Pension Trust

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

San Luis Obispo County
Pension Trust
SLOCPT

AGENDA

Monday, June 26, 2017 9:30 AM
Board of Supervisors Chambers
County Government Center
San Luis Obispo, CA 93408

PENSION TRUST
BOARD OF TRUSTEES

PUBLIC COMMENT

1. Public Comment: Members of the public wishing to address the Board on matters other than scheduled items may do so when recognized by the Chair. Presentations are limited to three minutes per individual.

ORGANIZATIONAL

None

CONSENT

2. Minutes of the Regular Meeting of May 22, 2017, the Special Meeting of May 22, 2017 (1:00 PM) and the Special Meeting of May 22, 2017 (2:00 PM) (Approve Without Correction).

3. Report of Deposits and Contributions for the month of May 2017 (Receive and File).

4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of May (Receive, Approve and File).

5. Applications & Elections to participate in the Deferred Retirement Option Program (DROP) received through June 9, 2017 (Receive, Approve and File).

APPLICATIONS FOR DISABILITY RETIREMENT

None

OLD BUSINESS

None

NEW BUSINESS

6. Audited Financial Statements for the period ended December 31, 2016 – Comprehensive Annual Financial Report – presentation by Rosalva Flores and Alaina Sanchez, CPAs of Brown Armstrong Accountancy (Recommend Receive, File and Direct Staff to Distribute in accordance with the Retirement Plan).

7. January 1, 2017 Actuarial Valuation – Final Report Incorporating Board of Trustee's Direction and Approval of Pension Contribution Rate Changes (Approve, Receive and File).

8. Employer Contributions FY17-18 Prefunding Amount – (Recommend Approval)

INVESTMENTS

9. Monthly Investment Report for May 2017 (Receive and File).

10. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).

OPERATIONS

11. Staff Reports

12. General Counsel Reports

13. Committee Reports:
    a. Audit Committee Report
    b. Personnel Committee No Report
    c. PAS Replacement Committee Report

14. Upcoming Board Topics (subject to change):

a. July 24, 2017
    i. Financial Auditor engagement

b. August 28, 2017
    i. 2017 Actuarial Audit – RFP results – actuary selection
    ii. Quarterly Investment Report
    iii. Commission Recapture Program Termination
    iv. Investment Educational Presentation

c. September 25, 2017 Regular Meeting and Strategic Planning Session (Rm. 161/162)
    i. Asset/Liability Study (Verus)
    ii. Investment Policy Statement
    iii. Consultant and Actuary Succession Planning

15. Trustee Comments

REFERRED ITEMS

None

ADDED ITEMS

None

CLOSED SESSION

None

ADJOURNMENT

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Board of Trustees

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MAY 22, 2017
MINUTES
OF THE REGULAR MEETING OF THE PENSION TRUST BOARD OF TRUSTEES

BOARD MEMBERS PRESENT:	**Matt Janssen, President** **Guy Savage** **Gere Sibbach** **Jim Erb** **Jeff Hamm**
BOARD MEMBERS ABSENT:	**Will Clemens, Vice President** **Jim Hamilton**
STAFF:	**Carl Nelson** **Andrea Paley** **Amy Burke**
COUNSEL:	**Chris Waddell, Esq.**
OTHERS:	**Jennifer Alderete, Pension Trust** **Scott Whalen, Verus** **Dan Andoetoe, Retiree** **Shaun Cooper, spouse of Kathryn Cooper**

The meeting was called to order by President Janssen at 9:32 AM, who presided over same.

AGENDA ITEM NO. 1: PUBLIC COMMENT.

None.

ORGANIZATIONAL:

None.

CONSENT:

AGENDA ITEM NO. 2 - 4: CONSENT.

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

ITEM 2: The Minutes of the Regular Meeting of April 24, 2017 were approved without correction.

ITEM 3: The Report of Deposits and Contributions for the Month of April 2017, was received and filed.

ITEM 4: The Report of Service Retirements, Disability Retirements and DROP Participants for the month of April 2017, was received, approved and filed.

ITEM 5: Upon the motion of Mr. Hamm, seconded by Mr. Janssen, the Report of Applications for participation in the Deferred Retirement Option Program received through May 5, 2017 was received, approved and filed with Mr. Erb recusing himself because he was on the report to participate in DROP.

APPLICATIONS FOR DISABILITY RETIREMENT:

AGENDA ITEM NO. 6: APPLICATION FOR ORDINARY DISABILITY RETIREMENT CASE NO. 2017-03 KATHRYN COOPER.

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

1) Ms. Kathryn Cooper was found to have become permanently disabled within the meaning of Retirement Plan Section 10.01 on August 26, 2016; and
2) Ms. Cooper was found to be entitled to an Ordinary Disability Retirement under Retirement Plan Section 10.02, effective December 31, 2016.

OLD BUSINESS:

**AGENDA ITEM NO. 7: FIDUCIARY PROPERTIES INC
PROPERTY TAX DISPUTE.**

Upon the motion of Mr. Sibbach, seconded by Mr. Janssen, and unanimously passed, the staff report on the property tax dispute involving the Pension Trust's local real estate subsidiary, Fiduciary Properties Inc., was received and filed.

NEW BUSINESS:

**AGENDA ITEM NO. 8: PENSION TRUST ADMINISTRATIVE BUDGET
FOR FISCAL YEAR 2017/2018.**

** from 9:41 through 9:47 AM Mr. Waddell recused himself from the meeting during discussion and motion on the above item.

Upon the motion of Mr. Hamm, seconded by Mr. Savage, and unanimously passed, the Pension Trust Administrative Budget for the Fiscal Year 2017/2018 was approved as presented.

**AGENDA ITEM NO. 9: DISABILITY HEARINGS – INTERIM PROCESS
AMENDMENT.**

Upon the motion of Mr. Hamm, seconded by Mr. Savage, and unanimously passed, the Board of Trustees adopted amended Resolution 2017-03 providing for an interim hearing process in hearing disability retirement matters in order to provide for the authority of the Referee to issue subpoenas for witnesses and the production of documents.

INVESTMENTS:

**AGENDA ITEM NO. 10: FIRST QUARTER 2017 INVESTMENT REPORT
PRESENTATION BY SCOTT WHALEN, VERUS.**

Mr. Scott Whalen, Investment Consultant from Verus presented an overview of the first quarter, reporting on the economic outlook and Pension Trust investment performance.

Upon the motion of Mr. Janssen, seconded by Mr. Hamm, and unanimously passed the First Quarter Investment Report prepared by Verus was received and filed.

AGENDA ITEM NO. 11: MONTHLY INVESTMENT REPORT FOR PERIOD ENDED MARCH 31,2017.

Upon the motion of Mr. Savage, seconded by Mr. Janssen, and unanimously passed the Investment Report for the period ended April 30, 2017 was received and filed.

AGENDA ITEM NO. 12: INVESTMENT POLICY STATEMENT.

Upon the motion of Mr. Sibbach, seconded by Mr. Janssen, and unanimously passed, Addendum A of the Investment Policy Statement was amended to add performance benchmark Barclays Capital High Yield index + 200 basis points for the Private Credit Asset Class.

**** 10:24 AM** President Janssen called for a recess, resuming business at 10:40 AM

AGENDA ITEM NO. 13: INVESTMENT EDUCATION PRESENTATION ON RISK MITIGATION STRATEGIES.

Mr. Matt Clark and Mr. Michael Conner of PIMCO provided an educational presentation on risk mitigation strategies. They made themselves available to answer questions from staff and the board.

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

AGENDA ITEM NO. 14: ASSET ALLOCATION.

Staff reported that no action regarding investment asset allocations were necessary at this time.

OPERATIONS:

AGENDA ITEM NO. 15: STAFF ORAL REPORTS.

A) Reminder to the Board that there are two disability hearings scheduled for later in the day.

B) Staff reported they are receiving feedback that retirements are still at a consistent pace even though the SLOCEA negotiations have yet to be settled.

C) Staff reported that the trustee election nominations have closed and the incumbent as well as a one other candidate have filed applications.

AGENDA ITEM NO. 16: GENERAL COUNSEL ORAL REPORTS.

Nothing to report.

AGENDA ITEM NO. 17: COMMITTEE REPORTS – AS NEEDED.

A) AUDIT COMMITTEE: Reminder that an exit meeting is scheduled for May 31, 2017.

B) PERSONNEL COMMITTEE: Nothing to report

C) PENSION ADMINISTRATION SYSTEM REPLACEMENT (PASR) COMMITTEE: Nothing to report

AGENDA ITEM NO. 18: UPCOMING BOARD TOPICS.

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

AGENDA ITEM NO. 19: TRUSTEE COMMENTS.

Nothing to report

REFERRED ITEMS: None.

ADDED ITEMS: None.

CLOSED SESSION:

****** Entered into Closed Session at 11:51 AM

****** Returned to Open Session at 11:52 AM

AGENDA ITEM NO. 20: CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION.

President Janssen reported no action taken.

ADJOURNMENT.

There being no further business, the meeting was adjourned at 11:53 AM. The next Regular Meeting was set for June 26, 2017, at 9:30 AM, in the Board of Supervisors Chambers, New County Government Center, San Luis Obispo, California 93408.

Respectfully submitted,

Carl Nelson
Executive Secretary

Board of Trustees

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San Luis Obispo County Pension Trust
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MAY 22, 2017 – 1:00 PM
MINUTES
OF THE SPECIAL MEETING OF THE PENSION TRUST
BOARD OF TRUSTEES

BOARD MEMBERS PRESENT:	**Matt Janssen, President** **Guy Savage** **Gere Sibbach** **Jim Erb** **Jeff Hamm**
BOARD MEMBERS ABSENT:	**Will Clemens, Vice Present** **Jim Hamilton**
STAFF:	**Carl Nelson** **Andrea Paley** **Amy Burke**
COUNSEL:	**Chris Waddell, Esq.**
OTHERS:	**Michael Choate, Applicant for Industrial Disability**

The meeting was called to order by President Janssen at 1:00 pm, who presided over same.

AGENDA ITEM NO. 1: PUBLIC COMMENT.

None.

APPLICATIONS FOR DISABILITY RETIREMENT:

AGENDA ITEM NO. 2: APPLICATION FOR INDUSTRIAL DISABILITY RETIREMENT CASE 2016-03 MICHAEL CHOATE CONTINUED HEARING.

President Janssen provided an overview of how the hearing will proceed.

a) Staff summarized events leading up to today's hearing.
b) Mr. Choate was invited to present any additional evidence that may support his claim for an Industrial Disability Retirement. Mr. Choate delivered a prepared statement.
c) The Board of Trustees were given an opportunity to question Mr. Choate further.
d) The Trustees deliberated.
e) Upon the motion of Mr. Janssen, seconded by Mr. Erb, and unanimously approved, based on the medical review report prepared by MMRO, Mr. Choate's application for Industrial Disability was denied due to the lack of evidence proving his disability was predominantly service connected as is required for granting Industrial Disability under the San Luis Obispo County Employees Retirement Plan.

ADJOURNMENT.

There being no further business, the meeting was adjourned at 1:25 PM.

Respectfully submitted,

Carl Nelson
Executive Secretary

Board of Trustees

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MAY 22, 2017 – 2:00 PM
MINUTES
OF THE SPECIAL MEETING OF THE PENSION TRUST BOARD OF TRUSTEES

BOARD MEMBERS PRESENT:	**Matt Janssen, President** **Guy Savage** **Gere Sibbach** **Jim Erb** **Jeff Hamm**
BOARD MEMBERS ABSENT:	**Will Clemens, Vice Present** **Jim Hamilton**
STAFF:	**Carl Nelson** **Andrea Paley** **Amy Burke**
COUNSEL:	**Chris Waddell, Esq.**
OTHERS:	**None present.**

The meeting was called to order by President Janssen at 2:04 pm, who presided over same.

AGENDA ITEM NO. 1: PUBLIC COMMENT.

None.

APPLICATIONS FOR DISABILITY RETIREMENT:

AGENDA ITEM NO. 2: APPLICATION FOR INDUSTRIAL DISABILITY RETIREMENT CASE 2016-02 EMMITT RUSHING CONTINUED HEARING.

a) Staff summarized events leading up to today's hearing.
b) Mr. Rushing was not present to submit additional evidence to support his claim for Industrial Disability.
c) The Board of Trustees deliberated.
d) Upon the motion of Mr. Hamm, seconded by Mr. Savage, and unanimously approved, based on the medical review report prepared by MMRO, Mr. Rushing's application for Industrial Disability was denied due to the lack of evidence proving his disability was predominantly service connected as is required for granting Industrial Disability under the San Luis Obispo County Employees Retirement Plan.

ADJOURNMENT.

There being no further business, the meeting was adjourned at 2:15 PM.

Respectfully submitted,

Carl Nelson
Executive Secretary

REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF
MAY 2017

PP 10 **5/12/2017** **By Employer and Tier:**	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	**TOTAL Contributions**
County Tier 1	4,085,558.45	906,721.24	22.19%	767,455.28	18.78%	40.98%	1,757.50	2,698.27	**1,678,632.29**
County Tier 2	887,959.85	202,520.35	22.81%	106,527.57	12.00%	34.80%	293.02	760.78	**310,101.72**
County Tier 3	1,713,450.01	359,909.50	21.00%	180,372.85	10.51%	31.51%	-	450.56	**540,732.91**
Superior Court Tier 1	297,648.22	64,142.43	21.55%	38,283.31	12.86%	34.41%	-	-	**102,425.74**
Superior Court Tier 3	49,267.59	9,751.52	19.79%	3,638.52	7.39%	27.18%	-	114.54	**13,504.58**
APCD Tier 1	74,113.19	15,593.08	21.04%	13,633.42	18.40%	39.43%	-	-	**29,226.50**
APCD Tier 3	6,399.21	1,338.74	20.92%	730.25	11.41%	32.33%	-	-	**2,068.99**
Pension Trust Staff Tier 1	10,232.17	2,244.93	21.94%	2,005.68	19.60%	41.54%	-	-	**4,250.61**
Pension Trust Staff Tier 2	7,336.80	1,609.69	21.94%	799.71	10.90%	32.84%	-	-	**2,409.40**
Pension Trust Staff Tier 3	7,885.16	1,691.37	21.45%	928.50	11.78%	33.23%	-	-	**2,619.87**
LAFCO Tier 1	11,575.09	3,009.53	26.00%	1,849.40	15.98%	41.98%	-	-	**4,858.93**
	7,151,425.74	1,568,532.38	21.93%	1,116,224.49	15.61%	37.54%	2,050.52	4,024.15	**$ 2,690,831.54**

PP 11 **5/26/2017** **By Employer and Tier:**	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	**TOTAL Contributions**
County Tier 1	4,079,473.23	904,906.81	22.18%	766,398.28	18.79%	40.97%	1,682.50	901.30	**1,673,888.89**
County Tier 2	883,152.11	200,973.02	22.76%	108,146.47	12.25%	35.00%	277.19	760.78	**310,157.46**
County Tier 3	1,721,697.38	361,132.98	20.98%	181,324.39	10.51%	31.49%	-	427.46	**542,884.83**
Superior Court Tier 1	294,826.51	63,515.24	21.54%	37,944.59	12.87%	34.41%	-	-	**101,459.83**
Superior Court Tier 3	47,849.83	9,483.00	19.82%	3,575.31	7.47%	27.29%	-	114.54	**13,172.85**
APCD Tier 1	74,113.17	15,593.08	21.04%	13,633.42	18.40%	39.43%	-	-	**29,226.50**
APCD Tier 3	6,399.20	1,338.73	20.92%	730.25	11.41%	32.33%	-	-	**2,068.98**
Pension Trust Staff Tier 1	10,232.17	2,244.93	21.94%	2,005.68	19.60%	41.54%	-	-	**4,250.61**
Pension Trust Staff Tier 2	7,336.80	1,609.69	21.94%	799.71	10.90%	32.84%	-	-	**2,409.40**
Pension Trust Staff Tier 3	7,885.16	1,691.37	21.45%	928.50	11.78%	33.23%	-	-	**2,619.87**
LAFCO Tier 1	11,575.09	3,009.53	26.00%	1,849.40	15.98%	41.98%	-	-	**4,858.93**
	7,144,540.65	1,565,498.38	21.91%	1,117,336.00	15.64%	37.55%	1,959.69	2,204.08	**$ 2,686,998.15**
TOTAL FOR THE MONTH	**14,295,966.39**	**3,134,030.76**	**21.92%**	**2,233,560.49**	**15.62%**	**37.55%**	**4,010.21**	**6,228.23**	**$ 5,377,829.69**
TOTAL YEAR TO DATE	**78,576,143.53**	**17,054,827.36**	**21.70%**	**12,163,856.97**	**15.48%**	**37.19%**	**28,490.67**	**217,943.72**	**29,465,118.72**

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REPORT OF SERVICE & DISABILITY RETIREMENTS & DROP PARTICIPANTS FOR THE MONTH OF:	MAY 2017

RETIREE NAME	DEPARTMENT	DATE	MONTHLY ALLOWANCE
ARGUILLA, IRMA	RECIPROCAL / PROBATION	05-16-2017	Option selection
CHUMLEY, SUSAN	CHILD SUPPORT SERVICES	05-06-2017	2451.53 1281.00** 60.37*
MANCHA-WHITCOMB, NANCY	BEHAVIORAL HEALTH	05-13-2017	1407.89 305.02** 1.45*
MARSHALL, RICHARD	RECIPROCAL / PUBLIC WORKS	05-20-2017	Awaiting calcs
NEWEL, PETER (DROP)	PUBLIC WORKS	05-01-2017	6676.21 1872.00**
PEARSON, CLARISE	SOCIAL SERVICES	05-23-2017	2262.63
YOUNGDALE, TODD	PLANNING	05-27-2017	4088.44
ADDENDUM:			
GEORGE, MICHELLE	RECIPROCAL / SOCIAL SERVICES	08-05-2016	162.61
COOPER, KATHRYN (Ordinary Disability)	PROBATION	12-31-2016	1554.22
BOZNER, LORI	RECIPROCAL / PROBATION	12-31-2016	868.55 14.69*
TRYON, ROSE	RECIPROCAL / SOCIAL SERVICES	04-01-2017	Awaiting calcs

** Employee Additional Contribution Allowance (per Sections 5.07, 27.12, 28.12, 29.12, 30.12, and 31.12 of the Plan)*
*** Social Security Coordinated Temporary Annuity (per Section 13.06 of the Plan)*

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Board of Trustees

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San Luis Obispo County Pension Trust
SLOCPT

Date: June 26, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary

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

Recomendation:

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

Discussion:

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

JULY 1, 2017	**James Wade Moxley, Sheriff Department**
AUGUST 1, 2017	**Ellen Carroll, Planning and Building**
AUGUST 1, 2017	**Michael Moreno, Public Works**
AUGUST 1, 2017	**Kathryne Gomes, Social Services**

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Pension Trust
SLOCPT

Date: June 26, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary
Amy Burke – Deputy Executive Secretary
Jennifer Alderete – Financial Accountant

Agenda Item 6: Audited Financial Statements and Report to the Board for the period ended December 31, 2016 – Comprehensive Annual Financial Report –Presentation by Rosalva Flores and Alaina Sanchez, CPAs of Brown Armstrong Accountancy

Recommendation:

Staff recommends that the Board take the following actions:

1. Receive and File the audited Financial Statements for the period ended December 31, 2016 that are presented here as the 2016 Comprehensive Annual Financial Report (CAFR).
2. Authorize and Direct the Executive Secretary to transmit the 2016 CAFR to the following agencies as required by the Government Code and the Retirement Plan:
   a.) One copy to the Office of the State Controller as required by Government Code Section 7504 (c).
   b.) One copy to the Board of Supervisors pursuant to Retirement Plan Section 17.02: Annual Statement of Financial Condition.
   c.) One copy to the County Auditor-Controller pursuant to Retirement Plan Section 17.02: Annual Statement of Financial Condition.

Discussion:

On May 31, 2017, the Audit Committee and Staff met by phone with SLOCPT's audit firm Brown Armstrong. Rosalva Flores and Alaina Sanchez represented the firm and presented a review of the results of the Financial Audit of SLOCPT for the year ended 2016. Brown Armstrong indicated that an unmodified audit opinion (the highest form of audit opinion) would be issued, with no material internal control weaknesses or deficiencies. Board members will receive the Report to the Board of Trustees under separate distribution.

Results:

Receipt and file, along with authorization from the Board to distribute the 2016 CAFR to the parties listed in the recommendation, will complete the activities of the 2016 Financial Audit.

Attachments:

1. Brown Armstrong 2016 Audit Results Presentation
2. Draft Comprehensive Annual Financial Report (CAFR) for year ended December 31, 2016

Respectfully Submitted,

Carl Nelson	Amy Burke	Jennifer Alderete
Executive Secretary	Deputy Executive Secretary	Financial Accountant

The San Luis Obispo County Pension Trust Results of the December 31, 2016 Audit

Brown Armstrong
Accountancy Corporation
4200 Truxtun Avenue, Suite 300 | Bakersfield, CA 93309 | 661.324.4971 | Fax 661.324.4997
23272 Mill Creek Drive, Suite 255 | Laguna Hills, CA 92653 | 949.652.5422
www.bacpas.com
Contacts: Rosalva Flores, CPA
Alaina Sanchez, CPA

BROWN ARMSTRONG
Certified Public Accountants

Agenda

1. Purpose of the Audit
2. The Audit Process
   a. Timeline coordination with SLOCPT staff
   b. Understanding and evaluation of SLOCPT internal controls through inquiry and observation
   c. Confirmation of account balances, legal, active and retired participants, and actuary
   d. Interim/Final testing
   e. Report presentation

Agenda (Cont.)

3. Significant Audit Areas/Scope of Audit Work
   a. Risk based approach
   b. Investments and related earnings
   c. Participant data and actuarial information
   d. Employee and employer contributions
   e. Benefit payments
   f. Actuary analysis
   g. Information technology
   h. GASB 67/68
   i. GASB 72

Agenda (Cont.)

4. Audit Reports

a. Independent Auditor's Report (opinion) on financial statements – **unmodified ("clean") opinion**
b. Communication with Those Charged with Governance at or Near the Conclusion of an Audit – SAS 114
c. Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
d. Agreed-Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting

Status of the Financial Statement Audit

- We have completed our audit procedures as outlined in our audit plan.
- We have issued an unmodified opinion on the GAAP basis financial statements.
- Other information contained in the financial statements
  - Management's Discussion and Analysis
  - Required Supplementary Information

Other Required Communications

Required Auditor Communications

TOPIC	RESPONSE
Our responsibilities under generally accepted auditing standards and *Government Auditing Standards*	•Our audit was designed to obtain reasonable assurance that the financials statements are free from material misstatement.
Significant accounting policies – GAAP Basis	•The basis of accounting applied in preparation of the financial statements is described in Note 1. •Discussed quality/acceptability of principles and the consistency of their application.
Management judgments and accounting estimates	•Accounting estimates are an integral part of the financial statements. •We evaluated key factors and assumption used to develop management's estimates and found them reasonable in relation to the financial statements taken as a whole.
Significant audit adjustment affecting the financial reporting process	•No such misstatements were identified.

Required Audit Communications (Cont.)

TOPIC	RESPONSE
Disagreements with management	•None
Consultation with other accountants	•None
Major issues discussed with management	•We discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. Such discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.
Difficulties encountered in performing the audit	•None
Independence	•We hereby confirm that we are independent accountants under all relevant professional and regulatory standards.

New Accounting and Auditing Pronouncements Adopted in 2017

- GASB Statement No. 72, *Fair Value Measurement and Application* – Investment Valuations
  - Obtained management checklist and understanding memo to gain an understanding of management classifications.
  - Performed sampling of Level 1 securities to ensure individual investments are appropriately categorized.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*
  - No impact

New Accounting and Auditing Pronouncements Adopted in 2017 (Cont.)

- GASB Statement No. 76, *The Hierarchy Of Generally Accepted Accounting Principles for States and Local Governments*
  - No impact
- GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*
  - No material impact

Questions?

Rosalva Flores, CPA
Principal
BROWN ARMSTRONG
Certified Public Accountants
4200 Truxtun Avenue, Suite 300
Bakersfield, California 93309
Phone (661) 324-4971
Website: www.bacpas.com
Email: rflores@bacpas.com

Alaina Sanchez, CPA
Manager
BROWN ARMSTRONG
Certified Public Accountants
23272 Mill Creek Drive, Suite 255
Laguna Hills, California 92653
Phone (949) 652-5422
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Email: asanchez@bacpas.com

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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 Year Ended
December 31, 2016

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Draft

Comprehensive Annual Financial Report

For the Year Ended December 31, 2016

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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Table of Contents (continued)

<u>Statistical Section</u>

Photographs: Carl Nelson

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Introductory Section

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San Luis Obispo County
Pension Trust
SLOCPT

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June 12, 2017

San Luis Obispo County Pension Trust
Board of Trustees

Carl Nelson
Executive Secretary

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 year ended December 31, 2016.

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 present fairly 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 below:

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

Draft

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 20 through 24.

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.

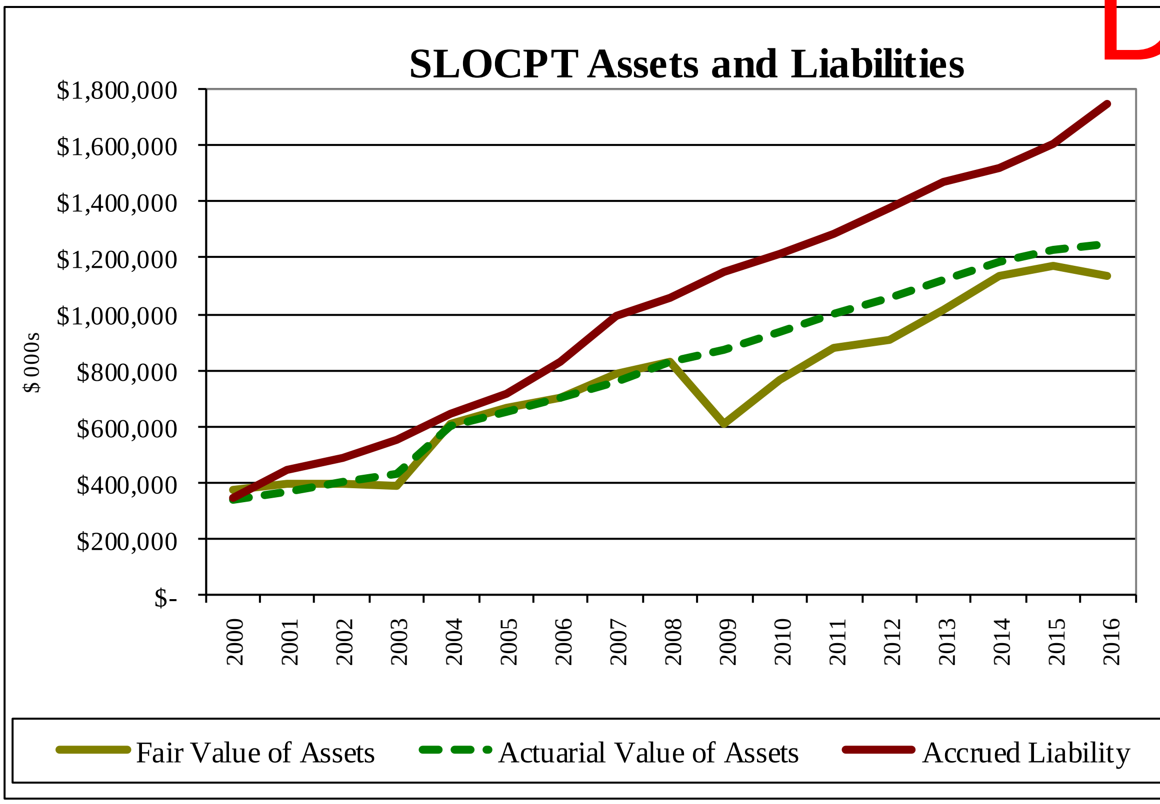
It is the policy of the County to contribute the full ARC each year through a combination of employer appropriations and employee contributions. The timing of when employer appropriation rate changes are implemented may vary depending on when the actuarial valuation is completed. Likewise, the timing 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, 2016 valuation. It is based on member data and financial results through December 31, 2015. 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, 2017 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 on the next page:



Source: Pension Trust financial records from annual actuarial valuations

Note that the measurement of Actuarial Accrued Liability is sensitive to the discount rate used. This discount rate is the expected investment return, also known as the Earnings Assumption. The Earnings Assumption used by the Pension Trust from 2000 to 2015 has varied from 7.25% (e.g., the rate in 2015) to 7.75%. With the 2016 Annual Actuarial Valuation, the Earnings Assumption was decreased to 7.125% which, combined with revised mortality assumptions and numerous other actuarial gains and losses, contributed to the increase in the Actuarial Accrued Liability at year-end 2015 which, in turn, contributed to the decline in Funded Ratio discussed below.

The relationship of the AAL and AVA is the Funded Ratio of the Pension Trust which decreased from 76.7% at year-end 2014 to 71.4% as of year-end 2015. The decline in funded ratio reflected the change in Actuarial Accrued Liability discussed above which was increased due to a lowered Earnings Assumption and significant improvements in mortality assumptions (members living longer which increases costs). The history of the Pension Trust's funded ratio is shown in the following graph on the next page:

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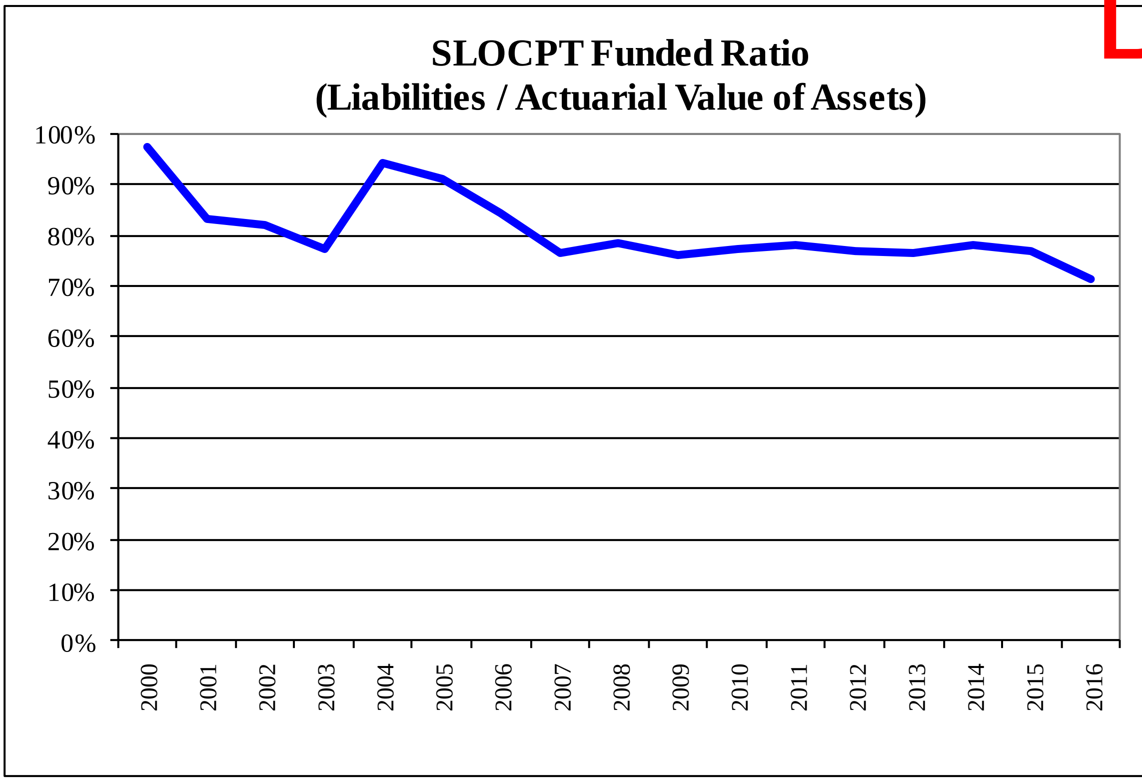

Source: Pension Trust financial records from annual actuarial valuations

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 72 through 92.

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 (Verus) closely monitor the investment activities of the total Plan 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 rates of return gross of fees on the Pension Trust's assets as computed by the Investment Consultant are summarized below:

	2012	2013	2014	2015	2016
SLOCPT Total Returns	12.8%	13.8%	5.1%	-0.8%	6.6%

Source: Verus reports

For cumulative periods ending December 31, 2016, the annualized time-weighted total rates of return gross of fees are as follows:

	1 year	3 years	5 years	10 years
SLOCPT Total Returns	6.6%	3.6%	7.4%	4.6%

Source: Verus 4th Quarter 2016 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 56 through 69.

Service Efforts and Accomplishments

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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 2016, the Pension Trust paid benefit allowances to 2,618 retirees, disability recipients, beneficiaries, and survivors. During 2016, $78.2 million was paid by the Pension Trust in recipients' benefits. Of this amount, approximately 80% 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. 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 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. As of year-end 2016 the PAS replacement project was on-schedule and on-budget.

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 2016 were:

- Asset Allocation and Investment Policy – The Investment Policy Statement (IPS) that incorporates the strategic asset allocation policy as an addendum was completely rewritten in 2015 and revised in August 2016. The revised IPS and its strategic asset allocation policy are discussed more fully in the Investment Section of this CAFR. The major changes to the asset allocation policy were a reduction in total equity, an increase in real estate, and the addition of Private Credit.

- 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 2015-2016, American Realty Advisors positioned the local real estate portfolio for more advantageous sale via changes to tenant mix and physical improvements. Three of the local properties were sold in 2015 and 2016 with two more properties sold in early 2017. The remainder of the local real estate portfolio is expected to be sold in the 2017-2018 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 expect 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 2016 and its findings were considered in the setting of assumptions for the January 1, 2016 annual actuarial valuation. The current key actuarial assumptions used in the 2016 actuarial valuation (the most recent available as of the date of this writing) were as follows:

- 7.125% Earning Assumption
- 3.125% Salary Growth Assumption
- 3.375% Payroll Growth Assumption
- 2.625% Inflation Assumption
- Mortality Assumptions updated to latest available actuarial tables (RP-2014 base with MP-2015 projection tables), adjusted for actual plan experience and phased in over the 2016 and 2018 actuarial valuations.

At the time of preparation of this CAFR, the January 1, 2017 actuarial valuation was being prepared but the results were not yet available. At the time of the preparation of this CAFR, the January 1, 2017 actuarial valuation was anticipated to not incorporate any changes to the key assumptions noted above.

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 seventh annual CAFR for the Pension Trust.

Respectfully submitted,

Carl A. Nelson

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, 2015

Executive Director/CEO

Draft

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2016

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, 2016

Matt Janssen
President
Elected Member
Present term
expires July 2018

Jeff Hamm
Appointed Member

Will Clemens
Vice President
Elected Member
Present term
expires July 2019

Gere Sibbach
Appointed Member

Guy Savage
Appointed Member

James Hamilton
Elected Member
Present term
expires July 2017
Appointed to fill vacant Elected Trustee position March 2016

James Erb
Treasurer
Ex-Officio Member

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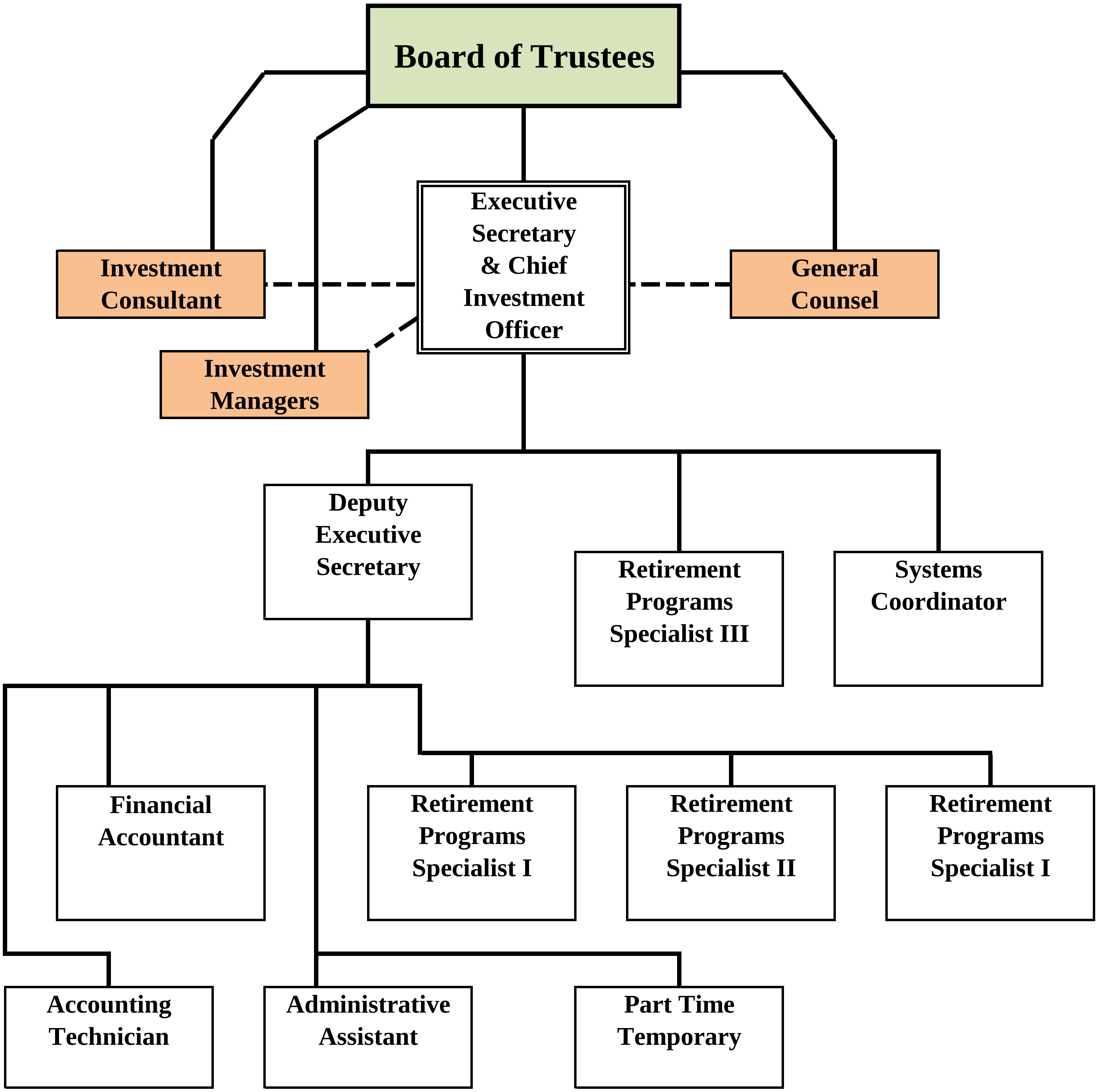
San Luis Obispo County Pension Trust
Organization Chart - December 2016



Additional information regarding investments can be found in the Schedule of Management Fees and Commissions, located on page 66 of the Investment Section.

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Professional Consultants
As of December 31, 2016

Actuary
Leslie Thompson, FSA
Gabriel, Roeder, Smith & Company

Legal Services
General Counsel
Chris Waddell
Olson Hagel & Fishburn, LLP

Litigation
Alan Blakeboro
Reicker, Pfau, Pyle & McRoy LLP

Plan Qualification & Fiduciary Counsel
Don Wellington
Steptoe & Johnson, LLP

Auditor
Brown Armstrong Accountancy Corporation

Data Processing
Retirement Administration and Distribution System (RAD) Software
Magenic Development Corp.

LRS Retirement Solutions
Replacement Pension Administration System (work in progress)

General Information Technology Support
County of San Luis Obispo Information Technology Department

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
PIMCO
State Street Global Advisors
Stone Harbor Investment Partners

Domestic Equities
Atlanta Capital Management
PIMCO / Research Affiliates
State Street Global Advisors
Loomis Sayles

International Equities
Dodge & Cox
Vontobel Asset Management

Commodities
Gresham Investment Management

Private Equity / Private Credit
Harbourvest Partners
KKR Mezzanine Partners
Pacific Investment Management Company
TPG Special Situation Partners

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

Cash Overlay
Parametric

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Financial Section

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BROWN ARMSTRONG
Certified Public Accountants

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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TEL 209.451.4833

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 Statement of Fiduciary Net Position of the San Luis Obispo County Pension Trust (the Plan) as of December 31, 2016, the related Statement of Changes in Fiduciary Net Position for the year 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 an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Fiduciary Net Position of the Plan as of December 31, 2016, and the Changes in Fiduciary Net Position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, Summary of Significant Accounting Policies, in 2016 the Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. 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 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.

Report on Summarized Comparative Information

We have previously audited the Plan's December 31, 2015 financial statements, and our report dated June 27, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of December 31, 2015 is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2017, 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 12, 2017

San Luis Obispo County
Pension Trust
SLOCPT

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SAN LUIS OBISPO COUNTY
PENSION TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

June 12, 2017

We are pleased to provide this overview and analysis of the financial activities of the San Luis Obispo County Pension Trust (SLOCPT) for the year ended December 31, 2016. SLOCPT was established on November 1, 1958. Some ten years later, the San Luis Obispo County 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, 2016 was $1.181 billion. This represents an increase of $45.4 million or 4.0% from the year ended December 31, 2015. The Fiduciary Net Position represents the net position (total assets minus total liabilities) that is restricted for future payment of pension benefits to members and their beneficiaries as of the date reported.

Total additions to the Fiduciary Net Position in 2016 were $129.8 million, which includes member and employer contributions of $60.8 million and net investment income of $69.0 million. Comparatively, in 2015, additions to the Fiduciary Net Position were $41.5 million, which included member and employer contributions of $58.2 million and net investment losses of $16.7 million. The $57.7 million in realized and unrealized gains on investments was the main factor contributing to the net increase in total additions over prior year.

For the year ended December 31, 2016, deductions to the Fiduciary Net Position totaled $84.3 million, consisting of $80.7 million in payments to Plan members and their beneficiaries and $3.6 million in administrative and other expenses. 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. 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, 2016, the date of the last actuarial valuation that was approved in June 2016, the funded ratio for the Plan was 71.4%. In general, this indicates that for every dollar of benefits due, SLOCPT had approximately 71.4 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. **Statement of Fiduciary Net Position**
2. **Statement of Changes in Fiduciary Net Position**
3. **Notes to the Financial Statements**
4. **Required Supplementary Information**
5. **Other Supplementary Information**

The **Statement of Fiduciary Net Position** is a snapshot of major account balances as of December 31, 2016. The statement indicates 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. This statement includes all assets and liabilities using a full accrual basis of accounting as required for fiduciary funds in governmental accounting.

The **Statement of Changes in Fiduciary Net Position** provides a detailed view of the current year additions to and deductions from the Fiduciary Net Position. All the year's additions and deductions are included 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 this financial statement.

These two statements report the Fiduciary Net Position restricted for pension benefits (the difference between assets and liabilities), which is used 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 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 requires local government pensions to report using the accrual method of accounting. These statements comply with all material requirements of these pronouncements.

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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, 2016 totaled $1.181 billion, an increase of $45.4 million from prior year end. This increase was due primarily to a rebound in unrealized income within the equity and commodity investment areas, which is consistent with the volatility experienced in these markets over the past couple years. During 2016, the rate of return on investments, as measured by SLOCPT's investment consultant, was 6.6% gross of fees.

In comparison, the Fiduciary Net Position restricted for pension benefits as of December 31, 2015 totaled $1.136 billion, a decrease of $37.5 million from the prior year. This decrease was due mainly to unrealized losses within the domestic and international equity investment areas, which is consistent with the volatility experienced in these markets during 2015. The rate of return on investments, as measured by SLOCPT's investment consultant, during 2015 was -0.8% gross of fees.

