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, 2018

This page left blank intentionally

Comprehensive Annual Financial Report

For the Year Ended December 31, 2018

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 and Chief Investment Officer

Amy Burke
Deputy Executive Secretary

Jennifer Alderete
Financial Accountant

San Luis Obispo County
Pension Trust
1000 Mill Street
San Luis Obispo, CA 93408
(805) 781-5465
www.slocounty.ca.gov/
Departments/Pension-Trust.aspx

Table of Contents

Table of Contents (continued)

Statistical Section

Photographs: Carl Nelson

This page left blank intentionally.

Introductory Section

San Luis Obispo County
Pension Trust
SLOCPT

1000 Mill Street • San Luis Obispo • CA • 93408 • (805) 781-5465 P • (805) 781-5697 F • www.SLOPensionTrust.org

June 24, 2019

San Luis Obispo County Pension Trust
Board of Trustees

Carl Nelson
Executive Secretary and Chief Investment Officer

Dear Board of Trustees:

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, 2018.

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 County 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

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

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 Trustees. Three Board Trustees are appointed and serve at the pleasure of the County Board of Supervisors. The County Auditor-Controller-Treasurer-Tax Collector-Public Administrator serves as an ex-officio Trustee of the Board. The three remaining Board Trustees are elected by the Pension Trust's members at large for staggered three-year terms without term limits. Board of Trustees elections are administered by the County Clerk and Recorder. Newly elected or re-elected Board Trustees take office in July of the year they are elected.

The Board annually elects from its Trustees 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 accordance 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 Annually Determined Contribution (ADC). The relative allocation of the Total ADC 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.

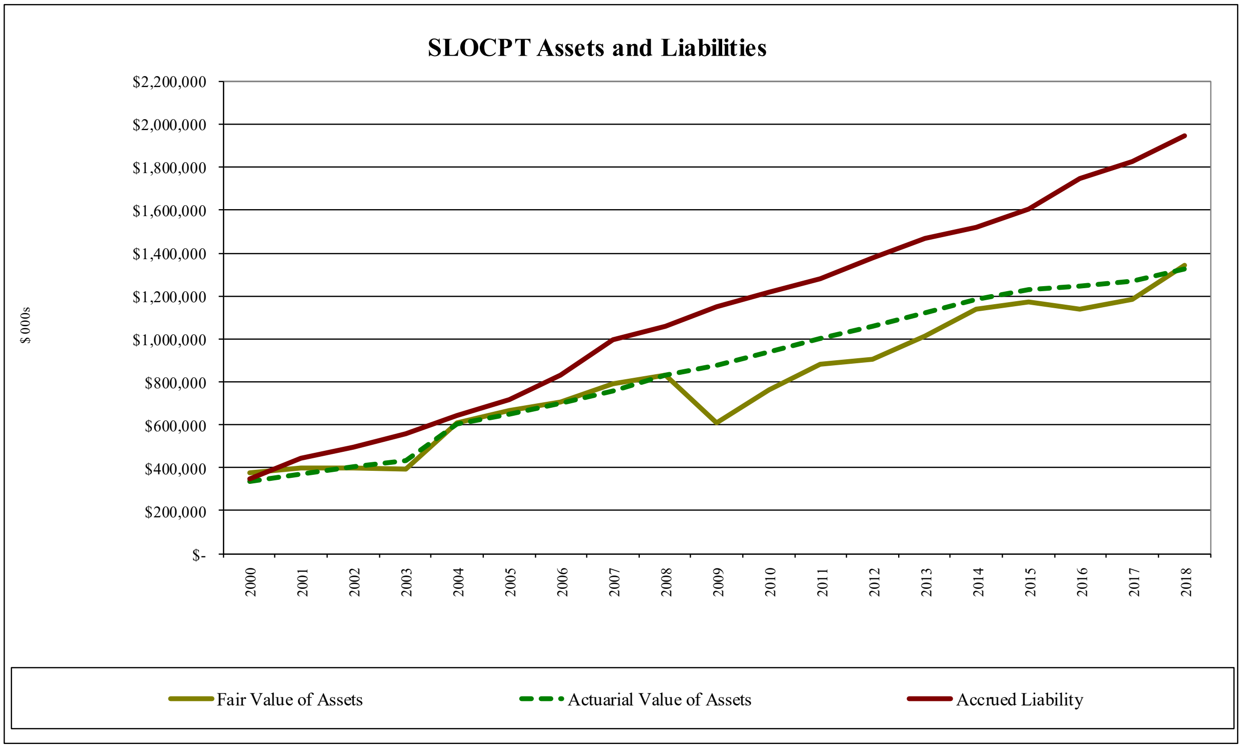
It is the policy of the County to contribute the full Total ADC each year through a combination of employer appropriations and employee contributions. The timing of when employer appropriation rate changes are implemented may vary depending on when the actuarial valuation is completed. Likewise, the 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 Total ADC in aggregate to be collected from employer appropriations and employee contributions.

The most recent annual actuarial valuation available for financial reporting in this CAFR is the January 1, 2018 valuation. It is based on member data and financial results through December 31, 2017. The Pension Trust's actuary, Gabriel Roeder Smith & Company (GRS), completed this annual valuation prior to the preparation of this CAFR. The most recent biennial actuarial experience study was completed by GRS of January 1, 2018. At the time of preparation of this CAFR, the January 1, 2019 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.

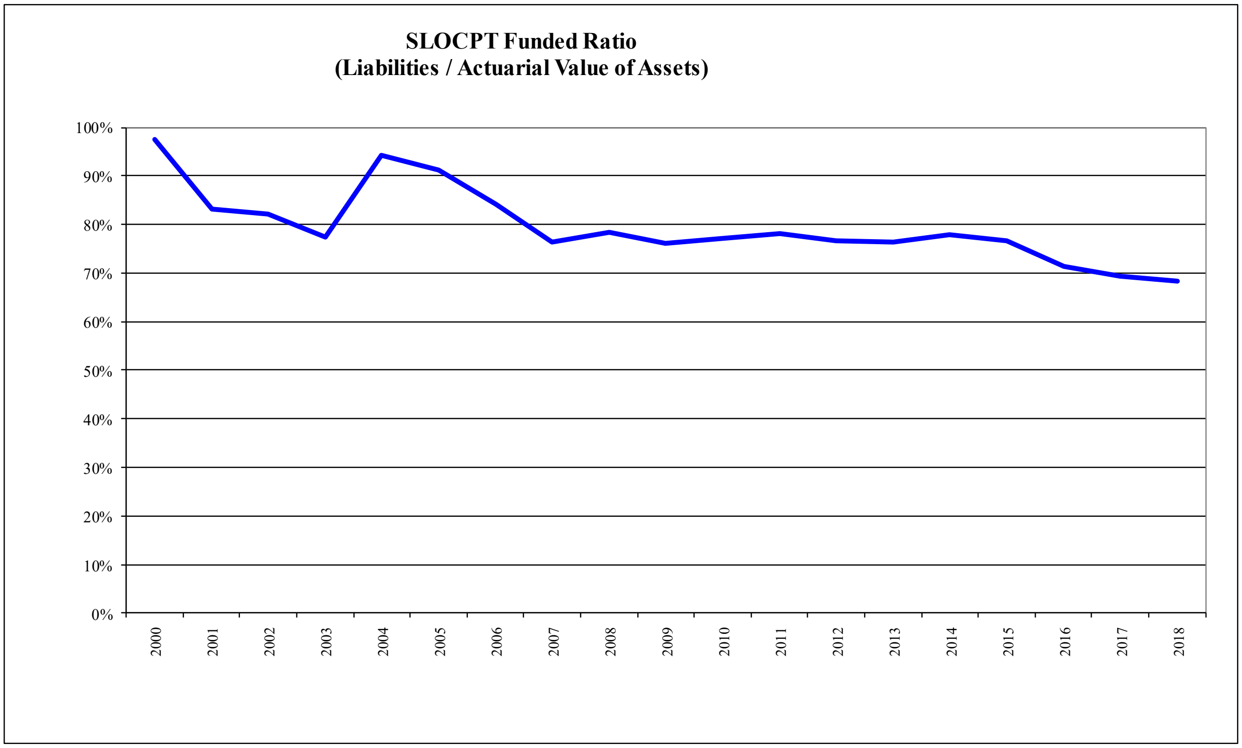
Combined with the year-end Fair Value of Assets (FVA), the history of these measures is shown in the following graph on the next page:



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 and 2017 Annual Actuarial Valuations, the Earnings Assumption used was 7.125%. With the 2018 Annual Actuarial Valuation, the Earnings Assumption was reduced further to 7.00%. This reduced Earnings Assumption, combined with revised mortality assumptions in 2016 and numerous other actuarial gains and losses, contributed to the increase in the Actuarial Accrued Liability at year-end 2015, 2016 and 2017 which, in turn, contributed to the decline in the Funded Ratio discussed below.

The relationship of the AAL and AVA is the Funded Ratio of the Pension Trust which decreased from 69.4% as of year-end 2016 to 68.3% as of year-end 2017. 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:



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 91.

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:

	2014	2015	2016	2017	2018
SLOCPT Total Returns	5.1%	-0.8%	6.6%	15.5%	-3.2%

Source: Verus reports

For cumulative periods ending December 31, 2018, 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	-3.2%	6.0%	4.4%	8.8%

Source: Verus 4th Quarter 2018 report

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

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.

Honoring Public Service

The Pension Trust keeps foremost in its operation that the retirement benefits promised by the Plan Sponsor and administered by the Pension Trust are an important element of compensation to the hard-working public servants included in the Plan. The promise of lifetime retirement income as a portion of the compensation for such service is a weighty responsibility and one not taken lightly. The social services, health services, public infrastructure, planning, justice system, emergency services, public safety, and other services provided by the public servants in San Luis Obispo County are important to the well-being of county citizens. As such, fair compensation, including pensions, for the providers of those public services is a right that the Pension Trust is honored to be a part of providing.

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 2018, the Pension Trust paid benefit allowances to 2,868 retirees, disability recipients, beneficiaries, and survivors. During 2018, $92.8 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 has spanned the 2016-2019 timeframe and is expected to result in the ability to continue to meet the operating mission of the Pension Trust into the foreseeable future. As of year-end 2018, the PAS replacement project was on schedule and on budget for a July 2019 "go-live" date. Later in 2019 an extension of the new Pension Administration System is planned to make available an online Member Portal website with substantially improved usefulness to active members and retired participants.

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 2018 were:

- Asset Allocation and Investment Policy – The Investment Policy Statement (IPS) that incorporates the strategic asset allocation policy as an addendum was revised in 2016 and adopted most recently in September 2017. The revised IPS and its strategic asset allocation policy are discussed more fully in the Investment Section of this CAFR. There were no major changes to the asset allocation policy in 2018.

- Private Equity – Additional commitments within the targeted 5% allocation to Private Equity were initiated in 2018 with a commitment to the Harbourvest 2018 Global Fund, LP.

- Private Credit – Contingent – During 2018, the Pension Trust approved a commitment to a contingent Private Credit LP – the TSSP-TAO Contingent – managed by TPG Sixth Street Partners.

- 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. Between 2015 and 2018, seven of the local properties were sold with one more property sold in early 2019. The single remaining local real estate property is the operating office of the Pension Trust. During 2018 a "retain vs. sell & lease" analysis was conducted and the decision made to retain this final property as an operating asset of the Pension Trust.

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 2018 and its findings were considered in the setting of assumptions for the January 1, 2018 annual actuarial valuation. As part of the 2018 actuarial valuation further changes in assumptions were planned for 2019. The current key actuarial assumptions used in the 2018 actuarial valuation (the most recent available as of the date of this writing) were as follows:

- 7.00% Earning Assumption
- 2.75% Salary Growth Assumption
- 3.00% Payroll Growth Assumption (planned to change to 2.750% in 2019)
- 2.50% Inflation Assumption
- Mortality Assumptions updated to latest available actuarial tables (RP-2014 base with MP-2017 projection tables), adjusted for actual plan experience and phased in over two Experience Study cycles in 2016 and 2018.

