



# MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

OPEB Pre-Funding Trust Program &  
Pension Rate Stabilization Program (PRSP) Client Review  
September 12, 2018

PUBLIC  
AGENCY  
RETIREMENT  
SERVICES

**PARS**

TRUSTED SOLUTIONS. LASTING RESULTS.

# CONTACTS

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# PARS TRUST TEAM



Trust Administrator & Consultant	Trustee	Investment Manager
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- Recordkeeping/account valuations
- Monitors contributions
- Processes distributions
- Handles all agency/participant inquiries
- Monitor plan compliance

- Safeguards plan assets
- Oversight protection
- Plan fiduciary
- Custodian of assets

- An investment sub-advisor to U.S. Bank
- Manages plan investments according to established policy
- Uses open architecture
- Active and passive options

### Corporate Experience

**34 years** (1984 – 2018)

**155 years** (1863 – 2018)

**99 years** (1919 – 2018)

### Plans Under Administration

1,600+ plans, 850+ public agencies, 400,000+ participants

### Dollars under Administration

Over \$3.1 billion

Over \$4 trillion

Over \$14.0 billion under management



# SUMMARY OF AGENCY'S OPEB PLAN

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<b>Plan Type:</b>	IRC Section 115 Irrevocable Exclusive Benefit Trust
<b>Trustee Approach:</b>	Discretionary
<b>Plan Effective Date:</b>	July 20, 2011
<b>Plan Administrator:</b>	General Manager
<b>Current Investment Strategy:</b>	Moderate HighMark PLUS (Active) Strategy; Pooled Account

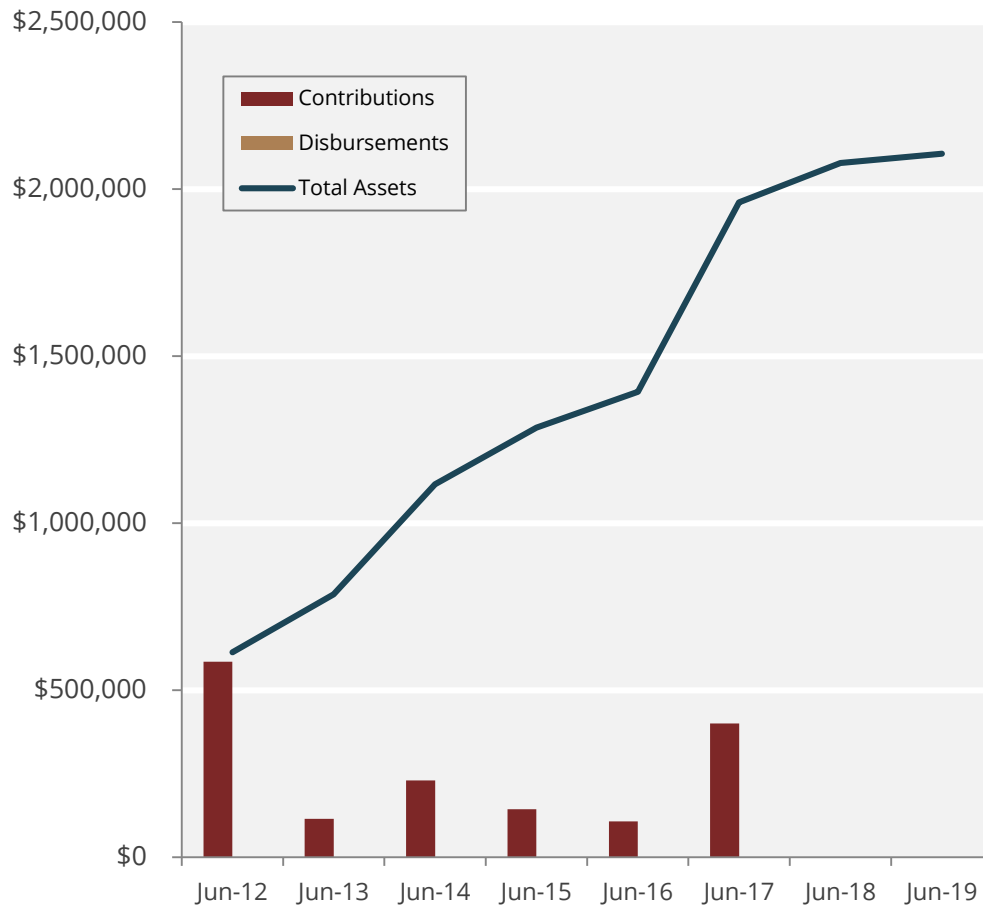
## AS OF JULY 31, 2018:

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<b>Initial Contribution:</b>	October 2011: \$500,000.00
<b>Additional Contributions:</b>	\$1,080,656
<b>Total Contributions:</b>	\$1,580,656
<b>Disbursements:</b>	\$0
<b>Total Investment Earnings:</b>	\$576,243
<b>Account Balance:</b>	\$2,106,823

# SUMMARY OF AGENCY'S OPEB PLAN

## CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF JULY 31, 2018:



Year	Contributions	Disbursements	Total Assets
Jun-12*	\$585,572	\$0	\$613,547
Jun-13	\$114,630	\$0	\$787,265
Jun-14	\$229,436	\$0	\$1,116,390
Jun-15	\$143,687	\$0	\$1,286,254
Jun-16	\$107,332	\$0	\$1,393,327
Jun-17	\$400,000	\$0	\$1,960,367
Jun-18	\$0	\$0	\$2,077,720
Jun-19*	\$0	\$0	\$2,106,823

Plan Year Ending

\*Plan Year Ending June 2012 is based on 9 months of activity.  
 \*\*Plan Year Ending June 2019 is based on 1 months of activity.

# OPEB ACTUARIAL RESULTS

- We have received the actuarial report by Demsey Filliger & Associates, LLC dated October 12, 2016 with a valuation date as of July 1, 2016. In the table below, we have summarized the results.

Demographic Study   Valuation Date: July 1, 2016	
<b>Actives</b>	18
<b>Retirees</b>	8
<b>Total</b>	26
<b>Average Active Age</b>	51.51
<b>Average Active Agency Service</b>	16.17

# OPEB ACTUARIAL RESULTS

Valuation Date: July 1, 2016	Prefunding Discount Rate: 6.00%
Actuarial Accrued Liability (AAL)	\$2,002,333
Actuarial Value of Assets	\$1,393,327
Unfunded Actuarial Accrued Liability (UAAL)	\$609,006
Annual Required Contribution (ARC) for FY 2016-17	\$71,249
Annual Benefit Payments (Pay-as-you-Go) for FY 2018-19	\$64,594

**Rule of thumb:** For every one percent increase in the discount rate, the unfunded liability is lowered by 10-12%.

# SUMMARY OF AGENCY'S PRSP PLAN

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<b>Type of Plan:</b>	IRC Section 115 Irrevocable Exclusive Benefit Trust
<b>Trustee Approach:</b>	Discretionary
<b>Plan Effective Date:</b>	February 21, 2018
<b>Plan Administrator:</b>	General Manager
<b>Current Investment Strategy:</b>	Moderate HighMark PLUS (Active) – Pooled Acct - Selected on 04/27/2018
<b>Initial Contribution:</b>	July 2018 – \$207,000



# **Municipal Water District of Orange County**

**September 12, 2018**

**Presented by  
Keith Stribling, CFA**

# DISCUSSION HIGHLIGHTS- Municipal Water District of Orange County

## Investment objective – Moderate HM Plus

### Asset Allocation: PARS/Moderate HM Plus (As of 8-31-2018)

- Allocation Target – 52.52 stocks (40-60% range), 46.76% bonds (40-60% range), .71% cash (0-20% range)
- Large cap 27.95%, Mid-cap 4.16%, Small cap 9.02%, International 9.96%, REIT 1.43%

### Performance: Municipal Water District of Orange County OPEB Plan

(as of 8-31-2018) gross of investment management fees, net of fund fees

- 3 months: 2.94%
- 6 months: 3.27%
- 8 months (YTD): 3.00%
- 1 year: 7.23%
- 3 Years: 7.62%
- 5 Years: 6.98%
- 81 months: 7.92%
- Bonds – positioned for a flatter yield curve...
- Stocks – generally strong...active management makes a comeback