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

	2016	2015	Increase
Cash	$ 54,629,879	$ 36,730,164	$ 17,899,715
Investments at Fair Value	1,173,848,424	1,127,045,708	46,802,716
Securities Sold	25,894,180	17,924,492	7,969,688
Other Receivables and Other Assets	4,495,005	3,651,663	843,342
Total Assets	1,258,867,488	1,185,352,027	73,515,461
Total Liabilities	77,624,630	49,549,323	28,075,307
Fiduciary Net Position	$ 1,181,242,858	$ 1,135,802,704	$ 45,440,154

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 year ended December 31, 2016 totaled $129.8 million. Employer and Plan member contributions continue to increase.

Pensionable salaries for active members increased $5.1 million or 2.9% for the year ended December 31, 2016 when compared to those earned in 2015. This increase, due to prevailing wage adjustments, coupled with the addition of 59 active members were the main driving factors for the $2.6 million increase in total contributions during 2016. 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 0.98% in aggregate was implemented on December 20, 2015 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 contribution rate increase along with the increase in active members were mostly responsible for the increase in employer and member contributions experienced in 2016.

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

	Year Ended 2016	Year Ended 2015	Increase
Employer Contributions	$ 35,451,409	$ 33,618,330	$ 1,833,079
Plan Member Contributions	25,359,069	24,586,735	772,334
Net Investment Income (Loss)	68,949,306	(16,705,852)	85,655,158
Total Additions	$ 129,759,784	$ 41,499,213	$ 88,260,571

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 County 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).

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

	Year Ended 2016	Year Ended 2015	Increase (Decrease)
Monthly Benefit Payments	$ 78,193,401	$ 72,441,811	$ 5,751,590
Refund of Contributions	2,247,166	1,613,271	633,895
Death Benefits	242,738	999,184	(756,446)
Administration and Actuarial	2,248,956	2,528,532	(279,576)
Prefunded Discount Amortization	1,387,369	1,449,773	(62,404)
	$ 84,319,630	$ 79,032,571	$ 5,287,059

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

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, CFA
Executive Secretary and Chief Investment Officer

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SAN LUIS OBISPO COUNTY PENSION TRUST
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS)

	2016	2015
ASSETS		
Cash and Cash Equivalents	$ 54,629,879	$ 36,730,164
Receivables		
Accrued Interest and Dividends Receivable	1,077,861	1,321,418
Accounts Receivable	28,755	20,892
Contributions Receivable	2,334,164	2,054,096
Securities Sold	25,894,180	17,924,492
Total Receivables	29,334,960	21,320,898
Investments, at Fair Value		
Bonds and Notes	294,707,759	308,079,674
International Fixed Income	120,949,962	121,581,042
Collateralized Mortgage Obligations	3,290,234	5,000,946
Domestic Equities	246,898,942	260,145,573
International Equities	262,107,462	258,033,186
Alternative Investments	70,945,818	55,698,053
Real Estate	174,948,247	118,507,234
Total Investments	1,173,848,424	1,127,045,708
Other Assets		
Prepaid Expenses	62,182	59,616
Capital Assets - Net of Accumulated Depreciation	992,043	195,641
Total Other Assets	1,054,225	255,257
Total Assets	$ 1,258,867,488	$ 1,185,352,027
LIABILITIES		
Securities Purchased	$ 52,248,170	$ 26,916,249
Accrued Liabilities	1,137,458	1,061,510
Prefunded Contributions	24,239,002	21,571,564
Total Liabilities	$ 77,624,630	$ 49,549,323
FIDUCIARY NET POSITION		
Net Position Restricted for Pensions	**$ 1,181,242,858**	**$ 1,135,802,704**

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

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SAN LUIS OBISPO COUNTY PENSION TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS)

	2016	2015
ADDITIONS		
Contributions		
Employer Contributions	$ 35,451,409	$ 33,618,330
Plan Member Contributions	25,359,069	24,586,735
Total Contributions	60,810,478	58,205,065
Investment Income (Loss)		
Realized and Unrealized Gains and Losses, Net	57,694,722	(31,449,949)
Interest	4,724,929	5,764,598
Dividends	9,579,900	10,279,835
Real Estate Management Trust Income, Net	94,037	1,538,663
Real Estate Operating Income, Net	908,420	1,313,992
Investment Expenses	(4,052,702)	(4,152,991)
Net Investment Income (Loss)	68,949,306	(16,705,852)
Total Additions	129,759,784	41,499,213
DEDUCTIONS		
Benefits		
Monthly Benefit Payments	78,193,401	72,441,811
Refund of Contributions	2,247,166	1,613,271
Death Benefits	242,738	999,184
Total Benefits	80,683,305	75,054,266
Other Deductions		
Administration and Actuarial	2,248,956	2,528,532
Prefunded Discount Amortization	1,387,369	1,449,773
Total Other Deductions	3,636,325	3,978,305
Total Deductions	84,319,630	79,032,571
Net Increase (Decrease) in Fiduciary Net Position	$ 45,440,154	$ (37,533,358)
Net Position Restricted for Pensions - Beginning of Year	$ 1,135,802,704	$ 1,173,336,062
Net Position Restricted for Pensions - End of Year	**$ 1,181,242,858**	**$ 1,135,802,704**

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 include bonds and notes, international fixed income, collateralized mortgage obligations, and domestic and international equities. These 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.

Alternative Investments

Alternative investments 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 several real estate investments, the majority 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. 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 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	30%	1.85%
Domestic Equities	20%	2.62%
International Equities	20%	7.22%
Alternative Investments	15%	4.10%
Real Estate	15%	3.17%
	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 June 2016, for the third consecutive year, the Board entered into an agreement with the County 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 6.625%, based on the current earning assumption of 7.125% 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.

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. Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities, and the level of uncertainty related to changes in the value of these investments, it is at least reasonably possible that changes in risks in the near-term could materially affect the amounts reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

Implementation of New Accounting Standards

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. Refer to Note 4.

In June 2015, GASB issued Statement No. 73, *"Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"* and Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The Pension Trust's fiduciary net position was not materially affected by the implementation of these Statements.

In March 2016, GASB issued Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73", which requires the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The Pension Trust previously presented and will continue to present covered payroll under this definition. As such, the Pension Trust's fiduciary net position was not materially affected by the implementation of this Statement.

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 6.07% to 28.73% 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 17.58% to 32.58% 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 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.

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NOTE 2 – PLAN DESCRIPTION (continued)

Total members of the Plan were comprised of the following as of December 31, 2016:

Retirees and Beneficiaries Currently Receiving Benefits	2,618
Terminated Employees Entitled to but not yet Receiving Benefits	460
Active Plan Participants	
Vested	1,606
Nonvested	1,069
Total	5,753

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.

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

NOTE 2 – PLAN DESCRIPTION (continued)

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, bonds, collateralized mortgage obligations, and short-term investments and the related maturity schedule for the Plan as of December 31, 2016:

	Investment Maturities (in years)				
Investment Type	Less Than 1 year	1-5 Years	6-10 Years	More than 10 years	Fair Value
Collateralized Mortgage Obligations	$ -	$ -	$ -	$ 3,290,234	$ 3,290,234
Corporate Bonds and Notes	71,270	31,014,520	42,263,284	9,980,725	83,329,799
Derivatives	(414,936)	-	-	-	(414,936)
Municipal Bonds	-	-	-	4,541,611	4,541,611
US Government & Agencies	-	28,886,347	73,602,991	54,078,965	156,568,303
Foreign Corporate Bonds	-	5,201,399	4,127,607	2,124,755	11,453,761
Foreign Government Bonds	3,528,469	33,415,220	35,283,824	34,970,581	107,198,094
Other Short-Term Investments	52,981,089	-	-	-	52,981,089
Total	$ 56,165,892	$ 98,517,486	$ 155,277,706	$ 108,986,871	$ 418,947,955

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, 2016, the carrying amount of the Plan's cash deposits was $54.630 million (which includes cash equivalents) and the bank balance was $51.439 million. The difference between the bank balance and the carrying amount represents cash and cash equivalents held in transition by the Investment Custodian and various investment managers. Of the bank balance, $541 thousand was covered by the Federal Deposit Insurance Corporation, and $34.177 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 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.

The following is a schedule of the credit risk ratings comparison of the Plan's fixed income, bonds, collateralized mortgage obligations, and short-term investments as of December 31, 2016, as rated by Standard & Poor's equivalent ratings:

Quality Rating	%	Fair Value
AAA	13.48%	$ 56,463,010
AA+	32.12%	134,548,685
AA	1.46%	6,117,375
AA-	0.82%	3,451,563
A+	0.43%	1,815,338
A	3.71%	15,541,726
A-	2.25%	9,429,437
BBB+	1.98%	8,305,699
BBB	1.50%	6,272,002
BBB-	3.12%	13,058,047
Subtotal Investment Grade	60.87%	255,002,882
BB+	1.68%	$ 7,032,685
BB	3.33%	13,964,099
BB-	4.12%	17,239,916
B+	4.46%	18,680,570
B	2.96%	12,418,754
B-	1.29%	5,397,605
CCC+	0.91%	3,803,233
CCC	0.51%	2,156,818
CCC-	0.04%	181,415
D	0.06%	249,084
Not Rated	19.77%	82,820,894
Subtotal Non-Investment Grade	39.13%	163,945,073
Total Fixed Income, Bonds, Collateralized Mortgage Obligations, and Short-Term Investments	100.00%	$ 418,947,955

Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors. For example, the financial condition of the issuer 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 deb 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.

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, 2016 was as follows:

Currency		Fair Value
Euro Currency	$	66,200,145
British Pound		43,795,916
Swiss Franc		21,267,100
Japanese Yen		22,487,408
Hong Kong Dollar		5,517,759
South African Rand		18,212,938
Canadian Dollar		6,034,892
Australian Dollar		8,605,364
Swedish Krona		7,936,222
Danish Krone		2,661,600
South Korean Won		6,243,230
Brazilian Real		14,096,134
Indian Rupee		4,439,630
Thai Baht		2,864,874
Turkish Lira		4,679,518
Mexican Peso		13,352,578
Polish Zloty		8,066,429
Indonesian Rupiah		5,573,056
Malaysian Ringgit		7,186,263
Russian Ruble		4,481,748
Chilean Peso		3,031,055
Colombian Peso		4,619,704
New Zealand Dollar		75,055
Argentine Peso		507,102
Peruvian Nuevo Sol		304,261
Romanian Leu		841,790
Norwegian Krone		5,300,191
Total	$	288,381,962

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NOTE 4 – INVESTMENTS

Fair Value Measurements

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 for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are based on quoted prices for identical assets or liabilities in an active market. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market usually provides the most reliable evidence of fair value and is generally used without adjustment if available. This classification includes public equities with observable market prices.

Level 2: Inputs that are observable either directly or indirectly but are not Level 1 inputs. Level 2 inputs include quoted prices for similar instruments, broker quotes, or observable inputs that directly impact value such as interest rates, prepayment speeds, and credit risk. Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, and fair values are determined through the use of models or other valuation methodologies. For investments in funds where there is an ability to redeem such investments at the Net Asset Value (NAV) per share (or its equivalent) at the measurement date or in the near term, and investments for which quoted prices are available for similar assets or liabilities in markets that are not active, the fair value of the investment is generally categorized as Level 2.

Level 3: Inputs that are unobservable. Level 3 inputs are generally used in situations where there is little, if any, market activity for the investment. The determination of fair value using these inputs requires significant management judgment and estimation. Due to the inherent uncertainty of these estimates, the values may differ significantly from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include public entities and other fixed income securities where there is an inability to redeem such investments at the NAV per share (or its equivalent) at the measurement date or in the near term.

Equity and derivative securities classified as Level 1 are valued using prices quoted in active markets for those securities. Equity and debt securities classified in Level 2 and Level 3 use a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, observable market-based inputs and unobservable inputs (i.e., extrapolated data, proprietary models, and indicative quotes). Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Real Estate funds classified as Level 3 are based on periodic appraisals in accordance with industry practice. Investment derivative instruments categorized as Level 2 and Level 3 are valued using market approaches that consider, as applicable, benchmark interest rates or foreign exchange rates.

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NOTE 4 – INVESTMENTS (continued)

The following table shows the fair value leveling of SLOCPT's investments as of December 31, 2016:

	Fair Value Measurements			
Investment Type	Quoted Prices in Active Markets for Identical Assets Level 1	Quoted Prices for Similar Assets in Inactive Markets Level 2	Significant Unobservable Inputs Level 3	Total
Bonds and Notes	$ -	$ 294,707,759	$ -	$ 294,707,759
International Fixed Income	-	63,215,587	-	63,215,587
Collateralized Mortgage Obligations	-	3,290,234	-	3,290,234
Domestic Equities	47,984,427	198,914,515	-	246,898,942
International Equities	138,738,443	123,369,019	-	262,107,462
Real Estate	-	-	141,750,746	141,750,746
Total	$ 186,722,870	$ 683,497,114	$ 141,750,746	$ 1,011,970,730

Investments in Entities that Calculate Net Asset Value Per Share

Commingled funds are valued based on NAV reported by the investment manager, which are generally calculated based on the last reported sale price of the underlying assets held by such funds. Alternative investments are typically structured as limited partnerships and limited liability companies. Since there is no readily available market for these investments, they are stated at fair value as estimated in an inactive market. These investments include securities of companies that may not be immediately liquid, such as private debt securities, real estate, or other assets. The valuations of these investments are based upon values provided by the investment managers, based on the guidelines established with the investment managers and in consideration of other factors related to SLOCPT's interests in these investments.

Investments that are measured at fair value using the NAV (or its equivalent) per share as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. SLOCPT's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The fair value measurement of investments in commingled global fixed income, commingled real estate, real estate held for investment, alternatives, and commodities are valued based on the investment's net asset value (NAV) per share (or its equivalent) reported by the investment manager, which is generally calculated based on the last reported sale price of the underlying assets held by such funds, including those structured as limited partnerships.

NOTE 4 – INVESTMENTS (continued)

The following table shows the fair value measurement of those investments measured at NAV as of December 31, 2016:

	Investments Measured at Net Asset Value (NAV)			
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled Fund - International Fixed Income	$ 57,734,375	$ -	Quarterly	30 days
Commingled Fund - Real Estate	10,627,048	-	Quarterly	30 days
Real Estate Held for Investment - Separate Account	22,570,453	-	Not Eligible	Not Eligible
Alternatives	70,945,818	70,675,898	Not Eligible	Not Eligible
Total	$ 161,877,694	$ 70,675,898		

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 as of December 31, 2016:

Assets	$ 22,799,143
Less: Liabilities	(228,690)
Net Assets	$ 22,570,453
Net Income	$ 2,952,493

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.

Derivatives

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

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.

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

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

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

Swap Agreements**:** A swap is an agreement between two or more parties to exchange a sequence of cash flows over a future period. No principal is exchanged at the beginning of the swap. The cash flows exchanged by the counterparties 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.

TBAs (To Be Announced): A TBA is an agreement to purchase mortgage-backed securities at a regular settlement date in the coming months. TBAs can settle up to three months forward, but are generally traded one month forward. In a TBA transaction, the specific mortgage pools that will be delivered to fulfill the forward contract are unknown at the time of the trade.

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NOTE 4 – INVESTMENTS (continued)

The Investment Derivatives schedule below reports the fair value balances and notional amounts of derivatives outstanding as of December 31, 2016:

Derivative Type	Notional Amount	Fair Value
Futures Contracts	$ 17,300,000	$ 21,974,806
Option Contracts	(27,200,000)	(304,932)
Swap Agreements	(8,697,661)	911,209
TBAs	25,600,000	26,044,577
	$ 7,002,339	$ 48,625,660

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 Statement of Fiduciary Net Position. All changes in fair value are reported in the Net Realized and Unrealized Gains and Losses of investments in the Statement of Changes in 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, 2016, the Plan had unfunded capital commitments totaling $70.676 million.

Annual Money Weighted Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on investments, net of investment expense, was 6.04%. 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 are 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.

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NOTE 5 – CAPITAL ASSETS (continued)

Changes in capital assets during the year ending December 31, 2016 were as follows:

	Beginning Balance January 1, 2016	Additions	Deletions	Ending Balance December 31, 2016
Office Equipment	$ 58,468	$ -	$ -	$ 58,468
Software	2,524,414	-	-	2,524,414
Work in Progress	-	987,558	-	987,558
Accumulated Depreciation and Amortization	(2,387,241)	(191,156)	-	(2,578,397)
	$ 195,641	$ 796,402	$ -	$ 992,043

Depreciation and amortization expenses for the year ended December 31, 2016 were $191,156.

NOTE 6 – CONTRIBUTIONS AND RESERVES

Funding Requirement and Funding Policy
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 (23 years as of December 31, 2016) 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 $1.248 million.

In June 2016, the Board unanimously passed the recommendation of an increase of 4.85% to the total contribution rate as recommended by the Actuary in the January 1, 2016 Actuarial Valuation. The increased total contribution rate took into consideration: a) continuing with the remaining 24 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 County Board of Supervisors' approval, the Employers implemented the shared Employer and Employee increased total contribution rates for the majority of members effective January 1, 2017. The increase was adjusted to an average of 5.17% 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.

Reserves
The Net Position Restricted for Pension Benefits is allocated among various reserves. From January 1, 2016 through December 31, 2016, 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.

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NOTE 7 – NET PENSION LIABILITY

The components of net pension liability of the Plan at December 31, 2016 were as follows:

Net Pension Liability (dollars in thousands):

Total Pension Liability	$ 1,828,710
Plan Fiduciary Net Position	(1,181,243)
Employers' Net Pension Liability	$ 647,467

Plan Fiduciary Net Position as a percentage of Total Pension Liability was 64.59% as of December 31, 2016.

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, 2016 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	Enty Age Normal
Inflation	2.625 percent
Salary Increases	3.125 percent, including inflation, additional merit component applicable to first 7 years of service
Investment rate of return	7.125 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on MP-2015. The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2011 to December 31, 2015.

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, 2016 (see the discussion of the Plan’s Investment Policy) are summarized in the following table on the next page:

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NOTE 7 – NET PENSION LIABILITY (continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Nominal Rate of Return
Fixed Income	30%	4.48%
Domestic Equities	20%	5.25%
International Equities	20%	9.84%
Alternative Investments	15%	6.73%
Real Estate	15%	5.79%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.125%. 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 7.125%, 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 (6.125%) or one percentage-point higher (8.125%) than the current rate:

Employers' Net Pension Liability as of December 31 (dollars in thousands)	1% Decrease (6.125%)	Current Discount Rate (7.125%)	1% Increase (8.125%)
2016	$ 897,330	$ 647,467	$ 442,825

NOTE 8 – 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.

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NOTE 9 – 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.

Management has determined that no events require disclosure in accordance with governmental accounting standards generally accepted in the United States of America. Subsequent events have been evaluated through June 12, 2017, which is the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal year ending December 31,	2016*	2015*	2014*
Total Pension Liability			
Service Cost	$ 36,968,006	$ 35,503,180	$ 36,210,322
Interest on the Total Pension Liability	123,083,279	114,971,636	108,953,629
Differences Between Expected and Actual Experience	5,485,265	9,771,252	-
Assumption Changes	62,845,241	-	-
Benefit Payments	(78,193,401)	(72,441,811)	(66,162,944)
Refunds	(2,489,904)	(2,612,455)	(1,932,077)
Net Change in Total Pension Liability	147,698,486	85,191,802	77,068,930
Total Pension Liability - Beginning	1,681,011,759	1,595,819,957	1,518,751,027
Total Pension Liability - Ending (a)	$ 1,828,710,245	$ 1,681,011,759	$ 1,595,819,957
Fiduciary Net Position			
Employer Contributions	$ 35,451,409	$ 33,618,330	$ 32,046,545
Employee Contributions	25,359,069	24,586,735	24,415,512
Pension Plan Net Investment Income (Loss)	68,949,306	(16,705,852)	51,667,160
Benefit Payments	(78,193,401)	(72,441,811)	(66,162,944)
Refunds	(2,489,904)	(2,612,455)	(1,932,077)
Pension Plan Administrative Expense	(2,248,956)	(2,528,532)	(2,084,841)
Other	(1,387,369)	(1,449,773)	(331,910)
Net Change in Fiduciary Net Position	45,440,154	(37,533,358)	37,617,445
Fiduciary Net Position - Beginning	1,135,802,704	1,173,336,062	1,135,718,617
Fiduciary Net Position - Ending (b)	$ 1,181,242,858	$ 1,135,802,704	$ 1,173,336,062
Net Pension Liability - Ending (a)-(b)	**$ 647,467,387**	**$ 545,209,055**	**$ 422,483,895**
Fiduciary Net Position as a Percentage of Total Pension Liability	64.59%	67.57%	73.53%
Covered Employee Payroll**	180,728,417	175,628,910	167,343,323
Net Pension Liability as a Percentage of Covered Employee Payroll	358.25%	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.*

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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 Employee Payroll
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	$ 35,318,974	$ 33,618,330	$ 1,700,644	$ 175,628,910		19.14%
2016		*Valuation in progress as of June 12, 2017*				

** Covered employee payroll shown for fiscal years prior to 2014 is based on expected covered payroll.*

*** A portion of the deficiency for the years ending December 31, 2014 and 2015 was due to the pre-funding arrangement.*

SAN LUIS OBISPO COUNTY PENSION TRUST
ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date	January 1, 2016
Notes	Actuarially determined contribution rates are calculated as of January 1, 2016. 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 24-year period from January 1, 2016 ending December 31, 2039
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	7.125%
Inflation Rate Assumption	2.625% per year
Salary Increases	2.875% Composed of 2.625% inflation, plus 0.25% productivity increase rate, plus step-rate promotional increases for members with less than 8 years of service.
Cost of Living Adjustments	Tier 1 - 2.625% Tiers 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-2014 with generational mortality improvements using scale MP-2015, a 105% multiplier and white collar adjustment. Females: RP-2014 with generational mortality improvements using scale MP-2015, a 115% multiplier and white collar adjustment.

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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
2016*	6.04%
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.*

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OTHER SUPPLEMENTARY INFORMATION

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SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS)

	2016	2015
Personnel Services		
Salaries and Benefits	$ 1,202,914	$ 1,108,465
Total Personnel Services	1,202,914	1,108,465
Office Expenses		
Office Supplies	16,704	22,366
Postage	24,255	21,171
Telephone	3,854	4,570
Utilities	7,119	6,473
Total Office Expenses	51,932	54,580
Professional Services		
Accounting and Auditing	58,025	43,153
Actuarial	109,454	87,286
Data Processing	197,042	588,209
Legal	227,417	185,740
Medical	10,375	6,238
Human Resources Consulting	441	4,192
Other	9,185	6,920
Bank Charges	7,407	8,232
Total Professional Services	619,346	929,970
Other Administrative Expenses		
Maintenance and Custodial	26,041	21,292
Insurance	114,360	109,613
Memberships, Subscriptions, and Publications	4,718	4,547
Printing and Reprographics	18,284	14,558
Transportation, Travel, and Education	19,606	29,574
Miscellanous Administrative Expenses	599	1,612
Total Other Administrative Expenses	183,608	181,196
Depreciation and Amortization	191,156	254,321
TOTAL ADMINISTRATIVE EXPENSES	$ 2,248,956	$ 2,528,532

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SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS)

	2016	2015
Investment Manager Fees	$ 3,618,677	$ 3,691,507
Custodial Fees	136,143	166,531
Investment Consultant	297,773	294,583
Other Investment Expenses	109	370
Investment Expenses	4,052,702	4,152,991
Additional Investment Expenses Netted Against Investment Income and Gains/Losses		
Broker Commissions	16,383	144,582
Broker Fees	464	1,603
TOTAL INVESTMENT EXPENSES	$ 4,069,549	$ 4,299,176

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS)

	2016	2015
Custodial Fees	$ 136,143	$ 166,531
Investment Consulting Services	297,773	294,583
Accounting and Auditing Services	58,025	43,153
Actuarial Services	109,454	87,286
Data Processing Services	197,042	588,209
Legal Services	227,417	185,740
Disability Medical Services	10,375	6,238
Human Resources Services	441	4,192
Payroll Processing Services	7,255	6,660
TOTAL PAYMENTS TO CONSULTANTS	$ 1,043,925	$ 1,382,592

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Investment Section

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Investment Section Overview

The Investment Section of the Comprehensive Annual Financial Report (CAFR) provides additional detailed information regarding the San Luis Obispo County Pension Trust's (SLOCPT's) investments. Included is a letter from SLOCPT's Investment Consultant addressing investment activities and the capital markets. Additionally, information is provided on:

- Investment Objectives
- Asset Allocation Policy
- Investment Results
- Investment Results Based on Fair Value
- Schedule of Management Fees and Commissions
- Investments at Fair Value
- Schedule of Largest Stock and Bond Holdings

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Verus

May 17, 2017

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, 2016.

Capital Markets Review

The U.S. presidential election surprised many investors as the initial news sent markets plunging during the overnight hours. However, by the next day, U.S. equities began its rally which carried on through the end of the year and into the first quarter of 2017. The rally was fueled by optimism of a more pro-business regulatory environment and the possibility of large-scale fiscal stimulus. The consumer sentiment numbers also reflected this optimism as the University of Michigan sentiment survey hit a high of 98.2 in December which is the highest since 2004.

In terms of economic growth, US GDP continues with a low and slow methodical rise right around the 2% level. Moderate increases in consumer spending continued to be the main driver. Inflation ticked up a bit to 2.8% year-over-year in February compared to 1.0% the year prior. However, most of the rise was a result of energy and oil coming off the floor of its lows last year. Despite low growth and inflation, the Fed continued to tighten. In December, the Fed raised rates 25 basis points and then another 25 basis points in March. Although these numbers aren't excessive, they are indicating the economy is moving in the right direction.

In other economies of developed nations, growth has also been characterized as being low and slow with Japan and Europe both growing in the 1.5 – 2.0% range. Conditions continue to improve as unemployment declines and central banks appear to be in the later stages of the easing cycle and entering a period of normalization. Stock prices in the region, measured by the MSCI EAFE, appreciated 7.2% in the first quarter of 2017. Emerging market equities soared 11.4% over the same period. A weakening U.S. Dollar provided a tail wind for international and emerging market equity appreciation.

Verus

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.

Coming off a disappointing 2015 fiscal year, the Plan rebounded in fiscal year 2016 with the Total Fund returning 6.6% before expenses and investment management fees. Strong contributions came from domestic equities, commodities, real estate, and private equity. The Plan's domestic equity portfolio returned 13% and private equity returned 15.8%. Commodities bounced back this year appreciating 12.6% after a dismal 2015 where oil prices plummeted and dragged the asset class down with it. Real estate appreciation seems to be slowing relative to the double-digit growth of prior years, but the Plan's exposure to the asset class still produced a solid 7.8% return. Although international equities and fixed income were positive over the period, those assets did not provide the same boost. International equities within the Plan combined for a 2.2% return and the Global Fixed Income portfolio rose a respectable 5.8%.

Asset Allocation

In August of 2016, the Board adopted a revised strategic asset allocation, which is reflected in the following table:

ASSET CLASS	TARGET ALLOCATION
Domestic Equity	20%
International Equity	20%
Fixed Income	30%
Real Estate	15%
Alternatives*	15%

*Commodities, Private Equity, Private Credit

Plan Structure

After adopting an updated strategic asset allocation in the latter half of the year, the Board is focusing on the implementation phase of the process. As a result, a new private credit and private equity manager have been added to the portfolio along with two domestic large cap equity managers, an international growth equity manager, and two new core fixed income managers. Lastly, the Plan continues to further diversify its real estate over a broader geography.

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,

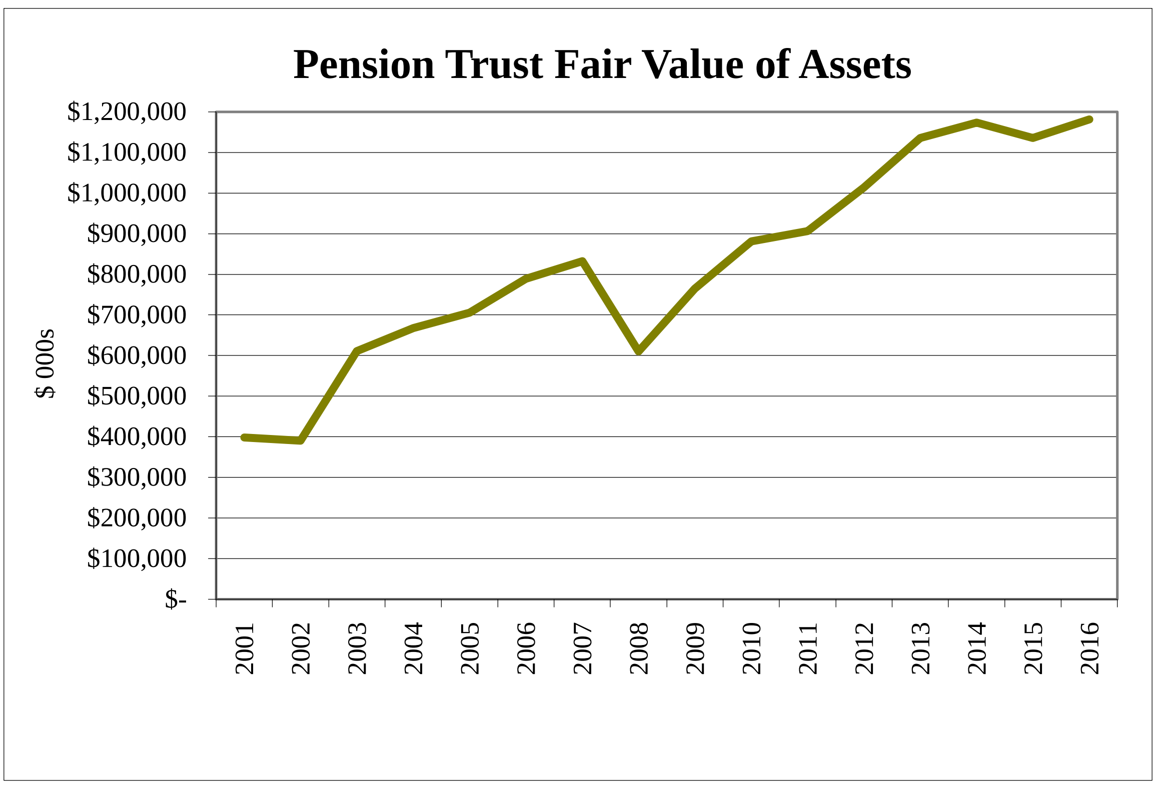
Scott J. Whalen, CFA
Executive Vice President, Senior Consultant

Summary of Investment Objectives

The Board of Trustees (Board) has adopted an Investment Policy 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 revise the 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 Pension 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 Pension 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 at year-end.



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Asset Allocation Policy

The Strategic Asset Allocation (SAA) asset mix incorporated into the Investment Policy is shown below (amended August 2016):

Asset Allocation Policy **Adopted August 22, 2016**	**2016** Policy		2016 Min.	Max.		Performance Benchmark
Equities - US						
Large Cap US Equity	16%		11%	21%		varies with Mgr.
Small / Mid Cap US Equity	4%		2%	9%		varies with Mgr.
Equities - US - Total	**20%**		15%	30%		**Russell 3000**
Equities - International						
International	13%		8%	18%		MSCI EAFE
International - Emerging Mkt.s	7%		0%	12%		
Equities - Intl. - Total	**20%**		15%	30%		**MSCI ACWI ex. US**
EQUITIES - Total	**40%**		30%	50%		
Fixed Income						
Bonds - Core+	15%		10%	20%		BC Aggregate Bond
Bank Loans	5%		0%	10%		S&P LSTA
Bonds - Global	5%		0%	10%		Citi World Govt. Bond
Bonds - Emerging Market	5%		0%	10%		JPM GBI EM
BONDS - Total	**30%**		25%	45%		**BC Aggregate Bond**
Real Estate						
Real Estate - Core	10%		5%	15%		NCREIF
Real Estate - Value Add	5%		0%	10%		NCREIF
Real Estate - Directly owned	0%		0%	4%		NCREIF
REAL ESTATE - Total	**15%**		5%	20%		**NCREIF**
Commodities						
Commodities - Active	5%		0%	10%		DJ UBS Commodities
COMMODITIES - Total	**5%**		0%	10%		**DJ UBS Commodities**
Alternative Assets						
Private Equity	5%		0%	10%		Russell 3000 + 3%
Private Credit	5%		0%	10%		
ALT. ASSETS - Total	**10%**		0%	20%		**Russell 3000 + 3%**
Opportunistic						
Opportunistic	varies		0%	10%		Russell 3000 + 3%
Liquidity						
Cash Equivalents	0%	*	0%	5%	*	T-Bills
Cash Overlay	0%	*	NA	NA	*	Policy Mix
LIQUIDITY - Total	**0%**		0%	5%		T-Bills
TOTAL	**100%**					

* Net 0% exposure due to Cash Overlay when activated.
Policy level of Treasury cash = 3 mth.s benefits = ~2% of total

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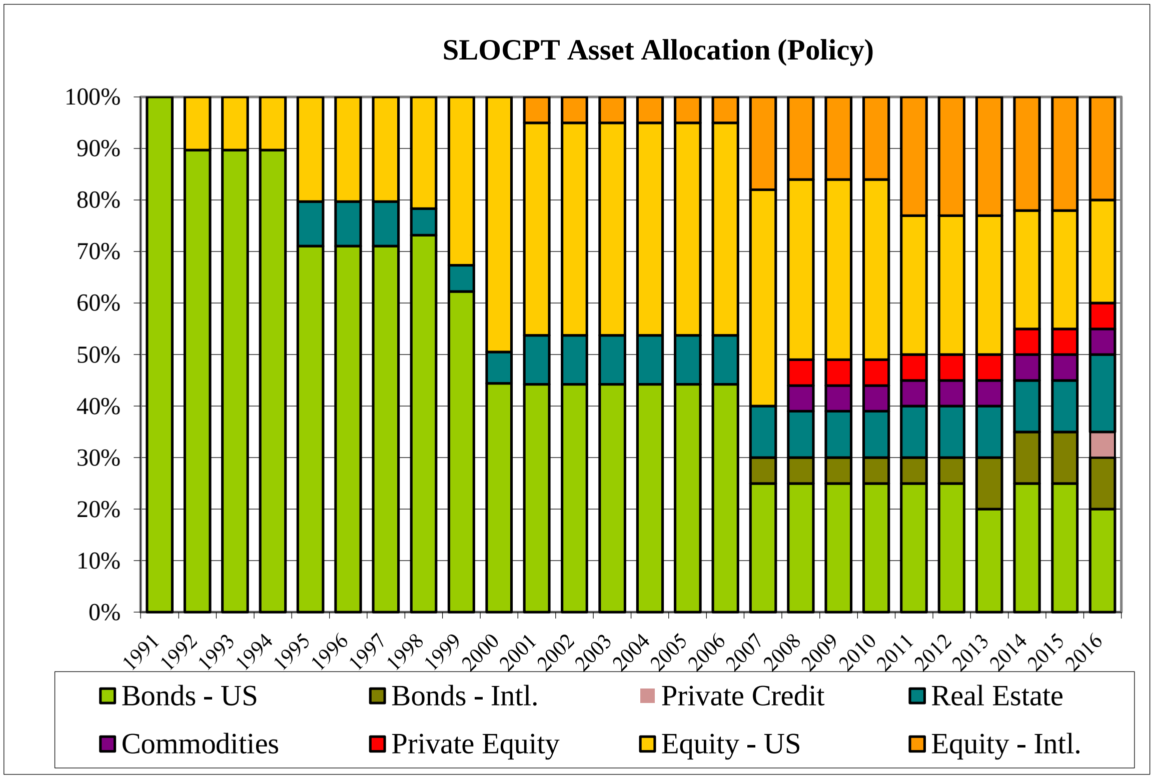
The SAA adopted by the Pension Trust has changed over the years as shown in the following chart.



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 Pension 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 Pension Trust.

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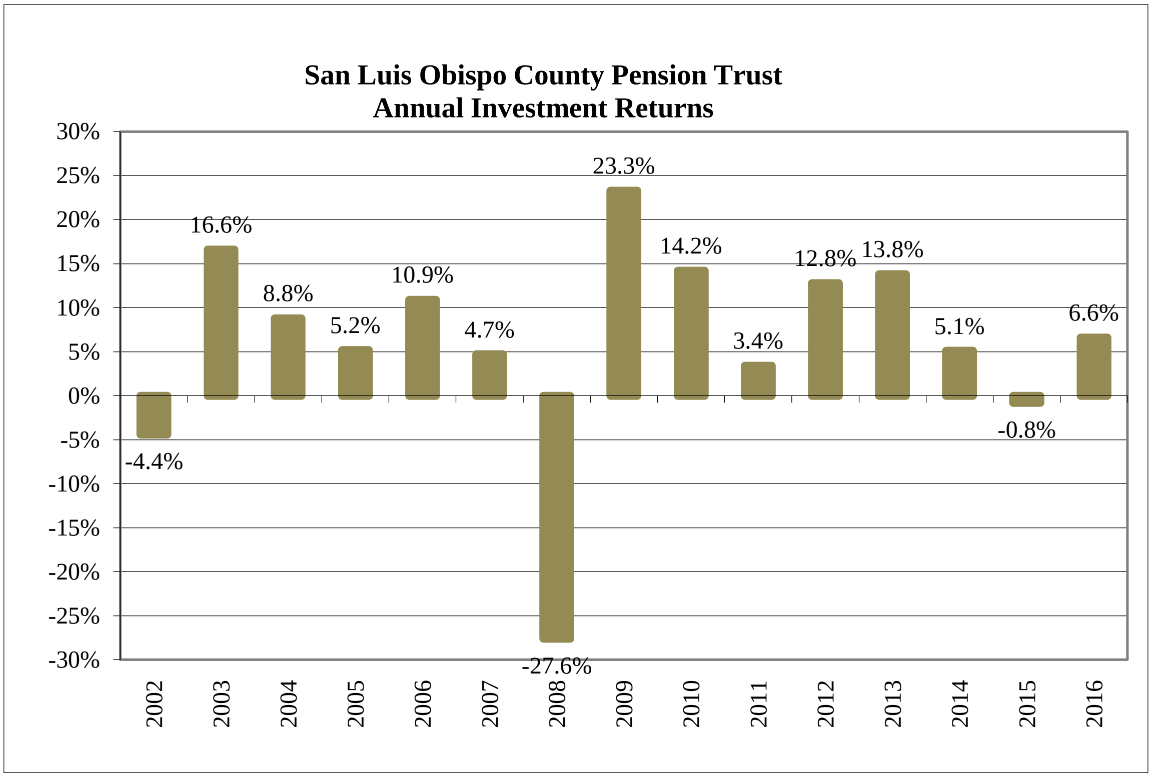
Investment Results

For 2016, the Pension Trust achieved a rate of return of 6.6% gross of fees as measured by the Pension 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:

	2012	2013	2014	2015	2016
SLOCPT Total Returns	12.8%	13.8%	5.1%	-0.8%	6.6%

Source: Verus reports

For cumulative periods, the annualized time-weighted total rates of return are as follows:

	1 year	3 years	5 years	10 years	15 years
SLOCPT Total Returns	6.6%	3.6%	7.4%	4.6%	5.5%

Source: Verus 4th Quarter 2016 report and Pension Trust records for pre-2006 returns

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San Luis Obispo County Pension Trust

Investment Results Based on Fair Value

For the Fiscal Year Ended December 31, 2016

Annualized time-weighted rates of return based on fair value

Investment Account		Current Year	3 Years	5 Years	Inception
Domestic Equities					
Research Affiliates	g	15.9%	8.3%	15.1%	11/2007
SSGA S&P 500 Index Fund	g	12.0%	8.9%	14.7%	2/2011
Index: S&P 500		*12.0%*	*8.9%*	*14.7%*	
Loomis Sayles Large Cap Growth		*< 1 yr*			12/2016
Index: Russell 1000 Growth					
Atlanta Capital	g	12.6%	9.6%	15.9%	8/2010
Index: Russell 2500		*17.6%*	*6.9%*	*14.5%*	
International Equities					
Dodge & Cox	g	9.0%	-0.7%	8.7%	12/2007
Vontobel	g	-4.4%	0.7%	5.9%	12/2007
Index: MSCI EAFE		*-0.4%*	*5.5%*	*4.1%*	
Domestic Fixed Income					
PIMCO	g	3.0%	3.1%	2.9%	10/2009
Index: BC Aggregate Bonds		*2.6%*	*3.0%*	*2.2%*	
SSGA TIPS Index Fund	g	4.7%	2.2%	0.9%	7/2011
Index: BC US TIPS		*4.7%*	*2.3%*	*0.9%*	
PAM Bank Loan Fund	g	9.2%	*< 3 yrs*		9/2014
Index: S&P/LSTA Leveraged Loan Index		*10.2%*			
International Fixed Income					
Brandywine	g	2.2%	-1.6%	1.3%	11/2007
Index: JPM GBI Global TR		*1.6%*	*-0.1%*	*-0.7%*	
Stone Harbor (emerging market debt)	g	9.9%	-4.6%	*< 5 yrs*	7/2013
Index: JPM GBI EM Global Div		*9.9%*	*-4.1%*		
Real Estate					
Direct Real Estate Owned	g	5.5%	11.2%	9.6%	
ARA American Strategic Value Realty Fund	g	*< 1 yr*			6/2016
FREG III Fund	g	1.3%	20.8%	19.1%	7/2007
JP Morgan Strategic Properties Fund	g	8.4%	11.6%	12.5%	3/2008
Index: NCREIF Property		*8.0%*	*11.0%*	*10.9%*	
Commodities					
Gresham MTAP	g	12.6%	-10.9%	*< 5 yrs*	8/2013
Index: Bloomberg Commodity		*11.8%*	*-11.3%*		

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San Luis Obispo County Pension Trust

Investment Results Based on Fair Value (continued)

For the Fiscal Year Ended December 31, 2016

Annualized time-weighted rates of return based on fair value

Investment Account		Current Year	3 Years	5 Years	Inception
Private Equity					
HarbourVest Fund IX (buyout)					6/2011
Combined Private Equity	g	15.8%	17.6%	15.9%	
Index: Russell 3000 + 300BP		*16.1%*	*11.7%*	*18.1%*	
Private Credit					
TSSP Diversified Credit Programs		*< 1 yr*			11/2016
Combined Private Credit					
Index: Russell 3000 + 300BP					
Opportunistic					
PIMCO Distressed Credit Fund					7/2010
KKR Mezzanine Debt Fund I					4/2011
Combined Opportunistic	g	12.3%	7.3%	11.9%	
Index: Russell 3000 + 300BP		*16.1%*	*11.7%*	*18.1%*	
Cash Account					
Treasury Pool		0.5%	0.4%	0.4%	
Index: 91 day T-Bills		*0.3%*	*0.1%*	*0.1%*	
TOTAL FUND (including Parametric Cash Overlay)					
Total Fund					

Index: Policy Index at 12/31/16:
20% Russell 3000
20% MSCI ACWI ex. US
30% BC Aggregate Bond
15% NCREIF
5% Bloomberg Commodity
10% 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, 2016; however investment results of terminated managers are included in the Total Fund rate of return.

