AGENDA ITEM NO. 10-C

MONTEREY PENINSULA REGIONAL PARK DISTRICT
BOARD OF DIRECTORS MEETING

DATE:	**March 14, 2017**
TO:	**Board of Directors**
FROM:	**Kelly McCullough, Finance Manager**
REVIEWED BY:	**Rafael Payan, General Manager**
SUBJECT:	**Quarterly Investment Report**

RECOMMENDED ACTION:
Staff recommends that the Board of Director's receive, approve and file this report.

FISCAL IMPACT:
The District's Investment Report provides information about investments, cash accounts, and third party trust accounts. There is no fiscal impact.

DISCUSSION:
The District's Investment Policy requires that the District present to the Board of Directors a quarterly financial report, which shall include a summary of all the investments the District has in its portfolio. The summary of investments shall include the type of investment instruments, purchase date, maturity date, par value, current interest rate, purchase price and the current market value. In addition, although not required, staff has included a summary of third party trust accounts.

Investment objectives of the District are established in the Investment Policy and in accordance with the California Government Code Section 53601 as follows: (1) Safety; (2) Liquidity; (3) Yield.

The current investment and cash portfolio is comprised of: demand deposit accounts; Local Agency Investment Fund; CalTRUST. The specific investments are shown on the attached page (**ATTACHMENT 1**). The report also includes information on funds held in Trust for Other Post Employment expenses and supplemental retirement benefits, but that are not spendable for operational costs.

A Rabobank Public Interest Checking account is currently used for payroll, accounts payable and other daily operating purposes. Most accounts payable disbursements are drawn through checks, and most payroll disbursements are processed through direct deposit. The market value and original cost value of cash are reported as the same number. Because this is the daily operating account, there may be large fluctuations from one quarterly report to another depending on the nature of the deposits and expenditures and cash flow needs during the quarter.

The District established a Rabobank Public Investment Money Market Account (PIMMA) in August 2014. The minimum required balance in the account is $50,000 or there is a $25 monthly maintenance fee. The account was indexed to match the monthly LAIF rate. However, the District was notified regarding a rate change. Effective June 9, 2015, Rabobank decided to reduce the PIMMA rate to a flat rate of 0.20% on balances up to $50 million. Interest is paid monthly and the funds are collateralized at 110% at all times. As a Federal Regulation, we are limited to 6 withdrawals per month thus, the rate for the PIMMA is at 0.20% vs. the 0.02% in the Public Interest Checking account. Use of this account helps the District reduce wire transfer charges from

CalTRUST and LAIF to the Public Interest Checking account. Transfers between the PIMMA and Public Interest Checking are free of charge.

Local Agency Investment Fund (LAIF) is part of the Pooled Money Investment Account (PMIA) operated by the California State Treasurer for the benefit of local governmental agencies. Market valuations are provided by the State Treasurer's Office. The District is able to make deposits or withdrawals daily, if desired. Interest is paid quarterly and applied to principal. Gains or losses are reported when realized.

The LAIF account monies are not subject to use by the State to resolve budget deficits. California Government Code 16429.3 states that monies placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following:
(a) Transfer or loan pursuant to Sections 16310, 16312, or 16313.
(b) Impoundment or seizure by any state official or state agency.

In addition to the above, the State cannot withhold LAIF monies if they fail to adopt a state budget by the June 30th deadline. California Code 16429.4, which was added to the LAIF's enabling legislation during the 2002 session, states that the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency, to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or state agency based upon the State's failure to adopt a State Budget by July 1 of each new fiscal year.

Investment Trust of California (CalTRUST) is a joint powers authority (JPA). This is a program established by public agencies in California for the purpose of pooling and investing local agency funds / operating reserves as well as bond proceeds. A Board of Trustees supervises and administers the investment program of the Trust. The Board is comprised of experienced investment officers and policy-makers of the public agency members.

CalTRUST offers the option of three accounts to provide participating agencies with a convenient method of pooling funds – a money market, a short-term account, and a medium-term account. Any California local agency may participate in the Trust and invest its funds.

For the CalTRUST Short-Term, Medium-Term, and money market Accounts, funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular accounts in which they invest. All expenses associated with participation in CalTRUST are deducted from the yield.

CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. seq. and 53635, et. seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. Leveraging within the Trust's portfolios is prohibited.

