

# CERBT Account Annual Update

Monterey Peninsula Regional Park District

May 9, 2018

# OPEB cost report summary

2013 & 2015 Valuations by TCS 2017 Valuation by Northbay Pensions	7/1/13	7/1/15	7/1/17
Actuarial Accrued Liability (AAL)	\$1,808,181	\$1,889,108	\$2,624,490
Present Value of Benefits (PVB)	\$2,234,648	\$2,272,445	\$2,838,400
Implicit Rate Subsidy	NA	NA	\$337,966
Remaining Amortization Period	27 Years/Closed	30 Years/Open	
	FY 2015-16	FY 2016-17	FY 2017-18
Annual Required Contribution (ARC)	\$51,916	\$53,344	
Normal Cost	\$48,948	\$50,294	\$70,546
Amortization of Unfunded Actuarial Accrued Liability	\$2,968	\$3,050	
Pay-as-you-go	\$76,961	\$82,433	\$82,412
Total Covered Lives (Active & Retiree)	21	20	19
Asset Allocation Strategy Selection	Strategy 1	Strategy 1	Strategy 1
Discount Rate	7.25%	7.00%	6.50%

# CERBT account summary

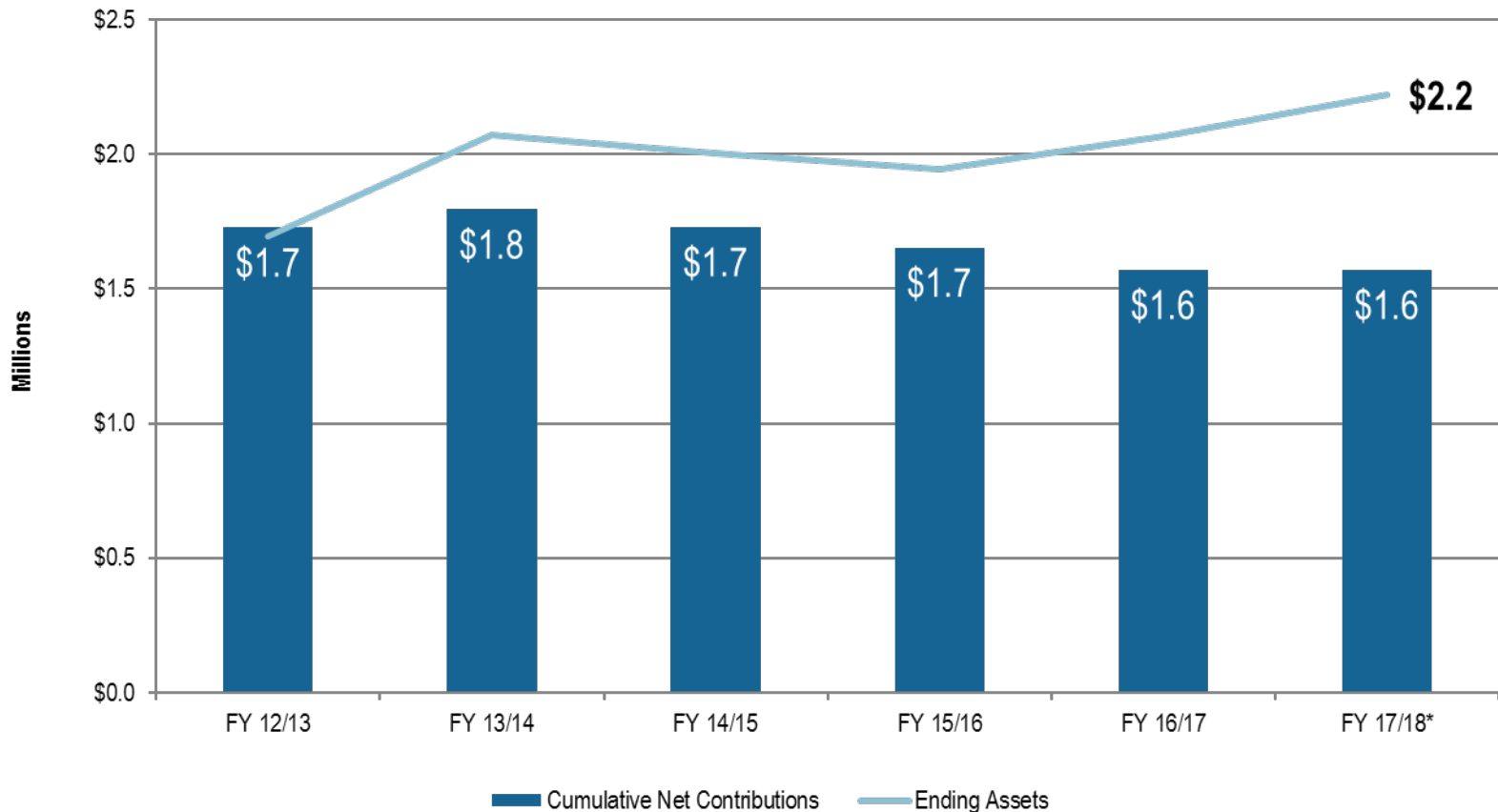
## Account summary as of February 28, 2018