Source: Investment consultant, Verus, quarterly investment reports

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San Luis Obispo County Pension Trust

Schedule of Management Fees and Commissions

For the Fiscal Year Ended December 31, 2016 (Dollars in Thousands)

Management Fees	Fees 2016		Year End Assets Under Mgmt.	Fees as % of Year End Assets (a)
Domestic Equity				
Research Affiliates	*N/A*	(d)	$ 50,024	*N/A*
SSGA S&P 500 Index Fund	58		78,890	0.07%
Loomis Sayles	-		70,000	0.00%
Atlanta Capital	457		47,985	0.95%
Total Domestic Equity	515		246,899	
International Equity				
Dodge & Cox (mutual fund)	*N/A*	(d)	138,738	*N/A*
Vontobel	818		123,369	0.66%
Total International Equity	818		262,107	
Domestic Fixed Income				
PIMCO	549		207,570	0.26%
SSGA TIPS Index Fund	26		33,602	0.08%
PAM Bank Loan Fund	*N/A*	(d)	64,791	
Total Domestic Fixed Income	575		305,963	
International and Global Fixed Income				
Brandywine	268		57,735	0.46%
Stone Harbor	*N/A*	(d)	55,251	*N/A*
Total Intl. and Global Fixed Income	268		112,986	
Real Estate				
Direct Real Estate Owned	231		22,570	1.02%
ARA American Strategic Value Realty Fund	*N/A*	(d)	10,627	*N/A*
FREG III Fund	29		800	3.56%
JP Morgan Strategic Properties Fund	931		140,951	0.66%
Total Real Estate	1,190		174,948	
Commodities				
Gresham	*N/A*	(d)	36,514	*N/A*
Private Equity/Credit				
HarbourVest Fund IX (buyout)	*N/A*	(d)	12,215	*N/A*
TSSP Diversified Credit Programs	100		12,274	0.81%
PIMCO Distressed Credit Fund	-		1,788	0.00%
KKR Mezzanine Debt Fund I	134		8,155	1.64%
Total Private Equity	234		34,432	
Cash Overlay				
The Clifton Group	18		- (b)	*N/A*
Total Management Fees	3,619			

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San Luis Obispo County Pension Trust

Schedule of Management Fees and Commissions (continued)

For the Fiscal Year Ended December 31, 2016 (Dollars in Thousands)

Other Investment Expenses	Fees 2015	Year End Assets Under Mgmt.	Fees as % of Year End Assets
Custodian Fees	136		0.01%
Investment Consultant	298		0.03%
Total Other Investment Expenses	434		0.04%
TOTAL INVESTMENT EXPENSES AND ASSETS UNDER MANAGEMENT	**$ 4,053**	**$ 1,173,849**	**0.35%**

Broker Commissions	Commissions 2016	
Broker Commissions	$ 15	(c)
Broker Fees	1	
Total Broker Commissions	$ 16	

(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) Parametric 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.

(c) 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.

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

SLOCPT participates in a commission recapture program offered by BNY/Convergex. No recapture services were used during the year ended December 31, 2016.

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

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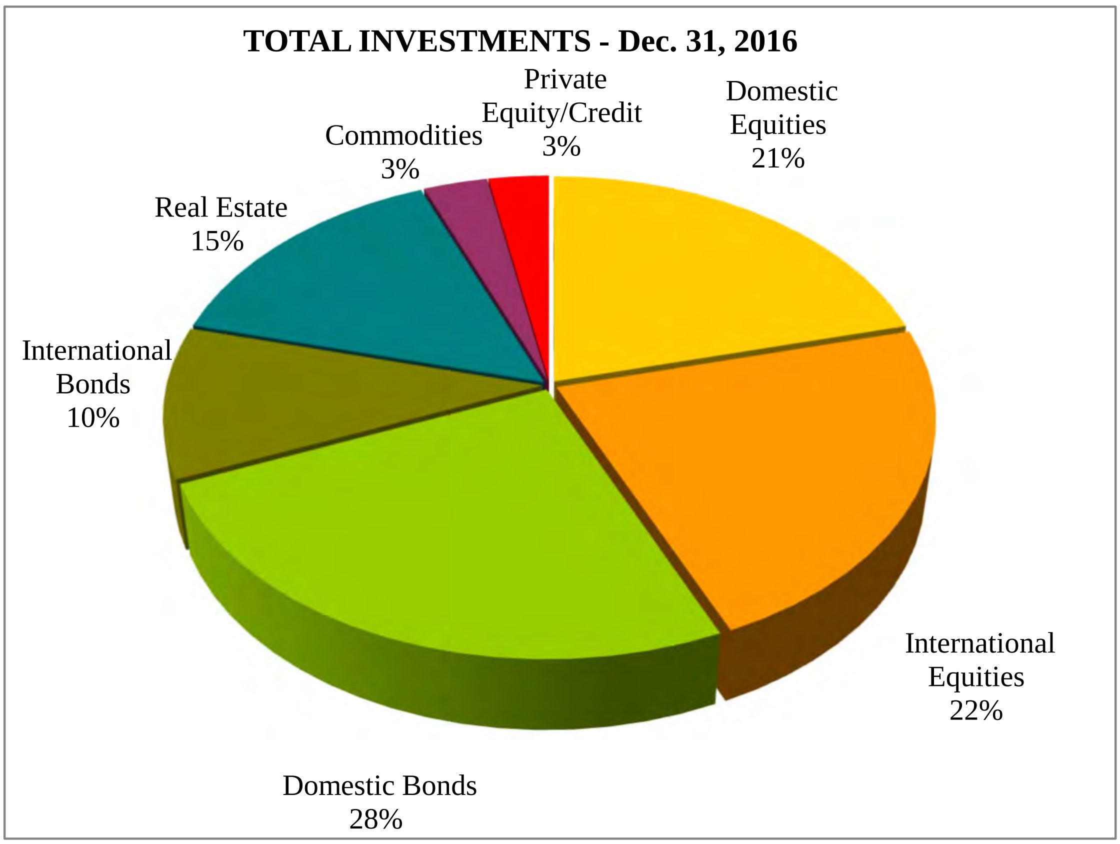
San Luis Obispo County Pension Trust

Investments at Fair Value

As of December 31, 2016 (Dollars in Thousands)

	Fair Value	%
Equities		
Domestic Equities	$ 246,899	21.04%
International Equities	262,107	22.33%
Fixed Income		
Domestic Bonds, Mortgages, Notes	297,998	25.39%
International Bonds	120,950	10.30%
Real Estate	174,948	14.90%
Alternatives		
Commodities	36,514	3.11%
Private Equity/Credit	34,432	2.93%
TOTAL INVESTMENTS	$ 1,173,848	100.00%



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San Luis Obispo County Pension Trust

Schedule of Largest Stock and Bond Holdings

As of December 31, 2016 By Fair Value

Largest Stock Holdings		Shares	Fair Value
1	MARKEL CORP COMMON STOCK USD 0	2,333	$ 2,110,198
2	ANSYS INC COMMON STOCK USD 0.01	18,979	1,755,368
3	TELEFLEX INC COMMON STOCK USD 1	10,990	1,771,038
4	SEI INVESTMENTS CO COMMON STOCK USD 0.01	33,473	1,652,227
5	SALLY BEAUTY HOLDINGS INC COMMON STOCK	58,140	1,536,059
6	DENTSPLY INTERNATIONAL INC COMMON STOCK	24,686	1,425,123
7	JB HUNT TRANSPORT SERVICES INC COMMON STOCK USD 0.01	14,618	1,418,969
8	MANHATTAN ASSOCIATES INC COMMON STOCK USD 0.01	26,022	1,379,947
9	BIO-RAD LABORATORIES INC COMMON STOCK USD 0.0001	7,264	1,324,082
10	IDEXX LABORATORIES INC COMMON STOCK USD 0.1	10,756	1,261,356
	Total of 10 Largest Stock Holdings		$ 15,634,367

Largest Bond Holdings		Par Value	Fair Value
1	UNITED STATES OF AMERICA NOTES FIXED 2.75%	$ 16,900,000	$ 17,454,489
2	TBA FNMA SINGLE FAMILY 30YR 3.5 2/17	15,400,000	15,760,052
3	UNITED STATES OF AMERICA NOTES FIXED 1.625%	15,000,000	15,117,150
4	UNITED STATES OF AMERICA NOTES FIXED 2.25%	10,000,000	10,175,400
5	UNITED STATES OF AMERICA BOND FIXED 3.125%	9,200,000	9,311,412
6	UNITED STATES OF AMERICA NOTES FIXED 2.125%	6,100,000	6,165,758
7	UNITED STATES OF AMERICA NOTES FIXED 2.25%	6,100,000	6,021,859
8	TBA FNMA SINGLE FAMILY 30YR 3 2/17	5,200,000	5,157,932
9	FNMA PORTPASS 3.5% 01/FEB/2021	4,929,651	5,135,809
10	TBA FNMA SINGLE FAMILY 30YR 3.5 2/17	5,000,000	5,124,600
	Total of 10 Largest Bond Holdings		$ 95,424,461

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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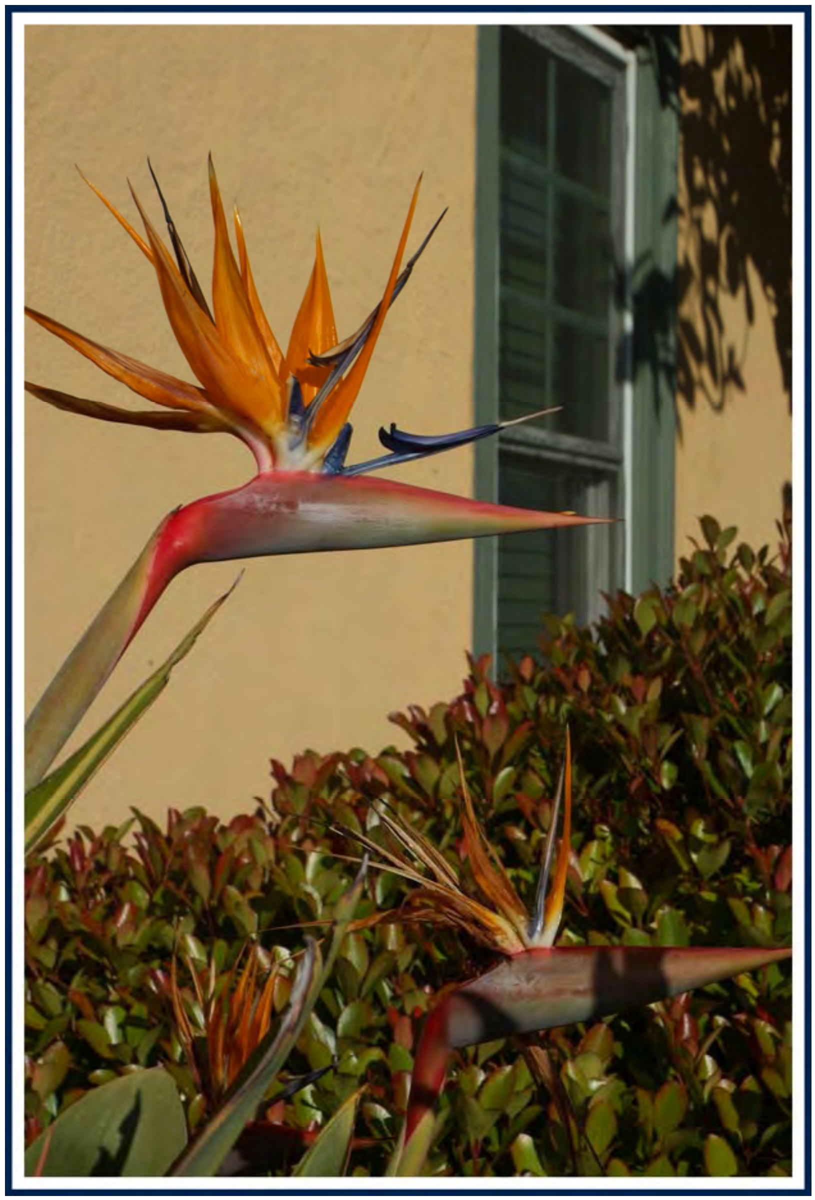
Actuarial Section



Actuarial Section Overview

The Actuarial Section of the Comprehensive Annual Financial Report (CAFR) provides expanded reporting on the actuarial measures and valuations relative to the San Luis Obispo County Pension Trust (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, 2016.

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 of Trustees (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, 2016 valuation. It is based on member data and financial results through December 31, 2015. The Pension Trust's actuary, Gabriel Roeder Smith & Company, completed this annual valuation during 2016. The most recent Biennial Actuarial Experience Study was completed by Gabriel Roeder Smith & Company as of December 31, 2015. Results of this Biennial Actuarial Experience Study were used in developing the assumptions used in the January 1, 2016 Annual Actuarial Valuation.

The Annual Actuarial Valuation as of January 1, 2016 including actuarial assumptions was approved by the Board on June 27, 2016.

The Annual Actuarial Valuation as of January 1, 2017, based on data through December 31, 2016, is in the process of being developed at the time of the publication of this CAFR. The Biennial Actuarial Experience Study as of December 31, 2015 was completed subsequent to year end.

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

June 8, 2017

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, 2016 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, 2016.

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, 2016 valuation, the Trust's funded status decreased from 76.7% to 71.4%. The total actuarially determined contribution is 38.90% as of January 1, 2016, compared to total charged rates of 34.05%. During 2016, there was a 4.85% rate increase bringing the charged rate to 38.90%.

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 determined 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 ending December 31, 2015. 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 24 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, 2016 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
- 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, FSA, FCA, EA, MAAA
Senior Consultant

Joseph R. Herm
Senior Analyst

ACTUARIAL METHODS AND ASSUMPTIONS USED FOR THE JANUARY 1, 2016 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.

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.

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 (24 years as of January 1, 2016) 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 positive 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 (changes effective January 1, 2016, based on the December 31, 2015 experience study)

A. Economic Assumptions

1. Investment return: 7.125%, compounded annually, net of administrative expenses. This is made up of a 2.625% inflation rate and a 4.50% real rate of return.

2. Salary increase rate: Inflation rate of 2.625% plus productivity increase rate of 0.25% plus an additional service-related merit component as shown below:

% Merit Increases in Salaries Next Year		% Total Increases in Salaries Next Year	
Service Index	Rate	Service Index	Rate
1	5.25%	1	8.13%
2	5.00%	2	7.88%
3	4.00%	3	6.88%
4	3.00%	4	5.88%
5	2.00%	5	4.88%
6	1.00%	6	3.88%
7	0.50%	7	3.38%
8 +	0.00%	8 +	2.88%

3. Cost-of-living increases:

Assumed to increase the full 2.625% each year (2% for Tier 2 and Tier 3)

4. Payroll growth:

3.375% per year (Inflation 2.625%, productivity of 0.25%, geographic differential of 0.50%)

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

2.625% per year

6. Contribution accumulation: Contributions are credited with 6.75% interest, compounded biweekly.

B. Demographic Assumptions

1. Mortality projection – The projection calculation for MP-2015 has an additional multiplier applied to future years for all of the mortality tables:

Year	Multiplier
2017	90%
2018	85%
2019	80%
2020	75%
2021	75%
2022	70%
2023	70%
2024	65%
2025	60%
2026	55%
2027+	50%

2. Mortality after termination or retirement -

   a. Healthy males – RP-2014 with generational mortality improvements using scale MP-2015, a 105% multiplier and white collar adjustment applied to RP-2014

   b. Healthy females – RP-2014 with generational mortality improvements using scale MP-2015, a 115% multiplier and white collar adjustment applied to RP-2014

   See sample rates below:

	% Dying Within Next Year Retirees	
Ages	Men	Women
45	0.19%	0.18%
50	0.28%	0.23%
55	0.40%	0.31%
60	0.55%	0.44%
65	0.79%	0.74%
70	1.28%	1.19%
75	2.20%	1.99%
80	3.86%	3.45%
85	7.08%	6.20%

3. Mortality rates of active members – RP-2014 Employee Mortality Tables, with generational improvements using scale MP-2015, setback one year with a 105%

multiplier for males, and setback two years with a 50% multiplier for females applied to RP-2014, as shown below for selected ages:

Ages	% of Active Members Dying Within Next Year	
	Men	Women
30	0.05%	0.01%
35	0.05%	0.01%
40	0.06%	0.02%
45	0.09%	0.03%
50	0.15%	0.04%
55	0.26%	0.07%
60	0.44%	0.10%
65	0.77%	0.15%
70	1.29%	0.25%

4. Disability mortality after termination or retirement – RP-2014 Disabled Mortality Tables, with generational improvements using scale MP-2015, with setback of one year and a 100% multiplier for males, and setback one year with a 75% multiplier for females, applied to RP-2014, as shown below for selected ages:

Ages	% of Disabled Members Dying Within Next Year	
	Men	Women
30	0.41%	0.15%
35	0.77%	0.29%
40	1.16%	0.45%
45	1.55%	0.63%
50	1.92%	0.84%
55	2.25%	1.05%
60	2.57%	1.23%
65	3.01%	1.47%
70	3.77%	1.94%

5. Retirement –

   a. As shown below for Tier 1 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	4.0%	7.5%	20.0%
51	4.0%	7.5%	14.0%
52	4.0%	7.5%	10.0%
53	4.0%	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%	

6. 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 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 and Probation 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 the 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.	80% of men and 60% 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.

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

D. Experience Analysis

An experience study was conducted covering the five year period ending December 31, 2015. That study provided a detailed analysis concerning 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, 2016 actuarial valuation. For further information on the experience study and related assumption recommendation, the reader is requested to review the December 31, 2015 Actuarial Experience Study.

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Average Annual Earnings	Percent Increase In Average Earnings
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
1/01/2016	2,609	177,003,887	67,844	3.2

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
1/01/2007					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%
1/01/2016	168	5,858,191	52	1,099,047	2,517	74,864,386	29,743	3.4%

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

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Solvency Test

Valuation Date	(1) Retirees and Beneficiaries	(2) Terminated Vested Members	(3) Active Members	Valuation Assets	(1)	(2)	(3)
	Actuarial Accrued Liabilities				Portion of Accrued Liabilities Covered by Valuation Assets		
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%
1/01/2016	1,059,302,163	61,709,450	628,330,652	1,248,327,560	100%	100%	20%

Draft

Schedule of Funding Progress

($ in Thousands)

Valuation Date	Valuation Assets[1]	Actuarial Liability[1]	Funded Ratio	Unfunded Actuarial Liability	Member Payroll	Ratio to Payroll
12/31/2006	$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 [2,3]	759,758	994,861	76.4%	235,103	152,117	154.6%
12/31/2006 [4]	759,758	962,828	78.9%	374,118	152,117	245.9%
12/31/2007	829,764	1,055,868	78.6%	226,104	162,436	139.2%
12/31/2007 [5]	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 [2,6]	1,057,922	1,378,549	76.7%	320,627	161,055	199.1%
12/31/2012 [6]	1,122,151	1,468,001	76.4%	345,850	164,299	210.5%
12/31/2013 [7]	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%
12/31/2015	1,248,328	1,686,497	74.0%	438,169	177,004	247.5%
12/31/2015 [2]	1,248,328	1,749,342	71.4%	501,014	177,004	283.1%

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

12/31/2015	$4,362,000	12/31/2010	$8,558,571
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

[2] Reflects assumption changes.
[3] Reflects benefit increases for Probation and Safety members.
[4] Reflects assumption change to 7.75%.
[5] Reflects benefit increases for Miscellaneous Court employees in BU #18 and BU #20.
[6] Reflects benefit provisions under Tier 2 for certain new members.
[7] Reflects benefit provisions under Tier 3 for new members, and assumption changes.

Development of Actuarial Value of Assets

San Luis Obispo County Pension Trust
Development of Funding Value of Assets - January 1, 2016

	Plan Year Ended December 31, 2011	Plan Year Ended December 31, 2012	Plan Year Ended December 31, 2013	Plan Year Ended December 31, 2014	Plan Year Ended December 31, 2015
A. Funding Value Beginning of Year	$1,000,168,850	$1,057,921,875	$1,122,150,539	$1,182,923,978	$1,231,473,577
B. Gross Market Value End of Year	906,350,380	1,013,436,059	1,135,718,617	1,173,336,063	1,135,802,704
C. Gross Market Value Beginning of Year	880,953,414	906,350,380	1,013,436,059	1,135,718,617	1,173,336,063
D. Non-Investment Cash Flow	1,284,151	(1,761,812)	(9,565,801)	(14,055,197)	(20,827,506)
E. Investment Income					
E1. Market Total =B-C-D	24,112,815	108,847,491	131,848,359	51,672,643	(16,705,853)
E2. Immediate Recognition	77,562,847	76,635,470	81,009,154	85,252,488	88,526,837
E3. Phased-in Recognition	(53,450,032)	32,212,021	50,839,205	(33,579,845)	(105,232,690)
F. Phased-in Recognition					
F1. Current Year=E3x20%*	(10,690,006)	6,442,404	10,167,841	(6,715,969)	(21,046,538)
F2. First Prior Year	7,437,258	(10,690,006)	6,442,404	10,167,841	(6,715,969)
F3. Second Prior Year	15,245,328	7,437,258	(10,690,006)	6,442,404	10,167,841
F4. Third Prior Year	(29,936,396)	15,245,328	7,437,258	(10,690,006)	6,442,404
F5. Fourth Prior Year	(4,246,161)	(29,936,396)	15,245,328	7,437,258	(10,690,006)
F6. Continued Recognition of 2008 Asset Loss	0	0	(29,936,396)	(29,936,396)	(29,936,396)
F7. Additional Recognition of 2008 Asset Loss	0	0	(10,000,000) *	0	0
F8. Total Recognized Gain/(Loss)	(22,189,977)	(11,501,412)	(11,333,571)	(23,294,868)	(51,778,664)
G. Preliminary Funding Value					
=A+D+E2+F8	$1,056,825,871	$1,121,294,121	$1,182,260,321	$1,230,826,401	$1,247,394,244
H. Excludable Assets					
H1. End of Year	7,462,567	6,606,149	5,942,492	5,295,316	4,362,000
H2. Beginning of Year	8,558,571	7,462,567	6,606,149	5,942,492	5,295,316
H3. Change=H1-H2	(1,096,004)	(856,418)	(663,657)	(647,176)	(933,316)
I. Final Funding Value=G-H3	$1,057,921,875	$1,122,150,539	$1,182,923,978	$1,231,473,577	$1,248,327,560
J. Investment Return=(E2+F8)/(A+D/2)	5.53%	6.16%	6.24%	5.27%	3.01%

*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, 2007 through 2016

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
1/1/2007	($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)%
1/1/2016	(58,036,495)	1,605,591,209	(3.22)%	(0.39)%	(3.61)%

*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, 2016

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, 99

   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%
24-27	7.74%

   Highest three-year average for employees in Tier 2 and Tier 3

4. Member Contributions
   Employee contribution rates used in the January 1, 2016 valuation have increased since the January 1, 2015 valuation for most 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, 2016

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, 2016

D. Maximum Benefit

a. Tier 1
80% of Final Compensation for San Luis Obispo County Employees' Association (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 capped at $117,020 for 2016 and adjusted annually based on Consumer Price Index (CPI).

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, 2016

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.

Draft

Statistical Section

Statistical Section Overview

The Statistical Section of the Comprehensive Annual Financial Report (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 SLOCPT's financial position has changed over time.

SLOCPT 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 SLOCPT 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, 2016 Annual Actuarial Valuation which reflects data as of year-end 2015.

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San Luis Obispo County Pension Trust

Changes in Fiduciary Net Position

Last 10 fiscal years (Dollars in Thousands)

	2016	2015	2014	2013	2012
Additions					
Employer Appropriations	$ 35,452	$ 33,618	$ 32,047	$ 30,796	$ 30,942
Member Contributions	25,359	24,587	24,415	24,460	25,207
Net Investment Income (Loss)	68,949	(16,706)	51,667	131,842	108,818
Total Additions	$ 129,760	$ 41,499	$ 108,129	$ 187,098	$ 164,967
Deductions					
Service Retirement Benefits	$ 66,623	$ 61,796	$ 56,186	$ 50,919	$ 46,535
Disability Retirement Benefits	3,214	3,150	2,972	2,879	2,746
Beneficiary Retirement Benefits	4,156	3,824	3,541	3,352	2,905
Deferred Retirement Option Program	4,201	3,672	3,464	3,087	2,362
Total Retirement Benefits	$ 78,194	$ 72,442	$ 66,163	$ 60,237	$ 54,548
Refunds	2,247	1,613	1,629	2,374	1,138
Death Benefit	243	999	303	150	125
Administrative Expense	2,249	2,528	2,085	2,054	2,070
Discount Amortization	1,387	1,450	332	-	-
Total Deductions	$ 84,320	$ 79,032	$ 70,512	$ 64,815	$ 57,881
Net Increase (Decrease) in Fiduciary Net Position	$ 45,440	$ (37,533)	$ 37,617	$ 122,283	$ 107,086

	2011	2010	2009	2008	2007
Additions					
Employer Appropriations	$ 30,436	$ 32,148	$ 31,427	$ 30,860	$ 24,014
Member Contributions	25,262	24,549	24,171	22,841	17,406
Net Investment Income (Loss)	24,113	110,054	144,482	(234,539)	37,640
Total Additions	$ 79,811	$ 166,751	$ 200,080	$ (180,838)	$ 79,060
Deductions					
Service Retirement Benefits	$ 42,739	$ 39,807	$ 35,688	$ 31,907	$ 26,977
Disability Retirement Benefits	2,692	2,662	2,555	2,335	2,209
Beneficiary Retirement Benefits	2,769	2,486	2,131	1,788	1,498
Deferred Retirement Option Program	2,215	1,846	1,654	1,068	1,416
Total Retirement Benefits	$ 50,415	$ 46,801	$ 42,028	$ 37,098	$ 32,100
Refunds	1,659	1,642	1,575	2,016	1,588
Death Benefit	430	362	45	197	504
Administrative Expense	1,910	1,981	1,730	1,771	1,629
Total Deductions	$ 54,414	$ 50,786	$ 45,378	$ 41,082	$ 35,821
Net Increase (Decrease) in Fiduciary Net Position	$ 25,397	$ 115,965	$ 154,702	$ (221,920)	$ 43,239

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
2016	Miscellaneous	$ 54,584	$ 1,385	$ 3,256	$ 2,244	$ 1,796	$ 237	$ 63,502
	Probation	2,553	120	126	-	219	2	3,020
	Safety	9,486	1,709	774	1,957	232	4	14,162
	TOTAL	$ 66,623	$ 3,214	$ 4,156	$ 4,201	$ 2,247	$ 243	**$ 80,684**
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**

Source: SLOCPT detailed retiree payroll journals 2007-2016 data

San Luis Obispo County Pension Trust

Retiree Average Age and Average Monthly Benefit by Class

Last 10 fiscal years

Draft

As of most recent completed actuarial valuation dated January 1, 2016, based on data as of December 31, 2015.

As of December 31		Avg. Age on Dec. 31st	Avg. Age at retirement (1)	Number of Recipients	Average Monthly Benefit	
2015	Miscellaneous	69.4	59.0	2,178	$	2,261
	Probation	63.9	56.1	69		3,277
	Safety	64.3	52.5	270		4,030
	TOTAL	**68.8**	**58.2**	**2,517**	**$**	**2,479**
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	$	20,995
	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**

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

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

Draft

San Luis Obispo County Pension Trust

Retired Members by Benefit Type and Amount

as of December 31, 2016

Annual Benefit Range and Class	Service Retirement Recipients	Disability Retirement Recipients	Beneficiary Retirement Recipients	DROP Retirement Recipients	**TOTAL**	**% of Total**
$0-$9,999						
Miscellaneous	440	25	57	-	522	19.9%
Probation	10	-	-	-	10	0.4%
Safety	15	-	2	1	18	0.7%
subtotal	**465**	**25**	**59**	**1**	**550**	**21.0%**
$10,000-$19,999						
Miscellaneous	523	43	56	2	624	23.8%
Probation	9	-	1	-	10	0.4%
Safety	22	2	11	-	35	1.3%
subtotal	**554**	**45**	**68**	**2**	**669**	**25.6%**
$20,000-$29,999						
Miscellaneous	342	16	24	5	387	14.8%
Probation	9	2	2	-	13	0.5%
Safety	23	10	7	2	42	1.6%
subtotal	**374**	**28**	**33**	**7**	**442**	**16.9%**
$30,000-$39,999						
Miscellaneous	204	4	15	5	228	8.7%
Probation	8	2	1	-	11	0.4%
Safety	19	15	2	-	36	1.4%
subtotal	**231**	**21**	**18**	**5**	**275**	**10.5%**
$40,000-$49,999						
Miscellaneous	126	-	8	4	138	5.3%
Probation	4	-	2	-	6	0.2%
Safety	23	14	5	5	47	1.8%
subtotal	**153**	**14**	**15**	**9**	**191**	**7.3%**
$50,000-$59,999						
Miscellaneous	100	1	2	10	113	4.3%
Probation	8	-	-	-	8	0.3%
Safety	16	2	-	5	23	0.9%
subtotal	**124**	**3**	**2**	**15**	**144**	**5.5%**

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San Luis Obispo County Pension Trust

Retired Members by Benefit Type and Amount (continued)

as of December 31, 2016

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	70	-	3	5	78	3.0%
Probation	3	-	-	-	3	0.1%
Safety	24	-	-	6	30	1.1%
subtotal	**97**	**-**	**3**	**11**	**111**	**4.2%**
$70,000-$79,999						
Miscellaneous	43	-	2	5	50	1.9%
Probation	5	-	-	-	5	0.2%
Safety	22	-	-	3	25	1.0%
subtotal	**70**	**-**	**2**	**8**	**80**	**3.1%**
$80,000-$89,999						
Miscellaneous	29	-	1	-	30	1.1%
Probation	2	-	-	-	2	0.1%
Safety	10	-	-	3	13	0.5%
subtotal	**41**	**-**	**1**	**3**	**45**	**1.7%**
$90,000-$99,999						
Miscellaneous	16	-	-	-	16	0.6%
Probation	1	-	-	-	1	0.0%
Safety	7	-	-	1	8	0.3%
subtotal	**24**	**-**	**-**	**1**	**25**	**1.0%**
$100,000+						
Miscellaneous	56	-	2	4	62	2.4%
Probation	3	-	-	-	3	0.1%
Safety	12	1	1	7	21	0.8%
subtotal	**71**	**1**	**3**	**11**	**86**	**3.3%**
CUMULATIVE TOTAL						
Miscellaneous	**1,949**	**89**	**170**	**40**	**2,248**	**85.9%**
Probation	**62**	**4**	**6**	**-**	**72**	**2.7%**
Safety	**193**	**44**	**28**	**33**	**298**	**11.4%**
	2,204	**137**	**204**	**73**	**2,618**	**100.0%**

Source: SLOCPT Pension Administration Software (RAD)

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San Luis Obispo County Pension Trust

Member Data

Last 10 fiscal years

As of most recent completed actuarial valuation dated January 1, 2016, based on data as of December 31, 2015.

Active Members (all classes)	Average Age	Average Service	Average Annual Pay
2015	46.1	10.1	$ 67,844
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

Number of Members	Active Members	Deferred Vested Members	Retiree and Beneficiary	Disability Recipients	TOTAL
2015	2,609	450	2,382	135	5,576
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

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
2016							
Tier 1	1,426	110	21	3	-	2	1,562
Tier 2	313	-	-	-	-	2	315
Tier 3	769	22	3	-	-	4	798
Total	**2,508**	**132**	**24**	**3**	**-**	**8**	**2,675**
% of total	93.8%	4.9%	0.9%	0.1%	0.0%	0.3%	
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%	

(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

Draft

San Luis Obispo County
Pension Trust
SLOCPT

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San Luis Obispo County
Pension Trust
SLOCPT

Date: June 26, 2017

To: Board of Trustees

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

Agenda Item 7: January 1, 2017 Actuarial Valuation

Accompanying this memo are –

- A presentation by Leslie Thompson, Actuary, of Gabriel Roeder Smith (GRS) on the results of the 2017 Annual Actuarial Valuation of the Plan.

- The draft January 1, 2017 Annual Actuarial Valuation prepared by GRS.

- A Baseline 30-year projection of funded status and contribution rates for the Plan at the 7.125% Earnings Assumption (discount rate) used in the 2017 Valuation. An additional 30 year projection for purely illustrative purposes using a 6.500% Earnings Assumption is also included.

Recommendation:

It is recommended that the Board take the following actions:

1. Approve the January 1, 2017 Actuarial Valuation.

2. Approve the transfer of $3,860,597 from the Current Reserve to the Retiree Reserve as recommended by GRS in Comment H of the Valuation.

3. Approve the recommendation of the Plan Actuary to increase the current level of County Appropriation and Employee Contribution rates such that a **Total Contribution Rate of 40.32% effective January 1, 2017 is received - an increase of 1.93% over the current Charged Rate of contributions as of 12/31/16.** This increase is subject to delayed implementation as may be requested by the Plan Sponsor, with adjustments to the rate calculated by GRS to account for the deferred implementation.

Discussion – Contribution Rate:

The valuation results indicate that it is necessary to increase the Total Required Contribution Rate to 40.32% effective January 1, 2017. This **increase of 1.93%** as compared to the January 1, 2017 Charged Rate of 38.39% is comprised of two factors. 1.42% of the increase is necessary because of net actuarial losses mainly attributed to SLOCPT investment performance. The additional 0.51% of the increase is attributable to the difference between the actual Charged Rate of 38.39% as calculated by the Actuary based on member data as of December 31, 2016 and the prior anticipated Charged Rate of 38.90%. The causes and effects of the differential between the anticipated and actual Charged Rates will be addressed by GRS in their presentation and are attributable to changes in the demographics of Plan membership. *The Total Contribution Rate increase will need to be actuarially adjusted upward for a deferred implementation date should the plan sponsor request deferral. The amount of this routine actuarial adjustment will be calculated in an exhibit to be distributed separately.*

The 2017 Annual Actuarial Valuation falls between biennial Actuarial Experience Studies (2016 and 2018). SLOCPT practice is to change actuarial assumptions only in years where there is an accompanying Experience Study to guide such changes. As a result, no actuarial assumption or method changes are impacting the results of the 2017 Annual Actuarial Valuation.

Discussion – Funded Ratio:

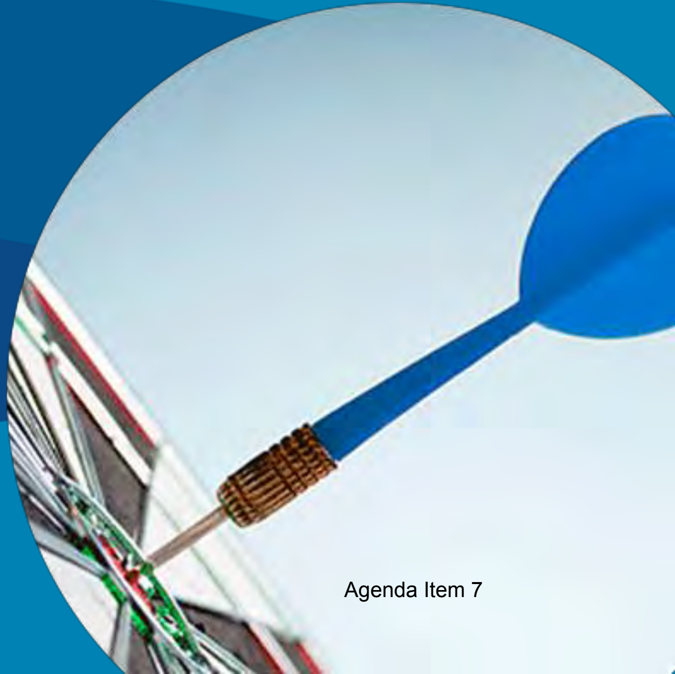
The valuation results also indicate that the funded ratio of the Plan – Accrued Liabilities (AL) vs. Actuarial Value of Assets (AVA) has declined from 71.40% in 2016 to 69.4% in 2017. The funded ratio decline reflects the $78 million increase in the AL from $1.75 billion to $1.83 billion or approximately a 4% increase. At the same time, the AVA increased only about 2% from $1.25 billion to $1.27 billion or $20 million. As a result, the Unfunded Accrued Liability (UAL) increased from $501 million to $559 million.

Respectfully submitted,

Carl Nelson Executive Secretary	Amy Burke Deputy Executive Secretary

San Luis Obispo County Pension Trust

ACTUARIAL VALUATION AS OF JANUARY 1, 2017



Agenda Item 7

Actuarial Valuation-Key Findings

- Rate increase of 1.93% recommended
  - The Annual Required Contribution (ARC) is 40.32% while the rate being charged is 38.39%
  - Charged rate includes 5.17% total increase recommended as of prior valuation
- The rate increase comes from two primary sources
  - First, from experience deviating from the assumptions (1.10%)
  - Second (.83%), from the change in tier mix that occurred during the year (more Tier 3 members entered the plan so the total 1.02% appropriation was not adequate to cover their cost)
- The rate margin does not allow for accelerated recognition of the 2008 asset loss
  - Original loss as of January 1, 2009 was $299 million
  - After recognition as of January 1, 2017 a final $10 million to be recognized next year

GRS Retirement Consulting

Actuarial Valuation-Key Findings

- The market value return was 6.13%; however, the actuarial value of assets return was 3.49%
- Normal cost is decreasing, from 21.35% last year to 21.08% this year
  - Tier 1 membership decreasing (1,562 members this year, 58% of total)
  - Tier 2 membership stable (315 members, 12% of total)
  - Tier 3 increasing (798 members, 30% of total)
- Funded ratio decreased from 71.4% to 69.4%
- Funded ratio is 64.6% based on market value of assets

GRS Retirement Consulting

Development of the Charged Rate

Category	Dollar Amounts	Rates as a Percent of Payroll
Employee Contributions	$25,359,069	13.71%
Employer Appropriations	$35,451,409	19.51%
Total	$60,810,478	33.22%
Increase at 1/1/2017	$9,565,521	5.17%
Grand Total Contributions	$70,375,999	38.39%
Total Reported Payroll	$185,019,748	

An example of “Drift”

- The contribution rates are set at the time of the valuation, based on data as of the end of the prior year.
- During the course of the year a Tier 3 member may replace the Tier 1 member.
- But that means the dollar amount necessary will not be received.

A sample roster of three members

Employee	Compensation	Member Contribution	Appropriation	Total dollar amount	Total as a percent of Compensation
(1)	$60,000	18.00%	15.22%	$19,932	33.22%
(2)	$60,000	10.00%	23.22%	$19,932	33.22%
(3)	$60,000	20.00%	13.22%	$19,932	33.22%
Total	$180,000			$59,796	33.22%

Now assume #(3) has been replaced

Employee	Compensation	Member Contribution	Appropriation	Total dollar amount	Total as a percent of Compensation
(1)	$60,000	18.00%	15.22%	$19,932	33.22%
(2)	$60,000	10.00%	23.22%	$19,932	33.22%
(3)	$60,000	8.00%	13.22%	$12,732	21.22%
Total	$180,000			$52,596	29.22%

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Impact of drift

- In this example, the rates "drifted" from 33.22% of pay to 29.22% of pay, due to the underlying tier structure changing
- This occurs when the employer appropriation is set and unchanged during the course of the year-the more new hires, the greater the drift
- Recommend a review of the method with the next experience study

GRS Retirement Consulting

Development of the ARC and Recommended Rate Increase

	Jan 1, 2017	Jan 1, 2016	Change
1. Total Normal Cost	21.08%	21.35%	(0.27)%
2. Less Employee Rate	15.76%	13.88%	1.88%
3. County Normal Cost (1.-2.)	5.32%	7.47%	(2.15)%
4. Amortization Payment	19.24%	17.55%	1.69%
5. ARC (3.+4.)	24.56%	25.01%	(0.45)%
6. Total Required Contribution (2.+5.)	40.32%	38.90%	1.42%
7. Total Charged Rate (actual)	38.39%	34.05%	4.34%
8. Difference in Rate (6.-7.)	1.93%	4.85%	
9. Recommended Rate Increase	1.93%	4.85%	

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Charged Rate

- The current charged rate is not adequate to meet the Total Annual Required Contribution
- The normal cost will continue to decrease with more Tier 3 members
- The total charged rate will also continue to decrease as more Tier 3 members enter the plan with their lower employee contribution rates
- Losses are still being smoothed into the actuarial value of assets, thus an upward rate pressure still exists

Asset Values

- Changes in asset values since the prior valuation:

	Jan 1, 2017	Jan 1, 2016	Rate of Return
Market Value	$1,181,243	$1,135,803	6.13%
Actuarial Value	$1,268,405	$1,248,328	3.49%

(in thousands)

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Schedule of Recognition of 2008 Asset Loss

Plan Year	Remaining Loss Balance at Beginning of Year	Amount Recognized	Remaining Loss Balance at End of Year
2009	$ 299,363,960	$ 29,936,396	$ 269,427,564
2010	269,427,564	29,936,396	239,491,168
2011	239,491,168	39,936,396	199,554,772
2012	199,554,772	29,936,396	169,618,376
2013	169,618,376	29,936,396	139,681,980
2014	139,681,980	39,936,396	99,745,584
2015	99,745,584	29,936,396	69,809,188
2016	69,809,188	29,936,396	39,872,792
2017	39,872,792	29,936,396	9,936,396
2018	9,936,396	9,936,396	0

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Asset Returns

- Market value return was 6.13%
  - Fair market value increased from $1,136 million to $1,181 million
  - The amount of investment income “expected” was $88 million
  - The actual amount of investment income received was $69 million
  - The $19 million loss is to be phased in over 5 years
- The actuarial value return was 3.49%
  - This is less than the assumption and produces a loss in this year

Asset Gains and Losses

- The portion of each year's investment gains and losses being recognized is:
  - Current $ (3.8)
  - 2015 $ (21.0)
  - 2014 $ (6.7)
  - 2013 $ 10.2
  - 2012 $ 6.4
  - 2008 $ (29.9)
  - Total recognized for this year $(44.9) million
- Total yet to be recognized
  - *the difference between the actuarial and market value*
  - $ (87.2 million) in deferred losses
- Actuarial value of assets is 107% of market value

Tiers and Class-Membership Counts

Class/Tier	Tier 1	Tier 2	Tier 3	Total
Misc.	1,303	264	714	2,281
Probation	84	0	32	116
Safety	175	51	52	278
Total	1,562	315	798	2,675

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Tiers and Class-Normal Costs

Class/Tier	Tier 1	Tier 2	Tier 3	Total
Misc.	22.65%	17.69%	15.12%	20.14%
Probation	23.70%	N/A	19.06%	22.72%
Safety	27.01%	26.21%	23.31%	26.27%
Blended	23.32%	19.38%	16.04%	21.08%

Membership

- Average age of active members is 45.5, compared to 46.1 last year
- Average years of service is 9.7, compared to 10.1 last year
- Average pay for all ***continuing*** active members increased 4.51%
- Average age of Miscellaneous members changed from 47.0 to 46.4 and average service from 9.9 years to 9.6 years
- Average age of Probation members <u>increased</u> from 39.3 to 39.6 and average service <u>decreased</u> from 9.5 years to 9.3
- Average age of Safety members <u>decreased</u> from 41.4 to 41.1 and average service decreased from 11.9 years to 11.2

Membership Statistics

- Changes in membership since the prior valuation:

	Jan 1, 2017	Jan 1, 2016	Percent Change
Actives	2,675	2,609	2.5%
Ret and Ben.	2,618	2,517	4.0%
Inactives	460	450	2.2%
Total Membership	5,753	5,576	3.2%
Total Payroll	$185,020	$177,004	4.5%
Average Pay	$69,166	$67,844	1.9%
Average Age at Hire	35.8	36.0	(0.6%)

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Actuarial Results-Liabilities

	Jan 1, 2017	Jan 1, 2016	Change
Accrued Liability	$1.83B	$1.75B	$78M
Unfunded Accrued Liability	$559M	$501M	$58M
Actuarial Value of Assets	$1.27B	$1.25B	$20M
Funded Ratio	69.4%	71.4%	(2.0)%

