permitted, if required of all eligible employees.
2. _____ If applicable, only non-collectively bargained employees will be participating in the Plan. Benefits paid from the Universal Account/105 may not discriminate in favor of highly compensated employees. Only equal, flat dollar contributions to this Sub-account for all Eligible Employees will be accepted. Otherwise, all other contributions will be directed to the Insurance Premium Reimbursement Account/106.
3. _____ If applicable, benefits are the subject of good faith collective bargaining and as such, no non-collectively bargained employees will be participating in the Plan. As such, if you have certified that the PEHP benefits were collectively bargained for in good faith, all contributions may be made to the Universal Account/105.
4. _____ PEHP is not permitted to accept beneficiary designations. Following an Eligible Employee's or Participant's death, payment of benefits is limited to the Employee's surviving spouse and qualifying dependents as defined by IRC Section 152(a). Any account balance remaining after the death(s) of the Employee, any spouse or qualifying dependents will be forfeited and allocated among your remaining Eligible Employees and plan participants.
5. _____ Your PEHP is governed by an Advisory Committee comprised of one employer representative and one eligible employee representative. All changes to the Plan, except those required by law, must be approved by the Advisory Committee.

This page is a legal document and part of your PEHP contract. The undersigned has read this document and fully understands its binding effect.

Employer:

Name (please print): _____

Signature: _____ Date: _____

Nationwide Representative:

Name (please print): _____

Signature: _____ Date: _____

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**Employer Participation Agreement
for the Post Employment Health Plan
for Non-Collectively Bargained Public Employees**

Copyright 2017, 2015, 2014
Nationwide Retirement Solutions, Inc.
All Rights Reserved

This Participation Agreement (“Agreement”), effective as of the _____ day of _____, 20_____, (the “Effective Date”), by and between the undersigned employer (the “Employer”), and Nationwide Retirement Solutions (“NRS”), as the administrator (the “Administrator”) of the Post Employment Health Plan for Non-Collectively Bargained Public Employees (the “Plan”).

WITNESSETH:

WHEREAS, the Employer is a State or a political subdivision thereof, or an agency or instrumentality of any of the foregoing; and

WHEREAS, the Plan provides post-retirement reimbursement of Qualifying Medical Care Expenses and Health Care Insurance Premiums (as defined in the Plan) for the benefit of eligible government employees who become participants in the Plan, and their dependents; and

WHEREAS, pursuant to this Agreement, the Employer agrees to make contributions pursuant to and in compliance with the Plan and this Agreement and subject to the Internal Revenue Code of 1986, as amended (“Code”), and its accompanying regulations for work performed by its eligible employees (“Contributions”); and

WHEREAS, the Contributions will be held in trust by the Trustee, or its successor, designated under the Trust for the Post Employment Health Plan for Public Employees (the “Trust”) for the exclusive benefit of eligible employees, Plan participants, and their dependents; and

WHEREAS, the Employer adopts the Plan by entering into this Participation Agreement with the Administrator; and

WHEREAS, the Administrator accepts the Employer as an Employer under the Plan upon the terms and conditions set forth in the Plan, the Trust and this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants in this Agreement, the Employer and the Administrator hereby agree as follows:

1. By execution of this Agreement, the Employer adopts and agrees to be bound by all of the terms and provisions of the Plan, this Agreement and the Declaration of Trust governing the Trust (the “Trust Agreement” a copy of which the Employer acknowledges receipt thereof) and such subsequent amendments which are adopted as provided in the Trust Agreement. The Employer agrees to be bound by all actions taken by the Administrator and the Trustee pursuant to the powers granted them by the Plan and Trust Agreement. The Employer further acknowledges that under the terms of the Plan, the Administrator’s resolution regarding questions relating to administration of the Plan is final and binding upon the Employer, eligible employees and participants.
2. By execution of this Agreement with the Employer, the Administrator agrees to carry out the responsibilities of the Administrator as set forth in the Plan, this Agreement and the Trust Agreement.
3. This Agreement authorizes the Administrator or Trustee to enforce any rights which are provided as a matter of law in favor of the Plan, its eligible employees and participants and their dependents or the Trustee. This provision notwithstanding, if, in the opinion of the Administrator, the terms of the Employer’s participation in the Plan conflict or come to conflict with the Code and accompanying regulations, the Administrator may refuse Contributions until such time as the conflict is cured. If an Employer desires to change the terms of its participation in the Plan, such change must be submitted to the Administrator for acceptance prior to its becoming effective and binding on the Administrator. Such acceptance shall not be unreasonably withheld.
4. This Agreement shall apply to only those employees and participants that the Employer has determined are eligible and for whom the Employer agrees to make Contributions to the Plan. The Employer agrees that in determining who is eligible to receive Contributions under the Plan, the Employer will comply with Code section 105(h) and will not discriminate in favor of highly compensated individuals. The

Employer acknowledges that the Administrator has no responsibility to determine which employees or participants of the Employer are eligible to receive contributions under the Plan or to enforce the Employer's compliance with Code section 105(h).

5. Subject to Section 8 of this Agreement, this Agreement shall remain in effect until such time as the Employer withdraws from the Plan pursuant to the withdrawal provision of the Plan document (see Section 9.2). The Employer acknowledges that withdrawal from the Plan, and exhaustion of the assets associated with that Plan will no longer entitle the Employer's representative or its employees' representative to participate in the Advisory Committee created under the terms of the Trust. The Administrator, however, reserves the right to terminate the Employer's participation in the Plan for any of the following reasons:
 - a. should the Employer fail to make Contributions to the Plan;
 - b. if at any time the Employer's terms of participation in the Plan are modified in a manner which affects the operation or administration of the Plan in a manner which is unacceptable to the Administrator or Trustee;
 - c. if at any time the Employer's terms of participation in the Plan are modified in a manner which, in the opinion of the Administrator, jeopardizes the tax qualification of the Trust or the regulatory approval of the Plan or would conflict with applicable law; or
 - d. as otherwise provided in the Plan or Trust Agreement.
6. The commencement and continuation of the Employer's participation in the Plan is contingent upon such commencement or continuation of participation not impairing the attainment, or retention, of the tax exempt status of the Trust under Code section 501(c)(9) .
7. The commencement and continuation of the Employer's participation in the Plan is further contingent upon such commencement or continuation of participation not violating any provisions of the Internal Revenue Code and its regulations or any ruling or guidance published by the Internal Revenue Service ("IRS") applicable to the Plan, including the terms of any IRS ruling issued to the Plan or other applicable law. The Employer acknowledges that failure to comply with the terms of the Plan and Trust may subject it and its employees to adverse tax consequences.
8. In order to provide for the payment of benefits under the Plan, the Employer hereby agrees to make Contributions to the Trust, as it specifies in the attached Employer Data Sheet. The Employer may change its Contributions from time to time, consistent with the objectives of the Plan and applicable law by a mutually agreeable method between the Employer and the Administrator (which method could include updating the PEHP Employer Data Sheet).

With each Contribution to the Plan, the Employer will provide the Administrator with a Contribution Summary Sheet (or similar report) which lists the full name of each employee or participant for whom contributions are made, his or her Social Security number, the amounts to be allocated on behalf of each such employee or participant and whether the contributions should be credited to the 05 or 06 sub-accounts as defined in the Plan document. The Administrator or its designee shall record the Contribution and reconcile the Employer's Contribution Summary Sheet or other report.

The Administrator may reject Contributions that do not comply with the requirements of the Plan, the Trust and the Code. If the Administrator rejects any Contributions, the Contributions and the Contribution Summary Sheet will be returned to the Employer for resolution. The Administrator shall instruct the Trustee to transfer the Contributions in good order from the lockbox to the Trust investment account upon completion of such recording and reconciliation. Contributions shall not accrue income or share in investment gains or losses while they are in the lockbox prior to the transfer to the Trust investment account or while the Administrator seeks resolution of Contributions not received in good order. The Employer understands that failure to make Contribution in a timely manner may result in

sanctions permitted by law, as well as the termination of its participation in the Plan, as provided in rules established in this Agreement.

9. The Employer hereby appoints, and approves of, NRS to provide claims payment services and to act as the Administrator for the Plan. The Employer further agrees that the Administrator's compensation for its services shall be an annual charge per participant or eligible employee of **\$30.00**. The Employer represents and warrants that it has advised its eligible employees or participants of the annual charge. Such charge shall be assessed to each participant or eligible employee's account on the anniversary date, which is one year after the date the initial contribution to the Plan was made, and each succeeding anniversary of such date. The Administrator's annual charge shall remain fixed for the duration of this Agreement unless the Employer and Administrator mutually agree in writing to adjust the charge. The Employer acknowledges that other fees may apply to the Plan, eligible employee or the participant accounts law as described in Section 11 or as required by applicable law.
10. The Employer hereby acknowledges that the Trustee of the Trust will be the Trustee identified in the Trust Agreement, and hereby ratifies the terms of the Trust Agreement, a copy of which has been provided to the Employer. The Employer further acknowledges that the Trust Agreement sets forth the method for appointment and removal of the Trustee.
11. The Employer hereby acknowledges that it has received and reviewed the Group Variable Annuity Contract (the "Variable Annuity") for the Post Employment Health Plans which serves as the funding vehicle for the Trust. The Employer understands and agrees that part of the arrangement between NRS as the Administrator and product provider Nationwide Life Insurance Company includes fees. The Employer further acknowledges that, in addition to the annual charge described in Section 9, a fee equaling an annual rate up to a maximum of 0.50% of the daily net asset value will be assessed on every participant or eligible employee's fund balance in the Variable Annuity. In the Fixed Annuity, this fee is included in the calculation of the net crediting rate.
12. The Employer hereby acknowledges it has received the "Disclosure and Acknowledgement Form" (the "Form") which is incorporated into this Agreement, and further agrees to be bound by the Form.
13. The parties agree that no waiver of any default in performance on the part of the Administrator or the Employer or any breach or series of breaches of any of the terms of this Agreement shall constitute a waiver of any subsequent breach. The parties further agree that resort to any remedies referred to herein shall not be construed as a waiver or any other rights and remedies to which the Administrator is entitled under this Agreement or otherwise.
14. Should any part of this Agreement for any reason be declared invalid, such determination shall not affect the validity of any remaining portion of the Agreement, which remaining portion shall remain in force and effect as if this Agreement had been executed without the invalid portion.
15. The Employer shall indemnify and hold the Administrator harmless for and against all losses, damages, liabilities or expenses (including, but not limited to, reasonable attorney's fees and litigation expenses) which the Administrator may incur as a result of claims based upon any breach by the Employer, its affiliates, agents or employees of any provisions of this Agreement, the Plan Document or related items that are within their reasonable control.
16. The Administrator shall indemnify and hold the Employer harmless for and against all losses, damages, liabilities or expenses (including, but not limited to reasonable attorney's fees and litigation expenses) which the Employer may incur as a result of claims based upon any breach by the Administrator, its affiliates, agents or employees of any provisions of this Agreement, the Plan Document or related items that are within their reasonable control.

17. This Agreement shall be interpreted, and the rights and liabilities of the parties determined, in accordance with the laws of the State of Ohio. The parties consent to the jurisdiction of any Local, State or Federal Court located within Ohio.
18. This Agreement, together with the Plan and the Trust Agreement, contain the entire agreement between the Employer and the Administrator with respect to the respective rights and obligations contemplated herein, and no representation, promise, inducement, or statement of intention relating to the respective rights and obligations contemplated by this agreement has been made by either party which is not set forth herein. This Agreement supersedes in all respects all prior agreements among the parties any may not be modified or amended, except by a duly executed instrument in writing.

IN WITNESS WHEREOF, the Employer has caused this Agreement to be executed on its behalf by a duly authorized officer, and a duly authorized representative of NRS executed this Agreement on behalf of the Administrator.

By: _____
(Employer Printed Name)

_____ Date: _____
(Employer Signature)

By: _____ Date: _____
(Officer of Nationwide as Administrator)

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**The Post Employment Health Plan
for Public Employees**

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ARTICLE I
DEFINITIONS

As used in this Plan, and except as otherwise provided herein, the following terms shall have the meaning hereinafter set forth:

- 1.1. **“Account”** means an account established for a Participant or Eligible Employee pursuant to Section 6.1 hereof.
- 1.2. **“Administrator”** means the person or entity designated by the Plan as possessing authority to manage the operation and administration of the Plan in accordance with the Plan document adopted by the Employer. The Administrator shall be Nationwide Retirement Solutions, Inc., its successors and assigns (NRS) unless and until NRS resigns or is removed by the Advisory Committee representatives (as defined in the Trust Agreement) in accordance with Article 8.
- 1.3. **“Advisory Committee”** means a group made up of one representative of each participating employee group and one representative for each participating employer, participating in the associated Trust evidenced by the Trust Agreement issued to the Employer by the Administrator, The employee and the employer representative shall not be the same individual. Representatives of the employee groups are referred to as Employee Advisory Committee members. Representatives of Employers are referred to as Employer Advisory Committee members.
- 1.4. **“Association”** refers to the National Association of Police Organizations.
- 1.5. **“Benefit”** means any payment made pursuant to Article 5 hereof.
- 1.6. **“Code”** means the Internal Revenue Code of 1986, as amended from time to time.
- 1.7. **“Contribution”** means any contribution made to the Plan pursuant to Article 4 hereof.
- 1.8. **“Dependent”** means the Participant’s spouse or any person who, in relation to the Participant, satisfies the requirements under Code Section 152(a).
- 1.9. **“Effective Date”** means the date on which the fully executed Participation Agreement is processed by NRS.
- 1.10. **“Eligible Employee”** means a current employee of the employer who receives contributions under the Plan on his or her behalf.
- 1.11. **“Employee”** means an individual who is employed by the Employer.
- 1.12. **“Employer”** means a state or local government or political subdivision thereof in that adopts the Plan by entering into a Participation Agreement with the Administrator.
- 1.13. **“Entry Date”** means the date the Employer makes the first contribution to the Plan on behalf of such Eligible Employee.
- 1.14. **“Health Care Insurance Premium”** means any amount used to purchase insurance coverage for health benefits, hospitalization, or other medical care as defined in Code Section 213(d)(1).
- 1.15. **“Mandatory Employee Contribution”** means Eligible Employee contributions which are to be made as a condition of employment with the Employer and required to be made under terms of the Employer’s Participation Agreement. Such contributions shall be picked up by the Employer and are deemed to be employer contributions and are not taxable income to the employee.
- 1.16. **“Participant”** means a former Employee, or the surviving Dependents thereof, who has an Account under the Plan and is eligible to receive distributions under the Plan or who may receive contributions under the Plan on his or her behalf.
- 1.17. **“Participation Agreement”** means the agreement between the Employer and the Administrator by which the Employer adopts the Plan, which sets forth the responsibilities of the Administrator, and

the terms of the Employer's adoption of the Plan, including: (a) the Employer's rate of contribution to the Plan, and (b) the Employees of the Employer who are eligible to receive contributions and participate in the Plan.

- 1.18. **"Plan"** means The Post Employment Health Plan for Public Employees, as set forth in this document.
- 1.19. **"Plan Year"** means the calendar year.
- 1.20. **"Post-Employment Health Benefit"** means a payment made pursuant to Section 5.1 hereof.
- 1.21. **"Qualifying Medical Care Expenses"** means those expenses incurred solely for "medical care," as defined in Code Section 213(d)(1), rendered to the Participant or his Dependents from the time the Participant is an Eligible Employee entitled to receive a contribution under the Plan.
- 1.22. **"Trust Agreement"** means the agreement described in Article 2 hereof, establishing the Trust for The Post Employment Health Plan for Public Employees.
- 1.23. **"Trust Fund"** means all money and assets held by the Trust for the Post Employment Health Plan for Public Employees, and all earnings and profits thereon, less the payments made therefrom in accordance with the terms of this Plan.
- 1.24. **"Trustee"** means the Trustee, or any successor Trustee, designated in accordance with the terms of the Trust Agreement.
- 1.25. **"Valuation Date"** means each day in which the New York Stock Exchange and the Administrator's home office are open for business.

ARTICLE II

TRUST

- 2.1. **Trust Agreement.** All Contributions shall be paid into, and all Benefits provided for herein shall be paid from, the Trust Fund. The Trust Agreement shall be in such form and contain such provisions as the parties may deem appropriate, including, but not limited to, provisions with respect to the powers and authority of the Trustee, the authority of the Administrator and Trustee to amend the Trust Agreement, the authority of the Administrator to settle the accounts of the Trustee on behalf of all persons having an interest in the Trust Fund, and the authority to remove a Trustee and appoint a successor trustee. When entered into, the Trust Agreement shall form a part of the Plan, and all rights and benefits that may accrue to any person under the Plan shall be subject to all the terms and provisions of the Trust Agreement.
- 2.2. **Trust Fund.** In no event shall any part of the principal or income of the Trust Fund be paid to or reinvested in the Employer, or be used for any purpose whatsoever other than the exclusive benefit of the Participants, Eligible Employees and their Dependents and defraying the reasonable expenses of the Plan. Notwithstanding the preceding, Contributions shall be returned to the Employer only under the following circumstances:
 - a. If the Employer makes a Contribution by a mistake of fact, acknowledging such mistake of fact in writing to the Administrator and within one year of the mistaken Contribution;
 - b. If the Internal Revenue Service determines that the Trust is not tax-exempt under Code Section 501(a); or
 - c. If the Internal Revenue Service determines that the Trust has unrelated business taxable income under Code Section 512(a)(3)(E).
- 2.3. **Investment of Trust Fund.** The Trustee shall invest and reinvest the Trust Fund and the income therefrom in accordance with the terms of the Trust Agreement.

- 2.4. **Valuation of the Trust Fund.** The value of the Trust Fund shall be determined as of each Valuation Date, if applicable, as follows:
- a. The value per share of a security listed for trading on a national securities exchange shall be the closing price per share at which such security was traded on the exchange on the day as of which the value is to be determined (or, if such security was not traded on that day, on the last preceding day on which it was traded); provided, that if a security is listed for trading on two or more national securities exchanges, the national securities exchange upon which principally it is traded shall be deemed to be the only such exchange on which it is listed;
 - b. The value of any other investment shall be the fair market value thereof on the day as of which the value is to be determined, as determined by the Trustee, the Administrator or the agent of either the Trustee or Administrator; and
 - c. There shall be added/deducted from the value of the investments any income or liabilities due or accrued and properly chargeable thereto.

ARTICLE III

ELIGIBILITY TO PARTICIPATE

- 3.1. **Eligibility to Participate.** Each Employee shall become an Eligible Employee as determined by the Employer and shall be entitled to receive a contribution to the Plan as set forth in the Participation Agreement on the Entry Date coincident with or next following the later of (a) the date on which he becomes an Eligible Employee, or (b) the Effective Date of this Plan.
- 3.2. **Contributions Required for Eligible Employees.** Subject to Section 9.2, the Employer shall make Contributions on behalf of each Eligible Employee as determined by the Employer in accordance with to the terms of the Participation Agreement.
- 3.3. **Dispute as to Eligibility.** In the event of a dispute as to the eligibility of any individual to receive a contribution to the Plan, the decision of the Employer with respect to such eligibility shall be final and conclusive for all purposes.

ARTICLE IV

CONTRIBUTIONS

- 4.1. **Contributions to the Plan.** The Employer shall make contributions to the Plan on behalf of each Eligible Employee or Participant in such amount as the Employer determines and communicates to the Administrator from time to time to fund Post Employment Health Benefits.

Amounts contributed may not be used for any purpose other than as provided by Code Sections 105, 106, 501(c)(9) and applicable Treasury regulations. All Contributions shall be made in a manner which satisfies the nondiscrimination rules found in Code Section 105(h) or other applicable law, provided however that Contributions determined as a percentage of the Eligible Employee's compensation and earnings thereon shall be accounted for separately and shall be used under Section 5.1 only to reimburse Health Care Insurance Premiums.
- 4.2. **Lump sum Contributions.** If the Employer has a compensated absence policy under which all Employees accumulate compensated absence pay, it may require all or a specified portion of accumulated compensated absence benefits be contributed to the Plan. Compensated absence may include any combination of vacation pay, sick pay, or other accumulated absence pay as specified by the Employer.

- 4.3. **Mandatory Employee Contributions.** The Employer may require that all Eligible Employees contribute Mandatory Employee Contributions to the Plan as a condition of employment with the Employer. In the event Contributions are required of Eligible Employees, the Employer shall specify the amount of the Contribution either as a dollar amount or as a percentage of the Eligible Employee's compensation. Such amount or percentage shall not be subject to change on the part of the Eligible Employee, and the Eligible Employee shall not be entitled to receive such Contributions in the form of cash or other benefit. The Employer shall remit such contributions to the Trustee.
- 4.4. **Determination of Amount of Contributions.** The Trustee and the Administrator shall not be under any duty to inquire into the correctness of the Contributions paid over to the Trustee hereunder; nor shall the Trustee or Administrator be under any duty to enforce the payment of the Contributions to be made hereunder. The Eligible Employees and their bargaining unit shall have sole responsibility and duty to enforce Employer's contribution obligations.
- 4.5. **Transfers from other Health Reimbursement Arrangements.** The Plan may accept, as permitted by law, transfers of assets held in other health reimbursement arrangements including other arrangements being administered by the Administrator, provided that such assets were contributed to a plan providing permissible benefits. The Administrator may develop procedures necessary to comply with the requirements of this Section 4.5.

