

July 2019

# The Fiduciary

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San Luis Obispo County Pension Trust  
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## Pension Trust Website

The SLOCPT has just completed a 3 year project to upgrade our pension administration system. The old SLOCPT website is not available anymore. Stay tuned for later in 2019 when a greatly enhanced Member Portal to our new system will go-live. Our general information-only website is at [slocounty.ca.gov/Departments/Pension-Trust](http://slocounty.ca.gov/Departments/Pension-Trust)

## Retirement Estimates

Retirement Planning is important throughout your working career to help you decide about -

- Saving more funds
- Timing when you want to retire.

Please call the SLOCPT to get a personal retirement estimate and a counseling session. Pensions can be complex so the SLOCPT is staffed and ready to help you. See us anytime in your career, but especially about 2-3 years before you think you may want to retire.

Marital status changes through marriage or divorce—please call the SLOCPT—Pensions are Community Property in California.

## Pension Talk

### Retirement Classes

Are you curious about how to plan for your retirement? Do you wonder why you are paying all this money out of your paycheck for Social Security and the Retirement Plan? Of course you do. The Pension Trust conducts several Retirement classes through the Learning Development Center or at department meetings.

- Retirement 101—for those with a general interest in planning their retirement.
- Retirement 201—for those generally within 5 years of retirement .

### Why are Pension Contribution Rates Going Up?

The total pension contribution rates (as a percentage of payroll) to fund the Retirement Plan are calculated annually by the Plan actuary. Pension contributions in total are the amount that must be made today by to fund pension benefits in the future and are called the Actuarially Determined Contribution or “ADC”. The ADC for the SLO County Retirement Plan for all Classes and Tiers of members averages 44.52% of pay as of Jan. 1, 2019. The ADC includes employee contributions, employer-paid-for-member “pick up” contributions in some units, and employer appropriations.

Unfortunately, in 2016 — 2019 the ADC has increased from below 35% of pay to above 44% of pay. The 2018 pension contribution rate increase was an average of +2.51% and was implemented for most groups on July 1, 2019. The 2019 pension contribution rate increase is expected to be +2.30% on average. Primary causes of the increases include:

- **Mortality improvements**—as life expectancy goes up, the cost of paying a lifetime pension benefit also goes up. Life expectancy at age 65 is now up to age 85 for men and age 88 for women.
- **Investment Returns**—Funding the ADC uses a 5 year average of investment returns. 2014-2018 were difficult years in the investment markets with persistently low interest rates and a negative 2018 return on stocks.
- **Discount Rate** used—The Pension Trust has lowered its estimate of future investment returns (used as the discount rate to measure liabilities) to 7.00%. This discount rate is typical for public sector pension systems and reflects the outlook for investment markets.

## San Luis Obispo County Pension Trust—Annual Report Summary

Each year the Pension Trust publishes its Comprehensive Annual Financial Report (CAFR). The CAFR provides a complete overview of the Pension Trust’s financial position and operating results and is available at the Pension Trust offices or at [www.SLOPensionTrust.org](http://www.SLOPensionTrust.org). The Pension Trust provides defined benefit retirement allowances and other benefits to its members employed by the County of San Luis Obispo and various agencies such as the Superior Court, the Local Agency Formation Commission, and the Air Pollution Control District.

### Fund Status:

The Pension Trust’s funding objective is to meet its long-term benefit promises by accumulating assets to eventually pay all its liabilities. As of the end of 2018, the funded status of the Pension Trust stood at 67.1% - comparing the Actuarial Accrued Liability to the Actuarial Value of Assets (a multi-year average of market values). As of Dec. 31, 2018 the net assets of the Pension Trust totaled \$1.272 billion. An actuarial valuation is performed each year and a Total Actuarially Determined Contribution (ADC) rate (as a percentage of pay) is set by the Board of Trustees. The funding policy set by the Board of Trustees that underlies the calculation of the ADC is designed to bring the Pension Trust to a 100% funded status by approximately 2040.