At the time of preparation of this CAFR, the January 1, 2019 actuarial valuation was being prepared but the results were not yet available.

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 ninth 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, 2017

Christopher P. Morrill

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2018

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

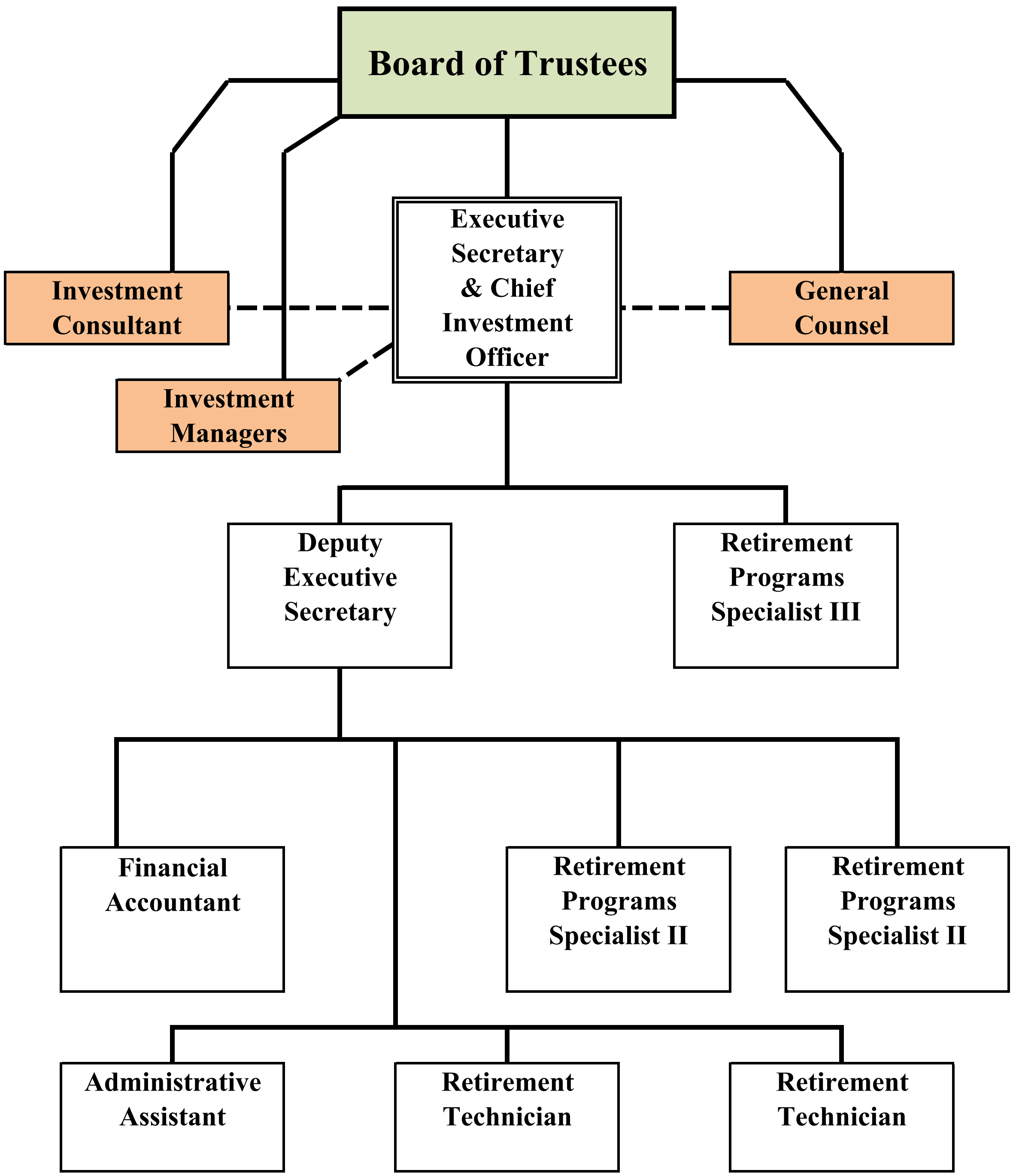
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

San Luis Obispo County Pension Trust

Organization Chart - December 31, 2018



Additional information regarding investments can be found in the Schedule of Management Fees and Commissions, located on pages 66 and 67 of the Investment Section.

Professional Consultants

As of December 31, 2018

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
  BlackRock
  Brandywine Global Investment Management
  Dodge & Cox
  Pacific Asset Management Bank Loan Fund
  Stone Harbor Investment Partners

Domestic Equities
  Atlanta Capital Management
  Boston Partners
  Loomis Sayles
  PIMCO / Research Affiliates

International Equities
  Dodge & Cox
  WCM International

Commodities
  Gresham Investment Management

Private Equity / Private Credit
  Harbourvest Partners
  KKR Mezzanine Partners
  Pathway Private Equity
  PIMCO
  TPG Sixth Street Partners

Real Estate
  American Realty Advisors
  J.P. Morgan Investment Management

Cash Overlay
  Parametric

This page left blank intentionally.

Financial Section

BROWN ARMSTRONG
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE
23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and Audit Committee
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), a pension trust fund of the County of San Luis Obispo, as of December 31, 2018, 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

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 basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The Schedule of Administrative Expenses, Schedule of Investment Expenses, and Schedule of Payments to Consultants (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, 2017 financial statements, and our report dated June 25, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of December 31, 2017, 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 24, 2019, 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 24, 2019

San Luis Obispo County
Pension Trust
SLOCPT

1000 Mill Street • San Luis Obispo • CA • 93408 • (805) 781-5465 P • (805) 781-5697 F • www.SLOPensionTrust.org

SAN LUIS OBISPO COUNTY
PENSION TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

June 24, 2019

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, 2018. 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, 2018 was $1.272 billion. This represents a decrease of $68 million or 5.1% from the year ended December 31, 2017. 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 2018 were $29.2 million, which includes member contributions and employer appropriations of $79.2 million and net investment losses of $50.0 million. Comparatively, in 2017, additions to the Fiduciary Net Position were $251.4 million, which included member contributions and employer appropriations of $72.8 million and net investment incomes of $178.6 million. The $60.1 million in realized and unrealized losses on investments was the main factor contributing to the net decrease in total additions over prior year.

For the year ended December 31, 2018, deductions from the Fiduciary Net Position totaled $98.0 million, consisting of $94.6 million in payments to Plan members and their beneficiaries and $3.4 million in administrative and other expenses. For the year ended December 31, 2017, deductions from the Fiduciary Net Position totaled $92.2 million, consisting of $88.7 million in payments to Plan members and their beneficiaries and $3.5 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 total Plan deductions.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment earnings. As of January 1, 2018, the date of the last actuarial valuation that was approved in June 2018, the funded ratio for the Plan was 68.3%. In general, this indicates that for every dollar of benefits due, SLOCPT had approximately 68.3 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, 2018. 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 Standards 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.

Financial Analysis

The reserves needed to finance retirement benefits are accumulated through the collection of employer appropriations 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, 2018 totaled $1.272 billion, a decrease of $68 million from prior year end. This decrease was due primarily to unrealized losses across the entire portfolio which is consistent with the returns experienced in these markets in 2018. During 2018, the rate of return on investments, as measured by SLOCPT's investment consultant, was -3.2% gross of fees.

In comparison, the Fiduciary Net Position restricted for pension benefits as of December 31, 2017 totaled $1.340 billion, an increase of $159.2 million from the prior year. This increase was due primarily to a continued rebound in unrealized income within the equity and global fixed income investment areas, which is consistent with the returns experienced in these markets in 2017. The rate of return on investments, as measured by SLOCPT's investment consultant, during 2017 was 15.5% gross of fees.

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

	2018	2017	Increase (Decrease)
Cash	$ 55,156,155	$ 34,474,219	$ 20,681,936
Investments at Fair Value	1,246,781,943	1,319,057,884	(72,275,941)
Securities Sold	1,262,251	13,980,940	(12,718,689)
Other Receivables and Other Assets	7,429,163	6,537,255	891,908
Total Assets	1,310,629,512	1,374,050,298	(63,420,786)
Total Liabilities	39,009,428	33,579,276	5,430,152
Net Increase (Decrease) in Fiduciary Net Position	(68,850,938)	159,228,164	(228,079,102)
Fiduciary Net Position, Beginning of Year	1,340,471,022	1,181,242,858	159,228,164
Fiduciary Net Position	$ 1,271,620,084	$ 1,340,471,022	$ (68,850,938)

Additions to Fiduciary Net Position

There are three primary sources of funding for the payment of benefits: earnings on investments of assets, employer appropriations, and active Plan member contributions. Income sources for the year ended December 31, 2018 totaled $29.2 million. Employer appropriations and Plan member contributions continue to increase.

Pensionable salaries for active members increased $6.6 million or 3.4% for the year ended December 31, 2018 when compared to those earned in 2017. This increase is due to prevailing wage adjustments and a contribution rate increase, which is 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 2.38% in aggregate was implemented on December 31, 2017 for the majority of Plan participants depending on bargaining unit with the remaining rate increases being implemented throughout the year in correlation with the bargaining process. The increase in employer appropriations and member contributions experienced in 2018 was due to this contribution rate increase.

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

	Year Ended 2018	Year Ended 2017	Increase (Decrease)
Employer Appropriations	$ 46,243,596	$ 42,340,904	$ 3,902,692
Plan Member Contributions	32,952,747	30,467,232	2,485,515
Net Investment Income (loss)	(50,033,056)	178,639,524	(228,672,580)
Total Additions	$ 29,163,287	$ 251,447,660	$ (222,284,373)
Total Deductions from Fiduciary Net Position	98,014,225	92,219,496	5,794,729
Net Change in Fiduciary Net Position	$ (68,850,938)	$ 159,228,164	$ (228,079,102)

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 appropriations 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 appropriations 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 appropriations in the subsequent year. In years 2015 through 2018, a prefunding agreement for each respective subsequent fiscal year ending June 30 was established. 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 2018	Year Ended 2017	Increase (Decrease)
Monthly Benefit Payments	$ 92,811,810	$ 85,052,016	$ 7,759,794
Refund of Contributions	1,756,682	2,857,104	(1,100,422)
Death Benefits	60,376	748,157	(687,781)
Administration and Actuarial	1,972,465	2,045,367	(72,902)
Prefunded Discount Amortization	1,412,892	1,516,852	(103,960)
Total Deductions	$ 98,014,225	$ 92,219,496	$ 5,794,729

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 March 2017, GASB issued Statement No. 85, "*Omnibus 2017*", which addresses practice issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefit (pension and other postemployment benefits [OPEB]). SLOCPT implemented Statement No. 85 during the fiscal year ended December 31, 2018. This statement did not have a material impact on SLOCPT's financial statements.

