

Pension Trust

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www.SLOPensionTrust.org



AGENDA

PENSION TRUST BOARD OF TRUSTEES

Monday, December 18, 2017 9:30 AM

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

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.

ORGANIZATIONAL

None

CONSENT

2. Minutes of the Regular Meeting of November 27, 2017 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of November 2017 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of November (Receive, Approve and File).
5. Applications & Elections to participate in the Deferred Retirement Option Program (DROP) received through December 1, 2017 (Receive, Approve and File).
6. Option 4 SDRO Approval (Recommend Approval).
7. Option 4 SDRO Approval (Recommend Approval).

APPLICATIONS FOR DISABILITY RETIREMENT

None

OLD BUSINESS

None

NEW BUSINESS

8. Actuarial Assumptions Peer Comparisons (Receive and File)

INVESTMENTS

9. Monthly Investment Report for November 2017 (Receive and File).
10. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).

OPERATIONS

11. Staff Reports

12. General Counsel Reports

13. Committee Reports:

- | | |
|------------------------------|-----------|
| a. Audit Committee | No Report |
| b. Personnel Committee | No Report |
| c. PAS Replacement Committee | No Report |

14. Upcoming Board Topics (subject to change):

- a. January 22, 2018
 - i. Election of Officers
 - ii. Committee Appointments
 - iii. Disability case TBD
 - iv. Actuarial Audit report and presentation – Bartel Associates
 - v. Annual Cashflow Analysis
- b. February 26, 2018
 - i. Disability case 2017-03 Hearing Referee recommendation
 - ii. Disability case TBD
 - iii. 2018 Retiree COLA

- iv. 2018 Actuarial Valuation and Experience Study Planning – Gabriel Roeder Smith
 - v. Quarterly Investment Report
 - vi. Capital Market Expectations & Asset Allocation Policy – Verus
 - vii. Investment Policy Peer Comparisons
- c. March 26, 2018
- i. Disability case TBD
 - ii. Employer contribution prefunding
 - iii. Alternative Investments Fee disclosure – Calif. Code 7514.7 / AB2833

15. Trustee Comments

REFERRED ITEMS

None

ADDED ITEMS

None

CLOSED SESSION

None

ADJOURNMENT

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Board of Trustees

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NOVEMBER 27, 2017 MINUTES OF THE REGULAR MEETING OF THE PENSION TRUST BOARD OF TRUSTEES

BOARD MEMBERS PRESENT: Matt Janssen, President
Will Clemens, Vice President
Gere Sibbach
Jim Hamilton
Jim Erb
Jeff Hamm

BOARD MEMBERS ABSENT: Guy Savage

STAFF: Carl Nelson
Andrea Paley
Amy Burke

COUNSEL: Chris Waddell, Esq.

OTHERS: Larry Batcheldor, SLOCREA
Jennifer Alderete, Pension Trust
Scott Whalen, Verus

The meeting was called to order by President Janssen at 9:30 AM, who presided over same.

AGENDA ITEM NO. 1: PUBLIC COMMENT.

None.

ORGANIZATIONAL:

None.

CONSENT:

AGENDA ITEM NO. 2 - 6: CONSENT.

Upon the motion of Mr. Sibbach, seconded by Mr. Erb, and unanimously passed, the following action was taken:

- ITEM 2:** The Minutes of the Regular Meeting of October 23, 2017 were approved without correction.
- ITEM 3:** The Report of Deposits and Contributions for the Month of October 2017, was received and filed.
- ITEM 4:** The Report of Service Retirements, Disability and DROP Retirements for the month of October 2017, was received, approved and filed.
- ITEM 5:** The Report of Applications for participation in the Deferred Retirement Option Program received through November 9, 2017 was received, approved and filed.
- ITEM 6:** Resolution Number 2017-06; A RESOLUTION ESTABLISHING THE 2018 ANNUAL PENSIONABLE COMPENSATION LIMIT PURSUANT TO THE PUBLIC EMPLOYEES PENSION REFORM ACT (Tier 3) was received, approved and filed.

APPLICATIONS FOR DISABILITY RETIREMENT:

None.

OLD BUSINESS:

None.

NEW BUSINESS:

AGENDA ITEM NO. 7: RESOLUTION NUMBER 2017-07: A RESOLUTION ESTABLISHING THE RATE OF INTEREST TO BE PAID ON THE NORMAL CONTRIBUTIONS OF MEMBERS.