The $2,362,698 Seawall Mitigation funds held in CalTRUST are restricted funds and are not available for the Districts on-going operating costs. The mitigation fee was to mitigate for the loss of sandy beach in front of Ocean Harbor House due to construction of the seawall. These funds may only be used for the purchase of beachfront or dune-front property for public recreation use in southern Monterey Bay. The entire fee and any accrued interest must be used for this purpose within ten years of the fee being deposited into the MPRPD account. These funds must be fully expended by March 2021.

The California Employers Retirement Benefit Trust (CERBT) was established by the District to hold the District's Other Post Employment Benefit (OPEB) funds. These funds are not liquid funds and are not available for the Districts on-going operating costs. The District does have the ability to request reimbursement from the Trust for the annual amount paid for retiree health benefit premiums. The District is invested in CERBT Strategy 1. Each employer owns a percentage of the CERBT Strategy 1 portfolio, which invests in pooled asset classes managed by CalPERS. Employers do not have direct ownership of the securities in the portfolio.

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The total annual cost for participation in the California Employers' Retiree Benefit (CERBT) has been lowered to 10 basis points (bps) of assets under management beginning January 15, 2015. The 10 bps consists of the annual investment fee charged prior to the recognition of investment gains and losses of 1.5 bps and the administration and investment management fee of 8.5 bps which is charged on a daily basis. The cost is lower because the CERBT program continues to experience strong trust growth.

The CERBT portfolio is managed by CalPERS Investment Office staff as directed by the CalPERS Investment Committee and Board of Administration. The CERBT is a state trust fund program and retains no profit from the CERBT program. Attached is the latest CERBT Fund Fact Sheet (**ATTACHMENT 2**).

Included in the report are the District's investments held in trust at US Bank for the Public Agency Retirement Services (PARS) benefit. These funds currently consist of cash and mutual funds. These funds are not liquid funds and are not available for the District's on-going operating costs. They may only be used for payment of retiree benefits.

The District has acquired the services of Highmark Capital Management to manage the investments of the PARS accounts. The goal of the Plan's investment program is to generate adequate long-term returns that, when combined with contributions, will result in sufficient assets to pay the present and future obligations of the Plan. The Plan should earn, on a long-term average basis, a rate of return equal to or in excess of the target rate of return of 6.25%. HighMark Capital Management 4th Quarter Report is attached (**ATTACHMENT 3**).

Of the $15,827,576 in the investment and cash accounts as of December 31, 2018, only $13,464,878 was available for on-going operational costs. The $2,362,698 Seawall Mitigation funds may only be used for the acquisition of beachfront property in southern Monterey Bay. These funds are further reserved under the District's Unassigned Reserve Levels Policy. They are described in more detail in the monthly financial report.

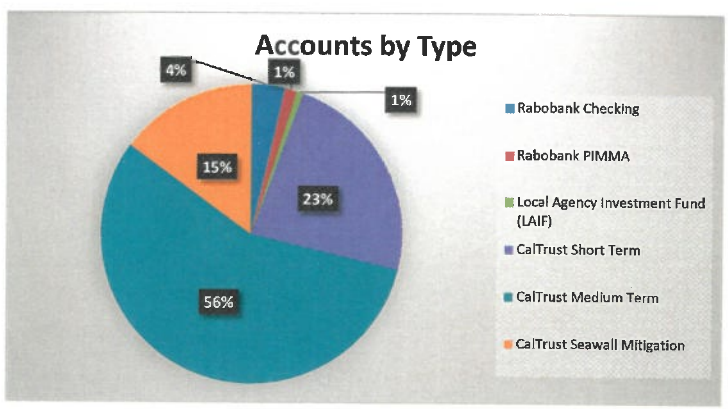
In compliance with the California Code Section 53646; the Finance Manager hereby certifies that sufficient investment liquidity and anticipated revenues are available to meet the District's budgeted expenditure requirements for the next six months.

