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, 2015 and December 31, 2014

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Comprehensive Annual Financial Report

For the Years Ended
December 31, 2015 and December 31, 2014

San Luis Obispo County
Pension Trust

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

Issued By:

Carl A. Nelson, CFA
Executive Secretary

Amy Burke
Deputy Executive Secretary

Jennifer Alderete
Financial Accountant

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Photographs: Carl Nelson

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Introductory Section

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San Luis Obispo County Pension Trust
SLOCPT

Carl Nelson
Executive Secretary

June 27, 2016

San Luis Obispo County Pension Trust
Board of Trustees

Dear Board Members:

I am pleased to present this Comprehensive Annual Financial Report ("CAFR") for the San Luis Obispo County Pension Trust (the "Pension Trust" or "SLOCPT") for the years ended December 31, 2015 and 2014.

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 bylaws 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 and various agencies (collectively the "Plan Sponsor") listed on the next page:

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 Auditor/Controller-Treasurer/Tax Collector/Public Trustee 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. The Executive Secretary also acts as Secretary to the Board.

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 (GAAP) 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 18 through 23.

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 the actuarial measurement 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 with 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 the employer and the employee is typically the result of the collective bargaining process, or for unrepresented employees it is set by the Board of Supervisors.

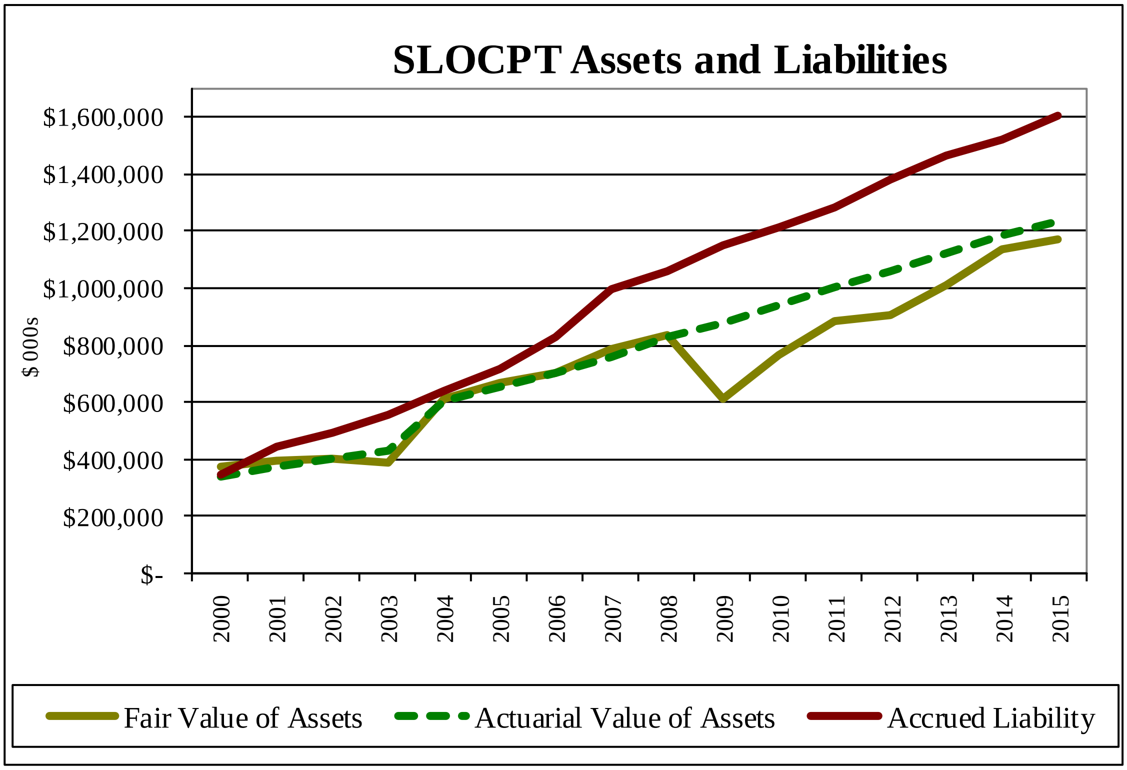
It is the policy of the County to contribute the full ARC each year through a combination of employer appropriations and employee contributions. The timing of when employer appropriation rate changes are implemented may vary depending on when the actuarial valuation is completed. Likewise, the timing 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 ARC 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, 2015 valuation. It is based on member data and financial results through December 31, 2014. 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, 2016. At the time of preparation of this CAFR, the January 1, 2016 valuation was being prepared, but the results were not yet available.

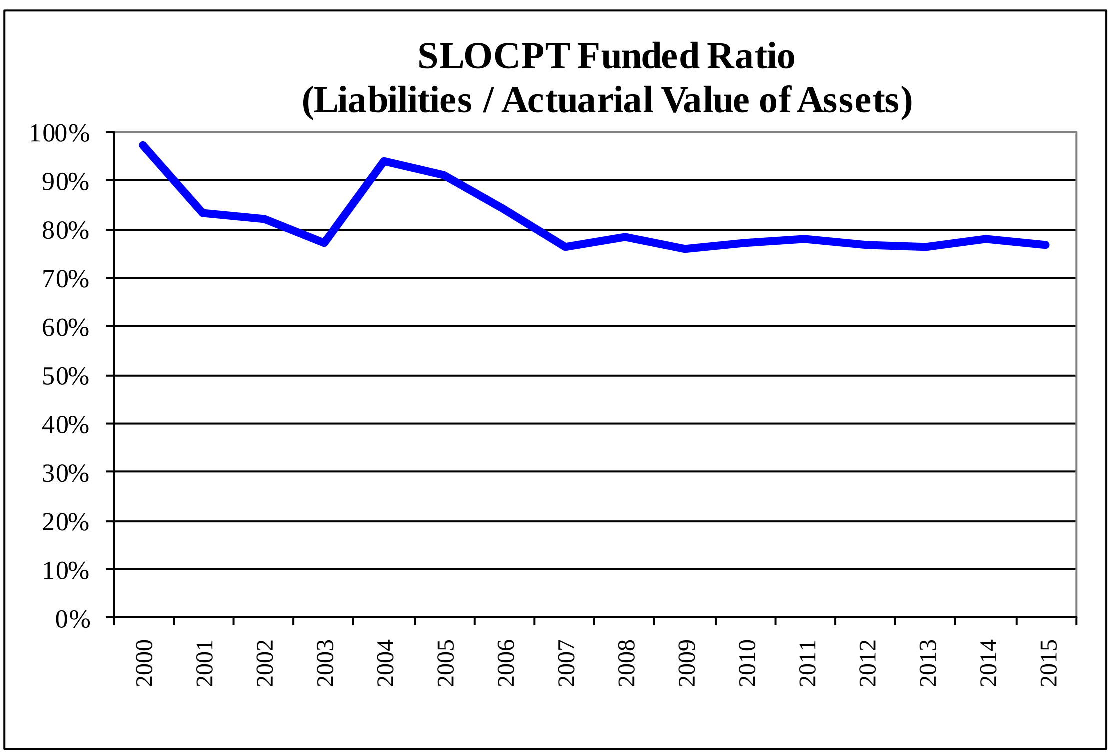
Based on the most recent actuarial valuation, the actuary computes (among other things) a level of Actuarial Accrued Liability (AAL) and an Actuarial Value of Assets (AVA). The AVA is a smoothed measure of fair values of the Pension Trust's total assets that moderates yearly volatility in asset size. The difference between the AVA and the AAL (if negative) is referred to as the Unfunded Actuarial Accrued Liability (UAAL) and is a central focus of funding policy for the Retirement Plan. These actuarial measurements are discussed in more detail in the Actuarial Section of this CAFR.

Combined with the year-end Fair Value of Assets (FVA) the history of these measures is shown in 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 slightly decreased to 76.7% as of year-end 2014. The history of the Pension Trust's funded ratio is shown in 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 73 through 94.

Investments:

The Board has full authority over the investments of the Pension Trust and is responsible for the establishment of investment strategies and policies that align with the overall funding objective of the Plan. 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 Pension Trust 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 31, the total time weighted rate of return gross of fees on the Pension Trust's assets as computed by the Investment Consultant are summarized below.

	2011	2012	2013	2014	2015
SLOCPT Total Returns	3.4%	12.8%	13.8%	5.1%	-1.1%

Source: Verus reports

For cumulative periods ending December 31, 2015, the annualized time weighted total rate of returns gross of fees are as follows.

	1 year	3 years	5 years	10 years
SLOCPT Total Returns	-1.1%	5.8%	6.7%	5.0%

Source: Verus 4th Quarter 2015 report and Pension Trust records for pre-2006 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 57 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, 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
The timely payment of retirement benefits is the core objective of the Pension Trust and 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 December 2015, the Pension Trust paid benefit allowances to 2,517 retirees, disability recipients, beneficiaries, and survivors. During 2015, $72.4 million was paid by the Pension Trust in recipients' benefits. Of this amount, approximately 79% was sent to addresses within San Luis Obispo County. The significance of this data is that the majority of retirement benefits paid by the Pension Trust is presumably spent within San Luis Obispo County and contributes in a material way to the local economy.

Pension Administration System Modernization
The systems that support the operation of a defined benefit pension system with multiple tiers of benefits and numerous bargaining units are necessarily complex. The Pension Trust went "live" in 2006 with a proprietary Pension Administration System (PAS) custom developed for the Pension Trust. At that time there were no readily available off-the-shelf systems that could support the complexity of the Plan. Over the intervening years this PAS has served well, but as 2013-2014 progressed it became apparent that significant modernization of the proprietary software or its replacement would be necessary – a typical event for software systems as they age. Extensive analysis was performed in 2014 and, with the support and recommendation of the ad hoc PAS Replacement Committee of the Board, the decision was reached to initiate a PAS

replacement project. To that end a limited-scope updating of the 2006 vintage PAS was completed in 2015 to extend its service life through the 3 years expected to be necessary for a replacement PAS to be procured. The Pension Trust conducted a competitive Request for Proposal process for a semi-customized commercial-off-the-shelf PAS system. Since 2006, a number of such systems have emerged and several viable proposals were received. In December of 2015 the Pension Trust selected LRS/PensionGold as the vendor for the replacement PAS. The implementation of the replacement PAS is expected to span the 2016-2019 timeframe and to result in the ability to continue to meet the operating mission of the Pension Trust into the foreseeable future.

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. Some of the key service efforts and accomplishments related to the Pension Trust's investments in 2015 were:

- Asset Allocation and Investment Policy – During 2015 no changes to the strategic asset allocation policy was made. However, the Investment Policy Statement (IPS) that incorporates the strategic asset allocation policy as an addendum was completely rewritten in 2015. The revised IPS, adopted by the Board at the November 23, 2015, meeting constituted the first major update in over a decade. The important updates to the IPS included the removal of obsolete sections dealing with internal portfolio management. Important clarifications/updates were incorporated on investment philosophy, allowable asset classes, investment manager policies, investment administration and delegated authority.

- Local Real Estate – The Pension Trust's allocation to real estate is primarily invested in nationally diversified real estate funds. The Pension Trust also owned nine properties located in the San Luis Obispo area. These properties were the last internally managed portfolio in the Pension Trust. During 2014 the Board approved the hiring of an external portfolio management firm, American Realty Advisors, to manage the properties and initiate a multi-year process to sell most of the local real estate properties. During 2015, American Realty Advisors began positioning the local real estate portfolio for more advantageous sale via changes to tenant mix and physical improvements. Two of the local properties were sold in late 2015 and early 2016. The remainder of the local real estate portfolio is expected to be sold in the 2016-2017 timeframe and the proceeds deployed to more diversified real estate investments.

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 2014 and its findings were considered in the setting of assumptions for the January 1, 2014 annual actuarial valuation. The current key actuarial assumptions used in the 2014 and 2015 actuarial valuations (the most recent available as of the date of this writing) were as follows:

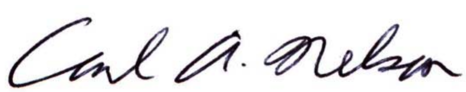
- 7.25% Earning Assumption
- 3.25% Salary Growth Assumption
- 3.75% Payroll Growth Assumption
- 2.75% Inflation Assumption

At the time of preparation of this CAFR, the January 1, 2016 actuarial valuation was being prepared but the results were not yet available. Also at the time of the preparation of this CAFR, the January 1, 2016 biennial actuarial experience study was in preparation and we anticipate some decreases to the key assumptions noted above based on the preliminary results of this study. In addition, updated mortality assumptions are expected to be a material change to the 2016 Actuarial Valuation.

Acknowledgements:

I sincerely thank the Board for its leadership and dedication to provide a strong retirement system. The Pension Trust has an unusually experienced and highly professional Board that works together and with staff in an effective manner. I also thank the 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 Amy Burke, Deputy Executive Secretary, and Jennifer Alderete, Financial Accountant, for their prodigious efforts in producing this sixth annual CAFR for the Pension Trust.

Respectfully submitted,



Carl A. Nelson, CFA
Executive Secretary and Chief Investment Officer
San Luis Obispo County Pension Trust

Government Finance Officers Association

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, 2014

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2015

Presented to

San Luis Obispo County Pension Trust

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

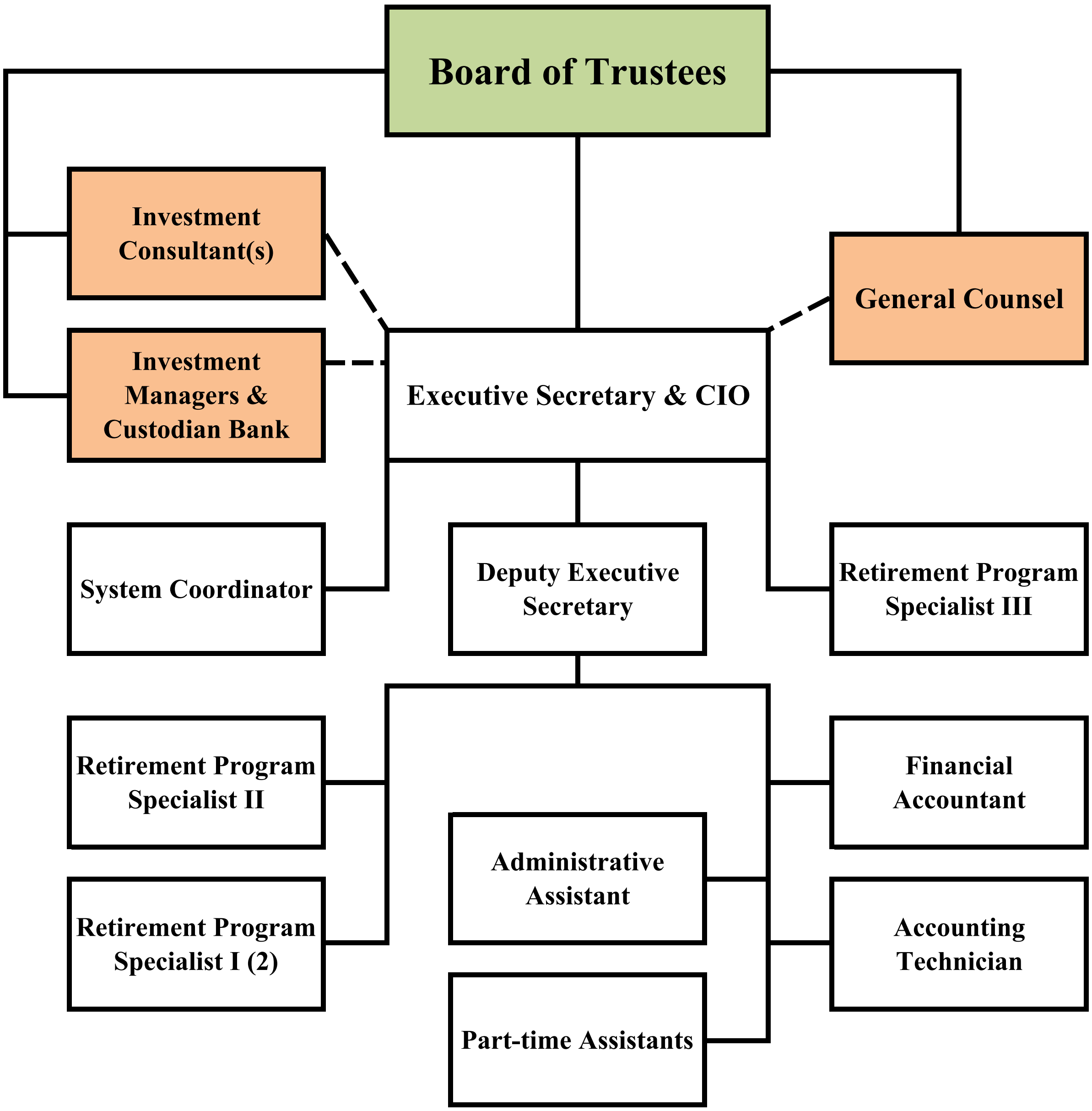
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Alan H. Winkle
Program Administrator

Board of Trustees

As of December 31, 2015
(with March 2016 replacement)

San Luis Obispo County Pension Trust
Organization Chart - December 31, 2015



See following page for outside consultants and investment managers.

In addition, see Schedule of Management Fees and Commissions in the Investment section for more information on outside investment managers.

