

September 2018

The Fiduciary

Published by the San Luis Obispo County Pension Trust



San Luis Obispo County Pension Trust
1000 Mill Street
San Luis Obispo, CA 93408
805/781-5465

Pension Trust Website

The PT is in the middle of a 3-year project to replace our aging recordkeeping software. At present the PT website at SLOPensionTrust.org routes internal access in the County network to our old website that includes account balances and retirement estimates. The same web address from outside the County network (including the Courts) redirects to a generic information-only website at slocounty.ca.gov/Departments/Pension-Trust. Please call us at 805/781-5465 with questions.

Retirement Estimates

Planning for your retirement should be done throughout your working career. Planning prevents surprises and allows you to take actions like saving more, or timing when you want to retire. Please call the PT to get a personal retirement estimate and a counseling session. Pensions can be complex so the PT is staffed and ready to help you. See us anytime in your career, but especially about 2-3 years before you think you may want to retire.

Pension Talk

Welcome back to the Fiduciary

After a hiatus in publication “The Fiduciary” is back in production. It is intended as a twice-yearly newsletter to the active and retired members of the San Luis Obispo County Pension Trust.

What is the Retirement Plan and the Pension Trust?

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

Why are Pension Contribution Rates Going Up?

The Retirement Plan is a “**Defined Benefit**” pension which provides a steady level of lifetime retirement income, and may also provide a survivor benefit to a surviving spouse or registered domestic partner after the retiree dies. Defined Benefit pensions are expensive to fund, particularly with increasing life expectancies.

The total contribution rates (as a percentage of payroll) to fund the Retirement Plan are calculated annually by the Plan actuary. Pension contributions in total are the amount that must be made today by active employees to fund their benefits in the future and are called the Actuarially Determined Contribution or “ADC”. The ADC for the SLO County Retirement Plan for all Classes and Tiers of members averages 42.19% of pay as of Jan. 1, 2018 from the 2018 Actuarial Valuation. The ADC includes employee contributions, employer-paid-for-member “pick up” contributions in some bargaining units, and employer appropriations. In 2016, 2017, and 2018 the ADC has increased from below 35% of pay to above 42% of pay. Primary causes of the increase include:

- **Mortality improvements**—as life expectancy goes up, the cost of paying a lifetime pension benefit also goes up.
- **Past Investment Returns**—Funding the ADC uses a “smoothed” multi-year average of investment returns on the Pension Trust assets—including the residual effects of the Global Financial Crisis and 2008 market decline.
- **Discount Rate** used—The Pension Trust has lowered its estimate of future investment returns (used as the discount rate to measure liabilities) from 7.25% to 7.00%. A seemingly small change, but major in its impact on Actuarial measures.

San Luis Obispo County Pension Trust—Annual Report Summary

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

Fund Status:

The Pension Trust’s funding objective is to meet its long-term benefit promises by accumulating assets to eventually pay all its liabilities. As of the end of 2017, the funded status of the Pension Trust stood at 68.3% - comparing the Actuarial Accrued Liability to the Actuarial Value of Assets (a multi-year average of market values). As of Dec. 31, 2017 the net assets of the Pension Trust totaled \$1.340 billion. An actuarial valuation is performed each year and a Total Actuarially Determined Contribution (ADC) rate (as a percentage of pay) is set by the Board of Trustees. The funding policy set by the Board of Trustees that underlies the calculation of the ADC is designed to bring the Pension Trust to a 100% funded status by approximately 2040.

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

Year	Employer Approp.	Employee Contributions	Net Investment Income	TOTAL REVENUE
2013	\$ 30,796	\$ 24,460	\$ 131,842	\$ 187,098
2014	32,047	24,415	51,667	108,129
2015	33,618	24,587	(16,706)	41,499
2016	35,451	25,359	68,949	129,760
2017	43,341	30,467	178,640	251,448

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

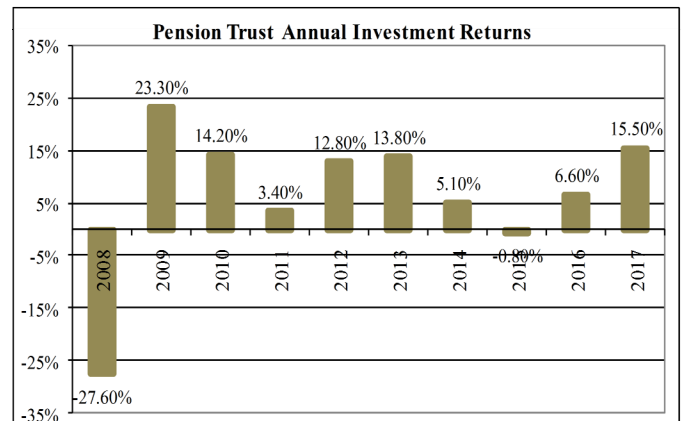
Year	Retirement Benefits	Refunds & Death Benefits	Operating Expense	TOTAL EXPENSE
2013	\$ 60,237	\$ 2,524	\$ 2,054	64,815
2014	66,163	1,932	2,417	70,512
2015	72,442	2,612	3,978	79,032
2016	78,193	2,490	3,636	84,319
2017	85,052	3,605	3,562	92,219