Attachments:

1. Quarterly Summary of Investments
2. CERBT Fund Fact Sheet – Strategy 1
3. HighMark Capital, 4th Quarter Report

MONTEREY PENINSULA REGIONAL PARK DISTRICT
QUARTERLY SUMMARY OF INVESTMENT, CASH & TRUST ACCOUNTS
For Quarter Ended December 31, 2017

Investment	Type	Purchase Date	Maturity Date	PAR Value or Cost Basis	Current Interest Rate as %	Purchase Price	Current Market Value	Net Change Prior Quarter	Percent of Portfolio
Rabobank General Fund Checking Account	Checking		Same Day	$558,959.53	0.02		$558,959.53	$497,747.49	3.53%
Rabobank Public Investment Money Market Account	Money Market		Same Day	$200,020.22	0.20		$200,020.22	$79,445.43	1.26%
Local Agency Investment Fund (LAIF)	Savings		Same Day by 10am	$105,918.34	1.080		$105,918.34	$285.90	0.67%
Investment Trust of California (CalTrust)									
Short Term	Savings		1-Day Notice	$3,691,437.38	1.43	$10.01	$3,688,805.27	$2,356,872.30	23.31%
Medium Term Fund	Savings		3-Day Notice	$8,977,480.25	1.85	$9.98	$8,911,175.00	($760,506.46)	56.30%
TOTAL AVAILABLE FOR OPERATIONS							$13,464,878.36	$2,173,844.66	
Restricted Funds available only for purchase of Beachfront Property - MUST USE BY MARCH 2021									
Investment Trust of California (CalTrust) Seawall Mitigation Funds	Restricted								
Short Term Fund	Savings	5/1/2012	1-Day Notice	$2,365,073.51	1.43	$10.01	$2,362,697.58	$5,190.05	14.93%
TOTAL INVESTMENTS							$15,827,575.94	$2,179,034.71	100.00%
Third Party Trusts (below) - Not Available for Operational Costs									
California Employers Retirement Benefit Trust (CERBT) **	Trust		N/A	$2,238,602.80	N/A		$2,238,602.80	$93,130.77	
US Bank - PARS Excess Benefit Plan	Trust		N/A	$36,235.61	N/A		$38,458.18	($3,766.22)	
US Bank - PARS Defined Benefit Plan	Trust		N/A	$535,288.81	N/A		$586,744.58	$15,535.27	
TOTAL TRUST FUNDS							$2,863,805.56	$104,899.82	



ATTACHMENT 1

California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 1

December 31, 2017

Objective

The objective of the CERBT Strategy 1 portfolio is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. There is no guarantee that the portfolio will achieve its investment objective.

Strategy

The CERBT Strategy 1 portfolio is invested in various asset classes in percentages approved by the CalPERS Board. The specific percentages of portfolio assets allocated to each asset class are shown under "Composition". Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CERBT Strategy 2 and Strategy 3, this portfolio consists of a higher percentage of equities than bonds and other assets. Historically, equities have displayed greater price volatility and therefore this portfolio may experience greater fluctuation of value. Employers that seek higher investment returns, and are able to accept greater risk and tolerate more fluctuation in returns, may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes, in composition as well as targeted allocation percentages and ranges at any time.

Assets Under Management

As of the specifed reporting month-end, the aggregate total of assets under management for all CERBT Strategies was

$7,868,002,781.

Composition

Asset Class Allocations and Benchmarks

The CERBT Strategy 1 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Target Allocation[1]	Target Range	Benchmark
Global Equity	57%	± 2%	MSCI All Country World Index IMI (net)
Fixed Income	27%	±2%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 2%	Bloomberg Barclays U.S. TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	8%	± 2%	FTSE EPRA/NAREIT Developed Liquid Index (net)
Commodities	3%	± 2%	S&P GSCI Total Return Index

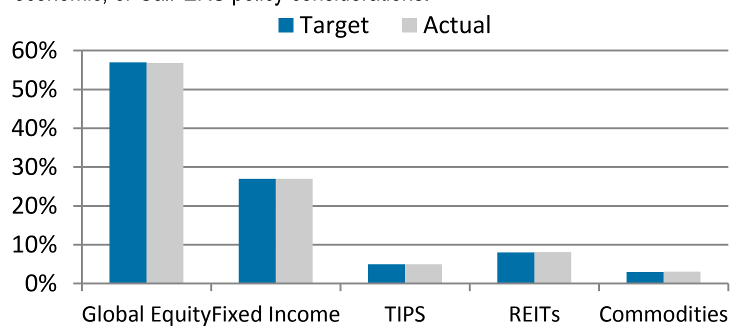
[1] Allocations approved by the Board at the October 2014 Investment Committee meeting

Portfolio Benchmark

The CERBT Strategy 1 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may overweight or underweight an allocation to a particular asset class based on market, economic, or CalPERS policy considerations.



