

San Luis Obispo County Pension Trust



*A Pension Trust Fund of the County of San Luis Obispo,
San Luis Obispo, California*



Comprehensive Annual Financial Report

**For the Years Ended
December 31, 2012 and December 31, 2011**

This page left blank intentionally.

Comprehensive Annual Financial Report

For the Years Ended
December 31, 2012 and December 31, 2011

San Luis Obispo County Pension Trust

*A Pension Trust Fund of the County of San Luis Obispo,
San Luis Obispo, California*

Issued By:

Albert A. Petruzzi
Executive Secretary

Carl A. Nelson, CFA
Deputy Executive Secretary

Amy Burke
Financial Accountant

San Luis Obispo County
Pension Trust
1000 Mill St.
San Luis Obispo, CA 93408
(805)781-5465
www.SLOPensionTrust.org

This page left blank intentionally.

Table of Contents

Introductory Section

Letter of Transmittal	3
GFOA Certificate of Achievement	12
Board of Trustees	13
Organization Chart.....	14
Professional Consultants	15

Financial Section

Independent Auditor's Report.....	19
Management's Discussion & Analysis	21

Financial Statements

Statement of Plan Net Position	27
Statements of Changes in Plan Net Position.....	29
Notes to Financial Statements.....	31

Required Supplementary Information

Schedule of Funding Progress.....	51
Schedule of Employer Contributions..	52

Other Supplementary Information

Schedule of Changes in Reserves	54
Schedule of Administrative Expenses	55
Schedule of Investment Expenses	56
Schedule of Payments to Consultants.....	57

Investment Section

Investment Section Overview	60
Investment Consultant's Report.....	61
Summary of Investment Objectives	63
Asset Allocation Policy.....	64
Investment Results	66
Investments at Fair Value	67

Investment Results Based On Fair Value	68
Management Fees and Commissions	70
Largest Stock & Bond Holdings.....	72

Actuarial Section

Actuarial Section Overview.....	74
Actuary's Certification Letter.....	75
Summary of Assumptions And Funding Methods	77
Investment Return.....	78
Inflation	79
Compensation Increases – Merit and Longevity	79
Rates of Separation from Active Service.....	80
Mortality	83
Rates of Retirement	83
Miscellaneous Assumptions	85
Schedule of Active Member Valuation Data.....	85
Schedule of Retirees & Beneficiaries Added to and Removed from Retiree Payroll	85
Solvency Test	86
Schedule of Funding Progress	87
Schedule of Employer Contributions..	88
Development of Actuarial Value of Assets.....	89
Actuarial Analysis of Financial Experience	90
Summary of Plan Provisions	91
Contributions Made – 2011	95
Notes to Required Supplementary Information (GASB 25).....	96

Table of Contents (continued)

Statistical Section

Statistical Section Overview	98
Changes in Plan Net Assets	99
Revenue by Source	100
Expenses by Type	100
Benefit Expenses by Type	101
Retiree Members and	
Average Benefit	103
Benefits by Annual Amount	105
Member Data	106
Members by Employer.....	107

Photographs: Carl Nelson

Introductory Section



This page left blank intentionally.

Pension Trust

County of San Luis Obispo

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



June 17, 2013

San Luis Obispo County Pension Trust
Board of Trustees
1000 Mill St.
San Luis Obispo, California



Tony Petruzzi
Executive Secretary

Dear Board Members:

I am pleased to present this Comprehensive Annual Financial Report (CAFR) for the San Luis Obispo County Pension Trust (“SLOCPT” or the “Pension Trust”) for the years ended December 31, 2012 and 2011.

The Pension Trust is a public employee retirement system established by the County of San Luis Obispo (the “County”) on November 1, 1958. Ten years later the Board of Supervisors adopted the present By-Laws and the San Luis Obispo County Employees Retirement Plan (the “Plan”) to provide retirement benefits to employees of the County.

The Pension Trust is administered by the Board of Trustees (the “Board”) to provide retirement, disability, death, and survivor benefits for its members. The Pension Trust is established pursuant to Section 17 of Article XVI of the California Constitution and Government Code Sections 53215 et seq.

Responsibility for the accuracy of the data, along with the completeness and fairness of the presentation in this CAFR rests with the Pension Trust’s management. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present both the Pension Trust’s financial position and its operating results.

The Pension Trust and its Services:

The SLOCPT was established and has evolved over the years to provide retirement allowances and other benefits to the Miscellaneous, Probation and Safety members employed by the County of San Luis Obispo and various agencies (collectively the “Plan Sponsors”) listed below:

Superior Courts of California – County of San Luis Obispo
Local Agency Formation Commission
Air Pollution Control District – County of San Luis Obispo
The Pension Trust

Introductory Section:

The Pension Trust is governed by the California Constitution, the California Government Code, and its bylaws (including the Plan) adopted by the San Luis Obispo County Board of Supervisors. The Board of Supervisors may adopt amendments to the Plan which may alter the benefits provided to SLOCPT members.

The Board of Trustees is responsible for managing and administering the Pension Trust in accordance with the laws of the United States and California, the County Code, the Bylaws, and the Plan. The Board is composed of seven members. Three Board members are appointed and serve at the pleasure of the County Board of Supervisors. The County Treasurer serves as an ex-officio member of the Board. The three remaining Board members are elected by the Pension Trust’s members at large for staggered three year terms without term limits. Board of Trustee elections are administered by the County Clerk and Recorder. Newly elected or re-elected Board members take office in July of the year they are elected.

The Board annually elects from its members a President and a Vice President. The operational management of the Pension Trust lays with the Executive Secretary who is appointed and serves at the pleasure of the Board of Trustees. The Executive Secretary also acts as Secretary to the Board of Trustees.

Financial Information:

Brown Armstrong Accountancy Corporation provides financial statement independent audit services to the Pension Trust. The independent audit states that the Pension Trust’s financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. Sufficient internal accounting controls exist to provide reasonable, but not absolute, assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules. The concept of reasonable assurance recognizes that first, the cost of a control should not exceed the benefits likely to be derived, and second, the valuation of costs and benefits requires estimates and judgments by management. Governmental Accounting Standards Board (GASB) Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management’s Discussion and Analysis (MD&A). This Letter of Transmittal complements the information in the MD&A and should be read in conjunction with it. The MD&A can be found on pages 21 through 25.

Actuarial Funding Status:

The Pension Trust's funding objective is to meet its long-term benefit promises by targeting a well-funded status. Funded status refers to the difference between the level of actuarial accrued liability and actuarial measures of the Pension Trust's assets. The funded status of the Pension Trust is determined by two sources of funding –

- **Investment returns** obtained through investments of a level of risk consistent with the long-term objectives of the Pension Trust.
- **Employer appropriations** and **Employee contributions** as their respective portions of the total Annual Required Contribution (ARC). The relative allocation of the total ARC to Employer and Employee is typically the result of the collective bargaining process, or for unrepresented employees it is set by the Board of Supervisors.

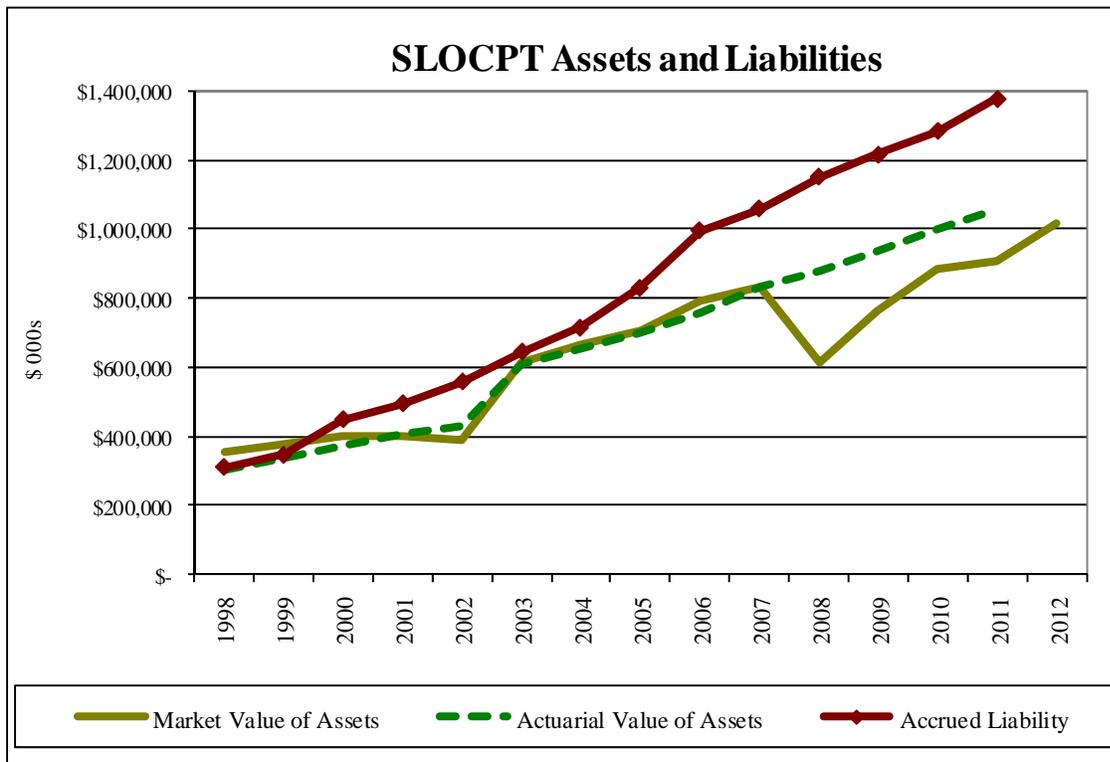
It is the policy of the County to contribute the full ARC each year through a combination of Employer appropriations and Employee contributions. The timing of when employer appropriation rate changes are implemented may vary depending on when the actuarial valuation is completed. Likewise, the timing and magnitude of employee contribution rate changes may vary depending on when various collective bargaining agreements are implemented.

The Pension Trust engages an independent actuarial firm to perform annual valuations on the Pension Trust. Additionally, actuarial experience studies are conducted biennially. The economic and demographic assumptions that are used in each annual actuarial valuation are approved by the Board and are typically based on the results of each biennial actuarial experience study and input from the Pension Trust's advisors. Each annual actuarial valuation serves as the basis for the Annual Required Contribution in aggregate to be collected from employer and employee contributions.

The most recent annual actuarial valuation available for financial reporting in this CAFR is the January 1, 2012 valuation. It is based on member data and financial results through December 31, 2011. The Pension Trust's actuary, Gabriel Roeder Smith, completed this annual valuation prior to the preparation of this CAFR. The most recent biennial actuarial experience study was completed by Gabriel Roeder Smith as of January 1, 2012. At the time of preparation of this CAFR, the January 1, 2013 valuation was being prepared, but the results were not yet available.

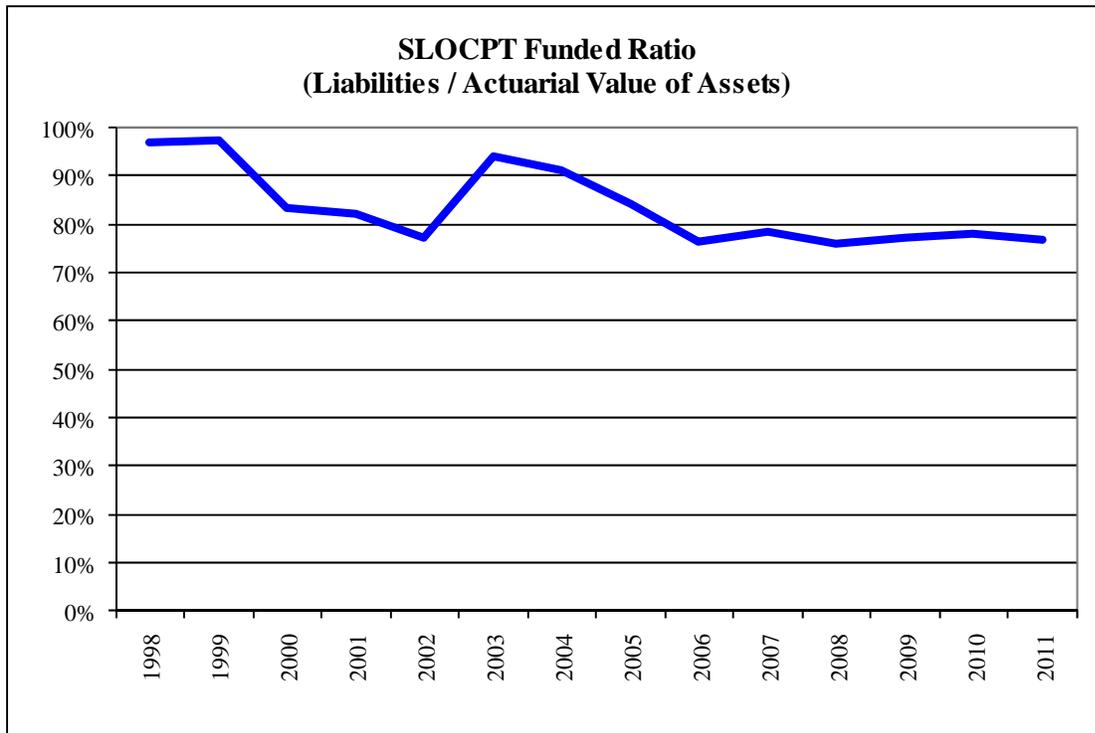
Based on the most recent actuarial valuation the actuary computes (among other things) a level of Actuarial Accrued Liability (AAL) and an Actuarial Value of Assets (AVA). The AVA is a smoothed measure of market values of the Pension Trust's total assets that moderates yearly volatility in asset size. These actuarial measurements are discussed in more detail in the Actuarial Section of this CAFR.

Combined with the year end Market Value of Assets (MVA) the history of these measures is shown on the following graph.



Source: Pension Trust financial records from annual actuarial valuations

The relationship of the AAL and AVA is the Funded Ratio of the Pension Trust which stood at 77% as of year end 2011. The history of the Pension Trust’s funded ratio is shown on the following graph.



Source: Pension Trust financial records from annual actuarial valuations

This Letter of Transmittal complements the information in the Actuarial Section and should be read in conjunction with it. The Actuarial Section can be found on pages 74 through 96.

Investments:

The Board of Trustees has full authority over the investments of the Pension Trust and is responsible for the establishment of investment objectives strategies and policies. The Board may direct the investment of the Pension Trust into any form or type of investment deemed prudent in the informed opinion of the Board. Members of the Board serve in a fiduciary capacity to the Pension Trust and must discharge their duties accordingly.

The Board implements its investment function through the adoption of a written Investment Policy, the use of a professional Investment Consultant, the use of various professional investment managers and direction to Staff. The Pension Trust primarily uses external investment management firms to manage its portfolio. Additional information on the Pension Trust's Investment Policy and investment managers may be found in the Investment Section of this CAFR.

The Staff of the Pension Trust and the Investment Consultant (Wurts & Associates) closely monitor the investment activities of the total Trust assets and report regularly to the Board. The Investment Policy adopted by the Board considers the advice and input of Staff and the Investment Consultant and sets the asset allocation policy and management policies of the board. The asset allocation policy incorporated into the Investment Policy is more fully discussed in the Investment Section of this CAFR.

For the years ended December 31st, the total time-weighted rate of return on the Pension Trust's assets as computed by the Investment Consultant are summarized below.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
SLOCPT Total Returns	-27.6%	23.3%	14.2%	3.4%	12.8%

Source: Wurts & Associates reports

For cumulative periods ending December 31, 2012, the annualize time weighted total rate of returns are as follows.

	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 years</u>
SLOCPT Total Returns	12.8%	10.0%	3.3%	6.3%

Source: Wurts & Associates 4th Quarter 2012 report and Pension Trust records for pre2006 returns

This Letter of Transmittal complements the information in the Investment Section and should be read in conjunction with it. The Investment Section can be found on pages 60 through 72.

Service Efforts and Accomplishments:

Mission Statement -

No discussion of service efforts and accomplishments would be complete without beginning with the core mission statement for the organization. The Pension Trust's mission statement is:

The mission of the San Luis Obispo County Pension Trust is to adequately fund and promptly pay the benefits accrued by Employees of San Luis Obispo County pursuant to the provisions of the San Luis Obispo County Employees Retirement Plan and consistent with Article 16, Section 17 of the California State Constitution.

Furthermore, Section 53216.6 of Article 1.5 of the California Government Code provides, in part:

"The assets of the pension trust are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system."

Also, Section 17 of Article XVI of the California Constitution, at subsection (b) states, in part:

"The retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty."

Secondarily, the Board of Trustees in discharging its duty must also act, in so far as it is prudent to do so, to minimize employer appropriations.

Payment of Retirement Benefits -

While the timely payment of retirement benefits is the core objective of the Pension Trust it is still worth noting that this is indeed what happens – month after month. It is also of interest to note where retiree benefits are paid geographically. As of year end 2012 the Pension Trust paid 2,147 benefit allowances each month to retirees, disability benefits, beneficiaries and survivors. During 2012 \$54.5 million was paid by the Pension Trust in recipients' benefits. Of this amount, approximately 78% is sent to addresses within San Luis Obispo County. The significance of this data is that the vast majority of retirement benefits paid by the Pension Trust are presumably spent within San Luis Obispo County which contributes significantly to the level of business activity in the community.

Retirement Administration and Distribution System -

In 2006 the Pension Trust completed the initial development of its Retirement Administration and Distribution (RAD) system. RAD was developed as an alternative to off-the-shelf pension administration systems to provide customized software to better fit the administrative

complexities of the Plan. The RAD system was developed in conjunction with Magenic, Inc. (Magenic) at a cost of approximately \$2.5 million which was determined to be significantly less costly than the alternatives available at the time. RAD has continued to be maintained by the Pension Trust with Magenic since 2006 and has proven to be a reliable and flexible browser based software for pension administration.

In April of 2011 a patent was issued by the U.S. Patent Office for RAD culminating several years of work by the Pension Trust and its legal counsel. In the event that Magenic provides the RAD system to other retirement systems there is a license fee agreement in place to remunerate the Pension Trust for the right to implement and use the application.

Implementation of Tier 2 Retirement Benefits -

The Pension Trust administers the Plan as amended from time to time by the County. The level of retirement benefits provided by the County and the other contracting agencies that participate in the Pension Trust vary depending upon the date when a member was hired. The benefit formula in place for Miscellaneous members hired prior to 2011 in the “Tier 1” level is commonly referred to as the “2.0% at 55” formula. That is to say, the basic unmodified benefit of a Tier 1 retiree would be 2.0% (the retirement factor) multiplied by their final compensation multiplied by their years of pension service credit if they were to retire at age 55. The retirement factor is lower at younger ages and higher at older ages. The benefit formulas for Probation and Safety members are different than those for Miscellaneous members as is typical for public sector pension plans. For example the Tier 1 benefit formula in place for Safety members hired prior to 2012 is commonly referred to as the “3.0% at 50” benefit formula.

During 2010-2012 the County, ahead of many other governmental entities in California and nationwide, began a process of providing a lower level of retirement benefits for new-hire employees – commonly referred to as “Tier 2”. The Tier 2 level of pension benefit provided for new hires is commonly referred to as a “2.0% at 60” formula for Miscellaneous employees. The pension benefit in place for existing Tier 1 employees was not modified. During 2012 a similar Tier 2 benefit level was implemented by the County for Safety members and is commonly referred to as the “3.0% at 55” formula.

The Tier 2 benefits generally apply to employees first hired in 2010, 2011 and 2012 in the County’s unrepresented management employees and in the bargaining units representing the majority of the County’s Miscellaneous member workforce. Tier 2 benefits also apply to employees first hired with the Air Pollution Control District and the Pension Trust staff during 2010-2012. Due to the timing of collective bargaining processes, Tier 2 benefits were not implemented in 2012 for the County’s Probation members or for employees of the Superior Court. Those anticipated changes were superseded by the adoption of Tier 3 benefit levels as discussed below.

Implementation of Tier 3 Retirement Benefits -

During 2012 the State of California enacted the Public Employee Pension Reform Act (PEPRA) that mandated a reduced level of pension benefits for most new hire employees after January 1, 2013 (with some exceptions based on reciprocal service with other California pension systems). As a statewide mandate that applies to San Luis Obispo County, the PEPRA level of pension benefits as implemented by the County is known as “Tier 3” benefits. The Tier 3-PEPRA retirement allowance implemented for Miscellaneous members hired after January 1, 2013 is the formula authorized by PEPRA, commonly referred to as the “2.0% at 62” formula. For

Probation and Safety members the Tier 3-PEPRA retirement allowance is the formula commonly referred to as the “2.7% at 57” formula (which was one of the allowable formulas set forth in PEPRA). The implementation of both Tier 2 and Tier 3 benefit levels as adopted by the Plan Sponsor was accomplished by the Pension Trust by year end 2012 within the existing recordkeeping software’s capabilities.