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

SAN LUIS OBISPO COUNTY PENSION TRUST
STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS)

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 55,156,155	$ 34,474,219
Receivables		
Accrued Interest and Dividends Receivable	769,193	765,062
Accounts Receivable	23,672	29,270
Contributions Receivable	3,013,566	2,826,010
Securities Sold	1,262,251	13,980,940
Total Receivables	5,068,682	17,601,282
Investments, at Fair Value		
Bonds and Notes	264,058,167	261,759,770
International Fixed Income	152,893,552	147,038,778
Collateralized Mortgage Obligations	4,365,340	2,656,107
Domestic Equities	250,084,930	302,662,187
International Equities	258,784,769	332,949,417
Alternative Investments	124,392,603	95,192,130
Real Estate	192,202,582	176,799,495
Total Investments	1,246,781,943	1,319,057,884
Other Assets		
Prepaid Expenses	62,905	61,759
Capital Assets - Net of Accumulated Depreciation	3,559,827	2,855,154
Total Other Assets	3,622,732	2,916,913
Total Assets	$ 1,310,629,512	$ 1,374,050,298
LIABILITIES		
Securities Purchased	$ 10,667,232	$ 8,528,679
Accrued Liabilities	1,284,059	1,013,394
Prefunded Contributions	27,058,137	24,037,203
Total Liabilities	$ 39,009,428	$ 33,579,276
FIDUCIARY NET POSITION		
Fiduciary Net Position Restricted for Pension Benefits	**$ 1,271,620,084**	**$ 1,340,471,022**

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

This page left blank intentionally

SAN LUIS OBISPO COUNTY PENSION TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS)

	2018	2017
ADDITIONS		
Contributions		
Employer Appropriations	$ 46,243,596	$ 42,340,904
Plan Member Contributions	32,952,747	30,467,232
Total Contributions	79,196,343	72,808,136
Investment Income (Loss)		
Realized and Unrealized Gains and Losses, Net	(60,131,990)	169,242,335
Interest	4,120,406	3,492,823
Dividends	9,451,610	8,768,901
Real Estate Management Trust Income (Loss), Net	-	(9,952)
Real Estate Operating Income, Net	376,191	464,978
Investment Expenses	(3,849,273)	(3,319,561)
Net Investment Income (Loss)	(50,033,056)	178,639,524
Total Additions	29,163,287	251,447,660
DEDUCTIONS		
Benefits		
Monthly Benefit Payments	92,811,810	85,052,016
Refund of Contributions	1,756,682	2,857,104
Death Benefits	60,376	748,157
Total Benefits	94,628,868	88,657,277
Other Deductions		
Administration and Actuarial	1,972,465	2,045,367
Prefunded Discount Amortization	1,412,892	1,516,852
Total Other Deductions	3,385,357	3,562,219
Total Deductions	98,014,225	92,219,496
Net Increase (Decrease) in Fiduciary Net Position	$ (68,850,938)	$ 159,228,164
Fiduciary Net Position Restricted for Pension Benefits - Beginning of Year	$ 1,340,471,022	$ 1,181,242,858
Fiduciary Net Position Restricted for Pension Benefits - End of Year	**$ 1,271,620,084**	**$ 1,340,471,022**

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 Pension Trust (SLOCPT) 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 San Luis Obispo County Employees Retirement Plan (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 SLOCPT's 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 (the "County").

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 2017 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%	2.32%
Domestic Equities	20%	3.76%
International Equities	20%	6.02%
Alternative Investments	15%	4.92%
Real Estate	15%	4.77%
	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 2018, for the fifth consecutive year, the Board entered into an agreement with the County Board of Supervisors to accept advanced payment of the employer appropriations 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 6.00%, based on the earning assumption in effect as of the date of the approval of the agreement which was 7.125%, less 1.125%.

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 the 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 concentrations 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 March 2017, GASB issued Statement No. 85, "*Omnibus 2017*", which addresses practice issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefit (pension and other postemployment benefits [OPEB]). SLOCPT implemented Statement No. 85 during the fiscal year ended December 31, 2018. This statement did not have a material impact on SLOCPT's financial statements.

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 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 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-

NOTE 2 – PLAN DESCRIPTION (continued)

Public Administrator as the Ex-Officio member.

Membership

Active members are required to contribute to the Plan at rates currently ranging from 7.86% to 30.79% 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 18.13% to 34.64% 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%, 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.

Total members of the Plan were comprised of the following as of December 31, 2018:

Retirees and Beneficiaries Currently Receiving Benefits	2,868
Terminated Employees Entitled to but not yet Receiving Benefits	489
Active Plan Participants	
Vested	1,538
Nonvested	1,187
Total	6,082

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 cost-of-living adjustment (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.

NOTE 2 – PLAN DESCRIPTION (continued)

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.

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

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

NOTE 3 – DEPOSITS AND INVESTMENT RISK DISCLOSURES

Investment Stewardship

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

Investment Risk

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

NOTE 3 – **DEPOSITS AND INVESTMENT RISK DISCLOSURES** (continued)

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.

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, 2018:

	Investment Maturities (in years)				
Investment Type	Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Fair Value
Collateralized Mortgages	$ 220,068	$ 32,313	$ 1,535,425	$ 2,867,321	$ 4,655,127
Corporate Bonds	6,774,475	45,183,520	81,939,745	20,923,247	154,820,987
Derivatives	(15,215)	-	-	-	(15,215)
Municipal Bonds	224,312	509,536	70,891	3,686,494	4,491,233
US Government & Agencies	100,123	6,184,105	4,010,571	71,602,714	81,897,513
Foreign Corporate Bonds	10,721,296	7,345,581	12,291,876	3,634,316	33,993,069
Foreign Government Bonds	29,421,302	45,482,400	28,759,898	30,188,547	133,852,147
Other Short-Term Investments	7,622,198	-	-	-	7,622,198
Total	$ 55,068,559	$ 104,737,455	$ 128,608,406	$ 132,902,639	$421,317,059

Custody Credit Risk
Custody 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 custody 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, 2018, the carrying amount of the Plan's cash deposits was $55.156 million (which includes cash equivalents) and the bank balance was $53.827 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, $556 thousand was covered by the Federal Deposit Insurance Corporation, and $35.911 million was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code. The Plan's policy is to

NOTE 3 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (continued)

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.

Custody 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 custody 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 custody credit risk because all securities held by the Plan's custody 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.

NOTE 3 – <u>DEPOSITS AND INVESTMENT RISK DISCLOSURES</u> (continued)

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, 2018, as rated by Standard & Poor's equivalent ratings:

Quality Rating	%	Fair Value
AAA	7.08%	$ 29,846,761
AA+	12.56%	52,911,367
AA	1.20%	5,071,063
AA-	0.96%	4,042,403
A+	1.01%	4,264,515
A	7.64%	32,184,291
A-	5.38%	22,651,951
BBB+	3.60%	15,165,390
BBB	11.43%	48,165,806
BBB-	3.21%	13,528,879
Subtotal Investment Grade	54.08%	227,832,426
BB+	3.91%	$ 16,464,562
BB	2.25%	9,466,845
BB-	4.50%	18,947,103
B+	3.53%	14,863,325
B	6.63%	27,950,817
B-	1.88%	7,925,136
CCC+	1.05%	4,433,052
CCC	0.91%	3,820,341
CCC-	0.15%	615,290
D	0.00%	-
Not Rated	21.11%	88,998,162
Subtotal Non-Investment Grade	45.92%	193,484,633
Total Fixed Income, Bonds, Collateralized Mortgage Obligations, and Short-Term Investments	100.00%	$421,317,059

Nationally recognized statistical rating organizations provide quality ratings of debt securities 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 debt securities with ratings of BB or lower are non-investment grade issues. Debt securities in the non-investment grade category are more speculative and are often referred to as "high-yield". This reference is made because lower-rated debt securities generally carry a higher interest rate to compensate the buyer for incurring additional risk.

NOTE 3 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (continued)

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

The Plan's exposure to foreign currency risk in U.S. Dollars as of December 31, 2018 was as follows:

Currency	2018 Fair Value
Euro Currency	$ 54,162,537
British Pound	36,491,563
Japanese Yen	25,002,140
Mexican Peso	24,179,030
Swiss Franc	24,006,767
South African Rand	17,769,355
Brazilian Real	15,662,604
Polish Zloty	13,805,240
Swedish Krona	12,110,155
Hong Kong Dollar	10,765,015
South Korean Won	10,383,469
Australian Dollar	9,272,211
Russian Ruble	9,130,517
Norwegian Krone	8,779,425
Indonesian Rupiah	8,266,511
Canadian Dollar	6,145,653
Malaysian Ringgit	6,141,669
Indian Rupee	5,531,359
Colombian Peso	5,161,102
Turkish Lira	4,502,452
Thai Baht	4,498,984
Danish Krone	3,878,426
Peruvian Nuevo Sol	2,523,404
Chilean Peso	2,245,225
Czech Koruna	1,530,835
Argentine Peso	597,755
Uruguayan Peso	524,858
Ukrainian Hryvnia	408,223
Kazakhstani Tenge	109,345
Singapore Dollar	27,629
Total	$ 323,613,458

NOTE 4 – INVESTMENTS

Fair Value Measurements

GASB Statement No. 72, "*Fair Value Measurement and Application*", 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.

NOTE 4 – INVESTMENTS (continued)

The following table shows the fair value leveling of SLOCPT's investments as of December 31, 2018:

	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	$ 99,926,139	$ 164,132,028	$ -	$ 264,058,167
International Fixed Income	-	79,952,118	-	79,952,118
Collateralized Mortgage Obligations	-	4,365,340	-	4,365,340
Domestic Equities	50,093,382	199,991,548	-	250,084,930
International Equities	128,636,253	130,148,516	-	258,784,769
Real Estate	-	-	163,245,205	163,245,205
Total	$ 278,655,774	$ 578,589,550	$ 163,245,205	$ 1,020,490,529

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, 2018:

	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	$ 72,941,434	$ -	Quarterly	30 days
Commingled Fund - Real Estate	22,016,296	-	Quarterly	30 days
Real Estate Held for Investment - Separate Account	6,941,081	-	Not Eligible	Not Eligible
Alternatives	124,392,603	103,102,025	Not Eligible	Not Eligible
Total	$ 226,291,414	$ 103,102,025		

The Real Estate Held for Investment – Separate Account is held in the form of a title holding corporation. Fiduciary Properties, Inc., or FPI, is a Delaware corporation and is qualified as tax-exempt under Internal Revenue Code § 501(c)(25). In the State of California, FPI is qualified as tax-exempt under California Revenue and Taxation Code § 23701x. The following is a summary of FPI's financial position as of December 31, 2018:

Assets	$ 7,033,165
Less: Liabilities	(92,084)
Net Assets	$ 6,941,081
Net Income	$ 1,573,192

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:

NOTE 4 – INVESTMENTS (continued)

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:

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

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

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

Swap Agreements: A swap is an agreement between two or more parties to exchange a sequence of cash flows over a 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.

NOTE 4 – INVESTMENTS (continued)

The Investment Derivatives schedule below reports the fair value balances and notional amounts of derivatives outstanding as of December 31, 2018:

Derivative Type	Notional Amount	Fair Value
Forward Contracts	$ (129)	$ (129)
Swap Agreements	(3,157,722,740)	161,573
TBAs	9,437,758	9,437,758
	$ (3,148,285,111)	$ 9,599,202

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, 2018, the Plan had unfunded capital commitments totaling $103.102 million.

Annual Money-Weighted Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was -3.72%. 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.

NOTE 5 – CAPITAL ASSETS (continued)

Changes in capital assets during the year ending December 31, 2018 were as follows:

	Beginning Balance January 1, 2018	Additions	Deletions	Ending Balance December 31, 2018
Office Equipment	$ 54,514	$ -	$ (6,282)	$ 48,232
Software	2,524,414	-	-	2,524,414
Work in Progress	2,846,094	708,065	-	3,554,159
Accumulated Depreciation and Amortization	(2,569,868)	(3,392)	6,282	(2,566,978)
	$ 2,855,154	$ 704,673	$ -	$ 3,559,827

Depreciation and amortization expenses for the year ended December 31, 2018 were $3,392.

NOTE 6 – CONTRIBUTIONS

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 (21 years as of December 31, 2018) 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 Valuation was $1.329 million.

In June 2018, the Board unanimously passed the recommendation of an increase of 2.51% to the total contribution rate as recommended by the Actuary in the January 1, 2018 Actuarial Valuation. The increased total contribution rate took into consideration: a) continuing with the remaining 22 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 will implement the shared employer and employee increased total contribution rates for the majority of members effective July 1, 2019. The increase was adjusted to an average of 2.80% to account for the deferred implementation. Superior Courts of California and the Air Pollution Control District implemented increased rates of January 1, 2019.

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

NOTE 7 – NET PENSION LIABILITY

The components of net pension liability of the Plan at December 31, 2018 were as follows:

Net Pension Liability (dollars in thousands):

Total Pension Liability	$	2,026,092
Plan Fiduciary Net Position		(1,271,620)
Employers' Net Pension Liability	$	754,472

Plan Fiduciary Net Position as a percentage of Total Pension Liability was 62.76% as of December 31, 2018.