Mr. Hamm made the motion to accept staff recommendation to set the interest crediting rate on Employee Normal Contributions at 6.625% seconded by Mr. Janssen for discussion. Discussion ensued and board consensus was to use a similar rationale for this discount rate as used in calculating the prefunding of contributions by the plan sponsor. Discussion led to a Board consensus to set the crediting rate on Employee Normal Contributions at the current Earnings Assumption less 1.00% for 2018 (i.e., 7.125% less 1.00% = 6.125%).

Mr. Hamm amended his motion to set the interest crediting rate on Employee Normal Contributions for the period beginning December 17, 2017 and ending December 15, 2018 at 6.125%. Said motion was seconded by Mr. Erb and unanimously approved.

AGENDA ITEM NO. 8: RESOLUTION NUMBER 2017-08: A RESOLUTION ESTABLISHING THE RATE OF INTEREST TO BE PAID ON THE ADDITIONAL CONTRIBUTIONS OF MEMBERS.

Upon the motion of Mr. Erb, seconded by Mr. Clemens, and unanimously approved, staff recommendation to set the interest crediting rate on Employee Additional Contributions beginning December 17, 2017 and ending December 15, 2018 based on the yield of Five Year Treasury Bonds as of September 30th to be 1.92%.

INVESTMENTS:

AGENDA ITEM NO. 9: QUARTERLY INVESTMENT REPORT FOR THE 3RD QUARTER 2017.

Mr. Scott Whalen, Investment Consultant with Verus presented an overview of the third quarter economic environment. Mr. Whalen also presented the 3rd quarter investment portfolio results reporting year-to-date overall gross return of 12.0%. Mr. Whalen took questions from staff and the Board.

Upon the motion of Mr. Hamm, seconded by Mr. Janssen, and unanimously approved this item was received and filed.

**AGENDA ITEM NO. 10: MONTHLY INVESTMENT REPORT
FOR OCTOBER 2017.**

Upon the motion of Mr. Erb, seconded by Mr. Janssen, and unanimously approved, the Investment Report for the period ended October 31, 2017, was received and filed

AGENDA ITEM NO. 11: ASSET ALLOCATION.

Staff updated the Board of minor rebalancing activities to take place in December. Staff reported that otherwise, no action regarding investment asset allocations were necessary at this time.

**AGENDA ITEM NO. 12: INVESTMENT CONSULTANT DISCUSSION
– PRIVATE EQUITY & REAL ASSETS OUTLOOK
BY SCOTT WHALEN.**

Mr. Whalen, Investment Consultant with Verus, presented a summary review and refresher on Private Equity and Real Asset outlooks in anticipation of the discussion on asset allocation policy review scheduled to be placed on the February 2018 agenda.

Upon the motion of Mr. Erb, seconded by Mr. Janssen, and unanimously passed, this item was received and filed.

OPERATIONS:

AGENDA ITEM NO. 13: STAFF ORAL REPORTS.

- A)** Staff provided an update on the health plan open enrollment process to date. Open enrollment closes Thursday, November 30.
- B)** Staff noted that the proposed federal tax legislation includes consideration making public pension plans subject to Unrelated Business Income Tax on certain types of alternative investments. Staff will keep the Board apprised of developments in this area.
- C)** Staff reported that Trustee Clemens will be attending the Nossamen Fiduciary Form; and Trustees Hamilton and Clemens will be attending the CALAPRS Advanced course in 2018 at UCLA.

AGENDA ITEM NO. 14: GENERAL COUNSEL ORAL REPORTS.

No reports from General Counsel this month.

AGENDA ITEM NO. 15: COMMITTEE REPORTS – AS NEEDED.

- A)** AUDIT COMMITTEE: No report this month.
- B)** PERSONNEL COMMITTEE: No report this month.
- C)** PENSION ADMINISTRATION SYSTEM ADMINISTRATION (PASR) COMMITTEE: No report this month.

AGENDA ITEM NO. 16: UPCOMING BOARD TOPICS.

The planned topics for the next three board meetings were included in the agenda summary. This is an information item, nothing further to report.

AGENDA ITEM NO. 17: TRUSTEE COMMENTS.

Mr. Clemens asked in light of the new pension administration system being developed if the Pension Trust was planning more automation in self-service for services like changing direct deposit. His concerns are that more reports of phishing and fraud attempts are surfacing. He was reassured that the administrative practices of the Pension Trust will retain significant manual audit by Staff of key changes vulnerable to fraud such as changing banking services.

REFERRED ITEMS: None.

ADDED ITEMS: None.

CLOSED SESSION: None.

ADJOURNMENT:

There being no further business, the meeting was adjourned at 12:00 PM. The next Regular Meeting was set for December 18, 2017, at 9:30 AM, in the

New County Government Center, Room 161/162, San Luis Obispo, California
93408.

