

OPEB Prefunding Trust Program Client Review



Coastside Fire Protection District

May 25, 2016

PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.



Contacts

PARS





Mitch Barker, Executive Vice President
mbarker@pars.org; 800.540.6369 ext. 116

Jennifer Meza, Senior Client Services Coordinator
jmeza@pars.org; 800.540.6369 ext. 141

HighMark Capital Management

Andrew Brown, CFA, Vice President, Senior Portfolio Manager
andrew.brown@highmarkcapital.com; 415-705-7605

OPEB Trust Team

	 		
Role	Trust Administrator and Consultant <ul style="list-style-type: none"> • Recordkeeping/Sub-trust accounting • Actuarial Coordination • Monitor Contributions/ Process Disbursements • Monitor Plan Compliance • Ongoing Client Liaison • Pre-fund Pension Option 	Trustee <ul style="list-style-type: none"> • Safeguard plan assets • Oversight protection <ul style="list-style-type: none"> • Plan Fiduciary • Custodian of assets 	Investment Manager <ul style="list-style-type: none"> • An investment sub-advisor to U.S. Bank <ul style="list-style-type: none"> • Open architecture • Investment policy assistance
Corporate Experience	32 years <i>(1984 – 2016)</i>	153 years <i>(1863 – 2016)</i>	97 years <i>(1919 – 2016)</i>
OPEB Experience	20 years	10 years	18 years
Number of plans under administration	1,400 plans for 700 public agencies		
Dollars under administration	More than \$1.8 billion	More than \$4 trillion	More than \$15.3 billion under management

More than 200 OPEB/Pension Clients

Cities & Towns

Alameda
 Atherton
 Bakersfield
 Bell Gardens
 Brea – **PENSION ALSO**
 Brisbane
 Camarillo
 Colma – **PENSION ALSO**
 Commerce
 Coronado – **PENSION ALSO**
 Covina
 Crescent City
 Cupertino
 Duarte
 Elk Grove
 Fountain Valley
 Fullerton – **PENSION ALSO**
 Galt
 Half Moon Bay
 Healdsburg – **PENSION ONLY**
 Hercules
 Hermosa Beach
 Huntington Beach – **PENSION ALSO**
 La Mesa – **PENSION ALSO**
 La Verne
 Lake Forest – **PENSION ALSO**
 Lakewood
 Livermore
 Mammoth Lakes
 Morgan Hill – **PENSION ALSO**
 Napa – **PENSION ALSO**
 Norwalk
 Novato
 Rancho Cucamonga – **PENSION ALSO**
 Redding
 Rialto
 Richmond
 Rohnert Park – **PENSION ONLY**
 Rosemead
 San Leandro
 Santa Clara
 Santa Clarita
 Sausalito – **PENSION ALSO**
 Solana Beach – **PENSION ALSO**
 Temple City
 Tiburon – **PENSION ALSO**
 Union City
 Upland – **PENSION ALSO**
 Woodland
 Yountville
 Yucca Valley

Counties

Amador
 Contra Costa
 Humboldt – **PENSION ONLY**
 Imperial
 Inyo
 Kern
 Merced
 Mono
 Plumas
 San Benito
 Shasta
 Solano – **PENSION ALSO**
 Sonoma
 Sutter – **PENSION ALSO**
 Trinity
 Yolo

Special Districts

Bodega Bay Public Utility District
 Calaveras County Water District
 California Joint Powers IA
 California Joint Powers RMA
 Central Contra Costa Sanitary District
 Central Contra Costa Transit Authority
 Coachella Valley Water District
 Coastside Fire Protection District
 Contra Costa Mosquito & Vector Control District
 Crestline Village Water District
 Delta Diablo
 Desert Recreation District
 Eastern Sierra Community Services District
 Fresno Irrigation District
 Fresno Metropolitan Flood Control District
 Glenn-Colusa Irrigation District
 Great Basin Unified APCD – **PENSION ALSO**
 Hayward Area Recreation & Park District
 Housing Authority of the County of Contra Costa
 Housing Authority of the County of San Bernardino
 Humboldt No. 1 Fire Protection District
 Menlo Park Fire Protection District
 Mesa Water District
 Metropolitan Transportation Commission
 Mid-Peninsula Water District
 City of Camarillo
 Montecito Fire Protection District
 Monterey Bay Unified Air Pollution Control District
 Moraga-Orinda Fire Protection District
 Municipal Water District of Orange County
 Orange County Vector Control District
 Orange County Water District
 Placer County Resource Conservation District
 Rancho Cucamonga Fire Protection District – **PENSION ALSO**
 Rancho Murrieta Community Services District
 Rowland Water District
 San Mateo County MVCD
 Santa Barbara County Law Library
 Santa Cruz Regional 9-1-1
 South Montebello Irrigation District
 South Orange County Wastewater Authority
 South Placer Fire Protection District
 Southern Marin Fire Protection District
 Superior Court of CA, County of Contra Costa
 Superior Court of CA, County of Imperial
 Superior Court of CA, County of Inyo
 Superior Court of CA,
 County of Kern – **PENSION ALSO**
 Superior Court of CA, County of Marin
 Superior Court of CA, County of Merced
 Superior Court of CA, County of Orange
 Superior Court of CA, County of San Mateo
 Superior Court of CA, County of Shasta
 Superior Court of CA, County of Siskiyou
 Superior Court of CA, County of Sonoma
 Twentynine Palms Water District – **PENSION ALSO**
 Vallejo Sanitation & Flood Control District
 Ventura Regional Sanitation District
 Walnut Valley Water District
 West County Wastewater District
 Western Riverside Council of Governments