Actuarial Results

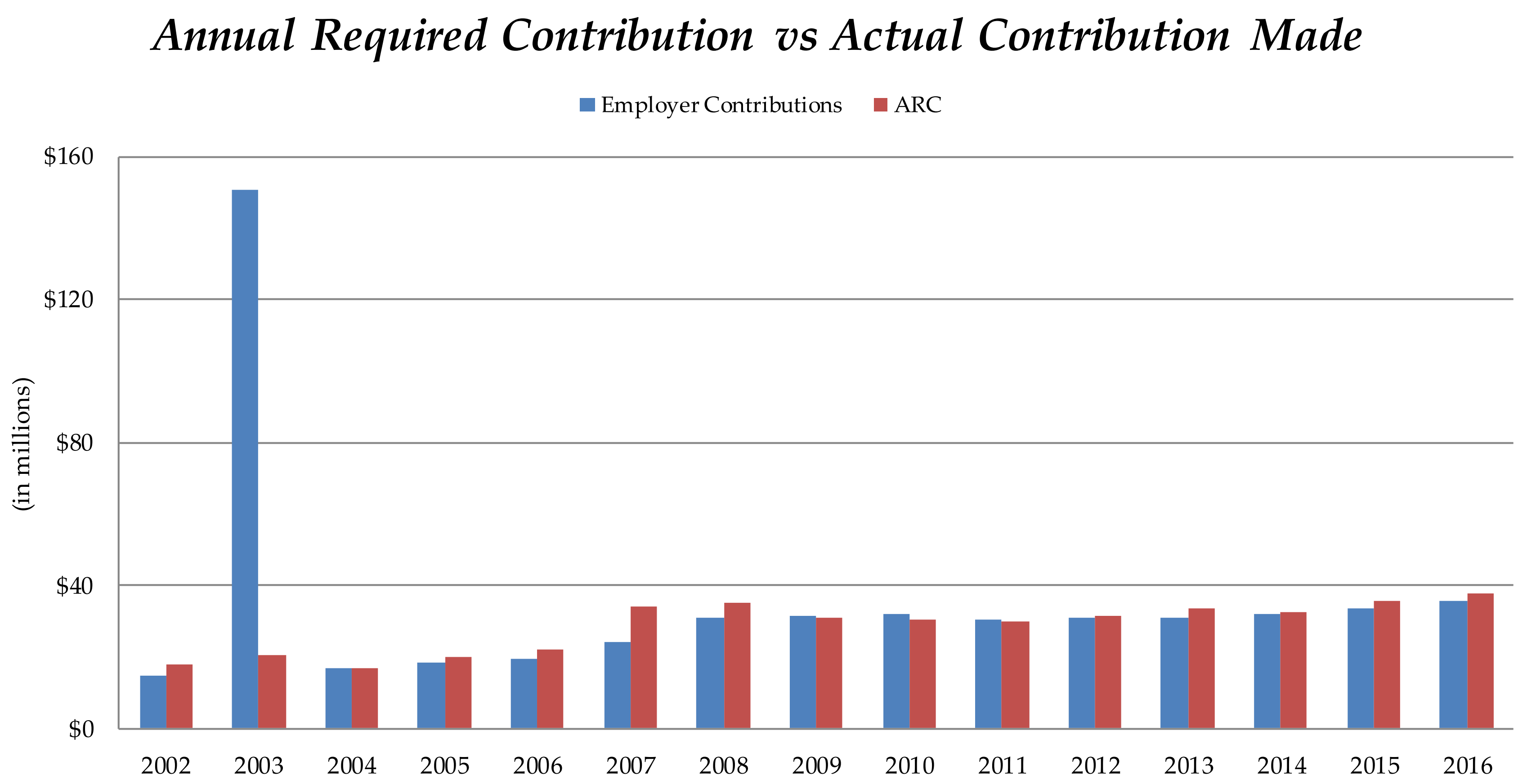
- Total actuarial experience losses to the plan for the year were $45.0 million
  - Demographic losses were approximately $0.1 million (0.00% of the accrued liability)
  - Asset losses were $44.9 million
- Demographic experience results:
  - Salary increases being less than assumed creates a gain (about $0.8 million)
  - New entrant loss occurs each year and is offset by a gain in contributions (not separately shown)
  - Loss on mortality due to retirees living longer than assumed (nearly $4.6 million)
  - Loss on retirement due to more than expected retirements ($7.9 million)
  - Gain on the cost-of-living adjustment less than assumed
  - Other decrements had smaller gains and losses

Attribution of Change in Required Contribution

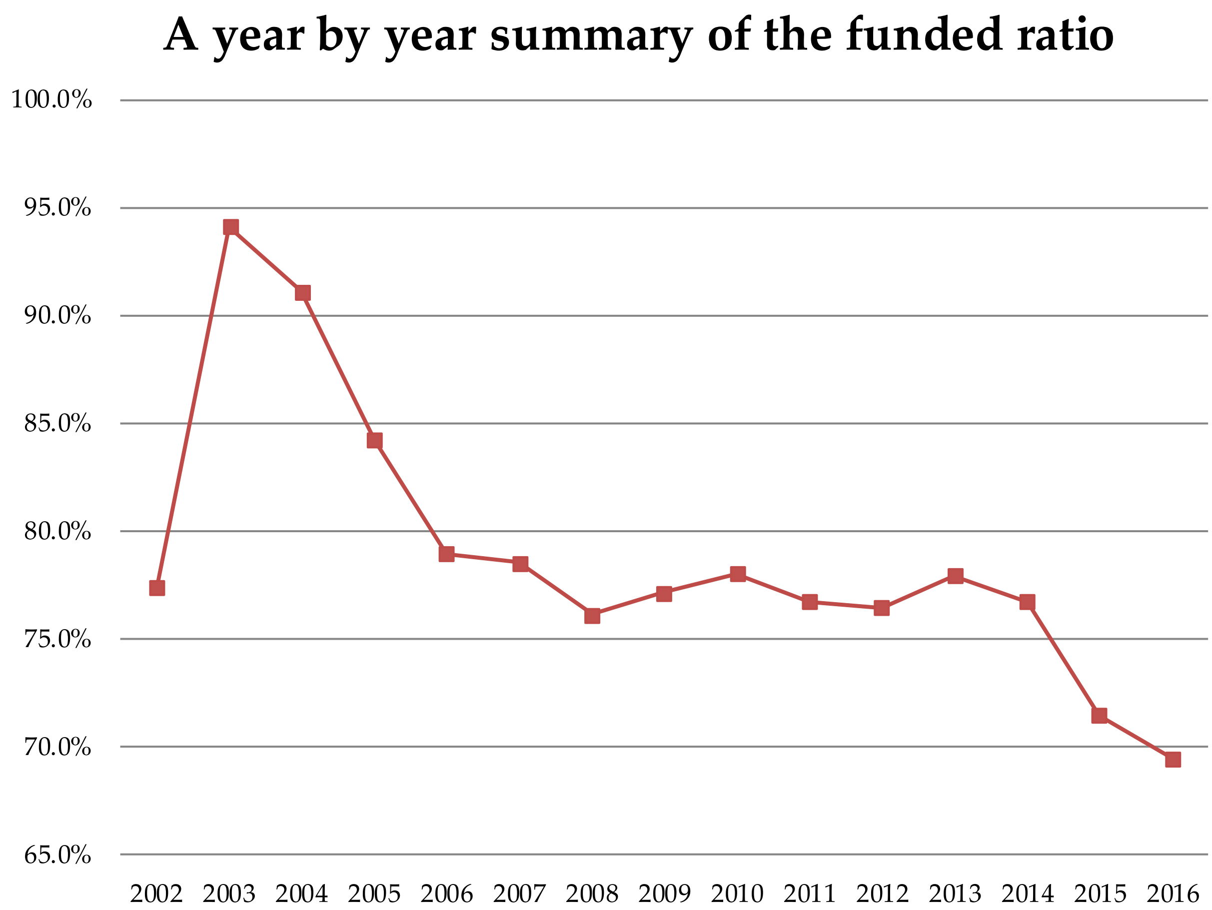
	Increase/ (Decrease)	Rate
Total Required Contribution at 1/1/2016		38.90%
Expected at 1/1/2017	0.34%	39.24%
Expected at 1/1/2017 (with actual payroll)	(0.19%)	39.05%
Experience items during 2016:		
Decrease in normal cost	(0.27%)	38.78%
Due to investment experience	1.55%	40.33%
Due to pay increases	(0.03%)	40.30%
Due to retirement experience	0.27%	40.57%
Due to mortality experience	0.16%	40.73%
Due to lower actual COLA	(0.29%)	40.44%
Due to other factors	(0.12%)	40.32%
Actual Rate at 1/1/2017		40.32%

GRS Retirement Consulting

How Has The Trust Done In Meeting Its Long Term Obligations?



How Well Are The Assets Of The Trust Covering The Accrued Liabilities?



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Change in Funded Ratio

	Increase/ (Decrease)	Ratio
Funded Ratio at 1/1/2016		71.40%
Funded Ratio expected at 1/1/2017	0.47%	71.87%
Change in Funded Ratio due to:		
Investment experience	(2.45%)	69.41%
Pay increases	0.03%	69.44%
Retirement experience	(0.30%)	69.14%
Mortality experience	(0.18%)	68.96%
Lower actual COLA	0.33%	69.29%
Other factors	0.11%	69.40%
Actual Funded Ratio at 1/1/2017		69.40%

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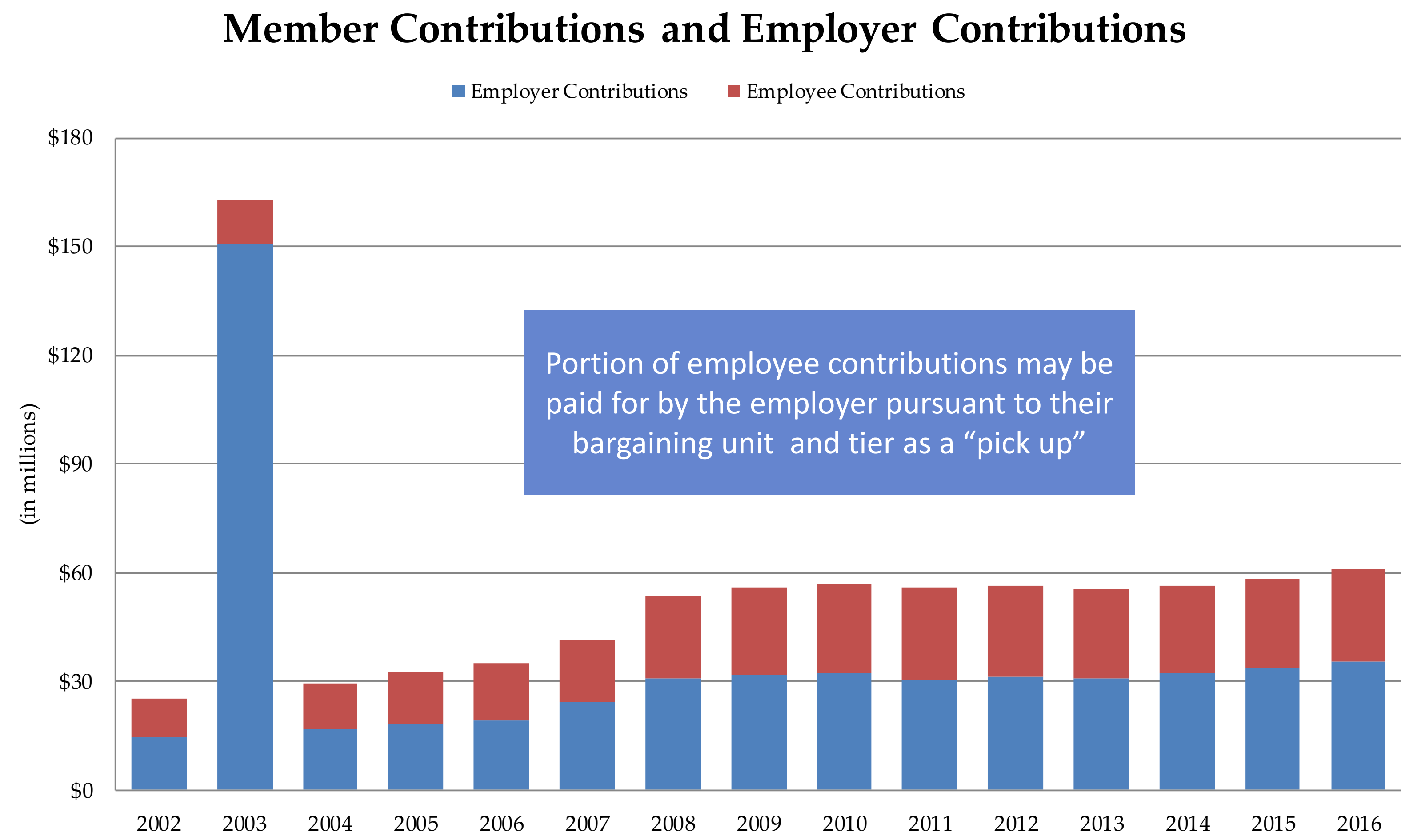
How Has The Cost Of The Plan Been Shared?



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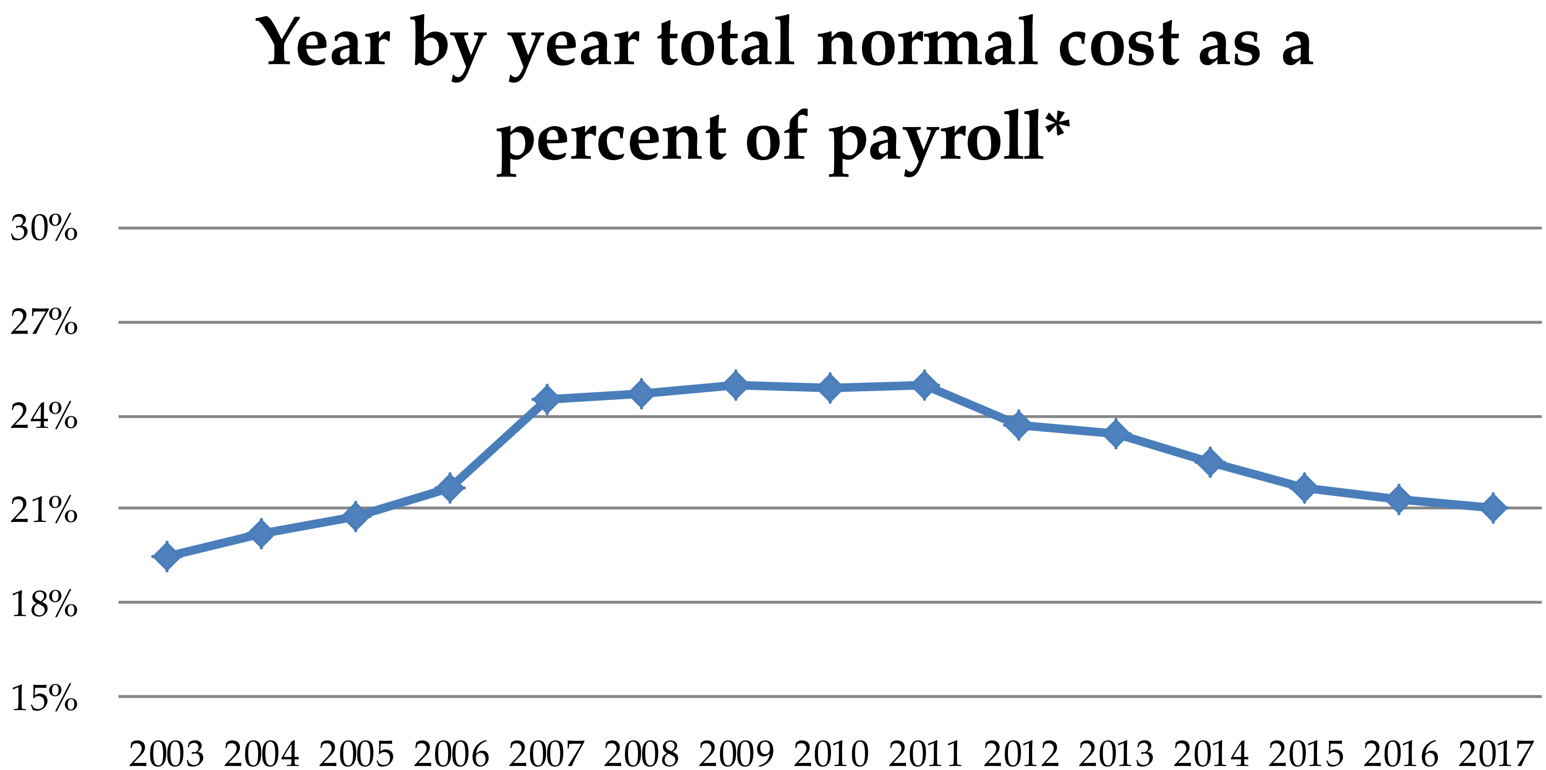
Has The Plan's Normal Cost Been Stabilized?



*Total blended normal cost of 21.35% as of January 1, 2016 including Tier 2 and Tier 3 members.

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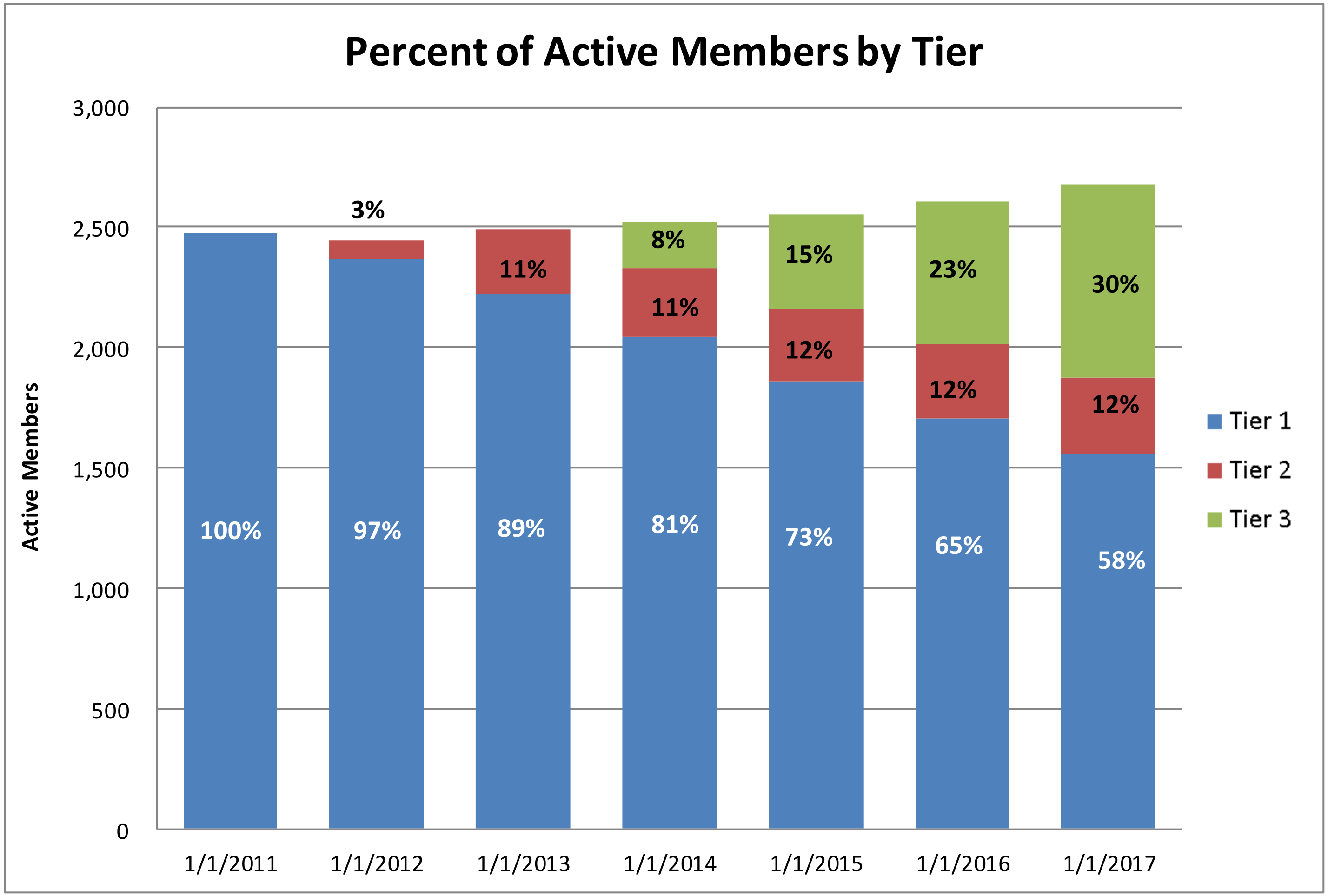
Active Members By Tier



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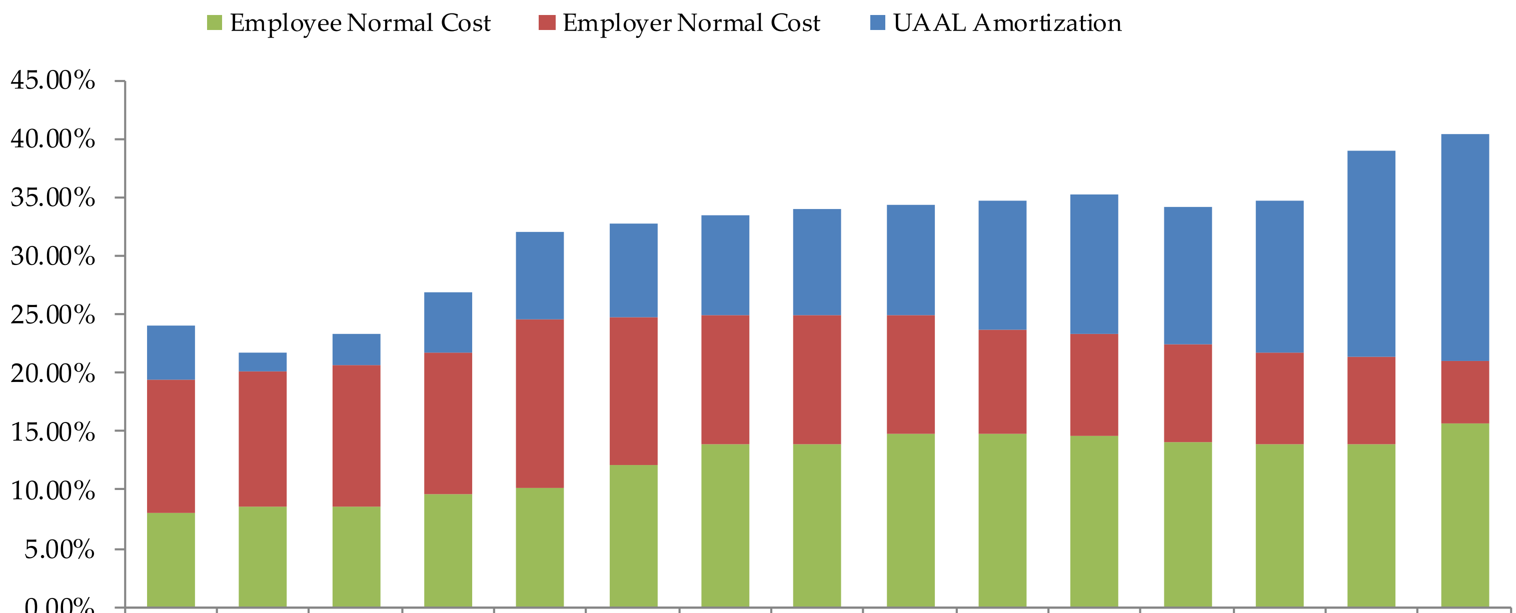
How Are County Costs Split Between Current Costs And Amortization Of Past Costs?

Normal Cost and UAAL Amortization



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
UAAL Amortization	4.57%	1.51%	2.58%	5.17%	7.62%	8.02%	8.55%	9.13%	9.34%	10.92%	11.80%	11.71%	13.13%	17.55%	19.24%
Employer Normal Cost	11.39%	11.64%	12.19%	12.04%	14.30%	12.57%	11.04%	11.01%	10.22%	8.92%	8.77%	8.40%	7.71%	7.47%	5.32%
Employee Normal Cost	8.10%	8.55%	8.55%	9.60%	10.20%	12.15%	13.91%	13.89%	14.71%	14.79%	14.61%	14.12%	13.93%	13.88%	15.76%

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Asset Volatility Ratio

- Measures impact of asset volatility on contribution rates
- Higher ratios mean more significant impact on rates from asset volatility

	2007	2012	2017
Market Value of Assets	$788,997	$906,350	$1,181,243
Covered Payroll	$152,117	$161,055	$185,020
Asset Volatility = Assets / Payroll	5.19	5.63	6.38
Increase in Required Contribution Resulting From a 10% Asset Loss	0.89%	0.97%	1.10%

Projections

- Results based on a closed 23 year amortization period
- Total contribution rate drops significantly once the UAL is fully paid off
- Results based on level percent of pay financing – means the UAL will increase in the short term based on smaller total contributions but then will decrease in the long term as total compensation and total contributions increase

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2017 Projection—With All Future Members In Tier 3

San Luis Obispo County Pension Trust

Projection Based on January 1, 2017 Actuarial Valuation with Tier 3 (AB 340)
7.125% Investment Rate of Return Assumption
3.375% Payroll Growth Assumption
(in millions)

Valuation as of January 1,	Input Market Return for Past Fiscal Year	Market Return for Past Fiscal Year	Total Contribution Rate	Compensation at Valuation	Total Contribution	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded AAL	Funded Ratio	Total Normal Cost Rate	Market Value of Assets (MVA)	Funded Ratio Using MVA	Percent Tier 3 Members
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
2017	7.125%	6.13%	40.37%	$ 185	$ 74.7	$ 1,829	$ 1,268	$ 560	69.4%	21.08%	$ 1,181	64.6%	29.8%
2018	7.125%	7.125%	41.15%	190	78.0	1,908	1,312	596	68.7%	20.53%	1,251	65.6%	36.1%
2019	7.125%	7.125%	42.07%	195	81.8	1,987	1,355	633	68.2%	20.07%	1,323	66.6%	41.3%
2020	7.125%	7.125%	42.84%	199	85.4	2,066	1,404	662	68.0%	19.64%	1,398	67.7%	46.2%
2021	7.125%	7.125%	42.91%	204	87.7	2,143	1,475	668	68.8%	19.24%	1,475	68.8%	51.1%
2022	7.125%	7.125%	42.87%	210	89.9	2,220	1,551	669	69.9%	18.88%	1,553	70.0%	55.3%
2023	7.125%	7.125%	42.83%	215	92.1	2,295	1,629	666	71.0%	18.53%	1,633	71.1%	59.4%
2024	7.125%	7.125%	42.79%	221	94.5	2,369	1,708	661	72.1%	18.24%	1,712	72.3%	63.1%
2025	7.125%	7.125%	42.74%	227	96.9	2,441	1,788	653	73.3%	17.97%	1,793	73.5%	66.5%
2026	7.125%	7.125%	42.71%	233	99.5	2,512	1,870	642	74.5%	17.73%	1,875	74.7%	69.6%
2027	7.125%	7.125%	42.68%	240	102.2	2,581	1,953	628	75.7%	17.51%	1,959	75.9%	72.5%
2032	7.125%	7.125%	42.82%	277	118.5	2,901	2,398	503	82.7%	16.71%	2,404	82.9%	83.8%
2037	7.125%	7.125%	43.48%	322	140.1	3,188	2,938	250	92.2%	16.24%	2,943	92.3%	91.1%
2042	7.125%	7.125%	16.24%	377	61.3	3,467	3,466	1	100.0%	15.98%	3,471	100.1%	95.8%
2047	7.125%	7.125%	16.16%	444	71.7	3,777	3,776	1	100.0%	15.88%	3,781	100.1%	98.4%

Projection assumes no actuarial gains and losses, other than from assets. Projection based on constant population.
Tier 3 changes include No DROP, 2% COLA, pensionable compensation is capped at $118,775 for 2017, 3 year Final Average Compensation for members hired on or after January 1, 2013.
All dollar amounts in millions.

GRS Retirement Consulting

Disclaimers

- This presentation is intended to be used in conjunction with the actuarial valuation report issued on June 26, 2017. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.

Gabriel Roeder Smith & Company
Consultants & Actuaries

SAN LUIS OBISPO COUNTY PENSION TRUST

ACTUARIAL VALUATION REPORT
FOR THE YEAR BEGINNING JANUARY 1, 2017

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DRAFT

June 19, 2017

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

Members of the Board:

Submitted in this report are the results of the regular Annual Actuarial Valuation as of January 1, 2017 of the San Luis Obispo County Pension Trust (SLOCPT). The valuation is intended to provide a measure of the funding status of the pension trust. This valuation provides information relative to the employer appropriation rates for the County's fiscal year beginning July 1, 2017.

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

The valuation results are developed using the Entry Age Cost Method. Under this method, normal cost is calculated as a constant percentage of the member's year-by-year projected, covered pay. The amortization of the unfunded actuarial accrued liabilities is done as a level percent of payroll over 23 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. A margin does not exist this year and no acceleration has been recognized.

In the January 1, 2017 valuation, the Trust's funded status decreased from 71.4% to 69.4%. The total annual required contribution is 40.32% as of January 1, 2017, compared to the total charged rates of 38.39%. Therefore, due to the difference between the charged rate and the Annual Required Contribution an increase in the charged rates is recommended at this time.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

All of our work conforms with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of state law and, where applicable, the Internal Revenue Code and ERISA. The undersigned are independent actuaries and consultants. Leslie Thompson is a Member of the American Academy of Actuaries, and meets all the Qualification Standards of the American Academy of Actuaries.

The cooperation of the Pension Trust Office in furnishing materials requested for this valuation is deeply acknowledged with appreciation.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

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Senior Analyst

SECTION A

VALUATION COMMENTS & RECOMMENDATIONS

VALUATION COMMENTS & RECOMMENDATIONS

COMMENT A: As of January 1, 2013, Tier 2 was effectively closed and most new hires enter under the provisions of Tier 3 (known as AB 340; some new members enter Tier 2 by virtue of reciprocity). As of January 1, 2017, there are 798 active members covered under Tier 3 compared to 592 active members covered as of the prior valuation. See Section F for additional details regarding the active membership in each tier.

COMMENT B: There have been no changes to the assumptions since the prior valuation.

COMMENT C: The total normal cost decreased from 21.35% to 21.08% reflecting the addition of lower cost Tier 3 members as Tier 1 members leave the plan. Employee contribution rates were increased since the prior valuation for most members in all Tiers. As a result, when combined with the expected decrease as Tier 3 members entered the plan, the weighted average employee rate increased from 13.88% to 15.76%. The net result is the County share of the normal cost decreased from 7.47% to 5.32%. Investment losses (as discussed below in item F) increased the required amortization payment but overall the computed County Employer actuarial appropriation rate for the Pension Trust decreased from 25.01% to 24.56% effective as of January 1, 2017. While the cost for the Tier 3 members is expected to bring down the total normal cost of the plan, the blended member contribution rate due to the additional Tier 3 members declined as well. The funded ratio under the Entry Age Normal funding method decreased from 71.4% to 69.4%.

COMMENT D: The charged rate in 2016 was 33.22%. Adding to that the 5.17% increase that was effective January 1, 2017 creates a total charged rate of 38.39%. The total annual required contribution is 40.32% as of January 1, 2017. Since the margin between the charged rate and the required rate has grown to 1.93%, an increase in the charged rate is recommended.

COMMENT E: As of the January 1, 2010 valuation, the total required contribution was based on smoothing the 2008 asset loss over a 10 year schedule. The funding policy of the Board is to accelerate the remaining deferred losses from the 2008 asset loss each valuation if a positive contribution margin develops between the actuarially determined rate and the charged rate. As of January 1, 2011 and again as of January 1, 2014, a margin had developed and an additional $10 million of the 2008 loss was accelerated and recognized in the 2011 and 2014 valuations. The return on the market value of assets was 6.13% for the past year, and the return on the actuarial value of assets was 3.49%. As noted above, a contribution shortfall exists and no acceleration of the loss has been recognized this year.

COMMENT F: The plan experienced a loss from investments and a small net loss from demographic sources. The key sources of the gains and losses were an actuarial loss of $44.9 million from investments (described as the return on the actuarial value of assets less than the assumed 7.125%). The actuarial asset return of 3.49% did not exceed the 7.125% benchmark for the prior year. The return on the market value of assets as calculated by the SLOCPT investment consultants was 6.13%.

VALUATION COMMENTS & RECOMMENDATIONS

- A $0.8 million gain due to compensation increases for continuing active members being less than the expected increase. A continuing active member is a member who was active as of the last valuation date, and is active as of this valuation date. The average increase for continuing active members was 4.51% while assumed increases range from 2.88% to 8.13%.

- A $7.9 million loss due to retirement. This loss reflects more retirements than anticipated.

- A $4.6 million loss on retiree mortality, meaning that retired participants in pay status lived longer than assumed.

COMMENT G: The Pension Trust adopted a closed amortization period of 30 years as of January 1, 2010. Payments on the unfunded accrued liability are amortized over 23 years as of the January 1, 2017 valuation.

COMMENT H: We recommend that the reserve for Retirees and Beneficiaries be updated to reflect the computed liability in the most recent valuation. With the Trust's current accounting (the County pays for all COLA benefits), this can only be done for non-COLA benefits. The COLA reserve includes amounts attributable to current active and deferred vested members. According to the financial statements as of December 31, 2016, the reserve for retirees and beneficiaries is $868,376,192. The non-COLA liabilities calculated were $872,236,789. Accordingly, we recommend that the Trust transfer this $3,860,597 difference out of the Current Reserve and back into the Retiree Reserve.

COMMENT I: Member rates change regularly as a result of collective bargaining negotiations. See Appendix A in Section L for a complete description of these rates for all bargaining units.

COMMENT J: Total pension costs also include the debt financing related to the 2003 pension obligation bond of $135 million. The annual debt financing payment for calendar year 2017 is approximately $10.1 million -- 5.46% of active member payroll. When this percent is added to the valuation computed appropriation rate of 24.56% the total rate of 30.02% more accurately reflects total County pension costs.

COMMENT K: There are approximately $88 million in deferred asset losses yet to be recognized. Absent returns in excess of the assumed 7.125%, upward pressure will continue to exist on the required contribution rate.

SECTION B

EXECUTIVE SUMMARY AND RATE RECONCILIATION

EXECUTIVE SUMMARY

Valuation Date:	January 1, 2017	January 1, 2016
	(1)	(2)
Membership		
• Number of		
- Active Members	2,675	2,609
- Retirees and Beneficiaries	2,618	2,517
- Inactive, Vested	460	450
- Total	5,753	5,576
• Total Payroll (000s)	$ 185,020	$ 177,004
• Average Pay	$ 69,166	$ 67,844
Assets		
• Market Value (000s)	$1,181,243	$1,135,803
• Actuarial Value (000s)	$1,268,405	$1,248,328
• Return on Market Value	6.13%	-1.44%
• Return on Actuarial Value	3.49%	3.01%
Actuarial Liabilities and Funded Ratio		
• Actuarial Accrued Liability (000s)		
- Active Members	$ 627,897	$ 628,331
- Retirees and Beneficiaries	1,134,943	1,059,302
- Inactive, Vested	64,503	61,709
- Total*	$1,827,342	$1,749,342
• Unfunded Actuarial Accrued Liability (UAAL) (000s)	$ 558,937	$ 501,014
• Funded Ratio	69.4%	71.4%
• UAAL based on Market Value	$ 646,099	$ 613,539
• Funded Ratio Based on Market Value	64.6%	64.9%
Annual Required Contribution		
• Total Normal Cost	21.08%	21.35%
• Member Contributions	15.76%	13.88%
• County Normal Cost	5.32%	7.47%
• Amortization Payment	19.24%	17.55%
• Total County Cost (ARC)	24.56%	25.01%
• Total Combined ARC	40.32%	38.90%

* Total may not add due to rounding.

RECONCILIATION OF CHARGED RATES AND TOTAL ARC

Valuation Date	January 1, 2017	January 1, 2016
Total Annual Required Contribution (ARC)	40.32%	38.90%
County Charged Rate	19.51%	19.08%
Member Charged Rate	13.71%	13.95%
Total Charged Rate	33.22%	33.03%
Increase to Charged Rate as of January 1, 2017*	5.17%	1.02%
Total Charged Rate as of January 1	38.39%	34.05%
Difference between the ARC and the Charged Rate	1.93%	4.85%
Recommended Rate Increase as of January 1	1.93%	4.85%

*The recommended rate increase as of January 1, 2016 was 4.85%. However, the rate increase was implemented on January 1, 2017 and therefore was increased to 5.17%.

SECTION C

FUNDING PROGRESS

FUNDING OBJECTIVE

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.

CONTRIBUTION RATES

The Pension Trust is supported by member contributions, County appropriations, and investment income from Pension Trust assets.

Contributions and appropriations which satisfy the funding objective are determined by the annual actuarial valuation and are intended to finance over a period of future years the actuarial present value of benefits not covered by valuation assets as a level percentage of future payroll. The allocation of the contributions and appropriations between the County and employees is determined by negotiations between the County and the recognized bargaining units.

Computed contributions and appropriations as of the January 1, 2017 valuation are shown in the following section.

FUNDING POLICY

The policy adopted by the Board is to recommend the full funding of the Total Annual Required Contribution. This includes a 30 year closed amortization of the unfunded accrued liability. In addition, the 2008 asset loss was originally amortized over 10 years, with the understanding that, as contribution margin develops (the contribution margin is the difference between the charged rate and the total annual required contribution) then the recognition of the remaining deferred losses from the 2008 asset loss will be accelerated. As of the January 1, 2011 valuation and again as of the January 1, 2014 valuations, an additional $10 million of the deferred losses was accelerated and recognized. The remaining losses will continue to be smoothed over the original 10 year period (2 years remaining as of January 1, 2017).

Schedule of Recognition of 2008 Asset Loss

	Original Schedule			Updated Schedule		
Plan Year	Remaining Loss at Beginning of Plan Year	Amount Recognized	Remaining Loss at End of Plan Year	Remaining Loss at Beginning of Plan Year	Amount Recognized	Remaining Loss at End of Plan Year
2009	$ 299,363,960	$ 29,936,396	$ 269,427,564	$ 299,363,960	$ 29,936,396	$ 269,427,564
2010	269,427,564	29,936,396	239,491,168	269,427,564	29,936,396	239,491,168
2011	239,491,168	29,936,396	209,554,772	239,491,168	39,936,396	199,554,772
2012	209,554,772	29,936,396	179,618,376	199,554,772	29,936,396	169,618,376
2013	179,618,376	29,936,396	149,681,980	169,618,376	29,936,396	139,681,980
2014	149,681,980	29,936,396	119,745,584	139,681,980	39,936,396	99,745,584
2015	119,745,584	29,936,396	89,809,188	99,745,584	29,936,396	69,809,188
2016	89,809,188	29,936,396	59,872,792	69,809,188	29,936,396	39,872,792
2017	59,872,792	29,936,396	29,936,396	39,872,792	29,936,396	9,936,396
2018	29,936,396	29,936,396	0	9,936,396	9,936,396	0

SECTION D

VALUATION RESULTS

ELEMENTS OF NORMAL COST

January 1, 2017

MISCELLANEOUS VALUATION GROUPS

	Other	Management				SLOCEA				
	BU #21-22	Non Court	Court BU #18	Court BU #24-27	Total Mgmt	Non Court	Court BU #19	Court BU #20	Total SLOCEA	TOTAL MISC.
Service Retirement	15.97%	18.04%	21.21%	22.25%	18.39%	15.63%	15.91%	15.00%	15.61%	16.48%
Vesting	1.67%	1.78%	1.13%	1.69%	1.76%	1.59%	1.98%	1.74%	1.60%	1.65%
Death-In-Service	0.15%	0.27%	0.10%	0.31%	0.26%	0.20%	0.07%	0.09%	0.19%	0.21%
Disability	0.28%	0.30%	0.27%	0.34%	0.30%	0.26%	0.29%	0.27%	0.26%	0.27%
Refunds	1.54%	1.58%	1.38%	0.99%	1.54%	1.54%	1.25%	1.26%	1.53%	1.53%
Total Normal Cost	19.61%	21.97%	24.09%	25.58%	22.25%	19.22%	19.50%	18.36%	19.19%	20.14%
					Less					
Employee Contribution Rate	14.75%	16.25%	14.08%	13.44%	16.02%	14.74%	11.10%	10.87%	14.55%	15.01%
					Equals					
County Normal Cost	4.86%	5.72%	10.01%	12.14%	6.23%	4.48%	8.40%	7.49%	4.64%	5.13%

ELEMENTS OF NORMAL COST
January 1, 2017

	Probation			Safety					
				Management		Non-Mgmt			
	Mgmt	Non Mgmt	Total Probation	Sworn	Non-Sworn	Sworn	Non-Sworn	Total Safety	GRAND TOTAL
Service Retirement	16.76%	15.98%	16.05%	27.38%	18.34%	20.80%	18.50%	19.94%	**16.93%**
Vesting	4.63%	3.67%	3.76%	1.39%	2.29%	2.18%	2.00%	2.07%	**1.80%**
Death-In-Service	0.29%	0.23%	0.24%	0.72%	0.28%	0.42%	0.30%	0.38%	**0.23%**
Disability	0.33%	0.29%	0.30%	2.96%	2.69%	2.89%	2.90%	2.89%	**0.63%**
Refunds	2.83%	2.32%	2.37%	0.96%	1.11%	1.09%	0.88%	0.99%	**1.49%**
Total Normal Cost	24.84%	22.49%	22.72%	33.41%	24.71%	27.38%	24.58%	26.27%	**21.08%**
Less									
Employee Contribution Rate	21.71%	18.24%	18.55%	23.61%	23.10%	20.96%	17.30%	19.42%	**15.76%**
Equals									
County Normal Cost	3.13%	4.25%	4.17%	9.80%	1.61%	6.42%	7.28%	6.85%	**5.32%**

PENSION COSTS SUMMARY - 2017
(EXPRESSED AS PERCENTS OF ACTIVE PAYROLL)

NORMAL COST (NC)	**Tier 1**	**Tier 2**	**Tier 3**	**2017 Combined**
MISCELLANEOUS				
Member Contributions *	17.75%	11.29%	9.96%	15.01%
Employer Paid Normal Cost	4.90%	6.40%	5.16%	5.13%
Total Normal Cost	22.65%	17.69%	15.12%	20.14%
Note: COLA portion of NC	5.07%	3.03%	2.50%	4.34%
PROBATION				
Member Contributions *	20.35%	NA	11.83%	18.55%
Employer Paid Normal Cost	3.35%	NA	7.23%	4.17%
Total Normal Cost	23.70%	NA	19.06%	22.72%
Note: COLA portion of NC	5.42%	NA	3.45%	5.10%
SAFETY				
Member Contributions *	21.44%	16.20%	14.64%	19.42%
Employer Paid Normal Cost	5.57%	10.01%	8.67%	6.85%
Total Normal Cost	27.01%	26.21%	23.31%	26.27%
Note: COLA portion of NC	6.77%	5.07%	4.25%	6.29%
TOTAL				
Member Contributions *	18.40%	12.25%	10.46%	15.76%
Employer Paid Normal Cost	4.92%	7.13%	5.58%	5.32%
Total Normal Cost	23.32%	19.38%	16.04%	21.08%
Note: COLA portion of NC	5.33%	3.44%	2.71%	4.64%

* Average

Note - Member Contributions may include a portion of Employer Paid for Employee Contribution for applicable bargaining units.

PENSION COSTS SUMMARY - 2017
(EXPRESSED AS PERCENTS OF ACTIVE PAYROLL)

UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) AMORTIZATION** & TOTAL ARC ***	2017 Combined	2016 Combined
MISCELLANEOUS		
Total Normal Cost	20.14%	20.48%
UAAL Amortization	18.19%	16.65%
Total ARC - Miscellaneous	38.33%	37.13%
UAAL attributable to Miscellaneous (000's)	$ 433,562	$ 389,241
PROBATION		
Total Normal Cost	22.72%	22.36%
UAAL Amortization	17.32%	16.20%
Total ARC - Probation	40.04%	38.56%
UAAL attributable to Probation (000's)	$ 22,519	$ 20,142
SAFETY		
Total Normal Cost	26.27%	26.04%
UAAL Amortization	26.30%	23.28%
Total ARC - Safety	52.56%	49.32%
UAAL attributable to Safety (000's)	$ 102,857	$ 91,631
TOTAL		
Total Normal Cost	21.08%	21.35%
UAAL Amortization	19.24%	17.55%
Total ARC - Combined	**40.32%**	**38.90%**
UAAL Total (000's)	$ 558,937	$ 501,015

** UAAL Amortization calculated on 30 year closed period with 23 years remaining as of 2017

*** Liabilities can be allocated to various Classes and Tiers of active members. Assets are not allocable to Tiers therefore allocation of the UAAL and its amortization as a component of pension cost by Tier is not possible.

UNFUNDED ACTUARIAL ACCRUED LIABILITY
DECEMBER 31, 2016

The actuarial gains or losses realized in the operation of the Pension Trust provide an experience test. Gains and losses are expected to cancel each other over a period of years (in the absence of double-digit inflation) and sizable year-to-year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below.