Professional Consultants

As of December 31, 2015

Actuarial

Actuary

Leslie Thompson, FSA
Gabriel, Roeder, Smith

Legal Services

General Counsel

Chris Waddell
Olson Hagel & Fishburn, LLP

Litigation

Tom Winfield
Pillsbury Winthrop Shaw Pittman LLP

Plan Qualification & Fiduciary Counsel

Don Wellington
Steptoe & Johnson, LLP

Patent Law

Linh Nguyen
Blakely 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
Verus

Investment Custodian

J.P. Morgan Chase

Investment Managers

Bonds, Notes, CMOs

Brandywine Global Investment Management
Pacific Asset Management Bank Loan Fund
Pacific Investment Management Company
State Street Global Advisors
Stone Harbor Investment Partners

Domestic Equities

Atlanta Capital Management
Research Affiliates
State Street Global Advisors

International Equities

Dodge & Cox
Vontobel Asset Management

Commodities

Gresham Investment Management

Alternative Investments / Private Equity

Harbourvest Partners
KKR Mezzanine Partners
Pacific Investment Management Company

Real Estate

Long Wharf Real Estate Partners
J.P. Morgan Investment Management
American Realty Advisors

Cash Overlay

Parametric

Financial Section

BROWN
ARMSTRONG
CERTIFIED
PUBLIC
ACCOUNTANTS

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
San Luis Obispo County Pension Trust
San Luis Obispo, California

Report on the Financial Statements

We have audited the accompanying Statements of Fiduciary Net Position of the San Luis Obispo County Pension Trust (the Plan) as of December 31, 2015 and 2014, the related Statements of Changes in Fiduciary Net 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

The Plan's Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the Fiduciary Net Position of the Plan as of December 31, 2015 and 2014, and their Changes in Fiduciary Net Position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the basic financial statements, the net pension liability of the participating employers as of December 31, 2015 and 2014, was $545.2 and $422.5 million, respectively. The Fiduciary Net Position as a percentage of the total liability as of December 31, 2015 and 2014, was 67.57% and 73.53%, respectively. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate as of December 31, 2015 and 2014, of 7.25% and 7.25%, respectively, which represents the long-term expected rate of return. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic 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 audit 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 other supplementary information and the introductory, 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 assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016, 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, 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 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
June 27, 2016

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San Luis Obispo County
Pension Trust
SLOCPT

SAN LUIS OBISPO COUNTY
PENSION TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014

June 27, 2016

We are pleased to provide this overview and analysis of the financial activities of the San Luis Obispo County Pension Trust (SLOCPT) for the years ended December 31, 2015 and 2014. SLOCPT 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 (the Plan) in order to improve the benefits to employees retiring after January 1, 1968. One of the principal objectives of the new 1968 Plan, and of subsequent amendments to that Plan, has been to provide benefits substantially comparable to those that would have been provided had the original Plan Sponsor, San Luis Obispo County (the 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. SLOCPT is established pursuant to Section 17 of Article XVI of the California Constitution and Government Code Sections 53215 et seq.

The Plan as a defined benefit pension system provides retirement benefits that vary by the class of member – Miscellaneous, Public Safety, or Probation employees. The Plan's benefits also vary within each class of membership by the date of hire of the members. Members hired generally prior to 2011 receive benefits under "Tier 1" benefit formulas. Members hired in 2011-2012 generally and some subsequently hired members with reciprocal membership from other California pension systems receive benefits under "Tier 2" benefit formulas that are lower than Tier 1 benefits. Members hired in 2013 and later years generally receive benefits under 'Tier 3" benefit formulas that are lower than Tier 2 benefits. The Tier 3 benefit formulas were implemented by the County to comply with the provisions of the statewide Public Employees Pension Reform Act of 2012.

Financial Highlights

SLOCPT's Fiduciary Net Position as of December 31, 2015 was $1.136 billion. This represents a decrease of $37.5 million or 3.2% from the year ended December 31, 2014. The Fiduciary Net Position represents the net position (total assets minus total liabilities) that is restricted and available for future payment of pension benefits to members and their beneficiaries as of the date reported.

Total additions to the Fiduciary Net Position in 2015 were $41.5 million, which includes member and employer contributions of $58.2 million and net investment losses of $16.7 million. Comparatively, in 2014 additions to the Fiduciary Net Position were $108.1 million, which included member and employer contributions of $56.4 million and net investment income of $51.7 million. The $31.4 million aggregate loss recognized in realized and unrealized gains on investments was the main factor contributing to the net decrease in total additions over prior year.

For the year ended December 31, 2015, deductions to the Fiduciary Net Position totaled $79.0 million, consisting of $75.1 million in payments to Plan members and their beneficiaries and $3.9 million in administrative and other expenses. For the year ended December 31, 2014 deductions to the Fiduciary Net Position totaled $70.5 million, consisting of $68.1 million in payments to Plan members and their beneficiaries and $2.4 million in administrative and other expenses. An increase in the total number of retirees as well as the annual Cost of Living Adjustment (COLA) were the major causes of the increase in Plan deductions.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment earnings. As of January 1, 2015, the date of the last actuarial valuation that was approved in June 2015, the funded ratio for the Plan was 76.7%. In general, this indicates that for every dollar of benefits due, SLOCPT had approximately 76.7 cents available for payment.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to SLOCPT's financial statements, which are comprised of these components:

1. **Statements of Fiduciary Net Position**
2. **Statements of Changes in Fiduciary Net Position**
3. **Notes to the Financial Statements**
4. **Required Supplementary Information**
5. **Other Supplemental Information**

The **Statements of Fiduciary Net Position** are a snapshot of major account balances as of December 31, 2015 and 2014. They indicate the value of assets available for future payments of benefits to retirees and their beneficiaries and any current liabilities that are owed at that date. These statements include all assets and liabilities using a full accrual basis of accounting as required for fiduciary funds in governmental accounting.

The **Statements of Changes in Fiduciary Net Position** provide a detailed view of the current and prior year additions to and deductions from the Fiduciary Net Position. All of the 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 these financial statements.

These two statements report the Fiduciary Net Position restricted for pension benefits – the difference between assets and liabilities – as a way to measure SLOCPT's financial position. Over time, increases and decreases in the Fiduciary Net Position are one indicator of the Plan's financial health improvement or deterioration.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements including, but not limited to, a plan description, significant accounting policies, risk disclosures, and funded status. This section provides a detailed basis for assessing the Plan's overall financial health.

The **Required Supplementary Information** shows information concerning SLOCPT's progress in funding its obligations to provide pension benefits to members and their beneficiaries.

The **Other Supplementary Information** includes additional schedules that present more detailed information on the administrative and investment expenses of SLOCPT as well as information regarding each employer's pension expense and allocated pension liability.

These statements as a whole are presented in conformity 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. These statements comply with all material requirements of these pronouncements.

Financial Analysis

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

The Fiduciary Net Position restricted for pension benefits as of December 31, 2015 totaled $1.136 billion, a decrease of $37.5 million from prior year end. This decrease was mainly due to unrealized losses within the domestic and international equity investment areas, which is consistent with the volatility experienced in these markets over the past year. During 2015 the rate of return on investments, as measured by SLOCPT's investment consultant, was -1.1% gross of fees.

In comparison, the Fiduciary Net Position restricted for pension benefits as of December 31, 2014 totaled $1.173 billion, an increase of $37.6 million from the prior year. This increase was due primarily to realized gains within the domestic equity investment area, as well as dividend income received from these investments. During 2014 the rate of return on SLOCPT's investments, as measured by SLOCPT's investment consultant, was 5.1% gross of fees.

A table comparison of selected current and prior year balances follows:

	2015	2014	Increase (Decrease)
Cash	$ 36,730,164	$ 42,130,016	$ (5,399,852)
Investments at Fair Value	1,127,045,708	1,137,652,333	(10,606,625)
Securities Sold	17,924,492	100,170,750	(82,246,258)
Other Receivables and Other Assets	3,651,663	4,129,129	(477,466)
Total Assets	1,185,352,027	1,284,082,228	(98,730,201)
Total Liabilities	49,549,323	110,746,166	(61,196,843)
Fiduciary Net Position	$ 1,135,802,704	$ 1,173,336,062	$ (37,533,358)

	2014	2013	Increase (Decrease)
Cash	$ 42,130,016	$ 34,395,473	$ 7,734,543
Investments at Fair Value	1,137,652,333	1,139,609,581	(1,957,248)
Securities Sold	100,170,750	67,709,705	32,461,045
Other Receivables and Other Assets	4,129,129	3,932,167	196,962
Total Assets	1,284,082,228	1,245,646,926	38,435,302
Total Liabilities	110,746,166	109,928,309	817,857
Fiduciary Net Position	$ 1,173,336,062	$ 1,135,718,617	$ 37,617,445

Additions to Fiduciary Net Position

There are three primary sources of funding for the payment of benefits: earnings on investments of assets, employer contributions, and active Plan member contributions. Income sources for the years ended December 31, 2015 and 2014 totaled $41.5 million and $108.1 million, respectively. While net investment earnings fell sharply, employer and Plan member contributions increased.

Pensionable salaries for active members increased $8.3 million or 5.0% for the year ended December 31, 2015 when compared to those earned in 2014. This increase, due to prevailing wage adjustments, coupled with a slight increase in the active member count were the main driving factors for the $1.7 million increase in total contributions during 2015. These increases are partially offset as Tier 1 members retire or terminate and are replaced with Tier 3 members who typically have lower member contribution rates but similar employer rates. Employer contribution rates are not determined by entry age as member rates are but rather by bargaining unit and Tier placement. All members in a particular bargaining unit will have the same employer contribution rate with only a very slight rate reduction for Tier 3 members. Conversely, member rates can fluctuate drastically within a particular bargaining unit depending on entry age of the member and Tier placement. A contribution rate increase of 0.99% in aggregate was implemented on December 22, 2013 for the majority of Plan participants depending on bargaining unit with the remaining rate increases being implemented throughout the year in correspondence with the bargaining process. This increase was mostly responsible for the increase in employer contributions experienced during 2014. Comparatively, the slight decrease in member contributions is explained by the addition of the Tier 3 benefit structure.

A table comparison of current year and prior year changes in Fiduciary Net Position follows:

	Year Ended 2015	Year Ended 2014	Increase (Decrease)
Employer Contributions	$ 33,618,330	$ 32,046,545	$ 1,571,785
Plan Member Contributions	24,586,735	24,415,512	171,223
Net Investment Income	(16,705,852)	51,667,160	(68,373,012)
Total Additions	41,499,213	108,129,217	(66,630,004)
Total Deductions from Fiduciary Net Position	79,032,571	70,511,772	8,520,799
Net Change in Fiduciary Net Position	$ (37,533,358)	$ 37,617,445	$ (75,150,803)

	Year Ended 2014	Year Ended 2013	Increase (Decrease)
Employer Contributions	$ 32,046,545	$ 30,795,872	$ 1,250,673
Plan Member Contributions	24,415,512	24,459,738	(44,226)
Net Investment Income	51,667,160	131,842,352	(80,175,192)
Total	108,129,217	187,097,962	(78,968,745)
Total Deductions from Fiduciary Net Position	70,511,772	64,815,404	5,696,368
Net Change in Fiduciary Net Position	$ 37,617,445	$ 122,282,558	$ (84,665,113)

Deductions from Fiduciary Net Position

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 benefit payments, as designated by the Plan, refund of contributions to terminated employees, and the cost of administering the Plan. A steady increase in benefit payments can be expected as retired member participant counts increase and the annual COLA is applied.

In March 2014, an agreement to accept a prefunded or advance payment of employer contributions was established between SLOCPT's Board of Trustees and the Board of Supervisors. The agreement allowed two of SLOCPT's employers to prepay their actuarially determined Employer contributions in July 2014 for fiscal year ended June 30, 2015. Per the terms of this agreement, the SLOCPT Board of Trustees is required to give 60 days' notice to the employers prior to the completion date of the current agreement in order to discontinue the arrangement to accept prefunded contributions in the subsequent year. In May 2015, a prefunding agreement for the fiscal year ending June 30, 2016 was established. In April 2016, the SLOCPT Board of Trustees approved the continuation of the arrangement for fiscal year ending June 30, 2017. The associated discount given for prepayment of these receivables is amortized over the time frame used to calculate the prefunded amount (in all cases, one year). Prefunded discount amortization deductions increased by $1.1 million because, in the year ended December 31, 2014, only a portion of the July 2014 agreement had been recognized. The remaining discount for this particular prefunding agreement is accurately reflected in the financial statements for the year ended December 31, 2015.

Below is a comparison of current and prior year deductions from the Plan:

	Year Ended 2015	Year Ended 2014	Increase (Decrease)
Benefits	$ 72,441,811	$ 66,162,944	$ 6,278,867
Refund of Contributions	1,613,271	1,629,307	(16,036)
Death Benefits	999,184	302,770	696,414
Administrative Expenses	2,528,532	2,084,841	443,691
Prefunded Discount Amortization	1,449,773	331,910	1,117,863
	$ 79,032,571	$ 70,511,772	$ 8,520,799

	Year Ended 2014	Year Ended 2013	Increase (Decrease)
Benefits	$ 66,162,944	$ 60,237,341	$ 5,925,603
Refund of Contributions	1,629,307	2,373,490	(744,183)
Death Benefits	302,770	150,448	152,322
Administrative Expenses	2,084,841	2,054,125	30,716
Prefunded Discount Amortization	331,910	-	331,910
	$ 70,511,772	$ 64,815,404	$ 5,696,368

The Plan as a Whole

Management believes that SLOCPT is in reasonably sound financial position to meet its obligations to the Plan members and their beneficiaries. 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.

New Pension Accounting and Financial Reporting Standards

On June 25, 2012, GASB voted to approve two new standards designed to substantially modify the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, "*Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25"*, revises existing guidance for the financial reports of most pension plans. Statement No. 68, "*Accounting and Financial Reporting for Pensions"*, revises and establishes new financial reporting requirements for governments that provide their employees with defined benefit pensions. The new financial reporting provisions were adopted by SLOCPT effective with the financial statements as of and for the year ended December 31, 2014. For the County and outside districts, the new financial reporting provisions were effective for their fiscal year ended June 30, 2015.

In February 2015, GASB approved Statement No. 72, "*Fair Value Measurement and Application*", which addresses accounting and financial reporting issues related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels of inputs, and gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). All investments are to be measured and reported by level within the hierarchy. The new financial reporting provisions for SLOCPT are effective for fiscal year ending December 31, 2016.

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 SLOCPT's finances and to demonstrate the 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,

Carl A. Nelson

Carl A. Nelson
Executive Secretary and Chief Investment Officer

SAN LUIS OBISPO COUNTY PENSION TRUST
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents	$ 36,730,164	$ 42,130,016
Receivables:		
Accrued Interest and Dividends Receivable	1,321,418	1,672,083
Accounts Receivable	20,892	2,593
Contributions Receivable	2,054,096	1,702,788
Securities Sold	17,924,492	100,170,750
Total Receivables	21,320,898	103,548,214
Investments, at Fair Value		
Bonds and Notes	308,079,674	243,335,386
International Fixed Income	121,581,042	132,284,869
Collateralized Mortgage Obligations	5,000,946	5,260,525
Domestic Equities	260,145,573	317,726,322
International Equities	258,033,186	271,396,419
Alternative Investments	55,698,053	64,158,619
Real Estate	118,507,234	103,490,193
Total Investments	1,127,045,708	1,137,652,333
Other Assets		
Prepaid Expenses	59,616	301,703
Capital Assets - Net of Accumulated Depreciation	195,641	449,962
Total Other Assets	255,257	751,665
Total Assets	$ 1,185,352,027	$ 1,284,082,228
LIABILITIES		
Securities Purchased	$ 26,916,249	$ 86,642,259
Accrued Liabilities	1,061,510	1,597,043
Prefunded Contributions	21,571,564	22,506,864
Total Liabilities	$ 49,549,323	$ 110,746,166
FIDUCIARY NET POSITION		
Net Position Restricted for Pensions	**$ 1,135,802,704**	**$ 1,173,336,062**

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

SAN LUIS OBISPO COUNTY PENSION TRUST
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
ADDITIONS		
Contributions		
Employer Contributions	$ 33,618,330	$ 32,046,545
Plan Member Contributions	24,586,735	24,415,512
Total Contributions	58,205,065	56,462,057
Investment Income		
Realized and Unrealized Gains and Losses	(31,449,949)	26,096,960
Interest	5,764,598	5,545,469
Dividends	10,279,835	22,750,408
Real Estate Management Trust Income, Net	1,538,663	807,085
Real Estate Operating Income, Net	1,313,992	1,505,761
Other Investment Loss, Net	-	(5,483)
Investment Expenses	(4,152,991)	(5,033,040)
Net Investment Income	(16,705,852)	51,667,160
Total Additions	41,499,213	108,129,217
DEDUCTIONS		
Benefits		
Monthly Benefit Payments	72,441,811	66,162,944
Refund of Contributions	1,613,271	1,629,307
Death Benefits	999,184	302,770
Total Benefits	75,054,266	68,095,021
Other Deductions		
Administration and Actuarial	2,528,532	2,084,841
Prefunded Discount Amortization	1,449,773	331,910
Total Other Deductions	3,978,305	2,416,751
Total Deductions	79,032,571	70,511,772
Net Increase (Decrease) in Fiduciary Net Position	$ (37,533,358)	$ 37,617,445
Net Position Restricted for Pensions - December 31, 2014 and December 31, 2013	$ 1,173,336,062	$ 1,135,718,617
Net Position Restricted for Pensions - December 31, 2015 and December 31, 2014	**$ 1,135,802,704**	**$ 1,173,336,062**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the San Luis Obispo County Employees Retirement Plan (the Plan) are prepared on the accrual basis of accounting. All assets are invested and held pursuant to, and in accordance with, the Investment Policy of the Plan. 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. 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.

Cash and Cash Equivalents

Cash and Cash Equivalents include deposits and short-term investments held in the San Luis Obispo County Pension Trust's (SLOCPT) operating bank accounts and custodian bank. Short-term investments include cash held in short-term investment funds and other highly liquid investments. Short-term investments considered cash are recorded at cost, which approximates fair value.

Securities

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 may include unrealized amounts from prior periods.

Private Equity

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

Real Estate

Investment properties are valued at estimated fair value, which has been determined by appraisals performed by individual real estate advisors. Depreciation is not recorded on investment properties. 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 direct real estate holdings not in commingled real estate funds are invested in properties located in the County of San Luis Obispo.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Allocation Policy and Long-Term Expected Rate of Return

The allocation of investment assets is reviewed and approved annually by the Board of Trustees (the Board) as outlined in the Investment Policy Statement. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided to SLOCPT's members and their beneficiaries. The following table displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	35%	1.69%
Domestic Equities	23%	3.78%
International Equities	22%	7.96%
Alternative Investments	10%	4.10%
Real Estate	10%	2.70%
	100%	

The following table displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	35%	1.56%
Domestic Equities	23%	3.36%
International Equities	22%	6.55%
Alternative Investments	10%	4.10%
Real Estate	10%	4.10%
	100%	

The long-term expected real rate of return is determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

Prefunded Contributions

In March 2014, the Board entered into an agreement with the Board of Supervisors to accept advanced payment of the employer contributions and employer portions of employee contributions for the County and the San Luis Obispo County Air Pollution Control District (APCD). The advance payment amount is determined and calculated by the Plan's Actuary pursuant to the provisions of the Plan Section 16.05(c) and as instructed by the Trustees. The discount rate used by the Actuary was 6.75%, based on the current earning assumption of 7.25% less 0.50%.