ARTICLE V

BENEFITS

- 5.1. **Post-Employment Health Benefits.** Upon an Eligible Employee's severance from employment with the Employer for any reason, including death, the Eligible Employee or his Dependents shall become a Participant in the Plan. Upon such time the Participant shall be entitled to be reimbursed from the Plan for Qualifying Medical Care Expenses and for Health Care Insurance Premiums incurred by the Participant or Dependents subject to the limits set forth in Section 5.3 hereof, provided that such expenses will not be taken as a deduction on the Participant's or Dependents' federal income tax return. If at any time following the Eligible Employee's severance from employment, he or she is reemployed by the Employer, the Participant shall no longer be entitled to reimbursement under the Plan until the Participant once again severs employment with the Employer. Post-Employment Health Benefits shall be funded in accordance with Article 4 hereof into the Plan from which benefits will be paid and in accordance with the Code.
- 5.2. **Notice by Employer.** The Employer shall certify to the Administrator the date of a Eligible Employee's severance from employment with the Employer. The Administrator shall rely on any such certification in determining when the Eligible Employee becomes a Participant and the extent to which a Participant or his Dependents shall be entitled to a Benefit under the Plan. In the case of an Eligible Employee's or Participant's death, the Trustee shall require proof of the Eligible Employee's or Participant's death prior to paying any Benefit to a Dependent or medical service provider on behalf of a deceased Eligible Employee under this Article 5
- 5.3. **Benefit Limits.** Any Qualifying Medical Care Expense or Health Care Insurance Premium paid in accordance with Section 5.1 hereof is limited to the Participant's respective account balance as of the Valuation Date immediately preceding the date the claim for such Benefit is submitted to the Trustee. If a claim for Benefits exceeds the account balance at such date, the Trustee will pay the claim to the extent of the account balance. If the Participant's account balance subsequently increased, the Participant must resubmit a current claim form for reimbursement.

Only claims for Qualifying Medical Care Expenses and Health Care Insurance Premium Reimbursements incurred from the time the Participant is an Eligible Employee entitled to receive a contribution hereunder will be payable under the Plan.

- 5.4. **Timing and Method of Benefit Payment.** All Benefit payments shall be made via check or direct deposit as specified by the Participant or service provider receiving payment directly on behalf of a deceased Eligible Employee and as soon as administratively practicable following the date a claim for Benefits is submitted to the Administrator.
- 5.5. **Prohibition on Alienation.** The rights of a Participant or Dependent to receive a Benefit shall not be subject to alienation or assignment, and shall not be subject to anticipation, encumbrance or claims of creditors except to the extent required by applicable law.
- 5.6. **Forfeitures.** If an Eligible Employee or Participant has no Dependents on the date notice of death is provided to the Administrator and no Dependent is identified and no request to pay Qualifying Medical Care Expenses directly to a service provider, on behalf of a deceased Eligible Employee, is received within 180 days of the date on which the Administrator was notified of an Eligible Employee or Participant's death, the balance in the Participant's account will be forfeited.

Benefit payments for Qualifying Medical Care Expenses which, if paid, would result in discrimination in violation of Code Section 105(h), its regulations or any other applicable provision of law shall also be forfeited. A Participant's account may also be forfeited if the Administrator is unable to locate the Participant within 36 months after the Administrator sends a letter by certified U. S. mail, postage prepaid, to the Participant's last known address.

Any amount forfeited under this Section 5.6 shall be allocated as soon as administratively practicable following, the date on which the Administrator determines that a forfeiture has occurred to the Accounts of all other Eligible Employees and Participants who (i) are (or were) employed by the Employer and (ii) have an account balance on the Valuation Date. Forfeitures shall be allocated among the Eligible Employee and Participants in accordance with procedures established by the Administrator.
- 5.7. **Designation of Beneficiaries Prohibited.** Unless otherwise permitted by law, designation of beneficiaries under the Plan is not permitted.

ARTICLE VI

ELIGIBLE EMPLOYEE AND PARTICIPANT ACCOUNTS

- 6.1. **Separate Accounts and Records.** The Administrator shall maintain separate Accounts in the name of each Eligible Employee and Participant having an interest in the Trust Fund. For all Eligible Employees or Participants with an account balance, a statement of that Eligible Employee's or Participant's Account as of the last day of each calendar quarter shall be distributed or made available within 15 days after the end of each quarter showing:
 - a. The Eligible Employee's or Participant's account balance;
 - b. Contributions credited to the Eligible Employee's or Participant's Account;
 - c. Qualifying Medical Care Expenses and Health Care Insurance Premiums paid from the Participant's Account; and
 - d. Administrative fees paid from the Eligible Employee's or Participant's Account gains and losses of the Trust Fund allocated to the Eligible Employee's or Participant's Account.
- 6.2. **Valuation of Accounts.** As of each Valuation Date, all income and gains (realized and unrealized) of the Trust Fund for the period since the immediately preceding Valuation Date (or, if there is no prior Valuation Date, since the Effective Date) shall be credited to, and all losses (realized and unrealized) and expenses of the Trust Fund for such period shall be charged to, the Eligible Employee's or Participants' Accounts in proportion to their balances as of the next preceding Valuation Date (or as of the Effective Date, if there is no prior Valuation Date), provided, however, that if there has been a withdrawal from a Participant's Account since the next preceding Valuation Date, such Participant's

Account balance at the Valuation Date, rather than the next preceding Valuation Date, shall be used to allocate income, gains, losses and expenses to such Participant's Account.

6.3. Participant Transfers to another Plan.

- a. Subject to Section 6.3(b), if an Eligible Employee is no longer entitled to receive contributions from the Employer but remains employed by the Employer and as a result of such employment contributions on behalf of the Eligible Employee is required to another Voluntary Employees' Beneficiary Association (VEBA) which is established pursuant to Section 501(c)(9) and administered by the Administrator, then the Eligible Employee may elect to transfer his or her Account to the other VEBA.
- b. A transfer contemplated in Section 6.3(a) shall only be permitted if such transferred assets will be used to provide benefits similar to those provided by this Plan and the transfer does not jeopardize the tax-exempt status of the Trust.

ARTICLE VII

CLAIMS PROCEDURE

- 7.1. **Written Claims.** All claims for Benefits shall be made in writing in accordance with such procedures as the Administrator shall prescribe, including deadlines, documentation requirements and forms.
- 7.2. **Denied Claims.** If a claim for Benefits is denied in whole or in part, the Administrator shall furnish the claimant a written notice setting forth the reason for the denial, including reference to pertinent Plan provisions, describing any additional material or information that is required from the claimant and explaining why it is required, and explaining the review procedure set forth in Section 7.3 hereof. Such notice shall be given within five (5) business days of the denial.
- 7.3. **Review Procedure for Denied Claims.** Within 60 days of the written notice of the denial of any claim for Benefits, a claimant may file a written request for a review of such denial by the Administrator. Any claimant seeking review of a denied claim is required to submit comments in writing. Within 60 days after its receipt of a request for review of a denied claim, the Administrator shall render a written decision on its review which references the Plan provisions on which its decision is based.

ARTICLE VIII

ADMINISTRATION OF THE PLAN

- 8.1. **The Administrator.** The Administrator shall be NRS unless and until NRS resigns or is removed. The Administrator shall have the authority to control and manage the operation and administration of the Plan in accordance with this plan document and the responsibility of filing and distributing reports and returns with or to government agencies and Eligible Employees and Participants, and their Dependents as required under the Code and other applicable law.

The Administrator, by a written instrument, may delegate its responsibilities to control and manage the operation and administration of the Plan and the responsibility to file reports and returns.

To the extent permitted by law, the Trust shall indemnify each employee of the Administrator and any agent or person who has been appointed by the Administrator, against any liability (not reimbursed by insurance) incurred in the course of the administration of the Plan, except liability arising from his own negligence or willful misconduct.

- 8.2. **Agents.** The Trustee may employ such agents, including counsel, as it may deem advisable for the administration of the Plan. Such agents may not be Eligible Employees or Participants.
- 8.3. **Removal or Resignation of Administrator.** The Administrator may resign as administrator at any time by a written instrument delivered to all Advisory Committee representatives giving notice of such resignation. The Administrator may be removed, for cause relating to performance that fails to meet

generally accepted standards, practices and procedures applicable to persons providing similar types of administrative services. The Administrator shall be removed for the reasons stated above via a majority vote process. Each Employee Advisory Committee representative's vote is multiplied by the number of Eligible Employee and Participants represented by that committee member and similarly the Employer Advisory Committee representative's vote is multiplied by the number of Eligible Employees and Participants covered by that Employer, for each plan participating in the relevant trust. The Advisory Committee shall remove the Administrator by a written notice delivered to the Administrator. In the event of a dispute over the execution of the duties of the Administrator, the dispute shall be subject to arbitration between the Administrator and a representative(s) established by the Advisory Committee. The Administrator shall be granted 180 days to cure any deficiencies identified by the arbitrator before any removal may be considered effective. Any notice of removal or resignation of the Administrator shall be effective 60 days after receipt by the Administrator or Advisory Committee representatives, as the case may be, or at such other time as is agreed to by the Administrator and the Advisory Committee representatives. In addition, a majority of the Advisory Committee representatives may remove the Administrator without cause during the last month of each Plan Year. If, within 60 days after notice of resignation or removal of the Administrator, the Advisory Committee representatives have not designated a successor Administrator, the Administrator may apply to any court of competent jurisdiction for the appointment of a successor Administrator.

- 8.4. **Successor Administrator.** The Administrator, subject to the veto right described below, may appoint a successor Administrator. The Administrator shall provide 30 days' advance notice to the Advisory Committee that it has designated a successor Administrator. Based on a majority vote, where each Employee Advisory Committee representative's vote is multiplied by the number of Eligible Employees and Participants and similarly the Employer Advisory Committee representative's vote is multiplied by the number of Participants and Eligible Employees for each plan participating in the relevant trust, is used to determine voting outcomes. If sufficient objecting votes are submitted in writing to the Administrator within 30 days after the date of the Administrator's notification mailing, the designation shall not become effective. If there is no sufficient objection, the Administrator shall deliver to the Trustee copies of: (a) a written instrument executed by the Administrator appointing such successor, and (b) a written instrument executed by the successor in which it accepts such appointment. Such instruments shall indicate their effective date.

If a vacancy in the office of Administrator occurs and the Administrator has not appointed a successor Administrator in accordance with the preceding paragraph, the Advisory Committee representatives in accordance with the voting procedures described in the preceding paragraph shall appoint a successor Administrator and shall deliver to the Trustee copies of (a) a written instrument executed by Advisory Committee representatives appointing such successor, and (b) a written instrument executed by the successor in which it accepts such appointment. Such instruments shall indicate their effective date. If the Administrator is removed by Advisory Committee representatives in accordance with Section 8.3 hereof, the written instrument removing the Administrator shall also appoint a successor Administrator. Any successor Administrator shall have all the powers and duties of the original Administrator.

- 8.5. **Administrative Fees.** The Administrator shall be paid from the Trust Fund an administrative fee for each Eligible Employees and Participant equal to an amount specified in the Participation Agreement between the Administrator and the Employer. Such fees shall be charged against the Eligible Employees' and Participants' Account balances.
- 8.6. **Powers of the Administrator.** The Administrator shall have all such powers as may be necessary to carry out the provisions of the Plan, and the actions taken and the decisions made by the

Administrator shall be final and binding upon all parties. The powers of the Administrator shall include, but not be limited to, the following:

- a. To determine, in accordance with the plan document, all questions relating to the amount of any Benefits and all questions pertaining to claims for Benefits and procedures for claim review;
 - b. To prescribe procedures, in accordance with the plan document, to be followed by Participants in filing claims for Benefits;
 - c. To prepare and distribute information, in accordance with the plan document, explaining the Plan to Eligible Employees and Participants;
 - d. To appoint or employ individuals to assist the Administrator in the administration of the Plan and any other agents deemed advisable, including banking, legal, accounting, and actuarial counsel;
 - e. To resolve all other questions arising under the Plan, in accordance with the plan document;
 - f. To take any such further action as the Trustee shall deem advisable in the administration of the Plan in accordance with the plan document; and
 - g. To direct the Trustee to pay claims for Benefits either by issuing claims checks or by delegating the authority to issue claims checks in accordance with Section 7.1 hereof.
- 8.7. **Records.** The acts and decisions of the Administrator including such records as may pertain to the computation of Benefits of any claimant shall be duly recorded.
- 8.8. **Defect or Omission.** The Administrator shall notify the Employer of, and shall assist Employer with the cure of any defect, omission or inconsistency in this Plan for correction.
- 8.9. **Liability of Administrator.** Except for its own negligence or willful misconduct, neither any Employee of the Administrator nor any agent or other person appointed by the Administrator shall be liable to anyone for any act or omission in the course of the administration of the Plan.

ARTICLE IX

AMENDMENT AND TERMINATION

- 9.1. **Amendments.** The Administrator reserves the right to amend this Plan at any time in such manner as it may be necessary or advisable in order to qualify and retain the qualification of the Trust Fund as a voluntary employees' beneficiary association (Association) in accordance with Code section 501(c)(9) or to comply with applicable law upon 60 days written notice to the Employer. Any such amendment may, by its terms, be retroactive; and to amend, alter, modify or suspend, in whole or in part, any provision or provisions of this Plan at any time, retroactively or otherwise, by written notice to the Trustee, the Employers and the Association representatives. In any event, no such amendment shall:
- a. increase the duties or obligations of the Trustee or Employer without their written consent;
 - b. decrease any Participant or Eligible Employee's Account balance; or
 - c. cause or permit any portion of the corpus or income of the Trust to revert to, or become the property of, or be used for the benefit of the Employer, or divert any portion of the corpus or income of the Trust for purposes other than the exclusive benefit of the Participants, Eligible Employees and their Dependents.
- 9.2. **Termination and Discontinuance of Contributions.** The Employer may terminate or discontinue contributions to the Plan at any time by notice to the Administrator and Trustee. Upon termination of the Plan and subject to Section 9.3, the Administrator shall maintain the Accounts of each Participant and Eligible Employee who is or was an Employee of such Employer, and shall pay Benefits to each such Participant in accordance with the terms of the Plan or as permitted by law. Expenses of the

Trust fund and administrative fees shall be charged against such Participants' and Eligible Employees' Accounts for as long as such Accounts are maintained by the Administrator.

- 9.3. **Employer Transfers to another Plan.** The Employer may request that the assets held in the Plan be transferred to another Association or Administrator provided that the Employer provides evidence to the Administrator that the following conditions are met:
- a. The transferee Association is exempt under Code Section 501(c)(9);
 - b. The transferred assets will be used to provide similar benefits;
 - c. The participants of each trust Association share an employment-related bond;
 - d. The transfer is not used to avoid the applicable requirements of Code Section 501(c)(9) and the regulations thereunder that otherwise would apply to each association;
 - e. The receiving Association or Administrator has agreed to receive the transfer; and
 - f. The Employer, in writing, holds harmless the Administrator for acting on Employer's instructions to transfer the Plan to another Association or Administrator.

When, to the satisfaction of the Administrator, the Employer has produced evidence sufficient to satisfy the conditions of this Section 9.3, the Administrator will transfer the assets of the Plan to the other Association or Administrator as soon as administratively practical. In no event shall such transfer occur later than one hundred and eighty (180) days following the Administrator's receipt of the sufficient evidence contemplated by this Section. Additionally, the Administrator may develop procedures in connection with this Section 9.3 including, without limitation, what documentation is necessary to evidence satisfaction of the requirements of this section. Expenses of providing such evidence shall be paid by the Employer. In the event a transfer of the Plan assets is authorized, the Administrator may retain sufficient funds for the satisfaction of all current reported claims.

ARTICLE X

MISCELLANEOUS

- 10.1. **Rights of All Interested Parties Determined by Terms of the Plan.** The Plan and Trust are voluntarily entered into by the Employer. The Trust shall be the sole source of Benefits provided under the Plan, and in no event shall the Administrator or the Employer be liable or responsible therefore. The Plan shall be binding upon all parties thereto and all Participants and Eligible Employees, and upon their respective heirs, executors, administrators, successors, and assigns, and upon all persons having or claiming to have any interest of any kind or nature under the Plan or the Trust.
- 10.2. **No Employment Rights Created.** The creation and maintenance of the Plan shall not confer any right to continued employment on any Employee, and all Employees shall remain subject to discharge to the same extent as if the Plan had never been established.
- 10.3. **Number and Gender.** Where necessary or appropriate to the meaning hereof, the singular shall be deemed to include the plural, the plural to include the singular, the masculine to include the feminine and neuter, the feminine to include the masculine and neuter, and the neuter to include the masculine and feminine.
- 10.4. **Notice to Employees.** Notice of the existence and the provisions of this Plan and amendments thereto shall be communicated by the Employer to all persons who are, or who become Eligible Employees or Participants.
- 10.5. **Notification of Address.** Each person eligible to receive Benefits shall notify the Administrator in writing of his address and any change of address thereafter. Any communication, statement or notice addressed to such person at his last address as filed with the Administrator (or if no address was filed with the Administrator, then his last address shown by the Employer's payroll records) will be binding

upon such person for all purposes of this Plan, and neither the Employer nor the Administrator shall be obligated to search for or ascertain the whereabouts of any such person.

10.6. **Headings.** The headings and subheadings in this Plan are inserted for convenience and reference only and are not intended to be used in construing this Plan or any provision hereof.

10.7. **Governing Law.** This Plan shall be construed according to the law of the State of Ohio and applicable Federal Law and all provisions hereof shall be administered according to the law of the State of Ohio and applicable federal law.

IN WITNESS WHEREOF, the undersigned has executed this Plan to become effective the _____ day of _____, 20____ for the:

(Plan Name)

By: _____
(Signature)

(Printed Name)

(Title)

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Board of Trustees

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



Date: January 25, 2021

To: Board of Trustees

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

Agenda Item 11: Review of Pension Trust Policies

Recommendation:

Review and discuss with General Counsel and Staff existing Pension Trust policies.

Background:

The Pension Trust Board of Trustees has adopted a number of policies listed below. As a matter of fiduciary prudence, the policy documents should be reviewed and discussed with the Trustees on a regular basis. Accordingly, it is recommended that three of the policies be reviewed and discussed with Counsel as listed below.

Policies Recommend for Review:

- 1) **Governance Policy** – Review
 - a) Adopted October 2014, Reviewed January 2019
 - b) Future minor amendments to Executive Director and Deputy Director titles

- 2) **Ethical & Fiduciary Conduct Policy** Review
 - a) Adopted April 2015, Reviewed January 2019
 - b) Future minor amendments to Executive Director and Deputy Director titles

- 3) **Board Members Core Competencies and Education Policy** – Review
- a) Adopted February 2014, Reviewed January 2019
 - b) Future minor amendments to Executive Director and Deputy Director titles
 - c) Includes Trustee Pledge of Independence required of new Trustees
 - d) Includes annual Trustee self-assessment of educational needs

Policies not in need of review at this time:

- 4) **Employee Policies and Procedures** – Future review
- a) Adopted June 2012, Amended January 2014
 - b) Future review and updating following Personnel Committee review
- 5) **Conflict of Interest Code** – 2022 Biennial review
- a) Adopted February 2014, Amended February 2020
 - b) Biennial Review required by statute
- 6) **Funding Policy** – Integral to Annual Valuations
- a) Reviewed annually as part of every Actuarial Valuation
- 7) **Investment Policy Statement** – Future review
- a) Extensively revised and adopted September 2020
 - b) Reviewed annually as part of asset allocation policy review
- 8) **Investment Procedures** – Future review
- a) Initially adopted September 2020

Respectfully submitted,

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SAN LUIS OBISPO COUNTY PENSION TRUST
BOARD OF TRUSTEES
GOVERNANCE POLICY

Adopted October 27, 2014

Reviewed January 28, 2019

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I. ROLE AND DUTIES OF BOARD

A. TRUSTEES

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

B. DUTIES OF BOARD OF TRUSTEES

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

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

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

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

(i) It shall have no power to, and shall not, authorize the Pension Trust to indemnify any person or entity.

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

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

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

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

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

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

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

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

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

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

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

II. STRUCTURE AND ROLE OF THE COMMITTEES

A. STANDING COMMITTEES

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

1. Audit Committee

The duties of the Audit Committee are as follows:

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

2. Personnel Committee

The duties of the Personnel Committee are as follows:

- (a) Meet at least quarterly and otherwise as necessary to fulfill its responsibilities.

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

III. ROLE OF THE BOARD PRESIDENT AND VICE-PRESIDENT

A. BOARD PRESIDENT

1. By-Law Provisions: Article 3, section 3.05 of the By-Laws provides that the President shall be elected each year by the Board of Trustees at the first regular meeting of the Board of Trustees in January, and that the term of office of the President shall be for a period of one year or until his or her successor is duly elected and qualified. Article 3, section 3.03 of the By-Laws provides that the President shall preside at all meetings of the Board of Trustees and shall preserve order and decorum, shall decide questions of order, subject to appeal to the Board of Trustees, and perform all acts, duties and functions generally appertaining to such office.
2. Additional Duties: Consistent with his or her duties as specified in the By-Laws delineated above, the Board President shall also:
 - (a) Appoint the members of all of the Board of Trustees' standing and ad-hoc committees.
 - (b) Have final approval authority for whether an item is to be included or not included on the agenda for regular and special meetings of the Board of Trustees unless a majority of Board members directs that an item be included on an agenda during the "Trustee Comments" portion of a Board meeting.
 - (c) Perform other duties as directed by the Board.

B. BOARD VICE-PRESIDENT

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

IV. ROLE AND DUTIES OF EXECUTIVES AND BOARD REPORTING RELATIONSHIPS

A. EXECUTIVE SECRETARY

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

- (d) The Executive Secretary shall perform those duties set forth for the Executive Secretary in these By-Laws, the Retirement Plan, and as are from time-to-time assigned by the Board of Trustees.
- (e) Among the duties of the Executive Secretary are:
 - (i) Serving as Secretary to the Board of Trustees.
 - (ii) Maintaining a written record of all official actions taken by the Board of Trustees at all meetings.
 - (iii) Keeping a complete record of all correspondence and documents of said Board of Trustees and of the Pension Trust.
 - (iv) Developing and recommending to the Board of Trustees all practices and procedures necessary for the efficient and lawful functioning of the Pension Trust and of the Pension Trust offices.
 - (v) Organizing and directing the operation of the office maintained by the Pension Trust and of the employees of the Pension Trust.
 - (vi) Overseeing the functioning of all of the agents and advisors of the Pension Trust.
 - (vii) Maintaining the accounts of the Pension Trust in accordance with the law and with generally accepted accounting standards.
 - (viii) Maintaining the records of all Pension Trust participants, members, retired members and beneficiaries.