Respectfully submitted,

Carl Nelson
Executive Secretary

**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF
NOVEMBER 2017**

PP 23 11/9/2017	Pensionable	Employer	Employer	Employee	Employee	Combined	Additional	Buy	TOTAL
By Employer and Tier:	Salary	Contributions	Rate	Contributions	Rate	Rate	Contributions	Backs	Contributions
County Tier 1	4,077,761.10	901,586.77	22.11%	764,585.91	18.75%	40.86%	1,662.50	706.22	1,668,541.40
County Tier 2	934,240.54	211,199.32	22.61%	113,239.17	12.12%	34.73%	280.19	645.91	325,364.59
County Tier 3	2,105,232.55	441,745.90	20.98%	220,704.55	10.48%	31.47%	-	585.31	663,035.76
Superior Court Tier 1	286,875.62	68,842.51	24.00%	43,779.76	15.26%	39.26%	-	-	112,622.27
Superior Court Tier 3	51,160.12	9,862.84	19.28%	4,523.42	8.84%	28.12%	-	114.54	14,500.80
APCD Tier 1	76,572.22	16,109.61	21.04%	14,085.19	18.39%	39.43%	-	-	30,194.80
APCD Tier 3	6,692.00	1,398.95	20.90%	767.62	11.47%	32.38%	-	-	2,166.57
Pension Trust Staff Tier 1	7,168.55	1,572.78	21.94%	1,464.54	20.43%	42.37%	-	-	3,037.32
Pension Trust Staff Tier 2	7,936.80	1,741.33	21.94%	865.11	10.90%	32.84%	-	-	2,606.44
Pension Trust Staff Tier 3	8,713.72	1,869.10	21.45%	1,027.18	11.79%	33.24%	-	-	2,896.28
LAFCO Tier 1	12,494.29	3,248.51	26.00%	1,996.22	15.98%	41.98%	-	-	5,244.73
	7,574,847.51	1,659,177.62	21.90%	1,167,038.67	15.41%	37.31%	1,942.69	2,051.98	\$ 2,830,210.96
PP 24 11/22/2017									
By Employer and Tier:	Pensionable	Employer	Employer	Employee	Employee	Combined	Additional	Buy	TOTAL
	Salary	Contributions	Rate	Contributions	Rate	Rate	Contributions	Backs	Contributions
County Tier 1	4,053,196.10	896,087.28	22.11%	759,464.60	18.74%	40.85%	1,537.50	706.22	1,657,795.60
County Tier 2	934,150.72	211,129.23	22.60%	113,323.57	12.13%	34.73%	298.90	709.70	325,461.40
County Tier 3	2,132,501.53	447,461.70	20.98%	223,480.48	10.48%	31.46%	-	585.31	671,527.49
Superior Court Tier 1	289,697.33	69,656.51	24.04%	44,189.27	15.25%	39.30%	-	-	113,845.78
Superior Court Tier 3	50,769.08	9,778.85	19.26%	4,472.54	8.81%	28.07%	-	114.54	14,365.93
APCD Tier 1	76,594.42	16,114.20	21.04%	14,089.91	18.40%	39.43%	-	-	30,204.11
APCD Tier 3	6,692.00	1,398.95	20.90%	767.62	11.47%	32.38%	-	-	2,166.57
Pension Trust Staff Tier 1	7,168.55	1,572.78	21.94%	1,464.54	20.43%	42.37%	-	-	3,037.32
Pension Trust Staff Tier 2	7,936.80	1,741.33	21.94%	865.11	10.90%	32.84%	-	-	2,606.44
Pension Trust Staff Tier 3	8,713.73	1,869.10	21.45%	1,027.18	11.79%	33.24%	-	-	2,896.28
LAFCO Tier 1	12,494.29	3,248.51	26.00%	1,996.22	15.98%	41.98%	-	-	5,244.73
	7,579,914.55	1,660,058.44	21.90%	1,165,141.04	15.37%	37.27%	1,836.40	2,115.77	\$ 2,829,151.65
TOTAL FOR THE MONTH	15,154,762.06	3,319,236.06	21.90%	2,332,179.71	15.39%	37.29%	3,779.09	4,167.75	\$ 5,659,362.61
TOTAL YEAR TO DATE	177,591,299.39	38,745,843.47	21.82%	27,515,781.91	15.49%	37.31%	57,533.61	299,945.11	66,619,104.10

REPORT OF SERVICE & DISABILITY RETIREMENTS & DROP PARTICIPANTS FOR THE MONTH OF:

**NOVEMBER
2017**

RETIREE NAME	DEPARTMENT	DATE	MONTHLY ALLOWANCE
ANDREWS, FRED (DROP)	PUBLIC WORKS	11-01-2017	5212.79 54.91*
BARRA, LINDA	MENTAL HEALTH / RESERVE	11-01-2017	2106.55 12.19*
HALL, RUSTY (DROP)	AGRICULTURAL COMMISSIONER	11-01-2017	4897.92 83.97*
HUNSTAD, LORI (DROP)	SOCIAL SERVICES	11-01-2017	5112.74
JORDISON, RITA (DROP)	MENTAL HEALTH	11-01-2017	Option selection
MARTIN, KIMBERLY	SUPERIOR COURT	11-04-2017	6417.29
STOCKEL, ROBERT	AGRICULTURAL COMMISSIONER	11-11-2017	4588.23
WAGNER, MARK (DROP)	PARKS	11-01-2017	4912.32
ZUCKER, KATHLEEN (DROP)	SOCIAL SERVICES	11-01-2017	2903.19 1264.00** 67.27*
ADDENDUM:			
TRYON, ROSE	SOCIAL SERVICES / RECIPROCAL	04-01-2017	Option selection
FAHEY, SANDRA	MENTAL HEALTH / RECIPROCAL	07-29-2017	2849.45 3.58*
CAMERON, SUSAN	LAW ENFORCEMENT MEDICAL CARE	08-01-2017	Option selection
HURLA, BERTA	GENERAL HOSPITAL / RESERVE	08-06-2017	Option selection
SCHOENBERG, TERESA (DROP)	ALTERNATE PAYEE	08-01-2017	237.18
FULEKI, OLGA	SOCIAL SERVICES	09-30-2017	646.32
KURTZMAN, KIMBERLY	PROBATION / RECIPROCAL	09-09-2017	948.76
OLSON, DEBBIE	ALTERNATE PAYEE	09-01-2017	Option selection
BOISSEREE, DOUGLAS	PROBATION	10-12-2017	2530.96 1482.68** .05*
FRANKS, APRIL	SOCIAL SERVICES	10-10-2017	1478.46
ODOM, STEVEN (DROP)	SHERIFF-CORONER	10-01-2017	6770.25
RADA, PAMELA	SOCIAL SERVICES	10-21-2017	2328.48
TOWNSEND, ROBERT	GENERAL SERVICES / RESERVE	10-30-2017	1775.12 832.02** 3.50*
WILLARD, KEITH	ITD	10-21-2017	4250.50

* Employee Additional Contribution Allowance (per Sections 5.07, 27.12, 28.12, 29.12, 30.12, and 31.12 of the Plan)

** Social Security Coordinated Temporary Annuity (per Section 13.06 of the Plan)

Board of Trustees

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Date: December 18, 2017
To: Board of Trustees
From: Carl Nelson – Executive Secretary

Agenda Item 5: Applications & Elections to Participate in the Deferred Retirement Option Program (DROP)

Recomendation:

It is recommended that you receive and approve the Application & Election to Participate in DROP for the individuals listed below.

Discussion:

The San Luis Obispo County Pension Trust has received an Application & Election to Participate in DROP from the following members listed below:

JANUARY 1, 2018	Frances Banaga, Social Services
JANUARY 1, 2018	Murray Hunter, Information Technology
JANUARY 1, 2018	James D. Cronin, Sheriff Department

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Date: December 18, 2017

To: Board of Trustees

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

Agenda Item 8: Actuarial Assumption Peer Comparisons

This item is informational for the Board of Trustees and no action is required.

In preparation for the 2018 Actuarial Experience Study and the 2018 Actuarial Valuation we have updated a survey of actuarial assumptions prepared by Gabriel Roeder Smith earlier this year that used 2015-2016 data. Where available, we have updated the survey with 2016-2017 data. The data covers California county retirement systems with supplemental notes at the bottom showing Earnings Assumptions for CalPERS and CalSTRS.

Of particular interest are the Investment Return assumptions used - or Earnings Assumption (EA) of the various peer retirement systems. When looking at the other actuarial data on funding ratios and contribution rates it is important to not ascribe direct comparability between that data and the SLOCPT. The reasons why one system may have a higher funded ratio or a lower contribution rate are rooted in many factors as they evolved historically. The timing of benefit formula increases, the collectively bargained sharing of costs, POB funding, differing investment policies, and differing actuarial assumptions (including the highly significant EA) all contribute to substantial variability between retirement systems. The information presented here is intended to be illustrative, but it is by no means an exhaustive analysis.