Investments -

The Investment Section of this CAFR discusses the investment function of the Pension Trust in more detail including its Investment Policy and asset allocation. 2012 was a relatively calm year for service efforts and accomplishments related to the Pension Trust’s investments in 2012 and they included –

- High Yield Corporate Bonds – During 2011 in response to the identification of a tactical opportunity by Wurts & Associates as the Pension Trust’s investment consultant a reallocation of a portion of the TIPS bond portfolio to high yield corporate debt was accomplished. The high yield investment was placed in a mutual fund managed by Vanguard. As historically high yield spreads compressed as anticipated the allocation to high yield corporate debt was liquidated to capture the above average return for the period it was in place.

Actuarial Valuations -

The Pension Trust and its Board consider the key assumptions in the annual actuarial valuation each year and generally expects to change assumptions biennially in conjunction with actuarial experience studies. The Board’s stated policy is to reconsider changing any actuarial assumptions following receipt of the biennial actuarial experience studies. Logically, all actuarial assumptions should be considered together since they are interrelated in many ways. Making necessary changes to the assumptions simultaneously may minimize the impact of such changes both financially and administratively.

The latest biennial actuarial experience study was completed in 2012 and its findings were considered in the setting of assumptions for the January 1, 2012 (on 2011 data) annual actuarial valuation. The current key actuarial assumptions used in the 2011 and 2012 actuarial valuations (the most recent available as of the date of this writing) were as follows:

	Jan. 1, 2011	Jan. 1, 2012
	<u>Valuation</u>	<u>Valuation</u>
Earnings Assumption	7.75%	7.25%
Salary Growth Assumption	5.50%	3.25%
Payroll Growth Assumption	4.25%	3.75%

In addition updated demographic and mortality experience assumptions were implemented with the January 1, 2012 annual valuation to better reflect actual experience.

At the time of preparation of this CAFR, the January 1, 2013 actuarial valuation was being prepared, but the results were not yet available.

Acknowledgements:

I thank and express my gratitude to the Board of Trustees for its leadership and dedication to provide a strong retirement system. The Pension Trust has an unusually experienced and seasoned Board that works together and with Staff in a highly effective manner. I also thank the Pension Trust staff and advisors whose efforts make the successful operation of the Pension Trust possible. The Pension Trust is fortunate to have a small cadre of staff, legal counsel and advisors with long experience with the organization and in the public pension industry and a dedication to serving our members and our Board. Regarding this CAFR, I thank Carl Nelson, Deputy Executive Secretary and Amy Burke, Financial Accountant for their prodigious efforts in producing this third annual CAFR for the Pension Trust.

I will be retiring as the Executive Secretary of the Pension Trust in July 2013 after 28 years with the organization. I leave behind an organization and a staff of which I am very proud. I have enjoyed the opportunity to serve as the Executive Secretary for these past many years. I wish good luck to Carl Nelson, my Deputy Executive Secretary, whom the Board of Trustees has appointed to take my place when I retire.

Respectfully submitted,



Albert A. Petruzzi
Executive Secretary
San Luis Obispo County Pension Trust

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Luis Obispo County
Pension Trust, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morinell

President

Jeffrey R. Emer

Executive Director

Board of Trustees

As of December 31, 2012



Matt Janssen
President
Elected Member
Present term
expires July 2015



Caryn Maddalena
Vice President
Elected Member
Present term
expires July 2014



Dana O'Brien
Elected Member
Present term
expires July 2013



Gerry Sibbach
Appointed Member



Jeff Hamm
Appointed Member

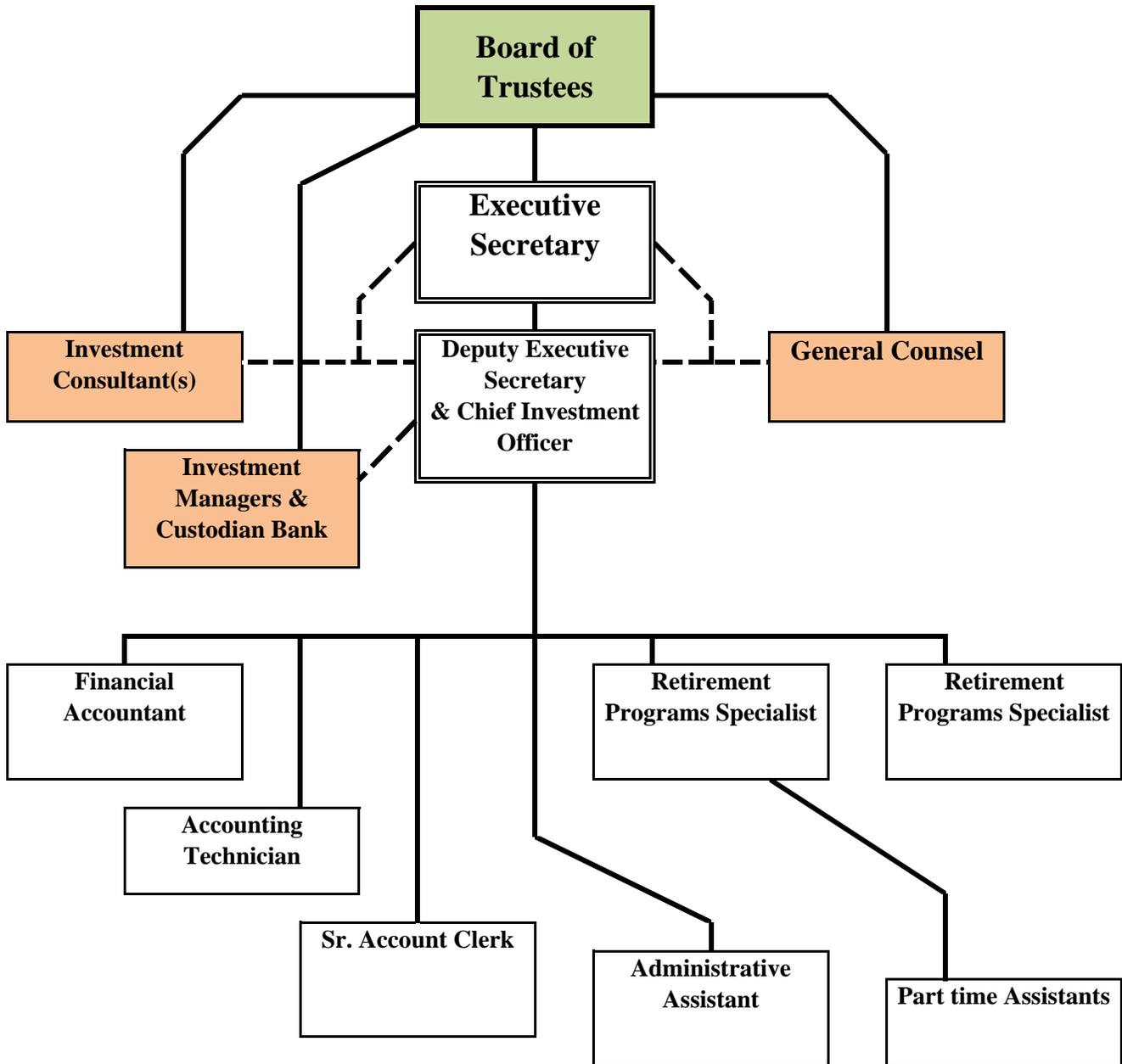


Art Bacon
Treasurer
Ex-Officio Member



Howard Mankins
Appointed Member

San Luis Obispo County Pension Trust
 Organization Chart - December 2012



See page 15 for outside consultants and investment managers.
 In addition, see Schedule of Investment Mangement Fees and Commission in the
 Investment section for more information on outside investment managers.

Professional Consultants

As of December 31, 2012

Actuarial

Actuary

Leslie Thompson, FSA

Gabriel, Roeder, Smith

Legal Services

General Counsel

Chris Waddell

Olson Hagel & Fishburn, LLP

Litigation

Tom Winfield

McKenna Long and Aldridge, LLP

Plan Qualification & Fiduciary Counsel

Don Wellington

Step toe & Johnson, LLP

Patent

Thinh Nguyen

Blakeley, Sokoloff, Taylor & Zafman, LLP

Audit

Auditor

Brown Armstrong Accountancy Corporation

Data Processing

Retirement Administration and Distribution
System (RAD) Software

Magenic Development Corp.

General Information Technology Support

County of San Luis Obispo Information
Technology Department

Investment Consultant

General Investment Consultant

Scott Whalen, CFA

Wurts & Associates

Investment Custodian

J.P. Morgan Chase

Investment Managers

Mason Capital Partners

Generalist Equity

Research Affiliates

Large Cap Domestic Equity

State Street Global Advisors

Large Cap Domestic Equity

Inflation Protected Bonds

Atlanta Capital

Small/Mid Cap Domestic Equity

Dodge & Cox

Vontobel

International Equity

PIMCO

Global Bonds

Brandywine Capital Mgmt.

International Bonds

Vanguard

High Yield Corporate Bonds

Long Wharf

J.P. Morgan

Real Estate

PIMCO

Harbourvest

KKR

Private Equity

BlackRock

Commodities

The Clifton Group

Cash Overlay

Property Management

J.B. Enterprises, Inc.

Directly owned Real Estate

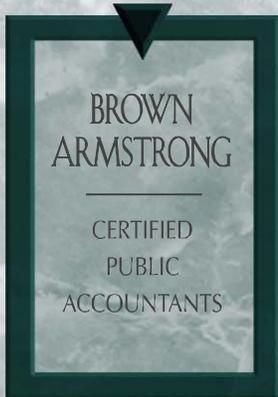
Property Management

This page left blank intentionally.

Financial Section



This page left blank intentionally.



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
San Luis Obispo County Pension Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the San Luis Obispo County Pension Trust ("the Plan"), which comprises the Statements of Net Plan Position as of December 31, 2012 and 2011, and the related Statements of Changes in Net Plan Position for the years then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

5250 CLAREMENT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Net Plan Position of the Plan as of December 31, 2012 and 2011, and the Changes in its Net Plan Position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and employer contributions be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's basic financial statements. The introductory section; other supplementary information; and investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurances on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2013, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Bakersfield, California
June 10, 2013

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION
Brown Armstrong
Accountancy Corporation

San Luis Obispo County Pension Trust

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



SAN LUIS OBISPO COUNTY PENSION TRUST MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2012 and 2011

June 10, 2013

We are pleased to provide this overview and analysis of the financial activities of the San Luis Obispo County Pension Trust (Pension Trust) for the years ended December 31, 2012 and 2011. The San Luis Obispo County Pension Trust was established on November 1, 1958. Some ten years later, the Board of Supervisors adopted the present By-Laws and San Luis Obispo County Employees Retirement Plan in order to improve the benefits to employees retiring after January 1, 1968. One of the principal objectives of the new 1968 Retirement Plan, and of subsequent amendments to that Retirement Plan, has been to provide benefits substantially comparable to those that would have been provided had the San Luis Obispo County (County) elected to join the California Public Employees' Retirement System but at a lesser cost to the County and its employees and with greater local control. The Pension Trust is established pursuant to Section 17 of Article XVI of the California Constitution and Government Code Sections 53215 et seq.

Financial Highlights

The Pension Trust's plan net position as of December 31, 2012 and 2011, was \$1,013,436,059 and \$906,350,380 respectively. The plan's net position represents the net position that is restricted for payment of pension benefits to participants and their beneficiaries and all of the net assets are available to meet the Plan's ongoing obligations.

The total Plan net position increased by \$107,085,679, primarily as a result of realized and unrealized gains in the investments that make up the majority of the Pension Trust's plan net position.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of January 1, 2012, the date of the last actuarial evaluation, approved June 2012, the funded ratio for all Plan agencies was 76.7%. In general, this indicates that for every dollar of benefits due, the Plan had approximately \$0.77 of assets available for payment as of that date.

Total additions to the plan's net position in 2012 were \$164,967,024, which includes member and employer contributions of \$56,149,203 and net investment income of \$108,817,821. Comparatively, in 2011 additions to the plan's net position were \$79,811,117, which included member and employer contributions of \$55,698,302 and net investment income of \$24,112,815.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to San Luis Obispo County Pension Trust's financial statements, which are comprised of these components:

1. Statement of Plan Net Position
2. Statement of Changes in Plan Net Position
3. Notes to the Financial Statements

This report also contains other supplementary information in addition to the basic financial statements.

The Statement of Plan Net Position is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Plan Net Position provides a view of the current year additions to and deductions from the Plan.

Both statements are presented in conformance with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standard Board (GASB). GASB requires certain disclosures and also requires local government pensions to report using the full accrual method of accounting. The Plan complies with all material requirements of these pronouncements.

Both statements are presented in conformance with GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans;" GASB Statement No. 34, "Basic Financial Statements;" GASB Statement No. 37 "Management's Discussion and Analysis for State and Local Governments;" GASB Statement No. 40, "Deposit and Investment Risk Disclosures" in the current Statement of Plan Net Position and the Statement of Changes in Plan Net Position for the year ended December 31, 2012.

The Statement of Plan Net Position and the Statement of Changes in Plan Net Position report information about the Plan's activities. These statements include all assets and liabilities using a full accrual basis of accounting as required for fiduciary funds in governmental accounting. All of the current year's additions and deductions are taken into account regardless of when cash is received or paid. Investment gains and losses are reported on a trade-date basis and both realized and unrealized gains and losses on investments are disclosed in the basic financial statements.

These two statements report the Plan's net position restricted for pension benefits (net position) – the difference between assets and liabilities – as one way to measure the Plan's financial position. Over time, increases and decreases in the Plan net position are one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Plan's overall health.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other Information: In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Plan's progress in funding its obligations to provide pension benefits to members.

Financial Analysis

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investment income (net of investment expense).

The net position restricted for pension benefits as of December 31, 2012, totaled \$1,013,436,059, an increase of \$107,085,679 from the beginning of the year. The increase in net position during 2012 was due primarily to a significant increase in asset values from realized and unrealized returns and investment income. During 2012 the rate of investment return on the Trust's investments as measured by the Trust's investment consultant was 12.8% gross of fees.

The net position restricted for pension benefits as of December 31, 2011, totaled \$906,350,380, an increase of \$25,396,966. The increase in net position during 2011 was due primarily to modest increases in asset values from realized and unrealized returns and investment income. During 2011 the rate of investment return on the Trust's investments as measured by the Trust's investment consultant was 3.4% gross of fees. A table comparison of selected current and prior year balances follows:

	2012	2011	Increase (Decrease)
Cash	\$ 26,729,382	\$ 30,286,166	\$ (3,556,784)
Investments at Fair Value	1,028,989,309	893,133,087	135,856,222
Receivables and Other Assets	31,065,869	15,772,127	15,293,742
Total Assets	1,086,784,560	939,191,380	147,593,180
Total Liabilities	73,348,501	32,841,000	40,507,501
Plan Net Position	<u>\$ 1,013,436,059</u>	<u>\$ 906,350,380</u>	<u>\$ 107,085,679</u>

	2011	2010	Increase (Decrease)
Cash	\$ 30,286,166	\$ 33,288,746	\$ (3,002,580)
Investments at Fair Value	893,133,087	870,288,578	22,844,509
Receivables and Other Assets	15,772,127	22,882,981	(7,110,854)
Total Assets	939,191,380	926,460,305	12,731,075
Total Liabilities	32,841,000	45,506,891	(12,665,891)
Plan Net Position	<u>\$ 906,350,380</u>	<u>\$ 880,953,414</u>	<u>\$ 25,396,966</u>

Additions to Plan Net Position

There are three primary sources of funding for the Plan benefits: earnings on investments of assets, employer contributions, and employee contributions. Income sources for the fiscal years ended December 31, 2012 and December 31, 2011, totaled \$164,967,024 and \$79,811,117, respectively. During 2012 employer contributions and Plan member contributions were approximately \$1.7 million less than deductions from the Plan position (benefits paid and administrative expenses). Comparatively, during 2011 the total contributions to the Plan were roughly \$1.3 million greater than deductions from the Plan position.

	Year Ended 2012	Year Ended 2011	Increase (Decrease)
Employer Contributions	\$ 30,942,038	\$ 30,435,940	\$ 506,098
Plan Member's Contributions	25,207,165	25,262,362	(55,197)
Net Investment income (loss)	108,817,821	24,112,815	84,705,006
Total Additions	<u>\$ 164,967,024</u>	<u>\$ 79,811,117</u>	<u>\$ 85,155,907</u>
Total Deductions from Plan Net Position	<u>\$ 57,881,345</u>	<u>\$ 54,414,151</u>	<u>\$ 3,467,194</u>

	Year Ended 2011	Year Ended 2010	Increase (Decrease)
Employer Contributions	\$ 30,435,940	\$ 32,148,424	\$ (1,712,484)
Plan Member's Contributions	25,262,362	24,548,625	713,737
Net Investment income (loss)	24,112,815	110,054,422	(85,941,607)
Total	<u>\$ 79,811,117</u>	<u>\$ 166,751,471</u>	<u>\$ (86,940,354)</u>
Total Deductions from Plan Net Position	<u>\$ 54,414,151</u>	<u>\$ 50,786,692</u>	<u>\$ 3,627,459</u>

The Annual Required Contributions and Percentage Contribution amounts on the Schedule of Employer Contributions were updated to conform to the actuarially determined requirements as shown on page 52. It is important to note that the Schedule of Employer Contributions on page 52 refers only to employer contributions and does not include employee contributions. The total contributions from employer and employees to the Plan for 2012 were \$56,149,203. The total contributions from employer and employees to the Plan for 2011 were \$55,698,302, compared to the Annual Required Contribution for 2011 of \$30,051,687.

Benefits and Expenses

The Plan was created to provide lifetime retirement annuities, survivor benefits, and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the Plan, refund of contributions to terminated employees, and the cost of administering the Plan. Below is a comparison of selected current and prior year balances:

	Year Ended 2012	Year Ended 2011	Increase (Decrease)
Benefits	\$ 54,547,801	\$ 50,415,132	\$ 4,132,669
Refund of Contributions	1,138,238	1,658,678	(520,440)
Death Benefit	125,658	430,358	(304,700)
Other Administrative	1,986,990	1,834,334	152,656
Actuarial Expenses	82,658	75,649	7,009
	<u>\$ 57,881,345</u>	<u>\$ 54,414,151</u>	<u>\$ 3,467,194</u>
	Year Ended 2011	Year Ended 2010	Increase (Decrease)
Benefits	\$ 50,415,132	\$ 46,801,041	\$ 3,614,091
Refund of Contributions	1,658,678	1,642,293	16,385
Death Benefit	430,358	362,380	67,978
Other Administrative	1,834,334	1,859,445	(25,111)
Actuarial Expenses	75,649	121,533	(45,884)
	<u>\$ 54,414,151</u>	<u>\$ 50,786,692</u>	<u>\$ 3,627,459</u>

The Plan as a Whole

Despite variations in the financial markets, the Pension Trust's management believes that the Pension Trust is in reasonably sound financial position to meet its obligations to the retirees, beneficiaries, and Plan members. The current financial position results from a diversified investment program that prudently balances expected risk and return, and an effective system of cost control and strategic planning.

Requests for Information

This financial report is designed to provide the Board of Trustees, our membership, taxpayers, and investment managers with a general overview of Pension Trust finances and to demonstrate Pension Trust's accountability for the funds under its stewardship. Please address any questions about this report or requests for additional financial information to:

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Albert A. Petruzzi', with a long horizontal flourish extending to the right.

Albert A. Petruzzi
Executive Secretary

June 10, 2013

SAN LUIS OBISPO COUNTY PENSION TRUST
STATEMENT OF PLAN NET POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Cash	\$ 26,729,382	\$ 30,286,166
Receivables:		
Accrued Interest and Dividends Receivable	1,458,995	1,600,775
Accounts Receivable	2,302	2,740
Contributions Receivable	1,271,405	1,066,722
Securities Sold	27,190,488	10,928,785
Notes Receivable	-	785,770
Total Receivables	29,923,190	14,384,792
Investments		
Bonds and Notes, at Fair Value	234,358,948	205,462,434
International Fixed Income, at Fair Value	77,437,442	76,577,567
Collateralized Mortgage Obligations, at Fair Value	11,358,406	12,330,076
Domestic Equities, at Fair Value	306,004,221	293,628,642
International Equities, at Fair Value	242,966,186	183,910,820
Alternative Investments, at Fair Value	64,954,235	54,515,134
Real Estate, at Fair Value	91,896,741	66,708,414
Other Investments, at Fair Value	13,130	-
Total Investments	1,028,989,309	893,133,087
Other Assets		
Prepaid benefits	180,441	165,117
Capital Assets - Net of Accumulated Depreciation	962,238	1,222,218
Total Other Assets	1,142,679	1,387,335
Total Assets	\$ 1,086,784,560	\$ 939,191,380
LIABILITIES		
Securities Purchased	72,169,322	31,933,963
Accrued Liabilities	1,179,179	907,037
Total Liabilities	\$ 73,348,501	\$ 32,841,000
PLAN NET POSITION		
Net Position Restricted for Pensions	\$ 1,013,436,059	\$ 906,350,380

The accompanying notes are an integral part of these financial statements.