CERBT Strategy 1 Performance as of December 31, 2017							
	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	Since Inception* (June 1, 2007)
Gross Return[1,3]	1.53%	4.36%	8.31%	16.70%	7.11%	8.10%	5.07%
Net Return[2,3]	1.53%	4.34%	8.27%	16.60%	7.02%	7.99%	4.99%
Benchmark returns	1.50%	4.26%	8.13%	16.15%	6.62%	7.64%	4.60%

Performance quoted represents past performance, which is no guarantee of future results that may be achieved by the fund.
*Returns for periods greater than one year are annualized.
[1] Gross performance figures are provided net of SSGA operating expenses.
[2] Net Performance figures deduct all expenses to the fund, including investment management, administrative and recordkeeping fees.
[3] See the Expense section of this document.

ATTACHMENT 2

California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 1

December 31, 2017

General Information

Information Accessibility

The CERBT Strategy 1 portfolio consists of assets managed internally by CalPERS and/or external advisors. Since it is not a mutual fund, a prospectus is not available nor is information available from a newspaper source. This summary is designed to provide descriptive information. CalPERS provides a quarterly statement of the employer's account and other information about the CERBT. For total market value, detailed asset allocation, investment policy and current performance information, including performance to the most recent month-end, please visit our website at: **www.calpers.ca.gov**.

Portfolio Manager Information

The CalPERS Investment Committee and Board of Administration directs the investment strategy and investments of the CERBT. Under that direction, CalPERS Investment staff manages fixed income, treasuery inflation-protected securities and commodities assets; and State Street Global Advisors (SSGA) manages the global equity and real estate investment trust assets.

Custodian and Record Keeper

State Street Bank serves as custodian for the CERBT. Northeast Retirement Services serves as record keeper.

Expenses

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the fee, the greater the reduction of investment return. Currently, CERBT expenses are 0.10% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSGA to manage the global equity and real estate trust assets, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per share. CERBT's actual expenses may differ from the amount currently being accrued due to factors such as changes in average fund assets or market conditions. The expense accrual rate may change without notice in order to reflect changes in average portfolio assets or in expense amounts. The CalPERS Board annually reviews the operating expenses and changes may be made as appropriate. Even if the portfolio loses money during a period, the fee is still charged.

What Employers Own

Each employer choosing CERBT Strategy 1 owns a percentage of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Price

The value of the portfolio changes daily, based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

Principal Risks of the Portfolio

The CalPERS CERBT Fund provides California government employers with a trust through which they may prefund retiree medical costs and other post-employment benefits. CERBT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives nor provide sufficient funding to meet these employer obligations. Further, CalPERS will not make up the difference between actual health care premiums for payment of future benefits provided to retirees should CERBT assets not be sufficient to cover future obligations.

An investment in the portfolio is not a bank deposit, and it is not insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CERBT Principal Investment Risks" located at **www.calpers.ca.gov**.

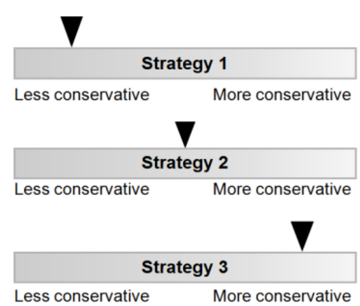
Fund Performance

Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit **www.calpers.ca.gov** and follow the links to California Employers' Retiree Benefit Trust.

CERBT Strategy Risk Levels

CalPERS offers employers the choice of one of three investment strategies. Risk levels among strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations	Strategy 1	Strategy 2	Strategy 3
Global Equity	57%	40%	24%
Fixed Income	27%	39%	39%
Treasury Inflation-Protected Securities	5%	10%	26%
Real Estate Investment Trusts	8%	8%	8%
Commodities	3%	3%	3%