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

- (a) Determine the amount of and make timely payment of retirement, survivor and beneficiary benefit allowances, lump sum benefits and refunds under the Retirement Plan, including the authority to adjust any benefit payments and to correct any underpayment or overpayment of benefit payments and collect any overpayments of benefits, all in accordance with the Retirement Plan and applicable governing laws.
- (b) Establish and determine the maintenance of an effective system of internal controls and records and accounts following recognized accounting principles.
- (c) Execute documents relating to asset allocation rebalancing actions.

- (d) Negotiate, execute, amend and terminate contracts for both investment and non-investment services and/or goods as may be necessary for the administration of the Pension Trust as authorized by the Board of Trustees.
- (e) Collaborate with the Investment Consultant, supervise and oversee all activities of the Pension Trust Investment Officer (if applicable), monitor the activities of external investment managers and ensure that all investment activities are in compliance with this Investment Policy.
- (f) Manage and supervise the activities of the Investment Officer at such times as this position exists and is filled.
- (g) Coordinate as part of the normal due diligence process, with the Investment Officer (if applicable), on-site due diligence visits of the Master Custodian, Investment Managers, and the Investment Consultant, as appropriate.
- (h) Accept service of summons and any other legal service of process for and on behalf of the Board of Trustees and/or the Pension Trust.
- (i) Act as the primary liaison for the Pension Trust with the County and other participating employers and as the primary spokesperson to stakeholders, the public, and the press.

B. DEPUTY EXECUTIVE SECRETARY

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

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ETHICAL AND FIDUCIARY CONDUCT POLICY

Adopted April 27, 2015
Reviewed January 28, 2019

ETHICAL AND FIDUCIARY CONDUCT POLICY

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

A. Fiduciary Duties

Duty of Loyalty

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

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

The Duty of Loyalty is the most fundamental of fiduciary duties. The duty of Board members and staff to Pension Trust participants and their beneficiaries must take precedence over any other duty. A trustee does not serve as an “agent” or representative of the employer, union or other constituency responsible for his or her appointment to the Board, and must act in the best interests of all of the participants and beneficiaries even where doing so is not in the interest of the electoral or appointing authority responsible for the trustee’s appointment. While a trustee

may wear “two hats,” one as a trustee and one reflecting another position, such as employer or union official, the trustee may only wear one hat at a time and must wear their trustee/fiduciary hat when conducting system business.

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

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

Duty of Care

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

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

Duty to Provide for Actuarial Services

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

Exclusive Purpose of Systems Assets

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

Prohibited Transactions

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

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

Prohibitions Against Self-Dealing

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

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

B. Statement of Ethical Conduct

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

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

1. Using the prestige or influence of the Board or staff position for private gain or the advantage of another.
2. Using Pension Trust, facilities, employees, equipment or supplies for private gain or advantage, or the private gain or advantage of another.
3. Using confidential information acquired by virtue of Pension Trust activities for private gain or the advantage of another, including, but not limited to, so-called “insider trading” as described in subsection “C”, *infra*.

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

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

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

C. Policy Prohibiting Insider Trading

Background

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

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

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

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

the SEC or company press releases to a national business and financial wire service, a national news service, or a national newspaper.

Policy on Insider Trading

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

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

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

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

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

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

Compliance

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

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

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

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

D. State Conflict of Interest Rules

1. All Pension Trust Board members and designated staff and consultants shall abide by the provisions of the Political Reform Act (PRA), Government Code sections 81000, et seq, including section 87100 that prohibits Board members and designated staff and consultants from making, participating in making, or using their positions to influence Pension Trust decisions in

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

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

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

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

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

E. Avoidance of Appearance of Nepotism

Even if otherwise permissible under applicable conflict of interest laws and/or Board policy, Board members should avoid participating in Pension Trust matters in which a close

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

F. Limitation on Receipt of Gifts

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

1. Applicable State/Local Law

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

2. Additional Limitations

- a. No Board member or staff may receive, accept, seek or solicit, directly or indirectly, anything of economic value as a gift, gratuity or favor from a person if it could reasonably be expected that the gift, gratuity or favor would influence the vote, action or judgment of the Board or staff member; or be considered as part of a reward for action or inaction.
- c. If the Board member or staff is allowed to accept a gift under applicable law and this policy, he or she is still obligated to evaluate the propriety of accepting the gift. Board members and staff should be sensitive to the source and value of the gift, the frequency of gifts from one source, the possible motives of the giver, and the perception of others regarding the gift. Close cases should always be decided by rejecting gifts, gratuities or favors that may raise questions regarding the board or staff member’s integrity, independence and impartiality. If a board or staff member is

uncertain as to whether to accept the gift, he or she should consult the General Counsel.

3. Application of Policy

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

G. No Contact Policy

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

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

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

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

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

H. Disclosure of Communications

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

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

consultant. Such communications do not always rise to the level of “undue influence,” as defined and discussed in Section H (4), but nevertheless should be subject to disclosure.

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

2. Avoidance of Undue Influence

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

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

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

Definitions:

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

“Third Party” means and includes a person or entity that is seeking action, opportunity, or a specific outcome from the Pension Trust regarding a system matter. The Third Party may be seeking the action, opportunity, or outcome for his or her or its own behalf or the Third Party may be seeking it on behalf of another person or entity in the capacity of a representative, agent

or intermediary, or as an advocate for a cause or group of individuals or entities. This definition includes public officials.

I. Disclosure and Recusal Requirement for Campaign Contributions

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

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BOARD MEMBER RESPONSIBILITIES, CORE COMPETENCIES AND EDUCATION POLICY

Adopted February 24, 2014
Reviewed January 28, 2019

A. Introduction

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

The Board further recognizes that service as a Board member involves significant responsibility and requires a major commitment of time and effort in order to be successful. For that reason, a summary of trustee duties and responsibilities, which identifies the obligations that a trustee will confront upon assuming office, has been developed and approved by the Board. (Attachment 1). This summary will be provided to any individual seeking election or appointment as a Board member. The Board further directs that this summary be refreshed, with Board member input, no less than once every two years.

B. Board Member Responsibilities and Core Competencies

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

Board members should fulfill the training expectations outlined in the Education Policy and are encouraged to attend additional relevant educational opportunities as outlined in Section 5 of that policy.

8. COLLEGIALITY. Members shall make every effort to engage in collegial deliberations, and to maintain an atmosphere where Board or committee members can speak freely, explore ideas before becoming committed to positions, and seek information from staff and other members. Board members should come to meetings without having fixed or committed their positions in advance.
9. INDEPENDENCE. Board members and their delegates shall, upon the adoption of this policy and thereafter upon taking office, sign a pledge confirming their independence and their understanding of their fiduciary duties. The pledge shall read as follows:

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

C. Board Member Education

1. PURPOSE

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

2. PRINCIPLES

The Education Policy rests on the following important principles:

- There is a unique body of knowledge that can be imparted to Board members to facilitate the carrying out of their distinct roles and responsibilities.
- Board members are responsible for making policy decisions affecting all major aspects of pension plan administration. They also must maintain prudent oversight of the operations of the Pension Trust, including the functioning of the consultants and investment managers retained by the Pension Trust and of the assets, including the real property assets, owned

by the Pension Trust. They, therefore, must acquire an appropriate level of knowledge of all significant facets of the plan, rather than only specializing in particular areas.

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

3. ORIENTATION OF NEW BOARD MEMBERS

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

- Materials. At or before the orientation session, the following documents will be made available to new members:
 - A listing of names, addresses, and contact information for the Board members
 - A listing of names, addresses, and contact information for Executive Management
 - A listing of key information available on the Pension Trust’s website, such as board agendas, minutes, and financial reports.
 - A copy of the Open Meeting Act
 - A list of upcoming recommended educational conferences
 - Any other relevant information or documents deemed appropriate by the Executive Secretary

4. MENTORING

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

5. ONGOING BOARD MEMBER EDUCATION

- **First 36 months.** In the Board members’ first 36 months of service on the Board after their election or appointment, in addition to attending the orientation session, Board members should attend both the Principles of Pension Management course sponsored by the California Association of Public Retirement Systems (CALAPRS) as well as the Portfolio Concepts and Management course sponsored by the International Foundation of Employee Benefit Plans at the Wharton School at the University of Pennsylvania. Alternative educational programs will satisfy this requirement if the Executive Secretary determines that they are comparable in both quality and content.
- **Ongoing.** Board members should attend 12 hours of continuous education during each year of his or her service, such as the CALAPRS General Assembly and CALAPRS Trustee Roundtables. Professional education in an individual Board member’s normal field of employment may be applied toward meeting the educational requirement established by this policy if the subject of such education is directly related to the individual Board member’s obligations as a Trustee. Board members are responsible for self-evaluating their additional educational needs and obtaining knowledge in

specific needs areas in a controlled manner. Board members shall complete annually a Board member Knowledge Self-Assessment (Attachment 2) and then discuss their results and training needs with the Executive Secretary. While attendance at the programs suggested for newly elected or appointed trustees is deemed to fulfill the continuing education requirement during the first 36 months of service, new Board members are nevertheless encouraged to attend additional continuing education each year if feasible.

Staff will monitor and advise the Board members as to the number of hours of continuing education earned by each Trustee.

- **In-House Education Sessions.** Based on the personal education needs of the Board members, the Executive Secretary will arrange for staff or outside service providers to conduct educational sessions throughout the year at regularly scheduled Board meetings or off-sites. Time spent in such sessions will count towards fulfilling the Board member's annual continuing education responsibility.
- **Educational Conferences.** The Executive Secretary will maintain a list of educational conferences appropriate for Board members and Board members may attend any of these conferences subject to the Board's travel expense policy. The Executive Secretary will scrutinize conference agendas and materials to ensure that they are geared appropriately towards education as opposed to marketing and consider whether associated recreational/entertainment activities present potential appearance concerns for board members. The Executive Secretary will regularly update this list when new educational opportunities arise. The list will also be modified to reflect the evaluations from Board members who have attended specific conferences to ensure that the conferences remain worthy of the Board's time and the System's expense. In considering out-of-state educational opportunities, board members should weigh the costs and benefits of travel versus locally based education.
- **Evaluation Form.** Board members must complete an Education Evaluation form upon completion of any educational conference and such form must be turned in with any request for reimbursement of expenses associated with the conference. A reimbursement will not be made without a completed Education Evaluation form.

6. FIDUCIARY EDUCATION SESSION

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

7. ETHICS TRAINING

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

8. RETIREMENT INDUSTRY PERIODICALS

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

9. COMPLIANCE

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

ATTACHMENT 1

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

INTRODUCTION

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

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

WHO IS A FIDUCIARY?

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

YOUR FIDUCIARY DUTIES

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

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

interests of the electorate or appointing authority responsible for the Board member's appointment.

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

CONFLICT OF INTEREST

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

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

DELEGATION OF RESPONSIBILITY

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

PLAN ADMINISTRATION

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

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

ATTACHMENT 2

BOARD MEMBER KNOWLEDGE SELF-ASSESSMENT

Introduction

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

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

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

Instructions

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

GOVERNANCE

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

This includes:

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

ASSET ALLOCATION AND INVESTMENTS

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

This includes:

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

ACTUARIAL PROCESS

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

This includes:

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

BENEFITS ADMINISTRATION

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

This includes:

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

DISABILITY

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

This includes:

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

FIDUCIARY RESPONSIBILITY

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

This includes:

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

ETHICS, CONFLICTS AND DISCLOSURE

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

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

OPEN MEETING AND PUBLIC RECORDS

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

This includes:

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

FINANCIAL CONTROLS AND AUDITS

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

This includes:

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

VENDOR SELECTION PROCESS

I am confident that I understand the vendor selection process.

This includes:

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

POLICY ON EDUCATIONAL REQUIREMENTS FOR STAFF OF THE PENSION TRUST

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

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

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

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

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

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

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

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

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

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

Section 5: Educational Conferences - of this policy and for due diligence visitations as specified in The Pension Trust's Investment Policy.

2.) Travel to seminars, conferences and classes sponsored by providers *other* than those identified in Section 5: Educational Conferences, must be approved by the Board of Trustees. A request from the attendee shall be included in the Board meeting agenda and approved by the Board. Sufficient information about the reason for the trip shall be provided to allow adequate evaluation;

3. Unless otherwise provided by the Retirement Plan or the provisions of this Policy, employees of the Pension Trust must obtain authorization from the Board of Trustees prior to travel out of state. The minutes shall reflect approval of the travel for audit purposes. The Board of Trustees shall review the request and shall approve or disapprove the request, based on the criteria set forth in Section II - A of this policy. Travel out of state to attend educational programs sponsored by providers in Section I: Approved Sponsors of Educational Programs or for purposes of conducting due diligence visitations required by Section II of this policy shall not require prior approval by the Board of Trustees.

E. Reimbursement

1. Meals: Meal expense incurred while traveling or performing Pension Trust business shall be reimbursed based on actual expenses incurred not to exceed the per diem amount established pursuant to this policy. Meal expenses in excess of the per diem amount established herein shall be reimbursed upon presentation of proper substantiation and justification. Per diem meal limits are set forth in Appendix A. In cases where the per diem rate is used, supporting expense logs or meal receipts should be maintained by the Trustee or staff to support the claim. Individual meal expenses in excess of \$25.00 should be supported with a receipt attached to the travel claim.

2. Transportation:

a. Consistent with work schedules, distance and time requirements, the least expensive method of travel should be utilized.

b. Individuals using privately owned automobiles must certify that appropriate insurance is in effect prior to beginning travel.

c. Reimbursement for use of privately owned vehicles will be

on a rate per mile basis as specified in Appendix A to this Policy.

d. Commercial Auto Rental: Individuals will be reimbursed for the actual cost of car rentals and fuel when appropriate substantiation is presented. Damage and personal accident insurance should not be purchased, as the Pension Trust is covered for such liability through its insurance coverage.

e. Air Travel: Reimbursement for the cost of commercial air tickets shall be made upon presentation of proper substantiation. Reimbursement shall be limited to coach fare.

f. Railroad Transportation: Reimbursement for the cost of railroad tickets shall be made upon presentation of appropriate substantiation. Reimbursement shall be limited to coach or business fare, unless approved by the Board of Trustees.

3. Lodging:

a. Individuals attending seminars, conferences or classes pursuant to this policy are encouraged to obtain lodging at the hotel or motel where the seminar, conference or class is being presented. **In such cases, reimbursement shall be made for the full amount of lodging expense incurred.** Individuals traveling on Pension Trust business should make advance lodging arrangements through the Pension Trust Office.

b. Individuals who are traveling on Pension Trust business (other than attendance at seminars, conferences or classes) shall be reimbursed for actual lodging expenses up to the limits established by this policy. Maximum lodging limits are set forth in Appendix A which shall be reviewed annually and adjusted as necessary by the Board of Trustees.

4. Business Expenses:

a. Individuals who are traveling on Pension Trust business shall be reimbursed for actual and necessary business expenses (as the term is defined in this policy), other than meals, transportation and lodging. Business expenses must be directly related to the purpose of travel.

5. Claims for Reimbursement: Claims for reimbursement of authorized travel expenses will be submitted on a Pension Trust Travel Reimbursement form. The Executive Secretary, or designee thereof, shall review the claim for accuracy and compliance with this policy.

Reimbursement shall be made by the Office of Pension Trust. Claims and supporting documentation shall be maintained in the office of the Pension Trust for a period of five years.

III. WAIVER OF POLICY

The Board of Trustees may waive any provision of these policies if it determines that extraordinary circumstances exist which indicate that such waiver is in the best interests of the Pension Trust.

IV. COMPLIANCE WITH PROVISIONS OF THE BROWN ACT

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

VI. DEFINITIONS

A. The following definitions shall apply to this Travel Policy

1. Pension Trust Business: Consists of activities directly related to the functions of the San Luis Obispo County Pension Trust.
2. Authorized Personnel: Those eligible for reimbursement of expenses incurred for the Pension Trust include:
 - a. Members of the Pension Trust Board of Trustees.
 - b. Officers, employees and agents of the Pension Trust.
 - c. Assigned employees of the County subject to approval by the Board of Trustees.
3. Authorized Point of Departure: The authorized point of departure shall be the individual's residence, normal work location or such other place that may be designated by the Board of Trustees.
4. Authorized Point of Return: The authorized point of return shall be the individual's

residence, normal work location or such other place that may be designated by the Board of Trustees.

5. Lodging: Lodging expenses consist of those charges for overnight sleeping or dwelling accommodations as required during travel for the conduct of Pension Trust Business. Reimbursable lodging expenses shall be limited to single occupancy rates.
6. Meals: Meal expenses shall be those charged for food and beverages purchased and consumed in the course of Pension Trust business.
7. Transportation Expenses: Transportation expenses are the direct costs related to movement from the authorized point of departure to the authorized point of return. Transportation expenses include, but are not limited to, common carrier tickets, private vehicle mileage and car rental charges.
8. Other Transportation Expenses: These expenses include taxi, bus and streetcar fares; road, bridge and ferry tolls; parking fees and other incidental costs related to the individual's transportation.
9. Business Expenses: Business expenses are all expenses incidental to travel on Pension Trust business that are not transportation, lodging or meal expenses. Business expenses include, but are not limited to, conference registration fees, telephone, telegraph, hotel internet connection fees and Fax charges related to Pension Trust business, reasonable non-meal gratuities (i.e., sky-caps, bellhops, etc.).
10. Expenses Not Reimbursed by the Pension Trust:
 - a. Airline or other travel insurance.
 - b. Annual premium for personal property insurance.
 - c. Unauthorized extra charges.
 - d. Traffic or parking violations.
 - e. Gasoline purchase for private vehicles whenever the individual claims reimbursement at the established per mile rate.
 - f. Additional expenses for spouses or other traveling companions are not reimbursable.

APPENDIX A

TRAVEL REIMBURSEMENT RATES

1. MEALS & INCIDENTALS: Per diem reimbursement rate for meals and incidentals: \$55.00

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

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

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

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

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San Luis Obispo County
Pension Trust
SLOOPT

Board of Trustees
San Luis Obispo County Pension Trust
1000 Mill Street
San Luis Obispo, CA 93408

Date: _____

Trustee: _____

Board of Trustees Pledge Confirming Independence

To be signed upon taking office as a Trustee.

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

Signed: _____

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San Luis Obispo County Pension Trust

BOARD MEMBER KNOWLEDGE SELF-ASSESSMENT

Introduction

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

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

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

Instructions

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

GOVERNANCE

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

This includes:

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

ASSET ALLOCATION AND INVESTMENTS

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

This includes:

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

ACTUARIAL PROCESS

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

This includes:

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

BENEFITS ADMINISTRATION

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

This includes:

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

DISABILITY

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

This includes:

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

FIDUCIARY RESPONSIBILITY

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

This includes:

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

ETHICS, CONFLICTS AND DISCLOSURE

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

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

OPEN MEETING AND PUBLIC RECORDS

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

This includes:

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

FINANCIAL CONTROLS AND AUDITS

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

This includes:

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

VENDOR SELECTION PROCESS

I am confident that I understand the vendor selection process.

This includes:

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

Completed by: _____

Date: _____

Board of Trustees

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



Date: January 25, 2020

To: Board of Trustees

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

Agenda Item 12: Disability Hearing Process – Plan Amendments Recommendation

Recommendation:

1. Reaffirm the previous 2017 recommendation to the Board of Supervisors that Appendix E (Disability Hearing Process) to the San Luis Obispo County Employees Retirement Plan be amended as shown on the attached redline draft.

Background:

At the February 27, 2017, meeting of the Board of Trustees it was approved to Recommend the attached amendments to Appendix E of the Retirement Plan. Appendix E covers the process for Hearings on Disability Retirements.

At that time, it was determined that such Plan amendments needed to go through a Meet & Confer process between the County and its various Collective Bargaining Organizations (CBOs). That process was initiated by the County Labor Relations staff. The Meet & Confer process went through protracted discussions and ended in November 2020 with no CBOs objecting to the revised Disability Hearing Process as presented.

At the March 2017 Board of Trustees meeting it was approved to adopt an interim Disability Hearing process that mirrored the proposed Plan amendments. That interim process has been in use since that time.

This Board of Trustees action reaffirms a decision made previously in February 2017 so that it is contemporaneous with the forwarding of the proposed Plan amendments to the Board of Supervisors.

Attached to this memo are –

Attachment A – The original Staff recommendation from February 2017 that was approved by the Board of Trustee.

Attachment B – The proposed amendments to Appendix E of the Retirement Plan as presented to the Board of Trustees in February 2017 shown in **redline** format.

Attachment C – The proposed amendments to Appendix E of the Retirement Plan as presented to the Board of Trustees in February 2017 shown in **clean** format for the sake of readability.

Note – the only additional change to this amendment is to conform to a subsequent 2019 Plan amendment that changed the title of the “Executive Secretary” to “Executive Director”.

Respectfully submitted,

Board of Trustees

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



Date: February 27, 2017

To: Board of Trustees

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

Agenda Item Number 9: Disability Hearing Process

Recommendation:

Staff and the General Counsel recommend that the Board review, discuss, approve and forward to the Board of Supervisors for adoption the attached modifications to the current disability application hearing process. These modifications would result in matters first being sent to a Referee for hearing. The Referee would make evidentiary and factual findings and issue a proposed decision before the matter is submitted to the Board for a final decision. Further modifications in the Rules have been made to reflect the utilization by the Pension Trust of a Medical Review Provider in the review and evaluation of disability retirement applications.

Discussion:

Under Section 3.04(b) of Appendix E of the San Luis Obispo County Employees Retirement Plan (“Plan”), if the Executive Secretary is not satisfied with the medical reports and documents submitted in support of an application for Disability, including applications for Industrial Disability, the Executive Secretary shall make no recommendation as to the application and shall set the matter for hearing before the Board of Trustees.