Initial contribution (3/15/2013)	\$1,729,009
Additional contributions	\$67,056
Disbursements	(\$224,697)
CERBT expenses	(\$10,034)
Investment earnings	\$657,932
Total assets	\$2,219,266
Average annualized internal rate of return (3/15/2013-02/28/2018)	6.80%

As of the District's most recent Annual Update through January 31, 2017,  
the Average Annualized Internal ROR was 5.30%

Agreement effective date: 2/5/2013  
In PEMHCA: Yes

# CERBT account summary by fiscal year



\*FY 2017-18 is through February 28, 2018

# Cash flow summary by fiscal year

FY	Contributions	Disbursements	Net Contributions
2012-13	\$1,729,009	(\$0)	\$1,729,009
2013-14	\$67,056	(\$0)	\$67,056
2014-15	\$0	(\$65,618)	(\$65,618)
2015-16	\$0	(\$76,667)	(\$76,667)
2016-17	\$0	(\$82,412)	(\$82,412)
2017-18*	\$0	(\$0)	\$0

\*FY 2017-18 is through February 28, 2018

# Funded status comparison

Measurement Date	AAL	Market Value of Assets	Funded Ratio
7/1/2015	\$1,889,108	\$2,003,161	106.04%
6/30/2017	\$2,624,490	\$2,067,694	78.78%

# Investment management

# CERBT asset allocation strategies

	Strategy 1	Strategy 2	Strategy 3
Expected Long Term Rate of Return <small>(General Inflation Rate Assumption of 2.75%)</small>	7.28%	6.73%	6.12%
Standard Deviation of Expected Returns	11.74%	9.32%	7.14%