This page left blank intentionally

**SAN LUIS OBISPO COUNTY PENSION TRUST
STATEMENTS OF CHANGES IN PLAN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
ADDITIONS		
Contributions		
Employer Contributions	\$ 30,942,038	\$ 30,435,940
Plan Member Contributions	25,207,165	25,262,362
Total Contributions	56,149,203	55,698,302
Investment Income		
Realized and Unrealized Gains and Losses	90,761,642	6,493,068
Interest	5,930,403	7,718,954
Dividends	14,698,049	12,280,441
Real Estate Management Trust Income	92,675	(71,054)
Real Estate Operating Income, Net	1,420,070	1,488,738
Other Investment Income, Net	(29,670)	-
Investment Expenses	(4,055,348)	(3,797,332)
Net Investment Income	108,817,821	24,112,815
Total Additions	\$ 164,967,024	\$ 79,811,117
DEDUCTIONS		
Benefits		
Monthly Benefit Payments	54,547,801	50,415,132
Refund of Contributions	1,138,238	1,658,678
Death Benefits	125,658	430,358
Total Benefits	55,811,697	52,504,168
Other Expenses		
Administration and Actuarial	2,069,648	1,909,983
Total Deductions	\$ 57,881,345	\$ 54,414,151
Net Increase (Decrease) in Plan Net Position	\$ 107,085,679	\$ 25,396,966
Net Position Restricted for Pensions - December 31, 2011 and December 31, 2010	906,350,380	880,953,414
Net Position Restricted for Pensions - December 31, 2012 and December 31, 2011	\$ 1,013,436,059	\$ 906,350,380

The accompanying notes are an integral part of these financial statements.

This page left blank intentionally

**SAN LUIS OBISPO COUNTY PENSION TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 1 – PLAN DESCRIPTION

The San Luis Obispo County Employees Retirement Plan (the “Plan”) is a single employer contributory defined benefit pension plan for employees of the County of San Luis Obispo (the “County”) and certain contracting agencies (collectively, the “Employer”). The Plan is a pension trust fund of the County and is reported as a fiduciary fund in the financial reports of the County. The Plan exists, operates, and is constituted under the authority of Section 53215 of Section 17 of Article XVI of the California Constitution and Government Code Article 1.5 (Pension Trusts), of Chapter 2 (Officers and Employees), of Part 1 (Powers and Duties Common to Cities, Counties and Other Agencies), of Division 2 (Cities, Counties and Other Agencies), of Title 5 (Local Agencies) of the California Government Code.

Pursuant to the foregoing Government Code provisions, the Board of Supervisors of the County established the San Luis Obispo County Pension Trust by the adoption of Chapter 2.56 of the San Luis Obispo County Code. Following the adoption of Chapter 2.56 of the County Code, the Board of Supervisors adopted the By-Laws of the Plan. The San Luis Obispo County Employees Retirement Plan is a part of those By-Laws. The County of San Luis Obispo Board of Supervisors may amend the Plan’s provisions. Under terms of the Plan, governance of the Plan is assigned to the Board of Trustees (the “Board”) specified in the Plan.

The applicable retirement formula, minimum retirement age, compensation base, post retirement cost of living adjustment, cost of living adjustment carry over, and final compensation maximum may differ depending upon the Plan provisions in effect at the member’s date of hire, the member’s classification, and the member’s bargaining unit. The normal retirement age for Safety and Probation Officer members is 55 and normal retirement age for Miscellaneous members is 60. The Plan permits early retirement for all participants at age 50 with 5 or more years of pension trust service credits. Participants receive their accumulated Plan benefits as a life annuity payable monthly upon retirement. In the event of total and permanent disability, participants upon satisfaction of membership requirements and other applicable provisions of the Plan may receive disability benefits as defined in the Plan document. The Plan provides for an annual Cost of Living Adjustment (COLA) based on the Consumer Price Index. The Plan also provides death benefits.

Total participants of the Plan were comprised of the following as of December 31, 2012, and December 31, 2011:

	2012	2011
Retirees and Beneficiaries Currently Receiving Benefits	2,147	2,040
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	445	449
Active Plan Participants		
Vested	1,893	1,804
Nonvested	602	642
Total	5,087	4,935

The actuarial funding policy of the Plan is established and amended in accordance with the purpose, objectives, methods, and guidelines described in the Plan. The Employer’s appropriations and participants’ contributions are designed to fund annually the Plan’s Actuarially Required Contribution as determined under the Entry Age Normal Cost Method.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN POSITION MATTERSGeneral

The Plan's financial statements are prepared on the accrual basis of accounting. Participants are required to contribute to the Plan at rates ranging from 4.89% to 23.98% of includable compensation as defined in the Plan, depending upon the collective bargaining agreement under which the participant is covered. Such contributions, along with Employer appropriations are currently invested in corporate notes, bonds, collateralized mortgage obligations, equities, futures, real estate investment funds, equity real estate holdings, alternative investments, and short-term cash investments. All assets are invested and held pursuant to, and in accordance with, the Investment Policy of the Plan Board of Trustees. Employee contributions and Employer appropriations are recognized as revenues in the period in which they are due pursuant to formal commitments and statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation (depreciation) in fair value of investments held by the Plan is recorded as an increase (decrease) to investment income based on the valuation of investments at year-end.

Fair Valuation of InvestmentsSecurities

Securities are stated at fair value based upon closing sales prices reported on recognized securities exchanged on the last business day of the period or, for listed securities having no sales reported and for unlisted securities, based on last reported bid prices. All purchases and sales of securities are accounted for on a trade date basis, and dividends declared but not received are accrued on the ex-dividend date. Realized gains or losses of securities are determined on the basis of average cost. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments. Realized gains and losses of the current period include, or may include, unrealized amounts from prior periods.

Administrative Expenses

Administrative expenses represent actuarial and professional fees, salaries of the Plan's administrative personnel, insurance, occupancy costs, and services purchased from the County and other vendors and are paid from the assets of the Plan. Administrative expenses paid from the assets of the Plan are financed from both investment earnings and contributions.

Real Estate

Rental properties are valued at estimated fair value, which has been determined by appraisals performed by individual real estate advisors. Depreciation is not recorded on rental properties.

Private Equity

Private equities are valued on estimated fair values as determined by the investment manager.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN POSITION MATTERS (continued)Reserves

Employee and Employer contributions are allocated to various reserve accounts (titled “Member Deposits”, “Current Reserve” and “Cost of Living Adjustment” respectively) based on actuarial determinations. Reserve accounts are specified further in the Retirement Plan. The purpose of the Member Deposits Reserve, Current Reserve and Cost of Living Adjustment Reserve are to account for the portion of the Trust’s position that is attributable to the cumulative contributions and interest of active members and the employer respectively. The balances in various reserve accounts are presented as part of “Other Supplementary Information”. Member Deposits Reserve and Current Reserve accounts are fully funded, but the aggregate of all reserve accounts is funded only to the extent of the Plan as a whole.

Income Taxes

The Internal Revenue Service has ruled that the Plan qualified under Section 401(a) of the Internal Revenue Code and is therefore not subject to tax under income tax laws in effect at the time of its ruling. Accordingly, no provision for income taxes has been made in the accompanying financial statements, as the Plan is exempt from federal and state income taxes.

Management’s Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Market and Credit Risk

The Plan’s exposure to credit loss in the event of nonperformance of its investments is limited to the carrying value of such instruments. The Plan’s concentration of credit risk and market risk are dictated by the Plan’s investment guidelines. Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities, and the level of uncertainty related to changes in the value of these investments, it is at least reasonably possible that changes in risks in the near-term could materially affect the amounts reported in the Statement of Plan Net Position and the Statement of Changes in Plan Net Position.

The Plan holds a number of real estate investments, the larger portion of which is in the form of real estate commingled funds. The Plan’s real estate holdings not in commingled real estate funds are invested in properties located in the County.

Reclassifications

The financial statement presentation for 2011 has been changed to conform to the presentation in 2012.

NOTE 3 – CAPITAL ASSETS

Depreciation and amortization of capital assets is computed by the straight-line method based on the cost of the capital assets over the estimated useful lives of the capital assets, which range from 5 to 40 years. Capital assets are recorded at historical costs. Changes in capital assets are as follows:

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012
Office Equipment	\$ 77,496	\$ -	\$ -	77,496
Software	2,524,414	-	-	2,524,414
Accumulated Depreciation	(1,379,692)	(259,980)	-	(1,639,672)
	<u>\$ 1,222,218</u>	<u>\$ (259,980)</u>	<u>\$ -</u>	<u>\$ 962,238</u>

	Balance Jan. 1, 2011	Additions	Deletions	Balance Dec. 31, 2011
Office Equipment	\$ 123,938	\$ -	\$ (46,442)	\$ 77,496
Software	2,524,414	-	-	2,524,414
Accumulated Depreciation	(1,162,242)	(263,892)	46,442	(1,379,692)
	<u>\$ 1,486,110</u>	<u>\$ (263,892)</u>	<u>\$ -</u>	<u>\$ 1,222,218</u>

Depreciation and amortization expense for the years ended December 31, 2012 and 2011, where \$259,980 and \$263,892, respectively.

NOTE 4 – CONTRIBUTIONS AND RESERVES

Periodic Employer appropriations to the Plan are determined on an actuarial basis using the Entry Age Normal Cost Method. The Entry Age Normal Cost Method identifies a normal cost and an accrued liability. This method was adopted in 2001 by the Board. The Board also elected an initial amortization period for the payment of the unfunded accrued liability of 30 years. Changes in the value of Plan assets have generally been smoothed over a five year period to arrive at the Actuarial Value of Assets under the Entry Age Normal Cost Method.

During June of 2012, the Board recommended the continuation without increase or decrease from the level of total contributions in effect from 2010 and 2011 the level of total contributions from the Employer for periods effective July 1, 2012. The unchanged total contribution rate took into consideration: a) continuing with the remaining 28 years of the 30 year the amortization for unfunded liabilities that was reset in 2010 to 30 years; b) continuing the smoothing of the 2008 asset loss to a 10-year basis instead of the 5-year smoothing applied otherwise, c) a reduction in the assumed investment rate of return from 7.75% to 7.25%; d) a decrease in the assumed rate of compensation increase from 4.25% to 3.25%; and, e) updated mortality tables. The Employer implemented the existing total contribution rates effective January 1, 2010 and they remained unchanged in 2011 and 2012.

NOTE 4 – CONTRIBUTIONS AND RESERVES (continued)

Actuarially Required Contribution (ARC): For some years prior to 2003, the Employer prepaid its annual ARC to the Plan in a single payment at the beginning of the Employer's fiscal year (July 1). In 2003, the Plan Sponsor began paying its ARC on a biweekly basis in conjunction with the usual Plan Sponsor payroll process. It is the policy of the Employer to contribute the Full Actuarially Required Contribution through a combination of Employer appropriations and employee contributions.

The net position restricted for pension benefits is allocated among various reserves. From January 1, 2012, through December 31, 2012, these reserves were generally credited with interest at the rate of 7.25% for reserves for Member Deposits and 7.75% for other reserves. Any interest or dividends earned in excess of the amount required to be credited to the various reserves is accumulated in the contingency reserve.

NOTE 5 – DEPOSITS AND INVESTMENT RISK DISCLOSURESInvestment Stewardship

Except as otherwise expressly restricted by the California Constitution and by law, the Board may, at its discretion, invest or delegate the investment of the assets of the Plan through the purchase, holding, or sale of any form or type of instrument, or financial transaction when prudent in the informed opinion of the Board. In addition, the Board has established an Investment Policy, which establishes specific asset allocation parameters that govern the compositional mix of cash, fixed income and equity securities, alternative investments, and real estate investments. The Plan currently employs an external investment consultant and external investment managers to manage its assets subject to the guidelines of the Investment Policy.

Investment Risk

Investments are subject to certain types of risks, including interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk), and foreign currency risk. The following describes those risks:

Interest Rate Risk

The fair value of fixed income investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those investments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed income investments may have call provisions that could result in shorter maturity periods. The Plan's Investment Policy controls interest rate risk in general through its approved asset allocation to fixed income investments and investment guidelines approved for each investment manager. In addition, interest rate risk for any given fixed income portfolio is controlled by investment guidelines particular to each portfolio or investment manager that specify permissible minimum and maximum maturities relative to the relevant fixed income market index benchmark.

NOTE 5 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (continued)

The following schedule is a list of fixed income and short-term investments and the related maturity schedule for the Plan as of December 31, 2012:

Investment Type	Investment Maturities (in years)				Fair Value
	Less Than 1 year	1-5 Years	6-10 Years	More than 10 years	
Collateralized Mortgages	\$ -	\$ -	\$ -	\$ 11,358,406	\$ 11,358,406
Corporate Bonds	4,245,257	12,809,487	16,449,315	15,480,362	48,984,421
Derivatives (Opt/Swaps)	(2,908,192)	-	-	-	(2,908,192)
Municipal Bonds	900,000	-	253,436	10,935,848	12,089,284
US Government&Agencies	-	39,627,893	64,886,317	68,936,844	173,451,054
Foreign Corporate Bonds	899,955	8,919,117	7,687,300	2,884,554	20,390,926
Foreign Government Bonds	12,415,019	8,310,720	16,937,908	19,382,869	57,046,516
Other Short Term Investments	2,742,381	-	-	-	2,742,381
Total	\$ 18,294,420	\$ 69,667,217	\$ 106,214,276	\$ 128,978,883	\$ 323,154,796

NOTE 5 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (continued)

The following schedule is a list of fixed income and short-term investments and the related maturity schedule for the Plan as of December 31, 2011:

Investment Type	Investment Maturities (in years)				Fair Value
	Less Than 1 year	1-5 Years	6-10 Years	More than 10 years	
Collateralized Mortgages	\$ -	\$ -	\$ 551,567	\$ 22,413,760	\$ 22,965,327
Corporate Bonds	17,645,536	37,998,508	40,996,654	7,629,227	104,269,925
Derivatives (Opt/Swaps)	(3,232,957)	-	-	-	(3,232,957)
Municipal Bonds	-	915,138	-	9,541,459	10,456,597
US Government&Agencies	-	664,461	16,384,983	85,541,809	102,591,253
Foreign Corporate Bonds	-	-	-	4,375,154	4,375,154
Foreign Government Bonds	8,963,208	11,761,237	18,674,813	13,545,520	52,944,778
Total	\$ 23,375,787	\$ 51,339,344	\$ 76,608,017	\$ 143,046,929	\$ 294,370,077

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution's failure, the Plan would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. Under the California Government Code, a financial institution is required to secure deposits in excess of \$250,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits. Such collateral is held by the pledging financial institution's trust department or agent in the Plan's name.

At year-end, the carrying amount of the Plan's cash deposits was \$26,729,382 (which includes cash equivalents) and the bank balance was \$17,874,093. The difference between the bank balance and the carrying amount represents cash and cash equivalents held in transition by the Investment Custodian and various investment managers. Of the bank balance, \$500,000 was covered by the Federal Deposit Insurance Corporation, and \$17,374,093 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code. The Plan's policy is to confirm the existence and allocation of the bank's collateral with the State of California Local Agency Commission not less than annually, and to confirm the existence of insurance in the Plan's name.

NOTE 5 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in the Plan's name, and held by the counterparty. The Plan's investment securities are not exposed to custodial credit risk because all securities held by the Plan's custodial bank are in the Plan's name.

The Board's investment policies and guidelines permit investments in numerous specified asset classes to take advantage of professional investment management advice and a well-diversified portfolio. The investment portfolio contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5% or more of plan net assets.

Credit Risk

The Plan's general investment policy is to apply the prudent person rule. Investments are made as a prudent person would be expected to act, with discretion and for the exclusive purposes of providing benefits, minimizing contributions, and defraying reasonable expenses of administering the Plan. Investments should be diversified so as to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so.

Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors. For example, the financial condition of the issuers provides investors with some idea of the issuer's ability to meet its obligations. Fixed-maturity investments may consist of rated or non-rated securities. Ratings can range from AAA (highest quality) to D (default). Debt securities with ratings of BBB or higher are considered investment grade issues, and debt securities with ratings of BB or lower are non-investment grade issues. Debt securities in the non-investment grade category are more speculative and are often referred to as "high-yield." This is due to the fact that lower rated debt securities generally carry a higher interest rate to compensate the buyer for taking on additional risk.

NOTE 5 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)

The following is a schedule of the credit risk ratings comparison of the Plan's fixed income and short-term investments as of December 31, 2012, and December 31, 2011, as rated by Standard & Poor's equivalent ratings.

Quality Rating	2012		2011	
	%	Fair Value	%	Fair Value
AAA	68.06%	\$ 219,929,095	47.89%	\$ 140,977,020
AA+	1.01%	3,267,207	4.12%	12,114,401
AA	5.40%	17,466,124	4.05%	11,919,708
AA-	1.10%	3,570,008	3.25%	9,561,069
A+	1.65%	5,329,264	4.49%	13,229,968
A	3.66%	11,824,164	7.91%	23,298,420
A-	3.21%	10,363,555	3.93%	11,578,962
BBB+	2.40%	7,769,607	2.85%	8,401,286
BBB	7.79%	25,162,406	4.73%	13,917,481
BBB-	3.33%	10,757,521	3.64%	10,728,916
Subtotal Investment Grade	97.61%	315,438,951	86.87%	255,727,231
BB+	0.82%	2,636,073	1.63%	\$ 4,790,808
BB	0.71%	2,303,499	5.99%	17,636,576
BB-	1.14%	3,675,166	0.75%	2,218,749
B+	0.73%	2,353,508	1.57%	4,618,224
B	-2.34%	(7,567,479)	1.87%	5,501,052
B-	0.62%	2,017,628	0.33%	971,356
CCC+	0.17%	547,492	0.02%	66,395
CCC	0.21%	681,462	0.68%	2,015,843
CCC-	0.05%	169,027	0.00%	-
C	0.28%	899,469	0.14%	407,199
Not Rated	0.00%	-	0.14%	416,644
Subtotal Non-Investment Grade	2.39%	7,715,845	13.13%	38,642,846
Total Fixed Income and Short-Term Investments	100.00%	\$ 323,154,796	100.00%	\$ 294,370,077

NOTE 5 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)*Foreign Currency Risk*

Foreign currency risk is the risk that occurs when changes in exchange rates may adversely affect the fair value of an investment. The Plan's external investment managers may invest in international securities and must follow the Plan's Investment Policy pertaining to these types of investments. The Plan's policy on foreign currency risk is specified in its Investment Policy and does not place specific limitations on currency exposure. The Plan's Investment Policy controls currency exposure risk in general through its approved asset allocation to international investments which may be valued in various foreign currencies. The Plan's exposure to foreign currency risk in U.S. Dollars as of December 31, 2012 and December 31, 2011, were as follows:

Currency	2012 Fair Value	2011 Fair Value
Euro Currency	\$ 69,015,095	\$ 37,447,117
British Pound	64,651,582	50,993,555
Swiss Franc	31,119,379	20,093,897
Japanese Yen	15,394,120	15,344,501
Canadian Dollars	14,462,564	14,067,105
Mexican Peso	8,952,189	6,799,673
Australian Dollars	5,038,322	6,368,410
Danish Krone	4,302,438	3,561,956
Polish Zloty	3,674,992	3,150,737
Hong Kong Dollar	3,282,097	2,036,162
South Korean Won	2,475,838	3,349,369
Malaysian Ringit	2,289,763	2,404,643
South African Rand	1,995,143	7,652,383
Chilean Peso	1,953,793	1,477,066
Brazilian Real	1,276,685	10,069,251
New Zealand Dollar	124,050	171,400
Chinese Renminbi	-	5,163,200
Singapore Dollar	-	2,442,232
Turkish New Lira	-	1,784,320
Swedish Krona	-	1,656,499
Indonesian Rupiah	-	1,019,611
Thailand Baht	-	849,676
Norwegian Kroner	-	671,123
India Rupee	-	424,838
United Arab Emirates Dirham	-	84,968
Total	\$ 230,008,050	\$ 199,083,692

NOTE 6 – INVESTMENTS IN BONDS AND NOTES AND COLLATERALIZED MORTGAGE OBLIGATIONS

The summary of investments held by the Plan in bonds, notes, and collateralized mortgage obligations at December 31, 2012, is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Bonds and Notes - Domestic	\$ 204,329,782	\$ 210,695,077
Bonds and Notes - International	27,137,343	25,749,793
Collateralized Mortgage Obligations	9,648,265	11,358,406
Subtotal	<u>\$ 241,115,390</u>	<u>\$ 247,803,276</u>
	<u>Cost</u>	<u>Fair Value</u>
Brandywine International Fixed Income Fund	\$ 35,450,324	\$ 51,687,649
State Street Global Assets TIPS Index Fund	20,934,024	23,663,871
Subtotal	<u>\$ 56,384,348</u>	<u>\$ 75,351,520</u>
	<u>\$ 297,499,738</u>	<u>\$ 323,154,796</u>

The summary of investments held by the Plan in bonds, notes, and collateralized mortgage obligations at December 31, 2011, is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Bonds and Notes	\$ 154,757,797	\$ 157,295,515
Bonds and Notes - International	29,418,079	26,222,469
Collateralized Mortgage Obligations	11,164,872	12,330,076
Subtotal	<u>\$ 195,340,748</u>	<u>\$ 195,848,060</u>
	<u>Cost</u>	<u>Fair Value</u>
Brandywine International Fixed Income Fund	\$ 39,277,484	\$ 50,355,098
State Street Global Assets TIPS Index Fund	20,934,024	22,126,600
Vanguard High Yield Corporate Fund	25,541,529	26,040,319
Subtotal	<u>\$ 85,753,037</u>	<u>\$ 98,522,017</u>
	<u>\$ 281,093,785</u>	<u>\$ 294,370,077</u>

NOTE 7 – DERIVATIVES

The Board has authorized certain investment managers to invest in, or otherwise enter into transactions involving derivative financial instruments when, in the judgment of management, such transactions are consistent with the investment objectives established for a specific investment manager's assignment. A professional investment consultant is employed to monitor and review each investment manager's securities and derivative position as well as the manager's performance relative to established benchmark rates of return and risk measures. In management's opinion, derivative activities must be evaluated within the context of the overall portfolio performance and cannot be evaluated in isolation. Investment derivatives involve the following types of risks:

Market Risk

Market risk is the risk of change in value of an instrument in response to changes in a market price or index. While all investments are subject to market risk, derivatives often have a higher degree of market risk than other types of investment instruments. Values of cash securities containing derivative features are often more susceptible to market risk than other types of fixed income securities because the amounts and/or timing of their scheduled cash flows may fluctuate under changing market conditions, according to their contractual terms. For other types of derivatives, amounts of contractual cash flows may be either positive or negative depending upon prevailing market conditions relative to the reference prices or rates, and thus the values of such instruments may be positive or negative, despite the fact that little or no cash is initially exchanged to enter into such contracts.