As actual payroll (and hence required contributions) differs from the estimate in the agreement, a "true-up" process to determine any shortfalls or overages at the County's fiscal year end on June 30 is performed. Shortfalls are collected within five business days while overages will be used as credits to offset next year's advance payment. In May 2015, an agreement with identical terms for the fiscal year ending June 30, 2016 was established. The prefunding agreement for fiscal year ended June 30, 2015 resulted in overages that were used as credits to offset the advance payment on the agreement for the fiscal year ending June 30, 2016.

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.

Reserves

Employee and Employer contributions are allocated to various reserve accounts (titled "Member Deposits Reserve", "Current Reserve", and "Cost of Living Adjustment (COLA) Reserve", respectively) based on actuarial determinations.

Reserve accounts are specified further in the Plan. The purpose of the Member Deposits Reserve, Current Reserve, and COLA Reserve is to account for the portion of SLOCPT's position that is attributable to the cumulative contributions and interest of members and employers, 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 qualifies 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 as well as 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 Policy Statement. 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 Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position.

Reclassifications

The financial statement presentation for 2014 has been changed to conform to the presentation in 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of New Accounting Standards

On June 25, 2012, the Governmental Accounting Standards Board (GASB) approved new accounting and reporting standards for pensions. GASB Statement No. 67, *"Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25"* was developed with the goal of improving financial reporting for state and local governmental pension plans. The requirements for GASB Statement No. 67 have been adopted and implemented by SLOCPT beginning with the year ended December 31, 2014.

NOTE 2 – PLAN DESCRIPTION

General

The Plan is a multiple-employer cost sharing contributory defined benefit pension plan consisting of five participating employers. Permanent employees of the County, the San Luis Obispo County Superior Courts (the Courts), APCD, the San Luis Obispo County Local Agency Formation Commission (LAFCO), and SLOCPT are required to participate in the Plan. 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 County Board of Supervisors established the SLOCPT 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 County Board of Supervisors adopted the By-Laws of the Plan. The Plan is a part of those By-Laws. The County Board of Supervisors has the sole authority to amend the Plan's provisions. Under terms of the Plan, governance of the Plan is assigned to the seven-member Board that consists of three members elected by Plan participants, three members appointed by the County's Board of Supervisors, and the County's current Auditor Controller/Treasurer Tax Collector as the Ex-Officio member.

Membership

Active members are required to contribute to the Plan at rates currently ranging from 3.75% to 25.18% of includable compensation as defined in the Plan, depending upon the collective bargaining agreement under which the member is covered and their age of entry. Employers are required to contribute to the Plan at rates currently ranging from 14.68% to 29.02% of each employee's includable compensation as defined in the Plan, depending upon the collective bargaining agreement under which the employee is covered. The schedules of rates of contributions utilized are those adopted by the County Board of Supervisors upon recommendation of SLOCPT's Board. The Board bases its recommendations on the annual Actuarial Valuation Report. The employers' appropriations and members' contributions are designed to annually fund the Plan's Actuarially Determined Contribution. Such contributions 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. Contributions are credited interest as approved by the Board, currently 6.75%, and accumulated for each individual active member until the member terminates employment.

At the time of employment termination a member may choose to cash out the employee portion of their individual accrued balance, retire with a lifetime monthly benefit (depending on eligibility), or keep the money on deposit with SLOCPT until retirement eligibility is attained (depending on the member's

NOTE 2 – PLAN DESCRIPTION (continued)

vested status). A member becomes vested once they have accrued five Pension Trust Service Credits (PTSCs). PTSCs are accumulated with every "normal" hour worked for a participating employer. Normal hours include sick and vacation time but exclude overtime. A member will not receive credit for more than 80 hours during a two-week pay cycle.

Total members of the Plan were comprised of the following as of December 31, 2015 and 2014:

	2015	2014
Retirees and Beneficiaries Currently Receiving Benefits	2,517	2,401
Terminated Employees Entitled to but not yet Receiving Benefits	450	451
Active Plan Participants		
Vested	1,661	1,738
Nonvested	948	812
Total	5,576	5,402

The Plan has three tiers, which cover members classified as Miscellaneous, Safety, and Probation. In general, members hired prior to January 1, 2011 are in Tier 1, members hired January 1, 2011 through December 31, 2012 are in Tier 2, and members hired on or after January 1, 2013 are in Tier 3. It is important to note that not all employers and/or collective bargaining units adopted Tier 2 provisions so there are some instances where a Tier 2 classification is absent for a particular employee group.

Benefits

The applicable retirement formula, minimum retirement age, compensation base, post-retirement COLA, COLA carryover, 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 collective bargaining unit. The Plan permits retirement for most members at age 50 with five or more PTSCs. Tier 3 Miscellaneous members with at least five PTSCs are eligible to retire at age 52. A member's retirement formula is based on the following three components: 1) retirement age factor, 2) total accumulated PTSCs, and 3) final compensation. The retirement age factor is determined by the member's age at retirement, member class, Tier, and collective bargaining unit; these range anywhere from 1.000% to 3.165%. Final compensation is the highest one-year average for Tier 1 employees and may include a compensation pickup for various management bargaining units. Tier 2 and Tier 3 members' final compensation is based on the highest three-year average with no pickup. Members receive their accumulated benefits as a life annuity payable monthly upon retirement.

The Plan provides for an annual post-retirement COLA based on changes in the Consumer Price Index. The COLA is limited to a maximum 3% per year for Tier 1 members and 2% per year for Tier 2 and Tier 3 members. There is no minimum COLA requirement. The Board must approve the COLA annually.

In the event of total and permanent disability, upon satisfaction of membership requirements and other applicable provisions of the Plan, members may receive a disability allowance. Disability benefits are granted by the Board based upon medical evidence. There are two types of disability allowances available within the Plan: Ordinary Disability and Industrial Disability. Industrial Disability is granted only if the cause of the disability is determined to be incurred during on-the-job duties, and is limited to Safety and Probation members.

NOTE 2 – PLAN DESCRIPTION (continued)

Tier 1 members are eligible to participate in a Deferred Retirement Option Plan (DROP). This option allows members to effectively retire from the Plan but remain an active employee with their current employer. When a member elects to enter DROP their monthly benefit is calculated using the same formulas as if they had elected to retire. However, their monthly payment is directed to and accumulated in an investment account held for that individual by a third party. The member is restricted from accessing these funds until they officially elect to retire from employment. If elected, the member must participate a minimum of six months and is required to enter official retirement by the end of five years from the date of entrance into DROP.

The Plan also provides death benefits for both active employees and retired members. The death benefit calculation is determined by the status of the member at the time of his/her passing, retirement option selection if applicable, and the status of eligible beneficiaries.

NOTE 3 – DEPOSITS AND INVESTMENT RISK DISCLOSURES

Investment 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. Although the policy does not formally specify maturity limitations, interest rate risk for any given fixed income portfolio is controlled by investment guidelines particular to each portfolio or investment manager that do specify permissible minimum and maximum maturities relative to the relevant fixed income market index benchmark.

NOTE 3 – 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, 2015:

	Investment Maturities (in years)				
Investment Type	Less Than 1 year	1-5 Years	6-10 Years	More than 10 years	Fair Value
Collateralized Mortgages	$ -	$ -	$ -	$ 5,000,946	$ 5,000,946
Corporate Bonds	1,418,467	35,280,685	36,888,156	14,283,548	87,870,856
Derivatives	(476,159)	-	-	-	(476,159)
Municipal Bonds	-	-	-	5,182,229	5,182,229
US Government & Agencies	-	32,605,189	94,914,260	41,010,785	168,530,234
Foreign Corporate Bonds	1,299,341	4,751,206	6,077,761	4,778,074	16,906,382
Foreign Government Bonds	4,365,708	31,844,289	32,769,640	35,638,910	104,618,547
Other Short Term Investments	47,028,627	-	-	-	47,028,627
Total	$ 53,635,984	$ 104,481,369	$ 170,649,817	$ 105,894,492	$ 434,661,662

For comparison, 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, 2014:

	Investment Maturities (in years)				
Investment Type	Less Than 1 year	1-5 Years	6-10 Years	More than 10 years	Fair Value
Collateralized Mortgages	$ -	$ -	$ -	$ 5,260,525	$ 5,260,525
Corporate Bonds	1,354,533	25,753,408	49,566,090	16,757,798	93,431,829
Derivatives	(61,546,184)	-	-	-	(61,546,184)
Municipal Bonds	-	-	-	5,426,874	5,426,874
US Government & Agencies	-	12,717,465	88,745,995	83,272,122	184,735,582
Foreign Corporate Bonds	7,879,281	6,618,383	5,387,737	5,243,449	25,128,850
Foreign Government Bonds	8,120,051	35,064,765	31,471,064	24,811,118	99,466,998
Other Short Term Investments	28,976,306	-	-	-	28,976,306
Total	$ (15,216,013)	$ 80,154,021	$ 175,170,886	$ 140,771,886	$ 380,880,780

NOTE 3 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (continued)

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 fair 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 December 31, 2015, the carrying amount of the Plan's cash deposits was $36.730 million (which includes cash equivalents) and the bank balance was $35.712 million. The difference between the bank and the carrying amount represents cash and cash equivalents held in transition by the Investment Custodian and various investment managers. Of the bank balance, $552 thousand was covered by the Federal Deposit Insurance Corporation, and $25.474 million 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.

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 the Fiduciary Net Position.

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.

NOTE 3 – 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, 2015 and 2014, as rated by Standard & Poor's equivalent ratings:

	2015		2014	
Quality Rating	%	Fair Value	%	Fair Value
AAA	14.89%	$ 64,703,496	8.98%	$ 34,198,697
AA+	35.97%	156,337,052	35.36%	134,672,221
AA	0.34%	1,474,347	0.57%	2,166,295
AA-	1.77%	7,686,714	1.62%	6,178,424
A+	0.10%	418,099	1.10%	4,197,135
A	6.18%	26,880,756	6.87%	26,156,518
A-	1.00%	4,362,404	2.33%	8,860,390
BBB+	1.60%	6,958,707	3.78%	14,380,491
BBB	2.24%	9,730,362	3.00%	11,425,688
BBB-	5.35%	23,282,350	2.50%	9,528,516
Subtotal Investment Grade	69.44%	301,834,287	66.10%	251,764,375
BB+	2.35%	$ 10,228,548	1.10%	$ 4,172,318
BB	1.69%	7,329,209	2.59%	9,872,654
BB-	4.92%	21,386,669	2.36%	9,005,748
B+	3.12%	13,567,395	5.78%	22,030,784
B	2.05%	8,897,982	3.50%	13,328,263
B-	0.13%	543,844	1.46%	5,574,784
CCC+	0.50%	2,169,335	1.17%	4,450,998
CCC	0.61%	2,665,547	0.47%	1,806,486
CCC-	0.00%	-	0.00%	-
CC	0.00%	-	0.09%	327,046
C	0.00%	-	0.00%	-
D	0.07%	286,067	0.08%	307,808
Not Rated	15.13%	65,752,779	15.29%	58,239,516
Subtotal Non-Investment Grade	30.56%	132,827,375	33.90%	129,116,405
Total Fixed Income and Short-Term Investments	100.00%	$ 434,661,662	100.00%	$ 380,880,780

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 reference 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 3 – 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 that may be valued in various foreign currencies.

The Plan's exposure to foreign currency risk in U.S. Dollars as of December 31, 2015 and 2014 was as follows:

Currency	2015 Fair Value	2014 Fair Value	Increase (Decrease)
Euro Currency	$ 57,683,316	$ 65,153,539	$ (7,470,223)
British Pound	45,894,356	46,610,074	(715,718)
Swiss Franc	30,908,356	30,381,873	526,483
Japanese Yen	19,681,595	18,972,319	709,276
Hong Kong Dollar	5,158,555	10,676,899	(5,518,344)
South African Rand	15,183,238	16,437,358	(1,254,120)
Canadian Dollar	3,894,511	8,469,493	(4,574,982)
Australian Dollar	10,276,813	11,492,348	(1,215,535)
Swedish Krona	3,716,341	4,770,592	(1,054,251)
Danish Krone	5,050,197	4,355,216	694,981
South Korean Won	6,474,554	4,393,800	2,080,754
Brazilian Real	10,333,255	11,720,820	(1,387,565)
Indian Rupee	3,716,341	3,903,211	(186,870)
Thai Baht	5,228,553	5,964,427	(735,874)
Turkish Lira	8,246,762	8,986,790	(740,028)
Mexican Peso	15,709,445	15,926,550	(217,105)
Polish Zloty	4,192,290	4,140,179	52,111
Indonesian Rupiah	6,044,662	5,882,707	161,955
Malaysian Ringgit	7,975,879	7,842,231	133,648
Russian Ruble	4,700,840	4,574,891	125,949
Chilean Peso	4,312,790	4,374,607	(61,817)
Columbian Peso	3,833,695	3,730,979	102,716
New Zealand Dollar	170,242	172,682	(2,440)
Argentine Peso	106,492	103,638	2,854
Venezuelan Bolivar	1,156,194	1,125,216	30,978
Total	$ 279,649,272	$ 300,162,439	$ (20,513,167)

NOTE 4 – INVESTMENTS

Bonds, Notes, and Collateralized Mortgage Obligations

The summary of investments held by the Plan in bonds, notes, and collateralized mortgage obligations at December 31, 2015 is as follows:

	Cost	Fair Value
Bonds and Notes	$ 202,138,995	$ 200,927,350
Bonds and Notes - International	14,081,126	14,123,557
Collateralized Mortgage Obligations	4,050,087	5,000,946
Subtotal	220,270,208	220,051,853
Brandywine International Fixed Income Fund	45,941,066	56,747,236
Stone Harbor Local Markets Fund	67,281,803	50,710,249
State Street Global Assets TIPS Index Fund	45,934,024	46,725,173
Pacific Asset Management Bank Loan Fund	60,000,000	60,427,151
Subtotal	219,156,893	214,609,809
	$ 439,427,101	$ 434,661,662

The summary of investments held by the Plan in bonds, notes, and collateralized mortgage obligations at December 31, 2014 is as follows**:**

	Cost	Fair Value
Bonds and Notes - Domestic	$ 162,404,258	$ 161,746,558
Bonds and Notes - International	24,720,813	25,372,680
Collateralized Mortgage Obligations	4,367,641	5,260,525
Subtotal	191,492,712	192,379,763
Brandywine International Fixed Income Fund	41,129,502	57,560,617
Stone Harbor Local Markets Fund	57,281,803	49,351,572
State Street Global Assets TIPS Index Fund	20,934,024	22,411,210
Pacific Asset Management Bank Loan Fund	60,000,000	59,177,618
Subtotal	179,345,329	188,501,017
	$ 370,838,041	$ 380,880,780

NOTE 4 – INVESTMENTS (continued)

Domestic Equities

The summary of investments held by the Plan in domestic equities at December 31, 2015 is as follows:

	Cost	Fair Value
Atlanta Capital Small/Mid Cap Portfolio	$ 33,991,959	$ 53,321,983
Research Affiliates Fundamental Index Fund	46,709,432	43,346,763
State Street Global Assets S&P 500 Index Fund	154,109,049	163,476,827
	$ 234,810,440	$ 260,145,573

The summary of investments held by the Plan in domestic equities at December 31, 2014 is as follows:

	Cost	Fair Value
Atlanta Capital Small/Mid Cap Portfolio	$ 29,157,354	$ 48,438,643
Research Affiliates Fundamental Index Fund	38,210,070	44,795,439
State Street Global Assets S&P 500 Index Fund	16,075,618	27,255,252
Mason Diversified Equity Portfolio	81,485,425	123,164,976
Mason High Yield Equity Portfolio	59,155,535	74,072,012
	$ 224,084,002	$ 317,726,322

International Equities

The summary of investments held by the Plan in international equities at December 31, 2015 is as follows:

	Cost	Fair Value
Dodge & Cox International Stock Index Fund	$ 138,437,491	$ 128,149,695
Vontobel International Equity Fund	101,666,787	129,883,491
	$ 240,104,278	$ 258,033,186

NOTE 4 – INVESTMENTS (continued)

The summary of investments held by the Plan in international equities at December 31, 2014 is as follows:

	Cost	Fair Value
Dodge & Cox International Stock Index Fund	$ 135,553,776	$ 144,563,382
Vontobel International Equity Fund	104,189,546	126,833,037
	$ 239,743,322	$ 271,396,419

Alternative Investments

The summary of investments held by the Plan in alternative investments at December 31, 2015 is as follows:

	Cost	Fair Value
Gresham MTAP Commodity Builder Fund	$ 52,000,000	$ 32,666,680
Harbourvest Fund IX (buyout) LP	8,090,069	9,536,597
PIMCO Distressed Credit LP	-	2,341,733
KKR Mezzanine Debt Fund I LP	12,152,988	11,153,043
	$ 72,243,057	$ 55,698,053

The summary of investments held by the Plan in alternative investments at December 31, 2014 is as follows:

	Cost	Fair Value
Gresham MTAP Commodity Builder Fund	$ 42,000,000	$ 33,856,788
Harbourvest Fund IX (buyout) LP	5,573,666	6,583,284
PIMCO Distressed Credit LP	1,860,847	9,636,984
KKR Mezzanine Debt Fund I LP	14,092,130	14,081,563
	$ 63,526,643	$ 64,158,619

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 4 – INVESTMENTS (continued)

Real Estate

The summary of investments held by the Plan in real estate at December 31, 2015 is as follows:

	Cost	Fair Value
Real Estate Held for Investment - Separate Account	$ 29,498,410	$ 33,561,321
Fidelity Real Estate Equity Growth Funds II & III	2,556,965	1,738,148
J.P. Morgan Strategic Properties Fund	55,236,828	83,207,765
	$ 87,292,203	$ 118,507,234

The summary of investments held by the Plan in real estate at December 31, 2014 is as follows:

	Cost	Fair Value
Real Estate Held for Investment - Separate Account	$ 29,623,667	$ 27,784,860
Fidelity Real Estate Equity Growth Funds II & III	3,846,013	3,499,886
J.P. Morgan Strategic Properties Fund	55,236,828	72,205,447
	$ 88,706,508	$ 103,490,193

The Real Estate Held for Investment – Separate Account is held in the form of a title holding corporation. Effective November 1, 2015, Fiduciary Properties, Inc. (a California corporation) merged with Fiduciary Properties Holding Corporation (a Delaware corporation). The purpose of this merger was to preserve the tax-exempt status of the ownership entity. Following the merger, Fiduciary Property Holding Corporation, as the surviving entity, became the new owner of the properties comprising the SLOCPT's real estate portfolio. As part of the merger, the new ownership name was changed to Fiduciary Properties, Inc., or FPI. The new owner is a Delaware corporation, whereas the former owner was a California corporation. The new owner is qualified under Internal Revenue Code § 501(c)(25), and its tax-exempt status in the state of California is pending review by the Board of Equalization. The following is a summary of FPI's financial position:

Fiduciary Properties, Inc.'s Financial Position
As of December 31

	2015	2014
Assets	$ 33,807,181	$ 27,918,966
Less: Liabilities	245,860	134,106
Net Assets	$ 33,561,321	$ 27,784,860
Net Income	$ 7,215,710	$ 1,975,761

NOTE 4 – <u>INVESTMENTS</u> (continued)

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

Related Party Transactions
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 members and their beneficiaries. The Plan does not compensate FPI for occupancy and FPI's financial results are reported on a consolidated basis of accounting within these financial statements.