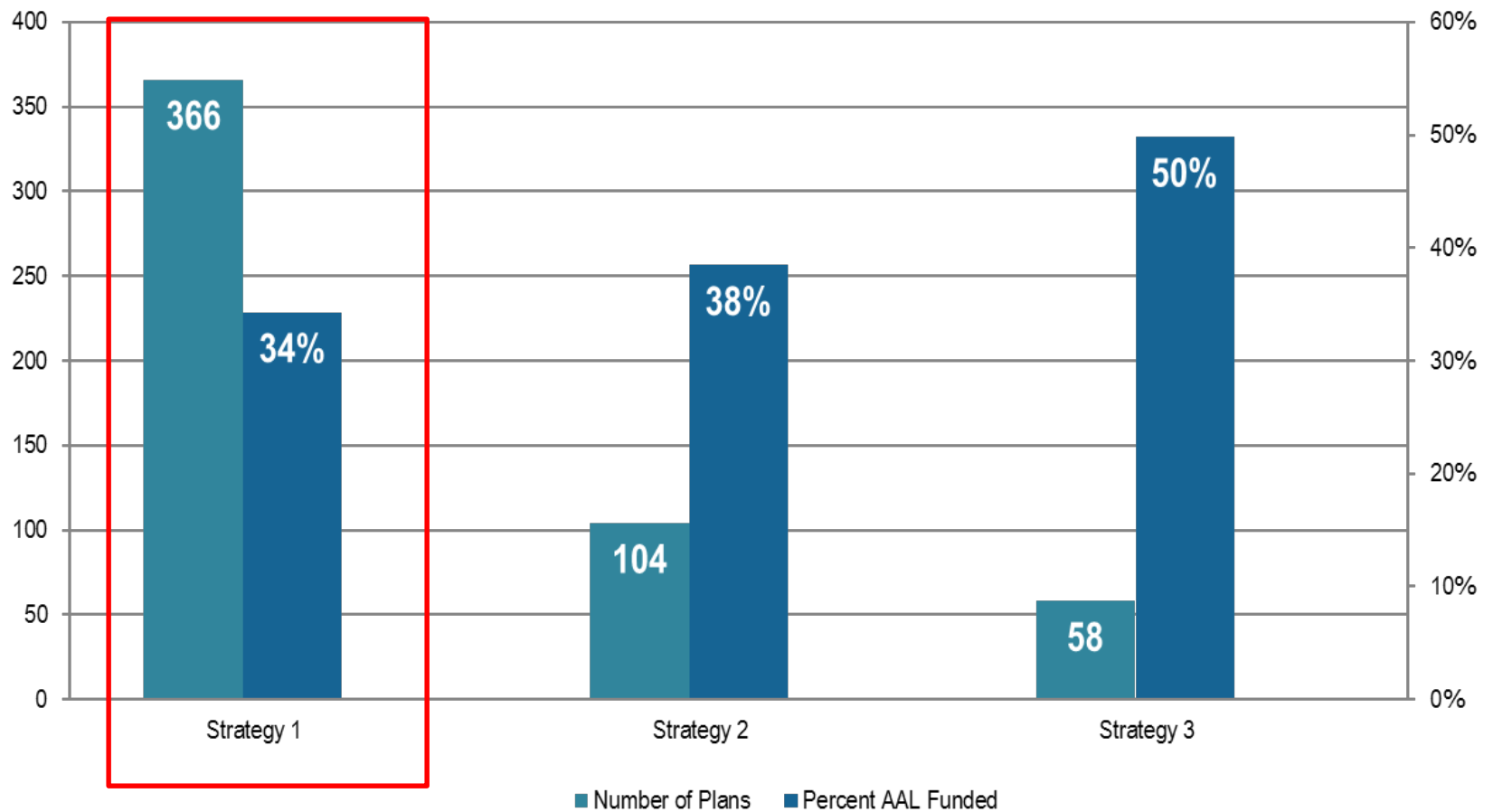
- All CERBT asset allocation strategies share the same public market asset classes
  - Allocation strategies differ only to the extent to which they participate in each of the asset classes



# CERBT asset class target allocations

Asset Classification	Investment Management	Strategy 1	Strategy 2	Strategy 3
Global Equity	Passive MSCI All Country World Index	57%	40%	24%
Fixed Income	Active Barclays Capital Long Liability Index	27%	39%	39%
Global Real Estate (REITs)	Passive FTSE EPRA/NAREIT Developed Liquid Index	8%	8%	8%
Treasury Inflation Protected Securities (TIPS)	Passive Barclays Capital Global Real: US TIPS Index	5%	10%	26%
Commodities	Active S&P GSCI Total Return Index	3%	3%	3%

# Participation by Asset Allocation Strategy



\*Certain agencies excluded, as of February 28, 2018

# CERBT investment returns – time weighted

Periods Ended February 28, 2018

<u>Fund</u>	<u>Assets</u>	<u>1 Month</u>	<u>3 Months</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>ITD</u>
CERBT Strategy 1 (Inception June 1, 2007)	\$6,548,357,153	-3.48%	0.67%	7.39%	11.30%	5.68%	7.22%	4.90%
Benchmark		-3.54%	0.52%	7.09%	10.74%	5.13%	6.75%	4.43%
CERBT Strategy 2 (Inception October 1, 2011)	\$1,018,042,172	-3.02%	-0.08%	5.20%	8.32%	4.42%	5.70%	7.75%
Benchmark		-3.10%	-0.27%	4.86%	7.69%	3.90%	5.25%	7.41%
CERBT Strategy 3 (Inception January 1, 2012)	\$338,335,241	-2.52%	-0.66%	3.25%	5.28%	3.12%	4.28%	5.56%
Benchmark		-2.58%	-0.84%	2.94%	4.75%	2.66%	3.79%	5.18%