It is the policy of the employers to contribute the full ADC over time through a combination of Employer Appropriations and Employee Contributions. The third source of funding for the Pension Trust comes from investment earnings. The sources of revenue for the Pension Trust are summarized below with dollar amounts in thousands:

Year	Employer Approp.	Employee Contributions	Net Investment Income	TOTAL REVENUE
2014	\$32,047	\$24,415	\$51,667	\$108,129
2015	33,618	24,587	(16,706)	41,499
2016	35,451	25,359	68,949	129,760
2017	42,341	30,467	178,640	251,448
2018	46,243	32,953	(50,033)	29,163

The retirement benefits paid, refunds, death benefits, and operating expenses of the Pension Trust are summarized in the following table with dollar amounts in thousands:

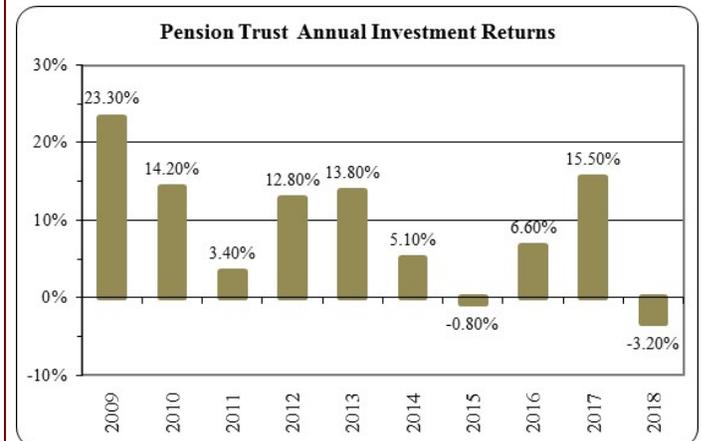
Year	Retirement Benefits	Refunds & Death Benefits	Operating Expense	TOTAL EXPENSE
2014	\$66,163	\$1,932	\$2,417	\$70,512
2015	72,442	2,612	3,978	79,032
2016	78,193	2,490	3,636	84,319
2017	85,052	3,605	3,562	92,219
2018	92,812	1,817	3,385	98,014

The membership of the Retirement Plan as of December 31, 2018 is shown in the following table:

Year Ended Dec. 31st	Active Members	Deferred Vested Members	Retiree and Beneficiary	TOTAL
2014	2,550	451	2,268	5,402
2015	2,609	450	2,382	5,576
2016	2,675	460	2,481	5,753
2017	2,722	464	2,745	5,931
2018	2,725	489	2,868	6,082

### Investments:

The Board of Trustees has full authority over the investments of the Pension Trust and manages its investments through a written Investment Policy, the use of an Investment Consultant, various professional investment managers, and qualified Staff. The total rate of return on the Pension Trust’s assets is summarized below both by individual years and on a cumulative basis for periods ending December 31, 2018:



Annualized	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 years</u>
Timeweighted Total Returns	-3.2%	6.0%	4.4%	8.8%

For the year-to-date through June 30, 2018 the total rate of return was 10.2%.

## Investment Policy

The investment policy adopted by the Pension Trust's Board of Trustees is somewhat lower in risk than many comparable pension funds. As of December 31, 2018 the following was the target asset allocation of the Trust assets:

Domestic Equity	20%
International Equity	20%
Domestic Bonds	20%
International Bonds	10%
Real Estate	15%
Commodities	5%
Private Equity	5%
Private Credit	5%
	<u>100%</u>

## New SLOCPT Pension System

The SLOCPT has just implemented a new Pension Administration System to replace its aging custom system from 2006. The new system was completed under budget and on schedule—due in part to the vendor and consultant, and due in part to strong project management from SLO County IT. Some significant features are—

- Cloud-based system
- Highest commercially available cybersecurity
- Greatly improved disaster recovery ability

## SLOCPT Website

The old SLOCPT website was only available behind the County's IT firewall. Due to system upgrades it has not been available since early 2019.

## New Member Portal

Stay-tuned for the debut in late 2019 of the new SLOCPT Member Portal (website) based on the new administration system. It will offer -

- View anywhere ability—office, home, mobile devices
- Account balances and enhanced retirement estimates
- Strong cybersecurity - PIN + two-factor authentication
- Retirees—ability to go “paperless” for statements, form 1099s, etc.

## What is the Retirement Plan and the Pension Trust?

The SLO County Retirement Plan -

- Defined Benefit pension system
- For employees of SLO County, the Superior Court, the Air Pollution Control District, and LAFCO.
- Retirement Plan is mandatory for all regular employees.
- The Plan has different pension benefit formulas based on the class of employee (Miscellaneous, Probation, Safety) and Tiers 1, 2, & 3. Tier 1, 2, & 3 status depends on when the employee was hired. Tier 1 (pre 2011 hires in most cases), Tier 2 (2011-2012 hires generally) and Tier 3 (post-2012 new hires).
- Funded by investment earnings + Employer contributions + Employee contributions.
- Members of the Retirement Plan also are part of the Social Security system and pay FICA charges.
- The Pension Trust is a separate “Trust” established by the Retirement Plan to administer and fund the pension benefits. It is governed by a seven member Board of Trustees.

