



California Employers' Retiree Benefit Trust

OPEB Annual Update

Metropolitan Water District of Southern California
Finance and Insurance Committee Meeting

December 8, 2014



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Discussion Overview

- Valuation Summary
- Contribution Detail
- Account Summary
- Trust Investment Results
- Asset Allocation Strategies Update
- Total Service Cost
- Looking Ahead
- CERBT Year In Review



Valuation Summary

Valuation Dated June 30, 2013 – Cathy Wandro, Bartel Associates, LLC

Actuarial Accrued Liability (AAL)*	\$315,326,000
Present Value of Benefits (PVB)*	\$373,613,000
Annual Required Contribution (ARC)**	\$29,457,000
Normal Cost**	\$9,036,000
Amortization of Unfunded Actuarial Accrued Liability**	\$20,421,000
Pay-as-you-go**	\$14,343,000
Total Covered Lives (Active & Retiree)*	3,325
Asset Allocation Strategy Selection	Strategy 1
Discount Rate	7.25%

*Amounts as of Valuation Date, ** Amounts for FY 14/15

Plan Summary and Update for Metropolitan Water District of Southern California

Contribution Detail

Date	Contributions	Disbursements	Net Contributions
9/25/13	\$ 40,000,000	\$ -	\$ 40,000,000
1/30/14	\$ 794,919	\$ -	\$ 40,794,919
5/30/14	\$ 25,000,000	\$ -	\$ 65,794,919
6/25/14	\$ 25,000,000	\$ -	\$ 90,794,919
7/14/14	\$ 29,457,000	\$ -	\$ 120,251,919
7/25/14	\$ 25,000,000	\$ -	\$ 145,251,919
8/25/14	\$ 25,000,000	\$ -	\$ 170,251,919

Plan Summary and Update for Metropolitan Water District of Southern California

Account Summary

Account Summary as of November 30, 2014	
Initial Contribution (9/25/2013)	\$40,000,000
Additional Contributions	\$130,251,919
Disbursements	(\$0)
CERBT Expenses	(\$122,229)
Investment Earnings	\$4,251,908
Total Assets	\$174,381,598
Average Annualized Internal Rate of Return	4.4 %
Estimated Funded Level (calculated with AAL rolled-forward to November 30, 2014)	50.93%

Annual Update for Metropolitan Water District of Southern California

CERBT Investment Results – Time Weighted

Periods Ended October 31, 2014

<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)	\$3,241,082,260	1.30%	-0.17%	-1.27%	7.31%	10.93%	10.39%	4.41%
Benchmark		1.21%	-0.34%	-1.49%	6.78%	10.69%	10.26%	3.95%
CERBT Strategy 2 (Inception October 1, 2011)	\$651,196,556	1.37%	-0.10%	-0.96%	6.74%	9.01%	N/A	11.03%
Benchmark		1.26%	-0.27%	-1.17%	6.24%	8.70%	N/A	10.80%
CERBT Strategy 3 (Inception January 1, 2012)	\$156,715,986	1.56%	0.40%	-0.13%	7.05%	N/A	N/A	8.03%
Benchmark		1.41%	0.18%	-0.47%	6.22%	N/A	N/A	7.65%

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 Asset Allocation Strategies

	Strategy 1	Strategy 2	Strategy 3
Expected Long Term Rate of Return*	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

* Uses Annual General Inflation Rate Assumption of 2.75%

CERBT Asset Classes

Asset Classification	Investment Management	Strategy 1 Pre-Oct 2014	Strategy 1 Post-Oct 2014
Global Equity	Passive MSCI All Country World Index	66%	57%
Fixed Income	Active Barclays Capital Long Liability Index	18%	27%
Global Real Estate (REITs)	Passive FTSE EPRA/NAREIT Developed Liquid Index	8%	8%
Treasury Inflation Protected Securities	Active Barclays Capital Global Real: US TIPS Index	5%	5%
Commodities	Active S&P GSCI Total Return Index	3%	3%

Total Service Cost

- Currently costs are being charged at an annual rate of 13 basis points of assets under management
 - CERBT does not profit from its services
 - Rate can be changed without prior notice and may be higher or lower in the future
- Measuring and reporting of cost
 - Statements
 - Daily balance transactions

Looking Ahead

- GASB OPEB Exposure Draft overview
 - Employers will report the Net OPEB Liability on their financials
 - For many, this will be the largest reported liability
 - Amortization periods likely to be substantially shorter
 - Significant increase in Note disclosures and Required Supplementary Information