Credit Risk

Credit risk of cash securities containing derivative features is based upon the credit worthiness of the issuers of such securities. The Plan establishes minimum credit requirements for such securities. Exchange traded derivatives are generally considered to be of lower credit risk than over-the-counter derivatives due to the exchange's margin requirements.

Derivative financial instruments held by the Plan from time to time consist of the following:

Futures Contracts: A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset, at a specified future date for a specified price. Payment for the transaction is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

Option Contracts: An Option contract is a type of derivative security in which a buyer (purchaser) has the right, but not the obligation to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Swap Agreements: A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. No principal is exchanged at the beginning of the swap. The cash flows the counterparties exchange are tied to a "notional" amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The Fair Value represents the gains or losses as of the prior marking-to-market.

NOTE 7 – DERIVATIVES (Continued)

The Investment Derivatives schedule below reports the fair value balances and notional amounts of derivatives outstanding as of December 31, 2012, as well as the fair value and changes in fair value of derivatives as of December 31, 2011:

Derivative Type	2012		2011	2012/2011
	Notional Amount	Fair Value	Fair Value	Change in Fair Value
Futures Contracts	\$ 58,369,132	\$ 32,348,382	\$ 108,609,744	\$ (76,261,362)
Options Contracts	(36,300,000)	(453,721)	(241,072)	(212,649)
Swap Agreements	(2,955,577)	(295,331)	(2,423,984)	2,128,653
	<u>\$ 19,113,555</u>	<u>\$ 31,599,330</u>	<u>\$ 105,944,688</u>	<u>\$ (74,345,358)</u>

Note: Value does not include offsetting liability or asset associated with the position(s).

All investment derivative positions are included in investments at fair value on the Statement of Plan Net Position. All changes in fair value are reported in the Net Realized and Unrealized Gains and Losses of investments in the Statement of Changes in Plan Net Position.

NOTE 8 – DOMESTIC EQUITIES

The summary of investments held by the Plan in domestic equities at December 31, 2012 is as follows:

	Cost	Fair Value
Atlanta Capital Small/Mid Cap Portfolio	\$ 34,107,295	\$ 45,789,793
Research Affiliates Fundamental Index Fund	36,020,687	44,836,895
State Street Global Assets S&P 500 Index Fund	35,660,310	40,142,458
Mason Diversified Equity Portfolio	80,247,436	111,997,126
Mason High Yield Equity Portfolio	51,750,377	63,237,949
Clifton Group - Cash Overlay	(145,564)	-
	<u>\$ 237,640,541</u>	<u>\$ 306,004,221</u>

NOTE 8 – DOMESTIC EQUITIES (continued)

The summary of investments held by the Plan in domestic equities at December 31, 2011, is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Atlanta Capital Small/Mid Cap Portfolio	\$ 33,399,474	\$ 39,990,724
Research Affiliates Fundamental Index Fund	35,546,838	38,431,077
State Street Global Assets S&P 500 Index Fund	39,504,030	38,314,399
Mason Diversified Equity Fund	79,848,432	110,133,029
Mason High Yield Equity Fund	54,444,237	66,719,649
Clifton Group - Cash Overlay	7,538	39,764
	<u>\$ 242,750,549</u>	<u>\$ 293,628,642</u>

NOTE 9 – INTERNATIONAL EQUITIES

The summary of investments held by the Plan in international equities at December 31, 2012, is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Dodge & Cox International Stock Index fund	\$ 135,212,588	\$ 118,941,764
Vontobel International Equity Fund	109,205,691	124,024,422
	<u>\$ 244,418,279</u>	<u>\$ 242,966,186</u>

The summary of investments held by the Plan in international equities at December 31, 2011, is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Dodge & Cox International Stock Index fund	\$ 117,701,946	\$ 84,967,600
Vontobel International Equity Fund	99,322,082	98,943,220
	<u>\$ 217,024,028</u>	<u>\$ 183,910,820</u>

NOTE 10 – ALTERNATIVE INVESTMENTS

The summary of investments held by the Plan in alternative investments at December 31, 2012 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
BlackRock Commodities Index Fund	\$ 34,000,211	\$ 37,137,421
Harbourvest Fund IX (buyout) LP	2,950,000	2,789,409
PIMCO Distressed Credit LP	16,549,536	17,772,594
KKR Mezzanine Debt Fund I LP	7,460,986	7,254,811
	<u>\$ 60,960,733</u>	<u>\$ 64,954,235</u>

The summary of investments held by the Plan in alternative investments at December 31, 2011 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
BlackRock Commodities Index Fund	\$ 34,000,211	\$ 37,492,395
Harbourvest Fund IX (buyout) LP	600,000	501,154
PIMCO Distressed Credit LP	11,000,000	10,892,107
KKR Mezzanine Debt Fund I LP	6,065,946	5,629,478
	<u>\$ 51,666,157</u>	<u>\$ 54,515,134</u>

NOTE 11 – REAL ESTATE INVESTMENT TRUSTS

A portion of the Plan's domestic equity investments may from time to time contain a portion invested in Real Estate Investment Trusts.

NOTE 12 – INVESTMENTS IN REAL ESTATE

The summary of investments held by the Plan in real estate at December 31, 2012 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Real Estate Held for Investment - Separate Account	\$ 29,536,687	\$ 26,877,880
Fidelity Real Estate Equity Growth Funds II & III	11,275,449	8,963,040
J.P. Morgan Strategic Properties Fund	55,236,828	56,055,821
	<u>\$ 96,048,964</u>	<u>\$ 91,896,741</u>

NOTE 12 – INVESTMENTS IN REAL ESTATE (Continued)

The summary of investments held by the Plan in real estate at December 31, 2011 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Real Estate Held for Investment - Separate Account	\$ 29,816,618	\$ 26,982,810
Fidelity Real Estate Equity Growth Funds II & III	12,352,789	9,197,149
J.P. Morgan Strategic Properties Fund	35,237,482	30,528,455
	<u>\$ 77,406,889</u>	<u>\$ 66,708,414</u>

The Real Estate Held for Investment – Separate Account is held in the form of a Title Holding Corporation organized in the State of California under the name Fiduciary Properties, Inc. (“FPI”), an Internal Revenue Code Section 501(c)(25) qualified subsidiary. The Internal Revenue Service approved FPI’s request for determination as exempt from federal income tax on August 1, 1995. The following is a summary of FPI’s financial position:

Title Holding Corporations' Financial Position		
As of December 31,		
	<u>2012</u>	<u>2011</u>
Assets	\$ 27,005,068	\$ 27,100,153
Less: Liabilities	127,188	117,343
Net Assets	<u>\$ 26,877,880</u>	<u>\$ 26,982,810</u>
Net Income	<u>\$ 1,665,562</u>	<u>\$ 428,738</u>

FPI’s historical tax returns and determination letter are available for public inspection at the offices of the Plan.

Related Party Transactions

The Plan is the sole shareholder of FPI. The Plan occupies a portion of one of the real properties owned by FPI. The monetary value of the real property is included in assets available to pay benefits to the Plan. The Plan does not compensate FPI for occupancy and FPI’s financial results are reported on a consolidated basis within these financial statements.

NOTE 13 – OTHER INVESTMENTS

In January of 2012 the Board of Trustees of the Pension Trust approved the formation of a wholly owned subsidiary Limited Liability Company to account for and collect all costs and revenues associated with license fees anticipated to be received from the sale by other parties of the Pension Trust's internally developed pension software. The subsidiary was formed in July of 2012 as a limited liability company under the State of California and named Retirement Benefits Software, LLC ("RBS"). The following is a summary of RBS's financial position as of December 31, 2012:

Retirement Benefits Software, LLC's Financial Position as of December 31,		2012
Assets		\$ 13,130
Less: Liabilities		-
Net Assets		\$ 13,130
 Net Income		 \$ (29,670)

NOTE 14 – FUNDED STATUS

The Plan's funded status based on the most recent actuarial valuation performed by Gabriel, Roeder, Smith and Company as of December 31, 2011, (the date of the most recent actuarial valuation for which data is available) is as follows:

Schedule of Funded Status (Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/12	\$ 1,057,922	\$ 1,378,549	\$ 320,627	76.7%	\$ 161,055	199.1%

Disclosure of Information about Actuarial Methods and Assumptions

The required Schedule of Funding Progress immediately following the Notes to the Financial Statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations are based on the benefits provided under the terms of the substantive Plan in effect at the time of each valuation and on the pattern of sharing of costs between the employers and Plan members to that point.

NOTE 14 – FUNDED STATUS (Continued)

The projection of benefits for financial reporting does not explicitly incorporate the potential effect of legal or contractual funding limitations on the pattern of cost-sharing between the employer and the Plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far in the future.

Latest Actuarial Valuation Methods and Assumptions

Contributions were made in accordance with actuarially determined requirements. A variety of significant actuarial assumptions are used to determine the contributions required. These assumptions are summarized below:

Valuation Date	January 1, 2012
Actuarial Cost method	Entry Age Normal Cost Funding Method
Amortization method	30 years declining, Closed Method
Remaining Amortization Period	28
Asset Valuation Method	Market Related Blend, Five-year smoothing for all years except 2008, which was smoothed over ten years

Actuarial Assumptions:

Investment Rate of Return	7.25% effective annual interest rate
Inflation Rate Assumption	2.75% per year
Base Annual Rate of Compensation Increase	3.25% per year
Cost of Living Adjustments - Tier 1	3.00% (Plan Limit) for Tier 1 benefits
Cost of Living Adjustments - Tier 2	2.00% (Plan Limit) for Tier 2 benefits

NOTE 15 – LITIGATION

The Plan is subject to legal proceedings and claims which have risen in the ordinary course of its business and have not been finally adjudicated. These actions, when finally concluded and determined, will not, in the opinion of the management of the Plan, have a material adverse effect upon the financial position of the Plan.

NOTE 16 – COMMITMENTS

The Plan participates in certain investments that require commitments of a specified amount of capital upfront that is then drawn down at a later time as the investment vehicle requires. The total unfunded capital commitment represents the amount of funds that the Plan could potentially be required to contribute at a future date. The Plan had unfunded capital commitments totaling \$34,210,166 at December 31, 2012, and \$65,138,991 at December 31, 2011.

NOTE 17 – SUBSEQUENT EVENTS

In compliance with Governmental accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these financial statements.

Management has determined that no events require disclosure in accordance with Governmental accounting standards. These subsequent events have been evaluated through June 10, 2013, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2011

(As of the most recently completed actuarial valuation)

Historical trend information designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is as follows:

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b-a)/c)
12/31/2006	759,758	994,861	235,103	76.37%	152,117	154.55%
12/31/2007	829,764	1,057,124	227,360	78.49%	162,436	139.97%
12/31/2008	875,602	1,150,214	274,612	76.13%	168,677	162.80%
12/31/2009	937,279	1,216,153	278,874	77.07%	160,444	173.81%
12/31/2010	1,000,169	1,282,058	281,889	78.01%	161,783	174.24%
12/31/2011	1,057,922	1,378,549	320,627	76.74%	161,055	199.08%
12/31/2012	<i>Valuation in progress as of June 10, 2013</i>					

**SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2011**

(As of the most recently completed actuarial valuation)

Historical information regarding required and actual annual contributions by the Employer is as follows:

<u>Year Ended December 31,</u>	<u>Actual Annual Contribution</u>	<u>Annual Required Contribution</u>	<u>Percentage Contribution</u>
2006	19,177,491	22,017,780	87%
2007	24,014,202	33,840,580	71%
2008	30,860,282	34,933,644	88%
2009	31,427,297	30,957,311	102%
2010	32,148,424	30,278,179	106%
2011	30,435,940	30,051,687	101%
2012	<i>Valuation in progress as of June 10, 2013</i>		

It is the policy of the Employer to contribute the Full Actuarially Required Contribution through a combination of employer and employee contributions. The preceding table presents only employer portions of the Actuarially Required Contribution.

Contributions were made in accordance with actuarially determined requirements. A variety of significant actuarial assumptions are used to determine the contributions required. These assumptions are summarized below:

Valuation Date	January 1, 2012
Actuarial Cost method	Entry Age Normal Cost Funding Method
Amortization method	30 years declining, Closed Method
Remaining Amortization Period	28
Asset Valuation Method	Market Related Blend, Five-year smoothing for all years except 2008, which was smoothed over ten years

Actuarial Assumptions:

Investment Rate of Return	7.25% effective annual interest rate
Inflation Rate Assumption	2.75% per year
Base Annual Rate of Compensation Increase	3.25% per year
Cost of Living Adjustments - Tier 1	3.00% (Plan Limit) for Tier 1 benefits
Cost of Living Adjustments - Tier 2	2.00% (Plan Limit) for Tier 2 benefits

OTHER SUPPLEMENTARY INFORMATION

**SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF CHANGES IN RESERVES
FOR YEAR ENDED DECEMBER 31, 2012**

	<u>Member Deposits</u>	<u>Current Reserve</u>	<u>Retirees and Beneficiaries</u>	<u>Cost of Living Adj.</u>	<u>Contingency</u>	<u>Adjustments to Fair Value</u>	<u>TOTAL</u>
Balances January 1, 2012	\$ 262,402,065	\$ 166,237,790	\$ 510,536,253	\$ 267,397,105	\$ (405,188,081)	\$ 104,965,246	\$ 906,350,380
Contributions	25,207,165	17,841,807		13,100,231			56,149,203
Interest, Dividends, and Net Income	18,928,927	11,291,843	40,968,219	20,872,401	(74,005,211)		18,056,179
Net Increase in Fair Value of Investments					21,545,470	69,216,172	90,761,642
Actuarial Transfers (1)		(27,611,734)	27,611,734				-
Other Transfers	(66,326)	66,326					-
Retiree Reserve Transfers	(22,557,785)	(31,330,558)	53,888,343				-
Benefit Payments			(45,295,971)	(9,251,830)			(54,547,801)
Refund of Contributions	(1,138,238)						(1,138,238)
Death Benefits	(54,378)	(39,031)	(32,249)				(125,658)
Miscellaneous Income							-
Administrative Expenses					(2,069,648)		(2,069,648)
Balances December 31, 2012	<u>\$ 282,721,430</u>	<u>\$ 136,456,443</u>	<u>\$ 587,676,329</u>	<u>\$ 292,117,907</u>	<u>\$ (459,717,470)</u>	<u>\$ 174,181,418</u>	<u>\$1,013,436,059</u>

(1) Actuarially recommended transfer to reflect allocation of computed liabilities.

**SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Personnel Services		
Salaries and Benefits	\$ 1,030,335	\$ 977,905
Flexible Benefit Plan	6,511	10,003
	<u>1,036,846</u>	<u>987,908</u>
Total Personnel Services		
Office Expenses		
Office Supplies	22,025	16,182
Postage	19,234	15,540
Telephone	3,814	3,565
Utilities	6,447	5,896
	<u>51,520</u>	<u>41,183</u>
Total Office Expenses		
Professional Services		
Accounting & Auditing	49,520	47,780
Actuarial	82,658	75,649
Data Processing	201,838	148,436
Legal	223,743	174,248
Medical	3,475	3,073
Other	4,859	6,501
Bank Charges	4,004	10,900
	<u>570,097</u>	<u>466,587</u>
Total Professional Services		
Other Administrative Expenses		
Maintenance and Custodial	15,184	11,588
Insurance	70,136	63,878
Memberships, Subscriptions & Publications	6,275	6,660
Printing and Reprographics	12,882	14,282
Transportation, Travel and Education	17,319	30,716
County Allocated Overhead	20,205	15,358
Property Management	6,504	7,931
Miscellaneous Administrative Expenses	2,700	-
	<u>151,205</u>	<u>150,413</u>
Total Other Administrative Expenses		
Depreciation & Amortization	259,980	263,892
	<u>259,980</u>	<u>263,892</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 2,069,648</u>	<u>\$ 1,909,983</u>

**SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Investment Manager Fees	\$ 3,693,541	\$ 3,436,830
Custodial Fees	118,299	136,241
Investment Consultant	243,508	224,261
	<hr/>	<hr/>
Investment Expenses	<u>\$ 4,055,348</u>	<u>\$ 3,797,332</u>
Additional Investment Expenses Netted Against Investment Income and Gains/Losses		
Broker Commissions	156,173	165,208
Broker Fees	1,075	1,840
	<hr/>	<hr/>
TOTAL INVESTMENT EXPENSES	<u><u>\$ 4,212,596</u></u>	<u><u>\$ 3,964,380</u></u>

**SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Custodial Fees	\$ 118,299	\$ 136,241
Investment Consulting Services	243,508	224,261
Accounting & Auditing Services	49,520	47,780
Actuarial Services	82,658	75,649
Data Processing Services	201,838	148,436
Legal Services	223,743	174,248
Disability Medical Services	3,475	3,073
Payroll Processing Services	4,859	6,501
	TOTAL PAYMENTS TO CONSULTANTS	\$ 816,189
	\$ 927,900	\$ 816,189

This page left blank intentionally

Investment Section



Investment Section Overview

The Investment Section of the CAFR provides additional detailed information regarding the Pension Trust's investments. It includes a letter from the Pension Trust's Investment Consultant addressing the Trust's investment activities and the capital markets. Additionally, information is provided on:

- Investment objectives
- Investment Policy
- Asset allocation
- Historical rates of return.
- Management Fees and Commissions
- Largest Investment Holdings



2321 ROSECRANS AVENUE SUITE 2250 | EL SEGUNDO, CALIFORNIA 90245 | T: 310.297.1777 | F: 310.297.0878

April 30, 2013

Mr. Tony Petruzzi
 Executive Secretary
 San Luis Obispo County Pension Trust
 1000 Mill Street
 San Luis Obispo, CA 93408

Dear Mr. Petruzzi:

Wurts & Associates, Inc. is pleased to have had the opportunity to serve the San Luis Obispo County Pension Trust for many years and to provide this investment review for the year ending December 31, 2012.