As the Board has discussed previously, Appendix E of the Retirement Plan sets forth a detailed, “trial type” hearing process before the Board of Trustees and provides that the Board President is to serve as the Presiding Officer at such hearings and in that capacity is to fulfill quasi-judicial responsibilities such as overseeing the examination and cross-examination of witnesses and ruling on the admissibility of evidence.

At its January 23, 2017 meeting, the Board directed that the General Counsel and staff draft modifications to Appendix E that would reflect an alternative process, consistent with that used by most if not all other California public retirement systems, which employs a hearing officer/referee in the first instance to develop an evidentiary record and render a proposed decision. The Board agreed with the General Counsel and staff that such an approach would better serve the interests of members and place the Board in a better position to fulfill its duties with respect to disability appeals.

Attached for the Board's review and discussion is a draft of revisions to Appendix E that would incorporate a hearing process presided over by a Referee who would be responsible for conducting the hearing and preparing a written report for the Board that includes a summary of the evidence, proposed findings of fact, and recommended decision. Following the submission of the report by the Referee, the Board would then consider the matter itself at a subsequent meeting and would be able to take one of the following actions:

- (a) Approve and adopt the proposed findings and recommendations of the Referee; or
- (b) Approve and adopt the proposed evidentiary findings of the Referee and upon those findings take such action as in the Board of Trustees's opinion is indicated by such evidentiary findings;
- (c) Require a transcript or summary of all the testimony, plus all other evidence received by the Referee, and upon receipt thereof take such action as in the Board's opinion is indicated by such evidence; or
- (d) Refer the matter back to the Referee for further proceedings, with or without instructions.

The revised language is borrowed largely from the existing policies of the Santa Barbara Employees' Retirement System (SBCERS). The General Counsel has reviewed the hearing processes of several California retirement systems and believes that this language is most appropriate to the Pension Trust's needs. Both the Executive Secretary and the General Counsel have discussed the disability hearing process with their SBCERS counterparts and feel that this process is very workable for all of the involved parties. SBCERS has an existing panel of four Referees under contract, following an exhaustive search process, and is agreeable to the Pension Trust using their panel. In SBCERS' experience, the average, all-inclusive cost for a one to two day hearing runs between \$7,000 and \$10,000.

As noted at the January meeting, any permanent revisions to the hearing process set forth in Appendix E must ultimately be adopted by the Board of Supervisors. If your Board approves them, we will forward them to the County, who will provide any required notices to employee organizations related to collective bargaining rules and then place them on the agenda of a future Board of Supervisors meeting for adoption. Also, at the March Board of Trustees' meeting, we will have an agenda item that will allow the Board to approve the engagement of the SBCERS Referee panel members

If the need for a hearing arises before the Board of Supervisors adopts the revisions, we will prepare a resolution for the Board of Trustees' review and approval that would adopt

the procedure set forth in the revisions on an interim basis pursuant to its current authority under Section 4.07 to order for good cause an alternative manner for the conduct of hearings.

We look forward to discussing these issues with the Board.

Respectfully submitted,

Carl Nelson
Executive Secretary

Amy Burke
Deputy Executive Secretary

Chris Waddell
General Counsel

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APPENDIX: E – Applications For Disability

RULES FOR PROCESSING APPLICATIONS FOR DISABILITY RETIREMENT ALLOWANCE

SAN LUIS OBISPO COUNTY PENSION TRUST

ARTICLE 1: PURPOSE

Section 1.01: Purpose of Rules. The purpose of these rules is to provide a procedure for acting upon applications for disability retirement allowance under and pursuant to the San Luis Obispo County Employees Retirement Plan to the end that applications can be expeditiously processed and that, when a hearing is required by the Retirement Plan, the applicant will have notice of the hearing and an opportunity to appear before a neutral Referee ~~the Board of Trustees~~ and present his or her case prior to final review and action by the Board of Trustees.

ARTICLE 2: DEFINITIONS

In these rules, unless the context or subject matter otherwise requires:

Section 2.01: "Applicant" means a Member of the San Luis Obispo County Pension Trust claiming disability retirement allowance, rights or privileges under the San Luis Obispo County Employees Retirement Plan or any person claiming such allowance, rights or privileges through any Member.

Section 2.02: "Party" means any person disclosed by the records of the Pension Trust or by the application to have an interest or possible interest in the subject matter of a hearing or a person who has filed an application for disability allowance, rights or privileges on behalf of a Member of the Pension Trust.

Section 2.03: ~~"Executive—SecretaryExecutive Director"~~ means the ~~Executive SecretaryExecutive Director~~ of the San Luis Obispo County Pension Trust.

Section 2.04: "Medical Review Provider" means an individual or entity under contract with the San Luis Obispo County Pension Trust to provide disability case management and evaluation services.

Section 2.0405: "Board of Trustees" means the Board of Trustees of the San Luis Obispo County Pension Trust.

Section 2.0506: "Pension Trust" means the San Luis Obispo County Pension Trust.

Section 2.07: "Referee" means a member of the State Bar of California who, as the duly authorized neutral representative of the Board of Trustees, serves as the presiding officer at hearings conducted pursuant to these rules.

ARTICLE 3: FILING AND PROCESSING OF APPLICATION

Section 3.01: Applicant's Obligations. Upon the filing with the Board of Trustees of an application for disability retirement allowance, the applicant shall:

- (a) Furnish within 30 days, or within such longer time as the applicant may request as approved by the ~~Executive Secretary~~ Executive Director or the Medical Review Provider, any evidence in the form of written medical reports certificates, or other documents which will be used by the applicant in support of his or her application and
- (b) Report at a specified time to a physician designated by the Board of Trustees, the ~~Executive Secretary~~ Executive Director or the Medical Review Provider for a medical examination as provided in Sections 8.01 – 8.03 of these rules.
- (c) Submit to medical examination(s) by the physician(s) designated by the Board of Trustees, the ~~Executive Secretary~~ Executive Director or the Medical Review Provider as provided in Sections 8.01 through 8.03 of these rules. If the applicant refuses to submit to such medical examination(s) or does not appear for such medical examination(s), the ~~Executive Secretary~~ Executive Director shall recommend to the Board of Trustees that the application be denied. The Board of Trustees shall deny the application unless the applicant can show good cause for such refusal or failure to appear.

Section 3.02: Notice of Applicant's Obligations. The ~~Executive Secretary~~ Executive Director or the Medical Review Provider shall give written notice to the applicant of the applicant's obligations set forth in Section 3.01 of these rules.

Section 3.03: Failure of Applicant to Satisfy Obligations. Unless good cause appears therefore, an administrative recommendation by the ~~Executive Secretary~~ Executive Director shall not be made nor shall a hearing date be set unless the applicant has satisfied each of the obligations set forth in Section 3.01 of these rules. Further, no hearing date shall be set for the application unless the medical reports from the medical examination(s) required of the applicant by Section 3.01 and 8.01 – 8.03 of these rules will be available at least 30 days prior to the date of the hearing.

Section 3.04: ~~Executive Secretary~~ Executive Director's Administrative Recommendation. Upon receipt of the evidence submitted by the applicant and all reports of medical examination, and, if applicable, the recommendation of the Medical Review Provider, the ~~Executive Secretary~~ Executive Director shall make recommendations to the Board of Trustees as follows:

- (a) If from the medical reports and other documents submitted, and from the information contained in the official records of the Board of Trustees, there is no conflict in the facts necessary to grant the application; and if the ~~Executive Secretary~~ Executive Director is satisfied that the applicant is permanently incapacitated physically or mentally for the performance of his or her duties in the service and that the Member has the required service, the ~~Executive Secretary~~ Executive Director shall recommend to the Board of Trustees that the applicant be granted a disability allowance for non-service-connected disability. In the case of an application for Industrial Disability, if

the ~~Executive Secretary~~Executive Director additionally finds that the disability is service-connected and the applicant is otherwise eligible, the ~~Executive Secretary~~Executive Director shall recommend to the Board of Trustees that the applicant be granted an Industrial Disability Retirement Allowance.

- (1) The recommendation from the ~~Executive Secretary~~Executive Director shall be in writing and shall summarize the evidence in support of the recommendation.
 - (2) Upon receipt of the recommendation of the ~~Executive Secretary~~Executive Director the Board of Trustees may
 - (i) If it is satisfied with the recommendation, approve it and grant the disability allowance recommended.
 - (ii) If it is not satisfied with the recommendation, reject it and set the matter for hearing.
- (b) When ~~the medical reports and other documents submitted and the information in the official records of the Board of Trustees are in conflict,~~ the report provided by the Medical Review Provider does not recommend approval of all or part of the application for a disability allowance, or if the ~~Executive Secretary~~Executive Director is not satisfied with the reports and documents submitted, the ~~Executive Secretary~~Executive Director shall make no recommendation and shall set the matter for hearing ~~before the Board of Trustees~~ as provided herein.

ARTICLE 4: HEARINGS

Section 4.01: Setting of Hearing. Allowing sufficient time for notice, hearings before the Board of Trustees shall, if practicable, be set for the next meeting of the Board of Trustees occurring after the processing of the application under Article 3 of these rules has occurred. If the ~~Executive Secretary~~Executive Director determines that a hearing shall be set pursuant to Section 3.04 of these rules, the ~~Executive Secretary~~Executive Director shall select and appoint a referee from the Board of Trustees' list of approved Referees. Referees will be assigned to hear applications on a rotating basis unless the assignment involves an application previously heard by a referee, in which case that referee will be assigned to the matter if available.

Section 4.02: ~~Hearing Files~~Referees. Each hearing shall be listed in the files of the Pension Trust under the name of the Member of the Pension Trust for or through whom benefits, rights, and privileges are claimed, whether such Member is the applicant or not. Reference to the hearing shall be by the name of the Member. The Board of Trustees' primary goal is the selection and retention of referee who will consider the underlying evidence and make recommendations to the Board of Trustees on a *de novo* basis, without giving weight to prior administrative actions or recommendations. During the conduct of disability retirement proceedings, the Referee constitutes the duly authorized representative of the Board of Trustees. Like the Board of Trustees, referees are expected to consider evidence and argument neutrally, with no pre-disposition towards the grant or denial of disability retirement applications. The Board of Trustees' duty is to determine

whether the granting of a disability retirement in a particular case has merit based on the law and the evidence. The Board of Trustee's policy is to encourage a full and accurate fact finding. The Pension Trust is equally well served by a grant as by a denial where the decision is based on the law and the evidence.

Section 4.03: Notice of Hearing. ~~The Executive Secretary shall give notice of hearing to the applicant and all parties at least ten days prior to the hearing. A copy of these rules shall be furnished to the applicant and to any party requesting a copy of these rules at the time notice of hearing is given.~~Once a Referee has been assigned to hear a matter, the Notice of Referee Assignment shall be served by the Executive Secretary/Executive Director on the Referee and the parties, setting forth the issues for hearing, and with instructions that the hearing be set not less than 30 days and not more than 120 days of the service date of the Notice. The Notice shall describe hearing procedures, and be served with a copy of these procedures.

Section 4.04: Pre-Hearing Procedures. Any interested party may request that the Referee schedule a pre-hearing telephone conference to set a hearing date and to discuss preliminary issues. In cases where the applicant is not represented by legal counsel, a mandatory pre-hearing phone conference will be scheduled to discuss the hearing procedures with the applicant and set a hearing date. Once the hearing date is set, the Referee will issue to the parties a Hearing Notice listing the time, date and location of the hearing and the issues to be heard. Where applicable, the Executive Secretary/Executive Director will provide a copy of the Hearing Notice to the employing department and the County or employing member district.

Section 4.0405: Continuances. ~~The Executive Secretary or the Board of Trustees/Referee~~ may continue a hearing to a later meeting with the consent of the applicant and all parties. In the event the applicant and all parties do not consent to a continuance, the Referee shall decide whether to grant the continuance and may do so only upon a clear showing of good cause/matter will be referred to the Board of Trustees for its decision.

Section 4.0506: Report of Hearings. ~~Hearings may be conducted without a stenographic reporter or recording machine unless some person interested in the hearing requests at least 5 days before the date set for the hearing that such hearing be reported or recorded and pays the cost or fee for such reporting or recording.~~Every hearing shall be reported by a certified shorthand reporter. Conferences shall be reported only if so ordered in advance by the Referee. The Executive Secretary/Executive Director shall arrange for a reporter to be present whenever one is required. Except as provided in Section 4.14, the reporter's notes shall be transcribed only if requested by the Referee or an interested party, in which case the requesting party, if not the Referee, shall pay the transcription costs. The non-requesting parties may, at their expense, order certified copies directly from the court reporting service.

~~**Section 4.06: Determination by Board of Trustees.** In the event of a hearing as provided for herein, the Board of Trustees shall determine all material issues raised by the application.~~

Section 4.07: Rules for Hearings. Unless the Board of Trustees otherwise orders for good cause, all hearings before the ~~Board of Trustees/Referee~~ shall be conducted in the following manner:

- ~~(a) (a) Presiding Officer. The President of the Board of Trustees presides over all hearings, and in the absence of the President the Vice president shall preside, and in the absence of both, the Board of Trustees shall select a presiding officer pro tem. The presiding officer Referee shall exercise reasonable control over the proceedings. In addition to other duties, the presiding officer Referee shall set the date, time and place of the hearing, confirm the issues to be heard pursuant to the Hearing Notice, rule on the admissibility of evidence, question witnesses and determine whether the matter shall proceed or be adjourned subject to continuation.~~
- ~~(b) Any and shall order a party to yield the floor when the party's allotted time has been consumed or when the orderly and expeditious conduct of the hearing requires it. interested party desiring to introduce evidence at a hearing shall serve all other interested parties with a written statement identifying all writings that the party will introduce and all witnesses that the party will call to testify. If any of the identified writings have not previously been served, a copy thereof shall be attached to the statement. In addition to stating the name, address, and telephone number of each witness, the statement shall contain a summary of the testimony that the witness is expected to give. If service is made by personal delivery, the date of delivery shall be no later than the twentieth day before the hearing; if service is made by mail, the date of mailing shall be no later than the twenty-fifth day before the hearing.~~
- ~~(a) The presiding officer may permit such questioning and other participation in the proceedings by members of the Board of Trustees, or others, as will best serve the purposes of these rules.~~
- ~~(b) (b) Quorum. No hearing before the Board of Trustees shall be held unless at least a quorum of the Board of Trustees is present. The same Trustees must be in attendance throughout the hearing and only those Trustees who have been in attendance throughout the hearing may vote thereon.~~
- (c) Representation By Legal Counsel. Any applicant or party and/or the **Executive Secretary Executive Director** shall be entitled to be represented by legal counsel, at such person's own expense, at any hearing ~~before the Board of Trustees~~. After an attorney at law appears at a hearing on behalf of an applicant or party, or after the **Executive Secretary Executive Director or Referee** has received written notice that an attorney at law is appearing on behalf of the applicant or a party, all notices required by these rules shall thereafter be served upon such attorney at law. Substitution of or dismissal of an attorney by an applicant or a party shall be made in the manner provided in **Sections 284, 285 and 286** of the Code of Civil Procedure.

Section 4.08: Order of Business for Hearing. Unless the ~~presiding officer Referee~~ rules that it is not necessary to so proceed in a particular hearing, all hearings shall proceed in the following manner:

- (a) The ~~presiding officer Referee~~ will read the title of the case and ask for appearances for the applicant and for all parties. ~~This information shall be recorded in the minutes of~~

- ~~the Board of Trustees.~~ The ~~presiding officer~~Referee will inquire if the applicant and all parties are ready to proceed.
- (b) If the applicant and all parties are ready to proceed, the ~~presiding officer~~Referee will mark for identification only and not as evidence, all papers in the official file of the hearing, which should include:
- (1) The application for the benefit, allowance, right or privilege.
 - (2) The notice to the applicant of the date set for hearing, with proof of service.
 - (3) Other documents in the official files.
- (c) The ~~Executive Secretary~~Executive Director or ~~other person authorized by the presiding officer~~his or her designee shall read the application unless waived by the applicant and the parties.
- (d) The applicant shall present his or her evidence. The applicant shall have the burden of proof.
- (e) Each other party shall then present its evidence, in the order determined by the ~~presiding officer~~Referee.
- (f) The ~~Executive Secretary~~Executive Director or other person representing the ~~Executive Secretary~~Executive Director shall then present his or her evidence.
- (g) The applicant and each party will be allowed to cross-examine witnesses.
- (h) Upon application to the ~~presiding officer~~Referee, the applicant and each party may present rebuttal evidence.
- (i) Upon the conclusion of all testimony, the ~~presiding officer~~Referee will inquire if the applicant and all parties are ready to submit the matter for decision.
- (j) The hearing will then be closed and the matter submitted to the ~~Board of Trustees~~Referee for decision. If further documentary evidence is to be filed, the ~~Board of Trustees~~Referee may allow time for filing and serving such documentary evidence, and order that the matter will be deemed submitted after such period unless the applicant or any party objects to such documentary evidence within ten (10) days after it is filed. Copies of such documentary evidence shall be served on the applicant and on all parties who appeared at the hearing. Any post-hearing briefs shall be simultaneously submitted on a date directed by the Referee within 30 days of the last day of hearing, followed by simultaneous reply briefs on a date directed by the Referee within 10 days of the date set for post-hearing brief submittal. Such briefing periods shall only be extended by the Referee for good cause.
- (k) Within forty-five days after a matter is submitted to a Referee for a decision, or upon the completion of post-hearing briefing, whichever is later, the Referee shall file with the ~~Executive Secretary~~Executive Director and serve upon all interested parties a written report that includes a summary of the evidence, proposed findings of fact, recommended decision and proof of service.
- (l) The interested parties shall have ten days (plus 5 days if served by mail) from the date the Referee's report is served to file written objections with the ~~Executive Secretary~~Executive Director, along with proof of service upon all other interested parties. Any timely filed objections shall be incorporated in the record to be considered by the Board of Trustees. The Board of Trustees has discretion to decline consideration

of untimely written objections, or oral objections or argument from any party that has not filed timely written objections.

Section 4.09: Rules of Evidence for Hearings.

- (a) The hearing need not be conducted according to technical rules of evidence relating to evidence and witnesses. Any relevant evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence but shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions. Admissibility of physicians' reports is governed by Section 4.11 and Section 4.12 of these rules.

Section 4.10: Witnesses.

- (a) Each party shall have the right to call and examine witnesses and to cross-examine opposing witnesses on any matter relevant to the issues.
- (b) Oral evidence shall be taken only on oath or affirmation.
- (c) If the applicant or any other party does not testify in his own behalf, he may be called and examined as if under cross-examination.
- (d) Refusal of any applicant or party to submit to examination or to answer relevant questions shall be grounds for considering such questions for the purposes of that hearing, to be answered in a way unfavorable to the refusing party; ~~and such refusal may result in dismissing the application of the applicant or party seeking affirmative relief.~~

Section 4.11: Documentary Evidence; Medical Reports.

- (a) Government Records. Certified copies of the reports or records of any governmental agency, division or bureau will be accepted as evidence in lieu of the original thereof.
- (b) Medical Reports. The Board of Trustees favors the production of medical evidence in the form of written reports. These reports should include:
- (1) History of the injury or illness;
 - (2) The patient's complaints;
 - (3) Source of all facts set forth in the history and complaints;
 - (4) Findings on examination;
 - (5) Opinion as to the extent of disability and working ability;
 - (6) Cause of the disability;
 - (7) Medical treatment indicated;
 - (8) Likelihood of permanent disability;
 - (9) Opinion as to whether or not the patient is permanently incapacitated physically or mentally for the performance of his duties in the service;
 - (10) The reasons for these opinions.

Section 4.12: Cross Examination of Physician on Medical Report.

- (a) The right of cross-examination of a physician on his or her written report may be deemed waived where the report of the physician has been filed with the ~~Board of Trustees~~Referee and served upon the applicant and any other parties ten (10) days or more prior to the hearing of the case and the applicant nor any party within five (5) days of such service requests to cross-examine the said physician.
- (b) The right of cross-examination of a physician on his or her written report may not be deemed waived where such request is made and the physician is produced at the hearing or good cause has been shown for not producing the physician. The applicant or the party submitting the written report of the physician shall, if requested by any opposing party, join in the request that the physician appear at the hearing; however, the person instituting the request that the physician be produced for cross-examination shall pay the physician's fee for such appearance. The ~~Board of Trustees~~Referee may require that this fee be deposited in advance of appearance.

Section 4.13: Continuances by the ~~Board of Trustees~~Referee; Additional Evidence, Examinations. The ~~Board of Trustees~~Referee may on ~~its~~his or her own motion continue any hearing to another time and place, order additional evidence to be presented, order additional medical examinations of the applicant, or allow other evidence to be gathered and presented, as in its determination a proper presentation of the case requires.

Section 4.14: Decision of the Board of Trustees. When a Referee's report is filed with the ~~Executive Secretary~~Executive Director pursuant to section 4.08(k), the ~~Executive Secretary~~Executive Director shall cause the matter to be placed on the agenda of the next regular Board of Trustees' meeting to take place after the expiration of the period in which the interested parties may file written objections, unless the expiration of that period occurs less than two weeks before the next regular meeting, in which case the matter shall be placed on the regular meeting agenda for the following month. The Board may, but is not required to, hear oral argument from any interested party that has filed timely written objections. If permissible under the Ralph M. Brown Act, the Board of Trustees shall hear disability retirement matters in closed session unless the member requests that the matter be heard in public session. The Board of Trustees shall take one of the following actions:

- (a) Approve and adopt the proposed findings and recommendations of the Referee; or
- (b) Approve and adopt the proposed evidentiary findings of the Referee and upon those findings take such action as in the Board of Trustee's opinion is indicated by such evidentiary findings;
- (c) Require a transcript or summary of all the testimony, plus all other evidence received by the Referee, and upon receipt thereof take such action as in the Board's opinion is indicated by such evidence; or
- (d) Refer the matter back to the Referee for further proceedings, with or without instructions.