Looking Ahead

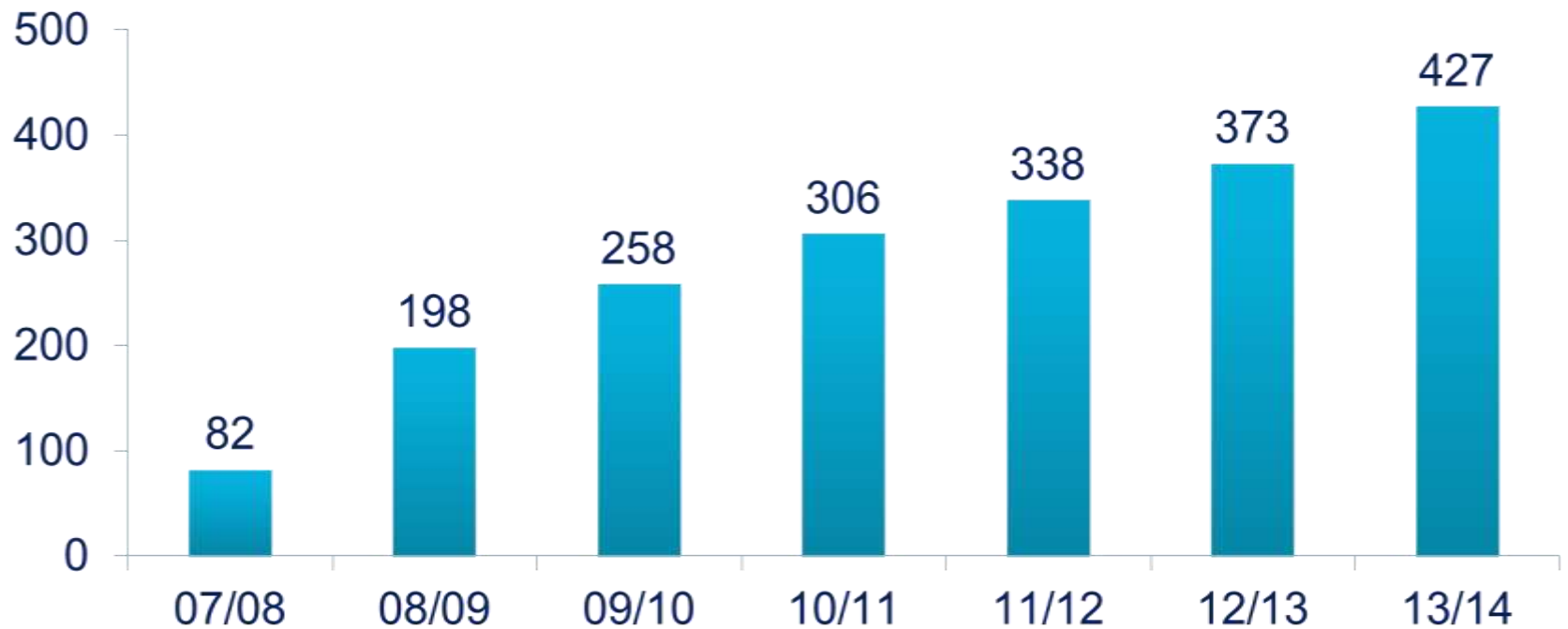
- Actuarial Standards of Practice (ASOP) No. 6
 - Effective for actuarial work with a measurement date on or after March 31, 2015
 - Provides additional guidance concerning retiree OPEB benefit programs participating in a pooled health plan (Community Rated Plans)
 - ASOP No. 6 will require employers to value this subsidy
 - May result in a significant increase in OPEB liability for some employers

CERBT FY 2013-14 Highlights

In FY 2013-14 the CERBT experienced a number of significant milestones

- 400 – Number of total contracts established with CERBT (finishing the FY with 427)
- \$660 million - Record amount of net contributions from employers in one FY for CERBT
- \$1.2 billion – Growth of trust assets during the FY
- \$3.9 billion – FY-end assets under management
- 17.94% - Aggregate investment results for all three asset allocation strategies for FY 2013-14
- CERBT fee rate decreased by 2 basis points

CERBT Employer Growth



As of 6/30/2014

CERBT Employer Net Contributions



As of 6/30/2014

Total Trust Assets



As of 6/30/2014

CERBT Contracting Employers

435 Total

- State of California
- 108 Cities or Towns
- 13 Counties
- 36 Schools, Districts, Offices of Education
- 18 Superior Courts
- 259 Special Districts and other Public Agencies
 - (77 Water, 32 Sanitation, 27 Fire, 21 Transportation)

As of 10/14/2014

Questions? Where to get Information?



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