Performance Summary

Wurts & Associates independently calculates the Plan's performance using portfolio market valuation and transaction data provided by the Plan's custodian bank, J.P. Morgan. Performance calculations utilize a time weighted rate of return methodology based upon market values. Performance calculations are presented, to the greatest degree possible, in compliance with the Global Investment Performance Standards published by the CFA Institute.

The Plan's investment portfolio continued to grow in 2012 and exceeded \$1 billion at year end. The Total Fund returned 12.8% for the year before expenses and investment management fees, outperforming the policy index by 1.2%. Compared to other public plans included in the Independent Consultants Cooperative Public Funds Universe, the Plan ranked in the 55th percentile, or just below median, for the year. Favorable performance is primarily attributable to the continuing recovery in investment markets and also to outperformance by the Plan's investment managers.

Asset Allocation

Following a study conducted in February of 2012, the Board confirmed the Plan's strategic asset allocation, which is reflected in the following table:

ASSET CLASS	Target Allocation
Domestic Equity	27%
International Equity	23%
Fixed Income	30%
Real Estate	10%
Alternatives*	10%

*Commodities, Private Equity

Capital Markets Review

Continued monetary easing by developed nation central banks and abating concerns regarding global deflationary pressures combined to push global equity markets forward in 2012. The S&P 500 returned 16.0% for the year, and equities outside the U.S. gained 17.4%.

In the first quarter of 2013, the U.S. took center stage as the S&P 500 reached multiple new all-time highs and gained an additional 10.6% over an already strong 2012. Equity markets outside the U.S. returned a relatively meager but still respectable 3.3% for the quarter.

Rather than becoming sanguine in the face of such positive results, we remain cautious. As markets have continued to surge higher, there are indications they have also become more fragile. The current rally has produced the highest returns for the least amount of economic growth than any other economic cycle in history, and we believe the divergence between equity prices and underlying fundamentals is not sustainable. Globally, economic growth continues to be restricted by the lack of wage and credit growth, despite record monetary and fiscal accommodation. With slowing growth and higher equity prices, we believe the risk of a market correction has increased.

Plan Structure

In 2011, the Board chose to commit \$25 million to high yield bonds, based on historically wide credit spreads and attractive valuations. Since then, spreads have narrowed, and prices rose, yielding a profit on the investment. In late 2012, the Board chose to realize the profit, redeploying the original investment and all the gains to the Plan's core+ fixed income manager.

In addition and in light of concerns regarding rising valuations and continued heightened systemic risk, the Board recently (early 2013) decided to modestly reduce positions in the portfolio's riskier asset classes in favor of safer investments such as bonds. We believe this relatively conservative posture will benefit the portfolio in the event of a market correction, protect some of the gains made over the last several years, and provide additional capital to take advantage of more attractive valuations following a market pull back.

All of us here at Wurts & Associates appreciate the opportunity to assist the SLOCPT Board in meeting the Plan's investment objectives. We look forward to continuing in our role of investment advisor and providing guidance to help navigate ever-changing markets.

Sincerely,



Scott J. Whalen
Executive Vice President, Senior Consultant

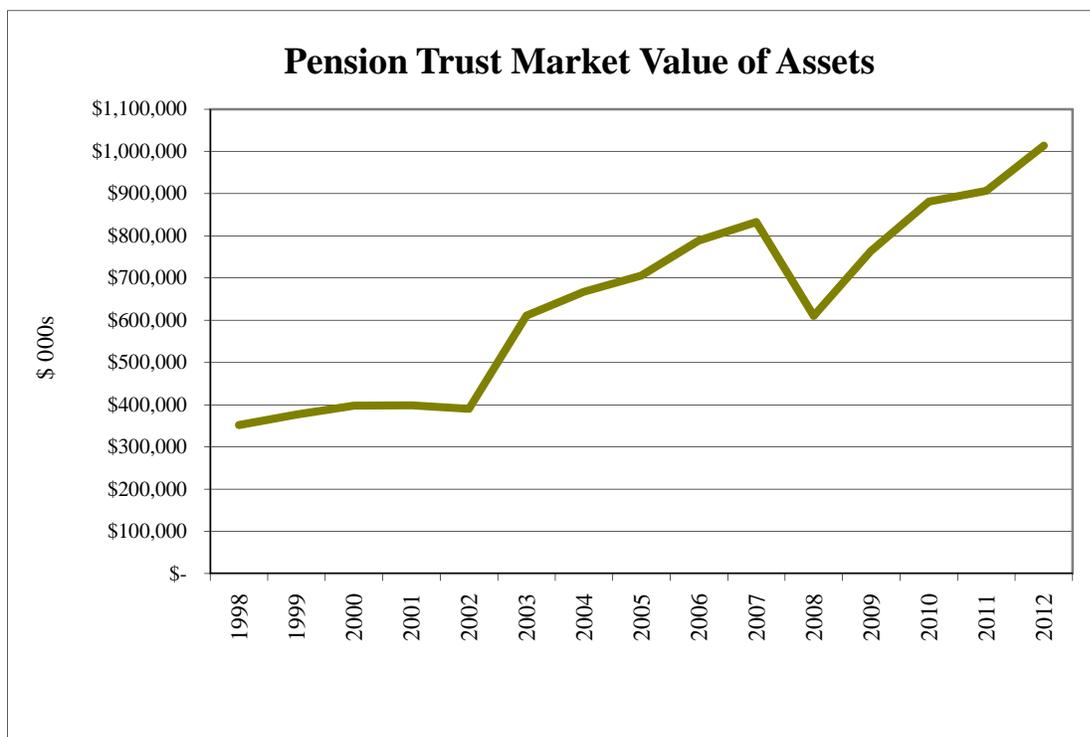


Summary of Investment Objectives

The Board of Trustees has adopted an Investment Policy Statement that governs the management of the Pension Trust's investments. The Board, through its adopted Investment Policy, directing staff and consultants and receiving regular reporting on investments, is responsible for overseeing the investments of the Pension Trust. This includes, but is not limited to, selecting acceptable asset classes; defining allowable ranges of holdings by asset class and by individual investment managers as a percent of assets; defining acceptable securities within each class; and establishing investment performance expectations. The Board will make revisions to this Investment Policy as necessary based on the advice of its investment consultant and staff. A copy of the current Investment Policy is available at www.SLOPensionTrust.org.

The primary objective for the investments of the Pension Trust is to exceed over the long run the actuarial assumptions used for asset returns. The time horizon for the Pension Trust's Investment Policy is very long reflecting the long-term nature of the liabilities funded by the Trust. This long-term horizon influences the level of investment risk deemed appropriate by the Board. The investment policies and practices of the Pension Trust are intended to be consistent with the primary mission of the Trust to pay benefits as they become due. A fundamental tenet underlying the Investment Policy is the prudent balancing of risk through broad diversification.

The following graph shows the growth in the year end market value of assets of the Pension Trust over the long term.



Asset Allocation Policy

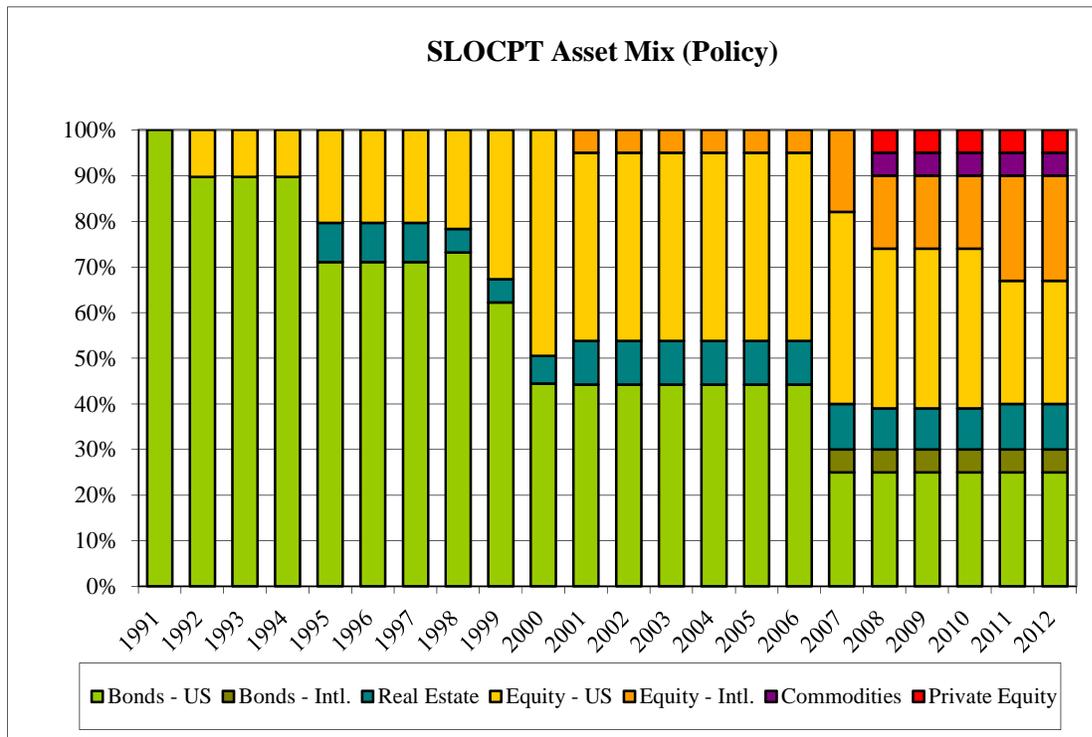
The Strategic Asset Allocation (SAA) asset mix incorporated into the Investment Policy is summarized below. The Investment Policy and the SAA were amended in April 2011 and is shown in the following table.

SLOCPT Asset Allocation 2012 Investment Policy	4Q12 Actual	2012 Policy	Min.	Max.	Performance Benchmark
Equities - US					
Large Cap US Equity	25.8%	23%	18%	28%	varies with Mgr.
Small / Mid Cap US Equity	4.7%	4%	2%	9%	varies with Mgr.
Equities - US - Total	30.5%	27%	20%	37%	Russell 3000
Equities - International					
International	24.1%	15%	10%	20%	MSCI EAFE
International - Emerging Mkt.s		8%	3%	13%	
Equities - Intl. - Total	24.1%	23%	13%	33%	MSCI ACWI ex. US
EQUITIES - Total	54.6%	50%	35%	65%	
Fixed Income					
Bonds - Core+	20.5%	20%	20%	30%	BC Aggregate Bond
Bonds - Global	5.1%	5%	0%	10%	Citi World Govt. Bond
Bonds - Inflation Linked	2.3%	5%	0%	10%	BC US TIPS
BONDS - Total	27.9%	30%	20%	50%	BC Aggregate Bond
Real Estate					
Real Estate - Core	6.5%	6%	0%	10%	NCREIF
Real Estate - Directly owned	2.7%	4%	0%	5%	NCREIF
REAL ESTATE - Total	9.2%	10%	0%	15%	NCREIF
Commodities					
Commodities - Core	3.7%	5%	0%	10%	DJ UBS Commodities
COMMODITIES - Total	3.7%	5%	0%	10%	DJ UBS Commodities
Alternative Assets					
Private Equity	2.9%	5%	0%	10%	Russell 3000 + 3%
ALT. ASSETS - Total	2.9%	5%	0%	10%	Russell 3000 + 3%
Liquidity					
Cash Equivalents	1.2%	0% *	0%	5% *	T-Bills
Cash Overlay	0.5%	0% *	NA	NA *	Policy Mix
LIQUIDITY - Total	1.7%	0%	0%	5%	T-Bills
TOTAL	100%	100%			

* Net 0% exposure due to Cash Overlay. Policy level of Treasury cash = 3 mth.s benefits.

Note: Opportunistic Investments may be authorized up to 10% of the total fund and deviate from the Target Asset Mix shown above.

The SAA adopted by the Pension Trust has changed over the years as shown in the following chart.

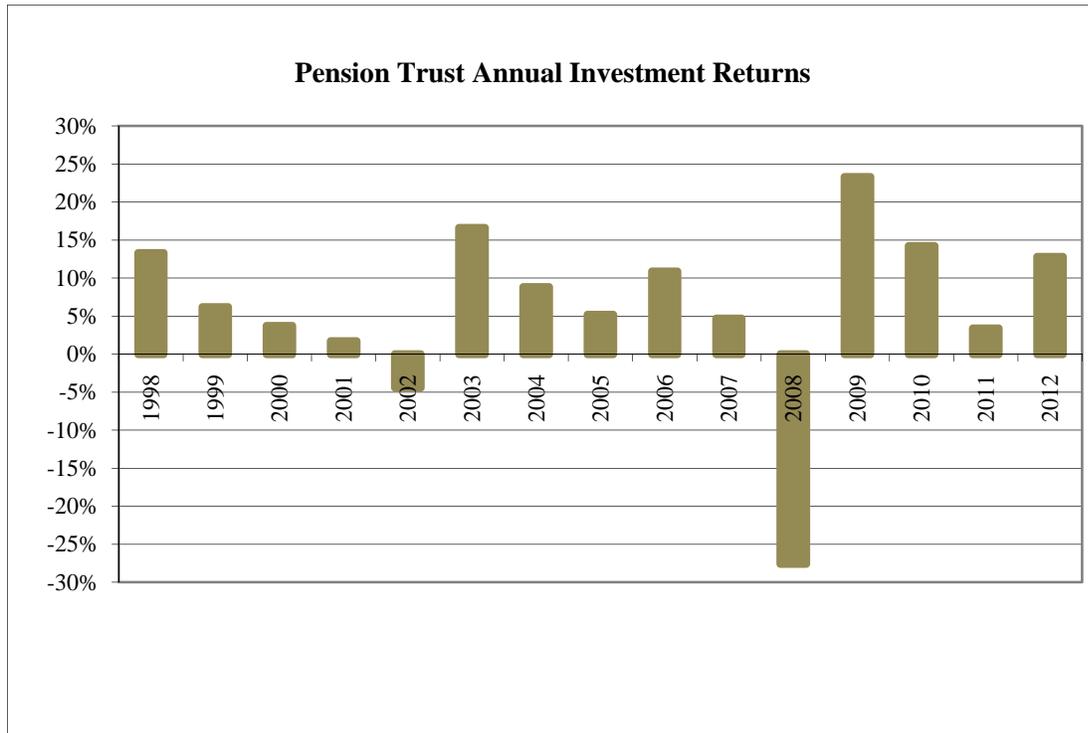


The Pension Trust employs multiple investment managers in different asset classes and with different styles of investing. Combined with strict limitations in the Investment Policy on the maximum exposure to individual investments and with regular rebalancing of the asset mix the diversification level of the investments is maintained. The investments of the Pension Trust may be held in separate accounts with the custodian bank for the Trust and with the investments managed by an external investment manager. The Pension Trust investments may also be held in commingled funds, mutual funds or in limited partnerships.

Proxy voting for securities held for the Pension Trust is specifically delegated by the Investment Policy to the investment manager for each portfolio (separate account or commingled fund / mutual fund). The investment managers are instructed to vote proxies purely in the best investment interests of the Trust.

Investment Results

For 2012 the Pension Trust achieved a rate of return of 12.8% gross of fees. This reflects the fourth year of capital market recovery from the significant losses of 2008.



For periods ended December 31, 2012 the total market value based time-weighted rates of return on the Pension Trust's assets as computed by the Investment Consultant gross of fees are summarized below.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
SLOCPT Total Returns	-27.6%	23.3%	14.2%	3.4%	12.8%

Source: Wurts & Associates reports

For cumulative periods the annualized time weighted total rate of returns are as follows.

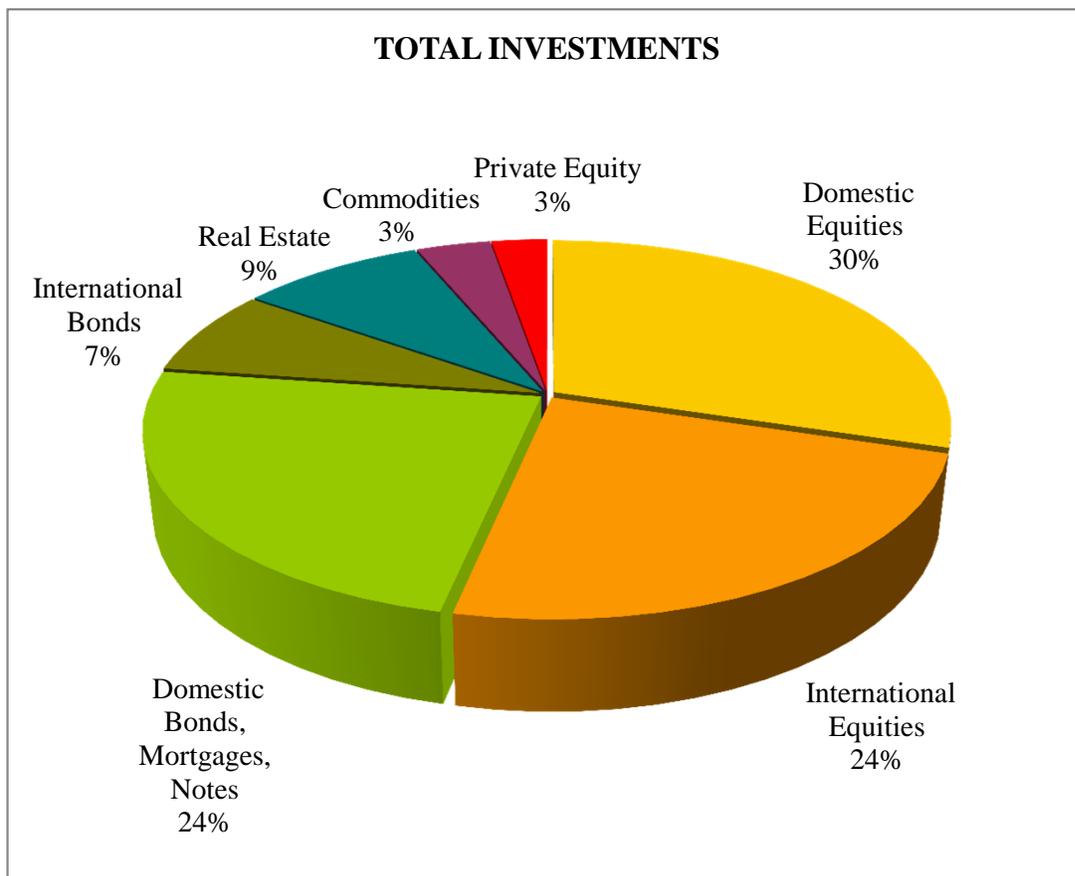
	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 years</u>
SLOCPT Total Returns	12.8%	10.0%	3.3%	6.3%

Source: Wurts & Associates 4th Quarter 2012 report

San Luis Obispo County Pension Trust
Investments at Fair Value (Market Value)

As of December 31, 2012 (Dollars in Thousands)

	Fair Value	%
Equities		
Domestic Equities	\$ 306,004	29.74%
International Equities	242,966	23.61%
Fixed Income		
Domestic Bonds, Mortgages, Notes	245,718	23.88%
International Bonds	77,437	7.53%
Real Estate		
	91,897	8.93%
Alternatives		
Commodities	37,137	3.61%
Private Equity	27,817	2.70%
Other		
	13	0.00%
TOTAL INVESTMENTS	\$ 1,028,989	100.00%



San Luis Obispo County Pension Trust

Investment Results Based on Fair Value

For the Fiscal Year Ended December 31, 2012

Annualized time-weighted rates of return based on market values

Investment Account		Current Year	3 Years	5 Years	Inception
Domestic Equities					
Mason Capital - Equity	g	11.0%	13.4%	5.3%	9/2002
<i>Index: Russell 3000</i>		16.4%	11.2%	2.0%	
Mason Capital - High Income Equity	g	10.5%	12.9%	5.1%	1/1998
<i>Index: DJ US Select Dividend</i>		10.8%	13.8%	2.5%	
Research Affiliates	g	16.8%	12.3%	2.5%	12/2007
SSGA S&P 500 Index Fund	g	16.1%	< 3 yrs		12/2011
<i>Index: S&P 500</i>		16.0%	10.9%	1.7%	
Atlanta Capital	g	15.6%	< 3 yrs		8/2010
<i>Index: Russell 2500</i>		17.9%			
International Equities					
Dodge & Cox	g	21.8%	5.6%	-1.5%	12/2007
Vontobel	g	20.7%	11.0%	0.5%	12/2007
<i>Index: MSCI EAFE</i>		17.9%	4.0%	-3.2%	
Domestic Fixed Income					
PIMCO	g	7.6%	7.9%	< 5 yrs	10/2009
<i>Index: BC Aggregate Bonds</i>		4.2%	6.2%		
SSGA TIPS Index Fund	g	6.9%	< 3 yrs		7/2011
<i>Index: BC US TIPS</i>		7.0%			
International Fixed Income					
Brandywine	g	13.8%	8.7%	7.9%	12/2007
<i>Index: JPM World Govt GLB</i>		1.3%	4.9%	6.1%	
Real Estate					
Direct Real Estate Owned	g	9.2%	0.8%	1.5%	
FREG II Fund	g	2.3%	8.0%	-15.3%	10/2003
FREG III Fund	g	12.1%	25.8%	14.9%	3/2007
JP Morgan Strategic Properties Fund	g	12.1%	14.1%	< 5 yrs	3/2008
<i>Index: NCREIF</i>		10.5%	12.6%	2.1%	

San Luis Obispo County Pension Trust

Investment Results Based on Fair Value

For the Fiscal Year Ended December 31, 2012

Annualized time-weighted rates of return based on market values

Investment Account		Current Year	3 Years	5 Years	Inception
Commodities					
BlackRock	g	-0.9%	0.2%	< 5 yrs	7/2009
<i>Index: DJ UBS Global Commodities</i>		-1.1%	0.1%		
Private Equity					
HarbourVest Fund IX (buyout)	g	10.6%	< 3 yrs		6/2011
<i>Index: Russell 3000 + 300BP</i>		1.0%	19.9%		
Other					
PIMCO Distressed Credit Fund	g				7/2010
KKR Mezzanine Debt Fund I	g				4/2011
Cash Account					
Treasury Pool		0.3%	0.6%	1.0%	
<i>Index: 90 day T-Bills</i>		0.2%	0.1%	0.4%	
TOTAL FUND (including Clifton Cash Overlay)					
Total Fund		12.8%	10.0%	3.3%	
<i>Index: Policy Index at 12/31/12= 27% Russell 3000, 23% MSCI ACWI ex. US, 20% BC Aggregate Bond, 10% NCREIF, Property, 5% DJ UBS Commodity, 5% CITI World Gov't Bond, 5% Russell 3000+300BP 5% DJ UBS Commodity</i>		11.6%	8.3%	2.8%	

Note - Policy Index based on Asset Allocation Policy in place for each particular year.

n = Net of fees (e.g., a mutual fund) g = gross of fees (e.g., separate accounts, commingled funds)

Includes only investment managers in place at December 31, 2012, however investment results of terminated managers are included in the Total Fund rate of return.