PARS: Monterey Peninsula

Fourth Quarter 2017

Presented by
Randall Yurchak, CFA

HighMark® CAPITAL MANAGEMENT

ATTACHMENT 3

Selected Period Performance

PARS/MONTEREY PENINSULA REP DB

Account 6746019900

Period Ending: 12/31/2017

Sector	3 Months	Year to Date (1 Year)	1 Year	3 Years	Inception to Date (53 Months)
Cash Equivalents	.24	.75	.75	.36	.25
Lipper Money Market Funds Index	*.22*	*.66*	*.66*	*.27*	*.18*
Total Fixed Income	.43	4.45	4.45	2.62	2.95
BC US Aggregate Bd Index	*.39*	*3.54*	*3.54*	*2.24*	*2.92*
Total Equities	5.52	23.96	23.96	10.43	10.98
Large Cap Funds	6.32	23.54	23.54	11.55	12.85
S&P 500 Composite Index	*6.64*	*21.83*	*21.83*	*11.41*	*13.36*
Mid Cap Funds	6.03	17.96	17.96	7.96	9.25
Russell Midcap Index	*6.07*	*18.52*	*18.52*	*9.58*	*11.91*
Small Cap Funds	5.21	21.75	21.75	12.18	12.35
Russell 2000 Index	*3.34*	*14.65*	*14.65*	*9.96*	*10.62*
International Equities	4.49	30.18	30.18	8.41	7.14
MSCI EAFE Index	*4.23*	*25.03*	*25.03*	*7.80*	*6.75*
MSCI EM Free Index	*7.44*	*37.28*	*37.28*	*9.10*	*7.10*
REIT Funds	1.39	4.72	4.72		
Wilshire REIT Index	*1.70*	*4.18*	*4.18*	*5.21*	*9.01*
Total Managed Portfolio	3.50	15.69	15.69	7.21	7.51

Account Inception: 08/01/2013

Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.

Asset Allocation– Monterey Peninsula REP DB
As of December 31, 2017

Current Asset Allocation		Investment Vehicle		
Equity	**60.03%**			**351,941**
Large Cap Core	4.71%	SMGIX	Columbia Contrarian Core Cl Z	27,585
Large Cap Value	7.96%	DODGX	Dodge & Cox Stock Fund	46,685
	11.64%	VGIAX	Vanguard Growth & Income Adm	68,268
Large Cap Growth	2.49%	HNACX	Harbor Capital Appreciation Retirement	14,578
	2.49%	PRUFX	T. Rowe Price Growth Stock I	14,592
Mid Cap Core	4.51%	IWR	iShares Russell MidCap Index Fund	26,433
Small Cap Value	4.99%	UBVLX	Undiscovered Mgrs Behavioral Value Inst	29,277
Small Cap Growth	3.99%	PRJIX	T. Rowe Price New Horizons I	23,405
International Core	4.96%	NWHMX	Nationwide Bailard Intl Equities I	29,081
International Value	3.30%	DODFX	Dodge & Cox International Stock Fund	19,353
International Growth	3.31%	MGRDX	MFS® International Growth R6	19,408
Emerging Markets	4.05%	HHHYX	Hartford Schroders Emerging Mkts Eq Y	23,734
Real Estate	1.63%	VNQ	Vanguard REIT ETF	9,543
Fixed Income	**37.57%**			**220,258**
Short-Term	4.51%	VFSUX	Vanguard Short-Term Corp Adm Fund	26,466
Intermediate-Term	11.34%	NWJJX	Nationwide HighMark Bond Instl Svc	66,502
	10.09%	PTTRX	PIMCO Total Return Instl Fund	59,152
	10.37%	PTRQX	Prudential Total Return Bond Fund Class Q	60,783
	1.25%	EIFHX	Eaton Vance Floating-Rate & Hi Inc Inst	7,356
Cash	**2.40%**			**14,075**
	2.40%	FGZXX	First American Government Oblig Z	14,075
TOTAL	**100.00%**			**$586,274**

Selected Period Performance

PARS/MONTEREY PENINSULA 415(M)