Time weighted return reports the performance of the investment vehicle, not of the employer assets. Returns are gross. Historical performance is not necessarily indicative of actual future investment performance or of future total program cost. Current and future performance may be lower or higher than the historical performance data reported here. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the original cost. The value of an employer's CERBT fund shares will go up and down based on the performance of the underlying funds in which the assets are invested. The value of the underlying funds' assets will, in turn, fluctuate based on the performance and other factors generally affecting the securities market.

# Financial reporting

# Financial reporting

- Effective dates for implementation of GASB 75

Employer Fiscal Year End	Effective Dates
December	12/31/2018
March	03/31/2019
June	06/30/2018
September	09/30/2018

# OPEB terminology changes

GASB 45	GASB 75
Actuarial Accrued Liability (AAL)	Total OPEB Liability (TOL)
Actuarial Value or Market Value of Assets	Plan Fiduciary Net Position
Unfunded Actuarial Accrued Liability (UAAL)	Net OPEB Liability (NOL)
Annual OPEB Cost	OPEB Expense
Annual Required Contribution (ARC)	Actuarially Determined Contribution (ADC)
Normal Cost	Service Cost

# Financial reporting

## GASB 75 overview:

- ★ • Employers will report the Net OPEB Liability on their financial statements
- ★ • Significant increase in Note Disclosures and Required Supplementary Information
  - OPEB cost reports valid within 30 months + day of reporting date
  - Asset and liability measurement date must be within one year of reporting date

# Financial reporting

## GASB 75 overview:

- Amortization periods likely to be substantially shorter
- Discount rate determinations based on funding behavior
- Entry age normal actuarial cost method is prescribed
- Triennial valuations will not be allowed



Simple, focused administration

## CERBT total participation cost

- Total cost of CERBT participation is 10 basis points of assets under management
  - CERBT is a self-funded trust
  - Employer account charged daily
  - CERBT does not profit
  - Rate can be changed without prior notice and may be higher or lower in the future

# CERBT fee rate breakdown

Source of Fees	CERBT FY 2017-2018
External investment management fees	~2.00 basis points
External investment operating expenses to fund managers	~1.50 basis points
Internal investment fees	~0.65 basis points
Custodial services fees	~0.20 basis points
Online record keeping fees	~0.15 basis points
Program administration fees	~5.50 basis points
Total (all inclusive):	10.00 basis points

# CERBT fee rate history

Fiscal Year	Total Participation Cost
2007-2008	2.00 basis points
2008-2009	6.00 basis points
2009-2010	9.00 basis points
2010-2011	12.00 basis points
2011-2012	12.00 basis points
2012-2013	15.00 basis points
2013-2014	14.00 basis points
2014-2015	10.00 basis points
2015-2016	10.00 basis points
2016-2017	10.00 basis points
2017-2018	10.00 basis points