Updated: May 2016

Plan Overview

Type of Plan: IRC Section 115 Irrevocable Exclusive Benefit Trust

Trustee Approach: Discretionary

Plan Effective Date: May 1, 2009

Plan Administrator: Paul Cole - Assistant Fire Chief, Board Secretary

Current Investment Strategy: Balanced HM Plus (Active)

-Selected 5/1/2009

As of 3/31/2016:

Initial Contribution: June 2009 - \$550,000

Additional Contributions: \$1,617,183

Total Contributions: \$2,167,183

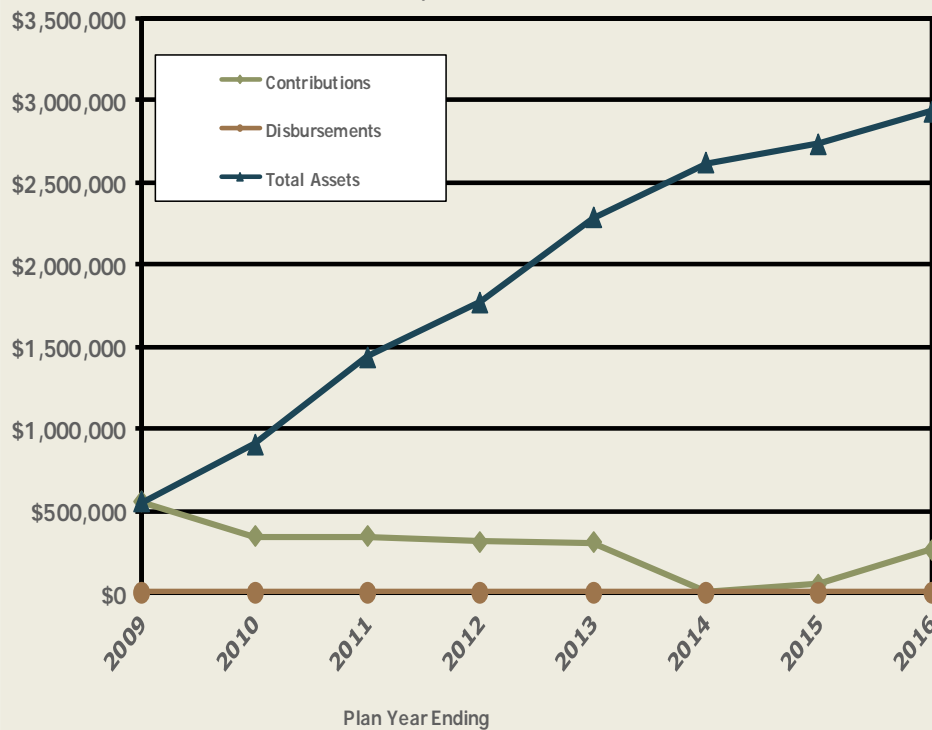
Disbursements: \$0

Total Investment Earnings: \$831,282

Account Balance: \$2,928,227

Summary of the Plan Activity

Coastside Fire Protection District
Total Assets, Contributions & Disbursements



Plan Y/E	Contributions	Disbursements	Total Assets
Jun -09	\$550,000	\$0	\$550,561
Jun -10	\$344,000	\$0	\$903,275
Jun -11	\$344,000	\$0	\$1,436,574
Jun -12	\$309,100	\$0	\$1,770,285
Jun -13	\$304,000	\$0	\$2,282,446
Jun -14	\$0	\$0	\$2,616,985
Jun -15	\$52,000	\$0	\$2,735,918
Jun -16 *	\$264,083	\$0	\$2,928,227

†Plan Year Ending June 2016 is based on 9 months of activity through 3/31/2016.

