

CERBT Account Update

**Santa Monica-Malibu Unified School District
Financial Oversight Committee Meeting
September 12, 2019**

Discussion Overview

- CERBT Account Summary
- CERBT Investment Policy
- OPEB Funding Policies
- Trust Administration
- Contacts and Communication

CERBT Account Summary

OPEB Valuation Report Summary

OPEB Actuarial Valuation Report by Demsey, Filliger, and Associates

Valuation Date	6/30/2017
Present Value of Benefits (PVB)	\$60,891,210
Total OPEB Liability (TOL)	\$40,194,946
Valuation Assets	\$4,222,447
Net OPEB Liability	\$35,972,499
Normal Cost for 2018-19	\$2,016,686
Projected Retiree Premiums for 2018-19	\$1,379,387
CERBT Asset Allocation Strategy	Strategy 1
Discount Rate	5.00%

CERBT Account Summary

Account Summary as of July 31, 2019

Initial contribution (6/23/2016)	\$1,500,000
Additional contributions	\$3,500,000
Disbursements	\$0
CERBT expenses	(\$11,145)
Investment earnings	\$899,792
Total assets	\$5,888,647
Money-weighted annualized net rate of return (6/23/2016 - 07/31/2019 = 3.1 Years)	7.14%
Strategy 1 time-weighted 10-year expected annualized rate of return (2018 CMAs)	5.85%

Agreement effective date: 11/24/2015
In PEMHCA: Yes

Cash Flow Summary by Fiscal Year

Fiscal Year	Contributions	Investment Gains (Losses)	Fees	Ending Assets	Cumulative Net Rate of Return
2015-16	\$1,500,000	(\$8,990)	(\$24)	\$1,490,986	---
2016-17	\$2,500,000	\$233,267	(\$1,807)	\$4,222,447	10.90%
2017-18	\$1,000,000	\$311,899	(\$4,176)	\$5,530,170	8.06%
2018-19	\$0	\$343,772	(\$4,712)	\$5,869,229	7.27%
2019-20*	\$0	\$19,844	(\$426)	\$5,888,647	7.14%

*FY 2019-20 is through July 31, 2019

Funded Status Comparison

Measurement Date	Total OPEB Liability	CERBT Assets	Funded Status
6/30/2015	\$36,397,922	\$0	0%
6/30/2017	\$40,194,946	\$4,222,447	10%

CERBT Investment Policy

Investment Considerations

- What is my investment time horizon?
- What is the appropriate level of investment risk?
- What is the associated level of expected investment return?
- Which investment strategy best matches my needs?
- How do I establish realistic expectations?
- How do I measure performance?

CERBT Expected Rates of Return

2018 Capital Market Assumptions	Strategy 1	Strategy 2	Strategy 3
Expected Time-Weighted Return, Near Term	5.85%	5.22%	4.41%
Expected Time-Weighted Blended Return, Longer Term	7.59%	7.01%	6.22%
Standard Deviation of Expected Investment Returns	11.83%	9.24%	7.28%

Near term means up to 10 years and longer term means up to 60 years.

CERBT Asset Class Target Allocations

Asset Classification	Benchmark	Strategy 1	Strategy 2	Strategy 3
Global Equity	MSCI All Country World Index	59% ±5%	40% ±5%	22% ±5%
Fixed Income	Barclays Capital Long Liability Index	25% ±5%	43% ±5%	49% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8% ±5%	8% ±5%	8% ±5%
Treasury Inflation Protected Securities (TIPS)	Barclays Capital Global Real: US TIPS Index	5% ±3%	5% ±3%	16% ±3%
Commodities	S&P GSCI Total Return Index	3% ±3%	4% ±3%	5% ±3%
Cash	3-Month Treasury Bill	0% +2%	0% +2%	0% +2%

CERBT Individual Fiscal Year Returns – Time Weighted

Fiscal Year	Strategy 1	Strategy 2 (Inception October 1, 2011)	Strategy 3 (Inception January 1, 2012)
2007-2008	-4.80%	N/A	N/A
2008-2009	-23.03%	N/A	N/A
2009-2010	15.87%	N/A	N/A
2010-2011	24.96%	N/A	N/A
2011-2012	0.15%	N/A	N/A
2012-2013	11.78%	8.87%	5.21%
2013-2014	18.52%	15.58%	12.86%
2014-2015	-0.11%	-0.34%	-0.03%
2015-2016	1.04%	2.95%	4.18%
2016-2017	10.62%	7.28%	4.16%
2017-2018	8.00%	6.22%	4.74%
2018-2019	6.22%	7.07%	7.24%

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.