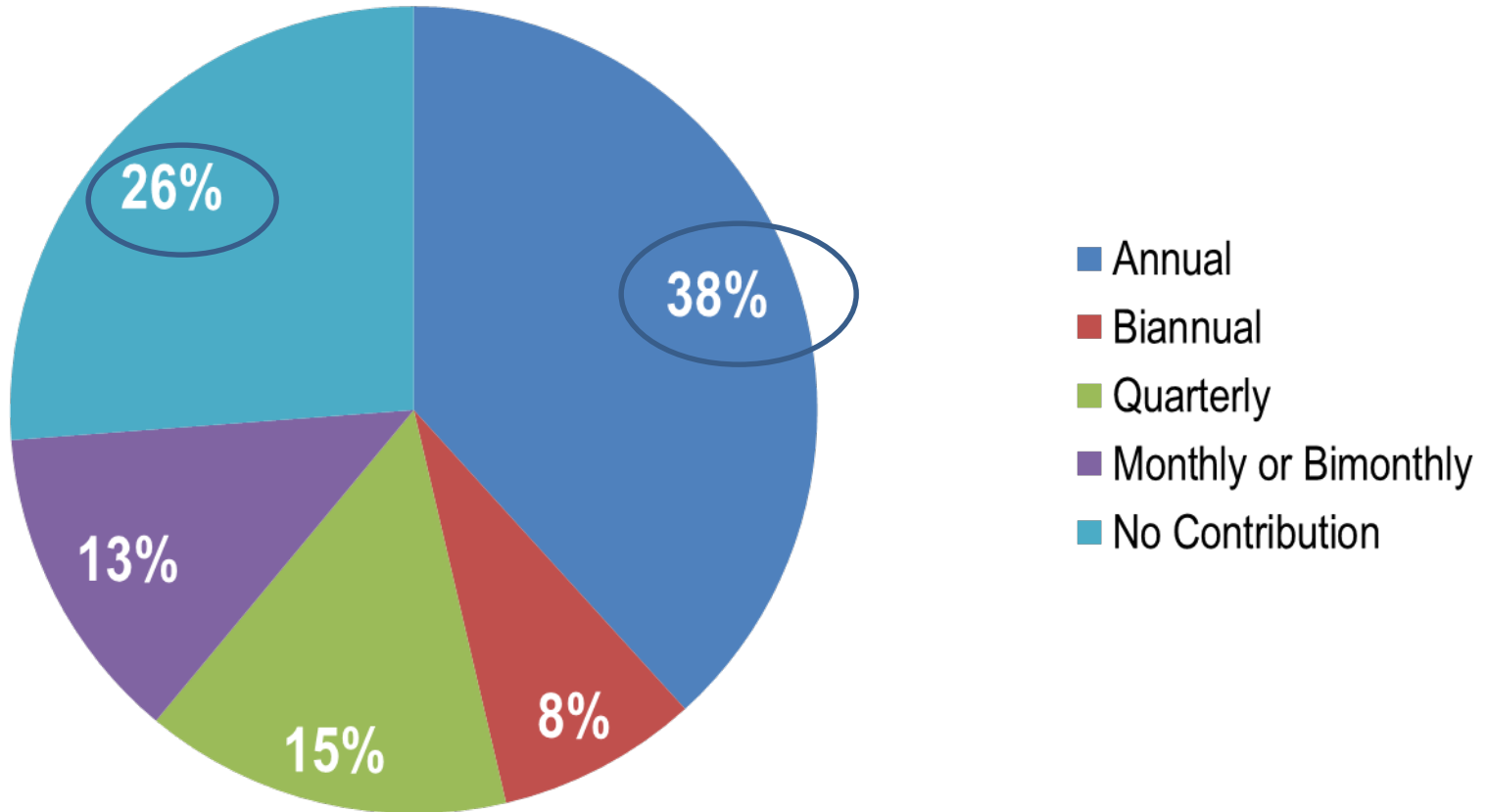
# CERBT experience data

# CERBT employers under contract

532 Total

- State of California
- 140 Cities or Towns
- 13 Counties
- 62 Schools
- 23 Courts
- 293 Special Districts and other Public Agencies
  - (90 Water, 33 Sanitation, 29 Fire, 22 Transportation)

# CERBT contribution patterns



FY 2016-17 contribution patterns

## CERBT disbursement frequency

28%

Percentage of employers requesting disbursements

72%

Percentage of employers not requesting disbursements

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As of June 30, 2017



# CERBT employer funding levels

Funding level	Actuarial Accrued Liability	Present Value of Benefits
0% - 25%	144	195
26% - 50%	151	175
51% - 75%	97	92
76% - 100%	69	41
> 100%	63	21

As of June 30, 2017

# CERBT employer funding levels

Funding level	Strategy 1	Strategy 2	Strategy 3
0% - 25%	94	30	19
26% - 50%	118	25	12
51% - 75%	70	11	12
76% - 100%	47	21	6
> 100%	36	15	8

\* Funding level range based on assets compared to Actuarial Accrued Liabilities as of June 30, 2017