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, 2018 using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

Actuarial cost method	Entry Age Normal
Inflation	2.50 percent
Salary Increases	2.75 percent, including inflation, additional merit component applicable to first 7 years of service
Investment rate of return	7.00 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-2017. The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2017.

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, 2018 (see the discussion of the Plan's Investment Policy) are summarized in the following table on the next page:

NOTE 7 – NET PENSION LIABILITY (continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Nominal Rate of Return
Fixed Income	30%	4.82%
Domestic Equities	20%	6.26%
International Equities	20%	8.52%
Alternative Investments	15%	7.42%
Real Estate	15%	7.27%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 appropriations 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 7.00%, 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 (6.00%) or one percentage-point higher (8.00%) than the current rate:

Employers' Net Pension Liability as of December 31, 2018 (dollars in thousands)	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
	$ 1,030,863	$ 754,472	$ 528,371

NOTE 8 – LITIGATION

The Plan is subject to legal proceedings and claims in the ordinary course of its business. As of December 31, 2018, Plan management and legal counsel are not aware of litigation that would have a material impact on the Plan's financial statements.

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.

Subsequent to year-end, the final piece of directly-owned real estate that will not be retained for SLOCPT operations was sold. The SLOCPT offices will be retained as an operational asset of SLOCPT.

Management has determined that no additional events require disclosure in accordance with governmental accounting standards generally accepted in the United States of America. Subsequent events have been evaluated through June 24, 2019, which is the date the financial statements were available to be issued.

This page left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal year ending December 31*	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	$ 40,729,658	$ 38,161,931	$ 36,968,006	$ 35,503,180	$ 36,210,322
Interest on the Total Pension Liability	134,311,163	128,399,243	123,083,279	114,971,636	108,953,629
Differences Between Expected and Actual Experience	31,926,880	(1,367,931)	5,485,265	9,771,252	-
Assumption Changes	8,507,420	-	62,845,241	-	-
Benefit Payments	(92,811,810)	(85,052,016)	(78,193,401)	(72,441,811)	(66,162,944)
Refunds	(1,817,058)	(3,605,261)	(2,489,904)	(2,612,455)	(1,932,077)
Net Change in Total Pension Liability	120,846,253	76,535,966	147,698,486	85,191,802	77,068,930
Total Pension Liability - Beginning	1,905,246,211	1,828,710,245	1,681,011,759	1,595,819,957	1,518,751,027
Total Pension Liability - Ending (a)	$ 2,026,092,464	$ 1,905,246,211	$ 1,828,710,245	$ 1,681,011,759	$ 1,595,819,957
Fiduciary Net Position					
Employer Contributions	$ 46,243,596	$ 42,340,904	$ 35,451,409	$ 33,618,330	$ 32,046,545
Employee Contributions	32,952,747	30,467,232	25,359,069	24,586,735	24,415,512
Pension Plan Net Investment Income (Loss)	(50,033,056)	178,639,524	68,949,306	(16,705,852)	51,667,160
Benefit Payments	(92,811,810)	(85,052,016)	(78,193,401)	(72,441,811)	(66,162,944)
Refunds	(1,817,058)	(3,605,261)	(2,489,904)	(2,612,455)	(1,932,077)
Pension Plan Administrative Expense	(1,972,465)	(2,045,367)	(2,248,956)	(2,528,532)	(2,084,841)
Other	(1,412,892)	(1,516,852)	(1,387,369)	(1,449,773)	(331,910)
Net Change in Fiduciary Net Position	(68,850,938)	159,228,164	45,440,154	(37,533,358)	37,617,445
Fiduciary Net Position - Beginning	1,340,471,022	1,181,242,858	1,135,802,704	1,173,336,062	1,135,718,617
Fiduciary Net Position - Ending (b)	$ 1,271,620,084	$ 1,340,471,022	$ 1,181,242,858	$ 1,135,802,704	$ 1,173,336,062
Net Pension Liability - Ending (a)-(b)	**$ 754,472,380**	**$ 564,775,189**	**$ 647,467,387**	**$ 545,209,055**	**$ 422,483,895**
Fiduciary Net Position as a Percentage of Total Pension Liability	62.76%	70.36%	64.59%	67.57%	73.53%
Covered Payroll**	199,288,713	192,735,874	180,728,417	175,628,910	167,343,323
Net Pension Liability as a Percentage of Covered Payroll	378.59%	293.03%	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.*

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll		Actual Contribution as a % of Covered Payroll
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%
2017	$ 48,203,242	$ 42,340,904	$ 5,862,338	$ 192,735,874		21.97%
2018	$ 51,375,341	$ 46,243,596	$ 5,131,745	$ 199,283,713		23.20%

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

SAN LUIS OBISPO COUNTY PENSION TRUST
ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date	January 1, 2018
Notes	Actuarially determined contribution rates are calculated as of January 1, 2018. 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 22-year period from January 1, 2018 ending December 31, 2039
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	7.00%
Inflation Rate Assumption	2.50% per year
Salary Increases	2.75% Composed of 2.50% 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 - 2.50% Tiers 2 & 3 - 2.00% (limit)
Retirement Age	Experience-based table for rates based on age and service. Adopted by the Board in 2018 in conjunction with the five-year experience study for the period ending December 31, 2017.
Mortality	Males: RP-2014 with generational mortality improvements using scale MP-2017, a 105% multiplier and white collar adjustment. Females: RP-2014 with generational mortality improvements using scale MP-2017, a 115% multiplier and white collar adjustment.

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

Year Ended December 31*	Annual Money-Weighted Rate of Return Net of Investment Expense
2018	-3.72%
2017	14.96%
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.*

OTHER SUPPLEMENTARY INFORMATION

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS)

	2018	2017
Personnel Services		
Salaries and Benefits	$ 1,096,817	$ 1,192,260
Total Personnel Services	1,096,817	1,192,260
Office Expenses		
Office Supplies	13,179	18,976
Postage	24,351	23,190
Telephone	3,648	3,842
Utilities	7,709	7,095
Total Office Expenses	48,887	53,103
Professional Services		
Accounting and Auditing	65,428	59,475
Actuarial	167,799	149,382
Data Processing	159,230	166,518
Legal	208,198	195,585
Medical	25,249	20,601
Human Resources Consulting	5,129	5,000
Other	7,545	9,217
Bank Charges	12,396	13,137
Total Professional Services	650,974	618,915
Other Administrative Expenses		
Maintenance and Custodial	17,731	20,525
Insurance	116,594	117,425
Memberships, Subscriptions, and Publications	3,872	4,919
Printing and Reprographics	13,856	10,488
Transportation, Travel, and Education	19,492	23,989
Miscellaneous Administrative Expenses	850	351
Total Other Administrative Expenses	172,395	177,697
Depreciation and Amortization	3,392	3,392
TOTAL ADMINISTRATIVE EXPENSES	$ 1,972,465	$ 2,045,367

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS)

	2018	2017
Investment Manager Fees	$ 3,334,254	$ 2,821,161
Custody Fees	199,754	173,398
Investment Consultant	315,176	324,903
Other Investment Expenses	89	99
Investment Expenses	3,849,273	3,319,561
Additional Investment Expenses Netted Against Investment Income and Gains/Losses		
Broker Commissions	17,260	17,974
Broker Fees	300	119
TOTAL INVESTMENT EXPENSES	$ 3,866,833	$ 3,337,654

SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS)

	2018	2017
Custody Fees	$ 199,754	$ 173,398
Investment Consulting Services	315,176	324,903
Accounting and Auditing Services	65,428	59,475
Actuarial Services	167,799	149,382
Data Processing Services	159,230	166,518
Legal Services	208,198	195,585
Disability Medical Services	25,249	20,601
Human Resources Services	5,129	5,000
Payroll Processing Services	6,029	7,143
TOTAL PAYMENTS TO CONSULTANTS	$ 1,151,992	$ 1,102,005

This page left blank intentionally

Investment Section

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

Verus

March 26, 2019

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, 2018.

Capital Markets Review

Economic conditions around the world have weakened somewhat, but global growth continues, and indicators here in the U.S. remain positive for the time being. Real GDP reached 3.0% year-over-year in the most recent quarter, which was the fastest pace of growth in more than three years. Inflation fell from 2.3% to 1.9% during the quarter but remains relatively stable near the Fed's target of 2.0%. The labor market is historically strong with headline unemployment at 3.9%, and employment participation within the core age range between 25 and 54 rose from 81.8% to 82.3%. The tight labor market is beginning to translate to meaningful wage gains, as wage growth hit a cyclical high of 3.3% from the previous year. Also benefitting from a tight labor market and decent wage growth is consumer spending, which rose 2.8% year-over-year and remains a core driver of recent economic expansion.

While current economic conditions appear stable and positive, investment markets discount future conditions, and in the fourth quarter of 2018, the US equity market suffered a significant pullback. The S&P 500 fell nearly 20% before recovering somewhat during the last week of the year, ultimately closing out the fourth quarter down 13.5%, the worst quarter for the S&P since 2008. Several factors led to the poor performance. First, many companies communicated profit warnings and downward revisions to earnings, which created an overall bearish outlook. In addition, ongoing uncertainty surrounding U.S. and China trade talks have weighed on markets. Although negotiations continued, there was scant progress through the end of the year. Further, economists have been predicting the positive effects of tax cuts have peaked and will begin to tail off throughout the coming year. Finally, markets expressed concern the Fed may become too restrictive too quickly.

Fortunately, the start of 2019 has seen a strong recovery in global equity markets, as many of the concerns in the fourth quarter of last year have abated somewhat. The resulting rebound since the beginning of the year nearly erased the losses from the previous quarter. The S&P 500 was up 11.5% year to date through the end of February. International stocks of developed nations measured by the MSCI EAFE were up 9.3% and Emerging Markets stocks (MSCI EM) were up 9.0% through the first two months of the year.

Performance Summary

Verus independently calculates the Plan's performance using the total fair-value based time-weighted rates of return on San Luis Obispo County Pension Trust's investment assets as well as transaction data provided by the Plan's custodian bank, J.P. Morgan.

Largely the result of a challenging 4th quarter, the Trust returned -3.2% for the full year 2018 before expenses and investment management fees. Despite this disappointing performance, the Plan's diversification strategy was effective in protecting on the downside. As a result, performance relative to peers was strong, earning a rank in the top 27th percentile of the InvestorForce Public DB Plan universe. Private market investments lifted performance over the fiscal year, as the Plan's private equity portfolio appreciated 17.1% and private credit advanced 11.3%. Real estate also contributed meaningfully, as that component of the Plan returned 7.5% over the same period. While the Plan's international equity investments were down 12.2% for the year, the asset class managed to beat its benchmark by 160 basis points. Global fixed income and domestic equities were also down over the same period falling 5.2% and 6.6%, respectively. Domestic fixed income returned 0.4% for the year, edging out the benchmark, which was flat.

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

The Board continues to improve on the foundation set by the long-term strategic asset allocation adopted in 2016 by updating the manager structure. In 2018, an additional private credit strategy was added to the line-up. This strategy is unique in that it will not be implemented unless a credit event occurs creating a significant buying opportunity for credit investments. Additionally, an emerging markets debt manager was hired to replace the existing one. The new manager will have the latitude to invest in both local and hard currency debt issuances, whereas the old manager invested only in local currency securities.