## How do I enhance my Retirement Income? - The Deferred Compensation Plan

Active employees have available a voluntary Deferred Compensation Plan for saving additional pre-tax funds in a “457 Plan”. The Pension Trust administers this plan on behalf of the County and the other participating employers. The DC Plan's recordkeeper and provider of investment options is **Nationwide Retirement Services**. You can access Nationwide's services—including one-on-one consultations by calling 877/677-3678. You may also visit [www.SanLuisObispo457.com](http://www.SanLuisObispo457.com) to learn about the DC Plan and enroll.

The Deferred Compensation Plan is voluntary. For unrepresented SLO County employees starting July 1st there is a 50% employer matching contribution to a maximum of \$500.

## Active Member Survey

In May and June the SLOCPT conducted a survey of active members (active employees currently putting contributions into the pension system). The results are in and include -

- Survey requested via email or the “Inside Scoop”
- **Responses = 206 = 8%**
- Results -
  - ⇒ Are you aware of your pension?  
Yes = 69%
  - ⇒ How familiar are you with your pension?  
A lot + Somewhat = 52% / A bit = 43%
  - ⇒ Do you know your pension pays you a lifetime benefit once you are vested?  
Yes = 83%
  - ⇒ Do you know if you leave before being vested that you get a refund of your contributions + interest?  
Yes = 63% / News to me = 36%
  - ⇒ How did you learn about the SLOCPT?  
New hire process, HR, Union, Classes, Newsletter, Co-Workers, Own research, Met with SLOCPT = all mixed results in the 20%-40% range
  - ⇒ How prepared do you feel for retirement?  
Well prepared = 18% /  
Somewhat prepared = 33%  
Okay, but I should save more = 20%  
Not prepared = 22%  
Unsure = 7%
  - ⇒ Customer Service from the SLOCPT?  
Very satisfied = 38% (51% of those with contact)  
Satisfied = 24% (32% of those with contact)  
Dissatisfied/very dissatisfied = 1%  
NA—not needed to contact SLOCPT = 25%
  - ⇒ Member Portal (late 2019) interest?  
Yes = 92%
  - ⇒ Aware of Deferred Compensation Plan?  
Yes = 90%

## Retiree Survey

In May and June the SLOCPT conducted a survey of Retirees and their Beneficiaries. The results are in and include -

- Survey requested via hardcopy in monthly benefit payment notices. Response via URL, QR code link or a paper copy of the survey.
- **Responses = 581 = 21% (Way to go Retirees!)**
- Results -
  - ⇒ Aware of “The Fiduciary”  
Yes = 91%
  - ⇒ Customer Service from SLOCPT as you retired?  
Very satisfied = 85%  
Satisfied = 12%  
Less than satisfied = 3%
  - ⇒ Customer Service from SLOCPT post-retirement?  
Very satisfied = 71%  
Satisfied = 21%  
Less than satisfied = 8%
  - ⇒ Preferred Communications? (multiple answers)  
Mail= 70% / Newsletter= 17% / Electronic= 49%
  - ⇒ Member Portal (late 2019) interest?  
Yes = 53% / Unsure = 36% / Nope = 11%
  - ⇒ Aware of SLOCREA Retiree Association?  
Yes = 53% / News to me = 37% / NA = 10%

## Retiree Health Open Enrollment

Retirees from SLO County may utilize the CSAC EIA healthcare plan for post-retirement medical benefits. Retirees from the Superior Court may utilize the CalPERS Health plan for post-retirement medical benefits. These healthcare plans are administered by the retiree’s past employer. The Pension Trust assists the employers with retiree healthcare by providing payroll withholding from retirement benefit payments for healthcare plan premiums.

Be on the lookout for materials for the following 2020 **Open Enrollment** periods -

<b>SLO County</b>	Oct. 3—Oct. 21, 2019
<b>Courts</b>	Sept. 9—Oct. 4, 2019

## A Thank You from Andrea Paley—Retirement Program Specialist

*Andrea Paley retired March 1st, 2019 after 40 (!) years as the primary retirement counselor for generations of Pension Trust members.*

I was overwhelmed with heartfelt gratitude by how many of you wonderful folks attended my retirement open house - I was honored. So many wonderful friends and faces from the past, seeing you all meant so much to me. I also want to thank all of you who called or e-mailed me expressing celebratory wishes for a happy retirement. And I appreciated the many cards that I received from so many of you that I have worked with over so many years. Each card, each telephone call or e-mail, each handshake or hug will forever be a part of my wonderful memories being part of the Pension Trust for those forty years. So, thank you for letting me be a part of your retirement, whether it be helping you prepare for and/or helping you transition into retirement.

With sincere appreciation and gratitude – THANK YOU!