The Board of Trustees shall render its decision by the second regular meeting following the meeting at which the matter is submitted for decision. Any finding or decision of the Board of Trustees must be made by the affirmative votes of at least four Trustees. A failure~~If the Board of Trustees fails to reach a finding or decision to obtain the affirmative votes of at least four Trustees~~

within 100 days of the filing of the Referee's report, the Referee's report shall be deemed adopted by the Board of Trustees. is a failure to find in favor of the applicant and constitutes a denial of the application, or that portion of the application, on which the vote is taken.

Section 4.15: Notice of Decision. Written notice of the decision of the Board of Trustees, containing ~~findings of fact and conclusions of law~~ shall be delivered or mailed to the applicant and each party within ten days following the date the decision is rendered.

ARTICLE 5: REHEARING

Section 5.01: Petition for Rehearing. A petition for rehearing by the applicant or by any party aggrieved by the decision of the Board of Trustees may be granted by the Board of Trustees if the petition is delivered to the ~~Executive Secretary~~Executive Director within thirty days after the decision of the Board of Trustees is served on the party or applicant.

Section 5.02: Grounds for Petition. A rehearing may be granted by the Board of Trustees and it may vacate its decision, or modify it, in whole or in part, and a new or further hearing may be granted on all or part of the issues, on the petition of the applicant or of any party aggrieved, for any of the following causes, materially affecting the substantial rights of the applicant or of such party:

- (a) Irregularity in the proceedings of the Board of Trustees, or any order of the Board of Trustees or any abuse of discretion by which the applicant or party was prevented from having a fair hearing;
- (b) Accident or surprise that ordinary prudence could not have guarded against;
- (c) Newly discovered evidence that could not, with reasonable diligence, have been discovered and produced at the hearing;
- (d) Insufficiency of the evidence to justify the decision of the Board of Trustees;
- (e) That the Board of Trustees acted in an arbitrary or capricious manner;
- (f) An error in law, occurring at the hearing and excepted to by the party petitioning for rehearing.

ARTICLE 6: SERVICE OF NOTICE

Section 6.01: Service of Notice. Any notice required by these rules shall be sufficient when it is delivered in person to the person or persons to whom it is directed, or when it is deposited in the United States mail, postage prepaid and addressed to the last known address of the addressee or addressees. For the applicant, the place of notice shall be the applicant's address as shown on the application.

ARTICLE 7: JUDICIAL REVIEW

Section 7.01: Judicial Review. In those cases where a party or applicant is entitled to a judicial review of the proceedings before this Board of Trustees, the petition to the court shall be filed within ninety (90) days from the date the notice of the decision of the Board of Trustees is served on the party or applicant or is delivered to the party or applicant. All of the following provisions shall apply with respect to any decision of the Board of Trustees that is subject to Code of Civil Procedure section 1094.5:

- (a) The decision shall be made in writing;
- (b) The decision shall include or be accompanied by notice that the time in which judicial review must be sought is governed by CCP section 1094.6, and shall include or be accompanied by the text of section 1094.6;
- (c) The decision shall be accompanied by a copy of an affidavit or certificate of mailing;
- (d) For purposes of judicial review, a decision of the Board of Trustees is final 30 days after the date the decision is mailed pursuant to subsection (a) of this section unless a Petition for Rehearing is filed pursuant to Article 5, in which case the decision is final on the date the Board of Trustees issues a decision following its consideration of the Petition for Rehearing.
- (e) The provisions of CCP section 1094.6 apply to the judicial review of any decision of the Board that is subject to judicial review pursuant to CCP section 1094.5.
- (a)(f) Any request for the preparation of the administrative record pursuant to CCP section 1094.6 shall be made in writing and filed with the ~~Executive Secretary~~Executive Director. The ~~Executive Secretary~~Executive Director shall, within ten days of receiving such a request, notify the requesting party of the estimated cost of preparing the record. Any requesting party other than the Pension Trust shall, within 10 days of receiving such notification, deposit with the ~~Executive Secretary~~Executive Director an amount sufficient to cover the estimated cost. If during the preparation of the record it becomes apparent that the costs will exceed the amount of the deposit, the requesting party shall be notified and shall deposit the additional amounts before the record will be completed. If the cost of preparing the record exceeds the amount deposited, the party requesting the record shall pay the excess. If the amount deposited exceeds the cost, the difference shall be returned to the party requesting such record. Upon receiving the required deposit, the ~~Executive Secretary~~Executive Director promptly shall prepare the record, and shall include the transcript of the proceedings, all pleadings, all notices and orders, any proposed decision by a Referee, the final decision, all admitted exhibits, all rejected exhibits in the possession of the Pension Trust, its officers, or agent, all written evidence, and any other papers in the case.

ARTICLE 8: MEDICAL EXAMINATION ORDERED BY BOARD OF TRUSTEES

Section 8.01: Medical Examination Ordered By the Board of Trustees, ~~Executive Secretary~~Executive Director or Medical Review Provider. At any time while an application is pending, including during the hearing process, if ~~the~~ the Board of Trustees, ~~Executive Secretary~~Executive Director or Medical Review Provider ~~if it~~ is not satisfied with the medical reports, ~~opinion and information~~ submitted by the ~~Executive Secretary~~Executive Director and the

applicant, ~~at any hearing under these rules, or if the Board of Trustees, at any time while an application is pending, finds it needs additional medical opinion and information, it may require that the applicant~~ may be required to submit to ~~a one or more~~ medical examinations by a physician selected by the Board of Trustees, ~~Executive Secretary~~ Executive Director, Medical Review Provider or Referee as applicable to determine the existence of the disability and the causes therefore.

Section 8.02: Applicant Required to Attend Medical Examination. The applicant shall submit to the examination unless he or she can show good cause why he or she should not. Refusal of any applicant to submit to such medical examination without a showing of good cause for such refusal shall be grounds for the denial of application by the Board of Trustees.

Section 8.03: Hearing Continued. Unless good cause appears therefore, a hearing date shall not be set unless the medical reports required by this paragraph will be available on the date of the hearing. If a hearing has begun and the ~~Board of Trustees has required that the~~ applicant has been required to submit to a medical examination under this Article 8 of these rules, the hearing shall not be completed until the medical report from such examination is filed with the Board of Trustees, ~~Executive Secretary~~ Executive Director or Medical Review Provider as applicable.

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APPENDIX: E – Applications For Disability

RULES FOR PROCESSING APPLICATIONS FOR DISABILITY RETIREMENT ALLOWANCE

SAN LUIS OBISPO COUNTY PENSION TRUST

ARTICLE 1: PURPOSE

Section 1.01: Purpose of Rules. The purpose of these rules is to provide a procedure for acting upon applications for disability retirement allowance under and pursuant to the San Luis Obispo County Employees Retirement Plan to the end that applications can be expeditiously processed and that, when a hearing is required by the Retirement Plan, the applicant will have notice of the hearing and an opportunity to appear before a neutral Referee and present his or her case prior to final review and action by the Board of Trustees.

ARTICLE 2: DEFINITIONS

In these rules, unless the context or subject matter otherwise requires:

Section 2.01: "Applicant" means a Member of the San Luis Obispo County Pension Trust claiming disability retirement allowance, rights or privileges under the San Luis Obispo County Employees Retirement Plan or any person claiming such allowance, rights or privileges through any Member.

Section 2.02: "Party" means any person disclosed by the records of the Pension Trust or by the application to have an interest or possible interest in the subject matter of a hearing or a person who has filed an application for disability allowance, rights or privileges on behalf of a Member of the Pension Trust.

Section 2.03: "Executive Director" means the Executive Director of the San Luis Obispo County Pension Trust.

Section 2.04: "Medical Review Provider" means an individual or entity under contract with the San Luis Obispo County Pension Trust to provide disability case management and evaluation services.

Section 2.05: "Board of Trustees" means the Board of Trustees of the San Luis Obispo County Pension Trust.

Section 2.06: "Pension Trust" means the San Luis Obispo County Pension Trust.

Section 2.07: "Referee" means a member of the State Bar of California who, as the duly authorized neutral representative of the Board of Trustees, serves as the presiding officer at hearings conducted pursuant to these rules.

ARTICLE 3: FILING AND PROCESSING OF APPLICATION

Section 3.01: Applicant's Obligations. Upon the filing with the Board of Trustees of an application for disability retirement allowance, the applicant shall:

- (a) Furnish within 30 days, or within such longer time as the applicant may request as approved by the Executive Director or the Medical Review Provider, any evidence in the form of written medical reports certificates, or other documents which will be used by the applicant in support of his or her application and
- (b) Report at a specified time to a physician designated by the Board of Trustees, the Executive Director or the Medical Review Provider for a medical examination as provided in Sections 8.01 – 8.03 of these rules.
- (c) Submit to medical examination(s) by the physician(s) designated by the Board of Trustees, the Executive Director or the Medical Review Provider as provided in Sections 8.01 through 8.03 of these rules. If the applicant refuses to submit to such medical examination(s) or does not appear for such medical examination(s), the Executive Director shall recommend to the Board of Trustees that the application be denied. The Board of Trustees shall deny the application unless the applicant can show good cause for such refusal or failure to appear.

Section 3.02: Notice of Applicant's Obligations. The Executive Director or the Medical Review Provider shall give written notice to the applicant of the applicant's obligations set forth in Section 3.01 of these rules.

Section 3.03: Failure of Applicant to Satisfy Obligations. Unless good cause appears therefore, an administrative recommendation by the Executive Director shall not be made nor shall a hearing date be set unless the applicant has satisfied each of the obligations set forth in Section 3.01 of these rules. Further, no hearing date shall be set for the application unless the medical reports from the medical examination(s) required of the applicant by Section 3.01 and 8.01 – 8.03 of these rules will be available at least 30 days prior to the date of the hearing.

Section 3.04: Executive Director's Administrative Recommendation. Upon receipt of the evidence submitted by the applicant and all reports of medical examination, and, if applicable, the recommendation of the Medical Review Provider, the Executive Director shall make recommendations to the Board of Trustees as follows:

- (a) If from the medical reports and other documents submitted, and from the information contained in the official records of the Board of Trustees, there is no conflict in the facts necessary to grant the application; and if the Executive Director is satisfied that the applicant is permanently incapacitated physically or mentally for the performance of his or her duties in the service and that the Member has the required service, the Executive Director shall recommend to the Board of Trustees that the applicant be granted a disability allowance for non-service-connected disability. In the case of an application for Industrial Disability, if the Executive Director additionally finds that the disability is service-connected and the applicant is otherwise eligible, the Executive

Director shall recommend to the Board of Trustees that the applicant be granted an Industrial Disability Retirement Allowance.

- (1) The recommendation from the Executive Director shall be in writing and shall summarize the evidence in support of the recommendation.
 - (2) Upon receipt of the recommendation of the Executive Director the Board of Trustees may
 - (i) If it is satisfied with the recommendation, approve it and grant the disability allowance recommended.
 - (ii) If it is not satisfied with the recommendation, reject it and set the matter for hearing.
- (b) When the report provided by the Medical Review Provider does not recommend approval of all or part of the application for a disability allowance, or if the Executive Director is not satisfied with the reports and documents submitted, the Executive Director shall make no recommendation and shall set the matter for hearing as provided herein.

ARTICLE 4: HEARINGS

Section 4.01: Setting of Hearing. If the Executive Director determines that a hearing shall be set pursuant to Section 3.04 of these rules, the Executive Director shall select and appoint a referee from the Board of Trustees' list of approved Referees. Referees will be assigned to hear applications on a rotating basis unless the assignment involves an application previously heard by a referee, in which case that referee will be assigned to the matter if available.

Section 4.02: Referees. The Board of Trustees' primary goal is the selection and retention of referee who will consider the underlying evidence and make recommendations to the Board of Trustees on a *de novo* basis, without giving weight to prior administrative actions or recommendations. During the conduct of disability retirement proceedings, the Referee constitutes the duly authorized representative of the Board of Trustees. Like the Board of Trustees, referees are expected to consider evidence and argument neutrally, with no pre-disposition towards the grant or denial of disability retirement applications. The Board of Trustees' duty is to determine whether the granting of a disability retirement in a particular case has merit based on the law and the evidence. The Board of Trustee's policy is to encourage a full and accurate fact finding. The Pension Trust is equally well served by a grant as by a denial where the decision is based on the law and the evidence.

Section 4.03: Notice of Hearing. Once a Referee has been assigned to hear a matter, the Notice of Referee Assignment shall be served by the Executive Director on the Referee and the parties, setting forth the issues for hearing, and with instructions that the hearing be set not less than 30 days and not more than 120 days of the service date of the Notice. The Notice shall describe hearing procedures, and be served with a copy of these procedures.

Section 4.04: Pre-Hearing Procedures. Any interested party may request that the Referee schedule a pre-hearing telephone conference to set a hearing date and to discuss preliminary issues. In cases where the applicant is not represented by legal counsel, a mandatory pre-hearing phone conference will be scheduled to discuss the hearing procedures with the applicant and set a hearing date. Once the hearing date is set, the Referee will issue to the parties a Hearing Notice listing the time, date and location of the hearing and the issues to be heard. Where applicable, the Executive Director will provide a copy of the Hearing Notice to the employing department and the County or employing member district.

Section 4.05: Continuances. The Referee may continue a hearing to a later meeting with the consent of the applicant and all parties. In the event the applicant and all parties do not consent to a continuance, the Referee shall decide whether to grant the continuance and may do so only upon a clear showing of good cause.

Section 4.06: Report of Hearings. Every hearing shall be reported by a certified shorthand reporter. Conferences shall be reported only if so ordered in advance by the Referee. The Executive Director shall arrange for a reporter to be present whenever one is required. Except as provided in Section 4.14, the reporter's notes shall be transcribed only if requested by the Referee or an interested party, in which case the requesting party, if not the Referee, shall pay the transcription costs. The non-requesting parties may, at their expense, order certified copies directly from the court reporting service.

Section 4.07: Rules for Hearings. Unless the Board of Trustees otherwise orders for good cause, all hearings before the Referee shall be conducted in the following manner:

- (a) The Referee shall exercise reasonable control over the proceedings. In addition to other duties, the Referee shall set the date, time and place of the hearing, confirm the issues to be heard pursuant to the Hearing Notice, rule on the admissibility of evidence, question witnesses and determine whether the matter shall proceed or be adjourned subject to continuation.
- (b) Any interested party desiring to introduce evidence at a hearing shall serve all other interested parties with a written statement identifying all writings that the party will introduce and all witnesses that the party will call to testify. If any of the identified writings have not previously been served, a copy thereof shall be attached to the statement. In addition to stating the name, address, and telephone number of each witness, the statement shall contain a summary of the testimony that the witness is expected to give. If service is made by personal delivery, the date of delivery shall be no later than the twentieth day before the hearing; if service is made by mail, the date of mailing shall be no later than the twenty-fifth day before the hearing.
- (c) Representation By Legal Counsel. Any applicant or party and/or the Executive Director shall be entitled to be represented by legal counsel, at such person's own expense, at any hearing. After an attorney at law appears at a hearing on behalf of an applicant or party, or after the Executive Director or Referee has received written notice

that an attorney at law is appearing on behalf of the applicant or a party, all notices required by these rules shall thereafter be served upon such attorney at law. Substitution of or dismissal of an attorney by an applicant or a party shall be made in the manner provided in the Code of Civil Procedure.

Section 4.08: Order of Business for Hearing. Unless the Referee rules that it is not necessary to so proceed in a particular hearing, all hearings shall proceed in the following manner:

- (a) The Referee will read the title of the case and ask for appearances for the applicant and for all parties. The Referee will inquire if the applicant and all parties are ready to proceed.
- (b) If the applicant and all parties are ready to proceed, the Referee will mark for identification only and not as evidence, all papers in the official file of the hearing, which should include:
 - (1) The application for the benefit, allowance, right or privilege.
 - (2) The notice to the applicant of the date set for hearing, with proof of service.
 - (3) Other documents in the official files.
- (c) The Executive Director or his or her designee shall read the application unless waived by the applicant and the parties.
- (d) The applicant shall present his or her evidence. The applicant shall have the burden of proof.
- (e) Each other party shall then present its evidence, in the order determined by the Referee.
- (f) The Executive Director or other person representing the Executive Director shall then present his or her evidence.
- (g) The applicant and each party will be allowed to cross-examine witnesses.
- (h) Upon application to the Referee, the applicant and each party may present rebuttal evidence.
- (i) Upon the conclusion of all testimony, the Referee will inquire if the applicant and all parties are ready to submit the matter for decision.
- (j) The hearing will then be closed and the matter submitted to the Referee for decision. If further documentary evidence is to be filed, the Referee may allow time for filing and serving such documentary evidence, and order that the matter will be deemed submitted after such period unless the applicant or any party objects to such documentary evidence within ten (10) days after it is filed. Copies of such documentary evidence shall be served on the applicant and on all parties who appeared at the hearing. Any post-hearing briefs shall be simultaneously submitted on a date directed by the Referee within 30 days of the last day of hearing, followed by simultaneous reply briefs on a date directed by the Referee within 10 days of the date set for post-hearing brief submittal. Such briefing periods shall only be extended by the Referee for good cause.
- (k) Within forty-five days after a matter is submitted to a Referee for a decision, or upon the completion of post-hearing briefing, whichever is later, the Referee shall file with the Executive Director and serve upon all interested parties a written report that includes a summary of the evidence, proposed findings of fact, recommended decision and proof of service.

- (1) The interested parties shall have ten days (plus 5 days if served by mail) from the date the Referee's report is served to file written objections with the Executive Director, along with proof of service upon all other interested parties. Any timely filed objections shall be incorporated in the record to be considered by the Board of Trustees. The Board of Trustees has discretion to decline consideration of untimely written objections, or oral objections or argument from any party that has not filed timely written objections.

Section 4.09: Rules of Evidence for Hearings.

- (a) The hearing need not be conducted according to technical rules of evidence relating to evidence and witnesses. Any relevant evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence but shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions. Admissibility of physicians' reports is governed by Section 4.11 and Section 4.12 of these rules.

Section 4.10: Witnesses.

- (a) Each party shall have the right to call and examine witnesses and to cross-examine opposing witnesses on any matter relevant to the issues.
- (b) Oral evidence shall be taken only on oath or affirmation.
- (c) If the applicant or any other party does not testify in his own behalf, he may be called and examined as if under cross-examination.
- (d) Refusal of any applicant or party to submit to examination or to answer relevant questions shall be grounds for considering such questions for the purposes of that hearing, to be answered in a way unfavorable to the refusing party.

Section 4.11: Documentary Evidence; Medical Reports.

- (a) Government Records. Certified copies of the reports or records of any governmental agency, division or bureau will be accepted as evidence in lieu of the original thereof.
- (b) Medical Reports. The Board of Trustees favors the production of medical evidence in the form of written reports. These reports should include:
 - (1) History of the injury or illness;
 - (2) The patient's complaints;
 - (3) Source of all facts set forth in the history and complaints;
 - (4) Findings on examination;
 - (5) Opinion as to the extent of disability and working ability;
 - (6) Cause of the disability;
 - (7) Medical treatment indicated;
 - (8) Likelihood of permanent disability;

- (9) Opinion as to whether or not the patient is permanently incapacitated physically or mentally for the performance of his duties in the service;
- (10) The reasons for these opinions.

Section 4.12: Cross Examination of Physician on Medical Report.

- (a) The right of cross-examination of a physician on his or her written report may be deemed waived where the report of the physician has been filed with the Referee and served upon the applicant and any other parties ten (10) days or more prior to the hearing of the case and the applicant nor any party within five (5) days of such service requests to cross-examine the said physician.
- (b) The right of cross-examination of a physician on his or her written report may not be deemed waived where such request is made and the physician is produced at the hearing or good cause has been shown for not producing the physician. The applicant or the party submitting the written report of the physician shall, if requested by any opposing party, join in the request that the physician appear at the hearing; however, the person instituting the request that the physician be produced for cross-examination shall pay the physician's fee for such appearance. The Referee may require that this fee be deposited in advance of appearance.

Section 4.13: Continuances by the Referee; Additional Evidence, Examinations. The Referee may on his or her own motion continue any hearing to another time and place, order additional evidence to be presented, order additional medical examinations of the applicant, or allow other evidence to be gathered and presented, as in its determination a proper presentation of the case requires.

Section 4.14: Decision of the Board of Trustees. When a Referee's report is filed with the Executive Director pursuant to section 4.08(k), the Executive Director shall cause the matter to be placed on the agenda of the next regular Board of Trustees' meeting to take place after the expiration of the period in which the interested parties may file written objections, unless the expiration of that period occurs less than two weeks before the next regular meeting, in which case the matter shall be placed on the regular meeting agenda for the following month. The Board may, but is not required to, hear oral argument from any interested party that has filed timely written objections. If permissible under the Ralph M. Brown Act, the Board of Trustees shall hear disability retirement matters in closed session unless the member requests that the matter be heard in public session. The Board of Trustees shall take one of the following actions:

- (a) Approve and adopt the proposed findings and recommendations of the Referee; or
- (b) Approve and adopt the proposed evidentiary findings of the Referee and upon those findings take such action as in the Board of Trustee's opinion is indicated by such evidentiary findings;
- (c) Require a transcript or summary of all the testimony, plus all other evidence received by the Referee, and upon receipt thereof take such action as in the Board's opinion is indicated by such evidence; or
- (d) Refer the matter back to the Referee for further proceedings, with or without instructions.

Any finding or decision of the Board of Trustees must be made by the affirmative votes of at least four Trustees. If the Board of Trustees fails to reach a finding or decision within 100 days of the filing of the Referee's report, the Referee's report shall be deemed adopted by the Board of Trustees.