<u>Other Investments</u>

In January 2012, the Board 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 by other parties from the sale of SLOCPT's internally developed pension software RAD. The subsidiary was formed in July 2012 as a limited liability company under the State of California and named Retirement Benefits Software, LLC (RBS).

In 2014, the Board elected to liquidate RBS and abandon efforts to market and sell RAD due to the large amount of capital required to make the business venture a viable investment. Net loss for the year ended December 31, 2014 was $5,484, and RBS was dissolved as of December 31, 2014.

<u>Derivatives</u>

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:

Derivatives 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; therefore, 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.

Derivatives Credit Risk
Credit risk of cash securities containing derivative features is based upon the creditworthiness 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.

NOTE 4 – INVESTMENTS (continued)

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

Forward Contracts: A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date.

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.

The Investment Derivatives schedule below reports the fair value balances and notional amounts of derivatives outstanding as of December 31, 2015 as well as the fair value as of December 31, 2014 and the change in fair value year over year:

	2015		2014	2015/2014
Derivative Type	Notional Amount	Fair Value	Fair Value	Change in Fair Value
Forward Contracts	$ (3,200,000)	$ (3,270,374)	$ (3,296,749)	$ 26,375
Futures Contracts	13,600,000	17,123,250	(2,243,489)	19,366,739
Options Contracts	16,900,000	(10,250)	(45,607)	35,357
Swap Agreements	(3,555,393)	(404,089)	(2,943,130)	2,539,041
TBAs	3,700,000	3,340,414	(13,461,405)	16,801,819
	$ 27,444,607	$ 16,778,951	$ (21,990,380)	$ 38,769,331

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

NOTE 4 – INVESTMENTS (continued)

The Investment Derivatives schedule below reports the fair value balances and notional amounts of derivatives outstanding as of December 31, 2014 as well as the fair value as of December 31, 2013 and the change in fair value year over year:

	2014		2013	2014/2013
Derivative Type	Notional Amount	Fair Value	Fair Value	Change in Fair Value
Forward Contracts	$ (3,200,000)	$ (3,296,749)	$ 4,187,124	$ (7,483,873)
Futures Contracts	(193,200,000)	(2,243,489)	79,563,950	(81,807,439)
Options Contracts	(11,500,000)	(45,607)	(272,592)	226,985
Swap Agreements	(48,216,135)	(2,943,130)	1,412,904	(4,356,034)
	$ (256,116,135)	$ (8,528,975)	$ 84,891,386	$ (93,420,361)

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 in the Statements of Fiduciary Net Position. All changes in fair value are reported in the Net Realized and Unrealized Gains and Losses of investments in the Statements of Changes in Fiduciary Net Position.

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. At December 31, 2015 and 2014, the Plan had unfunded capital commitments totaling $13.671 and $19.035 million, respectively.

Annual Money Weighted Rate of Return

For the years ended December 31, 2015 and 2014, the annual money-weighted rate of return on investments, net of investment expense, was -1.42% and 4.54%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 5 – 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.

NOTE 5 – CAPITAL ASSETS (continued)

Changes in capital assets are as follows:

	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015
Office Equipment	$ 58,468	$ -	$ -	$ 58,468
Software	2,524,414	-	-	2,524,414
Accumulated Depreciation	(2,132,920)	(254,321)	-	(2,387,241)
	$ 449,962	$ (254,321)	$ -	$ 195,641

	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014
Office Equipment	$ 77,496	$ -	$ (19,028)	$ 58,468
Software	2,524,414	-	-	2,524,414
Accumulated Depreciation	(1,896,876)	(255,072)	19,028	(2,132,920)
	$ 705,034	$ (255,072)	$ -	$ 449,962

Depreciation and amortization expenses for the years ended December 31, 2015 and 2014 were $254,321 and $255,072, respectively.

NOTE 6 – CONTRIBUTIONS AND RESERVES

Periodic contributions 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. The amortization of the Unfunded Actuarial Accrued Liability is done as a level percent of payroll over a closed 30-year period (24 years as of December 31, 2015) for funding computations. 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. The Actuarial Value of Assets as of the most recent Actuarial Evaluation was $1.231 million.

As determined in the January 1, 2014 Actuarial Valuation, contribution rates were left unchanged in 2014. In June 2015, the Board unanimously passed the recommendation of an increase of 0.95% to the total contribution rate as recommended by the Actuary in the January 1, 2015 Actuarial Valuation. The increased total contribution rate took into consideration: a) continuing with the remaining 25 years of the 30-year amortization for unfunded liabilities that was reset in 2010 to 30 years and b) continuing the smoothing of the 2008 asset loss to a 10-year basis instead of the 5-year smoothing applied otherwise. With the Board of Supervisors' approval, the Employers implemented the shared Employer and Employee increased total contribution rates for the majority of members effective December 20, 2015. The increase was adjusted to 0.98% to account for the deferred implementation.

It is the policy of the Employers to contribute the full Annual Required Contribution (ARC) through a combination of employer appropriations and employee contributions.

NOTE 6 – CONTRIBUTIONS AND RESERVES (continued)

The Net Position Restricted for Pension Benefits is allocated among various reserves. From January 1, 2015 through December 31, 2015, these reserves were generally credited with interest at the rate of 6.75% for Member Deposits and 7.25% 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 7 – FUNDED STATUS

The Plan's funded status based on the most recent actuarial valuation performed by Gabriel, Roeder, Smith and Company as of January 1, 2015 (the date of the most recent actuarial valuation for which data is available) is as follows (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
1/1/15	$ 1,231,474	$ 1,605,591	$ 374,117	76.7%	$ 167,695	223.1%

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.

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 the plan net position restricted for the payment of benefits. 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.

NOTE 8 – NET PENSION LIABILITY

The components of net pension liability of the Plan at December 31, 2015 and 2014 were as follows:

Net Pension Liability (dollars in thousands):

	2015	2014
Total Pension Liability	$ 1,681,012	$ 1,595,820
Plan Fiduciary Net Position	1,135,803	1,173,336
Employers' Net Pension Liability	$ 545,209	$ 422,484

Plan Fiduciary Net Position as a percentage of Total Pension Liability was 67.57% and 73.53% as of December 31, 2105 and 2014, respectively.

NOTE 8 – NET PENSION LIABILITY (continued)

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of January 1, 2015 using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Actuarial Cost Method	Entry Age
Inflation	2.75 percent
Salary Increases	3.25 percent, including inflation, additional merit component applicable to first 7 years of service
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2009 to December 31, 2013.

The long-term expected nominal rate of return on investments was determined using the same methodology as the long-term expected real rate of return calculation described in Note 1; however, the nominal rates of return will differ from the real rates of return presented in Note 1 because the nominal rates of return include an inflation assumption while real rates of return do not. Best estimates of arithmetic nominal rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2015 (see the discussion of the Plan's Investment Policy) are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Nominal Rate of Return
Fixed Income	35%	4.44%
Domestic Equities	23%	6.53%
International Equities	22%	10.71%
Alternative Investments	10%	6.85%
Real Estate	10%	5.45%
	100%	

NOTE 8 – NET PENSION LIABILITY (continued)

Best estimates of arithmetic nominal rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2014 (see the discussion of the Plan's Investment Policy) are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Nominal Rate of Return
Fixed Income	35%	4.31%
Domestic Equities	23%	6.11%
International Equities	22%	9.30%
Alternative Investments	10%	6.85%
Real Estate	10%	6.85%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Employers collectively, calculated using the discount rate of 7.25%, as well as what the Employers' net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

Employers' Net Pension Liability as of December 31 (Dollars in thousands)	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
2015	$ 768,956	$ 545,209	$ 361,964
2014	637,879	422,484	244,653

NOTE 9 – 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 10 – SUBSEQUENT EVENTS

In compliance with governmental accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these financial statements.

On May 23, 2016 the Board approved a contract with LRS/PensionGold to replace the current Pension Administration System (PAS) used by SLOCPT. The agreement contains a fixed-price contract amount of $5,637,678 which includes both implementation and five years of maintenance and post-implementation support.

As part of the replacement, SLOCPT has contracted with a consultant, LRWL, to assist in project management. Per the terms of this contract, compensation shall not exceed $660,400 unless additional work and deliverables are requested by SLOCPT and authorized by the Board.

Management has determined that no additional events require disclosure in accordance with Governmental Accounting Standards generally accepted in the United States of America. These subsequent events have been evaluated through June 27, 2016, which is the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MULTIYEAR

Fiscal year ending December 31,	2015*	2014*
Total Pension Liability		
Service Cost	$ 35,503,180	$ 36,210,322
Interest on the Total Pension Liability	114,971,636	108,953,629
Differences Between Expected and Actual Experience	9,771,252	-
Benefit Payments	(72,441,811)	(66,162,944)
Refunds	(2,612,455)	(1,932,077)
Net Change in Total Pension Liability	85,191,802	77,068,930
Total Pension Liability - Beginning	1,595,819,957	1,518,751,027
Total Pension Liability - Ending (a)	$ 1,681,011,759	$ 1,595,819,957
Fiduciary Net Position		
Employer Contributions	$ 33,618,330	$ 32,046,545
Employee Contributions	24,586,735	24,415,512
Pension Plan Net Investment Income	(16,705,852)	51,667,160
Benefit Payments	(72,441,811)	(66,162,944)
Refunds	(2,612,455)	(1,932,077)
Pension Plan Administrative Expense	(2,528,532)	(2,084,841)
Other	(1,449,773)	(331,910)
Net Change in Fiduciary Net Position	(37,533,358)	37,617,445
Fiduciary Net Position - Beginning	1,173,336,062	1,135,718,617
Fiduciary Net Position - Ending (b)	$ 1,135,802,704	$ 1,173,336,062
Net Pension Liability - Ending (a)-(b)	**$ 545,209,055**	**$ 422,483,895**
Fiduciary Net Position as a Percentage of Total Pension Liability	67.57%	73.53%
Covered Employee Payroll**	175,628,910	167,343,323
Net Pension Liability as a Percentage of Covered Employee Payroll	310.43%	252.47%

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

*** Figures represent actual compensation on which contributions were made for the fiscal years presented. The covered payroll reported in the Actuarial Section is based on a projected payrate for the subsequent year at the valuation date.*

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF EMPLOYER CONTRIBUTIONS MULTIYEAR

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll		Actual Contribution as a % of Covered Payroll
2006	$ 22,017,780	$ 19,177,491	$ 2,840,289	$ 143,902,100	*	13.33%
2007	$ 33,840,580	$ 24,014,202	$ 9,826,378	$ 152,116,782	*	15.79%
2008	$ 34,933,644	$ 30,860,282	$ 4,073,362	$ 162,435,795	*	19.00%
2009	$ 30,957,311	$ 31,427,297	$ (469,986)	$ 168,677,088	*	18.63%
2010	$ 30,278,179	$ 32,148,424	$ (1,870,245)	$ 160,443,939	*	20.04%
2011	$ 30,051,687	$ 30,435,940	$ (384,253)	$ 161,783,273	*	18.81%
2012	$ 31,122,541	$ 30,942,038	$ 180,503	$ 161,054,639	*	19.21%
2013	$ 33,416,725	$ 30,795,872	$ 2,620,853	$ 164,299,413	*	18.74%
2014	$ 32,466,504	$ 32,046,545	$ 419,959	$ 167,343,323		19.15%
2015		*Valuation in progress as of June 27, 2016*				

** Covered Employee payroll shown for fiscal years prior to 2014 are based on expected covered payroll*

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date	January 1, 2015
Notes	Actuarially determined contribution rates are calculated as of January 1, 2015. Members and employers contribute based on fixed rates. There were no benefit changes during the year.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Amortized over a closed 25-year period from January 1, 2015 ending December 31, 2039
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	7.25%
Inflation Rate Assumption	2.75% per year
Salary Increases	3.25%. Composed of 2.75% inflation, plus 0.50% productivity increase rate, plus step-rate promotional increases for memberS with less than 8 years of service.
Cost of Living Adjustments	Tier 1 - 3.00% (limit) Tier 2 & 3 - 2.00% (limit)
Retirement Age	Experience-based table for rates based on age and service. Adopted by the Board on April 26, 2013 in conjunction with the six year experience study for the period ending June 30, 2012.
Mortality	Males: RP-2000 with generational mortality improvements using scale AA, a 105% multiplier and white collar adjustment. Females: RP-2000 with generational mortality improvements using scale AA, a 105% multiplier and white collar adjustment.

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF ANNUAL MONEY WEIGHTED RATE OF RETURN

Year Ended December 31	Annual Money Weighted Rate of Return Net of Investment Expense
2015*	-1.42%
2014*	4.54%

The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for timing of cash flows and the changing amounts actually invested.

** Schedule is intended to show information for 10 years. Data prior to 2014 is not available in comparable format. Additional years will be displayed as they become available.*

OTHER SUPPLEMENTARY INFORMATION

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF CHANGES IN RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Member Deposits	Current Reserve	Retirees and Beneficiaries	Cost of Living Adj.	Contingency	Adjustments to Fair Value	TOTAL
Balances, January 1, 2015	$ 310,700,774	$ 117,451,147	$ 712,348,575	$ 329,870,785	$ (529,562,530)	$ 232,527,311	$ 1,173,336,062
Contributions	24,586,735	25,414,406	-	8,203,924	-	-	58,205,065
Interest, Dividends, and Net Income	20,538,034	7,828,755	52,171,539	23,758,605	(89,552,836)	-	14,744,097
Net Increase (Decrease) in Fair Value of Investments	-	-	-	-	66,135,241	(97,585,190)	(31,449,949)
Actuarial Transfers (1)	-	(10,649,619)	10,649,619	-	-	-	-
Other Transfers	(480,487)	480,487	-	-	-	-	-
Retiree Reserve Transfers	(30,006,112)	(33,857,801)	63,863,913	-	-	-	-
Benefit Payments	-	-	(59,906,108)	(12,535,703)	-	-	(72,441,811)
Refund of Contributions	(1,613,271)	-	-	-	-	-	(1,613,271)
Death Benefits	(585,376)	(324,103)	(89,705)	-	-	-	(999,184)
Administrative Expenses	-	-	-	-	(2,528,532)	-	(2,528,532)
Discount Amortization	-	-	-	-	(1,449,773)	-	(1,449,773)
Balances, December 31, 2015	$ 323,140,297	$ 106,343,272	$ 779,037,833	$ 349,297,611	$ (556,958,430)	$ 134,942,121	$ 1,135,802,704

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

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF CHANGES IN RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Member Deposits	Current Reserve	Retirees and Beneficiaries	Cost of Living Adj.	Contingency	Adjustments to Fair Value	TOTAL
Balances, January 1, 2014	$ 300,615,795	$ 128,450,159	$ 643,871,804	$ 310,822,433	$ (487,922,168)	$ 239,880,594	$ 1,135,718,617
Contributions	24,415,512	23,943,029	-	8,103,516	-	-	56,462,057
Interest, Dividends, and Net Income	19,786,114	8,602,096	47,443,174	22,412,670	(72,673,854)	-	25,570,200
Net Increase (Decrease) in Fair Value of Investments	-	-	-	-	33,450,243	(7,353,283)	26,096,960
Actuarial Transfers (1)	-	(4,144,733)	4,144,733	-	-	-	-
Other Transfers	(81,516)	81,516	-	-	-	-	-
Retiree Reserve Transfers	(32,280,540)	(39,472,980)	71,753,520	-	-	-	-
Benefit Payments	-	-	(54,695,110)	(11,467,834)	-	-	(66,162,944)
Refund of Contributions	(1,629,307)	-	-	-	-	-	(1,629,307)
Death Benefits	(125,284)	(7,940)	(169,546)	-	-	-	(302,770)
Administrative Expenses	-	-	-	-	(2,084,841)	-	(2,084,841)
Discount Amortization	-	-	-	-	(331,910)	-	(331,910)
Balances, December 31, 2014	$ 310,700,774	$ 117,451,147	$ 712,348,575	$ 329,870,785	$ (529,562,530)	$ 232,527,311	$ 1,173,336,062

(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, 2015 AND 2014

	2015	2014
Personnel Services		
Salaries and Benefits	$ 1,108,465	$ 1,007,942
Total Personnel Services	1,108,465	1,007,942
Office Expenses		
Office Supplies	22,366	21,600
Postage	21,171	22,931
Telephone	4,570	4,488
Utilities	6,473	6,375
Total Office Expenses	54,580	55,394
Professional Services		
Accounting and Auditing	43,153	57,388
Actuarial	87,286	72,400
Data Processing	588,209	288,138
Legal	185,740	149,925
Medical	6,238	10,125
Human Resources Consulting	4,192	7,406
Other	6,920	6,924
Bank Charges	8,232	7,381
Total Professional Services	929,970	599,687
Other Administrative Expenses		
Maintenance and Custodial	21,292	20,149
Insurance	109,613	89,492
Memberships, Subscriptions, and Publications	4,547	4,945
Printing and Reprographics	14,558	14,755
Transportation, Travel, and Education	29,574	33,991
Miscellanous Administrative Expenses	1,612	3,414
Total Other Administrative Expenses	181,196	166,746
Depreciation and Amortization	254,321	255,072
TOTAL ADMINISTRATIVE EXPENSES	$ 2,528,532	$ 2,084,841

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Investment Manager Fees	$ 3,691,507	$ 4,560,264
Custodial Fees	166,531	167,997
Investment Consultant	294,583	301,534
Other Investment Expenses	370	3,245
Investment Expenses	4,152,991	5,033,040
Additional Investment Expenses Netted Against Investment Income and Gains/Losses		
Broker Commissions	144,582	112,433
Broker Fees	1,603	3,140
TOTAL INVESTMENT EXPENSES	$ 4,299,176	$ 5,148,613

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Custodial Fees	$ 166,531	$ 167,997
Investment Consulting Services	294,583	301,534
Accounting and Auditing Services	43,153	57,388
Actuarial Services	87,286	72,400
Data Processing Services	588,209	288,138
Legal Services	185,740	149,925
Disability Medical Services	6,238	10,125
Human Resources Services	4,192	7,406
Payroll Processing Services	6,660	6,664
TOTAL PAYMENTS TO CONSULTANTS	$ 1,382,592	$ 1,061,577

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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

May 20, 2016

The Board of Retirement
c/o Mr. Carl Nelson
Executive Secretary
San Luis Obispo County Pension Trust
1000 Mill Street
San Luis Obispo, CA 93408

Dear Mr. Nelson:

Verus 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, 2015.