(1) UAAL at beginning of the year	$501,014,705
(2) County normal cost	13,480,737
(3) County contributions made during year	35,451,409
(4) Interest accrual [(1) + ((2) - (3))/2] * 7.125%	34,914,593
(5) Increase/(Decrease) in UAAL due to assumption changes	0
(6) Increase in UAAL due to provision changes	0
(7) Expected UAAL at end of year [(1) + (2) - (3) + (4) + (5) + (6)]	$513,958,626
(8) Actual UAAL at end of year	$558,937,413
(9) Experience Gain/(Loss): (7) - (8)	($44,978,787)
(10) Gain (loss) as percentage of actuarial accrued liabilities at beginning of year $1,749,342,265	-2.57%

Estimated Components of Experience Gain/(Loss)

Gain/(Loss) due to compensation increases	$800,872
Gain/(Loss) due to investment experience	(44,919,962)
Gain/(Loss) due to accelerated recognition of 2008 loss	0
Gain/(Loss) due to retirement incidence	(7,870,558)
Gain/(Loss) due to termination experience	98,721
Gain/(Loss) due to active mortality experience	(28,064)
Gain/(Loss) due to disability experience	263,610
Gain/(Loss) due to retiree & beneficiary mortality experience and miscellaneous retiree data changes	(4,620,912)
Gain/(Loss) due to new members	(2,867,347)
Gain/(Loss) due to COLAs	8,536,470
Gain/(Loss) due to other data changes and miscellaneous factors	5,628,383
Total Estimated Experience Gain/(Loss)	($44,978,787)

EXPERIENCE GAIN (LOSS) – COMPARATIVE SCHEDULE
JANUARY 1, 2017

Percentage of Accrued Liabilities

Valuation Date	Actuarial Gain (Loss)	Beginning of Prior Year Accrued Liabilities	Gain (Loss) Percentage Attributable to Investments	Gain (Loss) Percentage Not Attributable to Investments	Total Gain (Loss) Percentage
1/1/2002	($7,090,396)	$446,333,883	(0.30)%	(1.29)%	(1.59)%
1/1/2003	(31,319,034)	492,795,245	(2.79)%	(3.57)%	(6.36)%
1/1/2004	(19,544,002)	556,320,953	(1.45)%	(2.06)%	(3.51)%
1/1/2005	(10,820,472)	642,734,312	(1.15)%	(0.53)%	(1.68)%
1/1/2006	(36,097,371)	715,084,943	(1.34)%	(3.71)%	(5.05)%
1/1/2007	(12,682,702)	831,289,683	0.01 %	(1.54)%	(1.53)%
1/1/2008	(8,713,157)	962,827,691	0.50 %	(1.40)%	(0.90)%
1/1/2009	(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)%
1/1/2016	(58,036,495)	1,605,591,209	(3.22)%	(0.39)%	(3.61)%
1/1/2017	(44,978,787)	1,749,342,265	(2.57)%	(0.00)%	(2.57)%

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

ACTUARIAL BALANCE SHEET
JANUARY 1, 2017

Present Resources and Expected Future Resources

(thousands)

	Miscellaneous	Probation	Safety	Grand Total*
A. Actuarial value of system assets	$983,888	$51,103	$233,415	$1,268,405
B. Present value of expected future County appropriations				
1. Unfunded past service	433,562	22,519	102,857	558,937
2. Expected future service	48,904	2,855	13,784	65,545
3. Total future County	$482,466	$25,374	$116,641	$624,482
C. Present value of expected future member contributions	163,768	12,998	40,521	217,287
D. Total Present and Expected Future Resources	$1,630,122	$89,475	$390,577	$2,110,174

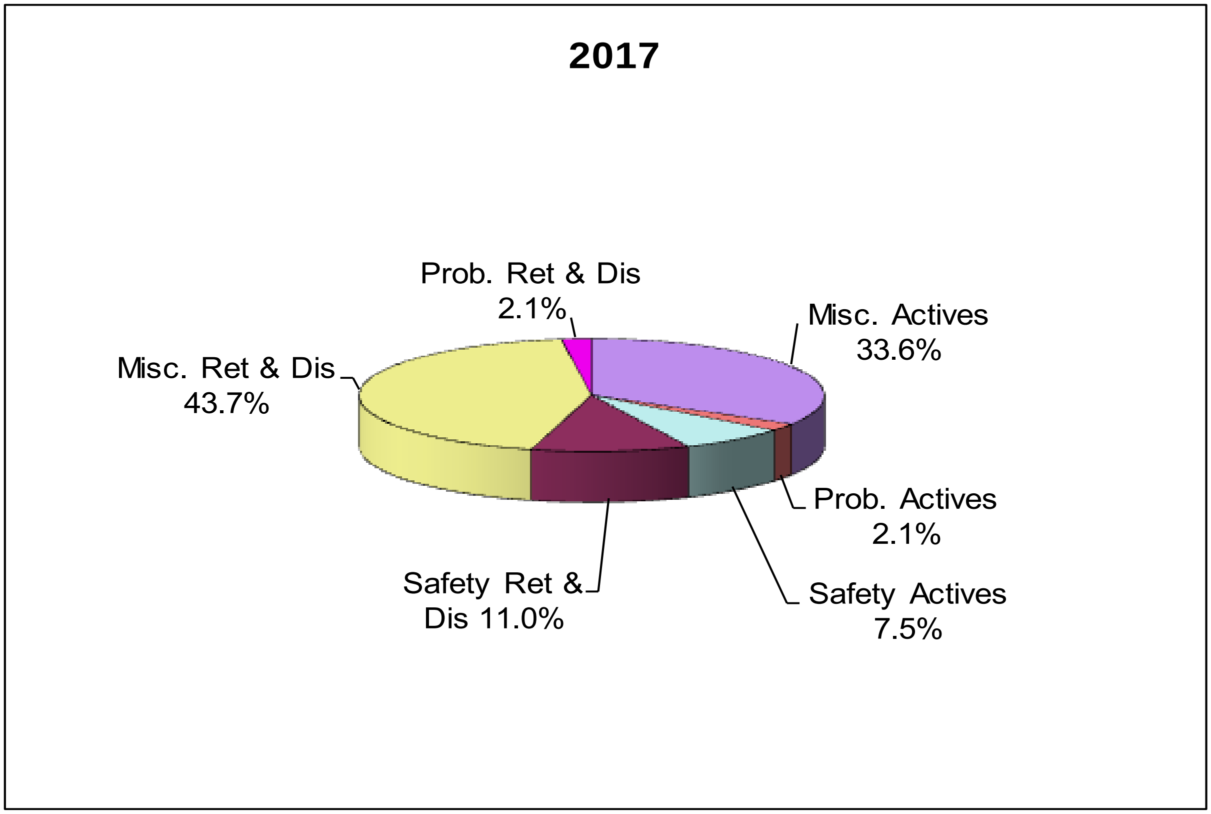
Present Value of Expected Future Benefit Payments and Reserve

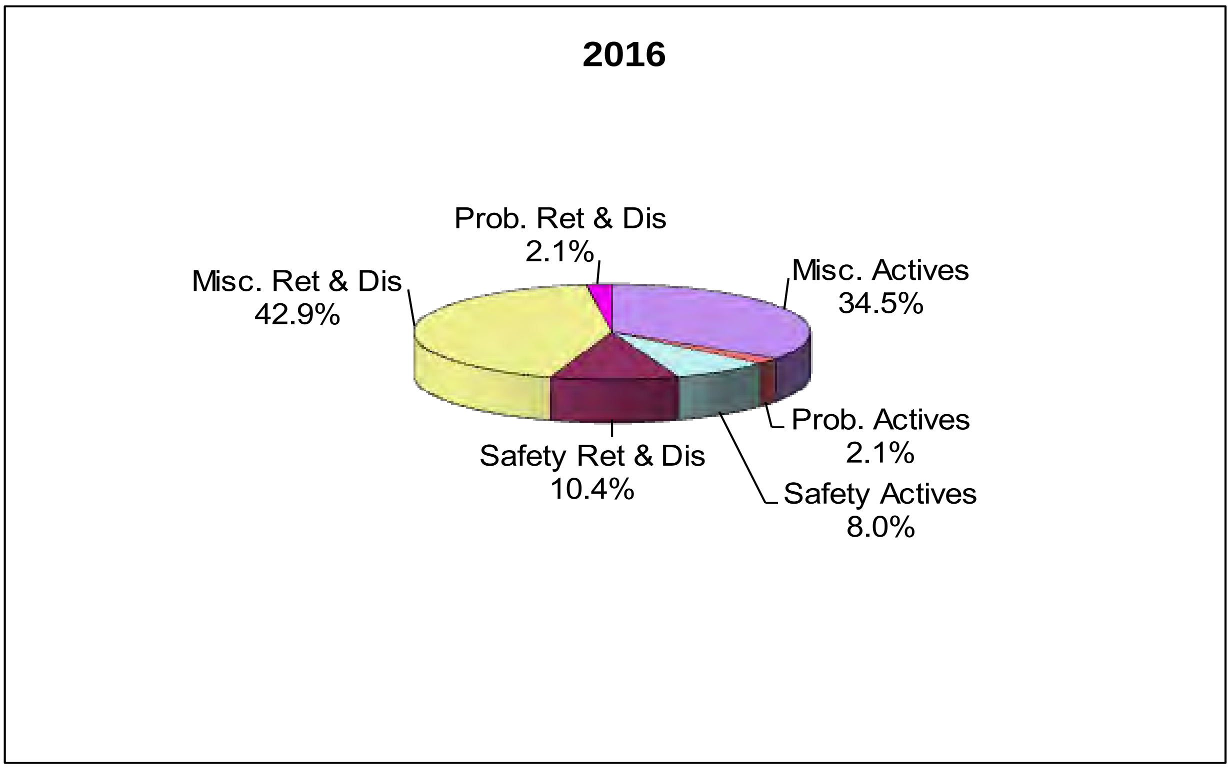
(thousands)

	Miscellaneous	Probation	Safety	Grand Total*
A. To Retirees and Beneficiaries	$864,764	$43,152	$227,027	$1,134,943
B. To Deferred and Reciprocal	57,177	1,885	5,441	64,503
C. Active members				
1. Service rendered prior to valuation date	495,508	28,585	103,804	627,897
2. Expected future service	212,673	15,853	54,305	282,831
D. Total Present Value of Expected Future Benefits	$1,630,122	$89,475	$390,577	$2,110,174

* Grand Total may not add due to rounding.

PRESENT VALUE OF BENEFIT ALLOCATION





FUNDING PROGRESS INDICATORS
HISTORIC COMPARISON

($ in Thousands)

Valuation Date	Valuation Assets[1]	Actuarial Liability[1]	Funded Ratio	Unfunded Actuarial Liability	Member Payroll	Ratio to Payroll
12/31/2001	$404,751	$492,795	92.1%	$88,044	$120,637	73.0%
12/31/2002	430,351	556,321	77.4%	125,970	131,997	95.4%
12/31/2003	604,808	619,257	97.7%	14,449	136,364	10.6%
12/31/2003 [5]	604,808	637,075	94.9%	32,267	136,364	23.7%
12/31/2003 [2,5]	604,808	642,734	94.1%	37,926	136,364	27.8%
12/31/2004 [2]	651,751	713,683	91.3%	61,932	135,189	45.8%
12/31/2004 [6]	651,751	715,085	91.1%	63,334	135,189	46.8%
12/31/2005	700,060	803,124	87.2%	103,064	143,902	71.6%
12/31/2005 [7]	700,060	818,864	85.5%	118,804	143,902	82.6%
12/31/2005 [2,7]	700,060	831,290	84.2%	131,230	143,902	91.2%
12/31/2006	759,758	912,458	83.3%	152,700	152,117	100.4%
12/31/2006 [2]	759,758	920,285	82.6%	160,527	152,117	105.5%
12/31/2006 [2,8]	759,758	994,861	76.4%	235,103	152,117	154.6%
12/31/2006 [9]	759,758	962,828	78.9%	501,015	152,117	329.4%
12/31/2007	829,764	1,055,868	78.6%	226,104	162,436	139.2%
12/31/2007 [10]	829,764	1,057,124	78.5%	227,360	162,436	140.0%
12/31/2008	875,602	1,150,214	76.1%	274,612	168,677	162.8%
12/31/2009	937,279	1,216,153	77.1%	278,874	160,444	173.8%
12/31/2010	1,000,169	1,282,058	78.0%	281,889	161,783	174.2%
12/31/2011	1,057,922	1,334,545	79.3%	276,623	161,055	171.8%
12/31/2011 [2,11]	1,057,922	1,378,549	76.7%	320,627	161,055	199.1%
12/31/2012 [11]	1,122,151	1,468,001	76.4%	345,850	164,299	210.5%
12/31/2013 [12]	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%
12/31/2015	1,248,328	1,686,497	74.0%	438,169	177,004	247.5%
12/31/2015 [13]	1,248,328	1,749,342	71.4%	501,014	177,004	283.1%
12/31/2016	1,268,405	1,827,342	69.4%	558,937	185,020	302.1%

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

12/31/2016	$3,961,371	12/31/2011	$7,462,567	12/31/2006	$12,181,467
12/31/2015	4,362,000	12/31/2010	8,558,571	12/31/2005	12,773,875
12/31/2014	5,295,316	12/31/2009	9,341,043	12/31/2004	13,601,745
12/31/2013	5,942,492	12/31/2008	10,397,974	12/31/2003	13,558,875
12/31/2012	6,606,149	12/31/2007	11,507,242	12/31/2002	13,510,256

[2] Reflects assumption changes.
[3] Reflects change to Entry Age Normal Funding.
[4] Reflects benefit increases for most Miscellaneous and Probation active members.
[5] Reflects benefit increases for all management employees, excluding Court management.
[6] Reflects benefit increases for Safety management; and Court employees in BU #19 and BU #24-#27.
[7] Reflects benefit increases for Safety non-management; Miscellaneous “Other” and SLOCEA Non-Court.
[8] Reflects benefit increases for Probation and Safety members.
[9] Reflects assumption change to 7.75%.
[10] Reflects benefit increases for Miscellaneous Court employees in BU #18 and BU #20.
[11] Reflects benefit provisions under Tier 2 for certain new members.
[12] Reflects benefit provisions under Tier 3 for new members, and assumption changes.
[13] Reflects assumptions changes

SECTION E

SUMMARY OF BENEFIT PROVISIONS

BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED EFFECTIVE JANUARY 1, 2017

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, 99

   Pick Up Percentage included in final average compensation:

Bargaining Unit	Pick Up
4,7,8,9,11,12,99	9.29%
10	13.55%
17	13.59%

   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, 2017 valuation have increased since the January 1, 2016 valuation for most 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, 2017

C. Retirement Age Factors

Safety					
Age	Tier 1[1]	Tier 1[2]	Tier 2[3]	Tier 2[4]	Tier 3
50	2.300%	3.000%	2.000%	2.300%	2.000%
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	2.300%	2.000%
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	1.426%	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, 2017

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 capped at $118,775 for 2017 and adjusted annually based on CPI.

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 (8) 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. Optional forms of payment are also available.
$1,000 payable in lump sum to the beneficiary or the estate of the retiree.

BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED EFFECTIVE JANUARY 1, 2017

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 Tier 1 member (excluding Court employees) 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.

SUMMARY OF REPORTED ASSET INFORMATION SUBMITTED FOR THE JANUARY 1, 2017 VALUATION

Market Value of Reported Assets as of January 1, 2017		Reserves as of January 1, 2017	
Cash/Short-term	$54,629,879	Member Deposit Reserve	$337,330,554
Receivables	29,334,960	Appropriation Reserves	73,312,954
Equities	509,006,404	Retired Members Reserve	868,376,192
Bonds	415,657,721	Cost-of Living	367,894,219
Mortgages	3,290,234	Contingency Reserves	(615,772,666)
Alternative Investments	70,945,818	Market Value Adjustments	150,101,605
Real Estate	174,948,247		
Other	1,054,225		
	$1,258,867,488		
Liabilities	(77,624,630)		
Total Market Value	$1,181,242,858	Total Reserves	$1,181,242,858

REVENUES AND DISBURSEMENTS

Total Reserves	
Beginning of Year	**$ 1,135,802,704**
Revenues	
Employer Contributions	$ 35,451,409
Employee Contributions	25,359,069
Interest	4,724,929
Dividends	9,579,900
Real Estate Income	1,002,457
Realized and Unrealized Gains and Losses	57,694,722
Investment Expenses	(4,052,702)
Total Revenues	**$ 129,759,784**
Disbursements	
Benefit Payments	$ 78,193,401
Refunds of Member Contributions	2,247,166
Death Benefits	242,738
Administration	3,636,325
Total Disbursements	**$ 84,319,630**
Net Increase	$ 45,440,154
Total Reserves - End of year	**$ 1,181,242,858**

San Luis Obispo County Pension Trust
Development of Funding Value of Assets - January 1, 2017

	Plan Year Ended December 31, 2012	Plan Year Ended December 31, 2013	Plan Year Ended December 31, 2014	Plan Year Ended December 31, 2015	Plan Year Ended December 31, 2016
A. Funding Value Beginning of Year	$1,057,921,875	$1,122,150,539	$1,182,923,978	$1,231,473,577	$1,248,327,560
B. Gross Market Value End of Year	1,013,436,059	1,135,718,617	1,173,336,063	1,135,802,704	1,181,242,858
C. Gross Market Value Beginning of Year	906,350,380	1,013,436,059	1,135,718,617	1,173,336,063	1,135,802,704
D. Non-Investment Cash Flow	(1,761,812)	(9,565,801)	(14,055,197)	(20,827,506)	(23,509,152)
E. Investment Income					
E1. Market Total =B-C-D	108,847,491	131,848,359	51,672,643	(16,705,853)	68,949,306
E2 Immediate Recognition	76,635,470	81,009,154	85,252,488	88,526,837	88,105,825
E3. Phased-in Recognition	$32,212,021	$50,839,205	($33,579,845)	($105,232,690)	($19,156,519)
F. Phased-in Recognition					
F1. Current Year=E3x20%*	6,442,404	10,167,841	(6,715,969)	(21,046,538)	(3,831,304)
F2. First Prior Year	(10,690,006)	6,442,404	10,167,841	(6,715,969)	(21,046,538)
F3. Second Prior Year	7,437,258	(10,690,006)	6,442,404	10,167,841	(6,715,969)
F4. Third Prior Year	15,245,328	7,437,258	(10,690,006)	6,442,404	10,167,841
F5. Fourth Prior Year	(29,936,396)	15,245,328	7,437,258	(10,690,006)	6,442,404
F6. Continued Recognition of 2008 Asset Loss	0	(29,936,396)	(29,936,396)	(29,936,396)	(29,936,396)
F7. Additional Recognition of 2008 Asset Loss	0	(10,000,000) *	0	0	0
F8. Total Recognized Gain/(Loss)	($11,501,412)	($11,333,571)	($23,294,868)	($51,778,664)	($44,919,962)
G. Preliminary Funding Value					
=A+D+E2+F8	$1,121,294,121	$1,182,260,321	$1,230,826,401	$1,247,394,244	$1,268,004,271
H. Excludable Assets					
H1. End of Year	6,606,149	5,942,492	5,295,316	4,362,000	3,961,371
H2. Beginning of Year	7,462,567	6,606,149	5,942,492	5,295,316	4,362,000
H3. Change=H1-H2	(856,418)	(663,657)	(647,176)	(933,316)	(400,629)
I. Final Funding Value=G-H3	$1,122,150,539	$1,182,923,978	$1,231,473,577	$1,248,327,560	$1,268,404,900
J. Investment Return=(E2+F8)/(A+D/2)	6.16%	6.24%	5.27%	3.01%	3.49%

*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.

Allocation of Valuation Assets
January 1, 2017 Valuation

	Miscellaneous	Probation	Safety	Grand Total
1) Valuation Assets as of December 31, 2015	$969,833,097	$50,186,414	$228,308,049	$1,248,327,560
2) Preliminary member contributions including pickups by group	$19,874,505	$1,298,582	$4,090,141	$25,263,228
3) Member contributions from financials, subgroups split in proportion to (2)	$19,949,903	$1,303,508	$4,105,658	$25,359,069
4) Preliminary employer contributions by group	$27,665,305	$1,261,939	$6,339,939	$35,267,183
5) Employer contributions from financials, subgroups split in proportion to (4)	$27,809,821	$1,268,531	$6,373,057	$35,451,409
6) Benefit Payments based on data - avg LY & TY	$61,162,691	$2,772,141	$13,740,817	$77,675,649
7) Benefit payments from financials, subgroups split in proportion to (6)	$63,530,954	$2,879,480	$14,272,871	$80,683,305
8) Subtotal = (1) + (3) + (5) - (7)	$954,061,867	$49,878,973	$224,513,893	$1,228,454,733
9) Valuation Assets as of December 31, 2016				$1,268,404,900
10) Residual to allocate among groups (9) - (8)				$39,950,167
11) Allocation of residual to equalize funded ratios	$29,825,791	$1,223,699	$8,900,678	$39,950,167
12) Valuation Assets Allocated by group: (8) + (11)	$983,887,658	$51,102,672	$233,414,571	$1,268,404,901

SECTION F

SUMMARY OF MEMBER DATA

RECONCILIATION OF MEMBERS FROM JANUARY 1, 2016 TO JANUARY 1, 2017

	Actives	Disability	Terminated Vested	Retiree	DROP	Beneficiary	Total
Counts as of January 1, 2016	2,609	135	450	2,120	64	198	**5,576**
Actives	**6**		(6)				0
Disability	(2)	**3**		(1)			0
Terminated Vested	(41)		**41**				0
Terminated Nonvested	(90)		6				(84)
Retiree	(84)		(29)	**131**	(18)		0
DROP	(26)				**26**		0
Beneficiary							0
Deceased	(1)	(1)		(47)		(12)	(61)
Refund			(8)				(8)
New Beneficiaries						18	18
New Actives	294						294
Return to Work	10						10
Missing							0
Not included last year			6	1	1		8
Counts as of January 1, 2017	**2,675**	**137**	**460**	**2,204**	**73**	**204**	**5,753**

SUMMARY OF ACTIVE MEMBERS INCLUDED IN THE JANUARY 1, 2017 ACTUARIAL VALUATION

			Averages		
	No.	Total Payroll	Annual Compensation	Age	Service
Miscellaneous Members					
1/1/2017	2,281	$151,823,503	$66,560	46.4	9.6
1/1/2016	2,225	$144,899,376	$65,123	47.0	9.9
Percent Increase	2.5%	4.8%	2.2%		
Probation Members					
1/1/2017	116	$8,282,830	$71,404	39.6	9.3
1/1/2016	110	$7,705,651	$70,051	39.3	9.5
Percent Increase	5.5%	7.5%	1.9%		
Safety Members					
1/1/2017	278	$24,913,415	$89,617	41.1	11.2
1/1/2016	274	$24,398,860	$89,047	41.4	11.9
Percent Increase	1.5%	2.1%	0.6%		
All Active Members					
1/1/2017	2,675	$185,019,748	$69,166	45.5	9.7
1/1/2016	2,609	$177,003,887	$67,844	46.1	10.1
Percent Increase	2.5%	4.5%	1.9%		

For affected Management employees, pick-ups are not included as valuation compensation in these figures, even though such pick-ups are used to determine their benefits.

Payroll represents the total valuation pay of all covered members. Payroll changes year by year based on new hires, departures, and pay for continuing actives. The assumption for payroll growth is used in amortizing the UAL.

Salaries represent the pay earned by an individual member in the system. The salary growth assumption is an assumption for an individual member's increase in salary.

Pensionable compensation is capped at $118,775 for 2017 for Tier 3 members.

SUMMARY OF ACTIVE MEMBERS BY VALUATION GROUP IN THE JANUARY 1, 2017 ACTUARIAL VALUATION

	Counts				Total Payroll (000s*)			
	Tier 1	Tier 2	Tier 3	Total	Tier 1	Tier 2	Tier 3	Total
Miscellaneous Members								
1/1/2017	1,303	264	714	2,281	$ 95,822	$18,375	$37,627	$151,824
1/1/2016	1,429	261	535	2,225	$101,399	$16,913	$26,587	$144,899
Percent Increase				2.5%				4.8%
Probation Members								
1/1/2017	84	0	32	116	$ 6,563	$ -	$ 1,720	$ 8,283
1/1/2016	87	0	23	110	$ 6,519	$ -	$ 1,187	$ 7,706
Percent Increase				5.5%				7.5%
Safety Members								
1/1/2017	175	51	52	278	$ 16,542	$ 4,474	$ 3,897	$ 24,913
1/1/2016	192	48	34	274	$ 17,867	$ 4,033	$ 2,498	$ 24,399
Percent Increase				1.5%				2.1%
All Active Members								
1/1/2017	1,562	315	798	2,675	$118,926	$22,850	$43,244	$185,020
1/1/2016	1,708	309	592	2,609	$125,785	$20,947	$30,272	$177,004
Percent Increase				2.5%				4.5%

* Total may not add due to rounding.

SUMMARY OF ACTIVE MEMBERS BY VALUATION GROUP IN THE JANUARY 1, 2017 ACTUARIAL VALUATION

			Averages		
	No.	Total Payroll	Annual Compensation	Age	Service
Miscellaneous Members					
1 Other - Units # 14, 21, 22					
1/1/2017	26	$1,926,600	$74,100	44.4	8.4
1/1/2016	27	$2,012,462	$74,536	44.2	9.1
2 Management Non-Court - Units # 4, 7, 8, 9, 10, 11, 12, 17, 99					
1/1/2017	443	$43,082,356	$97,251	48.6	11.8
1/1/2016	424	$39,900,851	$94,106	48.8	12.1
3 Management Court - Unit # 18					
1/1/2017	11	$972,442	$88,404	50.8	9.6
1/1/2016	11	$903,094	$82,099	49.4	9.6
4 Management Court - Units # 24, 25, 26, 27					
1/1/2017	28	$3,227,890	$115,282	53.5	15.3
1/1/2016	28	$2,922,670	$104,381	53.6	14.6
5 SLOCEA Non-Court - Units # 1, 2, 5, 13, 31, 98					
1/1/2017	1,685	$97,631,035	$57,941	45.7	8.8
1/1/2016	1,648	$94,593,387	$57,399	46.4	9.2
6 SLOCEA Court - Unit # 19					
1/1/2017	11	$779,750	$70,886	50.5	17.0
1/1/2016	10	$665,288	$66,529	52.3	18.1
7 SLOCEA Court - Unit # 20					
1/1/2017	77	$4,203,430	$54,590	45.9	10.6
1/1/2016	77	$3,901,622	$50,670	46.1	10.4

SUMMARY OF ACTIVE MEMBERS BY VALUATION GROUP IN THE JANUARY 1, 2017 ACTUARIAL VALUATION

	No.	Total Payroll	Averages: Annual Compensation	Averages: Age	Averages: Service
Probation Members					
8 Probation Management - Units # 8, 9					
1/1/2017	6	$752,752	$125,459	50.8	21.5
1/1/2016	6	$718,848	$119,808	50.1	21.3
9 Probation Non-Management - Units # 31, 32					
1/1/2017	110	$7,530,078	$68,455	39.0	8.6
1/1/2016	104	$6,986,803	$67,181	38.7	8.8
Safety Members					
10 Safety Management - Units # 7, 10, 15, 16					
1/1/2017	9	$1,311,676	$145,742	51.7	16.7
1/1/2016	11	$1,569,446	$142,677	51.3	18.6
11 Safety Non-Management - Units # 3, 6, 14, 27, 28					
1/1/2017	269	$23,601,739	$87,739	40.7	11.0
1/1/2016	263	$22,829,414	$86,804	41.0	11.6

SUMMARY OF DEFERRED AND RECIPROCAL MEMBERS INCLUDED IN THE JANUARY 1, 2017 ACTUARIAL VALUATION

			Averages			
	No.	Member Contributions	Contribution Balance	Attained Age	Age at Termination	Service
Miscellaneous						
Reciprocals	191	$11,017,376	$57,683	49.5	39.8	4.6
Deferred	212	19,124,599	90,210	51.3	40.7	9.1
Total	403	$30,141,975	$74,794	50.4	40.3	7.0
Probation						
Reciprocals	7	$289,613	$41,373	44.3	34.5	4.0
Deferred	9	852,322	94,702	42.8	36.2	8.5
Total	16	$1,141,935	$71,371	43.5	35.5	6.5
Safety						
Reciprocals	15	$1,117,178	$74,479	43.8	32.7	4.6
Deferred	26	2,817,510	108,366	44.8	36.9	7.6
Total	41	$3,934,688	$95,968	44.5	35.4	6.5
Total						
Reciprocals						
1/1/2017	213	$12,424,167	$58,329	49.0	39.1	4.6
1/1/2016	204	$11,182,005	$54,814	49.5	39.1	4.8
Percent Change	4.4%	11.1%	6.4%			
Deferred						
1/1/2017	247	$22,794,431	$92,285	50.3	40.2	8.9
1/1/2016	246	$21,074,891	$85,670	49.8	39.9	8.8
Percent Change	0.4%	8.2%	7.7%			
Grand Total 1/1/2017	460	$35,218,598	$76,562	49.7	39.7	6.9
Grand Total 1/1/2016	450	$32,256,896	$71,682	49.7	39.5	7.0
Percent Change	2.2%	9.2%	6.8%			

SUMMARY OF RETIRED MEMBERS AND BENEFICIARIES INCLUDED IN THE JANUARY 1, 2017 ACTUARIAL VALUATION

MISCELLANEOUS

			Averages			New Retirees Only		
	No.	Annual Allowance	Annual Allowance	Attained Age	Age at Retirement*	No.	Average Annual Allowance	Average Age at Retirement
Retired Members								
1/1/2017	2,085	$59,728,572	$28,647	69.2	59.1	120	$34,242	61.2
1/1/2016	2,007	$55,932,214	$27,869	68.9	59.0	140	$34,140	61.2
Percent Change	3.9%	6.8%	2.8%				0.3%	
Beneficiaries								
1/1/2017	175	$3,502,258	$20,013	75.7	N/A	N/A	N/A	N/A
1/1/2016	171	$3,162,337	$18,493	75.7	N/A	N/A	N/A	N/A
Percent Change	2.3%	10.7%	8.2%					
Total 1/1/2017	2,260	$63,230,830	$27,978	69.7	59.1	120	$34,242	61.2
Total 1/1/2016	2,178	$59,094,551	$27,132	69.4	59.0	140	$34,140	61.2
Percent Change	3.8%	7.0%	3.1%				0.3%	

* For retired and disabled members only; does not include beneficiaries.

SUMMARY OF RETIRED MEMBERS AND BENEFICIARIES INCLUDED IN THE JANUARY 1, 2017 ACTUARIAL VALUATION

PROBATION

			Averages			New Retirees Only		
	No.	Annual Allowance	Annual Allowance	Attained Age	Age at Retirement*	No.	Average Annual Allowance	Average Age at Retirement
Retired Members								
1/1/2017	66	$2,668,177	$40,427	63.9	56.0	2	$54,148	51.5
1/1/2016	65	$2,595,554	$39,932	63.3	56.1	5	$57,500	53.7
Percent Change	1.5%	2.8%	1.2%				-5.8%	
Beneficiaries								
1/1/2017	5	$163,029	$32,606	73.2	N/A	N/A	N/A	N/A
1/1/2016	4	$117,522	$29,381	72.8	N/A	N/A	N/A	N/A
Percent Change	25.0%	38.7%	11.0%					
Total 1/1/2017	71	$2,831,206	$39,876	64.6	56.0	2	$54,148	51.5
Total 1/1/2016	69	$2,713,076	$39,320	63.9	56.1	5	$57,500	53.7
Percent Change	2.9%	4.4%	1.4%				-5.8%	

* For retired and disabled members only; does not include beneficiaries.

SUMMARY OF RETIRED MEMBERS AND BENEFICIARIES INCLUDED IN THE JANUARY 1, 2017 ACTUARIAL VALUATION

SAFETY

			Averages			New Retirees Only		
	No.	Annual Allowance	Annual Allowance	Attained Age	Age at Retirement*	No.	Average Annual Allowance	Average Age at Retirement
Retired Members								
1/1/2017	263	$13,731,944	$52,213	63.4	52.6	22	$57,299	53.8
1/1/2016	247	$12,422,986	$50,295	63.5	52.5	11	$46,141	49.0
Percent Change	6.5%	10.5%	3.8%				24.2%	
Beneficiaries								
1/1/2017	24	$692,931	$28,872	73.4	N/A	N/A	N/A	N/A
1/1/2016	23	$633,773	$27,555	72.6	N/A	N/A	N/A	N/A
Percent Change	4.3%	9.3%	4.8%					
Total 1/1/2017	287	$14,424,875	$50,261	64.2	52.6	22	$57,299	53.8
Total 1/1/2016	270	$13,056,759	$48,358	64.3	52.5	11	$46,141	49.0
Percent Change	6.3%	10.5%	3.9%				24.2%	

* For retired and disabled members only; does not include beneficiaries.

SUMMARY OF RETIRED MEMBERS AND BENEFICIARIES INCLUDED IN THE JANUARY 1, 2017 ACTUARIAL VALUATION

TOTAL

			Averages			New Retirees Only		
	No.	Annual Allowance	Annual Allowance	Attained Age	Age at Retirement*	No.	Average Annual Allowance	Average Age at Retirement
Retired Members								
1/1/2017	2,414	$76,128,693	$31,536	68.4	58.3	144	$38,041	59.9
1/1/2016	2,319	$70,950,754	$30,595	68.2	58.2	156	$35,735	60.1
Percent Change	4.1%	7.3%	3.1%				6.5%	
Beneficiaries								
1/1/2017	204	$4,358,218	$21,364	75.4	N/A	N/A	N/A	N/A
1/1/2016	198	$3,913,632	$19,766	75.3	N/A	N/A	N/A	N/A
Percent Change	3.0%	11.4%	8.1%					
Total 1/1/2017	2,618	$80,486,911	$30,744	68.9	58.3	144	$38,041	59.9
Total 1/1/2016	2,517	$74,864,386	$29,743	68.8	58.2	156	$35,735	60.1
Percent Change	4.0%	7.5%	3.4%				6.5%	

* For retired and disabled members only; does not include beneficiaries.

SECTION G

ACTIVE DATA TABLES

ACTIVE MEMBERS JANUARY 1, 2017
BY ATTAINED AGES AND YEARS OF SERVICE

MISCELLANEOUS MEMBERS

Age	Years of Accrued Service								Compensation
Group	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Totals
20-24	36	0	0	0	0	0	0	36	$1,497,371
25-29	158	11	1	0	0	0	0	170	8,171,654
30-34	194	54	21	1	0	0	0	270	15,345,470
35-39	151	81	49	15	0	0	0	296	19,052,738
40-44	100	50	52	41	4	0	0	247	17,109,941
45-49	70	51	64	75	15	9	0	284	20,175,430
50-54	64	45	69	78	33	31	13	333	24,047,773
55-59	60	48	76	63	40	38	27	352	25,478,000
60-64	34	35	48	47	24	30	9	227	16,148,253
65-69	6	9	12	13	6	5	1	52	3,961,734
70-74	2	4	3	3	0	0	1	13	758,032
75+	0	1	0	0	0	0	0	1	77,106
Totals	875	389	395	336	122	113	51	2,281	$151,823,503

While not used in the financial computations, the following averages are computed and shown for their general interest.

Averages	
Age:	46.4
Service:	9.6
Compensation:	$66,560

ACTIVE MEMBERS JANUARY 1, 2017
BY ATTAINED AGES AND YEARS OF SERVICE

PROBATION MEMBERS

Age	Years of Accrued Service								Compensation
Group	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Totals
20-24	4	0	0	0	0	0	0	4	$191,526
25-29	15	1	0	0	0	0	0	16	901,347
30-34	9	10	3	0	0	0	0	22	1,458,829
35-39	7	6	10	0	0	0	0	23	1,659,840
40-44	3	1	4	4	1	0	0	13	1,009,674
45-49	4	5	3	4	5	0	0	21	1,601,808
50-54	0	0	0	6	3	2	0	11	963,664
55-59	1	0	0	1	0	2	0	4	342,222
60-64	0	0	1	1	0	0	0	2	153,920
65-69	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0
Totals	43	23	21	16	9	4	0	116	$8,282,830

While not used in the financial computations, the following averages are computed and shown for their general interest.

Averages

Age:	39.6
Service:	9.3
Compensation:	$71,404

ACTIVE MEMBERS JANUARY 1, 2017
BY ATTAINED AGES AND YEARS OF SERVICE

SAFETY MEMBERS

Age	Years of Accrued Service								Compensation
Group	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Totals
20-24	8	0	0	0	0	0	0	8	$556,712
25-29	23	6	0	0	0	0	0	29	2,271,610
30-34	24	15	6	0	0	0	0	45	3,783,041
35-39	12	14	14	8	0	0	0	48	4,252,081
40-44	9	5	15	11	6	0	0	46	4,176,432
45-49	3	6	4	11	19	9	0	52	4,975,464
50-54	3	3	3	4	13	9	0	35	3,488,930
55-59	3	1	0	4	2	2	0	12	1,109,306
60-64	0	0	1	0	1	0	0	2	181,064
65-69	1	0	0	0	0	0	0	1	118,775
70-74	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0
Totals	86	50	43	38	41	20	0	278	$24,913,415

While not used in the financial computations, the following averages are computed and shown for their general interest.

Averages
Age: 41.1
Service: 11.2
Compensation: $89,617

ACTIVE MEMBERS JANUARY 1, 2017
BY ATTAINED AGES AND YEARS OF SERVICE

TOTAL MEMBERS

Age Group	Years of Accrued Service 0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Compensation Totals
20-24	48	0	0	0	0	0	0	48	$2,245,609
25-29	196	18	1	0	0	0	0	215	11,344,611
30-34	227	79	30	1	0	0	0	337	20,587,340
35-39	170	101	73	23	0	0	0	367	24,964,659
40-44	112	56	71	56	11	0	0	306	22,296,047
45-49	77	62	71	90	39	18	0	357	26,752,702
50-54	67	48	72	88	49	42	13	379	28,500,367
55-59	64	49	76	68	42	42	27	368	26,929,528
60-64	34	35	50	48	25	30	9	231	16,483,237
65-69	7	9	12	13	6	5	1	53	4,080,509
70-74	2	4	3	3	0	0	1	13	758,032
75+	0	1	0	0	0	0	0	1	77,106
Totals	1,004	462	459	390	172	137	51	2,675	$185,019,748

While not used in the financial computations, the following averages are computed and shown for their general interest.

Averages

Age: 45.5

Service: 9.7

Compensation: $69,166

AVERAGE PAY BY YEARS OF SERVICE

MISCELLANEOUS MEMBERS

Service	Active Member Count			Active Member Pays	
Years	Males	Females	Total	Total	Average
0	40	103	143	$7,505,729	$52,488
1	82	169	251	13,595,109	54,164
2	66	141	207	11,997,676	57,960
3	44	130	174	9,997,770	57,458
4	16	84	100	6,284,602	62,846
5	35	55	90	5,925,816	65,842
6	17	56	73	4,878,806	66,833
7	13	30	43	3,051,716	70,970
8	28	59	87	6,386,401	73,407
9	27	69	96	6,745,263	70,263
10	27	85	112	7,602,057	67,876
11	41	68	109	7,575,776	69,503
12	23	39	62	4,460,071	71,937
13	25	38	63	4,652,939	73,856
14	18	31	49	3,730,386	76,130
15 & Up	230	392	622	47,433,386	76,259
Totals	732	1,549	2,281	$151,823,503	$66,560

AVERAGE PAY BY YEARS OF SERVICE

PROBATION MEMBERS

Service	Active Member Count			Active Member Pays	
Years	Males	Females	Total	Total	Average
0	6	7	13	$645,112	$49,624
1	3	3	6	325,686	54,281
2	6	4	10	566,925	56,693
3	2	4	6	375,003	62,501
4	3	5	8	536,661	67,083
5	2	4	6	436,862	72,810
6	2	0	2	139,173	69,587
7	1	2	3	213,762	71,254
8	2	2	4	277,659	69,415
9	5	3	8	566,051	70,756
10	3	1	4	280,904	70,226
11	3	1	4	302,099	75,525
12	3	1	4	303,597	75,899
13	0	2	2	167,856	83,928
14	4	3	7	601,827	85,975
15 & Up	16	13	29	2,543,653	87,712
Totals	61	55	116	$8,282,830	$71,404

AVERAGE PAY BY YEARS OF SERVICE

SAFETY MEMBERS

Service	Active Member Count			Active Member Pays	
Years	Males	Females	Total	Total	Average
0	14	0	14	$1,080,643	$77,189
1	11	5	16	1,123,429	70,214
2	19	2	21	1,683,954	80,188
3	17	3	20	1,683,822	84,191
4	11	4	15	1,309,714	87,314
5	13	5	18	1,622,525	90,140
6	2	0	2	295,235	147,618
7	2	1	3	248,851	82,950
8	6	0	6	509,558	84,926
9	19	2	21	1,930,947	91,950
10	12	1	13	1,136,928	87,456
11	5	3	8	756,163	94,520
12	8	0	8	710,362	88,795
13	6	0	6	538,949	89,825
14	8	0	8	744,307	93,038
15 & Up	85	14	99	9,538,028	96,344
Totals	238	40	278	$24,913,415	$89,617

AVERAGE PAY BY YEARS OF SERVICE

TOTAL MEMBERS

Service	Active Member Count			Active Member Pays	
Years	Males	Females	Total	Total	Average
0	60	110	170	$9,231,484	$54,303
1	96	177	273	15,044,224	55,107
2	91	147	238	14,248,555	59,868
3	63	137	200	12,056,595	60,283
4	30	93	123	8,130,977	66,106
5	50	64	114	7,985,203	70,046
6	21	56	77	5,313,214	69,003
7	16	33	49	3,514,328	71,721
8	36	61	97	7,173,618	73,955
9	51	74	125	9,242,262	73,938
10	42	87	129	9,019,889	69,922
11	49	72	121	8,634,038	71,356
12	34	40	74	5,474,030	73,973
13	31	40	71	5,359,744	75,489
14	30	34	64	5,076,521	79,321
15 & Up	331	419	750	59,515,066	79,353
Totals	1,031	1,644	2,675	$185,019,748	$69,166

SECTION H

RETIREE DATA TABLES

RETIREES AND BENEFICIARIES JANUARY 1, 2017
MISCELLANEOUS
TABULATED BY TYPE OF ALLOWANCES BEING PAID

Type of Allowance	No.	Annual Allowances
SERVICE RETIREMENT		
Unmodified	908	$25,033,937
Cash Refund	136	3,406,397
100% Continuance	528	17,467,538
50% Continuance	208	7,746,312
Benefits Coordinated with Social Security		
Unmodified	123	$2,241,344
Cash Refund	26	398,403
100% Continuance	42	1,284,879
50% Continuance	23	664,790
Total Service Retirement	1,994	$58,243,600
DISABILITY RETIREMENT		
Unmodified	48	$820,963
Cash Refund	14	189,504
100% Continuance	22	366,880
50% Continuance	7	107,624
Total Disability Retirement	91	$1,484,972
BENEFICIARIES	175	$3,502,258
Total Allowances	**2,260**	$63,230,830

RETIREES AND BENEFICIARIES JANUARY 1, 2017
PROBATION
TABULATED BY TYPE OF ALLOWANCES BEING PAID

Type of Allowance	No.	Annual Allowances
SERVICE RETIREMENT		
Unmodified	22	$758,462
Cash Refund	8	213,238
100% Continuance	21	1,067,379
50% Continuance	4	279,080
Benefits Coordinated with Social Security		
Unmodified	3	$88,964
100% Continuance	1	35,290
50% Continuance	3	104,994
Total Service Retirement	62	$2,547,408
DISABILITY RETIREMENT		
Unmodified	4	$120,769
BENEFICIARIES	5	$163,029
Total Allowances	**71**	$2,831,206

RETIREES AND BENEFICIARIES JANUARY 1, 2017
SAFETY
TABULATED BY TYPE OF ALLOWANCES BEING PAID

Type of Allowance	No.	Annual Allowances
SERVICE RETIREMENT		
Unmodified	57	$2,908,208
Cash Refund	13	860,605
100% Continuance	88	5,109,703
50% Continuance	31	1,754,175
Benefits Coordinated with Social Security		
Unmodified	9	$418,343
Cash Refund	1	36,000
100% Continuance	13	612,407
50% Continuance	9	447,217
Total Service Retirement	221	$12,146,659
DISABILITY RETIREMENT		
Unmodified	23	$928,102
Cash Refund	2	76,763
100% Continuance	15	502,819
50% Continuance	2	77,601
Total Disability Retirement	42	$1,585,285
BENEFICIARIES	24	$692,931
Total Allowances	**287**	$14,424,875

RETIREES AND BENEFICIARIES JANUARY 1, 2017
TOTAL
TABULATED BY TYPE OF ALLOWANCES BEING PAID

Type of Allowance	No.	Annual Allowances
SERVICE RETIREMENT		
Unmodified	987	$28,700,608
Cash Refund	157	4,480,240
100% Continuance	637	23,644,621
50% Continuance	243	9,779,567
Benefits Coordinated with Social Security		
Unmodified	135	$2,748,651
Cash Refund	27	434,403
100% Continuance	56	1,932,576
50% Continuance	35	1,217,001
Total Service Retirement	2,277	$72,937,666
DISABILITY RETIREMENT		
Unmodified	75	$1,869,834
Cash Refund	16	266,268
100% Continuance	37	869,700
50% Continuance	9	185,225
Total Disability Retirement	137	$3,191,027
BENEFICIARIES	204	$4,358,218
Total Allowances	**2,618**	$80,486,911

RETIREES AND BENEFICIARIES JANUARY 1, 2017
TABULATED BY ATTAINED AGES AND YEAR OF RETIREMENT

MISCELLANEOUS

Year Retired	Age Groups 0-49	50-59	60-64	65-69	70-74	75-79	80-89	90+	Totals
Pre 1997	1	3	3	5	31	31	145	64	283
1997	0	1	1	5	8	3	20	2	40
1998	0	3	1	12	8	16	14	3	57
1999	0	1	2	4	14	12	12	1	46
2000	0	1	1	11	8	9	6	0	36
2001	0	1	7	22	23	30	12	1	96
2002	1	4	10	15	22	14	5	0	71
2003	0	1	12	19	25	20	4	0	81
2004	2	6	23	29	33	16	5	2	116
2005	0	3	16	34	48	21	1	1	124
2006	1	3	35	41	32	14	0	1	127
2007	0	10	25	36	33	2	3	0	109
2008	0	11	18	27	31	5	3	0	95
2009	0	6	34	57	44	8	1	1	151
2010	2	12	30	26	16	4	0	0	90
2011	0	12	40	40	11	1	0	0	104
2012	3	19	28	44	16	4	0	0	114
2013	3	32	41	49	9	0	1	0	135
2014	1	36	50	48	6	0	0	1	142
2015	0	34	65	35	4	0	0	0	138
2016	0	33	39	30	3	0	0	0	105
TOTALS	14	232	481	589	425	210	232	77	2,260

Averages

Age at Retirement[1]:	59.1
Attained Age:	69.7
Annual Pension:	$27,978

[1] For retired and disabled members only; does not include beneficiaries.