It is also noteworthy that of the 22 retirement systems (excluding the large State systems) in the attached table, that 10 systems have reduced their Earnings Assumptions in their most recent actuarial valuations. The average EA of California county retirement systems in the 2016 survey was 7.415% while the 2017 survey data has an average EA of 7.233%. This places the SLOCPT's EA of 7.125% below the median of the sample with 15 systems with higher EAs and 6 systems with lower EAs.

Respectfully Submitted

Actuarial assumptions and funded ratios - California Counties - 2017

California County	Funded Ratio Market Value	Funded Ratio Actuarial Value	Valuation Date	Inflation	Wage Inflation	Real Return	Investment Return	Investment Return - change from 2016
Alameda County	74.50%	78.10%	31-Dec-16	3.250%	3.750%	4.350%	7.600%	0.000%
Contra Costa County	84.60%	86.50%	31-Dec-16	2.750%	3.250%	4.250%	7.000%	0.000%
Fresno County	73.30%	78.20%	30-Jun-16	3.000%	3.500%	4.000%	7.000%	-0.250%
Imperial County	85.60%	90.30%	30-Jun-16	3.250%	4.000%	4.250%	7.500%	0.000%
Kern County	59.35%	63.40%	30-Jun-16	3.250%	3.750%	4.250%	7.500%	0.000%
Los Angeles County	76.10%	79.40%	30-Jun-16	2.750%	3.250%	4.500%	7.250%	-0.250%
Marin County	84.10%	81.50%	30-Jun-16	2.750%	3.000%	4.500%	7.250%	0.000%
Mendocino County	71.12%	69.90%	30-Jun-17	3.000%	3.500%	4.000%	7.000%	-0.250%
Merced County	55.80%	55.80%	30-Jun-16	2.500%	2.750%	4.750%	7.250%	-0.500%
Orange County	70.60%	73.10%	31-Dec-16	3.000%	3.500%	4.250%	7.250%	0.000%
Sacramento County	80.40%	81.10%	30-Jun-17	3.000%	3.250%	4.000%	7.000%	-0.500%
San Bernardino County	77.90%	78.70%	30-Jun-17	3.000%	3.500%	4.250%	7.250%	-0.250%
San Diego County	76.30%	77.40%	30-Jun-17	3.000%	3.500%	4.250%	7.250%	0.000%
San Francisco	82.60%	84.60%	1-Jul-16	3.250%	3.750%	4.250%	7.500%	0.000%
San Joaquin County	60.10%	65.00%	1-Jan-16	2.900%	3.150%	4.500%	7.400%	-0.100%
San Luis Obispo County	64.60%	69.40%	31-Dec-16	2.625%	2.865%	4.500%	7.125%	0.000%
San Mateo County	85.60%	84.30%	30-Jun-17	2.500%	3.000%	4.250%	6.750%	-0.500%
Santa Barbara County	71.50%	71.50%	30-Jun-16	2.750%	3.000%	4.250%	7.000%	-0.500%
Sonoma County	86.00%	85.50%	31-Dec-16	3.000%	3.500%	4.250%	7.250%	0.000%
Stanislaus County	69.10%	72.80%	30-Jun-16	3.000%	3.250%	4.250%	7.250%	0.000%
Tulare County	73.90%	78.10%	30-Jun-17	3.000%	3.500%	4.250%	7.250%	-0.400%
Ventura County			30-Jun-16	3.000%	3.500%	4.500%	7.500%	0.000%
Arithmetic Average	74.43%	76.41%		2.933%	3.364%	4.300%	7.233%	
2016 Survey of Assumptions	78.04%	78.24%		3.074%	3.517%	4.341%	7.415%	
CalPERS								
FY16-17							7.50%	
FY17-18							7.38%	
FY18-19							7.25%	
FY19-20							7.00%	
CalSTRS								
FY16-17							7.50%	
FY17-18							7.25%	
FY18-19							7.00%	

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Date: December 18, 2017

To: Board of Trustees

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

Agenda Item 9: Monthly Investment Report for November 2017

The report will be distributed under separate cover following the receipt of the monthly analysis from the investment consultant. The preparation of the monthly performance report is dependent on custody bank statements that are not due until the 11th business day of the month.

Given the early in the month date of the December meeting, this report will be distributed following the meeting. The November report will be a “receive and file” item on the January agenda for the Board of Trustees.

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Date: December 18, 2017

To: Board of Trustees

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

Agenda Item 10: Asset Allocation December 2017

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.