Account 6745029000

Period Ending: 12/31/2017

Sector	3 Months	Year to Date (1 Year)	1 Year	3 Years	Inception to Date (53 Months)
Cash Equivalents	.25	.76	.76	.36	.25
Lipper Money Market Funds Index	*.22*	*.66*	*.66*	*.27*	*.18*
Total Fixed Income	.45	4.50	4.50	2.65	3.04
BC US Aggregate Bd Index	*.39*	*3.54*	*3.54*	*2.24*	*2.92*
Total Equities	5.50	23.85	23.85	10.52	10.92
Large Cap Funds	6.21	23.28	23.28	11.52	12.77
S&P 500 Composite Index	*6.64*	*21.83*	*21.83*	*11.41*	*13.36*
Mid Cap Funds	6.03	17.88	17.88	7.89	9.09
Russell Midcap Index	*6.07*	*18.52*	*18.52*	*9.58*	*11.91*
Small Cap Funds	5.14	21.53	21.53	12.08	12.18
Russell 2000 Index	*3.34*	*14.65*	*14.65*	*9.96*	*10.62*
International Equities	4.50	30.11	30.11	8.53	6.95
MSCI EAFE Index	*4.23*	*25.03*	*25.03*	*7.80*	*6.75*
MSCI EM Free Index	*7.44*	*37.28*	*37.28*	*9.10*	*7.10*
REIT Funds	1.40	4.87	4.87		
Wilshire REIT Index	*1.70*	*4.18*	*4.18*	*5.21*	*9.01*
Total Managed Portfolio	3.38	15.48	15.48	6.64	7.30

Account Inception: 08/01/2013

Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.

Asset Allocation – Monterey Peninsula 415
As of December 31, 2017

Current Asset Allocation		Investment Vehicle		
Equity	**59.13%**			**22,723**
Large Cap Core	5.17%	SMGIX	Columbia Contrarian Core Cl Z	1,988
	12.09%	VGIAX	Vanguard Growth & Income Adm	4,647
Large Cap Value	7.16%	DODGX	Dodge & Cox Stock Fund	2,752
Large Cap Growth	2.52%	HNACX	Harbor Capital Appreciation Retirement	970
	2.20%	PRUFX	T. Rowe Price Growth Stock I	845
Mid Cap Core	4.87%	IWR	iShares Russell MidCap Index Fund	1,873
Small Cap Value	4.46%	UBVLX	Undiscovered Mgrs Behavioral Value Inst	1,713
Small Cap Growth	4.41%	PRJIX	T. Rowe Price New Horizons I	1,694
International Core	4.81%	NWHMX	Nationwide Bailard Intl Equities I	1,849
International Value	3.14%	DODFX	Dodge & Cox International Stock Fund	1,205
International Growth	3.25%	MGRDX	MFS® International Growth R6	1,247
Emerging Markets	3.97%	HHHYX	Hartford Schroders Emerging Mkts Eq Y	1,525
Real Estate	1.08%	VNQ	Vanguard REIT ETF	415
Fixed Income	**35.71%**			**13,723**
Short-Term	4.23%	VFSUX	Vanguard Short-Term Corp Adm Fund	1,625
Intermediate-Term	11.58%	NWJJX	Nationwide HighMark Bond Fund	4,449
	9.20%	PTTRX	PIMCO Total Return Instl Fund	3,535
	9.47%	PTRQX	Prudential Total Return Bond Fund Class Q	3,640
Floating Rate Notes	1.23%	EIFHX	Eaton Vance Floating-Rate and Hi Inc I	472
Cash	**5.16%**			**1,981**
	5.16%	FGZXX	First American Government Oblig Z	1,981
TOTAL	**100.00%**			**$38,427**