During 2012 Vanguard liquidated December 2012.

Source: Investment consultant, Wurts & Associates, quarterly investment reports

San Luis Obispo County Pension Trust

Schedule of Management Fees and Commissions

For the Fiscal Year Ended December 31st (Dollars in Thousands)

Management Fees	Fees 2012	Year end Assets Under Mgmt.	Fees as % of YE Assets *
Domestic Equity			
Mason Capital - Equity	\$ 534	\$ 111,997	0.48%
Mason Capital - High Income Equity	364	63,238	0.58%
Research Affiliates	10	44,837	0.02%
SSGA S&P 500 Index Fund	16	40,142	0.04%
Atlanta Capital	365	45,790	0.80%
Total Domestic Equity	1,289	306,004	
International Equity			
Dodge & Cox (mutual fund)	fees net in NAV	118,942	N/A
Vontobel	621	124,024	0.50%
Total International Equity	621	242,966	
Domestic Fixed Income			
PIMCO	534	247,803	0.22%
SSGA TIPS Index Fund	12	23,664	0.05%
Vanguard High Yield Corporate	fees net in NAV	-	N/A
Total Domestic Fixed Income	546	271,467	
International Fixed Income			
Brandywine	170	51,688	0.33%
Real Estate			
Direct Real Estate Owned	N/A **	26,878	N/A
FREG Funds II & III	108	8,963	1.20%
JP Morgan Strategic Properties Fund	482	56,056	0.86%
Total Real Estate	590	91,897	
Commodities			
BlackRock	114	37,137	0.31%
Private Equity			
HarbourVest Fund IX (buyout)	fees net in NAV	2,789	N/A
PIMCO Distressed Credit Fund	75	17,773	0.42%
KKR Mezzanine Debt Fund I	234	7,255	3.23%
Cash Overlay			
The Clifton Group	55	-	***
Total Investment Management	\$ 3,694		

San Luis Obispo County Pension Trust
Schedule of Management Fees and Commissions
 For the Fiscal Year Ended December 31st (Dollars in Thousands)

Other Investment Expenses	Fees 2012	Year end Assets Under Mgmt.	Fees as % of YE Assets
Custodian Fees	\$ 118		
less Securities Lending Revenue	-		
Net Custodian Fees	118	1,028,976	0.01%
Investment Consultant	243	1,028,976	0.02%
Total Other Investment Expenses	\$ 361		
TOTAL INVESTMENT EXPENSES	\$ 4,055	1,028,976	0.39%

Broker Commissions	Commissions 2012
Broker Commissions ****	\$ 156
Broker Fees	1
Total Broker Commissions	\$ 157

* Investment management fees are typically charged quarterly based on market value and on a graduated scale. Therefore management fees compared to year end asset values is a simplified presentation that approximates the average fee rate.

** Direct Real Estate owned managed in-house.

*** Clifton Group Cash Overlay strategy has most of its underlying assets held in the "Cash" portion of Plan Net Assets so is not reflected in "Investments" as presented in this schedule.

**** Included brokerage commissions for separate accounts only.

Significant portions of the Pension Trusts investments are held in commingled funds. Brokerage commissions for commingled funds are netted against investment returns and are therefor not included in the total of commissioins presented here.

SLOCPT participates in a commission recapture program offered by BNY/Convergex. Mason Capital Partners is the only investment manager to which this program applies.

Investment managers are instructed to seek best execution and to seek to minimize commission and market impact costs when trading securities.

The net income from commisson recapture is netted against the brokerage commissions for the applicable investment account.

San Luis Obispo County Pension Trust

Schedule of Largest Stock and Bond Holdings

As of December 31, 2012 By Market Value

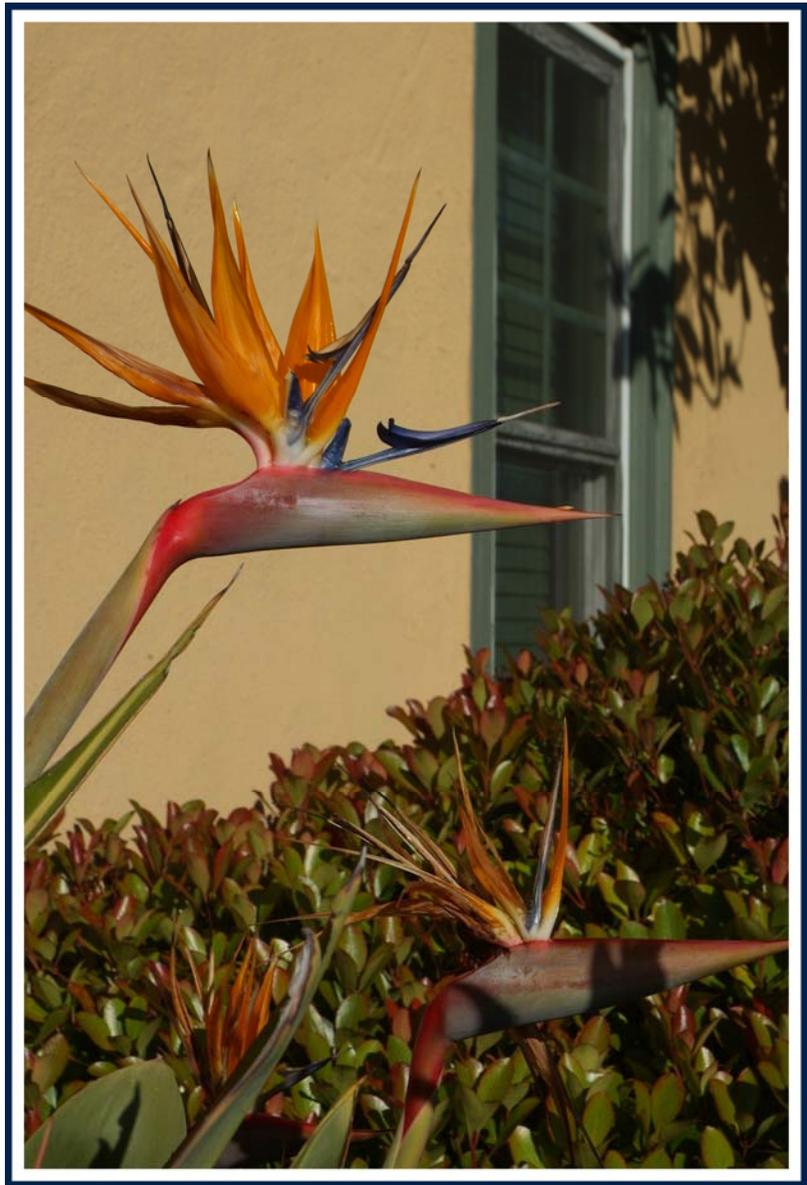
Largest Stock Holdings	Shares	Market Value
1 LBA RLTY FD II WBP INC 7.625 PRF SER B	218,700	\$ 4,374,000
2 FISERV INC COM STK USD0.01	46,640	3,685,959
3 SHERWIN-WILLIAMS CO COM STK USD1	22,900	3,522,478
4 GENERAL MILLS INC COM STK USD0.1	77,250	3,121,673
5 HEINEKEN NV ADR EACH REP 1/2 SH SPONS	93,500	3,110,745
6 HORMEL FOODS CORP COM STK USD0.0293	98,525	3,074,965
7 NOVARTIS AG ADR EACH REPR 1 CHF0.50(REGD)	46,700	2,956,110
8 AUTOMATIC DATA PROCESSING INC COM STK USD0.10	51,075	2,911,786
9 HEINZ(H.J.)CO COM STK USD0.25	50,000	2,884,000
10 OMNICOM GROUP INC COM STK USD0.15	54,750	2,735,310
Total of 10 Largest Stock Holdings		<u>\$ 32,377,026</u>

Largest Bond Holdings	Par Value	Market Value
1 UNITED STATES TREAS NTS 1.625% 15/AUG/2022	15,400,000	\$ 15,298,976
2 UNITED STATES TREAS NTS 0.875% 31/JAN/2017	14,100,000	14,287,248
3 UNITED STATES TREAS NTS 1.75% 15/MAY/2022	13,500,000	13,617,045
4 UNITED STATES TREAS NTS 1% 31/AUG/2019	11,000,000	10,935,540
5 UNITED STATES TREAS NTS 1% 30/NOV/2019	9,300,000	9,209,883
6 UNITED STATES TREAS NTS 0.625% 30/SEP/2017	6,100,000	6,089,020
7 UNITED STATES TREAS NTS 0.625% 30/NOV/2017	5,000,000	4,983,200
8 UNITED STATES TREAS NTS 0.375% 15/NOV/2015	4,000,000	4,003,760
9 TSY INFL IX N/B VAR 15/JAN/2022	3,300,000	3,662,542
10 FEDERAL NATIONAL MORTGAGE ASSOC 3.5% MTG BDS	3,133,356	3,328,784
Total of 10 Largest Bond Holdings		<u>\$ 85,415,998</u>

Significant portions of the Pension Trust's investments are held in commingled funds. The securities listed above are from those held in separate accounts for the Pension Trust and do not include securities held in commingled funds.

A complete listing of the Pension Trust's investments is available upon request.

Actuarial Section



Actuarial Section Overview

The Actuarial Section of the CAFR provides expanded reporting on the actuarial measures and valuations relative to the Pension Trust and the Plan. It is based on the latest available actuarial valuation which in this case is the Annual Actuarial Valuation as of January 1, 2012.

The Pension Trust engages an independent actuarial firm to perform annual valuations on the Pension Trust. Additionally, actuarial experience studies are conducted biennially. The economic and demographic assumptions that are used in each annual actuarial valuation are approved by the Board with the advice of the actuary and are typically based on the results of each biennial actuarial experience study and input from the Pension Trust's advisors.

The most recent annual actuarial valuation available for financial reporting in this CAFR is the January 1, 2012 valuation. It is based on member data and financial results through December 31, 2011. The Pension Trust's actuary, Gabriel Roeder Smith, completed this annual valuation during 2012. The most recent biennial actuarial experience study was completed by Gabriel Roeder Smith as of January 1, 2012. Results of this biennial actuarial experience study were used in developing the assumptions used in the January 1, 2012 annual actuarial valuation.

The entire Annual Actuarial Valuation as of January 1, 2012 including actuarial assumptions was approved by the Board of Trustees on June 25, 2012.

The Annual Actuarial Valuation as of January 1, 2013 based on data through December 31, 2012 is in the process of being developed at the time of the publication of this CAFR. Its results will be included in the 2013 CAFR.

April 30, 2013

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

Members of the Board:

Submitted in this report are the results of the regular Annual Actuarial Valuation as of January 1, 2012 of the San Luis Obispo County Pension Trust (SLOCPT). The valuation is intended to provide a measure of the funding status of the pension trust. This valuation provides information relative to the employer appropriation rates for the County's fiscal year beginning July 1, 2012.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the combined operation of the assumptions and the methods applied in this valuation fairly represent past and anticipated future experience of the SLOCPT and meet the parameters required by GASB Statement No. 25. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. The senior consultant is a member of the American Academy of Actuaries and meets the qualification requirements to render the actuarial opinion contained herein.

Financial Objectives

In the January 1, 2012 valuation, the Trust's funded status decreased from 78.0% to 76.7%. The total annual required contribution is 34.63% as of January 1, 2012, compared to total charged rates of 34.60%. The total annual required contribution rate is intended to be sufficient to pay the Plan's normal cost and to amortize the unfunded actuarial accrued liability (UAAL) over a closed period of 28 years from the valuation date by making payments that are level as a percent of covered payroll. Therefore, due to the de minimus amount of the difference between the charged rate and the annual required contribution, no increase in the charged rates is recommended at this time.

Demographic Data and Asset Information

The member statistical data on which the valuation was based was furnished by the staff of the SLOCPT, together with pertinent data on financial operations. Data was reviewed for reasonableness, but was not audited by the actuary.

Assumptions and Methods

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the Plan's actuary. This valuation includes assumption changes based on the Experience Study performed for the five year period ending December 31, 2011. The most

material of these changes include a decrease to the discount rate from 7.75% to 7.25%, decreases to the assumed salary increases for individual members, and updates to the post-retirement mortality. Overall, the result of these changes is an increase to the actuarial accrued liability, a decrease to the total normal cost, and an increase to the County's total required contribution. The assumptions are internally consistent and are reasonably based on the actual and expected experience of the Plan.

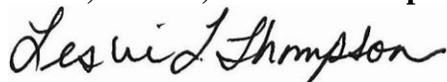
The valuation results are developed using the Entry Age Cost Method. Under this method, normal cost is calculated as a constant percentage of the member's year-by-year projected, covered pay. The amortization of the unfunded actuarial accrued liabilities is done as a level percent of payroll over 28 years (30 year closed amortization period beginning with the January 1, 2010 valuation) for funding computations. In addition, the 2008 asset losses are recognized over 10 years, with recognition accelerated if a contribution margin develops. Since a margin does not exist this year, no additional acceleration has been recognized as of the January 1, 2012 valuation.

The enclosed exhibits provide further related information necessary to complete your filing. All other necessary information is available in the January 1, 2012 actuarial valuation report. The enclosed exhibits include:

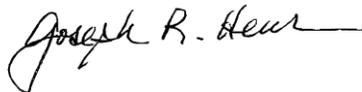
- Summary of Assumptions and Funding Methods
- Schedule of Active Members
- Schedule of Retirees and Beneficiaries
- Solvency Test
- Schedule of Funding Progress
- Schedule of Employer Contributions
- Development of Actuarial Value of Assets
- Analysis of Financial Experience
- Summary of Plan Provisions
- Contributions Made During 2011
- GASB #25 Supplementary Information

We prepared the above tables but the San Luis Obispo County staff prepared the other supporting schedules and the trend tables in the financial section based on information supplied in our report.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Leslie L. Thompson, FSA, FCA, EA, MAAA
Senior Consultant



Joseph R. Herm
Senior Analyst

Summary of Assumptions and Funding Methods January 1, 2012 Valuation

ACTUARIAL FUNDING METHOD

Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an individual entry age actuarial cost method having the following characteristics:

- (i) the annual normal costs for each active member, payable from the date of entry into the system to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- (ii) each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Deferred and Reciprocal Member Actuarial Accrued Liability. Data provided includes date of birth, service credit, reciprocal status, and hourly pay rates at termination. The estimated benefit was used to compute the liabilities for reserve members. For reciprocal members, the estimated benefits were projected with 3.25% inflation to compute those liabilities.

Amortization of Unfunded Actuarial Accrued Liabilities is done as a level percent of payroll over 28 years (30 year closed amortization period beginning with the January 1, 2010 valuation) for funding computations.

Summary of Assumptions and Funding Methods January 1, 2012 Valuation

ASSUMPTIONS

The contribution requirements and benefit values of the Fund are calculated by applying actuarial assumptions to the benefit provisions and member information furnished, using the actuarial cost methods described on the previous page.

The principal areas of financial risk which require assumptions about future experiences are:

- (i) long-term rates of investment return to be generated by the assets of the Fund.
- (ii) patterns of pay increases to members.
- (iii) rates of mortality among members, retirees, and beneficiaries.
- (iv) rates of withdrawal of active members (without entitlement to a retirement benefit).
- (v) rates of disability among members.
- (vi) the age patterns of actual retirements.

In making a valuation, the monetary effect of each assumption is calculated for as long as a present covered person survives -- a period of time which can be as long as a century.

Actual experience of the system will not coincide exactly with assumed experience, regardless of the choice of the assumptions, the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution rate. From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

The investment return rate used for the actuarial valuation calculations is 7.25% a year, net of administrative expenses, compounded annually. This assumption, used to equate the value of payments due at different points in time, is adopted by the Retirement Board. The rate is comprised of two elements:

Inflation	2.75%
Real Rate of Return	<u>4.50%</u>
Total	7.25%

Summary of Assumptions and Funding Methods

January 1, 2012 Valuation

The 7.25% assumed rate of return is currently net of administrative expenses; the comparable gross rate would be slightly higher. Currently, no administrative expenses are explicitly recognized in the valuation.

The Inflation rate used for the actuarial valuation calculations is 2.75% per year, compounded annually. It represents the difference between the investment return rate and the assumed real rate of return.

Inflation actually experienced, as measured by the Consumer Price Index for urban wage earners, has been as follows:

Consumer Price Index

Urban Wage Earners and Clerical Workers Before 1978 All Urban Consumers After 1977 10-Year Moving Averages

December 31, 1971	3.2%
December 31, 1981	8.6%
December 31, 1991	3.9%
December 31, 2001	2.5%
December 31, 2011	2.5%
50-Year Average	4.1%

Interest credited to member contributions is 7.25%, compounded biweekly.

Compensation increase rates used to project current pays to those upon which a benefit will be based are represented by the following tables. Rates do not vary by age, but do include additional merit and longevity increases as shown below.

Base Annual Rate of Compensation Increase	Years of Service at Valuation Date	All Members
Inflation 2.75%	1	5.25%
Merit & Longevity 0.50%	2	5.00
Total 3.25%	3	4.00
	4	3.00
	5	2.00
	6	1.00
	7	0.50

Summary of Assumptions and Funding Methods

January 1, 2012 Valuation

Rates of separation from active membership are shown below (rates do not include separation on account of retirement or death). This assumption measures the probabilities of members separating within the next year.

Sample Ages	% of Active Members Separating Within Next Year			
	Miscellaneous and Probation Members			
	Disability	Withdrawal < 5 years	Withdrawal ≥ 5 years	Vested Termination
20	0.00%	12.50%	8.50%	0.00%
25	0.00%	11.00%	7.75%	3.50%
30	0.01%	9.50%	3.75%	4.00%
35	0.04%	8.00%	2.00%	3.50%
40	0.06%	7.00%	1.25%	3.00%
45	0.09%	6.00%	0.50%	3.00%
50	0.11%	6.00%	0.00%	2.50%
55	0.14%	6.00%	0.00%	2.00%
60	0.16%	6.00%	0.00%	0.00%
64	0.18%	6.00%	0.00%	0.00%
GRS Table No.	762			1188

Sample Ages	% of Active Members Separating Within Next Year			
	Safety Members			
	Disability	Withdrawal < 5 years	Withdrawal ≥ 5 years	Vested Termination
20	0.00%	5.20%	1.50%	3.00%
25	0.03%	5.00%	1.50%	2.00%
30	0.13%	4.70%	1.00%	1.50%
35	0.23%	4.00%	0.50%	1.50%
40	0.33%	3.50%	0.50%	1.50%
45	0.43%	2.50%	0.00%	1.50%
50	0.53%	1.50%	0.00%	1.50%
55	0.63%	0.00%	0.00%	0.00%
60	0.73%	0.00%	0.00%	0.00%
64	0.81%	0.00%	0.00%	0.00%
GRS Table No.	761			1189

Rates are not applied after the member is eligible for reduced or unreduced retirement benefits. 100% of the Safety disabilities and 0% of the Miscellaneous and Probation disabilities and deaths are assumed to be duty-related.