Capital Markets Review

Equity markets raced to the finish of 2015 but unfortunately, that momentum didn't carry over into the first portion of 2016. January was one of the worst months on record for the S&P 500 ending down about 5%. In fact, the first ten trading days of 2016 marked the benchmark's worst start to a year ever. This was just on the heels of the Fed raising rates in December for the first time in nearly a decade and signaling more rate hikes to come in the near term. However, over the first several months of the year, the Fed's tone grew more accommodative and the markets responded as the S&P 500 rebounded, erased the losses from earlier in the first quarter, and even managed to close the quarter up 0.3%.

The macroeconomic outlook in the US continues to improve and the story is basically the same as it has been over the past few years. GDP growth continues but at a slow pace around the 2% level. Inflation expectations rose during the quarter but actual inflation remain low around 1%. Headline unemployment continues to drop and was measured at 5.0% as of March 31, 2016, down from 5.5% a year earlier. Overall, steady improvement but nothing to get excited about.

Over the course of 2015, there have been several headwinds for non-US investments. First was the rise of the US dollar, which negatively impacted the performance of non-U.S. investments after translating back to U.S. dollar terms. Also, the slowing growth in China is having a far reaching impact. Finally, commodity prices continued to slide affecting many emerging market countries where commodities production is the main source of national revenue. However, after a disappointing 2015, emerging markets equities have rebounded in the first quarter of 2016 with the MSCI Emerging Markets benchmark returning 5.7%.

Performance Summary

Verus 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 are presented, to the greatest degree possible, in accordance with the Global Investment Performance Standards published by the CFA Institute.

The fiscal year of 2015 was a challenging environment for investments as many asset classes posted negative results for the period. As a whole, the Plan's diversified portfolio mitigated much of the downside, but still reflected a tinge of bearishness as the Total Fund returned -1.1% before expenses and investment management fees. Domestic equities, core fixed income, and real estate investments were the top contributors among the Plan's traditional assets. The Plan's domestic equity component returned 1.2% and domestic fixed income allocation returned 1.1% over the year. Real estate provided a nice boost for the plan with a 14.8% return for the fiscal year. On the other hand, the Plan's allocations to international equity, global fixed income, and commodities, detracted from results. International equities returned -4.3% and global bonds returned -11.8%. Both were affected by currency fluctuations that overwhelmed performance and emerging markets that were negatively impacted by falling oil prices. Falling oil prices also impacted the Plan's commodities allocation, which makes up a small 2.8% portion of the Plan's portfolio. Although the allocation is relatively small, the commodities component of the plan decreased 25.2% over the year.

Asset Allocation

In November of 2015, the Board adopted a revised strategic asset allocation, which is reflected in the following table:

ASSET CLASS	TARGET ALLOCATION
Domestic Equity	23%
International Equity	22%
Fixed Income	35%
Real Estate	10%
Alternatives*	10%

*Commodities, Private Equity

Plan Structure

The Board continues to diversify the portfolio and has been continuing its due diligence efforts on a variety of new asset classes including private credit. Private credit is an attractive option for the Plan to generate additional income relative to its public market counterparts. Also, the Plan's real estate holdings are being further diversified over a broader geography. Finally, the Plan will consider additional private equity options in the upcoming year to maintain its target exposure to the asset class.

All of us here at Verus 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,

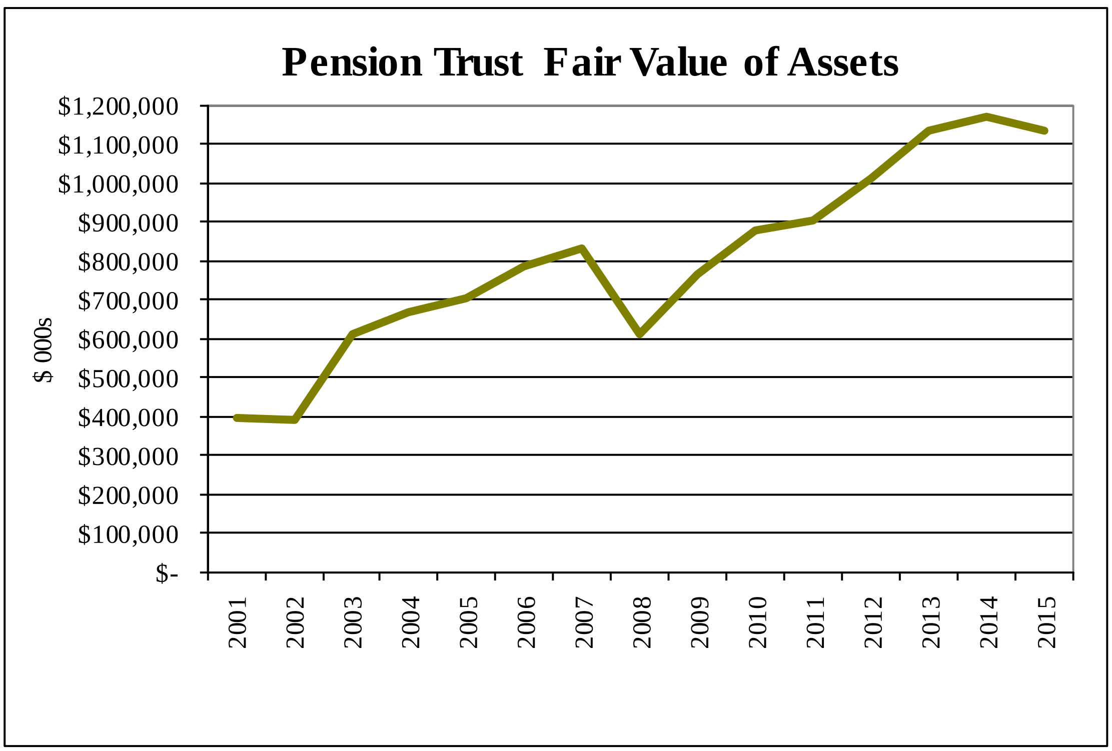
Scott J. Whalen, CFA
Executive Vice President, Senior Consultant

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 assumption 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 fair value of net position restricted for the payment of benefits for the Pension Trust over the last fifteen years.



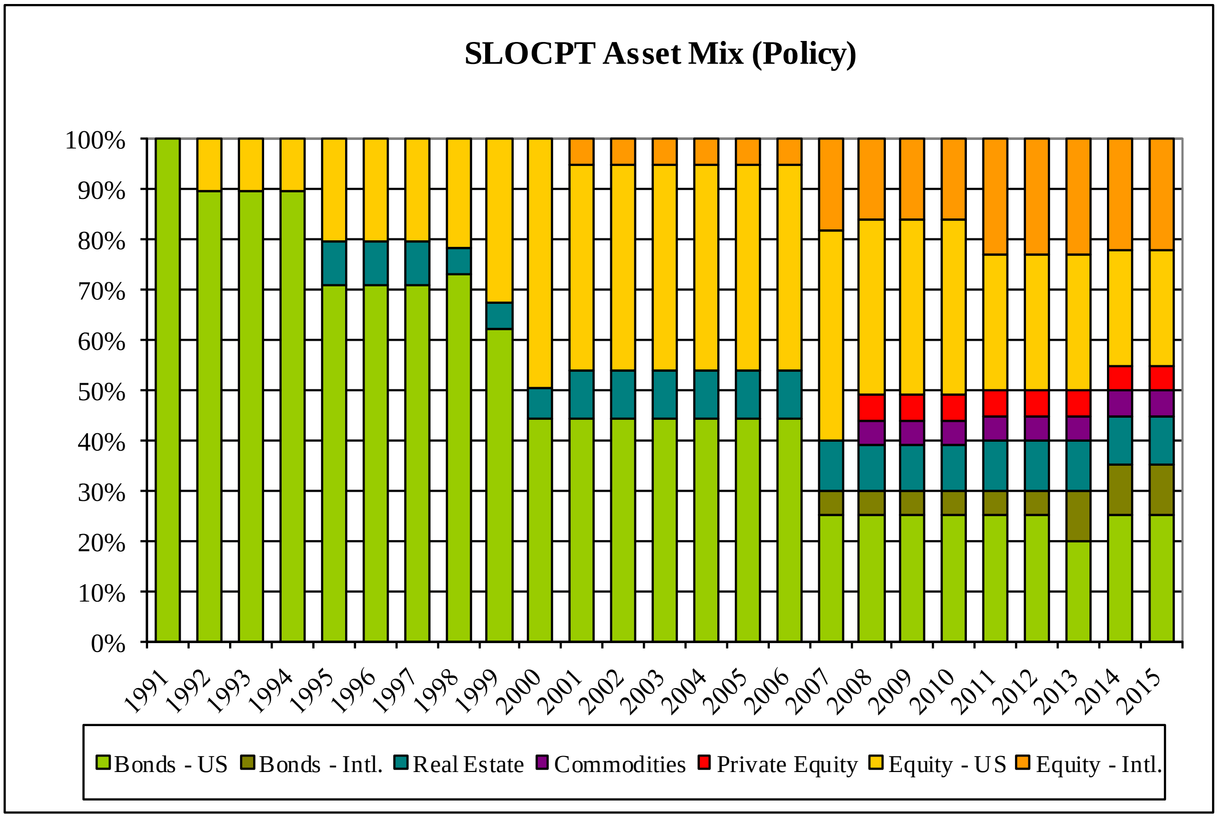
Asset Allocation Policy

The Strategic Asset Allocation (SAA) asset mix incorporated into the Investment Policy is summarized below (amended November 2015):

SLOCPT Asset Allocation Policy	12/31/2015 Actual	12/31/2015 Policy		Min.	Max.		Performance Benchmark
Equities - US							
Large Cap US Equity	18%	19%		14%	24%		varies with Mgr.
Small / Mid Cap US Equity	5%	4%		2%	9%		varies with Mgr.
Equities - US - Total	**23%**	**23%**		20%	33%		**Russell 3000**
Equities - International							
International	17%	14%		9%	19%		MSCI EAFE
International - Emerging Mkt.s	6%	8%		0%	13%		
Equities - Intl. - Total	**23%**	**22%**		9%	32%		**MSCI ACWI ex. US**
EQUITIES - Total	**46%**	**45%**		35%	65%		
Fixed Income							
Bonds - Core+	19%	15%		10%	30%		BC Aggregate Bond
Private Credit/Bank Loans	5%	5%		0%	10%		S&P LSTA
Bonds - Global	5%	5%		0%	10%		Citi World Govt. Bond
Bonds - Emerging Market	4%	5%		0%	10%		JPM GBI EM
Bonds - Inflation Linked	4%	5%		0%	10%		BC US TIPS
BONDS - Total	**37%**	**35%**		15%	60%		**BC Aggregate Bond**
Real Estate							
Real Estate - Core and other	7%	6%		0%	10%		NCREIF
Real Estate - Directly owned	3%	4%		0%	5%		NCREIF
REAL ESTATE - Total	**10%**	**10%**		0%	15%		**NCREIF**
Commodities							
Commodities - Active	3%	5%		0%	10%		DJ UBS Commodities
COMMODITIES - Total	**3%**	**5%**		0%	10%		**DJ UBS Commodities**
Alternative Assets							
Private Equity	2%	5%		0%	10%		Russell 3000 + 3%
Opportunistic	varies	varies		0%	10%		Russell 3000 + 3%
ALT. ASSETS - Total	**2%**	**5%**		0%	20%		**Russell 3000 + 3%**
Liquidity							
Cash Equivalents	2%	0%	*	0%	5%	*	T-Bills
Cash Overlay	0%	0%	*	NA	NA	*	Policy Mix
LIQUIDITY - Total	**2%**	**0%**		0%	5%		T-Bills
TOTAL (1)	**100%**	**100%**					

(1) Total investment asset basis does not include operating cash accounts, receivables, or other assets included in the Statement of Fiduciary Net Position. Actual allocation percentages will differ from Investments at Fair Value Schedule due to cash allocation.
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.

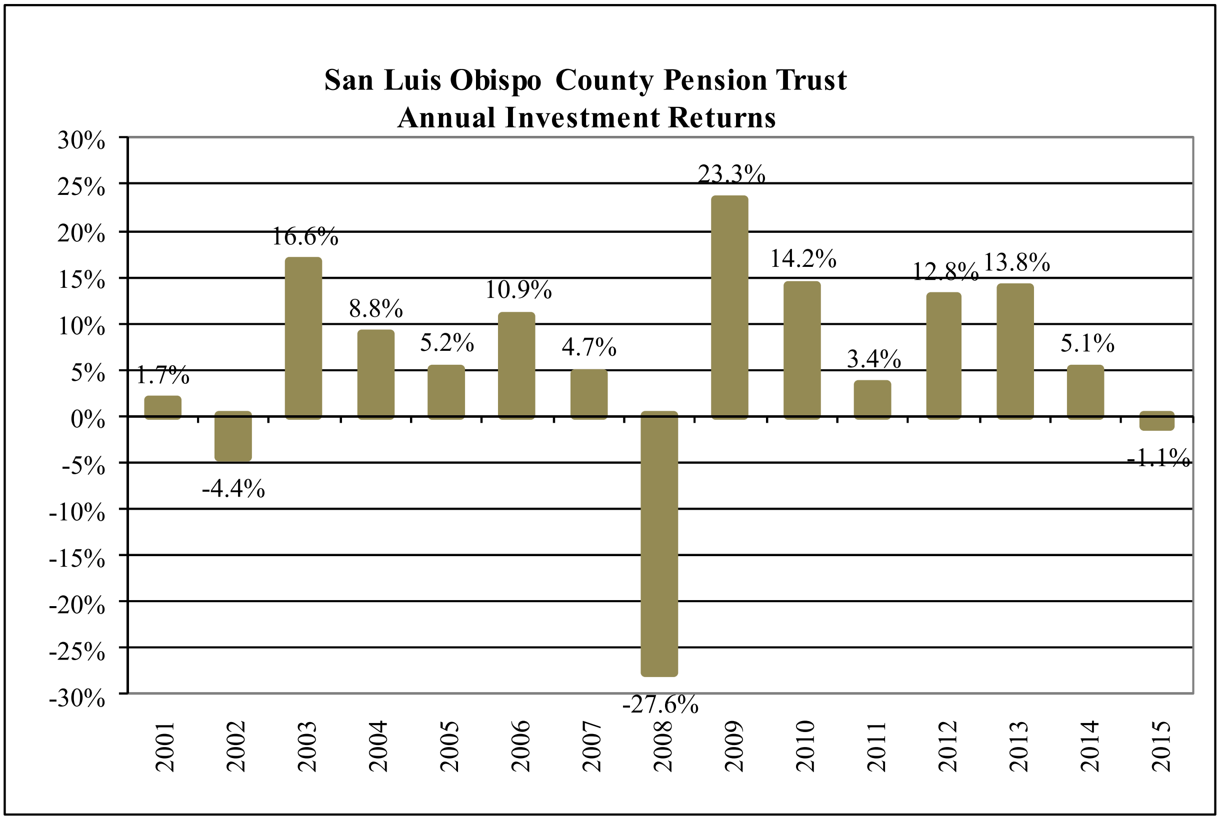


The Pension Trust employs multiple investment managers in different asset classes and with different styles of investing. Combined with strict limitations in the Investment Policy on the maximum exposure to individual investments and with regular rebalancing of the asset mix the diversification level 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 2015 the Pension Trust achieved a rate of return of -1.1% gross of fees as measured by the Trust's investment consultant.



For periods ended December 31, the total fair-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.