Actuarial Results

We have received the actuarial reports prepared by Total Compensation Systems with a valuation date of July 1, 2015. In the tables below, we have summarized the results.

Demographic Study

	July 1, 2015 Valuation
Active Participants	0
Retirees	28
Total Plan Members	28

Actuarial Results (continued)

	July 1, 2015 Valuation 6.20% Discount Rate
Actuarial Accrued Liability (AAL)	\$4,005,517
Actuarial Value of Assets	\$2,735,918
Unfunded Actuarial Accrued Liability (UAAL)	\$1,269,599
Normal Cost	\$0
UAAL Amortization	\$81,397
Annual Required Contribution (ARC)	\$81,397
Pay-As-You-Go	\$307,306*

Investment Review

Coastside Fire Protection District

April 30, 2016

Presented By:

Andrew Brown, CFA

DISCUSSION HIGHLIGHTS – Coastside Fire Protection District

Investment objective – Balanced HM Plus

Asset Allocation: PARS/PRHCP Balanced HM Plus May 2016

Allocation Target – 57.5% stocks (50-70% range), 40% bonds (30-50% range), 2.5% cash (0-20% range)

- Large cap 28.5%, mid-cap 3.5%, small cap 10.75%, international 13.75% Real estate 1%

Performance: PARS/PRHCP Balanced HM Plus

(as of 4-30-2016) Gross of investment management fees, net of fund fees

- Quarter: 5.07%
- 1-Year: -2.02%
- 3-Year: 5.00%
- 5-Year: 5.62%
- Inception to date (6/2009) 9.17%
- Bonds – High Yield hurt, short duration
- Stocks –
 - Large cap disappointing Growth – Value tilt.
 - International equities dollar impacted. Emerging markets turn around?
 - Initiated a position in REITs
 - Small cap and mid cap declines. Mid-cap reconfiguration.

12-month changes

- Mid cap index
- REITs

Outlook 2016

- Oil, China, and the Fed
- International – Central banks supporting Japan and Europe
- GDP est. 2% in 2016
- Unemployment 4.9% in 2016
- Fed Funds 1% in 2016
- 10-Year treasury 2.3%

Selected Period Performance
PARS/PRHCP BALANCED HM PLUS
Account 6746019207
Period Ending: 04/30/2016

Sector	3 Months	1 Year	3 Years	5 Years	Since Inception (82 Months)
Cash Equivalents	.07	.13	.05	.04	.08
<i>iMoneyNet, Inc. Taxable</i>	<i>.03</i>	<i>.05</i>	<i>.03</i>	<i>.02</i>	<i>.03</i>
Total Fixed Income	2.40	1.92	1.73	3.29	4.72
<i>BC US Aggregate Bd Index</i>	<i>2.02</i>	<i>2.72</i>	<i>2.29</i>	<i>3.60</i>	<i>4.42</i>
Total Equities	7.20	-4.99	7.27	7.10	12.26
Large Cap Funds	6.37	-1.99	10.28	9.59	13.38
<i>S&P 500 Composite Index</i>	<i>7.05</i>	<i>1.21</i>	<i>11.26</i>	<i>11.02</i>	<i>14.97</i>
Mid Cap Funds	11.84	-5.79	7.24	7.19	
<i>Russell Midcap Index</i>	<i>10.57</i>	<i>-2.14</i>	<i>10.37</i>	<i>9.88</i>	<i>16.54</i>
Small Cap Funds	7.94	-2.98	10.27	9.25	16.54
<i>Russell 2000 Index</i>	<i>9.67</i>	<i>-5.94</i>	<i>7.53</i>	<i>6.98</i>	<i>13.94</i>
REIT Funds	5.95				
<i>Wilshire REIT Index</i>	<i>6.49</i>	<i>8.05</i>	<i>7.73</i>	<i>10.23</i>	<i>20.09</i>
International Equities	6.98	-11.55	-0.75	-1.13	5.67
<i>MSCI EAFE Index</i>	<i>7.58</i>	<i>-9.32</i>	<i>1.47</i>	<i>1.69</i>	<i>6.79</i>
<i>MSCI EM Free Index</i>	<i>13.66</i>	<i>-17.87</i>	<i>-4.57</i>	<i>-4.61</i>	<i>3.87</i>
Total Managed Portfolio	5.07	-2.02	5.00	5.62	9.17