40% of future vested deferred members are assumed to subsequently work for reciprocal employers.

Based on Member Contribution Totals provided by Pension Trust, 10% of members' contribution account balances are assumed to be allocated for supplemental/additional benefits.

Summary of Assumptions and Funding Methods

January 1, 2012 Valuation

The post-retirement and inactive pre-retirement mortality tables used for healthy retirees were the sex-distinct RP-2000 Combined Healthy Mortality Tables with generational mortality improvements using Scale AA, a 105% multiplier and White Collar Adjustment. This assumption is used to measure the probabilities of members dying after termination or retirement and the probabilities of each benefit payment being made after retirement.

See sample rates below:

Ages	% Dying Within Next Year Retirees	
	Men	Women
45	0.12%	0.09%
50	0.17%	0.14%
55	0.28%	0.25%
60	0.49%	0.46%
65	0.99%	0.86%
70	1.71%	1.51%
75	3.02%	2.47%
80	5.59%	4.19%
85	10.17%	7.29%

Post-retirement disability mortality tables were the RP-2000 Disabled Mortality Tables projected to the year 2020 using Scale AA, no setback with an 80% multiplier for males, and setback one year with a 50% multiplier for females, as shown below for selected ages:

Ages	% of Disabled Members Dying Within Next Year	
	Men	Women
30	1.63%	0.29%
35	1.63%	0.30%
40	1.54%	0.28%
45	1.39%	0.28%
50	1.61%	0.37%
55	1.93%	0.63%
60	2.44%	0.94%
65	3.03%	1.20%
70	3.70%	1.60%

Summary of Assumptions and Funding Methods

January 1, 2012 Valuation

The active member mortality tables used were the sex-distinct RP-2000 Employee Mortality Tables projected to the year 2020 using Scale AA, setback one year with a 90% multiplier for males, and setback three years with a 50% multiplier for females. This assumption measures the probability of mortality before retirement or separation from employment. The rates include probability of ordinary death, line-of-duty death, and death while eligible for retirement or disability.

Ages	% of Active Members Dying Within Next Year	
	Men	Women
30	0.03%	0.01%
35	0.06%	0.01%
40	0.08%	0.02%
45	0.10%	0.03%
50	0.13%	0.05%
55	0.17%	0.07%
60	0.29%	0.14%
65	0.48%	0.21%
70	0.65%	0.30%

Summary of Assumptions and Funding Methods January 1, 2012 Valuation

The rates of retirement used to measure the probability of eligible members retiring are as follows:

Age	Percent of Eligible Active Members Retiring Within Next Year		
	Miscellaneous	Probation	Safety
50	4.0%	7.5%	12.0%
51	3.0%	7.5%	14.0%
52	3.0%	7.5%	10.0%
53	3.0%	7.5%	10.0%
54	4.0%	7.5%	12.0%
55	6.0%	10.0%	15.0%
56	6.0%	12.0%	12.0%
57	8.0%	12.0%	12.0%
58	8.0%	12.0%	12.0%
59	8.0%	12.0%	18.0%
60	10.0%	15.0%	25.0%
61	10.0%	15.0%	30.0%
62	20.0%	20.0%	40.0%
63	20.0%	20.0%	50.0%
64	20.0%	20.0%	75.0%
65	40.0%	40.0%	100.0%
66	30.0%	20.0%	
67	25.0%	20.0%	
68	25.0%	40.0%	
69	25.0%	50.0%	
70	100.0%	100.0%	
GRS Table No.	2171	2169	2170

Current deferred vested and reciprocal members are assumed to retire at the later of age 60 (age 55 for Reserve Members) or attained age.

Summary of Assumptions and Funding Methods

January 1, 2012 Valuation

<u>Member refunds.</u>	All or part of the employee contribution rate is subject to potential "Pick Up" by the employer. Our understanding is that "Pick Ups", and related interest, are subject to refund.
<u>Survivor Benefits.</u>	Marital status and spouses' census data were imputed with respect to active and deferred members.
<u>Marital Status -</u>	70% of men and 50% of women were assumed married at retirement.
<u>Spouse Census -</u>	Women were assumed to be 3 years younger than men for active employees.
<u>Cost of Living Increases.</u>	Assumed to increase the full 2.75% each year.
<u>Disability Benefits.</u>	Benefits are not assumed to be offset by Social Security benefits.
<u>Line-of-Duty Death.</u>	Social Security offset equal to 27.5% of Final Compensation.
<u>IRC Section 415 Limits.</u>	Benefit payments will be limited at the time of payment in accordance with the IRC Section 415 limits.
<u>Payroll Growth Rate.</u>	Assumed to increase 3.75% per year.

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Average Annual Earnings	Percent Increase In Average Earnings
1/01/2005	2,604	\$135,188,599	\$51,916	4.2
1/01/2006	2,582	143,902,100	55,733	7.4
1/01/2007	2,620	152,116,782	58,060	4.2
1/01/2008	2,662	162,435,795	61,020	5.1
1/01/2009	2,657	168,677,088	63,484	4.0
1/01/2010	2,506	160,443,939	64,024	0.9
1/01/2011	2,479	161,783,273	65,262	1.9
1/01/2012	2,446	161,054,639	65,844	0.9

Schedule of Retirees and Beneficiaries Added to and Removed from Retiree Payroll

Valuation Date	Number Added Since Last Valuation Date	Allowances for Additional Retirees and Beneficiaries	Number Removed Since Last Valuation Date	Allowances for Retirees and Beneficiaries Removed	Number	Pension Benefit Amount	Average Annual Benefit	Percent Increase in Average Benefit
1/01/2005					1,316	\$20,737,523	\$15,758	24.7%
1/01/2006					1,430	24,971,809	17,463	10.8%
1/01/2007					1,543	28,922,336	18,744	7.3%
1/01/2008					1,659	34,884,890	21,028	12.2%
1/01/2009	108	\$3,340,063	26	\$277,689	1,741	38,693,412	22,225	5.7%
1/01/2010	205	6,258,612	56	732,196	1,890	44,940,354	23,778	7.0%
1/01/2011	113	3,290,962	57	530,316	1,946	48,431,618	24,888	4.7%
1/01/2012	134	4,109,419	40	568,150	2,040	51,967,375	25,474	2.4%

Solvency Test

Valuation Date	Actuarial Accrued Liabilities			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	(1) Retirees and Beneficiaries	(2) Terminated Vested Members	(3) Active Members		(1)	(2)	(3)
1/01/2005	\$255,032,103	\$38,348,714	\$421,704,126	\$651,750,502	100%	100%	85%
1/01/2006	311,440,547	46,939,449	472,909,687	700,059,687	100	100	72
1/01/2007	373,943,523	53,191,715	567,725,915	759,758,136	100	100	59
1/01/2008	453,878,074	45,733,758	557,512,516	829,763,572	100	100	59
1/01/2009	507,043,008	52,398,299	590,772,838	875,602,263	100	100	54
1/01/2010	582,967,652	51,802,198	581,383,207	937,278,758	100	100	52
1/01/2011	620,202,009	55,563,786	606,292,540	1,000,168,850	100	100	54
1/01/2012	701,729,018	58,707,055	618,113,241	1,057,921,875	100	100	48

Schedule of Funding Progress

(\$ in Thousands)

Valuation Date	Valuation Assets ¹	Actuarial Liability ¹	Funded Ratio	Unfunded		
				Actuarial Liability	Member Payroll	Ratio to Payroll
12/31/2001	404,751	492,795	92.1%	88,044	120,637	73.0%
12/31/2002	430,351	556,321	77.4%	125,970	131,997	95.4%
12/31/2003	604,808	619,257	97.7%	14,449	136,364	10.6%
12/31/2003 ⁵	604,808	637,075	94.9%	32,267	136,364	23.7%
12/31/2003 ^{2,5}	604,808	642,734	94.1%	37,926	136,364	27.8%
12/31/2004 ²	651,751	713,683	91.3%	61,932	135,189	45.8%
12/31/2004 ⁶	651,751	715,085	91.1%	63,334	135,189	46.8%
12/31/2005	700,060	803,124	87.2%	103,064	143,902	71.6%
12/31/2005 ⁷	700,060	818,864	85.5%	118,804	143,902	82.6%
12/31/2005 ^{2,7}	700,060	831,290	84.2%	131,230	143,902	91.2%
12/31/2006	759,758	912,458	83.3%	152,700	152,117	100.4%
12/31/2006 ²	759,758	920,285	82.6%	160,527	152,117	105.5%
12/31/2006 ^{2,8}	759,758	994,861	76.4%	235,103	152,117	154.6%
12/31/2006 ⁹	759,758	962,828	78.9%	281,889	152,117	185.3%
12/31/2007	829,764	1,055,868	78.6%	226,104	162,436	139.2%
12/31/2007 ¹⁰	829,764	1,057,124	78.5%	227,360	162,436	140.0%
12/31/2008	875,602	1,150,214	76.1%	274,612	168,677	162.8%
12/31/2009	937,279	1,216,153	77.1%	278,874	160,444	173.8%
12/31/2010	1,000,169	1,282,058	78.0%	281,889	161,783	174.2%
12/31/2011	1,057,922	1,334,545	79.3%	276,623	161,055	171.8%
12/31/2011 ²	1,057,922	1,378,549	76.7%	320,627	161,055	199.1%

¹ Assets and liabilities do not include Employee Additional Reserve amounts (in \$) of:

12/31/2011	\$7,462,567	12/31/2007	\$11,507,242	12/31/2003	\$13,558,875
12/31/2010	8,558,571	12/31/2006	12,181,467	12/31/2002	13,510,256
12/31/2009	9,341,043	12/31/2005	12,773,875	12/31/2001	13,734,603
12/31/2008	10,397,974	12/31/2004	13,601,745	12/31/2000	13,584,256

² Reflects assumption changes.

³ Reflects change to Entry Age Normal Funding.

⁴ Reflects benefit increases for most Miscellaneous and Probation active members.

⁵ Reflects benefit increases for all management employees, excluding Court management.

⁶ Reflects benefit increases for Safety management; and Court employees in BU #19 and BU #24-#27.

⁷ Reflects benefit increases for Safety non-management; Miscellaneous "Other" and SLOCEA Non-Court.

⁸ Reflects benefit increases for Probation and Safety members.

⁹ Reflects assumption change to 7.75%.

¹⁰ Reflects benefit increases for Miscellaneous Court employees in BU #18 and BU #20.

Schedule of Employer Contributions

Pension Benefits

Year Ended 31-Dec	Total Annual Required Contribution	Actual Employee Contribution	Actuarially Required Contributions (ARC) ⁵	Employer Contributions Made	Percent Contributed	Investment Return ¹	NPO Balance/(Asset)
2001	\$6,776,216	\$9,200,681	\$15,976,897	\$12,639,251 ²	79%	7.4%	\$6,069,723
2002	6,927,576	10,636,366	17,563,942	14,628,625	83%	4.4%	9,303,300
2003	8,036,014	12,136,923	20,172,937	150,813,215	748%	6.1%	(126,038,417) ³
2004	4,227,686	12,663,198	16,890,884	16,520,585	98%	6.5%	(129,305,544)
2005	5,874,058	14,133,919	20,007,977	18,209,481	91%	6.4%	(131,184,818)
2006	6,520,975	15,496,805	22,017,780	19,177,491	87%	7.8%	(132,036,486)
2007	16,434,264	17,406,316	33,840,580 ⁴	24,014,202	71%	8.4%	(124,651,921)
2008	12,093,156	22,840,488	34,933,644	30,860,282	88%	0.3%	(122,266,199)
2009	55,127,772	24,170,461	30,957,311 ⁶	31,427,297	102%	5.7%	(125,154,822)
2010	54,826,804	24,548,625	30,278,179 ⁶	32,148,424	106%	6.0%	(129,971,714)
2011	55,314,049	25,262,362	30,051,687 ⁶	30,435,940	101%	5.5%	(133,213,404)

¹ Based on actuarial value of assets.

² Excludes County Employee Additional Contributions.

³ Due to 2003 issuance of Pension Obligation Bond (POB).

⁴ The figures represent the valuation year commencing January 1, 2007.

⁵ Effective July 1, 2008, the three part funding rate increase has been completed.

⁶ The ARC shown is the difference between the total annual required contribution and the actual employee contributions made.

2009 is the first year the disclosure has been shown to reflect the funding policy of the trust to fund the total annual required contribution through a combination of employer and employee contributions.

Development of Actuarial Value of Assets

San Luis Obispo County Pension Trust Development of Funding Value of Assets - January 1, 2012						
	Plan Year Ended December 31, 2006	Plan Year Ended December 31, 2007	Plan Year Ended December 31, 2008	Plan Year Ended December 31, 2009	Plan Year Ended December 31, 2010	Plan Year Ended December 31, 2011
A. Funding Value Beginning of Year	\$700,059,687	\$759,758,136	\$829,763,572	\$875,602,263	\$937,278,758	\$1,000,168,850
B. Gross Market Value End of Year*	788,996,990	832,236,083	610,286,800	764,988,635	880,953,414	906,350,380
C. Gross Market Value Beginning of Year	705,837,483	788,996,990	832,236,083	610,286,800	764,988,635	880,953,414
D. Non-Investment Cash Flow	4,581,817	5,380,162	12,619,013	10,219,995	5,910,357	1,284,151
E. Investment Income						
E1. Market Total =B-C-D	78,577,690	37,858,931	(234,568,296)	144,481,840	110,054,422	24,112,815
E2 Immediate Recognition	54,432,171	59,089,737	64,795,664	68,255,200	72,868,130	77,562,847
E3. Phased-in Recognition	24,145,519	(21,230,806)	(299,363,960)	76,226,640	37,186,292	(53,450,032)
F. Phased-in Recognition						
F1. Current Year=E3x20%	4,829,104	(4,246,161)	(29,936,396)	15,245,328	7,437,258	(10,690,006)
F2. First Prior Year	(3,747,506)	4,829,104	(4,246,161)	(29,936,396)	15,245,328	7,437,258
F3. Second Prior Year	415,705	(3,747,506)	4,829,104	(4,246,161)	(39,936,396)**	15,245,328
F4. Third Prior Year	7,610,170	415,705	(3,747,506)	4,829,104	(4,246,161)	(29,936,396)
F5. Fourth Prior Year	(9,015,420)	7,610,170	415,705	(3,747,506)	4,829,104	(4,246,161)
F6. Total Recognized Gain/(Loss)	92,053	4,861,312	(32,685,254)	(17,855,631)	(16,670,867)	(22,189,977)
G. Preliminary Funding Value						
=A+D+E2+F6	759,165,728	829,089,347	874,492,995	936,221,827	999,386,378	1,056,825,871
H. Excludable Assets						
H1. End of Year	12,181,467	11,507,242	10,397,974	9,341,043	8,558,571	7,462,567
H2. Beginning of Year	12,773,875	12,181,467	11,507,242	10,397,974	9,341,043	8,558,571
H3. Change=H1-H2	(592,408)	(674,225)	(1,109,268)	(1,056,931)	(782,472)	(1,096,004)
I. Final Funding Value=G-H3	\$759,758,136	\$829,763,572	\$875,602,263	\$937,278,758	\$1,000,168,850	\$1,057,921,875
J. Investment Return=(E2+F6)/(A+D/2)	7.76%	8.39%	3.84%	5.72%	5.98%	5.53%

* Starting in the 12/31/03 Plan year, Gross Market Values will be net of payables and Excludable Assets will NOT include payables.

**The Board elected to accelerate recognition of \$10 million of the 2008 loss base for the year ending December 31, 2010.

Actuarial Analysis of Financial Experience
Composite Gain (Loss) for January 1, 2002 through 2012

Valuation Date	Actuarial Gain (Loss)	Beginning of Year Accrued Liabilities	Gain (Loss) Percentage Attributable to Investments	Gain (Loss) Percentage Not Attributable to Investments	Total Gain (Loss) Percentage
1/1/2002	(\$7,090,396)	\$446,333,883	(0.30)%	(1.29)%	(1.59)%
1/1/2003	(31,319,034)	492,795,245	(2.79)%	(3.57)%	(6.36)%
1/1/2004	(19,544,002)	556,320,953	(1.45)%	(2.06)%	(3.51)%
1/1/2005	(10,820,472)	642,734,312	(1.15)%	(0.53)%	(1.68)%
1/1/2006	(36,097,371)	715,084,943	(1.34)%	(3.71)%	(5.05)%
1/1/2007	(12,682,702)	831,289,683	0.01 %	(1.54)%	(1.53)%
1/1/2008	(8,713,157)	962,827,691	0.50 %	(1.40)%	(0.90)%
1/1/2009	(39,999,218)	1,057,124,348	(3.09)%	(0.70)%	(3.78)%
1/1/2010	3,281,208	1,150,214,145	(1.55)%	1.84 %	0.29 %
1/1/2011	3,596,270	1,216,153,057	(0.55)%	0.85 %*	0.30 %
1/1/2012	12,704,448	1,282,058,335	(1.73)%	2.72 %	0.99 %

*The Board elected to accelerate recognition of \$10 million of the 2008 loss base for the year ending December 31, 2010.

Summary of Plan Provisions Effective January 1, 2012

1. Membership Requirements - All regular permanent employees of the County or district covered by the County or agencies that have contracted with the County to participate in the Pension Trust.
2. Final Compensation - Highest one-year average for employees in Tier 1 and “Pick Up” included as compensation for various management employees. Bargaining Units #4, 7, 8, 9, 10, 11, 12, 17, 24-27

Pick Up Percentage included in final average compensation:

<u>Bargaining Unit</u>	<u>Pick Up</u>
4,7,8,9,11,12	9.29%
10	13.55%
17	13.59%
17C	7.74%
24-27	7.74%

Highest three-year average for employees in Tier 2

3. Service Retirement
 - A. Eligibility - Age 50 with 5 years of service.
 - B. Benefit Formula - Final Compensation multiplied by Years of Credited Service multiplied by Retirement Age Factor.
 - C. Retirement Age Factors

	Tier 1				Tier 2	
	All <u>Miscellaneous</u>	<u>Probation</u>	<u>Safety*</u>	<u>Safety#</u>	Non-Court <u>Miscellaneous</u>	<u>Safety^</u>
50	1.426%	2.300%	2.300%	3.000%	1.092%	2.000%
51	1.541	2.440	2.440	3.000	1.156	2.140
52	1.656	2.580	2.580	3.000	1.224	2.280
53	1.770	2.720	2.720	3.000	1.296	2.420
54	1.885	2.860	2.860	3.000	1.376	2.560
55	2.000	3.000	3.000	3.000	1.460	2.700
56	2.117	3.000	3.000	3.000	1.552	2.700

Summary of Plan Provisions Effective January 1, 2012

	Tier 1				Tier 2	
	All <u>Miscellaneous</u>	<u>Probation</u>	<u>Safety*</u>	<u>Safety#</u>	Non-Court <u>Miscellaneous</u>	<u>Safety^</u>
57	2.233%	3.000%	3.000%	3.000%	1.650%	2.700%
58	2.350	3.000	3.000	3.000	1.758	2.700
59	2.466	3.000	3.000	3.000	1.874	2.700
60	2.583	3.000	3.000	3.000	2.000	2.700
61	2.699	3.000	3.000	3.000	2.134	2.700
62	2.816	3.000	3.000	3.000	2.272	2.700
63	2.932	3.000	3.000	3.000	2.418	2.700
64	3.049	3.000	3.000	3.000	2.458	2.700
65+	3.165	3.000	3.000	3.000	2.500	2.700

* Safety Bargaining Units 6 & 7 and Non-Sworn Bargaining Units 3, 14, 15

Safety Bargaining Units 10 & 16 and Sworn Bargaining Units 15, 27, 28

^ Non-Sworn Safety Bargaining Units 3, 14

D. Maximum Benefit

a. Tier 1

80% of Final Compensation for SLOCEA, and Misc. Other.

90% of Final Compensation for Safety and Probation.

100% of Final Compensation for Miscellaneous Management.

b. Tier 2

90% of Final Compensation for all of Tier 2

4. Ordinary Disability

A. Eligibility - Five years of service and less than 65 years old.

B. Benefit Formula - Greater of (1) 1.5% of Final Compensation times Credited Service, (2) 1/3 of Final Compensation if Credited Service is between 10 and 22.222 years, or (3) the earned Service Retirement Allowance (if eligible).