	2011	2012	2013	2014	2015
SLOCPT Total Returns	3.4%	12.8%	13.8%	5.1%	-1.1%

Source: Verus reports

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

	1 year	3 years	5 years	10 years	15 years
SLOCPT Total Returns	-1.1%	5.8%	6.7%	5.0%	5.1%

Source: Verus 4th Quarter 2015 report and Pension Trust records for pre-2006 returns

San Luis Obispo County Pension Trust

Investment Results Based on Fair Value

For the Fiscal Year Ended December 31, 2015

Annualized time-weighted rates of return based on market values

Investment Account		Current Year	3 Years	5 Years	Inception
Domestic Equities					
Research Affiliates	g	-2.7%	14.3%	12.2%	11/2007
SSGA S&P 500 Index Fund	g	1.5%	15.2%	*< 5 yrs*	2/2011
Index: S&P 500		*1.4%*	*15.1%*	*12.6%*	
Atlanta Capital	g	10.4%	17.2%	14.7%	8/2010
Index: Russell 2500		*-2.9%*	*12.5%*	*10.3%*	
International Equities					
Dodge & Cox	g	-10.8%	4.5%	3.3%	12/2007
Vontobel	g	3.1%	5.0%	7.2%	12/2007
Index: MSCI EAFE		*-0.4%*	*5.5%*	*4.1%*	
Domestic Fixed Income					
PIMCO	g	1.2%	1.4%	3.8%	10/2009
Index: BC Aggregate Bonds		*0.6%*	*1.4%*	*3.2%*	
SSGA TIPS Index Fund	g	-1.5%	-2.3%	*< 5 yrs*	7/2011
Index: BC US TIPS		*-1.4%*	*-2.3%*		
PAM Bank Loan Fund	g	2.5%	*< 3 yrs*		9/2014
Index: S&P/LSTA Leveraged Loan Index		*-0.7%*			
International Fixed Income					
Stone Harbor (emerging market debt)	g	-14.4%	*< 3 yrs*		7/2013
Index: JPM GBI EM Global Div		*-14.9%*			
Global Fixed Income					
Brandywine	g	-9.3%	-2.8%	1.9%	11/2007
Index: JPM GBI Global TR		*-2.6%*	*-2.2%*	*0.3%*	
Real Estate					
Direct Real Estate Owned	g	11.2%	7.5%	6.7%	
FREG III Fund	g	35.8%	28.2%	22.7%	7/2007
JP Morgan Strategic Properties Fund	g	15.2%	14.1%	14.1%	3/2008
Index: NCREIF Property		*13.3%*	*12.0%*	*12.2%*	

San Luis Obispo County Pension Trust

Investment Results Based on Fair Value (continued)

For the Fiscal Year Ended December 31, 2015

Annualized time-weighted rates of return based on market values

Investment Account		Current Year	3 Years	5 Years	Inception
Commodities					
Gresham MTAP	g	-25.2%	*< 3 yrs*		8/2013
Index: Bloomberg Commodity		*-24.7%*			
Private Equity					
HarbourVest Fund IX (buyout)					6/2011
Combined Private Equity	g	19.3%	19.4%	*< 5 yrs*	
Index: Russell 3000 + 300BP		*3.5%*	*18.1%*		
Opportunistic					
PIMCO Distressed Credit Fund					7/2010
KKR Mezzanine Debt Fund I					4/2011
Combined Opportunistic	g	-2.9%	9.8%	11.1%	
Index: Russell 3000 + 300BP		*3.5%*	*18.1%*	*15.5%*	
Cash Account					
Treasury Pool		0.4%	0.3%	0.4%	
Index: 91 day T-Bills		*0.0%*	*0.0%*	*0.0%*	
TOTAL FUND (including Clifton Cash Overlay)					
Total Fund					
Index: Policy Index at 12/31/15= 23% Russell 3000, 22% MSCI ACWI ex. US, 35% BC Aggregate Bond, 10% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000+300BP					

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, 2015, however investment results of terminated managers are included in the Total Fund rate of return.

Source: Investment consultant, Verus, quarterly investment reports

San Luis Obispo County Pension Trust

Schedule of Management Fees and Commissions

For the Fiscal Year Ended December 31, 2015 (Dollars in Thousands)

Management Fees	Fees 2015		Year End Assets Under Mgmt.		Fees as % of Year End Assets (a)
Domestic Equity					
Mason Capital - Equity	$ 226		$ -		*N/A*
Mason Capital - High Income Equity	175		-		*N/A*
Research Affiliates	12		43,347		0.03%
SSGA S&P 500 Index Fund	39		163,477		0.02%
Atlanta Capital	431		53,322		0.81%
Total Domestic Equity	883		260,146		
International Equity					
Dodge & Cox (mutual fund)	*N/A*	(e)	128,149		*N/A*
Vontobel	806		129,884		0.62%
Total International Equity	806		258,033		
Domestic Fixed Income					
PIMCO	615		220,052		0.28%
SSGA TIPS Index Fund	19		46,725		0.04%
PAM Bank Loan Fund	*N/A*	(e)	60,427		
Total Domestic Fixed Income	634		327,204		
International and Global Fixed Income					
Brandywine	255		56,747		0.45%
Stone Harbor	*N/A*	(e)	50,710		
Total Intl. and Global Fixed Income	255		107,457		
Real Estate					
Direct Real Estate Owned	177	(b)	33,561		*N/A*
FREG III Fund	44		1,738		2.51%
JP Morgan Strategic Properties Fund	792		83,208		0.95%
Total Real Estate	1,013		118,507		
Commodities					
Gresham	*N/A*	(e)	32,667		*N/A*
Private Equity					
HarbourVest Fund IX (buyout)	*N/A*	(e)	9,537		*N/A*
PIMCO Distressed Credit Fund	(45)		2,342		-1.91%
KKR Mezzanine Debt Fund I	128		11,153		1.15%
Total Private Equity	83		23,032		
Cash Overlay					
The Clifton Group	18		-	(c)	*N/A*
Total Management Fees	3,692				

San Luis Obispo County Pension Trust

Schedule of Management Fees and Commissions (continued)

For the Fiscal Year Ended December 31, 2015 (Dollars in Thousands)

Other Investment Expenses	Fees 2015	Year End Assets Under Mgmt.	Fees as % of Year End Assets
Custodian Fees	166		0.01%
Investment Consultant	295		0.03%
Total Other Investment Expenses	461		0.04%
TOTAL INVESTMENT EXPENSES AND ASSETS UNDER MANAGEMENT	**$ 4,153**	**$ 1,127,046**	**0.37%**

Broker Commissions	Commissions 2015	
Broker Commissions	$ 144	(d)
Broker Fees	2	
Total Broker Commissions	$ 146	

(a) Investment management fees are typically charged quarterly based on fair 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.

(b) Effective March 1, 2015, Direct Real Estate is managed by American Realty Advisors.

(c) Clifton Group Cash Overlay strategy has all of its underlying assets held in the "Cash" portion of the Fiduciary Net Position so is not reflected in "Investments" as presented in this schedule.

(d) Included brokerage commissions for separate accounts only. Significant portions of the Pension Trust's investments are held in commingled funds. Brokerage commissions for commingled funds are netted against investment returns and are therefore not included in the total of commissions presented here.

(e) Fees included in net asset value of investments.

SLOCPT participates in a commission recapture program offered by BNY/Convergex. Mason Capital Partners is the only investment manager to which this program applies. The net income from commission recapture is netted against the brokerage commissions for the applicable investment account.

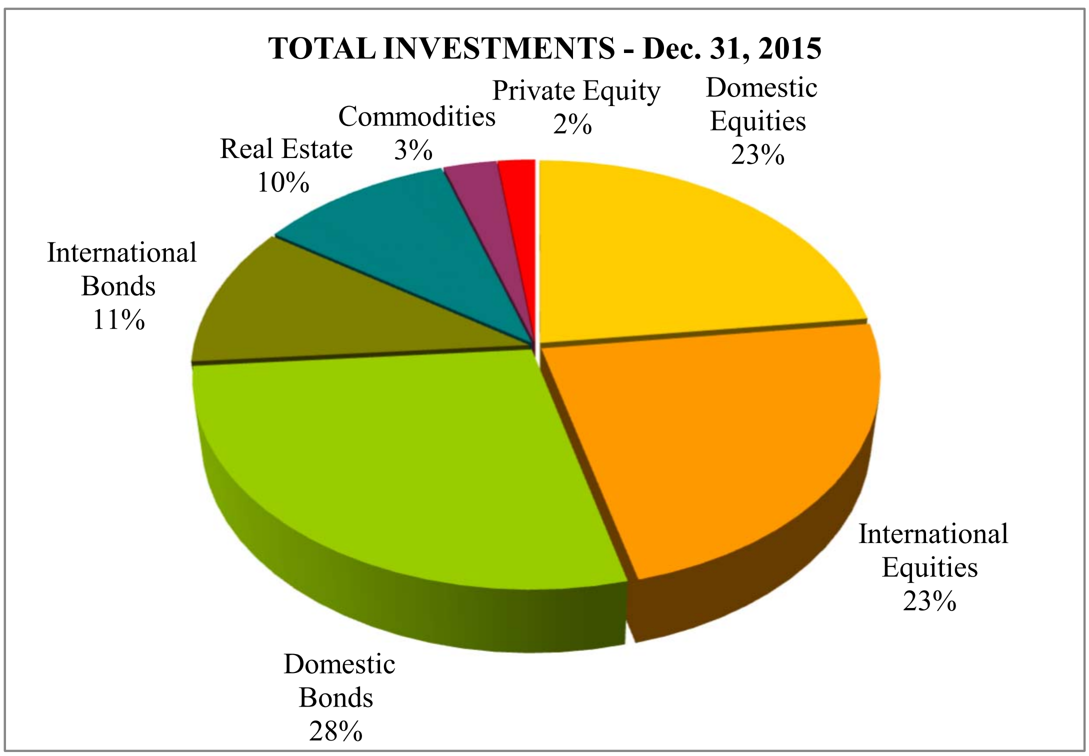
Investment managers are instructed to seek best execution and to seek to minimize commission and market impact costs when trading securities.

San Luis Obispo County Pension Trust

Investments at Fair Value

As of December 31, 2015 (Dollars in Thousands)

	Fair Value	%
Equities		
Domestic Equities	$ 260,146	23.09%
International Equities	258,033	22.89%
Fixed Income		
Domestic Bonds, Mortgages, Notes	313,081	27.78%
International Bonds	121,581	10.79%
Real Estate	118,507	10.51%
Alternatives		
Commodities	32,667	2.90%
Private Equity	23,031	2.04%
TOTAL INVESTMENTS	$ 1,127,046	100.00%



San Luis Obispo County Pension Trust

Schedule of Largest Stock and Bond Holdings

As of December 31, 2015 By Fair Value

	Largest Stock Holdings	Shares	Fair Value
1	MARKEL CORP COMMON STOCK USD 0	3,003	$ 2,652,700
2	ANSYS INC COMMON STOCK USD 0.01	24,408	2,257,740
3	DENTSPLY INTERNATIONAL INC COMMON STOCK	34,929	2,125,430
4	SEI INVESTMENTS CO COMMON STOCK USD 0.01	35,591	1,864,968
5	SALLY BEAUTY HOLDINGS INC COMMON STOCK	66,506	1,854,852
6	ACUITY BRANDS INC COMMON STOCK USD 0.01	7,417	1,734,095
7	FAIR ISAAC CORP COMMON STOCK USD 0.1	17,628	1,660,205
8	EQUIFAX INC COMMON STOCK USD 1.25	13,928	1,551,161
9	HENRY SCHEIN INC COMMON STOCK USD 0.01	9,519	1,505,811
10	BLACKBAUD INC COMMON STOCK USE 0.001	22,776	1,500,027
	Total of 10 Largest Stock Holdings		$ 18,706,989

	Largest Bond Holdings	Par Value	Fair Value
1	UNITED STATES OF AMERICA NOTES FIXED 2.75%	$ 21,400,000	$ 22,290,240
2	UNITED STATES OF AMERICA NOTES FIXED 2.125%	15,300,000	15,492,474
3	UNITED STATES OF AMERICA NOTES FIXED 1.625%	15,000,000	15,087,300
4	UNITED STATES OF AMERICA BOND FIXED 3.125%	11,300,000	11,548,487
5	TBA FNMA SINGLE FAMILY 15YR 3.5 1/16	10,600,000	11,100,638
6	UNITED STATES OF AMERICA NOTES FIXED 2.25%	10,000,000	10,198,400
7	UNITED STATES OF AMERICA NOTES FIXED 2.25%	9,600,000	9,780,000
8	UNITED STATES OF AMERICA NOTES FIXED 2.125%	6,000,000	6,063,300
9	TBA FNMA SINGLE FAMILY 15YR 3.5 2/16	5,000,000	5,229,700
10	TBA FNMA SINGLE FAMILY 30YR 3.0 1/16	5,200,000	5,200,052
	Total of 10 Largest Bond Holdings		$ 111,990,591

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.

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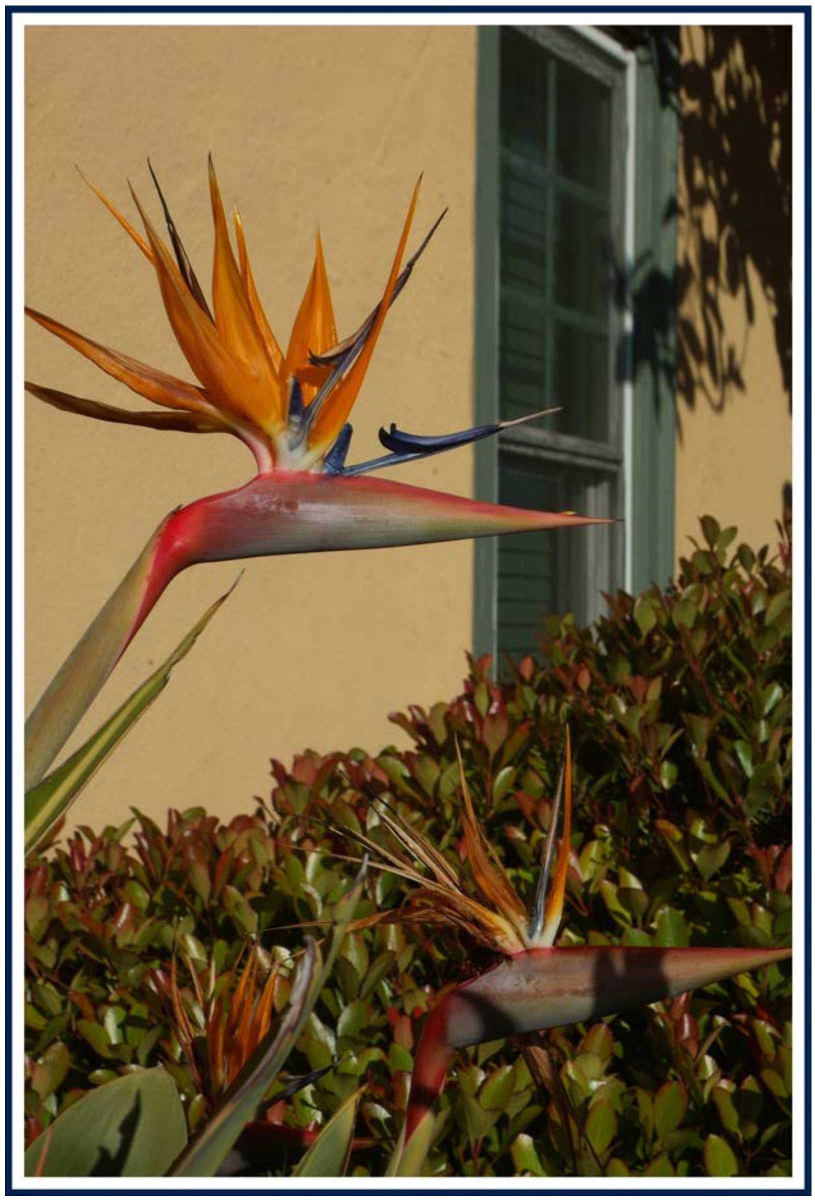
Actuarial Section



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, 2015.

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 consultants and staff.

The most recent annual actuarial valuation available for financial reporting in this CAFR is the January 1, 2015 valuation. It is based on member data and financial results through December 31, 2014. The Pension Trust's actuary, Gabriel Roeder Smith & Company, completed this annual valuation during 2015. The most recent Biennial Actuarial Experience Study was completed by Gabriel Roeder Smith as of January 1, 2014. Results of this Biennial Actuarial Experience Study were used in developing the assumptions used in the January 1, 2014 Annual Actuarial Valuation.

The Annual Actuarial Valuation as of January 1, 2015 including actuarial assumptions was approved by the Board on June 22, 2015.

The Annual Actuarial Valuation as of January 1, 2016, based on data through December 31, 2015, is in the process of being developed at the time of the publication of this CAFR. The pending January 1, 2016 Annual Actuarial Valuation will incorporate assumptions influenced by the January 1, 2016 Biennial Actuarial Experience Study, which is also in the process of being finalized as of the date of issue of the 2015 CAFR. These results will be included in the 2016 CAFR.

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
7900 East Union Avenue
Suite 650
Denver, CO 80237-2746
720.274.7270 phone
303.694.0633 fax
www.gabrielroeder.com

May 23, 2016

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 Actuarial Valuation as of January 1, 2015 of the San Luis Obispo County Pension Trust (SLOCPT). The valuation is performed annually and 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, 2015.

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 Nos. 67 and 68. In addition the assumptions and methods used for funding purposes meet the requirements set by the Actuarial Standards of Practice (ASOPs). 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 and Funding Policy

The funding objective of the Pension Trust is to establish and receive contributions, expressed as a percent of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens. In the January 1, 2015 valuation, the Trust's funded status decreased from 77.9% to 76.7%. The total annual required contribution is 34.77% as of January 1, 2015, compared to total charged rates of 33.82%. During 2015, there was a 0.98% rate increase bringing the charged rate to 34.80%. Therefore, due to the positive difference between the charged rate and the Annual Required Contribution, no increase is recommended in the charged rates at this time.

The Board of Trustees has assumed the responsibility for establishing and maintaining the written Funding Policy. It is the policy of the Board to make recommendations regarding rate changes based on the actuarially determined rate of the Trust. This rate is based on the valuation results as of each annual actuarial valuation, with any required rate change effective in the future, and with the rate change adjusted for any delay past the valuation date. The actuarially determined contribution is based on a normal cost derived from the entry age normal funding method, and a closed amortization period of 30 years.