RETIREES AND BENEFICIARIES JANUARY 1, 2017
TABULATED BY ATTAINED AGES AND YEAR OF RETIREMENT

PROBATION

Year Retired	Age Groups 0-49	50-59	60-64	65-69	70-74	75-79	80-89	90+	Totals
Pre 2007	0	1	1	10	7	4	1	0	24
2007	0	1	1	3	2	0	0	0	7
2008	0	0	3	0	1	0	0	0	4
2009	0	2	2	1	0	0	0	0	5
2010	1	1	0	1	0	0	0	0	3
2011	0	1	2	0	1	0	0	0	4
2012	0	1	1	3	0	0	0	0	5
2013	0	1	1	0	0	0	0	0	2
2014	0	6	3	2	0	0	0	0	11
2015	0	4	0	0	0	0	0	0	4
2016	0	2	0	0	0	0	0	0	2
TOTALS	1	20	14	20	11	4	1	0	71

Averages

Age at Retirement[1]:	56.0
Attained Age:	64.6
Annual Pension:	$39,876

[1] For retired and disabled members only; does not include beneficiaries.

RETIREES AND BENEFICIARIES JANUARY 1, 2017
TABULATED BY ATTAINED AGES AND YEAR OF RETIREMENT

SAFETY

Year	Age Groups								
Retired	0-49	50-59	60-64	65-69	70-74	75-79	80-89	90+	Totals
Pre 1997	0	8	1	3	15	15	15	0	57
1997	1	0	0	0	2	0	2	0	5
1998	0	1	0	2	2	0	2	0	7
1999	0	0	0	1	0	0	1	0	2
2000	0	0	0	0	3	1	1	0	5
2001	0	1	0	3	2	0	0	0	6
2002	0	0	1	2	2	1	0	0	6
2003	1	1	1	5	2	1	0	0	11
2004	1	1	2	4	0	3	0	0	11
2005	0	0	1	12	5	0	0	0	18
2006	0	1	1	2	1	0	0	0	5
2007	0	5	12	3	1	0	0	0	21
2008	1	2	4	2	0	0	0	0	9
2009	1	7	4	0	0	0	0	0	12
2010	0	7	4	1	0	0	0	0	12
2011	0	7	6	4	0	0	0	0	17
2012	0	9	5	2	0	0	0	0	16
2013	0	9	3	1	0	0	0	0	13
2014	1	21	2	0	0	0	0	0	24
2015	2	8	1	0	0	0	0	0	11
2016	0	19	0	0	0	0	0	0	19
TOTALS	8	107	48	47	35	21	21	0	287

Averages

Age at Retirement[1]:	52.6
Attained Age:	64.2
Annual Pension:	$50,261

[1] For retired and disabled members only; does not include beneficiaries.

RETIREES AND BENEFICIARIES JANUARY 1, 2017
TABULATED BY ATTAINED AGES AND YEAR OF RETIREMENT

TOTAL

Year	Age Groups								
Retired	0-49	50-59	60-64	65-69	70-74	75-79	80-89	90+	Totals
Pre 1997	1	11	4	8	49	47	161	64	345
1997	1	1	1	5	10	3	22	2	45
1998	0	4	1	14	10	16	16	3	64
1999	0	1	2	5	14	12	13	1	48
2000	0	1	1	11	11	11	7	0	42
2001	0	2	7	26	28	30	12	1	106
2002	1	5	11	20	24	15	5	0	81
2003	1	2	14	25	27	22	4	0	95
2004	3	7	25	35	34	20	5	2	131
2005	0	3	17	49	53	21	1	1	145
2006	1	5	37	46	35	14	0	1	139
2007	0	15	40	39	35	2	3	0	134
2008	1	15	24	30	31	5	3	0	109
2009	2	14	38	58	44	8	1	1	166
2010	2	20	36	27	17	4	0	0	106
2011	0	20	47	47	11	1	0	0	126
2012	3	29	34	46	16	4	0	0	132
2013	3	47	47	52	9	0	1	0	159
2014	2	61	52	48	6	0	0	1	170
2015	2	44	66	35	4	0	0	0	151
2016	0	52	39	30	3	0	0	0	124
TOTALS	23	359	543	656	471	235	254	77	2,618

Averages

Age at Retirement[1]:	58.3
Attained Age:	68.9
Annual Pension:	$30,744

[1] For retired and disabled members only; does not include beneficiaries.

SECTION I

VALUATION METHODS AND ASSUMPTIONS

ACTUARIAL METHODS AND ASSUMPTIONS USED FOR THE JANUARY 1, 2017 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.

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.

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 2.875% 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 (23 years as of January 1, 2017) 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 positive 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 (changes effective January 1, 2016, based on the December 31, 2015 experience study)

A. Economic Assumptions

1. Investment return: 7.125%, compounded annually, net of administrative expenses. This is made up of a 2.625% inflation rate and a 4.50% real rate of return.

2. Salary increase rate: Inflation rate of 2.625% plus productivity increase rate of 0.25% plus an additional service-related merit component as shown below:

% Merit Increases in Salaries Next Year		% Total Increases in Salaries Next Year	
Service Index	Rate	Service Index	Rate
1	5.25%	1	8.13%
2	5.00%	2	7.88%
3	4.00%	3	6.88%
4	3.00%	4	5.88%
5	2.00%	5	4.88%
6	1.00%	6	3.88%
7	0.50%	7	3.38%
8 +	0.00%	8 +	2.88%

3. Cost-of-living increases:

Assumed to increase the full 2.625% each year (2% for Tier 2 and Tier 3)

4. Payroll growth:

3.375% per year (Inflation 2.625%, productivity of 0.25%, geographic differential of 0.50%)

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

2.625% per year

6. Contribution accumulation: Contributions are credited with 6.625% interest, compounded biweekly.

B. Demographic Assumptions

1. Mortality projection – The projection calculation for MP-2015 have an additional multiplier applied to future years for all of the mortality tables:

Year	Multiplier
2017	90%
2018	85%
2019	80%
2020	75%
2021	75%
2022	70%
2023	70%
2024	65%
2025	60%
2026	55%
2027+	50%

2. Mortality after termination or retirement -

   a. Healthy males – RP-2014 with generational mortality improvements using scale MP-2015, a 105% multiplier and white collar adjustment applied to RP-2014

   b. Healthy females - RP-2014 with generational mortality improvements using scale MP-2015, a 115% multiplier and white collar adjustment applied to RP-2014

   See sample rates for 2017 below:

	% Dying Within Next Year Retirees	
Ages	Men	Women
45	0.18%	0.17%
50	0.27%	0.23%
55	0.40%	0.31%
60	0.54%	0.44%
65	0.78%	0.73%
70	1.26%	1.17%
75	2.16%	1.96%
80	3.80%	3.41%
85	6.98%	6.13%

3. Mortality rates of active members – RP-2014 Employee Mortality Tables, with generational improvements using scale MP-2015, setback one year with a 105% multiplier for males, and setback two years with a 50% multiplier for females, applied to RP-2014, as shown below for selected ages:

Ages	% of Active Members Dying Within Next Year	
	Men	Women
30	0.04%	0.01%
35	0.05%	0.01%
40	0.06%	0.02%
45	0.09%	0.03%
50	0.15%	0.04%
55	0.26%	0.07%
60	0.44%	0.10%
65	0.76%	0.15%
70	1.27%	0.25%

4. Disability mortality after termination or retirement- RP-2014 Disabled Mortality Tables, with generational improvements using scale MP-2015, with setback of one year and a 100% multiplier for males, and setback one year with a 75% multiplier for females, applied to RP-2014, as shown below for selected ages:

Ages	% of Disabled Members Dying Within Next Year	
	Men	Women
30	0.40%	0.15%
35	0.75%	0.29%
40	1.13%	0.45%
45	1.51%	0.62%
50	1.87%	0.82%
55	2.22%	1.04%
60	2.56%	1.22%
65	2.98%	1.45%
70	3.71%	1.91%

5. Retirement –

   a. As shown below for Tier 1 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	4.0%	7.5%	20.0%
51	4.0%	7.5%	14.0%
52	4.0%	7.5%	10.0%
53	4.0%	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%	0.0%
53	3.0%	7.5%	0.0%
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%	0.0%
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%	

6. 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 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 and Probation 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.	80% of men and 60% 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.

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

ANALYSIS OF SELECTED ACTUARIAL ASSUMPTIONS COMPARED TO ACTUAL EXPERIENCE

Assumed and actual changes experienced in areas related to the following assumptions are shown:

	Year Ended December 31					Averages		
	2016	2015	2014	2013	2012	3 Year	5 Year	10 Year
Inflation [1]	2.8%	2.6%	1.7%	1.9%	2.1%	2.4%	2.2%	2.1%
Current Assumption	2.625%							
Average Pay Increase	1.9%	3.2%	0.7%	-0.8%	0.0%	1.9%	1.0%	1.8%
Current Assumption	3.125%							
Merit & Longevity Pay Increase	-0.9%	0.6%	-1.0%	-2.7%	-2.1%	-0.5%	-1.2%	-0.3%
Current Assumption	0.500%							
Total Payroll	4.5%	5.6%	1.8%	0.2%	2.0%	4.0%	2.8%	2.0%
Current Assumption	3.375%							
Investment Return Rate [2]	3.5%	3.0%	5.3%	6.2%	6.2%	3.9%	4.8%	5.3%
Current Assumption	7.125%							
Real Rate of Investment Return	0.7%	0.4%	3.6%	4.3%	4.1%	1.5%	2.6%	3.2%
Current Assumption	4.500%							

[1] Based on the average of the Consumer Price Index for Los Angeles –Riverside-Orange County and the San Francisco-Oakland-San Jose, All Items, 1982-84=100.

[2] Based on actuarial value of assets NOT market value or book value.

SECTION J

DEFINITIONS OF TECHNICAL TERMS

DEFINITIONS OF TECHNICAL TERMS

Actuarial Accrued Liability. The difference between the actuarial present value of system benefits and the actuarial value of future normal costs. Also referred to as "accrued liability" or "actuarial liability".

Actuarial Assumptions. Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and Compensation increases. Actuarial assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (Compensation increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Accrued Service. Service credited under the system which was rendered before the date of the actuarial valuation.

Actuarial Equivalent. A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. Sometimes referred to as the "actuarial funding method".

Actuarial Gain (Loss). The difference between actual experience and actuarial assumption anticipated experience during the period between two actuarial valuation dates.

Actuarial Present Value. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment.

Amortization. Paying off an interest-discounted amount with periodic payments of interest and principal -- as opposed to paying off with lump sum payment.

Normal Cost. The actuarial present value of the pension trust benefits allocated to the current year by the actuarial cost method.

Unfunded Actuarial Accrued Liability. The difference between actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded actuarial liability" or "unfunded accrued liability".

Most retirement systems have an unfunded actuarial accrued liability. A UAL arises each time new benefits are added and each time an actuarial loss occurs.

SECTION K

HISTORICAL INFORMATION PREVIOUSLY CALCULATED IN ACCORDANCE WITH STATEMENTS NO. 25 AND 27 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

This information is presented in draft form for review by the County's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the County's financial statements.

CONTRIBUTIONS MADE JANUARY 1, 2016 TO DECEMBER 31, 2016

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

During the period January 1, 2016 to December 31, 2016 applicable contributions of $60,618,166 were made. The contribution breakdown is as follows:

Contributions Made*

Employer Appropriations	$35,451,409
Member Contributions	25,166,757
Grand Totals	$60,618,166

* Does not include Employee Additional Voluntary ($42,335) and County Additional for Employee Contributions ($149,977). These contributions are excluded as both assets and liabilities.

ACCOUNTING DISCLOSURE

The following numbers are consistent with our understanding of the historical accounting provisions of GASB Statements #67 and #68, based on the figures supplied to Gabriel, Roeder, Smith and Company.

Year Ended 31-Dec	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)*	Covered Payroll**	Actual Contribution as a % of Covered Payroll
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	35,318,974	33,618,330	1,700,644	175,628,910	19.14%
2016	37,663,802	35,451,409	2,212,393	180,728,417	19.62%

* A portion of the deficiency for the years ending December 31, 2014, 2015, and 2016 were due to the pre-funding arrangement.

** Covered payroll for years prior to 2014 is the amount in force as of the valuation date and likely differs from the actual payroll paid during the year.

SECTION L

APPENDIX A: CURRENT MEMBER CONTRIBUTION RATES AND COLLECTIVE BARGAINING UNITS

Note: The following rates are the rates submitted in the data and used in the valuation.

JANUARY 1, 2017 ACTUARIAL VALUATION
MEMBER CONTRIBUTION RATES*

MISCELLANEOUS - TIER 1													
BU Entry Age	14,21,22 Other	7 (LAFCO) Non-Court Management	4,7,8,9,10, 11,17,99 Non-Court Management	12 Non-Court Management	17C (Interpreter) Court Other	18 Court Other	20 Court Other	24,26,27 Court Management	25 Court Management	1,5,13 Non-Court SLOCEA	2 Non-Court SLOCEA	19 Court SLOCEA	98 Non-Court SLOCEA
18	16.65%	13.55%	17.15%	16.26%	13.22%	13.22%	10.70%	11.99%	11.83%	16.84%	16.28%	10.14%	16.84%
19	16.72%	13.62%	17.22%	16.33%	13.29%	13.29%	10.77%	12.06%	11.90%	16.91%	16.35%	10.21%	16.91%
20	16.79%	13.69%	17.29%	16.40%	13.36%	13.36%	10.84%	12.13%	11.97%	16.98%	16.42%	10.28%	16.98%
21	16.85%	13.75%	17.35%	16.46%	13.42%	13.42%	10.90%	12.19%	12.03%	17.04%	16.48%	10.34%	17.04%
22	16.87%	13.77%	17.37%	16.48%	13.44%	13.44%	10.92%	12.21%	12.05%	17.06%	16.50%	10.36%	17.06%
23	16.89%	13.79%	17.39%	16.50%	13.46%	13.46%	10.94%	12.23%	12.07%	17.08%	16.52%	10.38%	17.08%
24	16.92%	13.82%	17.42%	16.53%	13.49%	13.49%	10.97%	12.26%	12.10%	17.11%	16.55%	10.41%	17.11%
25	16.96%	13.86%	17.46%	16.57%	13.53%	13.53%	11.01%	12.30%	12.14%	17.15%	16.59%	10.45%	17.15%
26	17.01%	13.91%	17.51%	16.62%	13.58%	13.58%	11.06%	12.35%	12.19%	17.20%	16.64%	10.50%	17.20%
27	17.06%	13.96%	17.56%	16.67%	13.63%	13.63%	11.11%	12.40%	12.24%	17.25%	16.69%	10.55%	17.25%
28	17.12%	14.02%	17.62%	16.73%	13.69%	13.69%	11.17%	12.46%	12.30%	17.31%	16.75%	10.61%	17.31%
29	17.19%	14.09%	17.69%	16.80%	13.76%	13.76%	11.24%	12.53%	12.37%	17.38%	16.82%	10.68%	17.38%
30	17.26%	14.16%	17.76%	16.87%	13.83%	13.83%	11.31%	12.60%	12.44%	17.45%	16.89%	10.75%	17.45%
31	17.34%	14.24%	17.84%	16.95%	13.91%	13.91%	11.39%	12.68%	12.52%	17.53%	16.97%	10.83%	17.53%
32	17.43%	14.33%	17.93%	17.04%	14.00%	14.00%	11.48%	12.77%	12.61%	17.62%	17.06%	10.92%	17.62%
33	17.52%	14.42%	18.02%	17.13%	14.09%	14.09%	11.57%	12.86%	12.70%	17.71%	17.15%	11.01%	17.71%
34	17.62%	14.52%	18.12%	17.23%	14.19%	14.19%	11.67%	12.96%	12.80%	17.81%	17.25%	11.11%	17.81%
35	17.72%	14.62%	18.22%	17.33%	14.29%	14.29%	11.77%	13.06%	12.90%	17.91%	17.35%	11.21%	17.91%
36	17.82%	14.72%	18.32%	17.43%	14.39%	14.39%	11.87%	13.16%	13.00%	18.01%	17.45%	11.31%	18.01%
37	17.93%	14.83%	18.43%	17.54%	14.50%	14.50%	11.98%	13.27%	13.11%	18.12%	17.56%	11.42%	18.12%
38	18.04%	14.94%	18.54%	17.65%	14.61%	14.61%	12.09%	13.38%	13.22%	18.23%	17.67%	11.53%	18.23%
39	18.16%	15.06%	18.66%	17.77%	14.73%	14.73%	12.21%	13.50%	13.34%	18.35%	17.79%	11.65%	18.35%
40	18.28%	15.18%	18.78%	17.89%	14.85%	14.85%	12.33%	13.62%	13.46%	18.47%	17.91%	11.77%	18.47%
41	18.41%	15.31%	18.91%	18.02%	14.98%	14.98%	12.46%	13.75%	13.59%	18.60%	18.04%	11.90%	18.60%
42	18.54%	15.44%	19.04%	18.15%	15.11%	15.11%	12.59%	13.88%	13.72%	18.73%	18.17%	12.03%	18.73%
43	18.68%	15.58%	19.18%	18.29%	15.25%	15.25%	12.73%	14.02%	13.86%	18.87%	18.31%	12.17%	18.87%
44	18.82%	15.72%	19.32%	18.43%	15.39%	15.39%	12.87%	14.16%	14.00%	19.01%	18.45%	12.31%	19.01%
45	18.96%	15.86%	19.46%	18.57%	15.53%	15.53%	13.01%	14.30%	14.14%	19.15%	18.59%	12.45%	19.15%
46	19.11%	16.01%	19.61%	18.72%	15.68%	15.68%	13.16%	14.45%	14.29%	19.30%	18.74%	12.60%	19.30%
47	19.27%	16.17%	19.77%	18.88%	15.84%	15.84%	13.32%	14.61%	14.45%	19.46%	18.90%	12.76%	19.46%
48	19.43%	16.33%	19.93%	19.04%	16.00%	16.00%	13.48%	14.77%	14.61%	19.62%	19.06%	12.92%	19.62%
49	19.59%	16.49%	20.09%	19.20%	16.16%	16.16%	13.64%	14.93%	14.77%	19.78%	19.22%	13.08%	19.78%
50	19.76%	16.66%	20.26%	19.37%	16.33%	16.33%	13.81%	15.10%	14.94%	19.95%	19.39%	13.25%	19.95%
51	19.93%	16.83%	20.43%	19.54%	16.50%	16.50%	13.98%	15.27%	15.11%	20.12%	19.56%	13.42%	20.12%
52	20.10%	17.00%	20.60%	19.71%	16.67%	16.67%	14.15%	15.44%	15.28%	20.29%	19.73%	13.59%	20.29%
53	20.28%	17.18%	20.78%	19.89%	16.85%	16.85%	14.33%	15.62%	15.46%	20.47%	19.91%	13.77%	20.47%
54	20.46%	17.36%	20.96%	20.07%	17.03%	17.03%	14.51%	15.80%	15.64%	20.65%	20.09%	13.95%	20.65%
55	20.65%	17.55%	21.15%	20.26%	17.22%	17.22%	14.70%	15.99%	15.83%	20.84%	20.28%	14.14%	20.84%
56	20.84%	17.74%	21.34%	20.45%	17.41%	17.41%	14.89%	16.18%	16.02%	21.03%	20.47%	14.33%	21.03%
57	21.03%	17.93%	21.53%	20.64%	17.60%	17.60%	15.08%	16.37%	16.21%	21.22%	20.66%	14.52%	21.22%
58	21.23%	18.13%	21.73%	20.84%	17.80%	17.80%	15.28%	16.57%	16.41%	21.42%	20.86%	14.72%	21.42%
59	21.43%	18.33%	21.93%	21.04%	18.00%	18.00%	15.48%	16.77%	16.61%	21.62%	21.06%	14.92%	21.62%

* Rates do not include Auto Allowance for certain individuals. These are the rates in effect at the time of the valuation and which were increased through the collective bargaining process.

JANUARY 1, 2017 ACTUARIAL VALUATION
MEMBER CONTRIBUTION RATES*

	PROBATION - TIER 1		
BU	8	9	31,32
Entry Age	Management	Management	Non-Management
18	20.73%	20.73%	19.49%
19	20.81%	20.81%	19.57%
20	20.89%	20.89%	19.65%
21	20.96%	20.96%	19.72%
22	20.98%	20.98%	19.74%
23	21.00%	21.00%	19.76%
24	21.03%	21.03%	19.79%
25	21.08%	21.08%	19.84%
26	21.13%	21.13%	19.89%
27	21.19%	21.19%	19.95%
28	21.25%	21.25%	20.01%
29	21.33%	21.33%	20.09%
30	21.41%	21.41%	20.17%
31	21.50%	21.50%	20.26%
32	21.60%	21.60%	20.36%
33	21.70%	21.70%	20.46%
34	21.81%	21.81%	20.57%
35	21.92%	21.92%	20.68%
36	22.03%	22.03%	20.79%
37	22.15%	22.15%	20.91%
38	22.27%	22.27%	21.03%
39	22.40%	22.40%	21.16%
40	22.54%	22.54%	21.30%
41	22.68%	22.68%	21.44%
42	22.82%	22.82%	21.58%
43	22.98%	22.98%	21.74%
44	23.13%	23.13%	21.89%
45	23.29%	23.29%	22.05%
46	23.46%	23.46%	22.22%
47	23.63%	23.63%	22.39%
48	23.81%	23.81%	22.57%
49	23.99%	23.99%	22.75%
50	24.17%	24.17%	22.93%
51	24.36%	24.36%	23.12%
52	24.55%	24.55%	23.31%
53	24.75%	24.75%	23.51%
54	24.95%	24.95%	23.71%
55	25.16%	25.16%	23.92%
56	25.37%	25.37%	24.13%
57	25.58%	25.58%	24.34%
58	25.80%	25.80%	24.56%
59+	26.02%	26.02%	24.78%

* Rates do not include Auto Allowance for certain individuals. These are the rates in effect at the time of the valuation and which were increased through the collective bargaining process.

JANUARY 1, 2017 ACTUARIAL VALUATION
MEMBER CONTRIBUTION RATES*

SAFETY - TIER 1

BU Entry Age	6 Non- Management	3,14 Non- Management	27,28 Non- Management	7 Management	10 (Sheriff-Coroner) Management	15 (non-sworn) Management#	15 (sworn) Management@	16 (sworn) Management
18	17.06%	17.90%	22.29%	19.90%	24.55%	21.98%	26.73%	26.73%
19	17.17%	18.01%	22.40%	20.01%	24.66%	22.09%	26.84%	26.84%
20	17.28%	18.12%	22.51%	20.12%	24.77%	22.20%	26.95%	26.95%
21	17.39%	18.23%	22.62%	20.23%	24.88%	22.31%	27.06%	27.06%
22	17.50%	18.34%	22.73%	20.34%	24.99%	22.42%	27.17%	27.17%
23	17.62%	18.46%	22.85%	20.46%	25.11%	22.54%	27.29%	27.29%
24	17.74%	18.58%	22.97%	20.58%	25.23%	22.66%	27.41%	27.41%
25	17.86%	18.70%	23.09%	20.70%	25.35%	22.78%	27.53%	27.53%
26	17.98%	18.82%	23.21%	20.82%	25.47%	22.90%	27.65%	27.65%
27	18.10%	18.94%	23.33%	20.94%	25.59%	23.02%	27.77%	27.77%
28	18.22%	19.06%	23.45%	21.06%	25.71%	23.14%	27.89%	27.89%
29	18.34%	19.18%	23.57%	21.18%	25.83%	23.26%	28.01%	28.01%
30	18.46%	19.30%	23.69%	21.30%	25.95%	23.38%	28.13%	28.13%
31	18.58%	19.42%	23.81%	21.42%	26.07%	23.50%	28.25%	28.25%
32	18.70%	19.54%	23.93%	21.54%	26.19%	23.62%	28.37%	28.37%
33	18.82%	19.66%	24.05%	21.66%	26.31%	23.74%	28.49%	28.49%
34	18.94%	19.78%	24.17%	21.78%	26.43%	23.86%	28.61%	28.61%
35	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
36	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
37	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
38	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
39	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
40	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
41	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
42	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
43	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
44	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
45	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
46	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
47	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
48	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
49	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
50	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
51	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
52	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
53	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
54	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
55	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
56	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
57	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
58	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%
59+	19.06%	19.90%	24.29%	21.90%	26.55%	23.98%	28.73%	28.73%

* Rates do not include Auto Allowance for certain individuals. These are the rates in effect at the time of the valuation and which were increased through the collective bargaining process.

#Includes Non Sworn members of Bargaining Unit 15.
@ Includes Sworn members of Bargaining Unit 15.

JANUARY 1, 2017 ACTUARIAL VALUATION
MEMBER CONTRIBUTION RATES

	Tier 2				
BU	all others	12	6	all others	all
Entry Age	Miscellaneous	Miscellaneous	Safety - Non-Sworn	Safety - Non-Sworn	Safety - Sworn
18	8.26%	7.37%	10.95%	12.13%	12.82%
19	8.38%	7.49%	11.30%	12.48%	13.22%
20	8.50%	7.61%	11.65%	12.83%	13.62%
21	8.65%	7.76%	12.00%	13.18%	14.02%
22	8.76%	7.87%	12.35%	13.53%	14.42%
23	8.92%	8.03%	12.70%	13.88%	14.82%
24	9.04%	8.15%	13.05%	14.23%	15.23%
25	9.18%	8.29%	13.40%	14.58%	15.63%
26	9.38%	8.49%	13.75%	14.93%	16.03%
27	9.48%	8.59%	14.10%	15.28%	16.43%
28	9.67%	8.78%	14.45%	15.63%	16.83%
29	9.82%	8.93%	14.80%	15.98%	17.23%
30	10.12%	9.23%	15.15%	16.33%	17.63%
31	10.28%	9.39%	15.50%	16.68%	18.03%
32	10.57%	9.68%	15.85%	17.03%	18.44%
33	10.72%	9.83%	16.20%	17.38%	18.84%
34	10.90%	10.01%	16.55%	17.73%	19.24%
35	11.22%	10.33%	16.90%	18.08%	19.64%
36	11.37%	10.48%	16.90%	18.08%	19.64%
37	11.58%	10.69%	16.90%	18.08%	19.64%
38	11.81%	10.92%	16.90%	18.08%	19.64%
39	12.02%	11.13%	16.90%	18.08%	19.64%
40	12.22%	11.33%	16.90%	18.08%	19.64%
41	12.37%	11.48%	16.90%	18.08%	19.64%
42	12.40%	11.51%	16.90%	18.08%	19.64%
43	12.63%	11.74%	16.90%	18.08%	19.64%
44	12.86%	11.97%	16.90%	18.08%	19.64%
45	12.95%	12.06%	16.90%	18.08%	19.64%
46	13.23%	12.34%	16.90%	18.08%	19.64%
47	13.47%	12.58%	16.90%	18.08%	19.64%
48	13.57%	12.68%	16.90%	18.08%	19.64%
49	13.85%	12.96%	16.90%	18.08%	19.64%
50	13.89%	13.00%	16.90%	18.08%	19.64%
51	14.10%	13.21%	16.90%	18.08%	19.64%
52	14.16%	13.27%	16.90%	18.08%	19.64%
53	14.36%	13.47%	16.90%	18.08%	19.64%
54	14.55%	13.66%	16.90%	18.08%	19.64%
55	14.85%	13.96%	16.90%	18.08%	19.64%
56	14.91%	14.02%	16.90%	18.08%	19.64%
57	14.93%	14.04%	16.90%	18.08%	19.64%
58	14.95%	14.06%	16.90%	18.08%	19.64%
59	14.97%	14.08%	16.90%	18.08%	19.64%
60	14.99%	14.10%	16.90%	18.08%	19.64%
61	15.01%	14.12%	16.90%	18.08%	19.64%
62+	15.03%	14.14%	16.90%	18.08%	19.64%

JANUARY 1, 2017 ACTUARIAL VALUATION
MEMBER CONTRIBUTION RATES

	Tier 3							
BU Entry Age	all other Miscellaneous	17C,18,19,20,24,26,27 Miscellaneous	12 Miscellaneous	25 Miscellaneous	6 Safety	all other Safety	8, 9 Probation	31, 32 Probation
18	6.64%	4.24%	5.75%	4.08%	9.75%	10.93%	8.30%	8.25%
19	6.89%	4.49%	6.00%	4.33%	10.25%	11.43%	8.55%	8.50%
20	6.89%	4.49%	6.00%	4.33%	10.50%	11.68%	8.80%	8.75%
21	7.14%	4.74%	6.25%	4.58%	10.75%	11.93%	8.80%	8.75%
22	7.14%	4.74%	6.25%	4.58%	11.00%	12.18%	9.05%	9.00%
23	7.39%	4.99%	6.50%	4.83%	11.50%	12.68%	9.30%	9.25%
24	7.39%	4.99%	6.50%	4.83%	11.75%	12.93%	9.55%	9.50%
25	7.64%	5.24%	6.75%	5.08%	12.00%	13.18%	9.80%	9.75%
26	7.89%	5.49%	7.00%	5.33%	12.50%	13.68%	10.05%	10.00%
27	7.89%	5.49%	7.00%	5.33%	12.75%	13.93%	10.30%	10.25%
28	8.14%	5.74%	7.25%	5.58%	13.00%	14.18%	10.80%	10.75%
29	8.39%	5.99%	7.50%	5.83%	13.50%	14.68%	11.05%	11.00%
30	8.39%	5.99%	7.50%	5.83%	13.75%	14.93%	11.30%	11.25%
31	8.64%	6.24%	7.75%	6.08%	14.00%	15.18%	11.80%	11.75%
32	8.89%	6.49%	8.00%	6.33%	14.50%	15.68%	12.05%	12.00%
33	9.14%	6.74%	8.25%	6.58%	14.75%	15.93%	12.30%	12.25%
34	9.39%	6.99%	8.50%	6.83%	15.00%	16.18%	12.80%	12.75%
35	9.39%	6.99%	8.50%	6.83%	15.50%	16.68%	13.05%	13.00%
36	9.64%	7.24%	8.75%	7.08%	15.50%	16.68%	13.55%	13.50%
37	9.89%	7.49%	9.00%	7.33%	15.50%	16.68%	13.80%	13.75%
38	10.14%	7.74%	9.25%	7.58%	15.50%	16.68%	14.05%	14.00%
39	10.39%	7.99%	9.50%	7.83%	15.50%	16.68%	14.30%	14.25%
40	10.64%	8.24%	9.75%	8.08%	15.50%	16.68%	14.55%	14.50%
41	10.89%	8.49%	10.00%	8.33%	15.50%	16.68%	14.80%	14.75%
42	10.89%	8.49%	10.00%	8.33%	15.50%	16.68%	15.05%	15.00%
43	11.14%	8.74%	10.25%	8.58%	15.50%	16.68%	15.30%	15.25%
44	11.39%	8.99%	10.50%	8.83%	15.50%	16.68%	15.55%	15.50%
45	11.64%	9.24%	10.75%	9.08%	15.50%	16.68%	15.80%	15.75%
46	11.89%	9.49%	11.00%	9.33%	15.50%	16.68%	16.05%	16.00%
47	12.14%	9.74%	11.25%	9.58%	15.50%	16.68%	16.30%	16.25%
48	12.39%	9.99%	11.50%	9.83%	15.50%	16.68%	16.55%	16.50%
49	12.64%	10.24%	11.75%	10.08%	15.50%	16.68%	16.55%	16.50%
50	12.89%	10.49%	12.00%	10.33%	15.50%	16.68%	16.80%	16.75%
51	13.14%	10.74%	12.25%	10.58%	15.50%	16.68%	17.05%	17.00%
52	13.39%	10.99%	12.50%	10.83%	15.50%	16.68%	17.05%	17.00%
53	13.64%	11.24%	12.75%	11.08%	15.50%	16.68%	17.30%	17.25%
54	13.89%	11.49%	13.00%	11.33%	15.50%	16.68%	17.30%	17.25%
55	14.14%	11.74%	13.25%	11.58%	15.50%	16.68%	17.55%	17.50%
56	14.39%	11.99%	13.50%	11.83%	15.50%	16.68%	17.80%	17.75%
57	14.39%	11.99%	13.50%	11.83%	15.50%	16.68%	17.80%	17.75%
58	14.39%	0.49%	13.50%	11.83%	15.50%	16.68%	18.05%	18.00%
59	14.39%	0.49%	13.50%	11.83%	15.50%	16.68%	18.30%	18.25%
60	14.39%	0.49%	13.50%	11.83%	15.50%	16.68%	18.30%	18.25%
61	14.39%	0.49%	13.50%	11.83%	15.50%	16.68%	18.30%	18.25%
62+	14.39%	0.49%	13.50%	11.83%	15.50%	16.68%	18.30%	18.25%

SUMMARY OF BENEFITS
BY COLLECTIVE BARGAINING UNIT
AS OF JANUARY 1, 2017

Tier 1

Collective Bargaining Unit	Valuation Group	Benefit % at age	FAC Period	Benefit Maximum
14	Miscellaneous Other	2% @ 55	One year	80%
21	Miscellaneous Other	2% @ 55	One year	80%
22	Miscellaneous Other	2% @ 55	One year	80%
4	Miscellaneous Management Non-Court	2% @ 55	One year	100%
7	Miscellaneous Management Non-Court	2% @ 55	One year	100%
8	Miscellaneous Management Non-Court	2% @ 55	One year	100%
9	Miscellaneous Management Non-Court	2% @ 55	One year	100%
10	Miscellaneous Management Non-Court	2% @ 55	One year	100%
11	Miscellaneous Management Non-Court	2% @ 55	One year	100%
12	Miscellaneous Management Non-Court	2% @ 55	One year	100%
17	Miscellaneous Management Non-Court	2% @ 55	One year	100%
99	Miscellaneous Management Non-Court	2% @ 55	One year	100%
17C	Miscellaneous Other Court	2% @ 55	One year	80%
18	Miscellaneous Other Court	2% @ 55	One year	80%
20	Miscellaneous Other Court	2% @ 55	One year	80%
24	Miscellaneous Management Court	2% @ 55	One year	100%
25	Miscellaneous Management Court	2% @ 55	One year	100%
26	Miscellaneous Management Court	2% @ 55	One year	100%
27	Miscellaneous Management Court	2% @ 55	One year	100%
1	SLOCEA Non Court	2% @ 55	One year	80%
2	SLOCEA Non Court	2% @ 55	One year	80%
5	SLOCEA Non Court	2% @ 55	One year	80%
13	SLOCEA Non Court	2% @ 55	One year	80%
98	SLOCEA Non Court	2% @ 55	One year	80%
19	SLOCEA Court	2% @ 55	One year	80%
8	Probation Management	3% @ 55	One year	90%
9	Probation Management	3% @ 55	One year	90%
31	Probation Non Management	3% @ 55	One year	90%
32	Probation Non Management	3% @ 55	One year	90%
3	Non Sworn Safety Non Management	3% @ 55	One year	90%
27	Sworn Safety Non Management	3% @ 50	One year	90%
6	Non Sworn Safety Non Management	3% @ 55	One year	90%
7	Non Sworn Safety Management	3% @ 55	One year	90%
10	Sworn Safety Management	3% @ 50	One year	90%
14	Non Sworn Safety Non Management	3% @ 55	One year	90%
28	Sworn Safety Non Management	3% @ 50	One year	90%
15	Non Sworn Safety Management	3% @ 55	One year	90%
15	Sworn Safety Management	3% @ 50	One year	90%
16	Sworn Safety Management	3% @ 50	One year	90%

SUMMARY OF BENEFITS
BY COLLECTIVE BARGAINING UNIT
AS OF JANUARY 1, 2017

Collective Bargaining Unit	Valuation Group	Benefit % at age	FAC Period	Benefit Maximum
Tier 2	Miscellaneous Non-Court	2% @ 60	Three year	90%
Tier 2	Non Sworn Safety	2.7% @ 55	Three year	90%
Tier 2	Sworn Safety	3.0% @ 55	Three year	90%
Tier 2	DAIA	3.0% @ 55	Three year	90%
Tier 3	Miscellaneous	2% @ 62	Three year	N/A*
Tier 3	Safety	2.7% @ 57	Three year	N/A*
Tier 3	Probation	2.7% @ 57	Three year	N/A*

* No benefit maximum but pensionable compensation is capped at $118,775 for 2017 and increased annnually based on inflation.

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Baseline projection

San Luis Obispo County Pension Trust

Projection Based on January 1, 2017 Actuarial Valuation with Tier 3 (AB 340)
7.125% Investment Rate of Return Assumption
3.375% Payroll Growth Assumption

(in millions)

Valuation as of January 1,	Input Market Return for Past Fiscal Year	Market Return for Past Fiscal Year	Total Contribution Rate	Compensation at Valuation	Total Contribution	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded AAL	Funded Ratio	Total Normal Cost Rate	Market Value of Assets (MVA)	Funded Ratio Using MVA	Percent Tier 3 Members
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
2017	7.125%	6.13%	40.37%	$ 185	$ 74.7	$ 1,829	$ 1,268	$ 560	69.4%	21.08%	$ 1,181	64.6%	29.8%
2018	7.125%	7.125%	41.15%	190	78.0	1,908	1,312	596	68.7%	20.53%	1,251	65.6%	36.1%
2019	7.125%	7.125%	42.07%	195	81.8	1,987	1,355	633	68.2%	20.07%	1,323	66.6%	41.3%
2020	7.125%	7.125%	42.84%	199	85.4	2,066	1,404	662	68.0%	19.64%	1,398	67.7%	46.2%
2021	7.125%	7.125%	42.91%	204	87.7	2,143	1,475	668	68.8%	19.24%	1,475	68.8%	51.1%
2022	7.125%	7.125%	42.87%	210	89.9	2,220	1,551	669	69.9%	18.88%	1,553	70.0%	55.3%
2023	7.125%	7.125%	42.83%	215	92.1	2,295	1,629	666	71.0%	18.53%	1,633	71.1%	59.4%
2024	7.125%	7.125%	42.79%	221	94.5	2,369	1,708	661	72.1%	18.24%	1,712	72.3%	63.1%
2025	7.125%	7.125%	42.74%	227	96.9	2,441	1,788	653	73.3%	17.97%	1,793	73.5%	66.5%
2026	7.125%	7.125%	42.71%	233	99.5	2,512	1,870	642	74.5%	17.73%	1,875	74.7%	69.6%
2027	7.125%	7.125%	42.68%	240	102.2	2,581	1,953	628	75.7%	17.51%	1,959	75.9%	72.5%
2028	7.125%	7.125%	42.68%	246	105.1	2,648	2,038	610	77.0%	17.31%	2,043	77.2%	75.2%
2029	7.125%	7.125%	42.70%	253	108.2	2,714	2,124	590	78.3%	17.14%	2,130	78.5%	77.7%
2030	7.125%	7.125%	42.72%	261	111.4	2,778	2,213	565	79.7%	16.98%	2,218	79.9%	79.9%
2031	7.125%	7.125%	42.77%	269	114.9	2,840	2,304	536	81.1%	16.84%	2,309	81.3%	82.0%
2032	7.125%	7.125%	42.82%	277	118.5	2,901	2,398	503	82.7%	16.71%	2,404	82.9%	83.8%
2033	7.125%	7.125%	42.89%	285	122.3	2,960	2,496	464	84.3%	16.59%	2,501	84.5%	85.6%
2034	7.125%	7.125%	42.98%	294	126.3	3,019	2,598	420	86.1%	16.49%	2,604	86.2%	87.2%
2035	7.125%	7.125%	43.10%	303	130.5	3,076	2,705	370	88.0%	16.39%	2,711	88.1%	88.6%
2036	7.125%	7.125%	43.26%	312	135.1	3,132	2,818	314	90.0%	16.31%	2,824	90.2%	89.9%
2037	7.125%	7.125%	43.48%	322	140.1	3,188	2,938	250	92.2%	16.24%	2,943	92.3%	91.1%
2038	7.125%	7.125%	43.81%	332	145.6	3,243	3,066	177	94.5%	16.17%	3,071	94.7%	92.2%
2039	7.125%	7.125%	44.50%	343	152.6	3,298	3,203	96	97.1%	16.11%	3,208	97.3%	93.2%
2040	7.125%	7.125%	16.78%	354	59.4	3,354	3,351	2	99.9%	16.06%	3,357	100.1%	94.2%
2041	7.125%	7.125%	16.28%	365	59.5	3,410	3,409	-	100.0%	16.02%	3,414	100.1%	95.0%
2042	7.125%	7.125%	16.24%	377	61.3	3,467	3,466	-	100.0%	15.98%	3,471	100.1%	95.8%
2043	7.125%	7.125%	16.21%	389	63.1	3,524	3,523	-	100.0%	15.95%	3,529	100.1%	96.4%
2044	7.125%	7.125%	16.20%	402	65.2	3,584	3,583	-	100.0%	15.93%	3,588	100.1%	97.0%
2045	7.125%	7.125%	16.18%	416	67.2	3,646	3,645	-	100.0%	15.91%	3,650	100.1%	97.6%
2046	7.125%	7.125%	16.16%	429	69.4	3,710	3,709	-	100.0%	15.89%	3,714	100.1%	98.0%
2047	7.125%	7.125%	16.16%	444	71.7	3,777	3,776	-	100.0%	15.88%	3,781	100.1%	98.4%

Projection assumes no actuarial gains and losses, other than from assets. Projection based on constant population.
Tier 3 changes include No DROP, 2% COLA, pensionable compensation is capped at $118,775 for 2017, 3 year Final Average Compensation for members hired on or after January 1, 2013.
All dollar amounts in millions.