5. Line-of-Duty Disability

A. Eligibility - No age or service requirement for Safety members.

B. Benefit Formula - Greater of (1) 50% of Final Compensation, or (2) Service Retirement Allowance (if eligible).

Summary of Plan Provisions Effective January 1, 2012

6. Ordinary Death Before Eligible for Retirement (Basic Death Benefit)
Refund of employee contributions with interest plus lump sum of one and one-half month's compensation for each year of service to a maximum of eighteen months' Compensation.
7. Ordinary Death After Eligible for Retirement
50% of earned benefit payable to surviving eligible spouse or children until age 18, or benefit in (6) above if greater. Spouse can elect an actuarially-reduced 100% Joint and Survivor benefit.
8. Line-of-Duty Death (Safety only)
50% of Final Compensation. Benefit increased to 62.5%, 70% or 75% respectively if violent death and 1, 2, or 3 children.
9. Death After Retirement
50% of member's unmodified allowance continued to eligible spouse.
\$1,000 payable in lump sum to the beneficiary or the estate of the retiree.
10. Withdrawal Benefits
 - A. Less than Five Years of Service
Refund of accumulated employee contributions with interest.
 - B. Five or More Years of Service
If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire.
11. Post-Retirement Cost-of-Living Benefits
Based on changes in Consumer Price Index to a maximum of 3% per year.

Summary of Plan Provisions Effective January 1, 2012

12. Member Contributions

Please refer to Appendix A of the valuation report. Some employee contribution rates used in the January 1, 2012 valuation have increased from the January 1, 2011 valuation.

13. Deferred Retirement Option Program (DROP): A member may elect to participate in the Pension Trust's DROP. A member age 50 or more with 5 or more years of service may participate. An amount equal to the amount that would have been paid had the member retired, is deposited into a DROP account. The annual addition to the DROP account is increased each year by the Cost of Living Adjustment approved by the Board of trustees not to exceed 3% per year. Deposits into the DROP account and participation in DROP cease at the earlier of 5 years of DROP participation or separation from service. Upon actual retirement the member may receive the DROP account balance in the form of a lump sum or as an annuity payment.

NOTE: The summary of major plan provisions is designed to outline principal plan benefits. If the County should find the plan summary not in accordance with the actual provisions, the County should alert the actuary **IMMEDIATELY** so proper provisions are valued.

Contributions Made January 1, 2011 to December 31, 2011

The Pension Trust's funding policy provides for periodic employer appropriations at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

During the period January 1, 2011 to December 31, 2011 applicable contributions of \$55,592,860 were made. The contribution breakdown is as follows:

Contributions Made*

Employer Appropriations	\$30,435,940
Member Contributions	25,156,920
Grand Totals	\$55,592,860

- * Does not include Employee Additional Voluntary (\$90,345) and County Additional for Employee Contributions (\$15,097). These contributions are excluded as both assets and liabilities.

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2012
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	28 years
Asset valuation method	5 year smoothing
Actuarial assumptions:	
Investment rate of return	7.25%
Payroll growth rate	3.75%
Projected salary increases	3.25% - 8.50%
Cost-of-living adjustments	2.75%

Statistical Section



Statistical Section Overview

The Statistical Section of the CAFR provides additional detailed information to promote a more comprehensive understanding of this year's financial statements, note disclosures and supplemental information. In addition, this section provides multi-year trends for the financial and operation information important to an understanding of how the Pension Trust's financial position has changed over time.

The Pension Trust and the benefit provisions of the Retirement Plan account for active and retired members in three broad classes –

- Miscellaneous – members not included in the categories of Probation or Safety
- Probation – members employed as correctional officers and similar positions
- Safety - members employed as sworn public safety officers (e.g., Deputy Sheriffs)

The different classes generally have different retirement benefit levels, different employer appropriation rates and different employee contribution rates. Members may have blended service between the three membership classes. For example, a member may work a portion of their career as a Miscellaneous member and then change jobs to become a member of the Safety class. In such a case, their retirement would be a blend of the different retirement benefits under which they accrued benefits during the different portions of their career. Within each membership class there are also numerous bargaining units and unrepresented labor groups that may have differing retirement benefit provisions. Employer appropriation rates and employee contribution rates may also differ between the various bargaining units as determined by the employer, typically as part of a collective bargaining process.

Beginning at the end of 2010 and throughout 2011 a “Tier 2” level of retirement benefits was adopted by the Plan Sponsor for Miscellaneous and Safety membership classes. Tier 2 retirement benefits provide a lower level of retirement benefits for new-hire employees. The pension benefit in place for existing employees was not modified. The Tier 2 benefits put in place through year-end 2012 apply to new hires in the majority of the County's Miscellaneous and Safety member workforce. Tier 2 benefits also apply to new hires with the Air Pollution Control District and the Pension Trust staff. The San Luis Obispo County Superior Court has not yet implemented its participation in Tier 2 benefits.

Beginning in January 2013 a new Tier 3 level of benefits was added to the Retirement Plan in compliance with the California Public Employees Pension Reform Act put into law in 2012. Reporting on Tier 3 benefits that apply only to new-hires after January 1, 2013 will be included in future CAFRs.

The actuarial data presented in this Statistical Section is based on the January 1, 2012 Annual Actuarial Valuation which reflects data as of year-end 2011.

A detailed description of the Retirement Plans provisions may be found in the Actuarial Section of this CAFR.

San Luis Obispo County Pension Trust

Changes in Fiduciary Net Position

Last 10 fiscal years (Dollars in Thousands)

	2012	2011	2010	2009	2008
Additions					
Employer Appropriations	\$ 30,942	\$ 30,436	\$ 32,148	\$ 31,427	\$ 30,860
Member Contributions	25,207	25,262	24,549	24,170	22,840
Net Investment Income	108,818	24,113	110,054	144,482	(234,539)
Total Additions	<u>\$ 164,967</u>	<u>\$ 79,811</u>	<u>\$ 166,751</u>	<u>\$ 200,080</u>	<u>\$ (180,838)</u>
Deductions					
Retirement Benefits	\$ 54,548	\$ 50,415	\$ 46,801	\$ 42,028	\$ 37,098
Refunds	1,138	1,659	1,642	1,575	2,017
Death Benefit	125	431	362	45	197
Administrative Expense	2,070	1,910	1,981	1,730	1,771
Amort. of Prepaid Contrib.	-	-	-	-	-
Total Deductions	<u>\$ 57,881</u>	<u>\$ 54,414</u>	<u>\$ 50,787</u>	<u>\$ 45,378</u>	<u>\$ 41,082</u>
Change in Fiduciary Net Position	<u>\$ 107,086</u>	<u>\$ 25,397</u>	<u>\$ 115,965</u>	<u>\$ 154,702</u>	<u>\$ (221,920)</u>
	2007	2006	2005	2004	2003
Additions					
Employer Appropriations	\$ 24,014	\$ 19,177	\$ 18,209	\$ 16,521	\$ 150,816
Member Contributions	17,406	15,497	14,134	12,663	12,137
Net Investment Income	37,640	78,578	32,017	48,371	76,968
Total Additions	<u>\$ 79,060</u>	<u>\$ 113,252</u>	<u>\$ 64,360</u>	<u>\$ 77,555</u>	<u>\$ 239,921</u>
Deductions					
Retirement Benefits	\$ 32,100	\$ 27,037	\$ 22,608	\$ 19,246	\$ 16,577
Refunds	1,588	1,459	1,858	1,466	1,202
Death Benefit	504	64	92	185	224
Administrative Expense	1,629	1,533	1,504	1,119	1,161
Amort. of Prepaid Contrib.	-	-	-	-	176
Total Deductions	<u>\$ 35,821</u>	<u>\$ 30,092</u>	<u>\$ 26,061</u>	<u>\$ 22,015</u>	<u>\$ 19,339</u>
Change in Fiduciary Net Position	<u>\$ 43,239</u>	<u>\$ 83,160</u>	<u>\$ 38,299</u>	<u>\$ 55,540</u>	<u>\$ 220,582</u>

Note: 2003 Employer Contributions includes proceeds from Pension Obligation Bonds issued by the County.

2003 also includes Amortization of Prepaid County Contribution.

Source: SLOCPT audited financial statements

San Luis Obispo County Pension Trust
Revenue and Expenses

Last 10 fiscal years (Dollars in Thousands)

Revenue by Source	Employer Approp.	Employee Contrib.	Net Investment Income	TOTAL
2003	\$ 150,816	\$ 12,137	\$ 76,968	\$ 239,921
2004	16,521	12,663	48,371	77,555
2005	18,209	14,134	32,017	64,360
2006	19,177	15,497	78,578	113,252
2007	24,014	17,406	37,640	79,060
2008	30,860	22,840	(234,539)	(180,838)
2009	31,427	24,170	144,482	200,080
2010	32,148	24,549	110,054	166,751
2011	30,436	25,262	24,113	79,811
2012	30,942	25,207	108,818	164,967

Expense by Type	Retirement Benefits	Refunds & Death Benefits	Admin- istrative Expense	Amort. of Prepaid Contrib.	TOTAL
2003	\$ 16,577	\$ 1,425	\$ 1,161	\$ 176	\$ 19,339
2004	19,246	1,650	1,119	-	22,015
2005	22,608	1,949	1,504	-	26,061
2006	27,037	1,522	1,533	-	30,092
2007	32,100	2,092	1,629	-	35,821
2008	37,098	2,213	1,771	-	41,082
2009	42,028	1,620	1,730	-	45,378
2010	46,801	2,005	1,981	-	50,787
2011	50,415	2,089	1,910	-	54,414
2012	54,548	1,263	2,070	-	57,881

Note: 2003 Employer Contributions includes proceeds from Pension Obligation Bonds issued by the County.

2003 includes Amortization of Prepaid County Contribution.

Source: SLOCPT audited financial statements

San Luis Obispo County Pension Trust

Benefits by Type

Last 10 fiscal years (Dollars in Thousands)

As of most recent completed actuarial valuation dated January 1, 2012,
based on data as of December 31, 2011.

As of Dec. 31st each year		Service Retirement	Beneficiary Retirement	Disability Allowance	TOTAL
2002	Miscellaneous	\$ 11,030	\$ 803	\$ 806	\$ 12,639
	Probation	320	6	22	348
	Safety	1,675	160	660	2,494
	TOTAL	13,024	968	1,488	\$ 15,481
2003	Miscellaneous	\$ 12,967	\$ 881	\$ 832	\$ 14,680
	Probation	382	6	39	426
	Safety	1,802	185	687	2,674
	TOTAL	15,151	1,072	1,558	\$ 17,781
2004	Miscellaneous	\$ 15,103	\$ 1,070	\$ 892	\$ 17,064
	Probation	416	6	40	462
	Safety	2,144	202	866	3,212
	TOTAL	17,662	1,278	1,797	\$ 20,738
2005	Miscellaneous	\$ 18,193	\$ 1,085	\$ 911	\$ 20,189
	Probation	458	39	41	538
	Safety	3,055	194	995	4,244
	TOTAL	21,706	1,318	1,947	\$ 24,972
2006	Miscellaneous	\$ 21,385	\$ 1,146	\$ 1,037	\$ 23,568
	Probation	589	40	42	672
	Safety	3,434	191	1,058	4,683
	TOTAL	25,409	1,377	2,137	\$ 28,922

Continued on next page

San Luis Obispo County Pension Trust

Benefits by Type (continued)

Last 10 fiscal years (Dollars in Thousands)

As of most recent completed actuarial valuation dated January 1, 2012,
based on data as of December 31, 2011

As of Dec. 31st each year		Service Retirement	Beneficiary Retirement	Disability Allowance	TOTAL
2007	Miscellaneous	\$ 25,199	\$ 1,392	\$ 1,082	\$ 27,674
	Probation	870	35	43	949
	Safety	4,970	193	1,100	6,262
	TOTAL	31,039	1,620	2,225	\$ 34,885
2008	Miscellaneous	\$ 27,729	\$ 1,799	\$ 1,177	\$ 30,705
	Probation	993	36	74	1,103
	Safety	5,514	200	1,170	6,885
	TOTAL	34,237	2,035	2,422	\$ 38,693
2009	Miscellaneous	\$ 32,802	\$ 1,978	\$ 1,240	\$ 36,021
	Probation	1,248	67	76	1,391
	Safety	5,965	280	1,284	7,529
	TOTAL	40,015	2,325	2,600	\$ 44,940
2010	Miscellaneous	\$ 35,084	\$ 2,270	\$ 1,230	\$ 38,585
	Probation	1,307	89	105	1,501
	Safety	6,782	263	1,301	8,346
	TOTAL	43,173	2,622	2,636	\$ 48,432
2011	Miscellaneous	\$ 37,691	\$ 2,347	\$ 1,245	\$ 41,283
	Probation	1,498	90	106	1,694
	Safety	7,333	342	1,315	8,990
	TOTAL	46,522	2,779	2,666	\$ 51,967

Note - Benefit shown are as of year-end rates, not whole-year totals so will not tie to financial statement totals.

Source: SLOCPT annual actuarial valuations - Annualized benefits as of Dec. 31st

San Luis Obispo County Pension Trust

Benefits - Retirees, Beneficiaries & Disability Recipients

Last 10 fiscal years

As of most recent completed actuarial valuation dated January 1, 2012,
based on data as of December 31, 2011.

As of Dec. 31st each year		Avg. Age on Dec. 31st	Avg. Age at retirement	Number of Recipients	Average Annual Pmt.
2002	Miscellaneous	69.8	59.8	1,016	\$ 11,565
	Probation	61.3	55.2	12	26,078
	Safety	62.9	51.8	111	21,328
	TOTAL			1,139	\$ 12,656
2003	Miscellaneous	69.5	58.8	1,086	\$ 12,440
	Probation	60.1	54.5	16	28,960
	Safety	63.2	50.8	118	22,472
	TOTAL			1,220	\$ 13,592
2004	Miscellaneous	69.1	58.7	1,165	\$ 13,518
	Probation	60.7	54.7	18	26,641
	Safety	62.6	50.6	133	22,664
	TOTAL			1,316	\$ 14,574
2005	Miscellaneous	68.7	58.7	1,264	\$ 14,647
	Probation	61.1	54.9	20	25,656
	Safety	62.6	51.5	146	24,147
	TOTAL			1,430	\$ 15,758
2006	Miscellaneous	68.2	58.5	1,369	\$ 15,972
	Probation	61.3	55.2	24	26,922
	Safety	63.2	51.5	150	29,070
	TOTAL			1,543	\$ 17,463

Continued on next page

San Luis Obispo County Pension Trust

Benefits - Retirees, Beneficiaries & Disability Recipients (continued)

Last 10 fiscal years

As of most recent completed actuarial valuation dated January 1, 2012,
based on data as of December 31, 2011.

As of Dec. 31st each year		Avg. Age on Dec. 31st	Avg. Age at retirement	Number of Recipients	Average Annual Pmt.
2007	Miscellaneous	67.9	58.4	1,461	\$ 17,215
	Probation	60.7	55.8	30	27,993
	Safety	62.8	51.8	168	31,218
	TOTAL			1,659	\$ 18,744
2008	Miscellaneous	68.3	58.5	1,532	\$ 18,942
	Probation	61.4	56.0	33	31,624
	Safety	63.3	51.8	176	37,275
	TOTAL			1,741	\$ 21,028
2009	Miscellaneous	68.1	58.6	1,665	\$ 20,043
	Probation	61.5	55.8	38	33,438
	Safety	63.3	51.8	187	39,118
	TOTAL			1,890	\$ 22,225
2010	Miscellaneous	68.4	58.6	1,711	\$ 21,634
	Probation	61.3	55.2	41	36,909
	Safety	63.3	52.0	194	40,260
	TOTAL	67.8	57.9	1,946	\$ 23,778
2011	Miscellaneous	68.7	58.6	1,785	\$ 23,128
	Probation	62.0	55.4	45	37,640
	Safety	63.8	52.3	210	42,808
	TOTAL	68.0	57.9	2,040	\$ 25,474

Source: SLOOPT annual actuarial valuations - Annualized benefits as of Dec. 31st

San Luis Obispo County Pension Trust
Benefits by Annual Amount
 Most Recent Fiscal Year

As of Dec. 31, 2012

Retirement Allowances
 for all recipients - retirees
 beneficiaries and disabilities

Above	but	Below	Number	% of Total
\$ -		\$ 10,000	565	26%
10,000		20,000	594	28%
20,000		30,000	340	16%
30,000		40,000	205	10%
40,000		50,000	134	6%
50,000		60,000	104	5%
60,000		70,000	63	3%
70,000		80,000	44	2%
80,000		90,000	32	1%
90,000		100,000	13	1%
100,000		and above	53	2%
			<hr/>	
			2,147	100%

Source: SLOCPT Payroll records

San Luis Obispo County Pension Trust

Member Data

Last 10 fiscal years

As of most recent completed actuarial valuation dated January 1, 2012,
based on data as of December 31, 2011.

Active Members (all classes)	Average Age	Average Service	Average Annual Pay
2002	45.6	9.0	\$ 46,396
2003	46.2	9.5	49,804
2004	46.7	10.0	51,916
2005	46.7	10.0	55,733
2006	46.6	10.0	58,060
2007	46.3	9.7	61,020
2008	46.7	10.0	63,484
2009	46.8	10.3	64,024
2010	47.2	10.8	65,262
2011	47.7	11.1	65,844
2012	<i>Actuarial Valuation in progress as of June 17, 2013</i>		

Number of Members	Active Members	Deferred Vested Members	Retiree and Beneficiary	Disability Recipients	TOTAL
2002	2,845	384	1,031	108	4,368
2003	2,738	428	1,108	112	4,386
2004	2,604	462	1,196	120	4,382
2005	2,582	487	1,310	120	4,499
2006	2,620	504	1,416	127	4,667
2007	2,662	481	1,532	127	4,802
2008	2,657	489	1,610	131	4,887
2009	2,506	476	1,758	132	4,872
2010	2,479	475	1,817	129	4,900
2011	2,446	449	1,911	129	4,935
2012	<i>Actuarial Valuation in progress as of June 17, 2013</i>				

Source: SLOCPT annual actuarial valuations
- Data as of Dec. 31st each year

San Luis Obispo County Pension Trust

Members by Employer

Last 10 fiscal years

Active Members (all classes)	San Luis Obispo County	Superior Courts of CA. (a)	Air Pollution Control District (b)	Local Agency Formation Comm.	Oceano Services District	Pension Trust staff	TOTAL
2003 (a)	2,730	-	-	3	1	4	2,738
% of total	99.7%	0.0%	0.0%	0.1%	0.0%	0.1%	
2004	2,454	142	-	3	1	4	2,604
% of total	94.2%	5.5%	0.0%	0.1%	0.0%	0.2%	
2005	2,424	150	-	3	1	4	2,582
% of total	93.9%	5.8%	0.0%	0.1%	0.0%	0.2%	
2006	2,449	163	-	3	1	4	2,620
% of total	93.5%	6.2%	0.0%	0.1%	0.0%	0.2%	
2007	2,495	157	-	3	1	6	2,662
% of total	93.7%	5.9%	0.0%	0.1%	0.0%	0.2%	
2008	2,491	156	-	3	1	6	2,657
% of total	93.8%	5.9%	0.0%	0.1%	0.0%	0.2%	
2009	2,341	154	-	3	1	7	2,506
% of total	93.4%	6.1%	0.0%	0.1%	0.0%	0.3%	
2010 (b)	2,320	149	-	3	-	7	2,479
% of total	93.6%	6.0%	0.0%	0.1%	0.0%	0.3%	
2011 (c)							
Tier 1	2,184	147	24	3	-	7	2,365
Tier 2	81	-	-	-	-	-	81
Total	2,265	147	24	3	-	7	2,446
% of total	92.6%	6.0%	1.0%	0.1%	0.0%	0.3%	
2012							
Tier 1	2,054	134	24	3	-	5	2,220
Tier 2	274	-	-	-	-	1	275
Total	2,328	134	24	3	-	6	2,495
% of total	93.3%	5.4%	1.0%	0.1%	0.0%	0.2%	

(a) Prior to 2004 the Superior Court members were employees of San Luis Obispo County

(b) Prior to 2011 the Air Pollution Control District members were employees of San Luis Obispo County

(c) Beginning in 2011 the County, APCD and the Pension Trust instituted a reduced level of "Tier 2" retirement benefits for new-hire employees in the Miscellaneous category.

Source: SLOCPT Payroll records - as of December 31st of each year

San Luis Obispo County Pension Trust



San Luis Obispo County
Pension Trust
1000 Mill St.
San Luis Obispo, CA 93408
805/781-5465
www.SLOPensionTrust.org