CERBT Investment Returns – Time Weighted

Periods Ended July 31, 2019

<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>10 Years</u>	<u>ITD</u>
CERBT Strategy 1 (Inception June 1, 2007)	\$8,086,180,440	0.34%	1.67%	0.34%	5.01%	7.29%	5.38%	8.63%	4.92%
Benchmark		0.32%	1.71%	0.32%	4.78%	6.88%	4.97%	8.35%	4.48%
CERBT Strategy 2 (Inception October 1, 2011)	\$1,319,250,031	0.36%	2.45%	0.36%	6.41%	6.10%	4.85%	NA	7.42%
Benchmark		0.35%	2.52%	0.35%	6.24%	5.68%	4.48%	NA	7.12%
CERBT Strategy 3 (Inception January 1, 2012)	\$633,272,753	0.37%	2.97%	0.37%	7.14%	4.81%	4.21%	NA	5.71%
Benchmark		0.36%	3.02%	0.36%	6.98%	4.45%	3.88%	NA	5.38%

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.

OPEB Funding Policy

Employer Controls the OPEB Funding Policy

- Chooses appropriate investment strategy
 - Based on investment time horizon
- Decides if, when, and how much to contribute
 - Voluntary and never required
- Decides if and when to seek reimbursement
 - Pay-go costs; implicit rate subsidies
- Chooses outside consulting actuary

Funding Policy Considerations

- Will my liabilities increase or decrease over time?
- When will my costs reach their peak?
- When will I reimburse trust assets?
- What are my funding status goals?
- How much do unfunded liabilities matter to my agency?
- Do I want to prefund implicit rate subsidies?
- Which investment strategy best matches my needs?
- How do I measure performance?

Selecting Your Investment Strategy

- Strategy selection is a financial decision
- Plan conditions which might cause an employer to consider a strategy with lower expected investment return volatility
 - Plan is closed, liabilities will decline over time
 - Well-funded plan, asset preservation
 - Older actively employed plan members
 - Reoccurring trust reimbursements
- Discuss with actuary and auditor

Financial reporting

Financial Reporting

- CERBT is the Plan
 - Provides audited and compliant GASB 74 report
 - Schedule of Changes in Fiduciary Net Position (FNP)

FNP Fiscal Year	Expected Availability
2016-17	Available Now
2017-18	Available Now
2018-19	February 2020

Participation Costs

CERBT Total Participation Cost Fee Rate

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

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
2018-2019	10.00 basis points

CERBT Experience Data

CERBT Employers

567 Total

- State of California
- 149 Cities or Towns
- 12 Counties
- 71 School Employers
- 26 Courts
- 308 Special Districts and other Public Agencies
 - (97 Water, 34 Sanitation, 30 Fire, 23 Transportation)

CERBT K-12 School Employers (44)

- Acalanes Union High School District
- Alhambra Unified School District
- Campbell Union Elementary School District
- Center Unified School District
- Chula Vista Elementary School District
- Del Mar Union Elementary School District
- Enterprise Elementary School District
- Franklin Elementary School District
- Fresno Unified School District
- Grossmont Union High School District
- Igo, Ono, Platina Union Elementary School District
- Lafayette School District
- Laguna Beach Unified School District
- Lakeside Union Elementary School District
- Las Lomas Elementary School District
- Los Angeles Unified School District
- Luther Burbank Elementary School District
- Menlo Park City School District
- Mill Valley School District
- Orinda Union School District
- Rancho Santa Fe Elementary School District
- Redding Elementary School District
- Reed Union School District
- Rialto Unified School District
- Rocklin Unified School District
- Sacramento City Unified School District
- San Bernardino City Unified School District
- San Dieguito Union High School District
- San Francisco Unified School District
- San Marcos Unified School District
- San Ramon Valley Unified School District
- Santa Ana Unified School District
- Santa Monica-Malibu Unified School District
- Sequoia Union High School District
- Shasta Union Elementary School District
- Shasta Union High School District
- St. Helena Unified School District
- Tamalpais Union High School District
- Vacaville Unified School District
- West Contra Costa Unified School District
- Western Placer Unified School District
- William S. Hart Union High School District
- Yreka Union Elementary School District
- Yreka Union High School District

As of August 27, 2019

CERBT Community College Districts (15)

- Barstow Community College District
- Butte-Glenn Community College District
- Cabrillo Joint Community College District
- Foothill De-Anza Community College District
- Glendale Community College District
- Hartnell Community College District
- Los Angeles Community College District
- Marin Community College District
- Mt. San Jacinto Community College District
- Napa Community College District
- Riverside Community College District
- San Joaquin Delta Community College District
- Santa Monica Community College District
- West Valley-Mission Community College District
- Yuba Community College District