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For Illustrative Purposes Only - not the basis of approved Valuation

Illustrative scenario using 6.500% Earnings Assumption & 6.500% Actual rate of return

San Luis Obispo County Pension Trust

Projection Based on January 1, 2017 Actuarial Valuation with Tier 3 (AB 340)

6.500% Investment Rate of Return Assumption

3.375% Payroll Growth Assumption

(in millions)

Valuation as of January 1,	Input Market Return for Past Fiscal Year	Market Return for Past Fiscal Year	Total Contribution Rate	Compensation at Valuation	Total Contribution	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded AAL	Funded Ratio	Total Normal Cost Rate	Market Value of Assets (MVA)	Funded Ratio Using MVA	Percent Tier 3 Members
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
2017	7.125%	6.13%	47.23%	$ 185	$ 87.4	$ 1,981	$ 1,268	$ 713	64.0%	24.09%	$ 1,181	59.6%	29.8%
2018	7.125%	6.500%	47.94%	190	90.9	2,066	1,317	748	63.8%	23.49%	1,257	60.9%	36.1%
2019	7.125%	6.500%	48.77%	195	94.9	2,149	1,365	783	63.5%	22.97%	1,335	62.1%	41.3%
2020	7.125%	6.500%	49.46%	199	98.6	2,231	1,421	811	63.7%	22.48%	1,415	63.4%	46.2%
2021	7.125%	6.500%	49.51%	204	101.2	2,313	1,498	815	64.8%	22.04%	1,498	64.8%	51.1%
2022	7.125%	6.500%	49.44%	210	103.7	2,393	1,580	813	66.0%	21.63%	1,583	66.1%	55.3%
2023	7.125%	6.500%	49.39%	215	106.3	2,472	1,664	808	67.3%	21.24%	1,668	67.5%	59.4%
2024	7.125%	6.500%	49.33%	221	108.9	2,549	1,750	799	68.7%	20.90%	1,755	68.8%	63.1%
2025	7.125%	6.500%	49.29%	227	111.8	2,625	1,838	787	70.0%	20.60%	1,843	70.2%	66.5%
2026	7.125%	6.500%	49.26%	233	114.8	2,699	1,927	772	71.4%	20.33%	1,932	71.6%	69.6%
2027	7.125%	6.500%	49.24%	240	118.0	2,771	2,018	753	72.8%	20.08%	2,023	73.0%	72.5%
2028	7.125%	6.500%	49.25%	246	121.3	2,842	2,111	731	74.3%	19.86%	2,116	74.5%	75.2%
2029	7.125%	6.500%	49.26%	253	124.9	2,910	2,206	704	75.8%	19.65%	2,211	76.0%	77.7%
2030	7.125%	6.500%	49.30%	261	128.6	2,977	2,304	673	77.4%	19.47%	2,309	77.6%	79.9%
2031	7.125%	6.500%	49.36%	269	132.6	3,042	2,405	637	79.1%	19.31%	2,410	79.2%	82.0%
2032	7.125%	6.500%	49.44%	277	136.8	3,106	2,510	596	80.8%	19.17%	2,515	81.0%	83.8%
2033	7.125%	6.500%	49.52%	285	141.1	3,168	2,619	549	82.7%	19.03%	2,624	82.8%	85.6%
2034	7.125%	6.500%	49.64%	294	145.8	3,229	2,733	496	84.6%	18.91%	2,739	84.8%	87.2%
2035	7.125%	6.500%	49.80%	303	150.8	3,289	2,853	436	86.7%	18.81%	2,859	86.9%	88.6%
2036	7.125%	6.500%	50.00%	312	156.2	3,349	2,980	368	89.0%	18.72%	2,985	89.2%	89.9%
2037	7.125%	6.500%	50.28%	322	162.0	3,407	3,115	293	91.4%	18.64%	3,120	91.6%	91.1%
2038	7.125%	6.500%	50.69%	332	168.5	3,466	3,258	207	94.0%	18.56%	3,264	94.2%	92.2%
2039	7.125%	6.500%	51.56%	343	176.8	3,524	3,412	112	96.8%	18.50%	3,418	97.0%	93.2%
2040	7.125%	6.500%	19.34%	354	68.5	3,583	3,580	3	99.9%	18.45%	3,585	100.1%	94.2%
2041	7.125%	6.500%	18.76%	365	68.5	3,642	3,641	-	100.0%	18.40%	3,646	100.1%	95.0%
2042	7.125%	6.500%	18.72%	377	70.6	3,703	3,701	-	100.0%	18.36%	3,707	100.1%	95.8%
2043	7.125%	6.500%	18.68%	389	72.8	3,764	3,763	-	100.0%	18.32%	3,768	100.1%	96.4%
2044	7.125%	6.500%	18.67%	402	75.1	3,828	3,827	-	100.0%	18.30%	3,832	100.1%	97.0%
2045	7.125%	6.500%	18.65%	416	77.5	3,894	3,893	-	100.0%	18.28%	3,898	100.1%	97.6%
2046	7.125%	6.500%	18.64%	429	80.0	3,963	3,961	-	100.0%	18.26%	3,967	100.1%	98.0%
2047	7.125%	6.500%	18.64%	444	82.7	4,035	4,033	-	100.0%	18.25%	4,039	100.1%	98.4%

Projection assumes no actuarial gains and losses, other than from assets. Projection based on constant population.
Tier 3 changes include No DROP, 2% COLA, pensionable compensation is capped at $118,775 for 2017, 3 year Final Average Compensation for members hired on or after January 1, 2013.
All dollar amounts in millions.

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Board of Trustees

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San Luis Obispo County Pension Trust
SLOCPT

Date: June 26, 2017

To: Board of Trustees

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

Agenda Item 8: Employer Contributions FY17-18 Prefunding Amount

Recommendation:

Staff recommends that the Board of Trustees approve the amount calculated for FY17-18 by SLOCPT's actuary, Gabriel Roeder Smith (GRS), for the prefunding of Employer Contributions and Employer for Employee Contributions ("pick up") for the County and APCD. The total estimated amount will be dependent on when the Plan sponsor elects to implement the 1.93% increase recommended as part of the January 1, 2017 Actuarial Evaluation. For this reason, GRS has prepared two scenarios for the Employer Contributions based on rate increase implementation dates of January 1, 2018 and July 1, 2018. Pick up rates are not affected by the rate increase and thus only one estimate has been prepared for each of the County and APCD.

Discussion:

The agreement between the County Board of Supervisors and SLOCPT to facilitate annual prefunding of the County's and APCD's Employer Contributions and Employer for Employee Contributions was approved in 2014. An amendment to this agreement was approved by the Board of Trustees at the March 27th, 2017 regular meeting that stipulates that the discount rate used to calculate the prefunding amount should be the Plan's Earnings Assumption less 1.0%. For FY17-18 a discount rate of 6.125% (7.125% less 1.00%) was used to calculate prefunding payment.

In addition, SLOCPT and the County's Auditor Office will calculate a "true-up" of contributions at the end of the fiscal year comparing actual results to those estimated in the prior year's prefunding calculation. If the true-up amount is negative (overpayment) then that amount is credited towards the subsequent year's contributions. If the true-up amount is positive (underpayment) then the County is obligated to pay SLOCPT the difference.

Estimated contributions are based on the results of the 2017 Actuarial Valuation with the assumption that the recommended rate increase will be split 50/50 between Employers and Employees. The following tables summarize the proposed prefunding of FY17-18 Employer Contributions and the pick-up contributions assuming rate increase implementation dates of January 1, 2018 and July 1, 2018:

If recommended rate increase is implemented 01/01/2018:	Estimated FY17-18 Contributions Undiscounted	Estimated FY17-18 Contributions Discounted
County ER Contributions	$39,904,376	$38,764,062
County ER paid EE Contrib.	11,101,352	10,792,670
APCD ER Contributions	491,573	477,516
APCD ER Paid EE Contrib.	188,982	183,725
	-----------------	-----------------
TOTAL	$51,686,283	$50,217,973

Aggregate Employer Savings = $1,468,310

If recommended rate increase is implemented 07/01/2018:	Estimated FY17-18 Contributions Undiscounted	Estimated FY17-18 Contributions Discounted
County ER Contributions	$38,835,856	$37,740,970
County ER paid EE Contrib.	11,101,352	10,792,670
APCD ER Contributions	478,397	464,903
APCD ER Paid EE Contrib.	188,982	183,725
	-----------------	-----------------
TOTAL	$50,604,587	$49,182,268

Aggregate Employer Savings = $1,422,319

Attached are a letter from GRS and the tables used to calculate the prefunding amounts.

Respectfully Submitted,

Carl Nelson
Executive Secretary

Amy Burke
Deputy Executive Secretary

Memorandum

Date: June 22, 2017

To: Board of Trustees

Re: Prefunding of Contributions for Fiscal Year Ending June 30, 2018
Two dates for rate increase implementation-January 1, 2018 and July 1, 2018

From: Leslie Thompson, FSA, FCA, EA, MAAA
Joe Herm

Historically, the County makes regular contributions to the Pension Trust on a pay-period-by-pay-period basis based on the required contribution rate determined in the annual valuation. For the FYE June 30, 2018 the actuarially determined rate is based on the results of the January 1, 2017 actuarial valuation. Due to the fact that the valuation is completed after the effective date of any recommended rate increase, the County must also determine the date at which the rate increases will be effective. Details of the rate increases by date of implementation are illustrated in a letter under separate cover.

At the April 2017 Board of Trustees meeting, a decision was made to pursue an agreement with the County to prefund its FYE 17-18 employer contribution. The Board decided on a discount rate equal to 100 basis points below the actuarial assumed rate of return. Since the assumed rate of return is 7.125%, the discount rate for the prepayment is 6.125%. This applies to the County primarily and not the contract agencies. However, the County has indicated that as the payroll provider for the APCD that the employer contributions for APCD will also be prefunded.

This contribution rate is determined such that the regular contributions, along with the member contributions and the future investment earnings on those contributions, will be sufficient to fully fund the retirement benefits for all members upon their retirement. The Plan allows the County to pay contributions up to one year in advance (Section 16.05(c) of the Plan). By accelerating payments through the lump-sum payment following the final fiscal year 2016-17 pay period ending on June 30, 2017, the County can achieve long-term contribution savings.

Two sets of exhibits (payroll dates starting July 1, 2017 and ending June 30, 2018) have been prepared, based on (1) if the County implements the recommended rate increase from the January 1, 2017 valuation as of January 1, 2018, or (2) if the County delays the recommended rate increase until July 1, 2018. For the first set (rate increase not in effect until January 1, 2018), the County appropriation rate for the first half of the fiscal year is based on an expected 19.22% County charged rate as of January 1, 2017 plus 2.59% of the total 5.17% rate increase effective January 1, 2017 for a total rate of 21.81%, and the County appropriation rate for the second half of the fiscal year is based on the 21.81% plus 1.19% of the 2.38% increase effective January 1, 2018. (This assumes the rate increases will be split 50/50). For the second set (rate increase not in effect until July 1, 2018), the County appropriation rate for the year is based on the 21.81%.

2017 Rate Increase Effective Date	Rate Increase *(from the June 18, 2017 delay rate increase letter)*	Total County Rate	Addition to rate during FYE 18 as of the Rate Increase Effective Date
January 1, 2017	1.93%	21.81%	NA
January 1, 2018	2.38%	23.00%	1/2 of 2.38% for 6 months
July 1, 2018	2.62%	23.24%	None, not effective until after year end

A summary of the savings calculation for the County, including the savings for the APCD group and the employer paid portion of the employee normal cost contributions, is illustrated in the following table:

Contribution Basis	Rate Increase January 1, 2018	Rate Increase July 1, 2018
Pay period non-discounted contribution for FYE 2018	$51,686,283	$50,604,587
Pre-funding single sum contribution made on July 14, 2017	$50,217,973	$49,182,268
Contribution savings due to prefunding	$1,468,310	$1,422,319

This pre-funding calculation has been done using the Board prescribed interest rate of 6.125%. If the County prefunds the contribution at the beginning of the fiscal year 2018 (including the APCD contributions and the employer paid portion of the employee contributions), the County can contribute $1,468,310 less (based on a rate increase effective January 1, 2018) or $1,422,319 less (based on a rate increase effective July 1, 2018). If the Trust earns 6.125% for the year, then the total assets in the Trust will be the same at the end of the year for either contribution basis.

Also attached are schedules detailing the additional amount of estimated savings based on prefunding the employer paid employee contributions (the “Pick Up”), and similar schedules for prefunding the contributions for just the APCD group.

These calculations are based upon assumptions regarding future events, which may or may not materialize. Please bear in mind that actual results could deviate from the assumptions, depending on actual plan experience. The above discussion is only in regard to an actuarial gain or loss from actual contributions to the Trust being different than anticipated. Even with a potential gain from the prefunding contribution, the Plan may still experience an overall actuarial loss due to other factors.

San Luis Obispo County Pension Trust

Prepayment of County Contributions
Discount Rate = 6.125%
Rate Increase Delayed to January 1, 2018

Fiscal Year 2017-2018 beginning July 14, 2017 Biweekly Pay Period	County Biweekly Payroll Estimate*	County Appropriation Rate**	Biweekly Contribution Undiscounted	Discount to 7/14/2017 Factor	Biweekly Contribution Discounted
1	$ 6,741,445	21.81%	$ 1,469,972	1.00000000	$ 1,469,972
2	6,750,057	21.81%	1,471,850	0.99771617	1,468,488
3	6,758,680	21.81%	1,473,730	0.99543756	1,467,006
4	6,767,314	21.81%	1,475,613	0.99316415	1,465,526
5	6,775,959	21.81%	1,477,498	0.99089593	1,464,047
6	6,784,615	21.81%	1,479,385	0.98863290	1,462,569
7	6,793,282	21.81%	1,481,275	0.98637503	1,461,093
8	6,801,961	21.81%	1,483,167	0.98412232	1,459,618
9	6,810,650	21.81%	1,485,062	0.98187475	1,458,145
10	6,819,350	21.81%	1,486,959	0.97963232	1,456,673
11	6,828,062	21.81%	1,488,859	0.97739500	1,455,203
12	6,836,784	21.81%	1,490,761	0.97516280	1,453,734
13	6,845,518	21.81%	1,492,665	0.97293569	1,452,267
14	6,854,263	23.00%	1,576,138	0.97071368	1,529,979
15	6,863,019	23.00%	1,578,151	0.96849673	1,528,434
16	6,871,786	23.00%	1,580,167	0.96628485	1,526,892
17	6,880,565	23.00%	1,582,186	0.96407802	1,525,351
18	6,889,355	23.00%	1,584,207	0.96187623	1,523,811
19	6,898,156	23.00%	1,586,231	0.95967947	1,522,273
20	6,906,968	23.00%	1,588,257	0.95748773	1,520,737
21	6,915,791	23.00%	1,590,286	0.95530099	1,519,202
22	6,924,626	23.00%	1,592,318	0.95311925	1,517,669
23	6,933,472	23.00%	1,594,352	0.95094249	1,516,137
24	6,942,329	23.00%	1,596,389	0.94877070	1,514,607
25	6,951,198	23.00%	1,598,428	0.94660387	1,513,078
26	6,960,078	23.00%	1,600,470	0.94444199	1,511,551
Totals:	$ 178,105,282		$ 39,904,376		$ 38,764,062

Contribution Amount for FY 2017-18	$ 39,904,376	$ 38,764,062
	(Undiscounted)	(Discounted)
Savings due to Prepayment for FY 2017-18		**$ 1,140,314**

* Payroll and all contribution calculations are based on the County only and do not include amounts for the Courts, APCD, LAFCO, and the Pension Trust staff. The County includes Miscellaneous, Probation & Safety employers. The calculation of the annual required contribution assumes the payroll grows at a continuous annual rate of 3.375% per year to reflect turnover and pay increases during the year.

** County appropriation rate for the first half of the year is based on an expected 19.22% County charged rate as of January 1, 2017 plus 2.59% of the total 5.17% rate increase effective January 1, 2017. County appropriation rate for the second half of the year is based 21.81% plus 1.19% of the 2.38% increase effective January 1, 2018.

San Luis Obispo County Pension Trust

Prepayment of County Contributions
Discount Rate = 6.125%
Rate Increase Delayed to July 1, 2018

Fiscal Year 2017-2018 beginning July 14, 2017 Biweekly Pay Period	County Biweekly Payroll Estimate*	County Appropriation Rate**	Biweekly Contribution Undiscounted	Discount to 7/14/2017 Factor	Biweekly Contribution Discounted
1	$ 6,741,445	21.81%	$ 1,469,972	1.00000000	$ 1,469,972
2	6,750,057	21.81%	1,471,850	0.99771617	1,468,488
3	6,758,680	21.81%	1,473,730	0.99543756	1,467,006
4	6,767,314	21.81%	1,475,613	0.99316415	1,465,526
5	6,775,959	21.81%	1,477,498	0.99089593	1,464,047
6	6,784,615	21.81%	1,479,385	0.98863290	1,462,569
7	6,793,282	21.81%	1,481,275	0.98637503	1,461,093
8	6,801,961	21.81%	1,483,167	0.98412232	1,459,618
9	6,810,650	21.81%	1,485,062	0.98187475	1,458,145
10	6,819,350	21.81%	1,486,959	0.97963232	1,456,673
11	6,828,062	21.81%	1,488,859	0.97739500	1,455,203
12	6,836,784	21.81%	1,490,761	0.97516280	1,453,734
13	6,845,518	21.81%	1,492,665	0.97293569	1,452,267
14	6,854,263	21.81%	1,494,572	0.97071368	1,450,802
15	6,863,019	21.81%	1,496,481	0.96849673	1,449,337
16	6,871,786	21.81%	1,498,393	0.96628485	1,447,874
17	6,880,565	21.81%	1,500,307	0.96407802	1,446,413
18	6,889,355	21.81%	1,502,224	0.96187623	1,444,953
19	6,898,156	21.81%	1,504,143	0.95967947	1,443,495
20	6,906,968	21.81%	1,506,064	0.95748773	1,442,038
21	6,915,791	21.81%	1,507,988	0.95530099	1,440,583
22	6,924,626	21.81%	1,509,915	0.95311925	1,439,129
23	6,933,472	21.81%	1,511,844	0.95094249	1,437,676
24	6,942,329	21.81%	1,513,775	0.94877070	1,436,225
25	6,951,198	21.81%	1,515,709	0.94660387	1,434,776
26	6,960,078	21.81%	1,517,645	0.94444199	1,433,328
Totals:	$ 178,105,282		$ 38,835,856		$ 37,740,970

Contribution Amount for FY 2017-18	$ 38,835,856	$ 37,740,970
	(Undiscounted)	(Discounted)
Savings due to Prepayment for FY 2017-18		**$ 1,094,886**

* Payroll and all contribution calculations are based on the County only and do not include amounts for the Courts, APCD, LAFCO, and the Pension Trust staff. The County includes Miscellaneous, Probation & Safety employers. The calculation of the annual required contribution assumes the payroll grows at a continuous annual rate of 3.375% per year to reflect turnover and pay increases during the year.

San Luis Obispo County Pension Trust

Prepayment of Employer Paid Portion of
Employee Normal Cost ("Pick-up") Contributions
Discount Rate = 6.125%

Fiscal Year 2017-2018 beginning July 14, 2017 Biweekly Pay Period	County Biweekly Payroll Estimate*	County Paid EE NC Rate**	Biweekly Contribution Undiscounted	Discount to 7/14/2017 Factor	Biweekly Contribution Discounted
1	$ 5,220,056	**	$ 436,746	1.00000000	$ 436,746
2	5,210,577	**	435,953	0.99771617	434,957
3	5,201,115	**	435,161	0.99543756	433,176
4	5,191,671	**	434,371	0.99316415	431,402
5	5,182,243	**	433,582	0.99089593	429,635
6	5,172,833	**	432,795	0.98863290	427,875
7	5,163,440	**	432,009	0.98637503	426,123
8	5,154,064	**	431,225	0.98412232	424,378
9	5,144,705	**	430,442	0.98187475	422,640
10	5,135,363	**	429,660	0.97963232	420,909
11	5,126,038	**	428,880	0.97739500	419,185
12	5,116,730	**	428,101	0.97516280	417,468
13	5,107,439	**	427,324	0.97293569	415,759
14	5,098,164	**	426,548	0.97071368	414,056
15	5,088,907	**	425,773	0.96849673	412,360
16	5,079,666	**	425,000	0.96628485	410,671
17	5,070,442	**	424,228	0.96407802	408,989
18	5,061,235	**	423,458	0.96187623	407,314
19	5,052,044	**	422,689	0.95967947	405,646
20	5,042,871	**	421,921	0.95748773	403,984
21	5,033,714	**	421,155	0.95530099	402,330
22	5,024,573	**	420,390	0.95311925	400,682
23	5,015,449	**	419,627	0.95094249	399,041
24	5,006,342	**	418,865	0.94877070	397,407
25	4,997,251	**	418,104	0.94660387	395,779
26	4,988,177	**	417,345	0.94444199	394,158
Totals:	$ 132,685,108		$ 11,101,352		$ 10,792,670

Contribution Amount for FY 2017-18	$ 11,101,352 (Undiscounted)	$ 10,792,670 (Discounted)
Savings due to Prepayment for FY 2017-18		**$ 308,682**

* Payroll and all contribution calculations are based on the County only and do not include amounts for the Courts, APCD, LAFCO, and the Pension Trust staff. The County includes Miscellaneous, Probation & Safety employers. The calculation of the annual required contribution assumes the payroll grow s at a continuous annual rate of 3.375% per year to reflect turnover and pay increases during the year.

** County paid portion of the employee normal cost ("pick-up") contributions vary by bargaining unit ranging from 6.24% to 14.08%. County pickup contributions only apply to tier 1 and tier 2 members.

San Luis Obispo County Pension Trust
Air Pollution Control District
Prepayment of Employer Contributions
Discount Rate = 6.125%
Rate Increase Delayed to January 1, 2018

Fiscal Year 2017-2018 beginning July 14, 2017 Biweekly Pay Period	APCD Biweekly Payroll Estimate*	APCD Appropriation Rate**	Biweekly Contribution Undiscounted	Discount to 7/14/2017 Factor	Biweekly Contribution Discounted
1	$ 82,899	21.81%	$ 18,076	1.00000000	$ 18,076
2	83,016	21.81%	18,102	0.99771617	18,060
3	83,134	21.81%	18,127	0.99543756	18,045
4	83,252	21.81%	18,153	0.99316415	18,029
5	83,370	21.81%	18,179	0.99089593	18,013
6	83,488	21.81%	18,205	0.98863290	17,998
7	83,606	21.81%	18,230	0.98637503	17,982
8	83,725	21.81%	18,256	0.98412232	17,966
9	83,843	21.81%	18,282	0.98187475	17,951
10	83,962	21.81%	18,308	0.97963232	17,935
11	84,081	21.81%	18,334	0.97739500	17,919
12	84,200	21.81%	18,360	0.97516280	17,904
13	84,319	21.81%	18,386	0.97293569	17,888
14	84,439	23.00%	19,417	0.97071368	18,848
15	84,559	23.00%	19,444	0.96849673	18,832
16	84,678	23.00%	19,472	0.96628485	18,815
17	84,798	23.00%	19,499	0.96407802	18,799
18	84,919	23.00%	19,527	0.96187623	18,783
19	85,039	23.00%	19,555	0.95967947	18,766
20	85,159	23.00%	19,582	0.95748773	18,750
21	85,280	23.00%	19,610	0.95530099	18,734
22	85,401	23.00%	19,638	0.95311925	18,717
23	85,522	23.00%	19,666	0.95094249	18,701
24	85,643	23.00%	19,694	0.94877070	18,685
25	85,764	23.00%	19,722	0.94660387	18,668
26	85,886	23.00%	19,749	0.94444199	18,652
Totals:	$ 2,193,982		$ 491,573		$ 477,516

Contribution Amount for FY 2017-18	$ 491,573 (Undiscounted)	$ 477,516 (Discounted)
Savings due to Prepayment for FY 2017-18		**$ 14,057**

* Payroll and all contribution calculations are based on the APCD only and do not include amounts for the Courts, County, LAFCO, and the Pension Trust staff. The calculation of the annual required contribution assumes the payroll grows at a continuous annual rate of 3.375% per year to reflect turnover and pay increases during the year.

** County appropriation rate for the first half of the year is based on an expected 19.22% County charged rate as of January 1, 2017 plus 2.59% of the total 5.17% rate increase effective January 1, 2017. County appropriation rate for the second half of the year is based 21.81% plus 1.19% of the 2.38% increase effective January 1, 2018.

San Luis Obispo County Pension Trust
Air Pollution Control District

Prepayment of Employer Contributions
Discount Rate = 6.125%
Rate Increase Delayed to July 1, 2018

Fiscal Year 2017-2018 beginning July 14, 2017 Biweekly Pay Period	APCD Biweekly Payroll Estimate*	APCD Appropriation Rate**	Biweekly Contribution Undiscounted	Discount to 7/14/2017 Factor	Biweekly Contribution Discounted
1	$ 82,899	21.81%	$ 18,076	1.00000000	$ 18,076
2	83,016	21.81%	18,102	0.99771617	18,060
3	83,134	21.81%	18,127	0.99543756	18,045
4	83,252	21.81%	18,153	0.99316415	18,029
5	83,370	21.81%	18,179	0.99089593	18,013
6	83,488	21.81%	18,205	0.98863290	17,998
7	83,606	21.81%	18,230	0.98637503	17,982
8	83,725	21.81%	18,256	0.98412232	17,966
9	83,843	21.81%	18,282	0.98187475	17,951
10	83,962	21.81%	18,308	0.97963232	17,935
11	84,081	21.81%	18,334	0.97739500	17,919
12	84,200	21.81%	18,360	0.97516280	17,904
13	84,319	21.81%	18,386	0.97293569	17,888
14	84,439	21.81%	18,412	0.97071368	17,873
15	84,559	21.81%	18,438	0.96849673	17,857
16	84,678	21.81%	18,464	0.96628485	17,842
17	84,798	21.81%	18,490	0.96407802	17,826
18	84,919	21.81%	18,516	0.96187623	17,811
19	85,039	21.81%	18,543	0.95967947	17,795
20	85,159	21.81%	18,569	0.95748773	17,780
21	85,280	21.81%	18,595	0.95530099	17,764
22	85,401	21.81%	18,622	0.95311925	17,749
23	85,522	21.81%	18,648	0.95094249	17,733
24	85,643	21.81%	18,674	0.94877070	17,718
25	85,764	21.81%	18,701	0.94660387	17,702
26	85,886	21.81%	18,727	0.94444199	17,687
Totals:	$ 2,193,982		$ 478,397		$ 464,903

Contribution Amount for FY 2017-18	$ 478,397 (Undiscounted)	$ 464,903 (Discounted)
Savings due to Prepayment for FY 2017-18		**$ 13,494**

* Payroll and all contribution calculations are based on the APCD only and do not include amounts for the Courts, County, LAFCO, and the Pension Trust staff. The calculation of the annual required contribution assumes the payroll grows at a continuous annual rate of 3.375% per year to reflect turnover and pay increases during the year.

San Luis Obispo County Pension Trust
Air Pollution Control District
Prepayment of Employer Paid Portion of
Employee Normal Cost ("Pick-up") Contributions
Discount Rate = 6.125%

Fiscal Year 2017-2018 beginning July 14, 2017 Biweekly Pay Period	APCD Biweekly Payroll Estimate*	APCD Paid EE NC Rate**	Biweekly Contribution Undiscounted	Discount to 7/14/2017 Factor	Biweekly Contribution Discounted
1	$ 82,899	**	$ 7,432	1.00000000	$ 7,432
2	82,748	**	7,418	0.99771617	7,401
3	82,598	**	7,405	0.99543756	7,371
4	82,448	**	7,392	0.99316415	7,341
5	82,298	**	7,379	0.99089593	7,312
6	82,149	**	7,366	0.98863290	7,282
7	82,000	**	7,353	0.98637503	7,253
8	81,851	**	7,340	0.98412232	7,223
9	81,702	**	7,327	0.98187475	7,194
10	81,554	**	7,314	0.97963232	7,165
11	81,406	**	7,301	0.97739500	7,136
12	81,258	**	7,288	0.97516280	7,107
13	81,110	**	7,275	0.97293569	7,078
14	80,963	**	7,262	0.97071368	7,049
15	80,816	**	7,249	0.96849673	7,021
16	80,669	**	7,236	0.96628485	6,992
17	80,523	**	7,223	0.96407802	6,964
18	80,377	**	7,210	0.96187623	6,935
19	80,231	**	7,197	0.95967947	6,907
20	80,085	**	7,184	0.95748773	6,879
21	79,940	**	7,171	0.95530099	6,850
22	79,794	**	7,158	0.95311925	6,822
23	79,650	**	7,145	0.95094249	6,794
24	79,505	**	7,132	0.94877070	6,767
25	79,361	**	7,119	0.94660387	6,739
26	79,216	**	7,106	0.94444199	6,711
Totals:	$ 2,107,151		$ 188,982		$ 183,725

Contribution Amount for FY 2017-18	$ 188,982 (Undiscounted)	$ 183,725 (Discounted)
Savings due to Prepayment for FY 2017-18		**$ 5,257**

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** Employer paid portion of the employee normal cost ("pick-up") contributions vary by bargaining unit ranging from 6.24% to 10.08% for APCD. Employer pickup contributions only apply to Tier 1 and Tier 2 members.

Board of Trustees

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San Luis Obispo County Pension Trust
SLOCPT

Date: June 26, 2017

To: Board of Trustees

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

Agenda Item 9: Investment Report for May 2017

	May	Year to Date 2017	2016	2015	2014	2013
Total Trust Investments ($ 000s)	$1,254,205		$1,196,775 year end	$1,148,315 year end	$1,190,316 year end	$1,131,022 year end
Total Fund Return	**1.4%** Gross	**7.6%** Gross	6.6 % Gross	-0.8 % Gross	5.1 % Gross	13.8% Gross
Policy Index Return (r)	1.2%	5.8%	7.7 %	-0.5 %	5.2 %	13.4%

(r) Policy index as of Aug. 2016 revision to Strategic Asset Allocation Policy: 20% domestic equity, 20% international equity, 15% core bonds, 5% bank loans, 5% global bonds, 5% emerging market debt, 15% real estate, 5% commodities, 5% private equity, 5% private credit.

The Economy:

Some of the significant factors in the global economy for May and into mid-June have been –

- **Fed Policy –** Despite the weak 1Q17 GDP growth rate, rebound in other US economic data supports the expectation that the Fed will stay-the-course with 2017 rate increases – with a June increase of 0.25% enacted as expected on June 14th. The healthy April employment reports, a rebound in retail sales and continued increases in wages suggest increased consumer spending. The Fed implications of this are an absence of a need to be timid in rate normalization since economic activity is not in question at present. The Fed's meeting minutes further reveal a plan to reduce the Fed balance sheet (the "hangover" from years of quantitative easing) by slowly and predictably ending reinvestments in maturing securities. This gradual unwinding of the Fed balance sheet has been a long-held expectation of the credit markets. The Fed is expected to stick to the apparent plan for two additional rate increases in 2017.

- **Economic Growth - US:** US GDP growth in 1Q17 has been revised upwards to a 1.2% annual rate. The last several years have exhibited a 1st quarter seasonality in GDP growth rates with the 1st quarter being lower followed by three remaining quarters of moderate growth. The 1Q17 modest slowdown in GDP was related to lower consumer consumption which followed a strong 4Q16 with near record vehicle sales late in 2016. Consumer confidence remains at elevated levels bolstering expectations for an uptick in GDP growth in the remainder of 2017. The latest Fed forecast of US GDP growth stands at a 3.0% real annual rate.

- **Economic Growth - Global:** Eurozone growth showed some pick up in 1Q17 with a 1.8% rate of increase in GDP. Elsewhere, renewed political turmoil in Brazil impacted markets and cast a limited shadow of concern over emerging markets. With expectations for moderating, but still strong growth in China, Moodys downgraded China's sovereign debt for the first time since 1989 with concerns about rising liabilities and slowing growth. Capital markets reacted positively to the May French election victory of the centrist, pro-Euro Macron. Emerging market growth is still expected to provide much of the improvement expected in 2017 GDP growth.

- **Employment -** The US unemployment rate edged even lower in May to a decade-low of 4.3%. This rate is well below the 4.7% unemployment rate that the Fed estimates as the "full employment" rate of long term equilibrium. After the disappointing new-jobs creation rate of +79k in March, the April new jobs number came in at a robust +211k followed by +138k in May. For local comparison, the May unemployment rate in San Luis Obispo County was 3.0% and for California it was 4.2%.

Investment Markets:

The attached report from Verus covers the investment returns of the SLOCPT portfolio and general market conditions through the end of May. The robust capital market returns year to date have been aided by generally above-benchmark returns from SLOCPT's investment managers.

PIMCO's June 2017 Global Update contained an interesting commentary on recent capital market shifts that is worth reading –

> "While the political turmoil contributed to a brief period of elevated market volatility, most risk assets recovered to end the month higher. Investor unease over geopolitical events was apparent in May, particularly the controversies surrounding the administrations in the U.S. and Brazil. Still the seemingly inexorable trend higher in risk markets prevailed as equities globally gained and credit spreads tightened. The VIX – a widely cited volatility measure – also reflected the short-lived nature of the downturn in markets during the month as it reached both its highest intraday level in 2017 and its lowest level since 1993. Also of note, the drivers of the recent equity market gains have changed from those that initially

pushed equity markets higher following the U.S. election; while the 'reflation trade' immediately following President Trump's election focused on financial and energy companies, those sectors have struggled more recently. The gains in May – consistent with the emerging trend in 2017 – were driven by technology companies with strong earnings growth, as well as more rate-sensitive sectors like utilities as interest rates have fallen. In fact, the U.S. 10-year Treasury yield is now 24 bps lower than at year end 2016."

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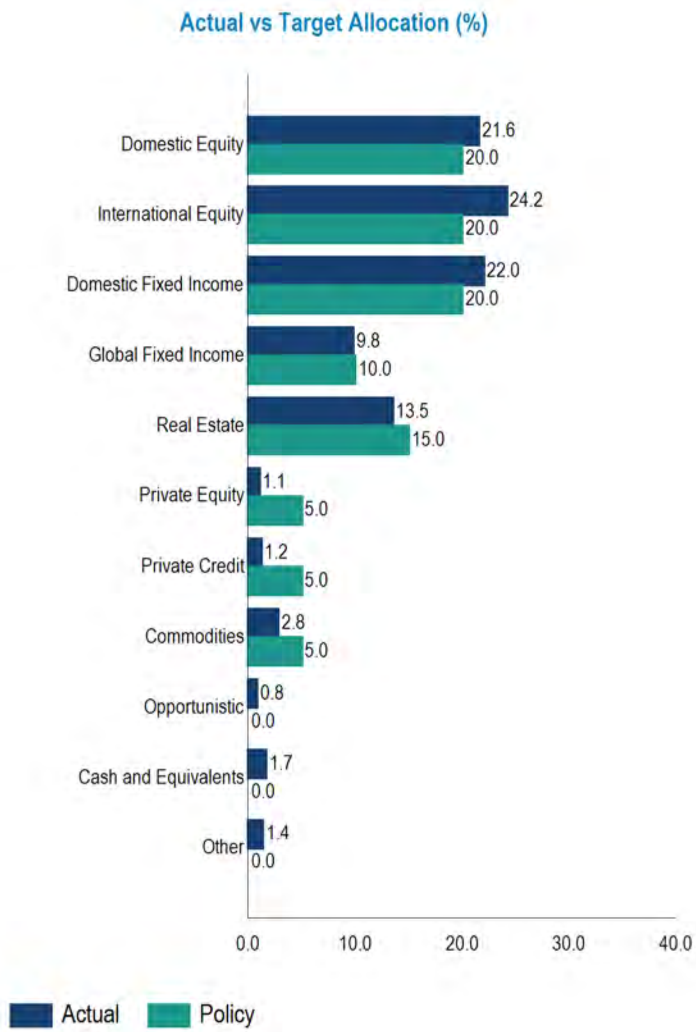
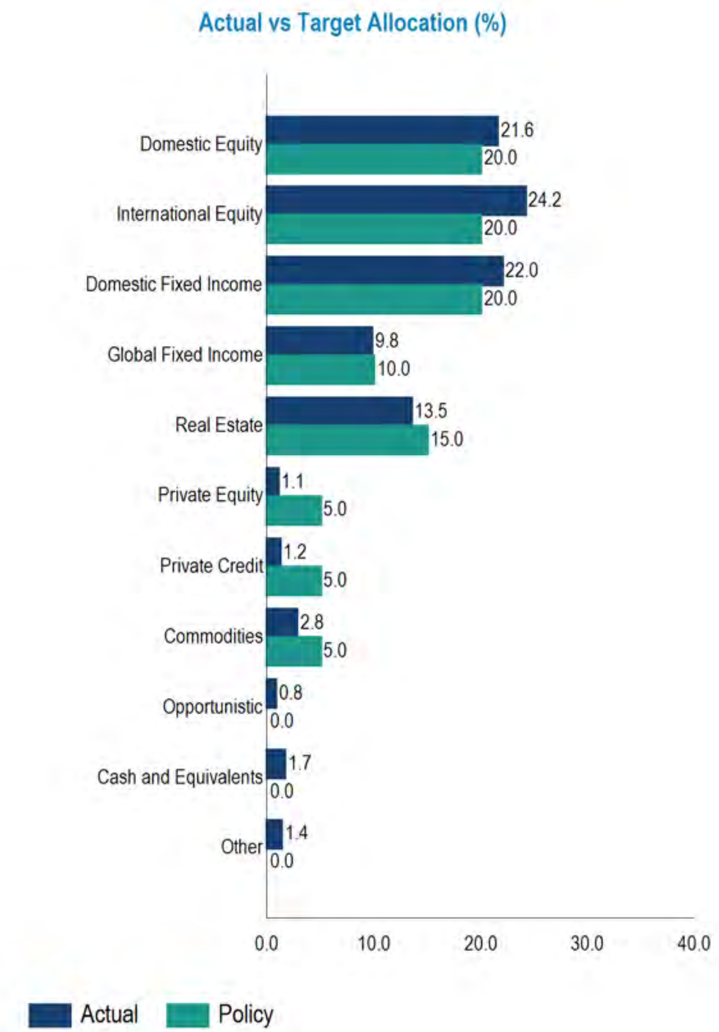
	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	**1,254,205,355**	**100.0**	**1.4**	**7.6**
Total Fund ex Clifton	1,237,000,621	98.6	1.4	7.5
Policy Index			*1.2*	*5.8*
Total Domestic Equity	**270,325,075**	**21.6**	**1.7**	**9.0**
Russell 3000			*1.0*	*8.0*
SSGA S&P 500 Flag.	11,133,147	0.9	1.4	8.7
S&P 500			*1.4*	*8.7*
PIMCO RAE Fundamental PLUS Instl	51,453,653	4.1	-0.3	3.0
S&P 500			*1.4*	*8.7*
Loomis Sayles Large Cap Growth	81,874,674	6.5	4.6	17.1
Russell 1000 Growth			*2.6*	*14.3*
Boston Partners Large Cap Value	72,558,431	5.8	0.3	--
Russell 1000 Value			*-0.1*	*--*
Atlanta Capital Mgmt	53,305,169	4.3	1.4	8.2
Russell 2500			*-1.1*	*3.4*
Total International Equity	**302,968,883**	**24.2**	**3.1**	**15.9**
MSCI ACWI ex USA Gross			*3.3*	*14.1*
Dodge & Cox Intl Stock	159,312,517	12.7	2.5	15.1
MSCI EAFE Gross			*3.8*	*14.4*
WCM International Growth	143,656,366	11.5	3.7	--
MSCI ACWI ex USA Gross			*3.3*	*--*
Total Domestic Fixed Income	**276,250,604**	**22.0**	**0.7**	**2.3**
BBgBarc US Aggregate TR			*0.8*	*2.4*
BlackRock Core Bond	94,326,369	7.5	0.9	--
BBgBarc US Aggregate TR			*0.8*	*--*
Dodge & Cox Income Fund	95,635,614	7.6	0.8	--
BBgBarc US Aggregate TR			*0.8*	*--*
Pacific Asset Corporate Loan	67,165,426	5.4	0.3	2.3
S&P/LSTA Leveraged Loan Index			*0.4*	*2.0*
SSGA TIPS	19,073,926	1.5	0.0	1.8
BBgBarc US TIPS TR			*0.0*	*1.8*



**Other balance represents Clifton Group.*

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 3/31/2017 +/- calls and distributions. Fidelity Real Estate Growth II liquidated 12/31/2015. TPG funded 11/21/16. Loomis Sayles LC Growth funded 12/31/16. PIMCO Core Plus liquidated 1/6/2017. BlackRock Core Bond funded 1/19/2017. Dodge & Cox Income Fund funded 1/19/2017. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. Pathway 9 funded 4/7/2017. All data is preliminary.

	Market Value	% of Portfolio	1 Mo	YTD
Total Global Fixed	**123,090,297**	**9.8**	**1.5**	**9.3**
Citi World Govt Bond Index			*1.7*	*4.6*
Brandywine Global Fixed Income	61,902,724	4.9	1.5	7.5
JPM GBI Global TR USD			*1.5*	*4.3*
Stone Harbor Local Markets Ins	61,187,573	4.9	1.6	11.2
JPM GBI-EM Global Diversified TR USD			*2.0*	*9.9*
Total Real Estate	**169,211,112**	**13.5**	**0.4**	**3.6**
NCREIF Property Index			*0.0*	*1.6*
ARA American Strategic Value Realty	11,149,843	0.9	0.0	2.7
NCREIF-ODCE			*0.0*	*1.8*
NCREIF Property Index			*0.0*	*1.6*
Direct Real Estate	12,996,972	1.0	0.0	12.4
NCREIF-ODCE			*0.0*	*1.8*
NCREIF Property Index			*0.0*	*1.6*
JP Morgan Core Real Estate	144,737,863	11.5	0.4	2.3
NCREIF-ODCE			*0.0*	*1.8*
NCREIF Property Index			*0.0*	*1.6*
Fidelity Real Estate Growth III	326,434	0.0	0.0	-0.4
NCREIF-ODCE			*0.0*	*1.8*
NCREIF Property Index			*0.0*	*1.6*
Total Commodities	**35,327,270**	**2.8**	**-1.3**	**-3.3**
Bloomberg Commodity Index TR USD			*-1.3*	*-5.1*
Gresham MTAP Commodity Builder	35,327,270	2.8	-1.3	-3.3
Bloomberg Commodity Index TR USD			*-1.3*	*-5.1*
Total Private Equity	**13,176,732**	**1.1**		
Harbourvest Partners IX Buyout Fund L.P.	12,512,583	1.0		
Pathway 9	664,149	0.1		
Russell 3000 +3%				



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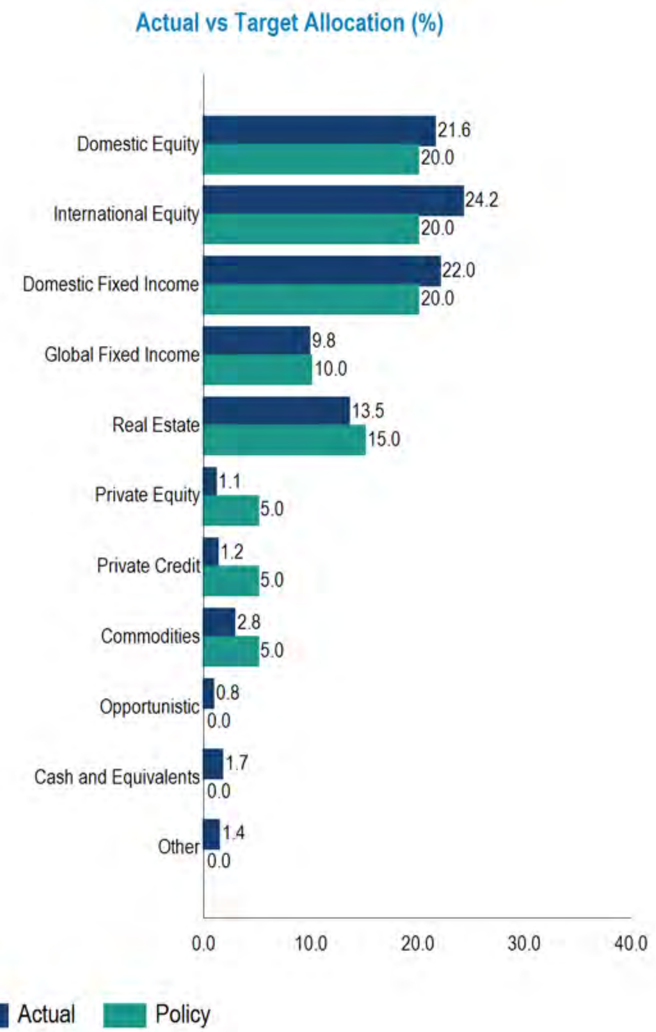
Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 3/31/2017 +/- calls and distributions. Fidelity Real Estate Growth II liquidated 12/31/2015. TPG funded 11/21/16. Loomis Sayles LC Growth funded 12/31/16. PIMCO Core Plus liquidated 1/6/2017. BlackRock Core Bond funded 1/19/2017. Dodge & Cox Income Fund funded 1/19/2017. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. Pathway 9 funded 4/7/2017. All data is preliminary.