## When does my retirement benefit go into my bank account?

The monthly retirement benefits from the Pension Trust are paid in advance on the 1st day of each month via direct deposit to the retiree's bank account. For months where the 1st is not a banking day — weekends & holidays — retirement benefits are cleared through your bank on the next banking day. For example, the September 2019 retirement benefits will clear banks on Tuesday, Sept. 3rd following the Labor Day holiday. The retirement benefit dates for the next few months are:

Aug. 1, 2019	Thursday
Sep. 3, 2019	Tuesday after Labor Day
Oct. 1, 2019	Tuesday
Nov. 1, 2019	Friday
Dec. 2, 2019	Monday—1st is on a Sunday
Jan. 2, 2020	Thursday—1st is a holiday
Feb. 3, 2020	Monday—1st is on a Saturday
Mar. 2, 2020	Monday—1st is on a Sunday
Apr. 1, 2020	Wednesday
May 1, 2020	Friday

## Join SLOCREA! - The San Luis Obispo County Retired Employees' Association

**Who Can Join?** - Anyone receiving a pension from the SLOCPT—as a retiree or as a beneficiary. Retired County or Court employees. Of any classification or union. New retirees or more seasoned retirees. We're all retirees now!

**Why Join?** - SLOCREA is an organized group that SLO County and the SLOCPT consult on matters of interest to retirees. The more retirees who belong, the better SLOCREA can represent you. It is a great way to socialize with other retirees and learn about various topics.

**When does SLOCREA meet?** - We meet about 5 times/year for lunch at the SLO Elks Lodge. Four meetings we have speakers and the fifth meeting is a December celebration with music.. Meeting topics in the past have included -

- Annual update from the SLOCPT Director on our pension including the annual COLA amount.
- HI-CAP—Medicare and retiree medical options
- SLO Botanical Gardens
- California State Parks
- The Noor Clinic
- Hearst Cancer Resource Center

**How much does SLOCREA Cost?** - Annual dues are only \$15 and support the SLOCREA website and mailings. Lunch is at a discounted rate of \$15/SLOCREA member and \$20/guest.

**How do I join SLOCREA?** - Complete the form you got at retirement or go to the SLOCREA website, print the application and mail it to us with a check for \$15.

**Contact SLOCREA—** [www.SLOCREA.org](http://www.SLOCREA.org)

- P.O. Box 3533 San Luis Obispo, CA 93403-3533
- Larry at [CentralCoastLarry@gmail.com](mailto:CentralCoastLarry@gmail.com)
- Miki at [MikiGillman@gmail.com](mailto:MikiGillman@gmail.com) or text at 805/550-7196 (be sure to identify yourself in the text message)

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**SLOOPT**

1000 Mill Street  
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**THE PENSION TRUST BOARD OF TRUSTEES -**

**TRUSTEE MEETINGS**

Aug. 26, 2019  
Sep. 23, 2019  
(rm. 161/162)  
  
Nov. 25, 2019  
  
Jan. 27, 2020  
Feb. 24, 2020  
Mar. 23, 2020  
  
May 18, 2020  
(3rd Mon.)  
Jun. 22, 2020

The Pension Trust is governed by a 7-member Board of Trustees. Three are elected by the employees, three are appointed by the Board of Supervisors, and the County Treasurer is an ex-officio member. The Elected Trustees serve staggered three year terms. Appointed Trustees serve at the pleasure of the Board of Supervisors. All Trustees are volunteers and are not paid. The Trustees serve at-large and do not represent any particular groups.

Importantly, the Trustees administer the Pension Trust; they don't set the level of pension benefits. Benefits are determined by the Board of Supervisors as a matter of employee compensation and collective bargaining processes.

**MEETINGS OF THE BOARD OF TRUSTEES**

The Board of Trustees meets on the fourth Monday of most months (with adjustments for holidays) in the County Government Center. Meetings are held in the Board of Supervisors chambers unless otherwise noted and begin at 9:30 A.M. Meetings are open to the public and your attendance is welcome and encouraged.

**WILL CLEMENS**

PRESIDENT (2019) / ELECTED MEMBER (Term 7/19 to 6/22)

**GUY SAVAGE**

VICE PRESIDENT (2019) / APPOINTED MEMBER

**MATT JANSSEN**

ELECTED MEMBER (Term 7/18 to 6/21)

**MICHELLE SHORES MAN**

ELECTED MEMBER (appointed to Term 7/17 to 6/20)

**JAMES HAMILTON**

EX OFFICIO MEMBER

**JEFF HAMM**

APPOINTED MEMBER

**GERE SIBBACH**

APPOINTED MEMBER