CERBT County Offices of Education, etc. (12)

- Eden Area ROP
- Los Angeles County Office of Education
- Napa County Office of Education
- Riverside County Schools
- Sacramento County Office of Education
- San Diego County Office of Education
- San Joaquin County Schools
- Santa Clara County Schools
- Santa Cruz County Office of Education
- Shasta County Schools
- Siskiyou County Office of Education
- Trinity County Schools

CERBT School Employers by TOL

TOL Range	Value of CERBT Assets	# of School Employers	Average Funded %
> \$1 billion	\$280,488,362	2	2%
\$500 million - \$999.9 million	\$193,097,723	3	10%
\$100 million - \$499.9 million	\$48,672,242	3	10%
\$75 million - \$99.9 million	\$101,430,605	6	18%
\$50 million - \$74.9 million	\$112,807,507	6	32%
\$25 million - \$49.9 million	\$69,647,812	12	20%
\$10 million - \$24.9 million	\$24,579,973	9	18%
\$1 million - \$9.9 million	\$65,399,168	23	63%
< \$1 million	\$1,127,477	7	130%

Santa Monica Community College District OPEB Valuation Report Summary

OPEB Actuarial Valuation Report by Total Compensation Systems

Valuation Date	6/30/2017
Present Value of Benefits (PVB)	\$109,799,973
Total OPEB Liability (TOL)	\$90,622,970
Valuation Assets	\$6,560,495
Net OPEB Liability	\$84,062,475
Projected Retiree Premiums for 2018-19	\$4,254,107
CERBT Asset Allocation Strategy	Strategy 1
Discount Rate	7.00%

Santa Monica Community College District CERBT Account Summary

Account Summary as of July 31, 2019

Initial contribution (6/26/2009)	\$1,496,996
Additional contributions	\$3,000,000
Disbursements	\$0
CERBT expenses	(\$39,403)
Investment earnings	\$3,080,487
Total assets	\$7,538,079
Money-weighted annualized net rate of return (6/23/2016 - 07/31/2019 = 10.1 Years)	8.54%
Strategy 1 time-weighted 10-year expected annualized rate of return (2018 CMAAs)	5.85%

Agreement effective date: 6/26/2009
In PEMHCA: Yes

Los Angeles County Office of Education OPEB Valuation Report Summary

OPEB Actuarial Valuation Report by Demsey, Filliger, and Associates

Valuation Date	6/30/2018
Present Value of Benefits (PVB)	\$37,567,117
Total OPEB Liability (TOL)	\$32,000,683
Valuation Assets	\$3,200,000
Net OPEB Liability	\$28,800,683
Projected Retiree Premiums for 2018-19	\$1,708,016
CERBT Asset Allocation Strategy	Strategy 3
Discount Rate	5.50%

Los Angeles County Office of Education CERBT Account Summary

Account Summary as of July 31, 2019

Initial contribution (6/30/2018)	\$3,200,000
Additional contributions	\$2,600,000
Disbursements	\$0
CERBT expenses	(\$3,486)
Investment earnings	\$341,117
Total assets	\$6,137,628
Money-weighted annualized net rate of return (6/30/2018 - 07/31/2019 = 1.08 Years)	8.46%
Strategy 3 time-weighted 10-year expected annualized rate of return (2018 CMA's)	4.41%

Agreement effective date: 6/26/2009
In PEMHCA: Yes

Questions? Where to Get Trust Fund Information?

Name	Title	E-mail	Desk	Mobile
Matt Goss	Outreach & Support Manager	Matthew.Goss@calpers.ca.gov	(916) 795-9071	(916) 382-6487
Alisa Perry	Outreach & Support Manager	Alisa.Perry@calpers.ca.gov	(916) 795-3360	(916) 705-9447
Karen Lookingbill	Outreach & Support Analyst	Karen.Lookingbill@calpers.ca.gov	(916) 795-1387	(916) 501-2219
Jasper Jacobs	Outreach & Support Analyst	Jasper.Jacobs@calpers.ca.gov	(916) 795-0432	(916) 717-3886
Colleen Cain-Herrback	Program Manager	Colleen.Cain-Herrback@calpers.ca.gov	(916) 795-2474	(916) 505-2506
Robert Sharp	Assistant Division Chief	Robert.Sharp@calpers.ca.gov	(916) 795-3878	(916) 397-0756

Program e-mail addresses	CERBT Website
CERBT4U@calpers.ca.gov	www.calpers.ca.gov/cerbt
CERBTACCOUNT@calpers.ca.gov	