Section 4.15: Notice of Decision. Written notice of the decision of the Board of Trustees, containing shall be delivered or mailed to the applicant and each party within ten days following the date the decision is rendered.

ARTICLE 5: REHEARING

Section 5.01: Petition for Rehearing. A petition for rehearing by the applicant or by any party aggrieved by the decision of the Board of Trustees may be granted by the Board of Trustees if the petition is delivered to the Executive Director within thirty days after the decision of the Board of Trustees is served on the party or applicant.

Section 5.02: Grounds for Petition. A rehearing may be granted by the Board of Trustees and it may vacate its decision, or modify it, in whole or in part, and a new or further hearing may be granted on all or part of the issues, on the petition of the applicant or of any party aggrieved, for any of the following causes, materially affecting the substantial rights of the applicant or of such party:

- (a) Irregularity in the proceedings of the Board of Trustees, or any order of the Board of Trustees or any abuse of discretion by which the applicant or party was prevented from having a fair hearing;
- (b) Accident or surprise that ordinary prudence could not have guarded against;
- (c) Newly discovered evidence that could not, with reasonable diligence, have been discovered and produced at the hearing;
- (d) Insufficiency of the evidence to justify the decision of the Board of Trustees;
- (e) That the Board of Trustees acted in an arbitrary or capricious manner;
- (f) An error in law, occurring at the hearing and excepted to by the party petitioning for rehearing.

ARTICLE 6: SERVICE OF NOTICE

Section 6.01: Service of Notice. Any notice required by these rules shall be sufficient when it is delivered in person to the person or persons to whom it is directed, or when it is deposited in the United States mail, postage prepaid and addressed to the last known address of the addressee or addressees. For the applicant, the place of notice shall be the applicant's address as shown on the application.

ARTICLE 7: JUDICIAL REVIEW

Section 7.01: Judicial Review. In those cases where a party or applicant is entitled to a judicial review of the proceedings before this Board of Trustees, the petition to the court shall be filed within ninety (90) days from the date the notice of the decision of the Board of Trustees is served on the party or applicant or is delivered to the party or applicant. All of the following provisions shall apply with respect to any decision of the Board of Trustees that is subject to Code of Civil Procedure section 1094.5:

- (a) The decision shall be made in writing;
- (b) The decision shall include or be accompanied by notice that the time in which judicial review must be sought is governed by CCP section 1094.6, and shall include or be accompanied by the text of section 1094.6;
- (c) The decision shall be accompanied by a copy of an affidavit or certificate of mailing;
- (d) For purposes of judicial review, a decision of the Board of Trustees is final 30 days after the date the decision is mailed pursuant to subsection (a) of this section unless a Petition for Rehearing is filed pursuant to Article 5, in which case the decision is final on the date the Board of Trustees issues a decision following its consideration of the Petition for Rehearing.
- (e) The provisions of CCP section 1094.6 apply to the judicial review of any decision of the Board that is subject to judicial review pursuant to CCP section 1094.5.
- (f) Any request for the preparation of the administrative record pursuant to CCP section 1094.6 shall be made in writing and filed with the Executive Director. The Executive Director shall, within ten days of receiving such a request, notify the requesting party of the estimated cost of preparing the record. Any requesting party other than the Pension Trust shall, within 10 days of receiving such notification, deposit with the Executive Director an amount sufficient to cover the estimated cost. If during the preparation of the record it becomes apparent that the costs will exceed the amount of the deposit, the requesting party shall be notified and shall deposit the additional amounts before the record will be completed. If the cost of preparing the record exceeds the amount deposited, the party requesting the record shall pay the excess. If the amount deposited exceeds the cost, the difference shall be returned to the party requesting such record. Upon receiving the required deposit, the Executive Director promptly shall prepare the record, and shall include the transcript of the proceedings, all pleadings, all notices and orders, any proposed decision by a Referee, the final decision, all admitted exhibits, all rejected exhibits in the possession of the Pension Trust, its officers, or agent, all written evidence, and any other papers in the case.

ARTICLE 8: MEDICAL EXAMINATION ORDERED BY BOARD OF TRUSTEES

Section 8.01: Medical Examination Ordered By the Board of Trustees, Executive Director or Medical Review Provider. At any time while an application is pending, including during the hearing process, if the Board of Trustees, Executive Director or Medical Review Provider is not satisfied with the medical reports, opinion and information submitted by the Executive Director and the applicant, the applicant may be required to submit to one or more medical examinations

by a physician selected by the Board of Trustees, Executive Director, Medical Review Provider or Referee as applicable to determine the existence of the disability and the causes therefore.

Section 8.02: Applicant Required to Attend Medical Examination. The applicant shall submit to the examination unless he or she can show good cause why he or she should not. Refusal of any applicant to submit to such medical examination without a showing of good cause for such refusal shall be grounds for the denial of application by the Board of Trustees.

Section 8.03: Hearing Continued. Unless good cause appears therefore, a hearing date shall not be set unless the medical reports required by this paragraph will be available on the date of the hearing. If a hearing has begun and the applicant has been required to submit to a medical examination under this Article 8 of these rules, the hearing shall not be completed until the medical report from such examination is filed with the Board of Trustees, Executive Director or Medical Review Provider as applicable..

Board of Trustees

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



Date: January 25, 2021

To: Board of Trustees

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

Agenda Item 13: Cash Flow Analysis for 2021

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 DDAs.

Please note that the County's and APCD's employer paid contributions are currently prepaid through June 30, 2021. 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.

Additional Liquidity balances to be retained as part of the Strategic Asset Allocation policy are not included in this analysis.

SLOCPT

Annual Cashflow projections

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

<u>Expected Cash Inflows:</u>	<u>2021</u>	
Contributions	106,600,000	
Net Investment Drawdowns	11,375,000 *	
Total Inflows (a)		<u>\$ 117,975,000</u>
<u>Expected Cash Outflows:</u>		
Benefit Payments	\$ (110,400,000)	
+ est. COLA for 2021	(2,200,000)	
Termination Refunds	(3,150,000)	
Death Benefits	(500,000)	
Administrative Expenses	(3,000,000)	
Total Outflows (b)		<u>\$ (119,250,000)</u>
Net Cashflow (a + b)		<u>\$ (1,275,000)</u>
Current Cash Holdings **		<u>29,775,000</u>
Total Cash Available (at year end)		<u>\$ 28,500,000</u>

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

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

Board of Trustees

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Date: January 25, 2021

To: Board of Trustees

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

Item 14: Monthly Investment Report for December 2020

	December	Year to Date 2020	2019	2018	2017	2016	2015
Total Trust Investments (\$ millions)	\$1,552		\$1,446 year end	\$1,285 year end	\$1,351 year end	\$1,196 year end	\$1,148 year end
Total Fund Return	2.7% Gross	8.9% Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross	-0.8% Gross
Policy Index Return (r)	1.9%	10.3%	16.4 %	-3.2 %	13.4 %	7.7 %	-0.5 %

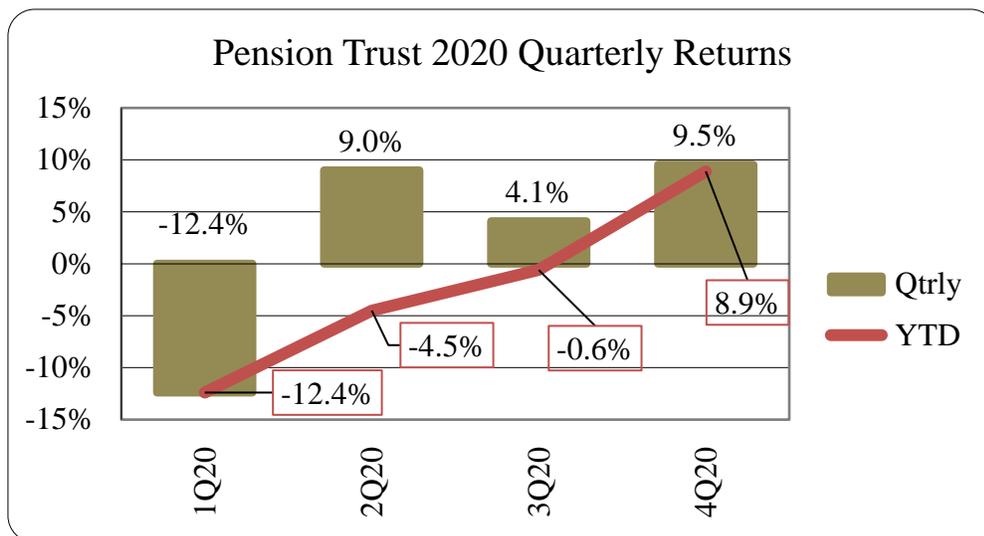
(r) Policy index as of April 1, 2020 revision to Strategic Asset Allocation Policy: 21% domestic equity, 21% international equity, 15% core bonds, 6% bank loans, 5% global bonds, 5% emerging market debt, 17% real estate, 0% commodities, 5% private equity, 5% private credit. [Pending revision to Revised Investment Policy adopted Sept. 2020 to be effective in 2021.](#)

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 December. The attached market commentary from Verus details market conditions in December, but subsequent activity in January is not yet factored into these numbers. The final calculation of the 2020 full year rate of return will be completed in February with the 4Q20 Quarterly report from Verus.

The quarter-by-quarter total fund returns on the SLOOPT investments illustrated the chaotic nature of the 1st quarter followed by record-setting bounce-backs in equity assets. The strong recovery in equity markets has brought this preliminary estimate of full year 2020 returns to **+8.9%**. This

should lead to a small actuarial gain as the good investment year is smoothed into the actuarial valuation on a 5-year basis. The long term assumed rate of return on the Plan assets is currently 6.875% which is used as the discount rate for liabilities.



The cumulative gross rate of return on the SLOCPT fund based on these preliminary 2020 total fund return calculations is –

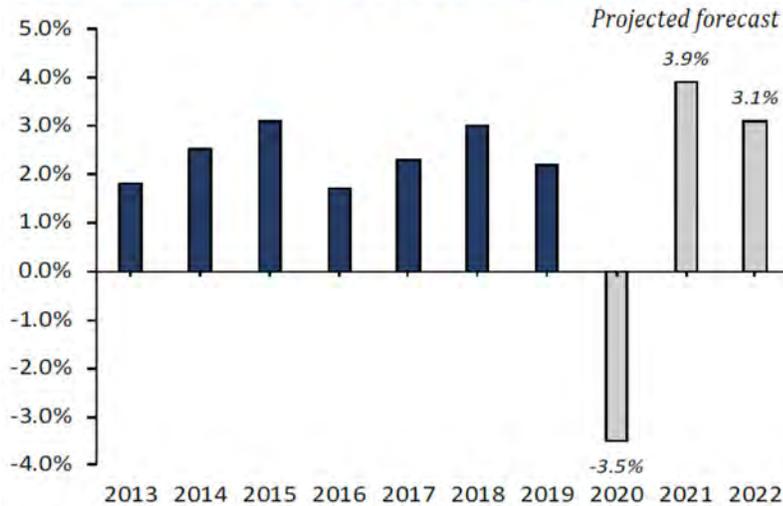
1 year	+8.9%
3 years	+7.0%
5 years	+8.5%
10 years	+7.6%

The Economy and Capital Markets:

➤ GDP Growth

- The Fed’s summary of economic projections released in December forecast U.S. real GDP growth recovering to 4.2% in 2021, versus the prior forecast of 4.0% in 2021.
- As the global economies recover from pandemic conditions analysts’ expectations include a return to synchronized global growth. Analyst consensus projections for the U.S. GDP growth compiled by Bloomberg are shown in the excerpted graph below.

Chart 9: Annual US Real GDP & Projected Forecasts



Source: Bloomberg Barclays, as of December 28, 2020

➤ **Policy Responses to Pandemic**

▪ **Monetary Policy –**

- The Fed continues to favor keeping short term interest rates unchanged near zero and continue asset purchases to bolster the economy. Fed Chair Powell in public remarks on January 14th commented –

“We’re a long way from maximum employment, there’s plenty of slack in the labor market,” and noted that weakness in global economies will weigh on progress in the United States. Also, he stated “that if inflation picks up substantially, the Fed knows how to use policy to counteract that. Too low inflation is the much more difficult problem to solve.”

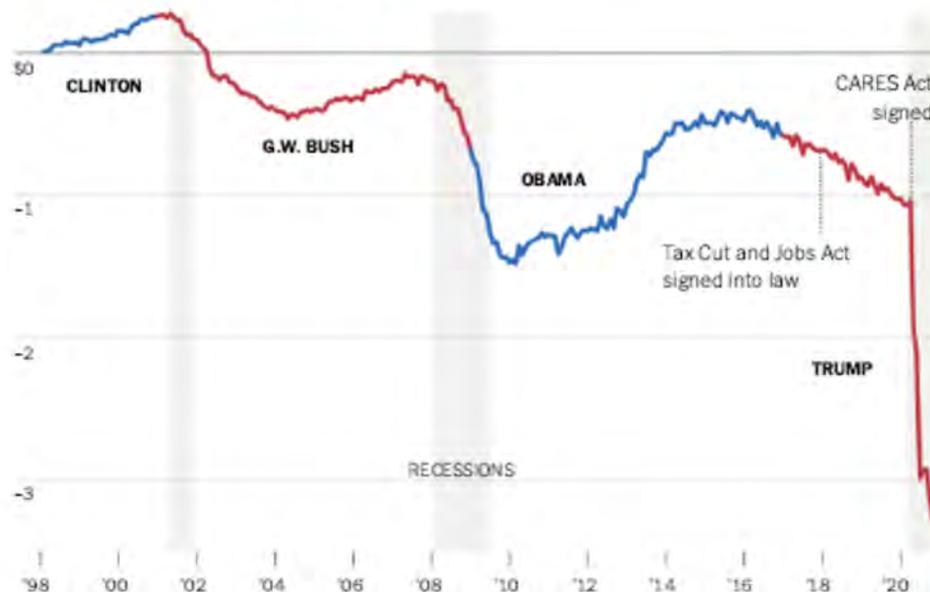
- Fed expectations by analysts consistently look forward to extremely low interest rates well past 2021. Some expectations for a slight slowing of asset purchases by the Fed may support a modest steepening of the yield curve through 2021.
- The yield curve reflects the Fed monetary policy anchoring short rates at very low levels. Some recent steepening of the yield curve seems to reflect market expectations of long-term growth and reflationary possibilities.
- Inflationary concerns -
 - The traditional economic view of money supply growth fueling inflation is a loose relationship and has not played out in the past 15 years.
 - Inflation rates in the current era are more likely to respond to fiscal policy stimulus as funds flood into the economy. An important variable in the link between inflation and fiscal policy is the tendency of individuals to save (e.g., the current very high savings rate) versus the tendency to spend (e.g., the anticipated bounce back of the “coiled spring” of deferred consumer consumption).

- The current disinflationary influences of the pandemic dominated economy are keeping inflation well in check for the near term.
- PIMCO, in their January market outlook comments on the likelihood of markets needing to cope with greater volatility in inflationary expectations as the economy progresses through 2022-2024.

▪ **Fiscal Policy –**

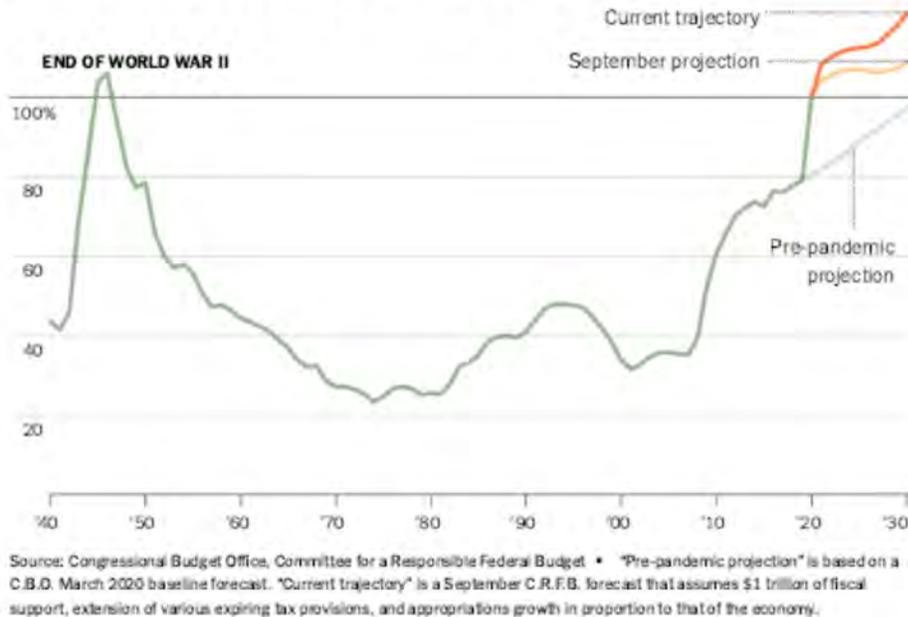
- The House and Senate finally passed legislation for a further round of fiscal stimulus of about \$900 billion. The package includes extended and supplemented jobless benefits, assistance to small business through an expanded Payroll Protection Plan program and \$600 direct payments to some. The package does not include additional assistance for State and Local governments.
- Following the Senate runoff elections in Georgia on January 5th the balance of power in the Senate shifted narrowly to Democrats. This influences expectations for further fiscal stimulus actions by the Federal government towards some level of expansion in 1Q21. Equity markets took the change in Senate control in stride and showed strong increases on January 5th and 6th. It is likely that the equity market does not expect significant changes in corporate tax rates from their current low levels due to the narrowness of Democratic majorities and the resulting headwinds to Biden’s initial platform position on taxes.
- The impact of vastly increased Federal deficit spending from the 2017 Tax Act and the 2020 Pandemic relief acts is shown in the following charts from a 12/31/20 New York Times piece by Steven Rattner.

Federal budget balance, 12-month sum, in trillions



Source: U.S. Department of the Treasury

Federal debt held by the public as a percentage of G.D.P.



➤ **Employment and Wages –**

- The December DOL report from the BLS on nonfarm employment fell back into negative job growth with a loss of 140k jobs. This reflects the renewed contraction in economic activity as the Covid crisis surges to record levels of infections and deaths. The Unemployment rate remained unchanged at 6.7% in December (February low was 3.5% / April high was 14.7%).
- Jobless benefits (initial claims for state unemployment benefits) spiked upwards to 1.15 million new claims in the first week of January – worse than expected. Economists have been expecting an increase in joblessness as surging Covid infection rates have driven further restrictions that adversely impact service sector jobs.

➤ **Market Outlook –**

- Surging equity markets during November and December are clearly looking ahead, past near-term economic upsets of pandemic economic restrictions.
- David Lebovitz – Chief Strategist for JP Morgan Asset Management in his January Macroeconomic outlook had the following interesting commentary on investment implications -

“In general, 2021 should be a solid year for the global economy. As always, investors should understand the risks, particularly when everyone seems to be singing from the same song sheet. Any lack of fiscal support or abrupt change in the tone of monetary policy could undermine the recovery and cause capital markets to stumble. Challenges relating to the distribution of the vaccine and/or inoculation would almost certainly delay a complete economic recovery. And there is still a risk that the virus mutates in such a way that current vaccines become ineffective.

While these risks do not represent our base case, they need to be considered. At the same time, last year’s policy response pulled forward a great deal of return—particularly in the public markets—which will make investing increasingly difficult during the early stages of this expansion. We expect that investors will continue to shift their focus from public to private markets as they increasingly search for businesses that have experienced temporary disruption due to the pandemic but avoided long-term demand destruction for the goods and services they provide. This leads us to favor more cyclical assets in the short term even as we continue to recognize the need for growth, income and diversification over the long run. The pandemic may soon come to an end, but this economic cycle has only just begun.”