The membership of the Retirement Plan as of December 31, 2017 is shown in the following table:

Year Ended Dec. 31st	Active Members	De-ferred Vested Mem-bers	Retiree and Benefi-ciary	TOTAL
2013	2,521	460	2,117	5,231
2014	2,550	451	2,268	5,402
2015	2,609	450	2,382	5,576
2016	2,675	460	2,481	5,753
2017	2,722	464	2,745	5,931

Investments:

The Board of Trustees has full authority over the investments of the Pension Trust and manages its investments through a written Investment Policy, the use of an Investment Consultant, various professional investment managers, and qualified Staff. The total rate of return on the Pension Trust’s assets is summarized below both by individual years and on a cumulative basis for periods ending December 31, 2017:



Annualized Time	1 year	3 years	5 years	10 years
Timewighted Total Returns	15.5%	6.9%	7.9%	5.7%

For the year-to-date through June 30, 2018 the total rate of return was 0.3%.

The investment policy adopted by the Pension Trust’s Board of Trustees is reviewed annually. As of December 31, 2017 the target asset allocation of the Trust assets was:

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

How Long Will I Live?

A fascinating —albeit a bit morbid— question is: how long will I live? It is a central driver of costs for defined benefit pensions and it is also crucial to how much you should save elsewhere for your retirement. For example, a 65 year- old male, non-smoker in excellent health has a median life expectancy at age 65 of 23 more years of life (to age 88). This same example has a 45% probability of living to age 90 and a 9% probability of living to age 100. You may find it intriguing and useful - or scary - to visit www.LongevityIllustrator.org

Longevity points out the value of lifetime sources of retirement income such as a Defined Benefit pension or Social Security. These are sources of retirement income that you won’t outlive.

When does my retirement benefit go into my bank account?

The monthly retirement benefits from the Pension Trust are paid in advance on the 1st day of each month via direct deposit to the retiree’s bank account. For months where the 1st is not a banking day — weekends & holidays — retirement benefits are cleared through your bank on the next banking day. For example, the September 2018 retirement benefits cleared banks on Tuesday, Sept. 4th following the Labor Day holiday. The retirement benefit dates for the next few months are:

- October 1, 2018 (Monday)
- November 1, 2018 (Thursday)
- December 3, 2018 (Monday—1st is on a Saturday)
- January 2, 2019 (Wednesday—1st is a holiday)
- February 1, 2019 (Friday)

Retiree Healthcare

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

Be on the lookout for materials for the following 2019 Open Enrollment periods -

SLO County	Oct. 1—Oct. 18, 2018
Courts	Sept. 10—Oct. 5, 2018

Deferred Compensation Plan

No one ever regretted saving more money for retirement.

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

Clerk-Recorders Office Needs Temporary Election Workers

Retired County employees make great election workers! The County Clerk-Recorder’s office is looking to hire Temporary Election Workers for the November election. Approximately 25+ hours/week at \$11.00/hour. For additional information, please contact Ashley Gibson at 805/781-5228 or agibson@co.slo.ca.us.

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THE PENSION TRUST BOARD OF TRUSTEES -

TRUSTEE MEETINGS

Sep. 24, 2018
(room 161/162)
Oct. 22, 2018
Nov. 26, 2018
Dec. 17, 2017
(room 161/162)

Jan. 28, 2019
Feb. 25, 2019
Mar. 25, 2019
Apr. 22, 2019
May 20, 2019
Jun. 24, 2019

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

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

MEETINGS OF THE BOARD OF TRUSTEES

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

MATT JANSSEN

PRESIDENT (2018) / ELECTED MEMBER (Term 7/18 to 6/21)

WILL CLEMENS

VICE PRESIDENT (2018) / ELECTED MEMBER (Term 7/16 to 6/19)

JAMES ERB

EX OFFICIO MEMBER

JAMES HAMILTON

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

JEFF HAMM

APPOINTED MEMBER

GUY SAVAGE

APPOINTED MEMBER

GERE SIBBACH

APPOINTED MEMBER