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,

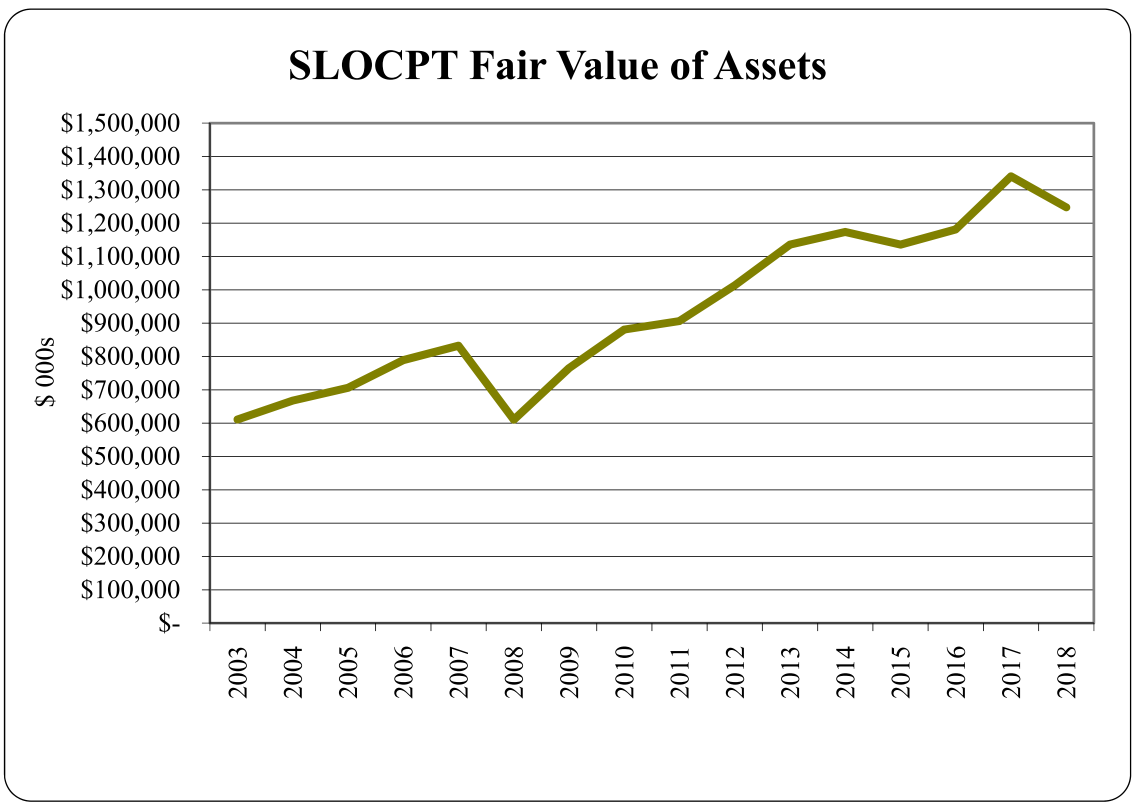
Scott J. Whalen, CFA, CAIA
Executive Managing Director and Senior Consultant

Summary of Investment Objectives

The Board of Trustees (Board) has adopted an Investment Policy that governs the management of SLOCPT'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 SLOCPT. This policy 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 SLOCPT is to exceed the actuarial assumption used for asset returns over the long run. The time horizon for SLOCPT's Investment Policy is very long reflecting the long-term nature of the liabilities funded by SLOCPT. This long-term horizon influences the level of investment risk deemed appropriate by the Board. The investment policies and practices of SLOCPT are intended to be consistent with the primary mission of SLOCPT: 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 change in fair value of the Fiduciary Net Position Restricted for Pension Benefits for SLOCPT over the last fifteen years as of December 31:



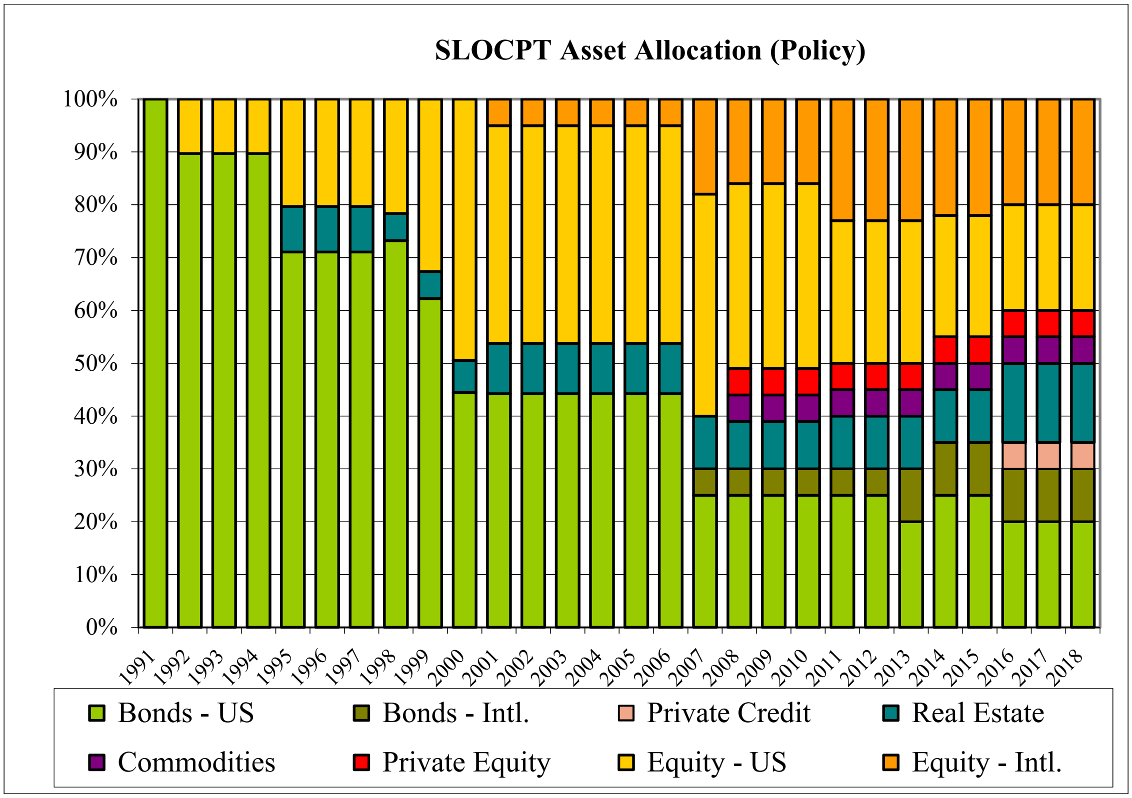
Asset Allocation Policy

The Strategic Asset Allocation (SAA) asset mix incorporated into the Investment Policy is shown below (amended May 2017):

Asset Allocation Policy Adopted May 22, 2017	2018 Policy		2018 Min.	2018 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%		BC High Yield +2%
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

The SAA adopted by SLOCPT has changed over the years as shown in the following chart:

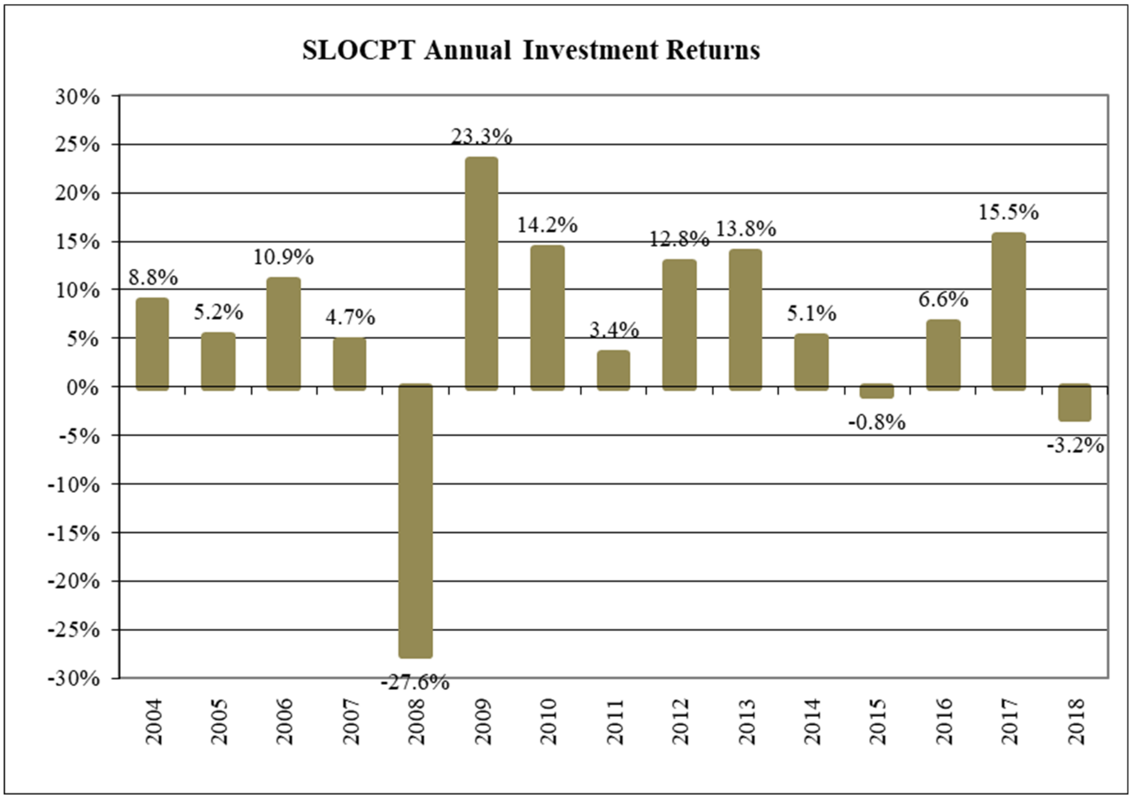


SLOCPT employs multiple investment managers in different asset classes and with different styles of investing. Combined with strict limitations in the Investment Policy on the maximum exposure to individual investments and with regular rebalancing of the asset mix the diversification level of the investments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

Proxy voting for securities held for SLOCPT 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 SLOCPT.

Investment Results

For 2018, SLOCPT achieved a rate of return of -3.2% gross of fees as measured by SLOCPT's investment consultant:



For periods ended December 31, the total fair-value based time-weighted rates of return on SLOCPT's assets as computed by the Investment Consultant gross of fees are summarized below:

	2014	2015	2016	2017	2018
SLOCPT Total Returns	5.1%	-0.8%	6.6%	15.5%	-3.2%

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	-3.2%	6.0%	4.4%	8.8%	5.5%

Source: Verus 4th Quarter 2018 report and Pension Trust records for pre-2006 returns

San Luis Obispo County Pension Trust

Investment Results Based on Fair Value

For the Fiscal Year Ended December 31, 2018

Annualized time-weighted rates of return based on fair value

Investment Account		Current Year	3 Years	5 Years	Inception
Domestic Equities					
Research Affiliates	g	-6.6%	8.2%	6.8%	11/2007
Index: S&P 500		*-4.4%*	*9.3%*	*8.5%*	
Loomis Sayles Large Cap Growth	g	-1.7%	*< 3 yrs*		12/2016
Index: Russell 1000 Growth		*-1.5%*			
Boston Partners Large Cap Value	g	-8.5%	*< 3 yrs*		2/2017
Index: Russell 1000 Value		*-8.3%*			
Atlanta Capital	g	-4.5%	10.8%	9.7%	8/2010
Index: Russell 2500		*-10.0%*	*7.3%*	*5.1%*	
International Equities					
Dodge & Cox	g	-17.5%	3.9%	0.2%	12/2007
Index: MSCI EAFE		*-13.4%*	*3.4%*	*1.0%*	
WCM International Growth	g	-6.7%	*< 3 yrs*		2/2017
Index: MSCI ACWI ex US		*-13.8%*			
Domestic Fixed Income					
BlackRock Core Bond	g	0.3%	*< 3 yrs*		01/2017
Dodge & Cox Income Fund	g	0.1%	*< 3 yrs*		01/2017
Index: BBgBarc US Aggregate TR		*0.0%*			
PAM Bank Loan Fund	g	1.0%	5.0%	*< 5 yrs*	9/2014
Index: S&P/LSTA Leveraged Loan Index		*0.4%*	*4.8%*		
International Fixed Income					
Brandywine	g	-4.1%	3.3%	0.6%	11/2007
Index: FTSE WGBI ex US TR		*-1.8%*	*3.3%*	*0.3%*	
Stone Harbor (emerging market debt)	g	-9.0%	5.2%	-1.7%	7/2013
Index: JPM GBI EM Global Div		*-6.2%*	*5.9%*	*-1.0%*	
Real Estate					
Direct Real Estate Owned	g	11.6%	12.4%	13.1%	
ARA American Strategic Value Realty Fund	g	9.1%	*< 3 yrs*		6/2016
JP Morgan Strategic Properties Fund	g	7.0%	7.2%	9.5%	3/2008
Index: NCREIF Property		*6.7%*	*7.2%*	*9.3%*	
Commodities					
Gresham MTAP	g	-12.4%	1.5%	-8.0%	8/2013
Index: Bloomberg Commodity		*-11.2%*	*0.3%*	*-8.8%*	