Account Inception: 6/4/2009

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

As of April 30, 2016

Current Asset Allocation		Investment Vehicle	
Equity		Range: 50%-70%	
			57.11%
Large Cap Core	SMGIX	Columbia Contrarian Core Cl Z	6.55%
Large Cap Value	DODGX	Dodge & Cox Stock Fund	6.57%
	LSGIX	Loomis Sayles Value Fund	6.58%
Large Cap Growth	HACAX	Harbor Capital Appreciation Instl	3.78%
	PRGFX	T. Rowe Price Growth Stock Fund	3.82%
Mid Cap Core	IWR	iShares Russell MidCap Index Fund	3.39%
Mid Cap Value	IWS	iShares Russell MidCap Value Fund	1.11%
Small Cap Value	NSVAX	Columbia Small Cap Value Fund II	6.50%
Small Cap Growth	PRNHX	T. Rowe Price New Horizons Fund	4.00%
International Core	NWHNX	Nationwide Baidard Intl Equities Fund	4.53%
International Value	DODFX	Dodge & Cox International Stock Fund	2.39%
International Growth	MQGIX	MFS International Growth Fund	2.29%
Tactical - Europe	FEZ	SPDR EURO STOXX 50 ETF	2.61%
Emerging Markets	SEMNX	Schroder Emerging Market Equity	2.02%
Real Estate	FARCX	Nuveen Real Estate Secs I Fund	0.96%
Fixed Income		Range: 30%-50%	
			38.83%
Short-Term	VFSUX	Vanguard Short-Term Corp Adm Fund	5.89%
Intermediate-Term	NWJXX	Nationwide HighMark Bond Fund	15.51%
	PTTRX	PIMCO Total Return Instl Fund	16.18%
High Yield	PHIYX	PIMCO High Yield Instl	1.25%
Cash		Range: 0%-20%	
			4.06%
	FPZXX	First American Prime Obligations Fund	4.06%
TOTAL		100.00%	

COASTSIDE FIRE PROTECTION DISTRICT

For Period Ending April 30, 2016

LARGE CAP EQUITY FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Columbia Contrarian Core CI Z	0.57	6.34	1.19	1.70	12.26	11.66	9.19
Dodge & Cox Stock	2.12	8.56	1.11	-4.82	9.57	9.78	5.00
Harbor Capital Appreciation Instl	-0.68	2.61	-6.13	-2.52	12.94	10.99	7.59
Loomis Sayles Value Fund	1.99	7.89	0.30	-4.48	8.24	8.84	6.10
T. Rowe Price Growth Stock	-0.32	3.81	-5.67	-1.65	13.10	11.59	8.08
S&P 500 Index	0.39	7.05	1.74	1.21	11.26	11.02	6.91
MID CAP EQUITY FUNDS							
iShares Russell Midcap Value	2.11	12.27	6.06	-0.36	10.02	10.23	7.18
iShares Russell Midcap Index	1.03	10.51	3.26	-2.28	10.19	9.72	7.33
SMALL CAP EQUITY FUNDS							
Columbia Small Cap Value II Z	0.65	8.36	1.31	-3.87	8.55	7.43	5.87
T. Rowe Price New Horizons	1.11	6.85	-3.04	-3.23	11.79	11.69	9.22
Russell 2000 Index	1.57	9.67	0.03	-5.94	7.53	6.98	5.42
INTERNATIONAL EQUITY FUNDS							
Dodge & Cox Intl Stock	3.56	10.02	-0.33	-17.90	1.15	0.92	2.17
Nationwide Bailard Intl Equities	1.87	4.66	-0.26	-7.04	3.30	2.22	2.29
MFS International Growth I	0.86	6.59	2.41	-5.57	1.26	1.98	3.78
MSCI EAFE Index	2.90	7.58	-0.20	-9.32	1.48	1.69	1.61
Schroder Emerging Market Equity	0.53	9.73	3.58	-16.76	-5.07	-4.40	2.73
MSCI Emerging Markets Index	0.54	13.66	6.29	-17.87	-4.57	-4.61	2.37
SPDR Euro Stoxx 50 ETF	1.88	6.00	-1.45	-11.90	1.93	-1.56	0.09
REAL ESTATE FUNDS							
Nuveen Real Estate Securities I	-2.72	5.92	1.91	7.25	7.22	9.79	7.75
BOND FUNDS							
Nationwide HighMark Bond Fid	1.00	3.65	4.34	2.82	2.22	3.78	5.20
Pimco Total Return Inst'l	0.44	1.21	2.23	1.34	1.28	3.41	6.05
Vanguard Short-Term Investment-Grade Adm	0.45	1.66	2.22	2.06	1.83	2.29	3.70
BarCap US Aggregate Bond	0.38	2.02	3.43	2.72	2.29	3.60	4.95
PIMCO High Yield Instl	2.49	6.23	5.27	-0.16	2.77	5.12	6.45
Credit Suisse HY	3.87	8.91	7.10	-2.04	2.09	5.10	6.88

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.