MONTEREY PENINSULA

For Period Ending December 31, 2017

Fund Name	Inception	1-Month Return	3-Month Return	Year-to-Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
LARGE CAP EQUITY FUNDS								
Columbia Contrarian Core Inst	(6/11)	1.87	5.36	21.70	21.70	10.85	15.86	9.72
Vanguard Growth & Income Adm		1.08	6.70	20.80	20.80	11.38	15.93	8.23
Dodge & Cox Stock		2.43	5.75	18.33	18.33	11.08	16.29	7.71
Harbor Capital Appreciation Retirement	7/10	0.65	7.24	36.68	36.68	14.50	17.84	10.16
T. Rowe Price Growth Stock I		-0.28	6.10	33.84	33.84	14.68	17.97	10.04
S&P 500 TR USD		**1.11**	**6.64**	**21.83**	**21.83**	**11.41**	**15.79**	**8.50**
MID CAP EQUITY FUNDS								
iShares Russell Mid-Cap ETF	(3/16)	0.91	6.02	18.32	18.32	9.40	14.76	8.96
Russell Mid Cap TR USD		**0.93**	**6.07**	**18.52**	**18.52**	**9.58**	**14.96**	**9.11**
SMALL CAP EQUITY FUNDS								
Undiscovered Managers Behavioral Val L	(9/16)	0.88	5.55	13.43	13.43	12.34	15.58	11.50
T. Rowe Price New Horizons I		0.71	4.66	31.67	31.67	14.11	18.64	13.20
Russell 2000 TR USD		**-0.40**	**3.34**	**14.65**	**14.65**	**9.96**	**14.12**	**8.71**
INTERNATIONAL EQUITY FUNDS								
Dodge & Cox International Stock		2.04	1.21	23.94	23.94	5.96	8.50	3.17
Nationwide Bailard Intl Eqs R6		2.37	3.77	24.68	24.68	7.19	8.04	1.94
Hartford Schroders Emerging Mkts Eq Y	(11/12)	2.98	6.97	41.10	41.10	10.84	4.89	2.40
MFS® International Growth R6		1.91	5.89	32.58	32.58	11.02	8.17	4.20
MSCI EAFE NR USD		**1.61**	**4.23**	**25.03**	**25.03**	**7.80**	**7.90**	**1.94**
MSCI EM Free		**3.59**	**7.44**	**37.28**	**37.28**	**9.10**	**4.35**	**1.68**
REAL ESTATE FUNDS								
Vanguard REIT ETF	(6/17)	-0.23	1.38	4.95	4.95	5.25	9.24	7.64
BOND FUNDS								
Nationwide Loomis Core Bond Instl Svc		0.45	0.25	3.13	3.13	2.25	2.08	4.35
PIMCO Total Return Instl		0.59	0.11	5.13	5.13	2.80	2.21	5.23
Prudential Total Return Bond Q	(5/16)	0.88	1.11	6.71	6.71	3.84	3.54	5.99
Vanguard Short-Term Investment-Grade Adm		0.01	-0.04	2.13	2.13	2.03	1.80	2.96
BBgBarc US Agg Bond TR USD		**0.46**	**0.39**	**3.54**	**3.54**	**2.24**	**2.10**	**4.01**
Eaton Vance Floating-Rate & Hi Inc Inst		0.24	0.93	4.63	4.63	4.76	4.07	4.55

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

January 22, 2018

Kelly McCullough
Finance Manager
Monterey Peninsula Regional Park District
60 Garden Court, Suite 325
Monterey, CA. 93940

RE: 4th Quarter DB Report

Dear Kelly,

The S&P 500 broke records regularly in 2017 by a number of measures: the index posted a positive return for all twelve months of the year; the number of consecutive days without a 3% drawdown reached a high of 289 trading days at year-end; and historically low readings on expected volatility with the VIX Index dropping to a record low of 8.56 on November 24, 2017. After climbing 21.8% last year, the S&P 500's return, including dividends, has delivered an annualized rate of 7.8% since the pre-crisis peak of October 9, 2007.

A host of positive circumstances fed bullish sentiment steadily throughout the year. The carrot that led the way came from tax reform legislation, which finally came to fruition as the year closed out. The GOP's determined efforts to rollback regulations also kept equity investors optimistic. A friendly political climate for business coinciding with a corporate earnings recovery, low interest rates, and strengthening global economic growth, helped to sustain enthusiasm. This put concerns that more typically would have dampened market appetite -- climbing equity valuations, a hawkish central bank, and geopolitical tensions -- on the back burner.

International equity markets, both developed and emerging, also enjoyed healthy returns as political stability prevailed and economic activity ramped up overseas. Aggressive quantitative easing has been bearing fruit in Europe and Japan, where concerns about deflation are beginning to subside and economic growth has surpassed expectations. A recovery in the demand for natural resources, partially driven by renewed growth prospects in China, led emerging market stocks to their highest return since 2009.

U.S. investors in foreign equities also benefited from a weakening dollar with the Bloomberg Dollar Index declining 10.4% in 2017. Despite last year's strong performance, unlike domestic equity indices, foreign stock indices in U.S. dollar terms have yet to best pre-crisis peaks. Much of the relative underperformance versus U.S. stocks over the past decade stems from an expansionary economic cycle that has been far more robust domestically compared to elsewhere in the global economy. 2017 was the first year since 2012 that the MSCI EAFE or MSCI Emerging Markets indices outperformed the S&P 500. This may indicate a change in narrative as renewed growth prospects overseas and cheaper valuations are attracting investor attention.

Economic Highlights

U.S. Growth: The U.S. economy grew by an annualized 3.2% in the third quarter, marking the second consecutive quarter in which domestic growth topped 3% — a feat not achieved since 2014. Acceleration in business spending offset the drag from a series of natural disasters. Early estimates for fourth quarter GDP growth indicate a continuation of the momentum.