Respectfully Submitted,

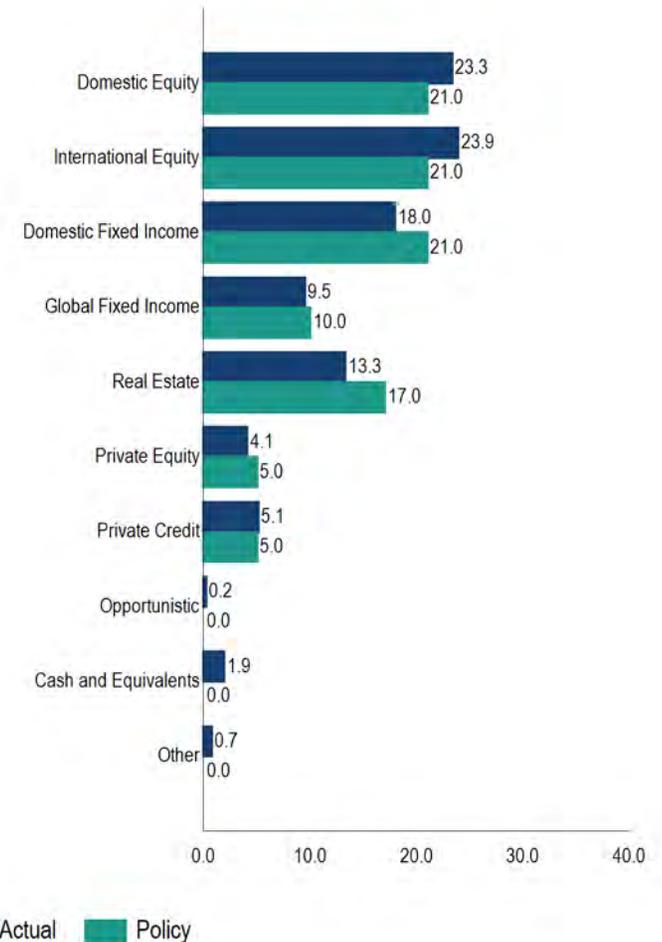
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: December 31, 2020

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,552,085,716	100.0	2.7	8.9
<i>Policy Index</i>			1.9	10.3
Total Domestic Equity	361,980,357	23.3	4.1	13.7
<i>Russell 3000</i>			4.5	20.9
PIMCO RAE US	81,515,644	5.3	3.8	4.4
<i>S&P 500</i>			3.8	18.4
Loomis Sayles Large Cap Growth	109,850,461	7.1	3.0	32.8
<i>Russell 1000 Growth</i>			4.6	38.5
Boston Partners Large Cap Value	99,314,957	6.4	4.1	2.4
<i>Russell 1000 Value</i>			3.8	2.8
Atlanta Capital Mgmt	71,299,294	4.6	6.2	11.4
<i>Russell 2500</i>			7.6	20.0
Total International Equity	370,824,211	23.9	5.5	19.4
<i>MSCI ACWI ex USA Gross</i>			5.4	11.1
Dodge & Cox Intl Stock	168,922,976	10.9	5.3	2.8
<i>MSCI ACWI ex USA Value Gross</i>			5.6	-0.2
WCM International Growth	201,901,235	13.0	5.6	34.0
<i>MSCI ACWI ex USA Growth Gross</i>			5.3	22.6
Total Domestic Fixed Income	278,838,394	18.0	0.7	8.1
<i>BBgBarc US Aggregate TR</i>			0.1	7.5
BlackRock Core Bond	99,731,982	6.4	0.4	9.4
<i>BBgBarc US Aggregate TR</i>			0.1	7.5
Dodge & Cox Income Fund	104,093,013	6.7	0.6	9.9
<i>BBgBarc US Aggregate TR</i>			0.1	7.5
Pacific Asset Corporate Loan	75,013,399	4.8	1.3	3.0
<i>S&P/LSTA Leveraged Loan Index</i>			1.3	3.1
Total Global Fixed	147,060,308	9.5	3.6	6.7
<i>FTSE World Govt Bond Index</i>			1.4	10.1
Brandywine Global Fixed Income	72,057,761	4.6	3.1	--
<i>FTSE WGBI ex US TR</i>			2.3	--
Ashmore EM Blended Debt Fund	75,002,547	4.8	4.1	3.2
<i>50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELM+</i>			2.3	3.9

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

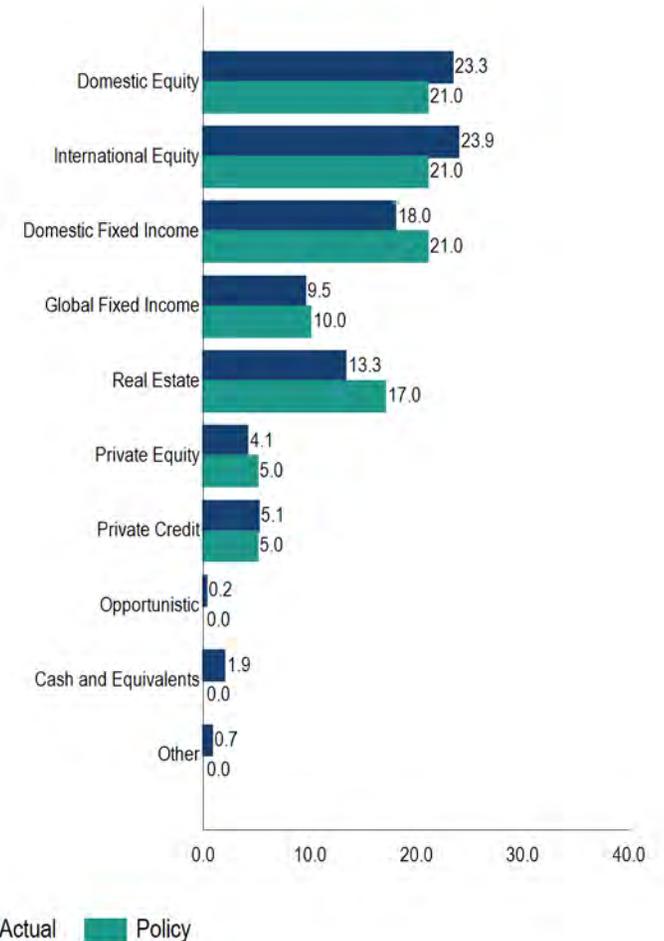
Policy Index (4/1/2020): 21% Russell 3000, 21% MSCI ACWI ex. US, 31% BBgBarc Aggregate, 17% NCREIF Property, 5% Russell 3000 + 300 bp lagged, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. Stone Harbor liquidated 3/22/2019. Ashmore EM Blended Debt funded 3/31/2019. Direct RE liquidated 5/3/2019. Pathway 10 funded 3/25/2020. Sixth Street Partners TAO funded 4/16/2020. Brandywine transitioned from International FI to Global FI on 6/24/2020. PIMCO Distressed Credit liquidated 6/25/2020. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. All data is preliminary.

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

Period Ending: December 31, 2020

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	206,417,084	13.3	0.5	1.1
NCREIF Property Index			0.0	0.5
JP Morgan Core Real Estate	167,454,510	10.8	0.6	0.5
NCREIF-ODCE			0.0	-0.1
NCREIF Property Index			0.0	0.5
ARA American Strategic Value Realty	38,962,573	2.5	0.0	3.8
NCREIF-ODCE			0.0	-0.1
NCREIF Property Index			0.0	0.5
Total Private Equity	63,227,388	4.1		
Harbourvest Partners IX Buyout Fund L.P.	16,061,799	1.0		
Pathway Private Equity Fund Investors 9 L.P.	34,551,911	2.2		
Harbourvest 2018 Global Fund L.P.	12,403,796	0.8		
Pathway Private Equity Fund Investors 10 L.P.	209,882	0.0		
Total Private Credit	63,310,786	4.1		
Sixth Street Partners DCP	63,310,786	4.1		
Total Cash	29,784,304	1.9	0.0	1.9
91 Day T-Bills			0.0	0.5
Cash Account	29,784,304	1.9	0.0	1.9
91 Day T-Bills			0.0	0.5
Total Opportunistic	19,288,483	1.2		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	3,417,031	0.2		
Sixth Street Partners TAO	15,871,452	1.0		

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

Policy Index (4/1/2020): 21% Russell 3000, 21% MSCI ACWI ex. US, 31% BBgBarc Aggregate, 17% NCREIF Property, 5% Russell 3000 + 300 bp lagged, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. Stone Harbor liquidated 3/22/2019. Ashmore EM Blended Debt funded 3/31/2019. Direct RE liquidated 5/3/2019. Pathway 10 funded 3/25/2020. Sixth Street Partners TAO funded 4/16/2020. Brandywine transitioned from International FI to Global FI on 6/24/2020. PIMCO Distressed Credit liquidated 6/25/2020. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. All data is preliminary.



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

DECEMBER 2020
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Nonfarm payrolls shed 140,000 jobs in December, a greater loss than the median estimate of a gain of 50,000 jobs. The unexpected drop in employment was driven by a surge in Covid-19 cases which resulted in a 498,000 plunge in hospitality sector employment. On a brighter note, the number of permanent job losers declined by 348,000 over the month, the biggest monthly decrease since December 2010.
- Consumer confidence indicators ticked up in December as people became more optimistic with the rollout of vaccines across the world. The University of Michigan's Consumer Sentiment Index rose from 76.9 to 80.7, shy of the consensus estimate of 81.3.
- The ISM Non-Manufacturing PMI expanded in December to 57.2, from 55.9 the month before. The services sector saw its strongest growth in three months as new orders and inventories rose faster than in the month before. Price pressures eased and weighed on the print as shutdowns continued to negatively impact companies.

U.S. EQUITIES

- The S&P 500 Price Index delivered a total return of +3.8% in December. The Index closed the month at a record high level of 3,756.
- The CBOE VIX Index of implied volatility ticked up from 20.6 to 22.8, indicating an increase in expectations for 30-day forward S&P 500 Index volatility.
- For the third consecutive calendar year, the S&P 500 Index (+18.4%) delivered a total return greater than both the MSCI EM (+18.3%) and MSCI EAFE (+7.8%) indices, in U.S. dollar terms.

U.S. FIXED INCOME

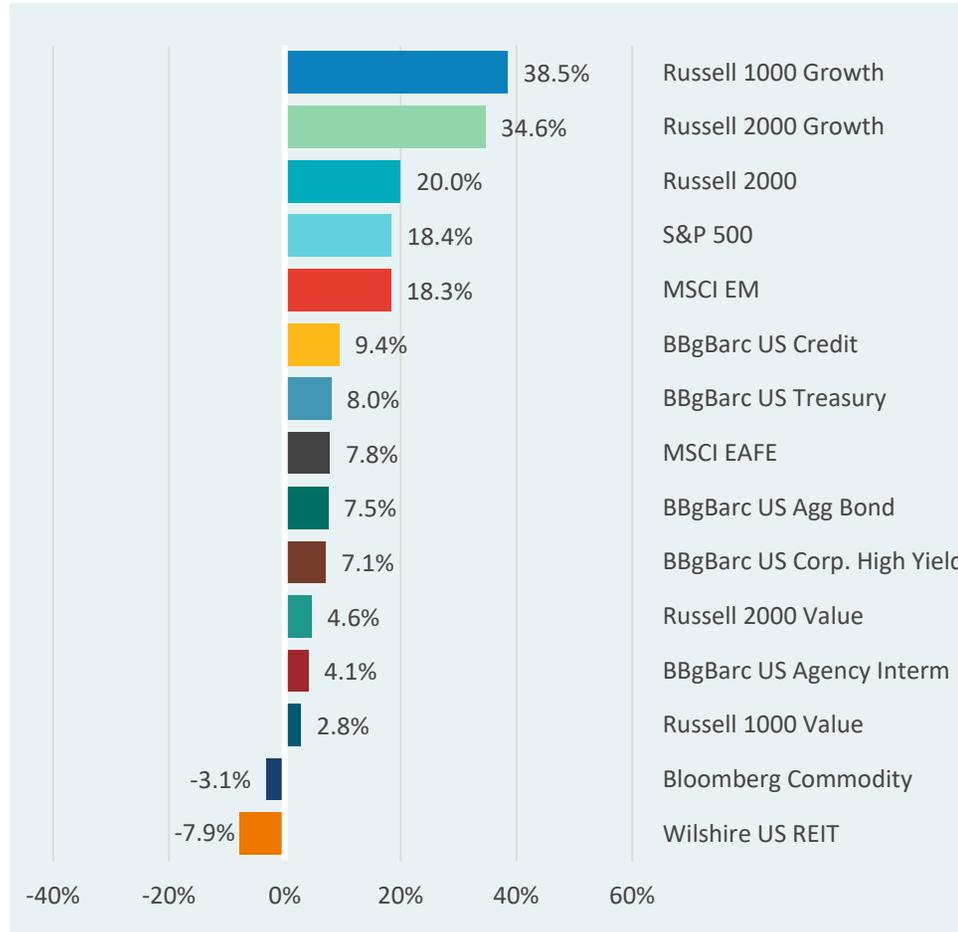
- President Trump signed into law a \$900 billion pandemic relief package which was attached to \$1.4 trillion in funding for government operations through the end of the fiscal year. The major items included in the stimulus bill were small business assistance, direct payments to individuals, additional unemployment benefits, and education and healthcare funding.
- The Federal Open Market Committee (FOMC) held interest rates near zero and strengthened its commitment to maintain a \$120 billion monthly pace for bond purchases. From December 15th-16th meeting minutes, Federal Reserve officials unanimously backed holding the pace of asset purchases steady. A couple participants indicated that they were open to weighting purchases of Treasury securities toward longer-dated maturities.
- The FOMC indicated that the Federal Reserve will do what it can to give the markets plenty of notice before it decides to scale back its bond purchases in hopes of preventing unnecessary disruption.

INTERNATIONAL MARKETS

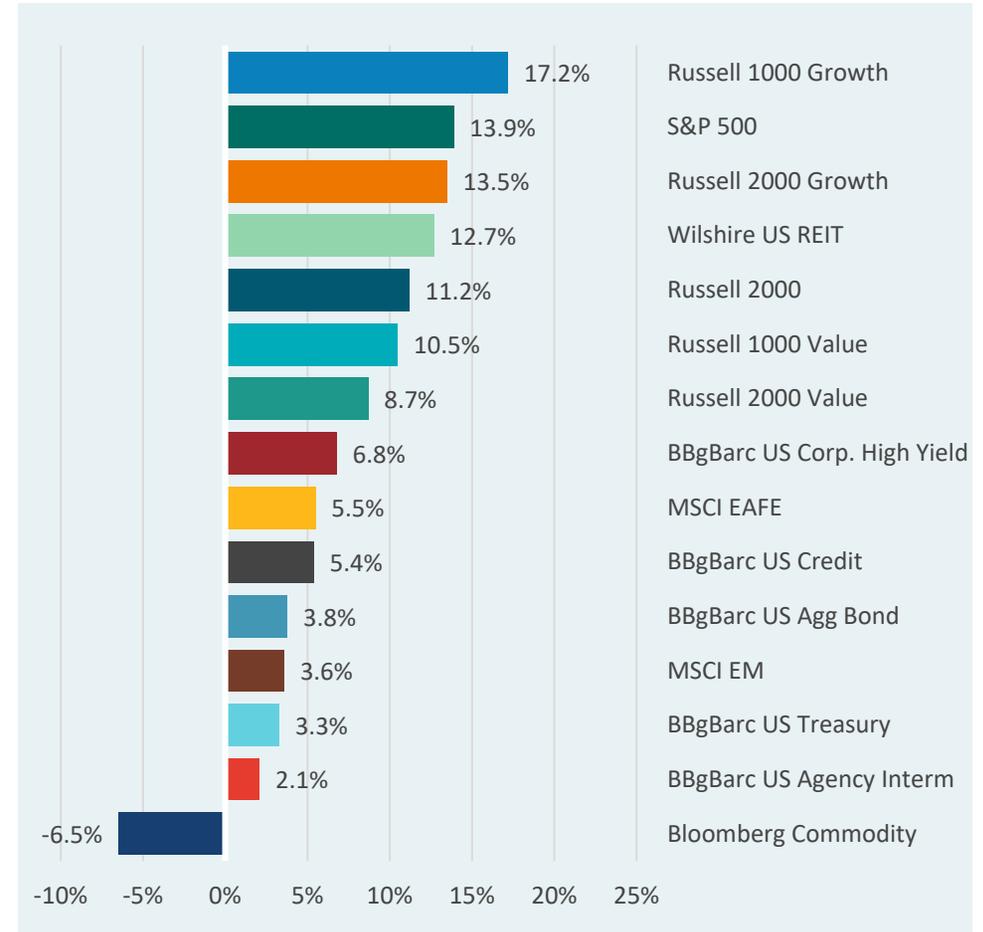
- Seven different vaccines have been made available to the public globally. Roughly 29 million doses have been administered worldwide. Some countries may have to wait until 2022 before supplies are available.
- The IHS Markit Eurozone Composite PMI rose from 45.3 to 49.1 in December. Services sectors continued to present a drag on economic output while manufacturing sector activity expanded.
- Emerging market currencies likely benefited from the global risk-on sentiment, and the J.P. Morgan EMCI returned +2.8%.

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 12/31/20

Source: Morningstar, as of 12/31/20

U.S. large cap equities

- The S&P 500 Index ended the year strong and returned +3.8% over the month of December. The index managed a calendar year return of +18.4% for 2020. Stocks were helped higher by another stimulus bill which was signed into law, and the possibility of the democrats winning a slim majority in the Senate was received positively by markets.
- All 11 major S&P 500 sectors posted a positive return for the second consecutive month in December. The Financial (+6.3%), and Information Technology (+5.7%) sectors outperformed the overall index while Utilities (+0.7%) posted the poorest performance.
- In December, bottom-up earnings-per-share estimates increased 2.3%, marking the fourth quarter out of the last 40 that prices and EPS estimates increased in unison. Companies benefited this quarter from positive news around the start of vaccine distribution and steadily easy monetary policy.
- The trailing 12-month price-to-earnings (P/E) ratio for the S&P 500 rose to 29.9 from 28.3 a month ago, well above the 5-year average P/E ratio of 21.0.

S&P 500 PRICE INDEX



Source: Bloomberg, as of 12/31/20

IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 12/31/20

S&P 500 VALUATION SNAPSHOT

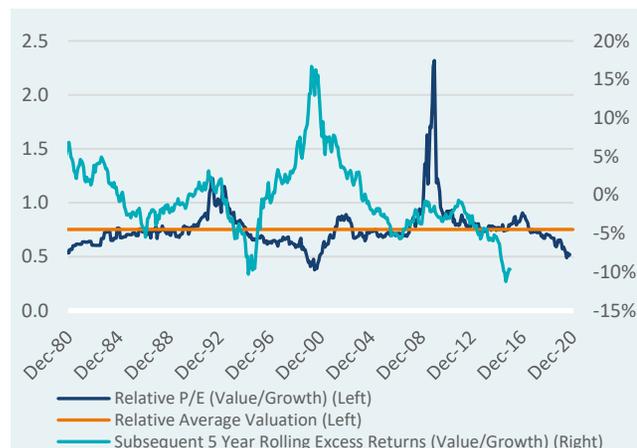


Source: Bloomberg, as of 12/31/20

Domestic equity size and style

- Growth stocks (Russell 3000 Growth +4.9%) beat value stocks (Russell 3000 Value +4.1%) for the first time in four months. The growth style index was likely helped higher by strong performance from information technology companies.
- In December, growth indexes outperformed value indexes by 1.4% within the small-cap stock universe, and 0.8% within the large-cap universe. Large-cap growth has outperformed large-cap value by 35.7% over the year, and growth has outperformed value by 30.0% within the small-cap universe.
- Small-cap equities (Russell 2000 Index +8.7%) continued to outperform large-cap equities (Russell 1000 Index +4.2%). December marked the fourth consecutive month that small-caps beat out their large-cap counterparts, a pattern associated with higher expectations surrounding economic growth.
- The “small” factor (+7.8%) was the top performer among MSCI’s collection of long-only factor indices in December. The strong performance of Financials, which are weighted more heavily in small-cap indices, supported the outperformance of the small factor.

VALUE VS. GROWTH RELATIVE VALUATIONS



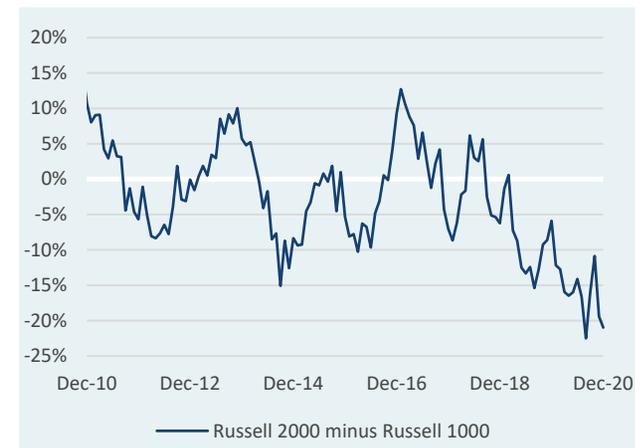
Source: FTSE, Bloomberg, as of 12/31/20

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 12/31/20

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE

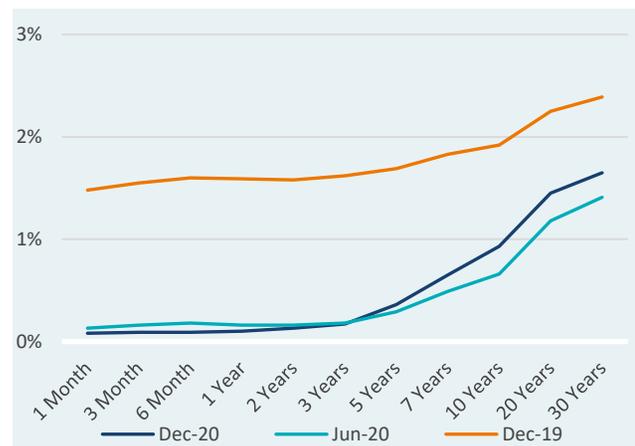


Source: FTSE, Bloomberg, as of 12/31/20

Fixed income

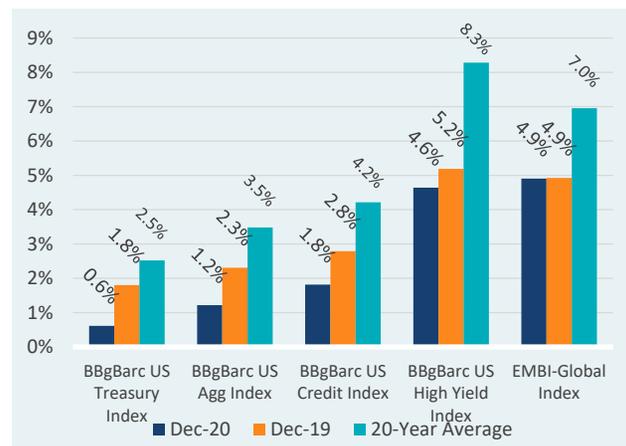
- The Treasury yield curve continued to steepen, as the 30-year U.S. Treasury yield rose seven basis points to 1.64% while the 2-year yield fell three basis points closer to zero and ended the month at 0.12%. This led shorter-duration security indexes (BBgBarc US Treasury 1-3 Yr +0.1%) to outperform longer-duration security indexes (BBgBarc US Treasury Long -1.2%).
- The Bloomberg Barclays US High Yield Index yield fell 41 basis points to 4.64%. Default rates in high yield bonds moved to above-average levels and some analysts believe defaults in the space may reach double digits in the first quarter of 2021.
- The ten-year breakeven inflation rate – a measure of priced inflation expectations – rose again this month and increased 20 basis points to 2.0%. The Bloomberg Barclays US TIPS Index returned +1.1% over the month and ended the year up +11.0%.
- E.U. leaders agreed on a historic €1.8 trillion (\$2.2 trillion) long-term budget to finance operations from 2021 through 2027. Included in the package was €750 billion (\$915 billion) for pandemic relief which will be financed by the issuance of joint debt.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 12/31/20

NOMINAL YIELDS



Source: Morningstar, as of 12/31/20

BREAKEVEN INFLATION RATES

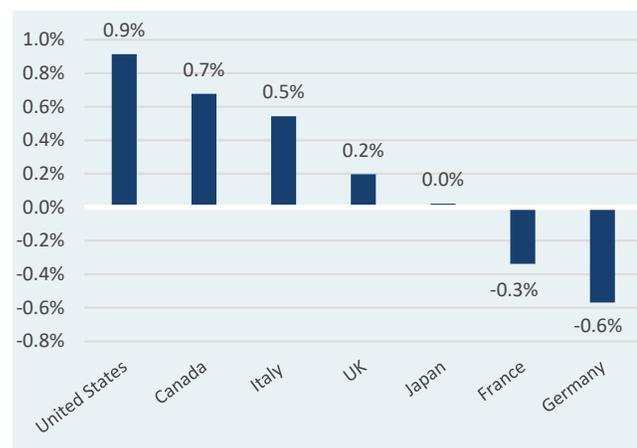


Source: Bloomberg, as of 12/31/20

Global markets

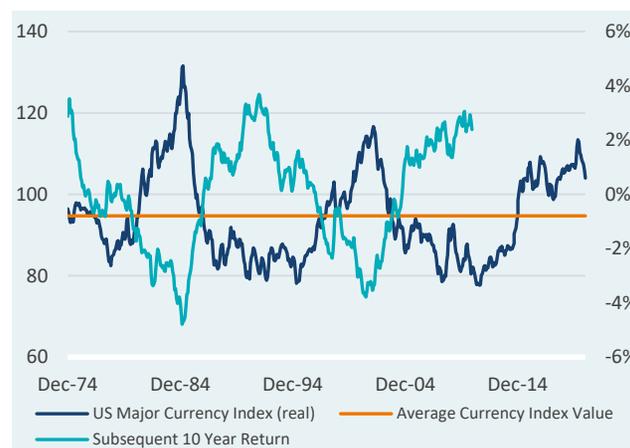
- Global equities (MSCI ACWI +4.6%) extended gains around the world on vaccine optimism. International developed equity (MSCI EAFE +4.6%) returned in-line with the global index, in USD terms. The largest weighted developed country, Japan (MSCI Japan +4.1%) and the third largest, France (MSCI France +2.8%) both weighed on performance for the overall index.
- The pound rose +2.4% against the U.S. dollar in December, resulting in currency tailwinds for U.S. investors in U.K. equities. The MSCI United Kingdom Index, unhedged to U.S. dollars, returned +5.5%, while the hedged index returned +3.1%.
- Emerging market currency appreciation relative to the U.S. dollar helped support outperformance of emerging market equities (MSCI EM +7.4%) over global equities. Latin American countries (MSCI EM Latin American +11.9%) outpaced Asian countries (MSCI EM Asia +7.1%) over the month in USD-terms.
- Unhedged U.S. investors (MSCI EAFE +4.7%) outperformed USD-hedged investors in the MSCI EAFE Index (+2.6%) as the U.S. dollar weakened 2.1% against the embedded currency portfolio of the MSCI EAFE Index.