As part of the funding policy, the Board amortized the 2008 asset loss over a 10 year period effective January 1, 2010. The Board also recommended as part of this amortization policy to accelerate the recognition of the asset loss should a contribution margin develop between the actuarially determined rate and the rate actually being charged. The Board is clear in its policy that is does not involve itself in recommending who should bear the rate increase.

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 and year-to-year consistency of certain key data elements, 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. Those assumptions and methods are used for funding purposes, and may differ from those used for financial reporting purposes. This valuation includes assumption changes adopted by the Board based on the Experience Study performed for the five-year period December 31, 2013. These changes include changing the retirement rates for Tier 2 members to match the Tier 3 rates and a change to the DROP methodology to more closely reflect actual experience.

The valuation results and the results used for financial reporting are developed using the Entry Age Cost Method. The Board has adopted this method, based upon the recommendation of the actuary, since it produces the most stable contribution rates year over year. 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 25 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 positive contribution margin develops. As of the January 1, 2011 valuation and again as of the January 1, 2014 valuation, an additional $10 million of the deferred losses was accelerated and recognized.

The enclosed exhibits provide further related information necessary to complete your filing. All other necessary information is available in the January 1, 2015 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

We prepared the above tables but the SLOCPT 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

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

Joseph R. Herm

Joseph R. Herm
Senior Analyst

ACTUARIAL METHODS AND ASSUMPTIONS USED FOR THE JANUARY 1, 2015 VALUATION

I. Valuation Date

The valuation date is December 31st of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined. Valuations are performed annually.

II. Actuarial Cost 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;
(iii) actuarial gains and losses are spread over the expected future working lifetimes of the remaining members.

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 from their date of termination to their assumed retirement date to compute those liabilities.

Amortization of Unfunded Actuarial Accrued Liabilities is done as a level percent of payroll over a closed 30 year period (25 years as of January 1, 2015) for funding computations.

III. Actuarial Value of Assets

The funding value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (less than) expected investment income. The asset losses that occurred in 2008 are smoothed over a ten year period with recognition accelerated if a contribution margin develops. Expected investment income is determined using the assumed investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). Returns are measured net of all administrative expenses.

IV. Actuarial Assumptions

A. Economic Assumptions

1. Investment return: 7.25%, compounded annually, net of administrative expenses. This is made up of a 2.75% inflation rate and a 4.50% real rate of return.

2. Salary increase rate: Inflation rate of 2.75% plus productivity increase rate of 0.5% plus an additional service-related merit component as shown below:

% Merit Increases in Salaries Next Year	
Service Index	Rate
1	5.25%
2	5.00%
3	4.00%
4	3.00%
5	2.00%
6	1.00%
7	0.50%
8 +	0.00%

3. Cost-of-living increases:

   Assumed to increase the full 2.75% each year (2% for Tier 2 and Tier 3).

4. Payroll growth:

   3.75% per year

5. Increase to maximum earnings limit for Tier 3 members:

   2.75% per year

6. Contribution accumulation: Member contribution rates are recalculated on an actuarial basis at each actuarial study. Contributions are credited with 6.75% interest, compounded biweekly.

B. <u>Demographic Assumptions</u>

1. Mortality after termination or retirement -

   a. Healthy males – RP-2000 with generational mortality improvements using scale AA, a 105% multiplier and white collar adjustment

   b. Healthy females - RP-2000 with generational mortality improvements using scale AA, a 105% multiplier and white collar adjustment

   See sample rates below:

	% Dying Within Next Year Retirees	
Ages	**Men**	**Women**
45	0.12%	0.09%
50	0.16%	0.13%
55	0.27%	0.24%
60	0.47%	0.46%
65	0.95%	0.85%
70	1.64%	1.49%
75	2.90%	2.41%
80	5.42%	4.10%
85	9.96%	7.16%

2. Mortality rates of active members – RP-2000 Employee Mortality Tables, projected to 2020 using scale AA, setback one year with a 90% multiplier for males, and setback three years with a 50% multiplier for females, as shown below for selected ages:

	% of Active Members Dying Within Next Year	
Ages	**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%

3. Disability mortality after termination or retirement- RP-2000 Disabled Mortality Tables, projected to 2020 using scale AA, with no setback and an 80% multiplier for males, and setback one year with a 50% multiplier for females, as shown below for selected ages:

	% of Disabled Members Dying Within Next Year	
Ages	**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%

4. Retirement –

   a. As shown below for Tier 1 members for selected ages (rates are only applied to members eligible for retirement):

	Percent of Eligible Active Members Retiring Within Next Year		
Age	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%	

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

b. As shown below for Tier 2 and future Tier 3 members for selected ages (rates are only applied to members eligible for retirement):

Age	Percent of Eligible Active Members Retiring Within Next Year		
	Miscellaneous	**Probation**	**Safety**
50	3.0%	7.5%	9.0%
51	3.0%	7.5%	9.0%
52	3.0%	7.5%	10.0%
53	3.0%	7.5%	10.0%
54	3.0%	7.5%	10.0%
55	6.0%	7.5%	10.0%
56	6.0%	7.5%	10.0%
57	6.0%	7.5%	10.0%
58	6.0%	9.0%	11.0%
59	6.0%	9.0%	15.0%
60	8.0%	10.0%	20.0%
61	8.0%	10.0%	25.0%
62	20.0%	20.0%	30.0%
63	20.0%	20.0%	40.0%
64	20.0%	20.0%	60.0%
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%	

5. Rates of separation from active membership (for causes other than death or retirement) - As shown below for selected ages:

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

Vested termination rates and disability rates are 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 are duty-related.

40% of Vested Terminations are assumed to be Reciprocal.

Based on Member Contribution Totals provided by Pension Trust, we are assuming that 10% of members' contribution account balances are for supplemental/additional benefits.

C. Other Assumptions

Member Refunds. 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.

Deferral Age. The assumed retirement age for future Reserve and Reciprocal members is age 57.

Active Death. 100% of active deaths are assumed to be duty related.

Survivor Benefits. Marital status and spouses' census data were imputed with respect to active and deferred members.

Marital Status -	70% of men and 50% of women were assumed married at retirement.
Spouse Census -	Women were assumed to be 3 years younger than men for active employees.

Disability Benefits. Benefits are not assumed to be offset by Social Security benefits.

Line-of-Duty Death. Social Security offset equal to 27.5% of Final Compensation.

IRC Section 415 Limits. We are assuming that IRC Section 415 limits, although applicable to this plan, will not impact any individual.

D. Experience Analysis

An experience study was conducted covering the five year period ending December 31, 2013. That study provided a detailed analysis concerned the development of the long-term inflation rate, real rate of return and discount rate. The study also analyzed each major actuarial assumption (e.g. mortality, salary increases, retirement, termination and disability) and proposed assumptions consistent with the findings. The recommend changes were reviewed and approved by the Board and implemented effective with the January 1, 2014 actuarial valuation. For further information on the experience study and related assumption recommendation, the reader is requested to review the December 31, 2013 Actuarial Experience Study.

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
1/01/2013	2,495	164,299,413	65,851	0.0
1/01/2014	2,521	164,704,467	65,333	-0.8
1/01/2015	2,550	167,695,432	65,763	0.7

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%
1/01/2013	150	5,235,834	43	813,919	2,147	57,242,887	26,662	4.7%
1/01/2014	152	4,469,386	49	890,436	2,250	62,026,694	27,567	3.4%
1/01/2015	200	6,983,929	49	877,814	2,401	69,067,723	28,766	4.3%

* These values were not separately tracked until plan year commencing January 1, 2009.

Solvency Test

	Actuarial Accrued Liabilities						
	(1)	(2)	(3)		Portion of Accrued Liabilities Covered by Valuation Assets		
Valuation Date	Retirees and Beneficiaries	Terminated Vested Members	Active Members	Valuation Assets	(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%
1/01/2013	788,045,517	56,293,118	623,662,043	1,122,150,539	100%	100%	45%
1/01/2014	847,672,409	58,811,804	612,266,814	1,182,923,978	100%	100%	45%
1/01/2015	946,455,151	60,711,979	598,424,079	1,231,473,577	100%	100%	37%

Schedule of Funding Progress

($ in Thousands)

Valuation Date	Valuation Assets[1]	Actuarial Liability[1]	Funded Ratio	Unfunded Actuarial Liability	Member Payroll	Ratio to Payroll
12/31/2005	$700,060	$803,124	87.2%	$103,064	$143,902	71.6%
12/31/2005 [3]	700,060	818,864	85.5%	118,804	143,902	82.6%
12/31/2005 [2,3]	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 [2,4]	759,758	994,861	76.4%	235,103	152,117	154.6%
12/31/2006 [5]	759,758	962,828	78.9%	335,827	152,117	220.8%
12/31/2007	829,764	1,055,868	78.6%	226,104	162,436	139.2%
12/31/2007 [6]	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 [2,7]	1,057,922	1,378,549	76.7%	320,627	161,055	199.1%
12/31/2012 [7]	1,122,151	1,468,001	76.4%	345,850	164,299	210.5%
12/31/2013 [8]	1,182,924	1,518,751	77.9%	335,827	164,704	203.9%
12/31/2014	1,231,474	1,605,591	76.7%	374,117	167,695	223.1%

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

12/31/2014	$5,295,316	12/31/2009	$9,341,043
12/31/2013	5,942,492	12/31/2008	10,397,974
12/31/2012	6,606,149	12/31/2007	11,507,242
12/31/2011	7,462,567	12/31/2006	12,181,467
12/31/2010	8,558,571	12/31/2005	12,773,875

[2] Reflects assumption changes.
[3] Reflects benefit increases for Safety non-management; Miscellaneous “Other” and SLOCEA Non-Court.
[4] Reflects benefit increases for Probation and Safety members.
[5] Reflects assumption change to 7.75%.
[6] Reflects benefit increases for Miscellaneous Court employees in BU #18 and BU #20.
[7] Reflects benefit provisions under Tier 2 for certain new members.
[8] Reflects benefit provisions under Tier 3 for new members, and assumption changes.

Schedule of Employer Contributions

Pension Benefits

Year Ended 31-Dec	Total Annual Required Contribution	Actual Employee Contribution	Actuarially Required Contributions (ARC) [3]	Employer Contributions Made	Percent Contributed	Investment Return [1]	Net Pension Obligation Balance/(Asset)
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 [2]	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 [4]	31,427,297	102%	5.7%	(125,154,822)
2010	54,826,804	24,548,625	30,278,179 [4]	32,148,424	106%	6.0%	(129,971,714)
2011	55,314,049	25,262,362	30,051,687 [4]	30,435,940	101%	5.5%	(133,213,404)
2012	56,329,706	25,207,165	31,122,541 [4]	30,942,038	99%	6.2%	(135,119,408)
2013	57,876,463	24,459,738	33,416,725 [4]	30,795,872	92%	6.2%	(134,355,317)
2014	56,882,016	24,415,512	32,466,504 [4]	32,046,545	99%	5.3%	(135,673,559)

[1] ***Based on actuarial value of assets.***

[2] ***The figures represent the valuation year commencing January 1, 2007.***

[3] ***Effective July 1, 2008, the three part funding rate increase has been completed.***

[4] ***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, 2015

	Plan Year Ended December 31, 2010	Plan Year Ended December 31, 2011	Plan Year Ended December 31, 2012	Plan Year Ended December 31, 2013	Plan Year Ended December 31, 2014
A. Funding Value Beginning of Year	$937,278,758	$1,000,168,850	$1,057,921,875	$1,122,150,539	$1,182,923,978
B. Gross Market Value End of Year	880,953,414	906,350,380	1,013,436,059	1,135,718,617	1,173,336,063
C. Gross Market Value Beginning of Year	764,988,635	880,953,414	906,350,380	1,013,436,059	1,135,718,617
D. Non-Investment Cash Flow	5,910,357	1,284,151	(1,761,812)	(9,565,801)	(14,055,197)
E. Investment Income					
E1. Market Total =B-C-D	110,054,422	24,112,815	108,847,491	131,848,359	51,672,643
E2 Immediate Recognition	72,868,130	77,562,847	76,635,470	81,009,154	85,252,488
E3. Phased-in Recognition	37,186,292	(53,450,032)	32,212,021	50,839,205	(33,579,845)
F. Phased-in Recognition					
F1. Current Year=E3x20%*	7,437,258	(10,690,006)	6,442,404	10,167,841	(6,715,969)
F2. First Prior Year	15,245,328	7,437,258	(10,690,006)	6,442,404	10,167,841
F3. Second Prior Year	(29,936,396)	15,245,328	7,437,258	(10,690,006)	6,442,404
F4. Third Prior Year	(4,246,161)	(29,936,396)	15,245,328	7,437,258	(10,690,006)
F5. Fourth Prior Year	4,829,104	(4,246,161)	(29,936,396)	15,245,328	7,437,258
F6. Continued Recognition of 2008 Asset Loss	0	0	0	(29,936,396)	(29,936,396)
F7. Additional Recognition of 2008 Asset Loss	(10,000,000) *	0	0	(10,000,000) *	0
F8. Total Recognized Gain/(Loss)	(16,670,867)	(22,189,977)	(11,501,412)	(11,333,571)	(23,294,868)
G. Preliminary Funding Value					
=A+D+E2+F8	$999,386,378	$1,056,825,871	$1,121,294,121	$1,182,260,321	$1,230,826,401
H. Excludable Assets					
H1. End of Year	8,558,571	7,462,567	6,606,149	5,942,492	5,295,316
H2. Beginning of Year	9,341,043	8,558,571	7,462,567	6,606,149	5,942,492
H3. Change=H1-H2	(782,472)	(1,096,004)	(856,418)	(663,657)	(647,176)
I. Final Funding Value=G-H3	$1,000,168,850	$1,057,921,875	$1,122,150,539	$1,182,923,978	$1,231,473,577
J. Investment Return=(E2+F8)/(A+D/2)	5.98%	5.53%	6.16%	6.24%	5.27%

*The Board originally decided to recognize the 2008 asset loss over 10 years with acceleration of the recognition in future years when the funding margin allowed it. The Board elected to accelerate recognition of $10 million of the 2008 loss base for the year ending December 31, 2010 and an additional $10 million for the year ending December 31, 2013.

Actuarial Analysis of Financial Experience

Composite Gain (Loss) for January 1, 2006 through 2015

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
1/1/2006	($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	(85,180,942)	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 %
1/1/2013	(18,925,942)	1,378,549,314	(0.83)%	(0.54)%	(1.37)%
1/1/2014	(1,139,190)	1,468,000,678	(0.77)%	0.69 %*	(0.08)%
1/1/2015	(32,743,994)	1,518,751,027	(1.53)%	(0.63)%	(2.16)%

*The Board elected to accelerate recognition of $10 million of the 2008 loss for the year ending December 31, 2010 and December 31,2013.

BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED EFFECTIVE JANUARY 1, 2015

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. Tiers
Tier 1 generally includes new members hired before January 1, 2011.

   Tier 2 generally includes new members hired on or after January 1, 2011 and before January 1, 2013. Tier 2 only applies to members hired after the date each particular bargaining unit adopted Tier 2. Members hired in a bargaining unit that did not adopt Tier 2 are considered Tier 1 members.

   Tier 3 includes all new members hired on or after January 1, 2013.

3. 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:

Bargaining Unit	Pick Up
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 and Tier 3

4. Member Contributions
Please refer to Appendix A. Employee contribution rates used in the January 1, 2015 valuation have increased since the January 1, 2014 valuation for most Tier 1 and Tier 2 members.

5. Service Retirement

   A. Eligibility - Age 50 with 5 years of service (Age 52 with 5 years of service for Miscellaneous members in Tier 3).

   B. Benefit Formula - Final Compensation multiplied by Years of Credited Service multiplied by Retirement Age Factor.

BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED EFFECTIVE JANUARY 1, 2015

C. Retirement Age Factors

Safety					
Age	Tier 1[1]	Tier 1[2]	Tier 2[3]	Tier 2[4]	Tier 3
50	2.30%	3.00%	2.000%	2.300%	2.00%
51	2.440	3.000	2.140	2.440	2.100
52	2.580	3.000	2.280	2.580	2.200
53	2.720	3.000	2.420	2.720	2.300
54	2.860	3.000	2.560	2.860	2.400
55	3.000	3.000	2.700	3.000	2.500
56	3.000	3.000	2.700	3.000	2.600
57+	3.000	3.000	2.700	3.000	2.700

Probation		
Age	Tier 1	Tier 3
50	2.30%	2.00%
51	2.440	2.100
52	2.580	2.200
53	2.720	2.300
54	2.860	2.400
55	3.000	2.500
56	3.000	2.600
57+	3.000	2.700

1 Safety Bargaining Units 6 & 7 and Non-Sworn Bargaining Units 3, 14, 15
2 Safety Bargaining Units 10 &16 and Sworn Bargaining Units 15, 27, 28
3 Non-Sworn Safety members
4 Sworn Safety members

Miscellaneous			
Age	Tier 1	Tier 2	Tier 3
50	1.43%	1.092%	-
51	1.541	1.156	-
52	1.656	1.224	1.000%
53	1.770	1.296	1.100
54	1.885	1.376	1.200
55	2.000	1.460	1.300
56	2.117	1.552	1.400
57	2.233	1.650	1.500
58	2.350	1.758	1.600
59	2.466	1.874	1.700
60	2.583	2.000	1.800
61	2.699	2.134	1.900
62	2.816	2.272	2.000
63	2.932	2.418	2.100
64	3.049	2.458	2.200
65	3.165	2.500	2.300
66	3.165	2.500	2.400
67+	3.165	2.500	2.500

BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED EFFECTIVE JANUARY 1, 2015

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

c. Tier 3

No maximum benefit applies but pensionable compensation is limited to the Social Security Taxable Wage Base

6. 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).

7. 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).

8. 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.

9. 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.

10. 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.

11. 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.

BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED EFFECTIVE JANUARY 1, 2015

12. 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.