Global Growth: After experiencing the weakest growth since the global financial crisis in 2016 (+3.2%), the International Monetary Fund (IMF) expects the global economy to grow by 3.6% in 2017 and 3.7% in 2018.

Employment: Unemployment remained at a 17-year low of 4.1%, adding an average of over 200,000 jobs per month during the fourth quarter. Despite a tight labor market, average hourly earnings grew by a relatively modest 2.5% in 2017.

Inflation: Aided by rising energy prices, headline Consumer Price Index (CPI) rose 2.2% over the 12-month period through November. However, the Fed's preferred measure of inflation, which excludes food and energy, remains below its stated 2% target with a reading of 1.5% in November.

Energy: Oil prices continued to climb steadily during the fourth quarter after hitting a 12-month low in June. Spot West Texas Intermediate (WTI) traded at $59.55 per barrel at the end of 2017. Despite higher crude prices, gasoline was slightly cheaper in the fourth quarter as refining capacity came back online following storm damage. AAA's national average gasoline price was $2.49 at year end, compared to $2.56 at the end of the third quarter.

Housing: U.S. home prices continued to appreciate amid shrinking inventory and mortgage rates still hovered near historic lows. The S&P CoreLogic Case-Shiller National Home Price Index rose 6.2% for the one-year period ending October 31, 2017.

Corporate Earnings: According to FactSet, S&P 500 earnings grew by 6.3% in the third quarter. For the full year, earnings are expected to grow by 9.6% in 2017 and 11.8% in 2018. If final results for the fourth quarter come in as expected or better, 2017 will be the strongest year for U.S corporate earnings growth since 2011.

At its core, the tranquility and prosperity of financial markets in 2017 was a manifestation of market friendly policies acting as a tailwind to building momentum in the global economy. Entering 2018, the impact of outgoing monetary stimulus and incoming fiscal stimulus will remain in focus domestically. While no equivalent historical comparisons exist for this type of environment, we expect that a slow moving Fed, combined with tax cuts, will further extend what is already one of the longest expansion cycles in modern economic history. Meanwhile, many foreign economies find themselves in less mature stages of an expansion cycle, leaving even more room to grow, as accommodative monetary policy is perpetuated.

Monterey Peninsula 415(M) Plan returned 3.38% gross of investment fees. The Plan's equities drove investment returns posting a 5.52% return. Equities registered strong gains in the quarter, capping off a solid year for stocks. From a relative standpoint, small cap equities had the strongest performance vs. the benchmark with the Plan's small cap stocks returning 5.14% vs. the Russell 2000 Index return of 3.34%. The Plan's investment in large cap (+6.21%) and mid cap (6.03%) trailed market benchmark averages slightly. Emerging Market equities led returns, with a 7.4% return for the MSCI-Emerging Market Index, which helped Plan returns in the international equity segment. REIT returns were disappointing, coming in at 1.40% for the quarter. REITs are still facing the headwinds of slower earnings and rising interest rates.

Fixed income investments registered a gain of +0.45%, which was slightly ahead of the Bloomberg Barclays Aggregate Benchmark of +0.39%. Corporate bonds supported returns, despite the continuing flattening of the U.S. yield cure. The 2-year treasury saw yields rise by 40 basis points, with the Fed raising rates by 25 basis points in December, and left forward guidance unchanged – with the expectation that they will raise rates three times in 2018. Strong economic data and the expectation of tax reform supported the rise in the short end of the curve. Most of the managers actually underperformed the benchmark target in the fourth quarter, with the Nationwide Looms Bond Fund (+0.25%), Pimco Total Return Fund (+0.11%) and the

Vanguard Short-term Investment Grade Fund (-0.04%) below the benchmark. The Prudential Total Return Fund (+1.11%) and the Eaton Vance Floating Rate High Income Funds (+0.93%) supported returns in the quarter. The longer than benchmark duration positon of the Prudential Fund was the primary factor in the strong returns.

From an asset allocation standpoint, the plan ended the quarter with a neutral allocation to equities at 60%, and maintained a bond/cash allocation of 38%. In light of the tax reform package, we are reviewing our neutral stance to equities. Earnings estimates for the S&P500 companies have been revised upwards in anticipation of both lower corporate tax rates and accelerated economic growth.

Regards,

Randall Yurchak