San Luis Obispo County Pension Trust

Investment Results Based on Fair Value (continued)

For the Fiscal Year Ended December 31, 2018

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
Harbourvest 2018 Global Fund					12/2018
Pathway Private Equity Fund					4/2017
Combined Private Equity	g	17.1%	17.4%	17.9%	
Index: Russell 3000 + 300BP		*-2.4%*	*12.2%*	*11.1%*	
Private Credit					
TSSP Diversified Credit Programs					11/2016
Combined Private Credit	g	11.3%	*< 3 yrs*		
Index: BBgBarc High Yield + 200BP		*5.1%*			
Opportunistic					
PIMCO Distressed Credit Fund					7/2010
KKR Mezzanine Debt Fund I					4/2011
Combined Opportunistic	g	25.2%	14.4%	10.5%	
Index: Russell 3000 + 300BP		*-2.4%*	*12.2%*	*11.1%*	
Cash Account					
Treasury Pool		1.5%	1.0%	0.7%	
Index: 91 day T-Bills		*1.9%*	*1.1%*	*0.6%*	
TOTAL FUND (including Parametric Cash Overlay)					
Total Fund		**-3.2%**	**6.0%**	**4.4%**	
Index: Policy Index at 12/31/18:		*-3.2%*	*5.8%*	*7.8%*	

20% Russell 3000
20% MSCI ACWI ex. US
30% BC Aggregate Bond
15% NCREIF
5% DJ UBS Commodities
10% Russell 3000+300BP

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

g = Gross of fees

Includes only investment managers in place at December 31, 2018; however, investment results of terminated managers are included in the Total Fund rate of return.

Source: Quarterly investment reports from Verus, investment consultant

San Luis Obispo County Pension Trust

Schedule of Management Fees and Commissions

For the Fiscal Year Ended December 31, 2018 (Dollars in Thousands)

Management Fees	2018 Fees		Year-End Assets Under Mgmt.		Fees as % of Year-End Assets (a)
Domestic Equity					
Research Affiliates	*N/A*	(d)	$ 52,494		
Loomis Sayles	$ 493		74,383		0.66%
Boston Partners	*N/A*	(d)	73,114		
Atlanta Capital	463		50,094		0.92%
Total Domestic Equity	956		250,085		
International Equity					
Dodge & Cox (mutual fund)	*N/A*	(d)	128,636		
WCM International (mutual fund)	*N/A*	(d)	130,149		
Total International Equity	-		258,785		
Domestic Fixed Income					
BlackRock Core Bond	351		101,421		0.35%
Dodge & Cox Income Fund	*N/A*	(d)	99,926		
PAM Bank Loan Fund	*N/A*	(d)	74,131		
Total Domestic Fixed Income	351		275,478		
International and Global Fixed Income					
Brandywine	337		72,941		0.46%
Stone Harbor	*N/A*	(d)	72,897		
Total Intl. and Global Fixed Income	337		145,838		
Real Estate					
Direct Real Estate Owned	100		6,941		1.44%
ARA American Strategic Value Realty Fund	*N/A*	(d)	22,017		
JP Morgan Strategic Properties Fund	1,420		163,245		0.87%
Total Real Estate	1,520		192,203		
Commodities					
Gresham	*N/A*	(d)	43,566		
Private Equity/Credit					
HarbourVest Fund IX (buyout)	*N/A*	(d)	12,654		
HarbourVest 2018 Global Fund	103	(d)	1,359		
Pathway Private Equity	*N/A*	(d)	16,381		
TSSP Diversified Credit Programs	*N/A*	(d)	45,630		
PIMCO Distressed Credit Fund	-		111		0.00%
KKR Mezzanine Debt Fund I	50		4,692		1.07%
Total Private Equity	153		80,827		
Cash Overlay					
Parametric	17		-	(b)	*N/A*
Total Management Fees	$ 3,334				

San Luis Obispo County Pension Trust

Schedule of Management Fees and Commissions (continued)

For the Fiscal Year Ended December 31, 2018 (Dollars in Thousands)

Other Investment Expenses	2018 Fees	Year-End Assets Under Mgmt.	Fees as % of Year-End Assets
Custodian Fees	200		0.02%
Investment Consultant	315		0.03%
Total Other Investment Expenses	515		0.04%
TOTAL INVESTMENT EXPENSES AND ASSETS UNDER MANAGEMENT	**$ 3,849**	**$ 1,246,782**	**0.31%**

Broker Commissions	Commissions Fees	
Broker Commissions	$ 17	(c)
Broker Fees	-	
Total Broker Commissions	$ 17	

(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, 2018.

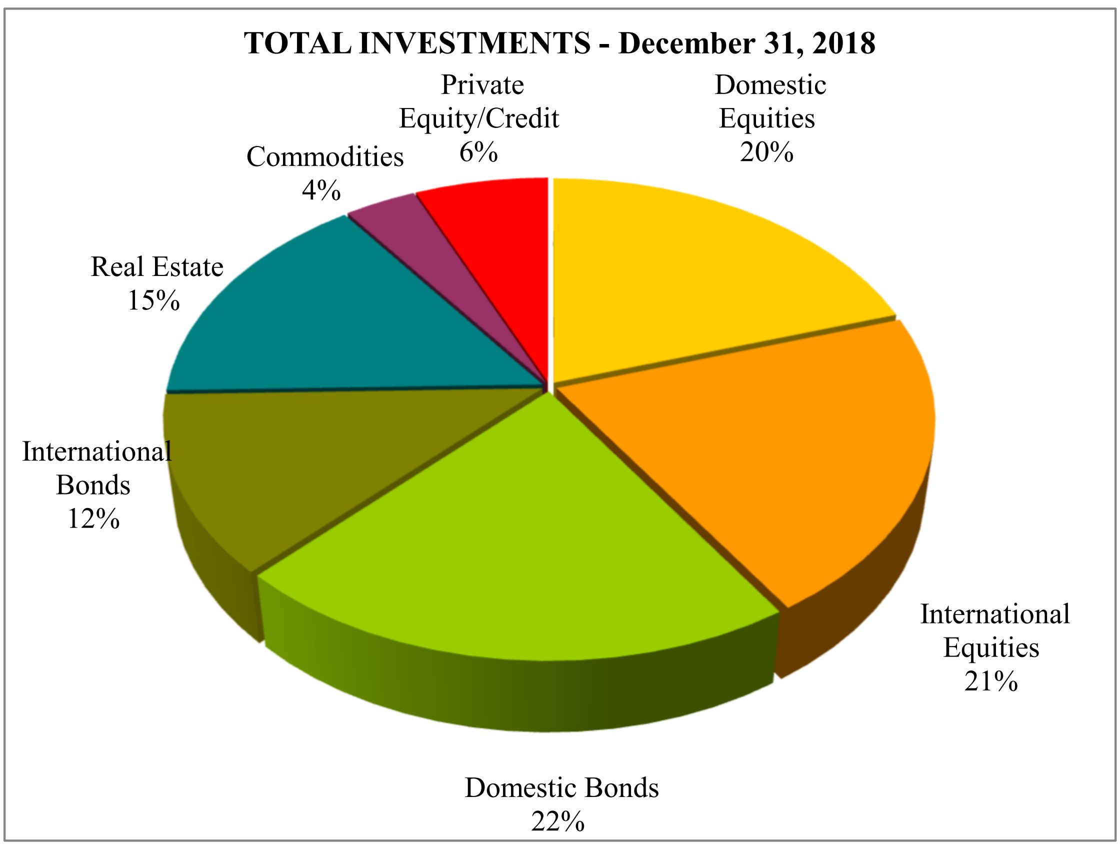
Investment managers are instructed to seek best execution and to seek to minimize commission and market impact costs when trading securities.

San Luis Obispo County Pension Trust

Investments at Fair Value

As of December 31, 2018 (Dollars in Thousands)

		Fair Value	%
Equities			
Domestic Equities	$	250,085	20.06%
International Equities		258,785	20.76%
Fixed Income			
Domestic Bonds, Mortgages, Notes		268,423	21.53%
International Bonds		152,893	12.26%
Real Estate		192,203	15.42%
Alternatives			
Commodities		43,566	3.49%
Private Equity/Credit		80,827	6.48%
TOTAL INVESTMENTS	$	1,246,782	100.00%



San Luis Obispo County Pension Trust

Schedule of Largest Stock and Bond Holdings

As of December 31, 2018 By Fair Value

	Largest Stock Holdings	Shares	Fair Value
1	TELEFLEX INC COMMON STOCK USD 1	9,808	$ 2,535,172
2	WR BERKLEY CORP COMMON STOCK USD 0.2	33,419	2,469,998
3	TRANSUNION COMMON STOCK USD 0.01	36,579	2,077,687
4	HENRY SCHEIN INC COMMON STOCK USD 0.01	23,620	1,854,642
5	CDW CORP/DE COMMON STOCK USD 0.01	22,332	1,810,009
6	SERVICEMASTER GLOBAL HOLDINGS INC COMMON STOCK USD 0.01	48,492	1,781,596
7	ARAMARK COMMON STOCK USD 0.01	57,522	1,666,412
8	LENNOX INTERNATIONAL INC COMMON STOCK USD 0.01	6,885	1,506,851
9	APTARGROUP INC COMMON STOCK USD 0.01	14,913	1,402,866
10	CARLISLE COS INC COMMON STOCK USD 1	13,562	1,363,252
	Total of 10 Largest Stock Holdings		$ 18,468,485

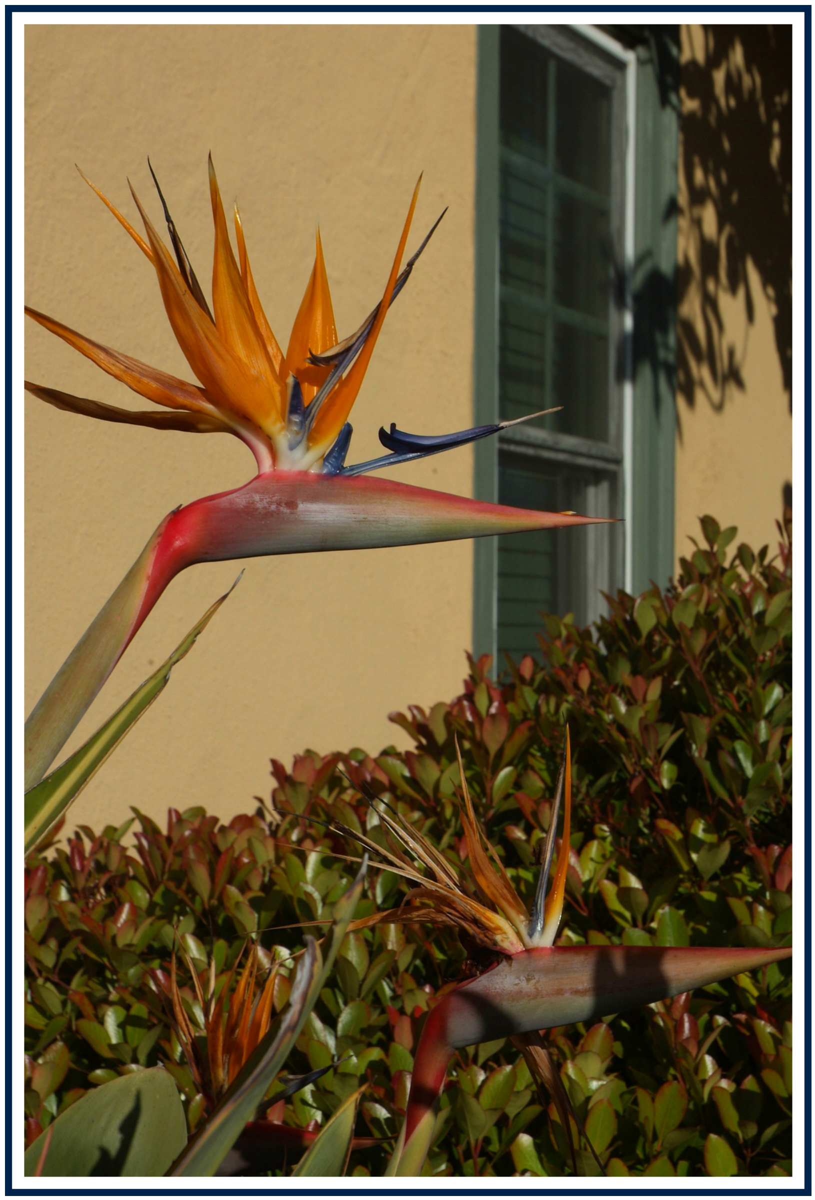
	Largest Bond Holdings	Par Value	Fair Value
1	FEDERAL NATIONAL MORTGAGE ASSOCIATION TBA FIXED 4%	$ 6,816,000	$ 6,948,094
2	GNMA II MORTPASS 4.5% 20/JUL/2048	1,771,489	1,834,368
3	UNITED STATES OF AMERICA NOTES FIXED 2.25%	1,850,000	1,826,579
4	FNMA MORTPASS 4.5% 01/FEB/2045	1,497,017	1,569,308
5	FNMA MORTPASS 4% 01/NOV/2041	1,497,866	1,544,689
6	FNMA MORTPASS 4% 01/NOV/2046	1,208,072	1,248,252
7	FNMA MORTPASS 3.5% 01/JAN/2047	1,203,122	1,205,191
8	FHLMCGLD MORTPASS 4.5% 01/SEP/2046	1,113,055	1,165,024
9	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION TBA FIXED	953,000	975,786
10	FHLMCGLD MORTPASS 4.5% 01/SEP/2046	910,262	912,046
	Total of 10 Largest Bond Holdings		$ 19,229,337