	Market Value	% of Portfolio	1 Mo	YTD
Total Private Credit	**15,310,856**	**1.2**		
TPG Diversified Credit Program	15,310,856	1.2		
BBgBarc High Yield +2% (Lagged)				
Total Cash	**20,913,852**	**1.7**	**0.0**	**0.4**
91 Day T-Bills			*0.1*	*0.3*
Cash Account	20,913,852	1.7	0.0	0.4
91 Day T-Bills			*0.1*	*0.3*
Total Opportunistic	**10,425,940**	**0.8**		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	8,111,233	0.6		
PIMCO Distressed Credit Fund	2,314,707	0.2		
CPI + 5%				



**Other balance represents Clifton Group.*

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 3/31/2017 +/- calls and distributions. Fidelity Real Estate Growth II liquidated 12/31/2015. TPG funded 11/21/16. Loomis Sayles LC Growth funded 12/31/16. PIMCO Core Plus liquidated 1/6/2017. BlackRock Core Bond funded 1/19/2017. Dodge & Cox Income Fund funded 1/19/2017. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. Pathway 9 funded 4/7/2017. All data is preliminary.

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

MAY 2017

Capital Markets Update

Agenda Item 9

Market commentary

ECONOMIC CLIMATE

- As of June 9th, the Atlanta Fed GDPNow forecast for real U.S. GDP growth was a 3.0% QoQ annualized rate.
- Real GDP in the first quarter was revised up from 1.9% to 2.0% YoY (0.7% to 1.2% QoQ annualized). The measure benefited from upward revisions to consumer and government spending.
- Headline CPI increased by 2.2% YoY in April, down 20 bps from March, partially affected by decreases in medical care, commodities and telecommunication prices. Core CPI increased 1.9% over the previous year, down 10 bps from the prior month.
- The U.S. economy added 138,000 non-farm jobs in May, below the consensus estimate of 185,000. The unemployment rate fell from 4.4% to 4.3%, partially influenced by a decrease in the participation rate of 0.2% to 62.7%.
- Aggregate U.S. household debt increased in Q1 for an 11th straight quarter and surpassed the peak of $12.7 trillion set in Q3 of 2008.

DOMESTIC EQUITIES

- Domestic equities posted a positive return for a seventh consecutive month in May as the S&P 500 returned 1.4%. According to FactSet on June 9th, the estimated Q2 earnings growth rate of the index was 6.6% YoY.
- For a third consecutive month Information Technology companies outperformed all other S&P 500 sectors – the tech sector index returned 4.4% in May.

DOMESTIC FIXED INCOME

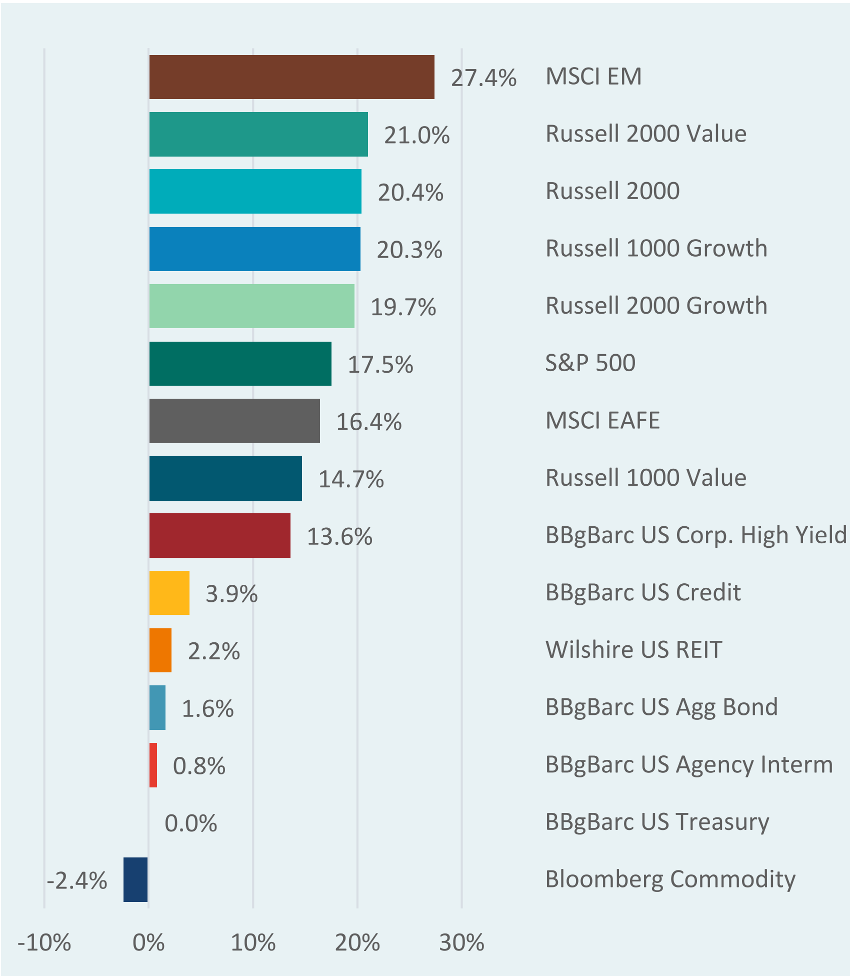
- Domestic fixed income returns were positive in May as the Bloomberg Barclays U.S. Aggregate Index returned 0.8%.
- The U.S. Treasury curve flattened modestly, as the 10-year minus 2-year Treasury yield spread contracted 8 bps to 0.93%, the lowest since October of 2016.

INTERNATIONAL MARKETS

- International equities outperformed domestic equities (S&P 500 1.4%) as the unhedged MSCI ACWI ex U.S. index returned 3.2% (2.0% hedged).
- Real U.K. GDP growth was revised down to 2.0% year-over-year, from the initial estimate of 2.1% due to drawdowns across the services sector.
- Japan's real GDP grew at a rate of 1.0% YoY during the first quarter, down from an initial estimate of 2.2% YoY. The negative revision was partially due to less accumulation of private inventories, of which the largest reduction was in stored oil reserves.
- Credit rating agency Moody's downgraded Chinese sovereign debt from Aa1 to Aa3, influenced by concerns over high leverage and slowing economic growth.
- Brazilian equities and currency fell sharply on May 18th, as new bribery allegations were directed at the current president Michel Temer.

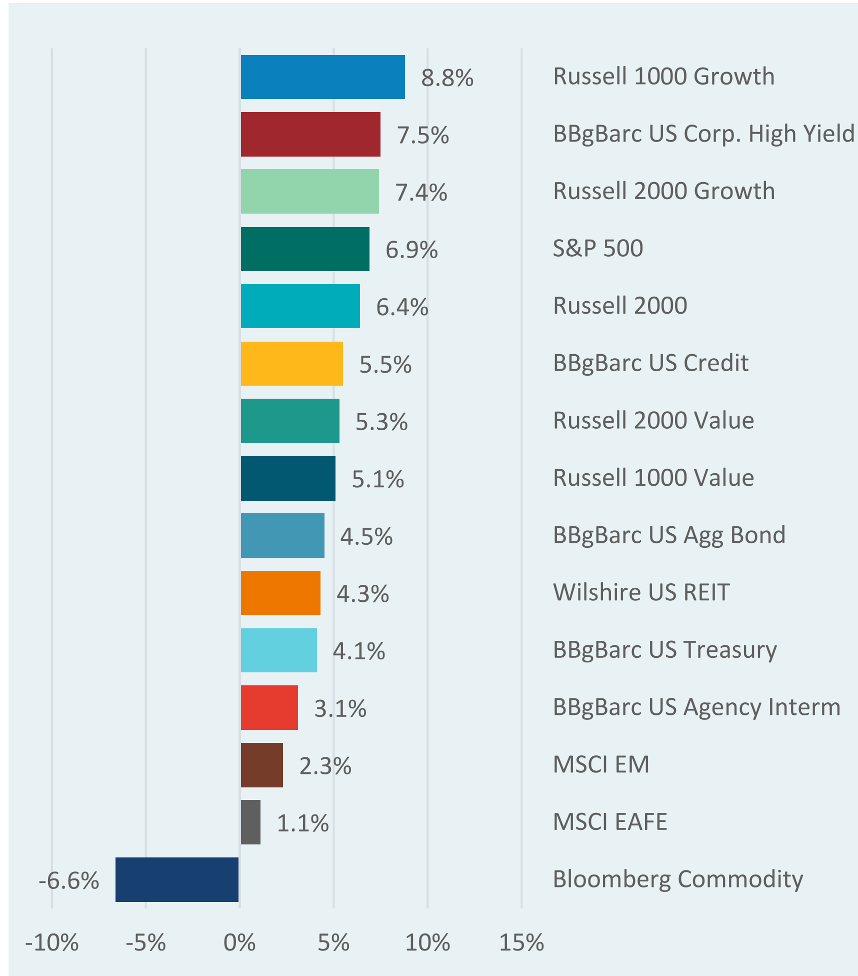
Major asset class returns

ONE YEAR ENDING MAY



Source: Morningstar, as of 5/31/17

TEN YEARS ENDING MAY



Source: Morningstar, as of 5/31/17

U.S. large cap equities

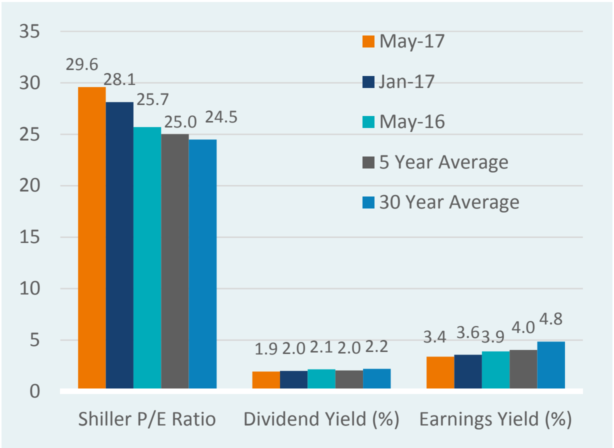
— Large cap equities moved steadily higher in May, as the S&P 500 returned 1.4%. According to FactSet, the year-over-year Q1 earnings growth rate was revised up from 13.5% to 14.0%.

— On May 8th the VIX, a measure of 30-day implied volatility for the S&P 500, closed at the lowest level since December 1993 at 9.77. The measure ended the month at 10.41, well below the 3-year average of 15.22.

— The Information Technology sector outperformed the broad index (+1.4%) and returned 4.4% in May. The sector was led by large technology firms like Apple, Alphabet, Amazon and Netflix which all returned over 6% in the month.

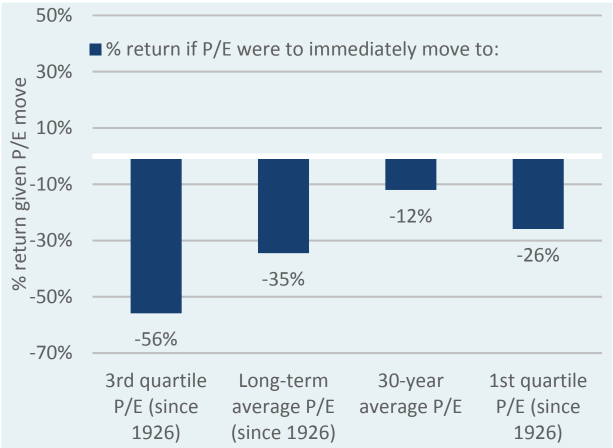
— Telecom Services companies underperformed in May, returning -1.0% and -8.1% year-to-date. The sector has been affected by increased competition, decreased prices for wireless services and lower overall revenue projections.

US LARGE CAP (S&P 500) VALUATION SNAPSHOT



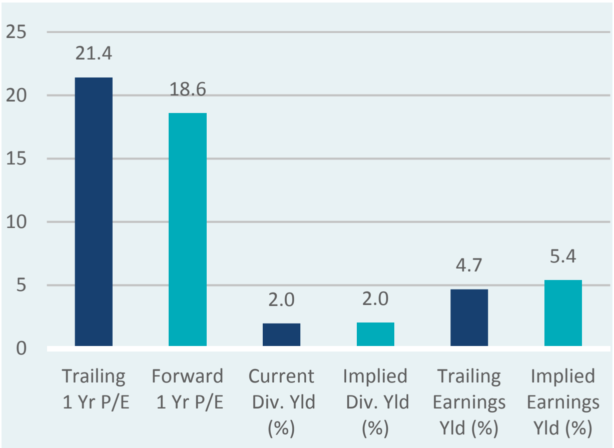
Source: Yale/Shiller, as of 5/31/17

RETURNS IF P/E MOVED TO HISTORIC LEVEL



Source: Yale/Shiller, Verus, as of 5/31/17

S&P 500 VALUATION SNAPSHOT

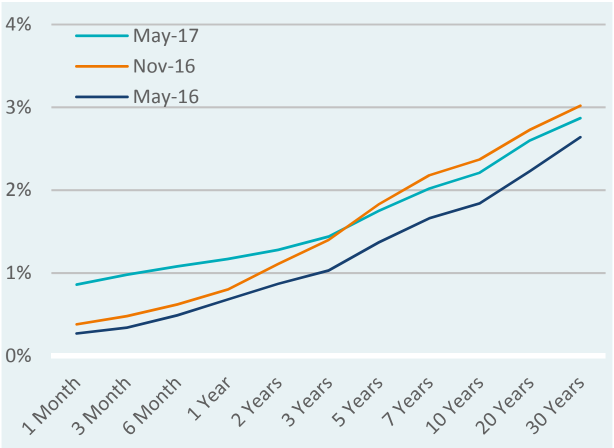


Source: Bloomberg, as of 5/31/17

Fixed income

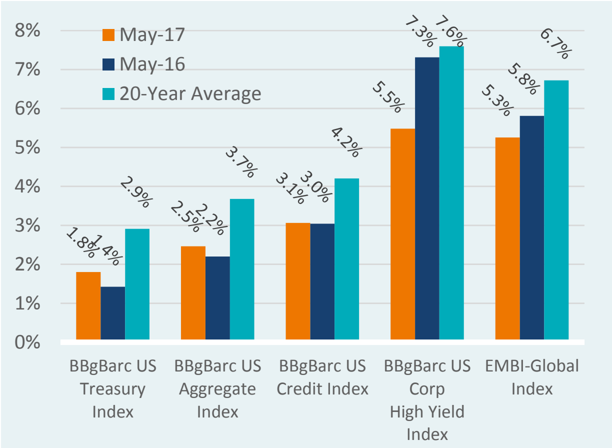
- The Bloomberg Barclays U.S. Treasury Long index (+2.0%) outperformed the U.S. Treasury index (+0.7%) in May. The longer duration index benefitted from a slight flattening of the yield curve, as the 10-year and 30-year yields fell by 8 bps and 9 bps, respectively.
- Nominal rates fell in May, affected by a reduction in inflation expectations. The 10-year TIPS breakeven rate decreased to 1.8%, down from 1.9% in April and 2.0% in March.
- U.S. high yield option-adjusted spreads resumed their downward trend and contracted 7 bps in the month, matching a 3-year low of 3.74%.
- The two largest non-U.S. holders of U.S. government debt, the central banks of Japan and China, have shown recent increased demand in U.S. Treasury bills, notes and bonds. Increased foreign investment can provide downward pressure on rates.

U.S. TREASURY YIELD CURVE



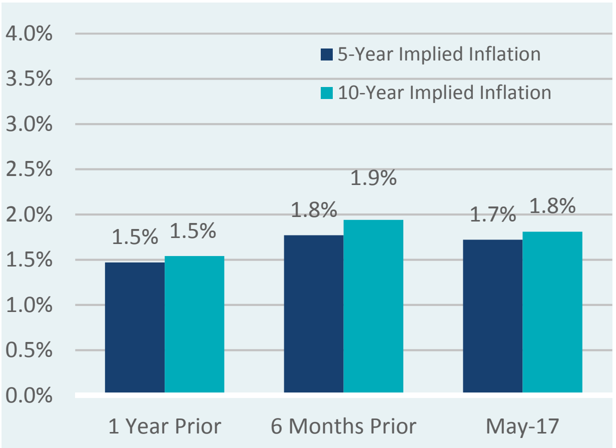
Source: Federal Reserve, as of 5/31/17

NOMINAL FIXED INCOME YIELDS



Source: Morningstar, as of 5/31/17

IMPLIED INFLATION (TIPS BREAKEVEN)



Source: Federal Reserve, as of 5/31/17

Global markets

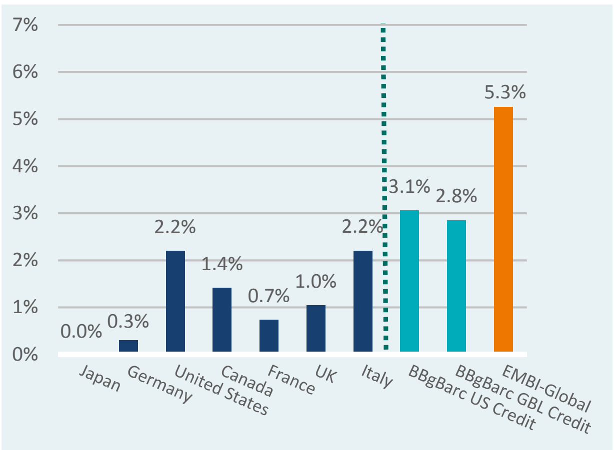
— Global sovereign bond yields were generally lower during the month. The Canadian 10-year yield experienced the largest change, decreasing by 13 bps.

— The U.S. major currency index decreased 0.8% to 106.5 in May against a trade weighted basket of currencies. The index has fallen -2.5% year-to-date, but remains wells above its long-term average of 93.9.

— The Euro appreciated against the U.S. dollar by 3.3% in May. The unhedged MSCI Euro index benefited from the currency movement and returned 4.6% in the month.

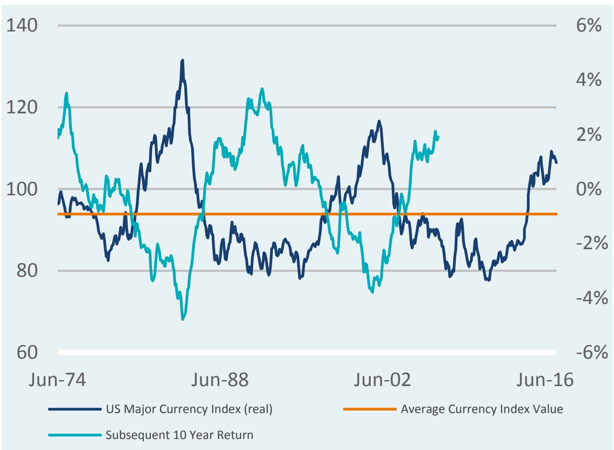
— Moody's Investors Service cut its rating on six Canadian banks following the run on deposits at Home Capital Group, an alternative mortgage lender.

GLOBAL SOVEREIGN 10 YEAR INDEX YIELDS



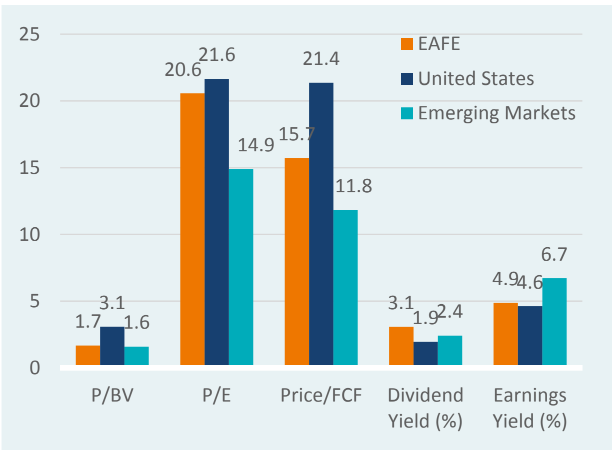
Source: Morningstar, as of 5/31/17

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 5/31/17

MSCI VALUATION METRICS (3 MONTH AVERAGE)



Source: Bloomberg, as of 5/31/17

Style tilts: U.S. large value vs. growth

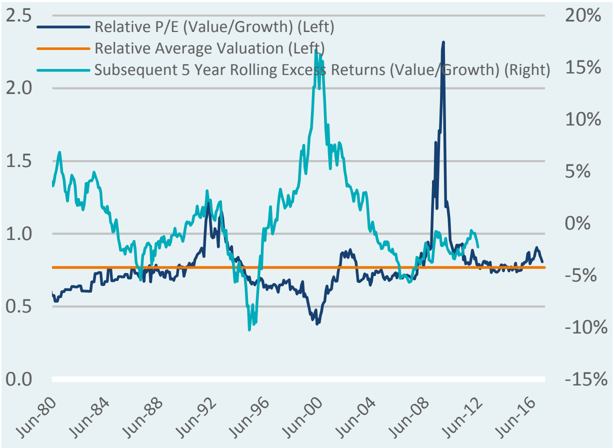
— For a fifth consecutive month, growth equities outperformed value equities. In May, the Russell 1000 Growth Index and Russell 1000 Value Index returned 2.6% and -0.1%, respectively. Large cap growth equites have outperformed value by 11.3% year-to-date.

— The relative trailing P/E ratio of value to growth equities decreased to 0.81 in May, down from 0.91 at year-end but above the long term average of 0.77.

— Value equities were negatively effected by their higher relative concentration to Energy and Financial Services companies, which returned -3.7% and -0.3%, respectively.

— Consistent with style expectations, the 5-year EPS growth rate of the Russell 1000 Growth in May was 9.8%, compared to the Russell 1000 Value at 2.8%.

RELATIVE TRAILING PE RATIO OF U.S. VALUE VS. GROWTH



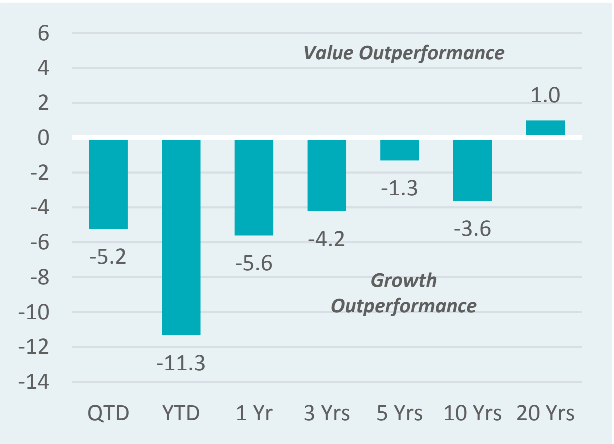
Source: Russell, Bloomberg, as of 5/31/17

U.S. VALUE VS. GROWTH ABSOLUTE PERFORMANCE

	RUSSELL 1000 VALUE ANNUALIZED RETURN TO DATE %	RUSSELL 1000 GROWTH ANNUALIZED RETURN TO DATE %
QTD	(0.3)	4.9
YTD	3.0	14.3
1 YEAR	14.7	20.3
3 YEARS	7.7	11.9
5 YEARS	14.7	16.0
10 YEARS	5.1	8.8
20 YEARS	7.8	6.8
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.73	1.06
5 YEARS	1.40	1.51
10 YEARS	0.36	0.59
20 YEARS	0.44	0.35

Source: Morningstar, as of 5/31/17

U.S. VALUE VS. GROWTH RELATIVE PERFORMANCE



Source: Morningstar, as of 5/31/17

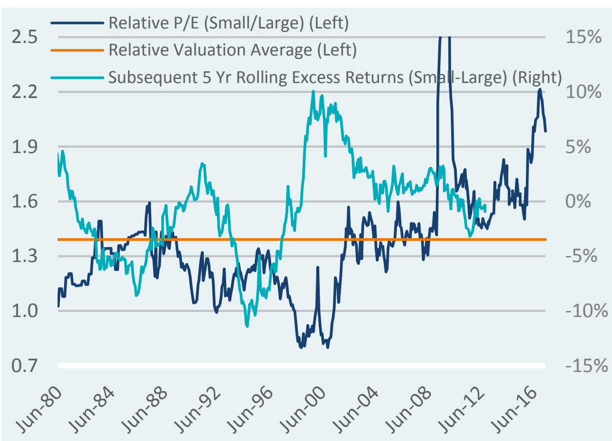
Style tilts: U.S. large vs. small

— U.S. large cap equities continued their recent outperformance over small cap equities in May as the Russell 1000 index and Russell 2000 index returned 1.3% and -2.0%, respectively.

— Large cap equities have provided superior risk adjusted returns, as measured by the Sharpe ratio, over all time periods examined below.

— The relative trailing P/E ratio of small to large equities continued to regress from a 7-year high (2.20) in December to 1.98 in May. The ratio remains well above its long-term average of 1.40.

RELATIVE TRAILING PE RATIO OF U.S. SMALL VS. LARGE



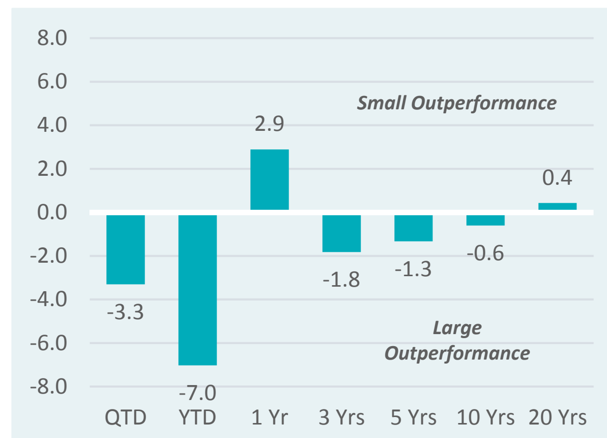
Source: Russell, Bloomberg, as of 5/31/17

U.S. LARGE VS. SMALL ABSOLUTE PERFORMANCE

	RUSSELL 1000 INDEX ANNUALIZED RETURN TO DATE %	RUSSELL 2000 INDEX ANNUALIZED RETURN TO DATE %
QTD	2.3	(1.0)
YTD	8.5	1.5
1 YEAR	17.5	20.4
3 YEARS	9.8	8.0
5 YEARS	15.4	14.0
10 YEARS	7.0	6.4
20 YEARS	7.6	8.0
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.93	0.56
5 YEARS	1.51	1.00
10 YEARS	0.48	0.38
20 YEARS	0.42	0.38

Source: Morningstar, as of 5/31/17

U.S. LARGE VS. SMALL RELATIVE PERFORMANCE



Source: Morningstar, as of 5/31/17

Commodities

— The Bloomberg Commodity index performance was negative for a third consecutive month, returning -1.3%. The Livestock sub-index continued to outperform the broad index as it returned 5.5% during the month.

— Precious Metals was the second highest performing commodity sub-index, returning 0.5%. The price of gold increased 0.6% to $1,275 per ounce and silver 0.8% to $17.41 per ounce.

— On May 25th OPEC agreed to extend production cuts through March of 2018. WTI Crude Oil prices softened in May over concerns about the effectiveness and depth of the cuts, resulting in a wider trading range compared to the start of 2017. Oil ended the month down 2.0% to $48.32 per barrel.

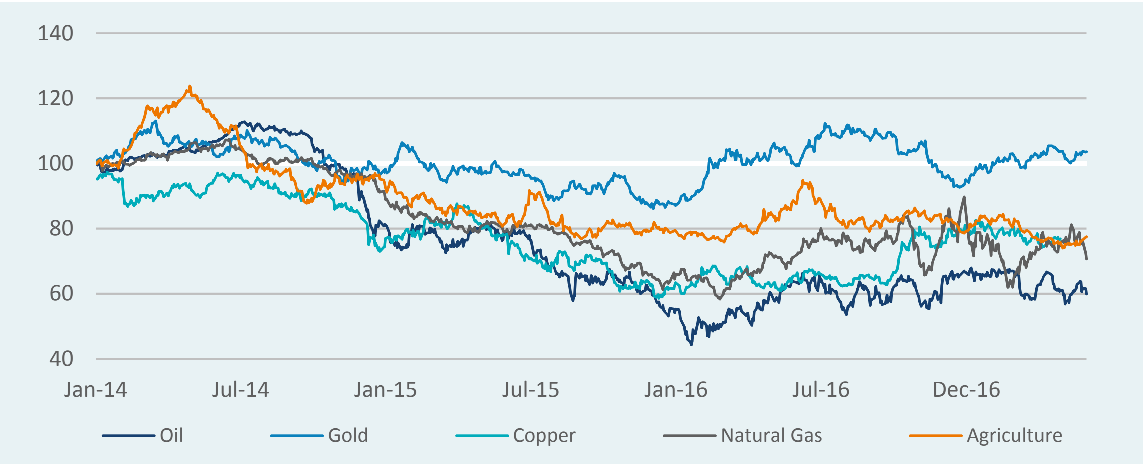
— The Bloomberg Softs sub-index returned -4.8% in May and was negatively affected by crashing sugar prices which fell -7.8% in the month (-24% year-to-date).

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(1.3)	(2.8)	(5.1)	(2.4)	(14.6)	(8.2)	(6.6)
Bloomberg Agriculture	(2.2)	(3.4)	(6.2)	(14.1)	(13.1)	(6.7)	(1.8)
Bloomberg Energy	(3.3)	(6.2)	(16.9)	(8.9)	(30.5)	(16.3)	(17.7)
Bloomberg Grains	(0.8)	(1.6)	(3.0)	(17.5)	(15.4)	(7.8)	(3.2)
Bloomberg Industrial Metals	(1.0)	(4.4)	2.9	21.3	(5.9)	(5.3)	(7.1)
Bloomberg Livestock	5.5	13.3	13.5	7.1	(4.7)	(1.0)	(6.5)
Bloomberg Petroleum	(1.3)	(5.6)	(14.4)	(11.2)	(30.5)	(16.9)	(11.1)
Bloomberg Precious Metals	0.5	(0.1)	9.7	4.5	(0.8)	(6.0)	5.1
Bloomberg Softs	(4.8)	(8.2)	(12.6)	(5.8)	(11.6)	(8.4)	(1.8)

Source: Morningstar, as of 5/31/17

COMMODITY PERFORMANCE



Source: Bloomberg, as of 5/31/17

Appendix

Periodic table of returns

BEST ↑ / ↓ WORST

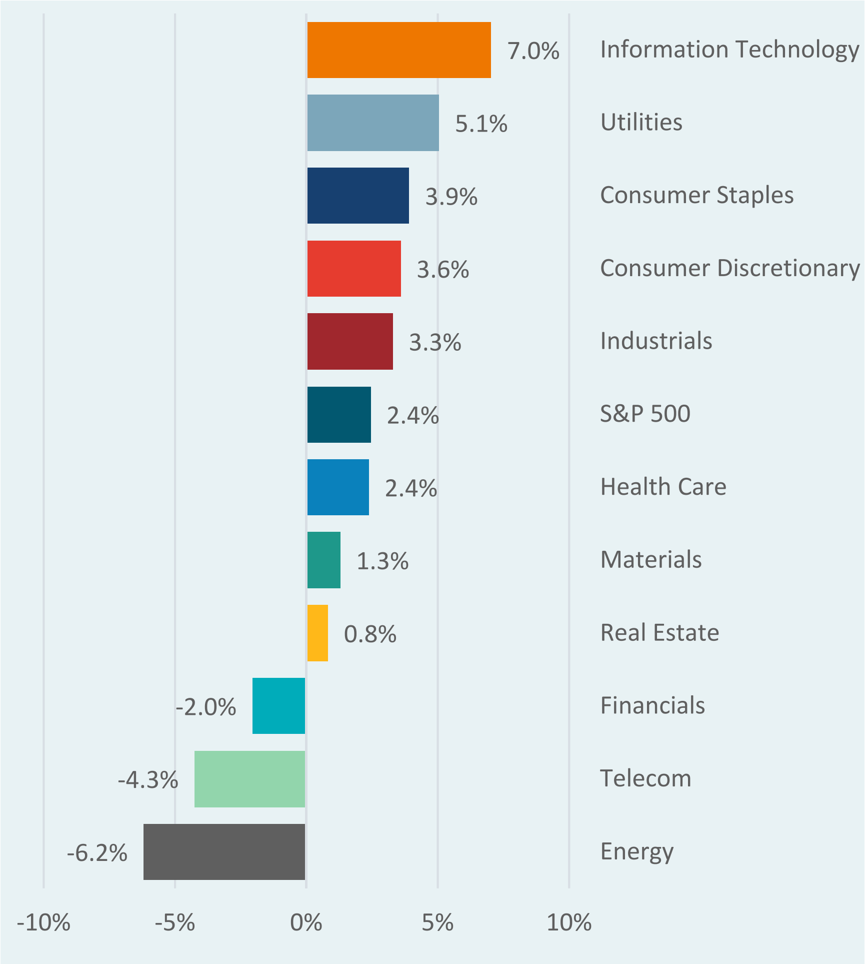
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	5-Year	10-Year
Emerging Markets Equity	16.6	38.4	23.2	35.2	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	17.3	16.0	8.8
Large Cap Growth	8.1	37.8	23.1	32.9	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	14.3	15.4	7.4
International Equity	6.4	37.2	22.4	31.8	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	14.0	14.7	7.0
Large Cap Equity	4.4	31.0	21.6	30.5	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	8.5	14.4	6.7
60/40 Global Portfolio	3.2	28.5	21.4	22.4	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	8.3	14.0	6.4
Small Cap Growth	2.6	25.7	16.5	16.2	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	6.3	13.7	5.3
Large Cap Value	0.4	19.6	14.4	13.9	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	3.0	10.7	5.1
Hedge Funds of Funds	-1.5	18.5	11.3	12.9	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	2.8	10.2	4.5
US Bonds	-1.8	15.2	10.3	10.6	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	2.4	7.3	3.9
Real Estate	-2.0	11.6	9.9	9.7	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	1.6	4.5	2.3
Small Cap Equity	-2.4	11.1	6.4	5.2	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	1.5	3.7	1.1
Cash	-2.9	7.5	6.0	2.1	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	0.3	2.2	0.9
Small Cap Value	-3.5	5.7	5.1	-3.4	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	-2.9	0.1	0.5
Commodities	-7.3	-5.2	3.6	-11.6	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	-5.1	-8.2	-6.6

- Large Cap Equity
- Large Cap Value
- Large Cap Growth
- Small Cap Equity
- Small Cap Value
- Small Cap Growth
- International Equity
- Emerging Markets Equity
- US Bonds
- Cash
- Commodities
- Real Estate
- Hedge Funds of Funds
- 60% MSCI ACWI/40% BBgBarc Global Bond

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 3/31/17.

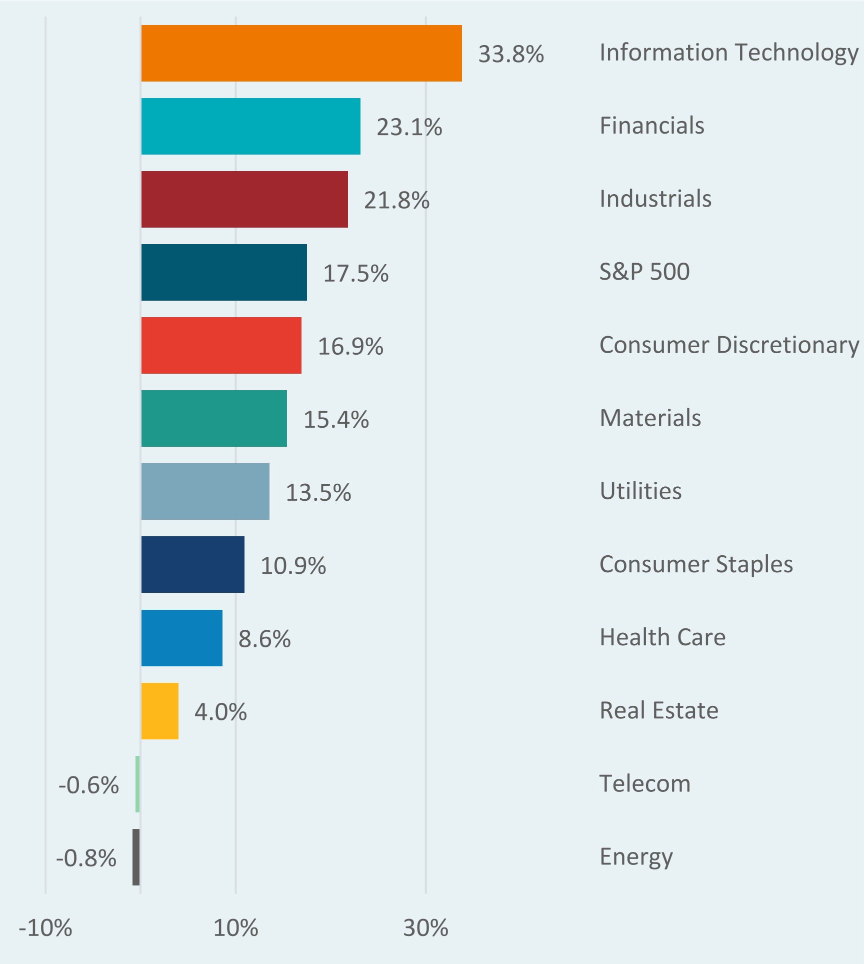
S&P 500 sector returns

QTD



Source: Morningstar, as of 5/31/17

ONE YEAR ENDING MAY



Source: Morningstar, as of 5/31/17

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	1.4	2.4	8.7	17.5	10.1	15.4	6.9
S&P 500 Equal Weighted	0.6	1.3	6.8	15.8	9.1	16.1	8.0
DJ Industrial Average	0.7	2.2	7.5	21.2	10.6	14.0	7.2
Russell Top 200	1.4	2.6	9.2	18.1	10.4	15.5	6.9
Russell 1000	1.3	2.3	8.5	17.5	9.8	15.4	7.0
Russell 2000	(2.0)	(1.0)	1.5	20.4	8.0	14.0	6.4
Russell 3000	1.0	2.1	8.0	17.7	9.7	15.3	7.0
Russell Mid Cap	0.9	1.7	6.9	15.9	8.5	15.1	7.3
Style Index							
Russell 1000 Growth	2.6	4.9	14.3	20.3	11.9	16.0	8.8
Russell 1000 Value	(0.1)	(0.3)	3.0	14.7	7.7	14.7	5.1
Russell 2000 Growth	(0.9)	0.9	6.3	19.7	8.6	14.4	7.4
Russell 2000 Value	(3.1)	(2.7)	(2.9)	21.0	7.3	13.7	5.3

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US Treasury US TIPS	(0.0)	0.5	1.8	2.4	1.1	0.3	4.4
BBgBarc US Treasury Bills	0.1	0.1	0.2	0.5	0.2	0.2	0.7
BBgBarc US Agg Bond	0.8	1.5	2.4	1.6	2.5	2.2	4.5
Duration							
BBgBarc US Treasury 1-3 Yr	0.1	0.3	0.5	0.6	0.7	0.6	2.0
BBgBarc US Treasury Long	2.0	3.6	5.0	(1.9)	5.4	2.4	7.2
BBgBarc US Treasury	0.7	1.4	2.0	0.0	2.0	1.2	4.1
Issuer							
BBgBarc US MBS	0.6	1.3	1.8	1.2	2.4	2.1	4.3
BBgBarc US Corp. High Yield	0.9	2.0	4.8	13.6	4.7	7.3	7.5
BBgBarc US Agency Interm	0.3	0.6	1.1	0.8	1.4	1.2	3.1
BBgBarc US Credit	1.1	2.1	3.4	3.9	3.3	3.7	5.5

INTERNATIONAL EQUITY

Broad Index							
MSCI ACWI	2.2	3.8	11.0	17.5	5.3	11.5	3.6
MSCI ACWI ex US	3.2	5.5	13.7	18.2	1.3	8.4	1.2
MSCI EAFE	3.7	6.3	14.0	16.4	1.5	10.2	1.1
MSCI EM	3.0	5.2	17.3	27.4	1.6	4.5	2.3
MSCI EAFE Small Cap	3.7	8.1	16.7	16.7	6.1	13.8	3.4
Style Index							
MSCI EAFE Growth	5.1	8.2	17.5	14.4	3.3	10.5	2.2
MSCI EAFE Value	2.3	4.5	10.8	18.4	(0.3)	9.9	(0.1)
Regional Index							
MSCI UK	4.6	6.8	12.2	11.4	(2.1)	7.2	0.6
MSCI Japan	3.0	4.1	8.8	15.0	7.0	10.4	1.1
MSCI Euro	4.6	8.8	18.0	21.1	0.5	12.6	(0.4)
MSCI EM Asia	4.5	6.8	21.1	29.2	5.4	7.9	4.3
MSCI EM Latin American	(2.4)	(2.4)	9.4	27.3	(5.6)	(3.2)	(0.9)

OTHER

Index							
Bloomberg Commodity	(1.3)	(2.8)	(5.1)	(2.4)	(14.6)	(8.2)	(6.6)
Wilshire US REIT	(0.6)	(0.6)	(0.6)	2.2	7.8	10.0	4.3
CS Leveraged Loans	0.4	0.8	2.0	7.6	3.7	5.0	4.2
Regional Index							
JPM EMBI Global Div	0.9	2.4	6.3	9.8	5.6	6.5	7.2
JPM GBI-EM Global Div	2.0	3.2	9.9	12.2	(2.6)	0.3	3.9
Hedge Funds							
HFRI Composite	0.5	1.0	3.5	8.3	3.0	4.9	3.0
HFRI FOF Composite	(0.2)	0.4	2.8	5.5	1.7	3.7	0.9
Currency (Spot)							
Euro	3.3	5.1	6.6	1.0	(6.2)	(1.9)	(1.8)
Pound	(0.2)	3.2	4.5	(11.3)	(8.4)	(3.5)	(4.2)
Yen	0.8	0.8	5.5	0.3	(2.7)	(6.6)	1.0

Source: Morningstar, as of 5/31/17

Notices & disclosures

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San Luis Obispo County Pension Trust
SLOCPT

Date: June 26, 2017

To: Board of Trustees

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

Agenda Item 10: Asset Allocation June 2017

This item on the agenda provides a properly noticed opportunity for the Board of Trustees to discuss and take action if necessary regarding asset allocation and related investment matters.