13. Post-Retirement Cost-of-Living Benefits
    Based on changes in Consumer Price Index to a maximum of 3% per year (maximum of 2% per year for Tier 2 and Tier 3).

14. 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.

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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 operational 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 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 to supervise offenders who are on probation 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 through December 31, 2012 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 did not implement its participation in Tier 2 benefits.

Beginning on January 1, 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. This new Tier affects all new employees hired after January 1, 2013 and provides a lower level of benefits.

The actuarial data presented in this Statistical Section is based on the January 1, 2015 Annual Actuarial Valuation which reflects data as of year-end 2014.

San Luis Obispo County Pension Trust

Changes in Fiduciary Net Position

Last 10 fiscal years (Dollars in Thousands)

	2015	2014	2013	2012	2011
Additions					
Employer Appropriations	$ 33,618	$ 32,047	$ 30,796	$ 30,942	$ 30,436
Member Contributions	24,587	24,415	24,460	25,207	25,262
Net Investment Income	(16,706)	51,667	131,842	108,818	24,113
Total Additions	$ 41,499	$ 108,129	$ 187,098	$ 164,967	$ 79,811
Deductions					
Service Retirement Benefits	$ 61,796	$ 56,186	$ 50,919	$ 46,535	$ 42,739
Disability Retirement Benefits	3,150	2,972	2,879	2,746	2,692
Beneficiary Retirement Benefits	3,824	3,541	3,352	2,905	2,769
Deferred Retirement Option Program	3,672	3,464	3,087	2,362	2,215
Total Retirement Benefits	$ 72,442	$ 66,163	$ 60,237	$ 54,548	$ 50,415
Refunds	1,613	1,629	2,374	1,138	1,659
Death Benefit	999	303	150	125	430
Administrative Expense	2,528	2,085	2,054	2,070	1,910
Discount Amortization	1,450	332	-	-	-
Total Deductions	$ 79,032	$ 70,512	$ 64,815	$ 57,881	$ 54,414
Change in Fiduciary Net Position	$ (37,533)	$ 37,617	$ 122,283	$ 107,086	$ 25,397

	2010	2009	2008	2007	2006
Additions					
Employer Appropriations	$ 32,148	$ 31,427	$ 30,860	$ 24,014	$ 19,177
Member Contributions	24,549	24,171	22,841	17,406	15,497
Net Investment Income	110,054	144,482	(234,539)	37,640	78,578
Total Additions	$ 166,751	$ 200,080	$ (180,838)	$ 79,060	$ 113,252
Deductions					
Service Retirement Benefits	$ 39,807	$ 35,688	$ 31,907	$ 26,977	(a)
Disability Retirement Benefits	2,662	2,555	2,335	2,209	(a)
Beneficiary Retirement Benefits	2,486	2,131	1,788	1,498	(a)
Deferred Retirement Option Program	1,846	1,654	1,068	1,416	(a)
Total Retirement Benefits	$ 46,801	$ 42,028	$ 37,098	$ 32,100	$ 27,037
Refunds	1,642	1,575	2,016	1,588	1,459
Death Benefit	362	45	197	504	64
Administrative Expense	1,981	1,730	1,771	1,629	1,533
Total Deductions	$ 50,786	$ 45,378	$ 41,082	$ 35,821	$ 30,093
Change in Fiduciary Net Position	$ 115,965	$ 154,702	$ (221,920)	$ 43,239	$ 83,159

(a) To provide enhanced detail a breakdown of retirement benefits by type has been added to this schedule; however, disaggregated data was not available for years prior to 2007 when a recordkeeping system conversion took place.

Source: SLOCPT audited financial statements and detailed retiree payroll journals

San Luis Obispo County Pension Trust

Benefits by Class and Type

Last 10 fiscal years (Dollars in Thousands)

As of December 31		Service Retirement	Disability Retirement	Beneficiary Retirement	DROP Retirement	Termination Refunds	Death Benefit	TOTAL
2015	Miscellaneous	$ 50,845	$ 1,371	$ 2,999	$ 1,792	$ 1,456	$ 628	$ 59,091
	Probation	2,261	136	117	-	6	-	2,520
	Safety	8,690	1,643	708	1,880	151	371	13,443
	TOTAL	$ 61,796	$ 3,150	$ 3,824	$ 3,672	$ 1,613	$ 999	**$ 75,054**
2014	Miscellaneous	$ 46,500	$ 1,353	$ 2,760	$ 1,332	$ 1,311	$ 300	$ 53,556
	Probation	1,923	146	99	-	60	1	2,229
	Safety	7,763	1,473	682	2,132	258	2	12,310
	TOTAL	$ 56,186	$ 2,972	$ 3,541	$ 3,464	$ 1,629	$ 303	**$ 68,095**
2013	Miscellaneous	$ 42,243	$ 1,315	$ 2,629	$ 1,333	$ 1,798	$ 146	$ 49,464
	Probation	1,727	143	94	-	263	-	2,227
	Safety	6,949	1,421	629	1,754	313	4	11,070
	TOTAL	$ 50,919	$ 2,879	$ 3,352	$ 3,087	$ 2,374	$ 150	**$ 62,761**
2012	Miscellaneous	$ 38,206	$ 1,242	$ 2,379	$ 1,216	$ 1,125	$ 121	$ 44,289
	Probation	1,642	129	91	-	-	-	1,862
	Safety	6,687	1,375	435	1,146	13	4	9,660
	TOTAL	$ 46,535	$ 2,746	$ 2,905	$ 2,362	$ 1,138	$ 125	**$ 55,811**
2011	Miscellaneous	$ 35,289	$ 1,221	$ 2,317	$ 1,006	$ 1,238	$ 427	$ 41,498
	Probation	1,445	105	90	-	85	-	1,725
	Safety	6,005	1,366	362	1,209	336	3	9,281
	TOTAL	$ 42,739	$ 2,692	$ 2,769	$ 2,215	$ 1,659	$ 430	**$ 52,504**
2010	Miscellaneous	$ 32,957	$ 1,208	$ 2,111	$ 756	$ 1,358	$ 190	$ 38,580
	Probation	1,341	88	70	-	161	171	1,831
	Safety	5,509	1,366	305	1,090	123	1	8,394
	TOTAL	$ 39,807	$ 2,662	$ 2,486	$ 1,846	$ 1,642	$ 362	**$ 48,805**
2009	Miscellaneous	$ 29,503	$ 1,176	$ 1,812	$ 650	$ 1,377	$ 40	$ 34,558
	Probation	1,153	76	49	-	79	1	1,358
	Safety	5,032	1,303	270	1,004	119	4	7,732
	TOTAL	$ 35,688	$ 2,555	$ 2,131	$ 1,654	$ 1,575	$ 45	**$ 43,648**
2008	Miscellaneous	$ 26,219	$ 1,075	$ 1,519	$ 411	$ 1,445	$ 197	$ 30,866
	Probation	960	66	35	-	207	-	1,268
	Safety	4,728	1,194	234	657	364	-	7,177
	TOTAL	$ 31,907	$ 2,335	$ 1,788	$ 1,068	$ 2,016	$ 197	**$ 39,311**
2007	Miscellaneous	$ 22,211	$ 1,035	$ 1,246	$ 703	$ 1,109	$ 502	$ 26,806
	Probation	704	43	35	-	25	-	807
	Safety	4,062	1,131	217	713	454	2	6,579
	TOTAL	$ 26,977	$ 2,209	$ 1,498	$ 1,416	$ 1,588	$ 504	**$ 34,192**
2006	Miscellaneous (a)							23,188
	Probation							641
	Safety							4,730
	TOTAL							**$ 28,559**

(a) To provide enhanced detail a breakdown of benefits by type has been added to this schedule; however, disaggregated data was not available for years prior to 2007 when a recordkeeping system conversion took place.

Source: SLOCPT detailed retiree payroll journals 2007-2015 data, SLOCPT Actuarial Valuation 2006

San Luis Obispo County Pension Trust

Retiree Average Age and Average Monthly Benefit by Class

Last 10 fiscal years

As of most recent completed actuarial valuation dated January 1, 2015, based on data as of December 31, 2014.

As of December 31		Avg. Age on Dec. 31st	Avg. Age at retirement (1)	Number of Recipients	Average Monthly Benefit
2014	Miscellaneous	69.1	58.9	2,074	$ 2,177
	Probation	63.8	56.3	66	3,087
	Safety	63.8	52.5	261	3,972
	TOTAL	**68.4**	**58.1**	**2,401**	**$ 2,397**
2013	Miscellaneous	69.0	58.7	1,968	$ 2,099
	Probation	63.5	56.0	53	3,114
	Safety	64.4	52.7	229	3,809
	TOTAL	**68.5**	**58.0**	**2,250**	**$ 2,297**
2012	Miscellaneous	68.9	58.7	1,875	$ 2,026
	Probation	62.9	56.0	50	3,098
	Safety	64.0	52.5	222	3,677
	TOTAL	**68.2**	**58.0**	**2,147**	**$ 2,222**
2011	Miscellaneous	68.7	58.6	1,785	$ 1,927
	Probation	62.0	55.4	45	3,137
	Safety	63.8	52.3	210	3,567
	TOTAL	**68.0**	**57.9**	**2,040**	**$ 2,123**
2010	Miscellaneous	68.4	58.6	1,711	$ 1,879
	Probation	61.3	55.2	41	3,051
	Safety	63.3	52.0	194	3,585
	TOTAL	**67.8**	**57.9**	**1,946**	**$ 2,074**
2009	Miscellaneous	68.1	58.6	1,665	$ 1,803
	Probation	61.5	55.8	38	3,051
	Safety	63.3	51.8	187	3,355
	TOTAL	**67.5**	**57.9**	**1,890**	**$ 1,982**
2008	Miscellaneous	68.3	58.5	1,532	$ 1,670
	Probation	61.4	56.0	33	2,787
	Safety	63.3	51.8	176	3,260
	TOTAL	**67.6**	**57.8**	**1,741**	**$ 1,852**
2007	Miscellaneous	67.9	58.4	1,461	$ 1,579
	Probation	60.7	55.8	30	2,635
	Safety	62.8	51.8	168	3,106
	TOTAL	**67.3**	**57.7**	**1,659**	**$ 1,752**
2006	Miscellaneous	68.2	58.5	1,369	$ 1,435
	Probation	61.3	55.2	24	2,333
	Safety	63.2	51.5	150	2,602
	TOTAL	**67.7**	**57.8**	**1,543**	**$ 1,562**
2005	Miscellaneous	68.7	58.7	1,264	$ 1,331
	Probation	61.1	54.9	20	2,244
	Safety	62.6	51.5	146	2,423
	TOTAL	**68.0**	**57.9**	**1,430**	**$ 1,455**

(1) For Service, DROP, and Disability Retirees; does not include Beneficiaries

Source: SLOCPT annual actuarial valuations - Annualized benefits as of December 31

San Luis Obispo County Pension Trust

Retired Members by Benefit Type and Amount

as of December 31, 2015

Annual Benefit Range and Class	Service Retirement Recipients	Disability Retirement Recipients	Beneficiary Retirement Recipients	DROP Retirement Recipients	**TOTAL**	**% of Total**
$0-$9,999						
Miscellaneous	447	26	60	-	533	21.2%
Probation	9	-	-	-	9	0.4%
Safety	15	-	2	-	17	0.7%
subtotal	**471**	**26**	**62**	**-**	**559**	**22.2%**
$10,000-$19,999						
Miscellaneous	504	41	54	1	600	23.8%
Probation	10	-	1	-	11	0.4%
Safety	20	2	11	-	33	1.3%
subtotal	**534**	**43**	**66**	**1**	**644**	**25.6%**
$20,000-$29,999						
Miscellaneous	331	15	25	7	378	15.0%
Probation	10	2	1	-	13	0.5%
Safety	23	11	7	2	43	1.7%
subtotal	**364**	**28**	**33**	**9**	**434**	**17.2%**
$30,000-$39,999						
Miscellaneous	190	4	14	6	214	8.5%
Probation	7	2	1	-	10	0.4%
Safety	21	13	4	-	38	1.5%
subtotal	**218**	**19**	**19**	**6**	**262**	**10.4%**
$40,000-$49,999						
Miscellaneous	122	-	6	7	135	5.4%
Probation	4	-	1	-	5	0.2%
Safety	19	16	2	4	41	1.6%
subtotal	**145**	**16**	**9**	**11**	**181**	**7.2%**
$50,000-$59,999						
Miscellaneous	94	1	2	5	102	4.1%
Probation	8	-	-	-	8	0.3%
Safety	18	1	-	4	23	0.9%
subtotal	**120**	**2**	**2**	**9**	**133**	**5.3%**

San Luis Obispo County Pension Trust

Retired Members by Benefit Type and Amount (continued)

as of December 31, 2015

Annual Benefit Range and Class	Service Retirement Recipients	Disability Retirement Recipients	Beneficiary Retirement Recipients	DROP Retirement Recipients	**TOTAL**	**% of Total**
$60,000-$69,999						
Miscellaneous	58	-	3	7	68	2.7%
Probation	2	-	-	-	2	0.1%
Safety	23	-	-	3	26	1.0%
subtotal	**83**	**-**	**3**	**10**	**96**	**3.8%**
$70,000-$79,999						
Miscellaneous	40	-	2	4	46	1.8%
Probation	5	-	-	-	5	0.2%
Safety	16	-	-	4	20	0.8%
subtotal	**61**	**-**	**2**	**8**	**71**	**2.8%**
$80,000-$89,999						
Miscellaneous	27	-	-	1	28	1.1%
Probation	2	-	-	-	2	0.1%
Safety	11	-	-	2	13	0.5%
subtotal	**40**	**-**	**-**	**3**	**43**	**1.7%**
$90,000-$99,999						
Miscellaneous	14	-	-	-	14	0.6%
Probation	1	-	-	-	1	0.0%
Safety	4	-	-	1	5	0.2%
subtotal	**19**	**-**	**-**	**1**	**20**	**0.8%**
$100,000+						
Miscellaneous	50	-	1	2	53	2.1%
Probation	3	-	-	-	3	0.1%
Safety	12	1	1	4	18	0.7%
subtotal	**65**	**1**	**2**	**6**	**74**	**2.9%**
CUMMULATIVE TOTAL						
Miscellaneous	**1,877**	**87**	**167**	**40**	**2,171**	**86.3%**
Probation	**61**	**4**	**4**	**-**	**69**	**2.7%**
Safety	**182**	**44**	**27**	**24**	**277**	**11.0%**
	2,120	**135**	**198**	**64**	**2,517**	**100.0%**

Source: SLOCPT Pension Administration Software (RAD)

San Luis Obispo County Pension Trust

Member Data

Last 10 fiscal years

As of most recent completed actuarial valuation dated January 1, 2015, based on data as of December 31, 2014.

Active Members (all classes)	Average Age	Average Service	Average Annual Pay
2014	46.6	10.4	$ 65,763
2013	47.1	10.9	65,333
2012	47.4	10.9	65,851
2011	47.7	11.1	65,844
2010	47.2	10.8	65,262
2009	46.8	10.3	64,024
2008	46.7	10.0	63,484
2007	46.3	9.7	61,020
2006	46.6	10.0	58,060
2005	46.7	10.0	55,733
2004	46.7	10.0	51,916

Number of Members	Active Members	Deferred Vested Members	Retiree and Beneficiary	Disability Recipients	TOTAL
2014	2,550	451	2,262	139	5,402
2013	2,521	460	2,117	133	5,231
2012	2,495	445	2,015	132	5,087
2011	2,446	449	1,911	129	4,935
2010	2,479	475	1,817	129	4,900
2009	2,506	476	1,758	132	4,872
2008	2,657	489	1,610	131	4,887
2007	2,662	481	1,532	127	4,802
2006	2,620	504	1,416	127	4,667
2005	2,582	487	1,310	120	4,499
2004	2,604	462	1,196	120	4,382

Source: SLOCPT annual actuarial valuations
- Data as of December 31 each year

San Luis Obispo County Pension Trust

Covered Employees by Employer

Last 10 fiscal years

Active Members (all classes)		San Luis Obispo County	Superior Courts of CA	Air Pollution Control District	Local Agency Formation Comm.	Oceano Services District	Pension Trust	TOTAL
2015								
Tier 1		1,568	114	21	3	-	2	1,708
Tier 2		306	-	-	-	-	3	309
Tier 3		571	17	1	-	-	3	592
Total		**2,445**	**131**	**22**	**3**	**-**	**8**	**2,609**
% of total		93.7%	5.0%	0.8%	0.1%	0.0%	0.3%	
2014								
Tier 1		1,712	119	24	3	-	3	1,861
Tier 2		301	-	-	-	-	1	302
Tier 3		380	5	-	-	-	2	387
Total		**2,393**	**124**	**24**	**3**	**-**	**6**	**2,550**
% of total		93.8%	4.9%	0.9%	0.1%	0.0%	0.2%	
2013	(a)							
Tier 1		1,884	129	24	3	-	5	2,045
Tier 2		281	-	-	-	-	1	282
Tier 3		189	4	-	-	-	1	194
Total		**2,354**	**133**	**24**	**3**	**-**	**7**	**2,521**
% of total		93.4%	5.3%	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%	
2011	(b)							
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%	
2010	(c)	**2,320**	**149**	**-**	**3**	**-**	**7**	**2,479**
% of total		93.6%	6.0%	0.0%	0.1%	0.0%	0.3%	
2009		**2,341**	**154**	**-**	**3**	**1**	**7**	**2,506**
% of total		93.4%	6.1%	0.0%	0.1%	0.0%	0.3%	
2008		**2,491**	**156**	**-**	**3**	**1**	**6**	**2,657**
% of total		93.8%	5.9%	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%	
2006		**2,449**	**163**	**-**	**3**	**1**	**4**	**2,620**
% of total		93.5%	6.2%	0.0%	0.1%	0.0%	0.2%	

(a) Beginning in 2013, all Employers instituted a reduced level of "Tier 3" retirement benefits for new hires.
(b) Beginning in 2011, some Employers instituted a reduced level of "Tier 2" retirement benefits for new hires.
(c) Prior to 2011 the Air Pollution Control District members were employees of San Luis Obispo County.

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

San Luis Obispo County Pension Trust

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