GLOBAL SOVEREIGN 10-YEAR YIELDS



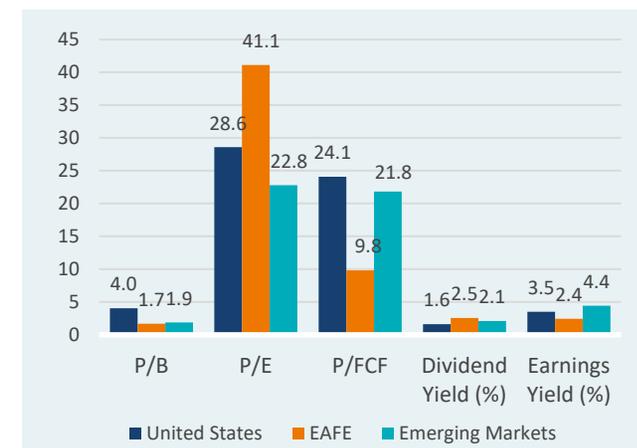
Source: Bloomberg, as of 12/31/20

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 12/31/20

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 12/31/20

Commodities

- The Bloomberg Commodity Index rose +5.0% in December. Agriculture (+10.4%) and precious metals (+8.8%) helped the overall index higher. Growth-sensitive commodities such as energy (-0.7%) and industrial metals (+0.3%) were the laggards within the overall commodities complex.
- The Bloomberg Agriculture Index continued to be one of the top performing components of the commodities complex and advanced +10.4% over the month. The performance of grains (11.9%), and softs (+6.1%), helped the overall agriculture index higher.

- The Bloomberg Precious Metals Sub-Index advanced +8.8% over the month, making it the second best performing sub-index in December. Silver climbed +16.9% while gold rallied +6.4% and closed the month at \$1,898 per ounce.
- The Bloomberg Petroleum Sub-Index was one of the top performing sub-indexes and advanced +7.8% over the month of December. Petroleum was supported by crude oil prices which gained +6.5% over the month to post-pandemic highs of \$48.63 per barrel.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	5.0	10.2	(3.1)	(3.1)	(2.5)	1.0	(6.5)
Bloomberg Agriculture	10.4	21.4	16.5	16.5	1.9	(0.8)	(5.6)
Bloomberg Energy	(0.7)	2.2	(42.7)	(42.7)	(17.6)	(9.1)	(15.5)
Bloomberg Grains	11.9	22.2	19.3	19.3	3.7	(1.4)	(5.4)
Bloomberg Industrial Metals	0.3	14.2	16.3	16.3	0.1	9.2	(3.5)
Bloomberg Livestock	2.1	2.4	(23.4)	(23.4)	(10.9)	(6.6)	(5.2)
Bloomberg Petroleum	7.8	20.1	(40.3)	(40.3)	(13.6)	(3.7)	(11.2)
Bloomberg Precious Metals	8.8	2.4	25.6	25.6	11.9	11.2	0.8
Bloomberg Softs	6.1	14.3	2.9	2.9	(5.9)	(4.3)	(9.7)

Source: Morningstar, as of 12/31/20

COMMODITY PERFORMANCE



Source: Bloomberg, as of 12/31/20

Appendix

Periodic table of returns

BEST

↑

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	5-Year	10-Year
Large Cap Growth	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	21.0	17.2
Small Cap Growth	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	16.4	14.0
Large Cap Equity	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	15.6	13.5
Small Cap Equity	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	13.3	11.2
Emerging Markets Equity	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	12.8	10.5
60/40 Global Portfolio	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.4	14.0	9.7	8.9
Hedge Funds of Funds	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.0	10.3	9.7	8.7
International Equity	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	9.5	6.8
US Bonds	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	7.4	5.5
Small Cap Value	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	5.7	3.8
Large Cap Value	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	4.4	3.6
Real Estate	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	4.4	3.3
Cash	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	1.1	0.6
Commodities	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	1.0	-6.5

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WORST

- Large Cap Equity
- Large Cap Value
- Large Cap Growth
- Small Cap Equity
- Small Cap Value

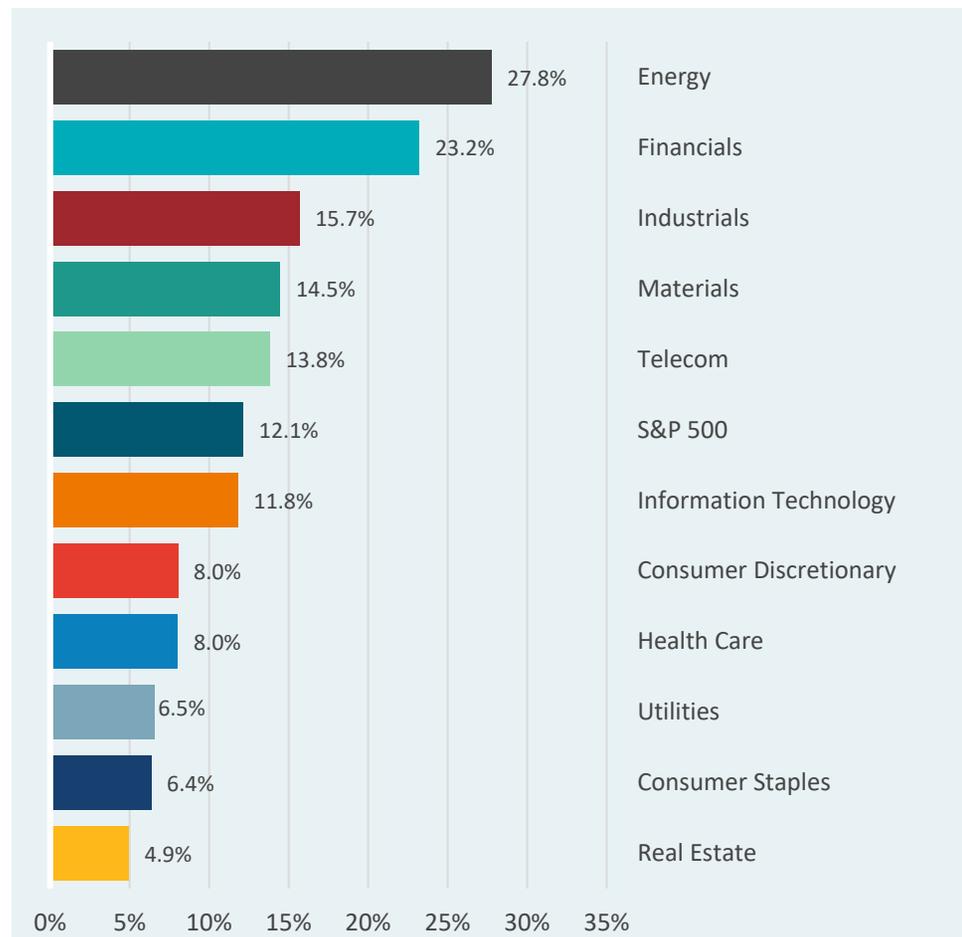
- Small Cap Growth
- International Equity
- Emerging Markets Equity
- US Bonds
- Cash

- Commodities
- Real Estate
- Hedge Funds of Funds
- 60% MSCI ACWI/40% BBgBarc Global Bond

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 9/30/20.

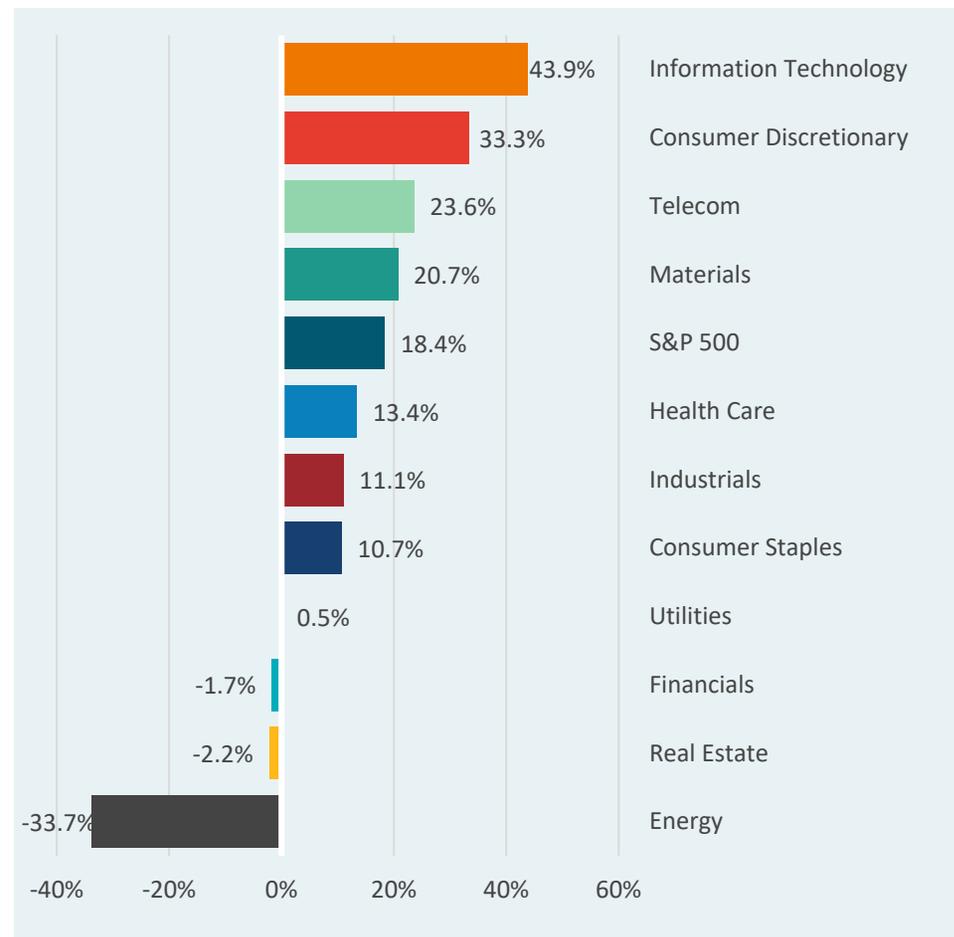
S&P 500 sector returns

Q4 2020



Source: Morningstar, as of 12/31/20

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/20

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	3.8	12.1	18.4	18.4	14.2	15.2	13.9
S&P 500 Equal Weighted	4.3	18.5	12.8	12.8	10.4	13.0	12.7
DJ Industrial Average	3.4	10.7	9.7	9.7	9.9	14.7	13.0
Russell Top 200	4.1	11.6	22.4	22.4	16.0	16.4	14.6
Russell 1000	4.2	13.7	21.0	21.0	14.8	15.6	14.0
Russell 2000	8.7	31.4	20.0	20.0	10.2	13.3	11.2
Russell 3000	4.5	14.7	20.9	20.9	14.5	15.4	13.8
Russell Mid Cap	4.7	19.9	17.1	17.1	11.6	13.4	12.4
Style Index							
Russell 1000 Growth	4.6	11.4	38.5	38.5	23.0	21.0	17.2
Russell 1000 Value	3.8	16.3	2.8	2.8	6.1	9.7	10.5
Russell 2000 Growth	9.3	29.6	34.6	34.6	16.2	16.4	13.5
Russell 2000 Value	7.9	33.4	4.6	4.6	3.7	9.7	8.7

INTERNATIONAL EQUITY

Broad Index							
MSCI ACWI	4.6	14.7	16.3	16.3	10.1	12.3	9.1
MSCI ACWI ex US	5.4	17.0	10.7	10.7	4.9	8.9	4.9
MSCI EAFE	4.6	16.0	7.8	7.8	4.3	7.4	5.5
MSCI EM	7.4	19.7	18.3	18.3	6.2	12.8	3.6
MSCI EAFE Small Cap	6.8	17.3	12.3	12.3	4.9	9.4	7.8
Style Index							
MSCI EAFE Growth	4.9	13.1	18.3	18.3	9.7	10.5	7.5
MSCI EAFE Value	4.4	19.2	(2.6)	(2.6)	(1.2)	4.2	3.4
Regional Index							
MSCI UK	5.5	16.9	(10.5)	(10.5)	(2.4)	2.6	3.0
MSCI Japan	4.1	15.3	14.5	14.5	6.1	8.7	6.5
MSCI Euro	4.0	17.2	6.6	6.6	3.1	7.0	5.0
MSCI EM Asia	7.1	18.9	28.4	28.4	9.0	14.4	6.6
MSCI EM Latin American	11.9	34.8	(13.8)	(13.8)	(1.8)	8.9	(3.4)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	1.1	1.6	11.0	11.0	5.9	5.1	3.8
BBgBarc US Treasury Bills	0.0	0.0	0.7	0.7	1.6	1.2	0.7
BBgBarc US Agg Bond	0.1	0.7	7.5	7.5	5.3	4.4	3.8
Duration							
BBgBarc US Treasury 1-3 Yr	0.1	0.0	3.2	3.2	2.8	1.9	1.3
BBgBarc US Treasury Long	(1.2)	(3.0)	17.7	17.7	9.9	7.8	7.8
BBgBarc US Treasury	(0.2)	(0.8)	8.0	8.0	5.2	3.8	3.3
Issuer							
BBgBarc US MBS	0.2	0.2	3.9	3.9	3.7	3.1	3.0
BBgBarc US Corp. High Yield	1.9	6.5	7.1	7.1	6.2	8.6	6.8
BBgBarc US Agency Interm	0.1	0.1	4.1	4.1	3.4	2.5	2.1
BBgBarc US Credit	0.5	2.8	9.4	9.4	6.8	6.4	5.4

OTHER

Index							
Bloomberg Commodity	5.0	10.2	(3.1)	(3.1)	(2.5)	1.0	(6.5)
Wilshire US REIT	2.8	10.6	(7.9)	(7.9)	3.3	5.7	12.7
CS Leveraged Loans	1.3	3.6	2.8	2.8	4.0	4.6	5.0
Alerian MLP	2.5	32.4	(31.6)	(31.6)	(13.7)	(7.0)	(2.1)
Regional Index							
JPM EMBI Global Div	1.9	5.8	5.3	5.3	5.0	7.1	6.2
JPM GBI-EM Global Div	3.5	9.6	2.7	2.7	3.0	6.7	1.5
Hedge Funds							
HFRI Composite	4.5	10.7	11.6	11.6	5.5	6.1	4.2
HFRI FOF Composite	3.1	7.5	10.3	10.3	4.7	4.4	3.3
Currency (Spot)							
Euro	2.3	4.3	9.0	9.0	0.6	2.4	(0.9)
Pound Sterling	2.4	5.7	3.2	3.2	0.3	(1.5)	(1.3)
Yen	1.0	2.2	5.3	5.3	2.9	3.1	(2.4)

Source: Morningstar, HFRI, as of 12/31/20

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	4.0	10.5	8.8	12.0
Global Private Equity Direct Funds *	9.3	13.8	12.1	14.5
U.S. Private Equity Direct Funds *	9.7	14.8	12.3	15.5
Europe Private Equity Direct Funds *	5.1	12.6	14.0	13.5
Asia Private Equity Direct Funds *	13.1	13.0	11.0	13.4

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
MSCI World	2.8	6.7	6.9	10.0
S&P 500	7.5	10.7	10.7	14.0
MSCI Europe	(6.8)	0.0	1.5	5.7
MSCI AC Asia Pacific	1.0	3.2	4.0	6.0

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(1.4)	6.0	7.7	12.3

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
FTSE NAREIT Equity REIT	(13.0)	0.0	4.1	9.1

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	(1.5)	5.2	6.5	10.0

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P / LSTA U.S. Leveraged Loan 100 Index	(0.5)	2.5	3.0	4.1

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	(23.7)	(7.3)	(4.3)	0.5
Global Infrastructure	3.2	8.4	10.0	9.8

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P Global Natural Resources	(16.8)	(0.1)	0.9	1.5
S&P Global Infrastructure	(14.8)	(0.9)	2.6	6.9

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of June 30th, 2020. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

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

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

Notices & disclosures

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Date: January 25, 2021

To: Board of Trustees

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

Agenda Item 15: Private Markets Discretionary Advisor – Search Consultant RFI

Recommendation:

1. Review and discuss with Staff the proposed Private Markets Discretionary Advisor Search Consultant selection process.
2. Approve the Search Consultant Request for Information (RFI) and its issuance by the Executive Director.
3. Discuss the level of Trustee involvement in the evaluation of a Private Markets Discretionary Advisor Search Consultant and name an ad hoc Private Markets Investments committee of the Board of Trustees.

Background - Private Markets Discretionary Advisor Search:

The Pension Trust amended its Strategic Asset Allocation (SAA) policy September 28, 2020 to include, among other changes, a target allocation within the Growth Sub-Portfolio of 30% to Private Equity (PE) and Private Credit (PC). The allocation to Private Markets in the prior SAA was 10%.

As part of the recommendation to use a direct Private Markets Discretionary Advisor (PM Advisor), Verus noted that there are many well-qualified firms that provide this service. Because Verus is a possible candidate for being hired as a PM Advisor, conflict of interest considerations preclude them from advising the Pension Trust on this topic. Consequently, this research is being done by the Executive Director/Chief Investment Officer without the assistance or counsel of Verus.

Private Markets Advisor Search Consultant:

At the November 23, 2020 Board of Trustees meeting the Board approved the retention of a Search Consultant to assist with the hiring of a PM Advisor. The purpose and criteria for retaining a Search Consultant is to –

- Advise on the private market direct strategy and the search for a Private Markets Discretionary Advisor.
- Do not also manage investments in this area, so are free of conflict of interest issues.
- Act in a fiduciary role as a consultant.
- Conduct an extensive RFP/RFI process to develop a list of qualified candidates for a custom Private Markets Discretionary Advisor assignment.
- Are paid a consulting fee for the assignment and avoid further conflict of interest issues related to where their compensation comes from. These fees may be well above \$40,000 and push towards six digits. This will likely require a SLOCPT administrative budget amendment at the time the Search Consultant is hired.
- Recommend a finalist Advisor or facilitate Staff and Board evaluation.
- Document the search process.

Search Consultant RFI and Selection:

Staff recommends the Board approve the attached Request for Information for a Search Consultant.

The anticipated timeline for retention of a Search Consultant is –

Request for Information (RFI) issued:	January 25, 2021
Due date for submission of RFI Responses	March 1, 2021
Staff and Committee review of RFI responses	March 2-5, 2021
<i>Ad hoc Private Markets Investments Committee meeting</i>	
Possible Interview(s) of Finalists (ad hoc Committee)	March 8-11, 2021
<i>Ad hoc Private Markets Investments Committee meeting to make recommendation</i>	
Estimated Board Approval of Search Consultant	March 22, 2021

Respectfully submitted,

Board of Trustees

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Date: January 25, 2021

To: Board of Trustees

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

Agenda Item 16: Asset Allocation - January 2020

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

Respectfully submitted,

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