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.

This page left blank intentionally.

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 (SLOCPT) and the San Luis Obispo County Employees Retirement Plan (the Plan). This section is based on the latest available actuarial valuation which, in this case, is the Annual Actuarial Valuation as of January 1, 2018.

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, 2018 valuation. It is based on member data and financial results through December 31, 2017. The Pension Trust's actuary, Gabriel Roeder Smith & Company (GRS), completed this annual valuation during 2018. The most recent Biennial Actuarial Experience Study was completed by GRS as of December 31, 2017. Results of this Biennial Actuarial Experience Study were used in developing the assumptions used in the January 1, 2018 Annual Actuarial Valuation.

The Annual Actuarial Valuation as of January 1, 2018 including actuarial assumptions was approved by the Board on June 25, 2018.

The Annual Actuarial Valuation as of January 1, 2019, based on data through December 31, 2018, is in the process of being developed at the time of the publication of this CAFR.

GRS Retirement Consulting

P: 720.274.7270 | F: 303.694.0633 | www.grsconsulting.com

March 7, 2019

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, 2018 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 as of January 1, 2018.

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 actuaries signing the report are members of the American Academy of Actuaries and meet 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, 2018 valuation, the Trust's funded status decreased from 69.4% to 68.3%. The total actuarially determined contribution is 42.19% as of January 1, 2018, compared to total charged rates of 39.68%.

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, with 22 years remaining as of January 1, 2018.

As part of the funding policy, the Board amortized the 2008 asset loss over a 10 year period effective January 1, 2009. 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, 2017. These changes include changing the discount rate, inflation rate, salary scale, payroll growth, COLA assumptions, and mortality projection scale. The net impact of these changes is a $8.5 million increase in the accrued liability.

The valuation and GASB 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 22 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. This year, the 2008 asset loss will be fully recognized.

The enclosed exhibits provide further related information necessary to complete your filing. All other necessary information is available in the January 1, 2018 actuarial valuation report. The enclosed exhibits include:

- 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
- Summary of Benefit 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

Paul T. Wood, ASA, FCA, MAAA
Consultant

Thomas Lyle, ASA, EA, MAAA
Senior Analyst

ACTUARIAL METHODS AND ASSUMPTIONS USED FOR THE JANUARY 1, 2018 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 2.50% 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 (22 years as of January 1, 2018) 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. <u>Actuarial Assumptions</u> (changes effective January 1, 2018, based on the December 31, 2017 experience study)

A. <u>Economic Assumptions</u>

1. Investment return: 7.00%, compounded annually, net of administrative expenses. This is made up of a 2.50% inflation rate and a 4.50% real rate of return.

2. Salary increase rate: Inflation rate of 2.50% 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	8.00%
2	5.00%	2	7.75%
3	4.00%	3	6.75%
4	3.00%	4	5.75%
5	2.00%	5	4.75%
6	1.00%	6	3.75%
7	0.50%	7	3.25%
8 +	0.00%	8 +	2.75%

3. Cost-of-living increases:

   Assumed to increase the full 2.50% each year (2% for Tier 2 and Tier 3)

4. Payroll growth:

   3.00% per year (Inflation 2.50%, productivity of 0.50%) for the January 1, 2018 actuarial valuation.
   2.75% per year (Inflation 2.50%, productivity of 0.25%) for the January 1, 2019 actuarial valuation.

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

   2.50% per year

6. Contribution accumulation: Contributions are credited with 6.00% interest, compounded biweekly.

B. Demographic Assumptions

1. Mortality projection – Scale MP-2017

2. Mortality after termination or retirement -

   a. Healthy males – RP-2014 with generational mortality improvements using scale MP-2017 and a 105% multiplier

   b. Healthy females – RP-2014 with generational mortality improvements using scale MP-2017 and a 115% multiplier

   See sample rates for 2018 below:

Ages	% Dying Within Next Year Retirees	
	Men	Women
45	0.19%	0.18%
50	0.28%	0.23%
55	0.40%	0.32%
60	0.55%	0.46%
65	0.80%	0.74%
70	1.27%	1.17%
75	2.15%	1.95%
80	3.77%	3.40%
85	6.95%	6.16%

3. Mortality rates of active members – RP-2014 Employee Mortality Tables, with generational improvements using scale MP-2017, setback one year with a 105% multiplier for males, and setback two years with a 50% multiplier for females, applied to RP-2014.

   See sample rates for 2018 below:

Ages	% of Active Members Dying Within Next Year	
	Men	Women
30	0.05%	0.01%
35	0.06%	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%	0.11%
65	0.78%	0.15%
70	1.28%	0.24%

4. Disability mortality after termination or retirement – RP-2014 Disabled Mortality Tables, with generational improvements using scale MP-2017, 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

   Sample rates for 2018 shown below:

	% of Disabled Members Dying Within Next Year	
Ages	Men	Women
30	0.44%	0.15%
35	0.83%	0.30%
40	1.23%	0.47%
45	1.56%	0.64%
50	1.88%	0.83%
55	2.23%	1.06%
60	2.61%	1.26%
65	3.06%	1.47%
70	3.74%	1.90%

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 Reciprocal and Reserve 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 SLOCPT, we are assuming that 1.00% 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.

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Average Annual Earnings	Percent Increase In Average Earnings
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
1/01/2017	2,675	185,019,748	69,166	1.9
1/01/2018	2,722	196,848,084	72,317	4.6

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
1/01/2008					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%
1/01/2017	161	5,982,085	60	1,350,465	2,618	80,486,911	30,744	3.4%
1/01/2018	181	7,428,520	54	1,164,837	2,745	88,353,092	32,187	4.7%

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

Solvency Test

Valuation Date	Actuarial Accrued Liabilities (1) Retirees and Beneficiaries	(2) Terminated Vested Members	(3) Active Members	Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets (1)	(2)	(3)
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%
1/01/2017	1,134,942,637	64,502,981	627,896,696	1,268,404,900	100%	100%	11%
1/01/2018	1,252,332,952	66,235,224	627,112,335	1,328,750,029	100%	100%	2%

Schedule of Funding Progress

Valuation Date	Valuation Assets[1]	Actuarial Liability[1]	Funded Ratio	Unfunded Actuarial Liability	Member Payroll	Ratio to Payroll
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 [2,3]	1,057,922	1,378,549	76.7%	320,627	161,055	199.1%
12/31/2012 [3]	1,122,151	1,468,001	76.4%	345,850	164,299	210.5%
12/31/2013 [4]	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%
12/31/2016	1,268,405	1,827,342	69.4%	558,937	185,020	302.1%
12/31/2017	1,328,750	1,937,173	68.6%	608,423	196,848	309.1%
12/31/2017 [2]	1,328,750	1,945,681	68.3%	616,930	196,848	313.4%

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

12/31/2017	$3,267,574	12/31/2012	$6,606,149
12/31/2016	3,961,371	12/31/2011	7,462,567
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

[2] Reflects assumption changes.
[3] Reflects benefit provisions under Tier 2 for certain new members.
[4] 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, 2018

	Plan Year Ended December 31, 2013	Plan Year Ended December 31, 2014	Plan Year Ended December 31, 2015	Plan Year Ended December 31, 2016	Plan Year Ended December 31, 2017
A. Funding Value Beginning of Year	$1,122,150,539	$1,182,923,978	$1,231,473,577	$1,248,327,560	$1,268,404,900
B. Gross Market Value End of Year	1,135,718,617	1,173,336,063	1,135,802,704	1,181,242,858	1,340,471,022
C. Gross Market Value Beginning of Year	1,013,436,059	1,135,718,617	1,173,336,063	1,181,242,858	1,181,242,858
D. Non-Investment Cash Flow	(9,565,801)	(14,055,197)	(20,827,506)	(23,509,152)	(15,849,141)
E. Investment Income					
E1. Market Total =B-C-D	131,848,359	51,672,643	(16,705,853)	23,509,152	175,077,305
E2 Immediate Recognition	81,009,154	85,252,488	88,526,837	88,105,825	89,809,223
E3. Phased-in Recognition	$50,839,205	($33,579,845)	($105,232,690)	($19,156,519)	$85,268,082
F. Phased-in Recognition					
F1. Current Year=E3x20%*	10,167,841	(6,715,969)	(21,046,538)	(3,831,304)	17,053,616
F2. First Prior Year	6,442,404	10,167,841	(6,715,969)	(21,046,538)	(3,831,304)
F3. Second Prior Year	(10,690,006)	6,442,404	10,167,841	(6,715,969)	(21,046,538)
F4. Third Prior Year	7,437,258	(10,690,006)	6,442,404	10,167,841	(6,715,969)
F5. Fourth Prior Year	15,245,328	7,437,258	(10,690,006)	6,442,404	10,167,841
F6. Continued Recognition of 2008 Asset Loss	(29,936,396)	(29,936,396)	(29,936,396)	(29,936,396)	(9,936,396)
F7. Additional Recognition of 2008 Asset Loss	(10,000,000) *	0	0	0	0
F8. Total Recognized Gain/(Loss)	($11,333,571)	($23,294,868)	($51,778,664)	($44,919,962)	($14,308,750)
G. Preliminary Funding Value					
=A+D+E2+F8	$1,182,260,321	$1,230,826,401	$1,247,394,244	$1,268,004,271	$1,328,056,232
H. Excludable Assets					
H1. End of Year	5,942,492	5,295,316	4,362,000	3,961,371	3,267,574
H2. Beginning of Year	6,606,149	5,942,492	5,295,316	4,362,000	3,961,371
H3. Change=H1-H2	(663,657)	(647,176)	(933,316)	(400,629)	(693,797)
I. Final Funding Value=G-H3	$1,182,923,978	$1,231,473,577	$1,248,327,560	$1,268,404,900	$1,328,750,029
J. Investment Return=(E2+F8)/(A+D/2)	6.24%	5.27%	3.01%	3.49%	5.99%

*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 an additional $10 million of the 2008 loss base for the year ending December 31, 2010 and another additional $10 million for the year ending December 31, 2013.

BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED EFFECTIVE JANUARY 1, 2018

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
   Employee contribution rates used in the January 1, 2018 valuation have increased since the January 1, 2017 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, 2018

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

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 $121,388 for 2018 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.

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 DROP account is a separate defined contribution account with investments controlled by the DROP participant. The Pension Trust incurs no additional costs and credits no interest to the 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.

This page left blank intentionally.

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 the San Luis Obispo County Pension Trust's (SLOCPT) financial position has changed over time.

SLOCPT and the benefit provisions of the San Luis Obispo County Employees Retirement Plan (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 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 on or 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, 2018 Annual Actuarial Valuation which reflects data as of year-end 2017.

San Luis Obispo County Pension Trust

Changes in Fiduciary Net Position

Last 10 fiscal years (Dollars in Thousands)

	2018	2017	2016	2015	2014
Additions					
Employer Appropriations	$ 46,243	$ 42,341	$ 35,452	$ 33,618	$ 32,047
Plan Member Contributions	32,953	30,467	25,359	24,587	24,415
Net Investment Income (Loss)	(50,033)	178,640	68,949	(16,706)	51,667
Total Additions	$ 29,163	$ 251,448	$ 129,760	$ 41,499	$ 108,129
Deductions					
Service Retirement Benefits	$ 79,120	$ 72,074	$ 66,623	$ 61,796	$ 56,186
Disability Retirement Benefits	3,506	3,305	3,214	3,150	2,972
Beneficiary Retirement Benefits	4,845	4,435	4,156	3,824	3,541
Deferred Retirement Option Program	5,341	5,238	4,201	3,672	3,464
Total Retirement Benefits	$ 92,812	$ 85,052	$ 78,194	$ 72,442	$ 66,163
Refunds	1,757	2,857	2,247	1,613	1,629
Death Benefit	60	748	243	999	303
Administrative Expense	1,972	2,046	2,249	2,528	2,085
Discount Amortization	1,413	1,517	1,387	1,450	332
Total Deductions	$ 98,014	$ 92,220	$ 84,320	$ 79,032	$ 70,512
Net Increase (Decrease) in Fiduciary Net Position	$ (68,851)	$ 159,228	$ 45,440	$ (37,533)	$ 37,617

	2013	2012	2011	2010	2009
Additions					
Employer Appropriations	$ 30,796	$ 30,942	$ 30,436	$ 32,148	$ 31,427
Plan Member Contributions	24,460	25,207	25,262	24,549	24,171
Net Investment Income (Loss)	131,842	108,818	24,113	110,054	144,482
Total Additions	$ 187,098	$ 164,967	$ 79,811	$ 166,751	$ 200,080
Deductions					
Service Retirement Benefits	$ 50,919	$ 46,535	$ 42,739	$ 39,807	$ 35,688
Disability Retirement Benefits	2,879	2,746	2,692	2,662	2,555
Beneficiary Retirement Benefits	3,352	2,905	2,769	2,486	2,131
Deferred Retirement Option Program	3,087	2,362	2,215	1,846	1,654
Total Retirement Benefits	$ 60,237	$ 54,548	$ 50,415	$ 46,801	$ 42,028
Refunds	2,374	1,138	1,659	1,642	1,575
Death Benefit	150	125	430	362	45
Administrative Expense	2,054	2,070	1,910	1,981	1,730
Total Deductions	$ 64,815	$ 57,881	$ 54,414	$ 50,786	$ 45,378
Net Increase (Decrease) in Fiduciary Net Position	$ 122,283	$ 107,086	$ 25,397	$ 115,965	$ 154,702

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
2018	Miscellaneous	$ 64,336	$ 1,462	$ 3,571	$ 3,178	$ 1,613	$ 50	$ 74,210
	Probation	2,898	159	190	129	82	-	3,458
	Safety	11,886	1,885	1,084	2,034	62	10	16,961
	TOTAL	$ 79,120	$ 3,506	$ 4,845	$ 5,341	$ 1,757	$ 60	**$ 94,629**
2017	Miscellaneous	$ 58,698	$ 1,422	$ 3,402	$ 2,839	$ 1,970	$ 746	$ 69,077
	Probation	2,623	139	185	-	426	-	3,373
	Safety	10,753	1,744	848	2,399	461	2	16,207
	TOTAL	$ 72,074	$ 3,305	$ 4,435	$ 5,238	$ 2,857	$ 748	**$ 88,657**
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**

Source: SLOCPT detailed retiree payroll journals 2009-2018 data

San Luis Obispo County Pension Trust

Retiree Average Age and Average Monthly Benefit by Class

Last 10 fiscal years

As of most recent completed actuarial valuation dated January 1, 2018, based on data as of December 31, 2017.

As of December 31		Avg. Age on Dec. 31st	Avg. Age at retirement (1)	Number of Recipients	Average Monthly Benefit
2017	Miscellaneous	69.5	59.2	2,355	$ 2,451
	Probation	64.3	55.8	75	3,367
	Safety	63.5	52.9	315	4,251
	TOTAL	**68.7**	**58.4**	**2,745**	**$ 2,682**
2016	Miscellaneous	69.7	59.1	2,260	$ 2,332
	Probation	64.6	56.0	71	3,323
	Safety	64.2	52.6	287	4,188
	TOTAL	**68.9**	**58.3**	**2,618**	**$ 2,562**
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	$ 2,099
	Probation	63.5	56.0	53	3,114
	Safety	64.4	52.7	229	3,809
	TOTAL	**68.5**	**58.0**	**2,250**	**$ 2,297**
2012	Miscellaneous	68.9	58.7	1,875	$ 2,026
	Probation	62.9	56.0	50	3,098
	Safety	64.0	52.5	222	3,677
	TOTAL	**68.2**	**58.0**	**2,147**	**$ 2,222**
2011	Miscellaneous	68.7	58.6	1,785	$ 1,927
	Probation	62.0	55.4	45	3,137
	Safety	63.8	52.3	210	3,567
	TOTAL	**68.0**	**57.9**	**2,040**	**$ 2,123**
2010	Miscellaneous	68.4	58.6	1,711	$ 1,879
	Probation	61.3	55.2	41	3,051
	Safety	63.3	52.0	194	3,585
	TOTAL	**67.8**	**57.9**	**1,946**	**$ 2,074**
2009	Miscellaneous	68.1	58.6	1,665	$ 1,803
	Probation	61.5	55.8	38	3,051
	Safety	63.3	51.8	187	3,355
	TOTAL	**67.5**	**57.9**	**1,890**	**$ 1,982**
2008	Miscellaneous	68.3	58.5	1,532	$ 1,670
	Probation	61.4	56.0	33	2,787
	Safety	63.3	51.8	176	3,260
	TOTAL	**67.6**	**57.8**	**1,741**	**$ 1,852**

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

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

San Luis Obispo County Pension Trust

Retired Members by Benefit Type and Amount

as of December 31, 2018

Annual Benefit Range and Class	Service Retirement Recipients	Disability Retirement Recipients	Beneficiary Retirement Recipients	DROP Retirement Recipients	**TOTAL**	**% of Total**
$0-$9,999						
Miscellaneous	419	22	63	-	504	17.6%
Probation	9	-	-	1	10	0.3%
Safety	16	-	3	1	20	0.7%
subtotal	**444**	**22**	**66**	**2**	**534**	**18.6%**
$10,000-$19,999						
Miscellaneous	532	39	52	2	625	21.8%
Probation	10	-	-	-	10	0.3%
Safety	24	-	9	-	33	1.2%
subtotal	**566**	**39**	**61**	**2**	**668**	**23.3%**
$20,000-$29,999						
Miscellaneous	385	21	25	4	435	15.2%
Probation	9	1	3	-	13	0.5%
Safety	26	10	8	-	44	1.5%
subtotal	**420**	**32**	**36**	**4**	**492**	**17.2%**
$30,000-$39,999						
Miscellaneous	242	4	19	7	272	9.5%
Probation	8	4	1	-	13	0.5%
Safety	16	16	9	1	42	1.5%
subtotal	**266**	**24**	**29**	**8**	**327**	**11.4%**
$40,000-$49,999						
Miscellaneous	149	1	9	8	167	5.8%
Probation	6	-	2	-	8	0.3%
Safety	19	15	7	-	41	1.4%
subtotal	**174**	**16**	**18**	**8**	**216**	**7.5%**
$50,000-$59,999						
Miscellaneous	123	1	3	6	133	4.6%
Probation	12	-	-	-	12	0.4%
Safety	19	6	-	9	34	1.2%
subtotal	**154**	**7**	**3**	**15**	**179**	**6.2%**

San Luis Obispo County Pension Trust

Retired Members by Benefit Type and Amount (continued)

as of December 31, 2018

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	89	-	3	14	106	3.7%
Probation	5	-	-	-	5	0.2%
Safety	21	-	-	5	26	0.9%
subtotal	**115**	**-**	**3**	**19**	**137**	**4.8%**
$70,000-$79,999						
Miscellaneous	66	-	1	5	72	2.5%
Probation	5	-	-	-	5	0.2%
Safety	25	-	-	5	30	1.0%
subtotal	**96**	**-**	**1**	**10**	**107**	**3.7%**
$80,000-$89,999						
Miscellaneous	30	-	1	1	32	1.1%
Probation	2	-	-	-	2	0.1%
Safety	19	-	-	3	22	0.8%
subtotal	**51**	**-**	**1**	**4**	**56**	**2.0%**
$90,000-$99,999						
Miscellaneous	27	-	1	1	29	1.0%
Probation	1	-	-	-	1	0.0%
Safety	13	-	-	1	14	0.5%
subtotal	**41**	**-**	**1**	**2**	**44**	**1.5%**
$100,000+						
Miscellaneous	74	-	2	5	81	2.8%
Probation	3	-	-	1	4	0.1%
Safety	17	1	2	3	23	0.8%
subtotal	**94**	**1**	**4**	**9**	**108**	**3.8%**
CUMULATIVE TOTAL						
Miscellaneous	**2,136**	**88**	**179**	**53**	**2,456**	**85.7%**
Probation	**70**	**5**	**6**	**2**	**83**	**2.8%**
Safety	**215**	**48**	**38**	**28**	**329**	**11.5%**
	2,421	**141**	**223**	**83**	**2,868**	**100.0%**

Source: SLOCPT Pension Administration Software (RAD)

San Luis Obispo County Pension Trust

Member Data

Last 10 fiscal years

As of most recent completed actuarial valuation dated January 1, 2018, based on data as of December 31, 2017.

Active Members (all classes)	Average Age	Average Service	Average Annual Pay
2017	45.1	9.3	$ 72,317
2016	45.5	9.7	69,166
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

Number of Members	Active Members	Deferred Vested Members	Retiree and Beneficiary	Disability Recipients	TOTAL
2017	2,722	464	2,608	137	5,931
2016	2,675	460	2,481	137	5,753
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

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	SLOCPT	TOTAL
2018								
Tier 1		1,140	90	16	3	-	1	1,250
Tier 2		309	-	-	-	-	2	311
Tier 3		1,122	33	4	-	-	5	1,164
Total		**2,571**	**123**	**20**	**3**	**-**	**8**	**2,725**
% of total		94.2%	4.5%	0.7%	0.1%	0.0%	0.3%	
2017								
Tier 1		1,284	97	20	3	-	1	1,405
Tier 2		312	-	-	-	-	2	314
Tier 3		974	22	4	-	-	4	1,004
Total		**2,570**	**119**	**24**	**3**	**-**	**7**	**2,723**
% of total		94.3%	4.4%	0.9%	0.1%	0.0%	0.3%	
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		93.8%	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%	5.0%	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%	5.3%	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		93.5%	6.1%	0.0%	0.1%	0.0%	0.3%	

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

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

San Luis Obispo County
Pension Trust
SLOCPT

San Luis Obispo County
Pension Trust
1000 Mill Street
San Luis Obispo, CA 93408
(805) 781-5465
www.slocounty.ca.gov/Departments/Pension-Trust.aspx