### 12-Month Changes

- Asset Allocation:
  - Modest overweight to value style over growth
  - Modest overweight to international
  - Recently removed Nationwide Bond fund & added Doubleline Bond Fund

# DISCUSSION HIGHLIGHTS – Municipal Water District of Orange County

## Economic Review

- Trump and a Republican Congress – a new direction
- Changes in Fiscal policy – finally some inflation...but not much
- Interest rates
- Fed, a new chairman & monetary policy – gradual tightening cycle & addressing the balance sheet
- Strengthening US Economy supporting stocks
- Consumer well positioned
- International economies in recovery & continued QE abroad

## 2018 Outlook

- Modest GDP growth
  - 2018E 2.5% - 3.1%;
  - 10-yr yield 2.75% - 3.25%
- Fed Funds 2.0% - 2.25%

Account Name: PARS/PRHCP HIGHMARK PLUS MODERATE  
 Account ID: xxxxxx9205



As of: August 31, 2018

**Performance Report**

	3 Months	6 Months	Year to Date (8 Months)	1 Year	3 Years	5 Years	81 Months
Cash Equivalents	.28	.66	.85	1.17	.63	.39	.29
Total Fixed Income	.48	.59	-1.12	-.96	2.05	2.42	2.77
BBG Barclays US Aggregate Bd Index (USD)	.54	1.15	-.96	-1.05	1.76	2.49	2.19
Total Equities	5.36	5.94	7.14	15.78	13.64	11.87	13.42
Large Cap Funds	7.57	7.42	10.11	19.60	15.31	14.18	15.66
S&P 500 Composite Index	7.76	7.96	9.94	19.66	16.11	14.52	15.74
Mid Cap Funds	6.19	8.52	7.94	17.61	12.89	10.88	12.37
Russell Midcap Index	6.40	8.72	8.15	17.89	13.37	12.80	14.83
Small Cap Funds	8.58	15.79	15.66	27.75	17.68	14.94	17.12
Russell 2000 Index (USD)	6.89	15.84	14.26	25.45	16.11	13.00	15.14
International Equity Funds	-2.95	-6.32	-5.19	.58	7.99	5.84	5.92
MSCI EAFE Index (Net)	-.74	-2.55	-2.28	4.39	7.04	5.73	7.80
MSCI EM Free Index (Net USD)	-4.70	-10.18	-7.18	-.68	11.42	5.04	4.45
REIT Funds	7.50	16.74	3.16	4.52			
Wilshire REIT Index	8.18	18.30	5.14	6.84	9.25	10.56	11.01
Total Managed Portfolio	2.94	3.27	3.00	7.23	7.62	6.98	7.92

Portfolio Inception: 11-1-2012

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 – Moderate HM Plus

Current Asset Allocation	Ticker	Investment Vehicle	Weight
<b>Equity</b>			<b>52.52%</b>
Large Cap Core	SMGIX	Columbia Contrarian Core Cl Z	4.38%
	VGIAX	Vanguard Gro & Inc Admiral Shares	11.30%
Large Cap Value	DODGX	Dodge & Cox International Stock Fund	7.07%
Large Cap Growth	HNACX	Harbor CP Appre Rtrmt Cl	2.61%
	PRUFX	T. Rowe Price Growth Stock Fund	2.58%
Mid Cap Growth	IWR	iShares Russell Mid Cap ETF	4.16%
Small Cap Value	UBVLX	Undiscovered Mgrs Behavrl Val I	5.05%
Small Cap Growth	PRJIX	T. Rowe Price New Horizons Fund	3.96%
International Core	NWHMX	Nationwide Bailard Intl Equities Fund	2.70%
International Value	DODFX	Dodge & Cox International Stock Fund	1.95%
International Growth	MGRDX	MFS International Growth Fund	1.99%
Emerging Markets	HHHYX	Hartford Schrodr Mkts Eq Cl Y	3.31%
REIT	VNQ	Vngrd Index Tr Reit Viper Shs	1.43%
<b>Fixed Income</b>			<b>46.76%</b>
Short-Term	VFSUX	Vanguard Short-Term Corp Adm Fund	7.95%
Intermediate-Term	PTTRX	PIMCO Total Return Instl Fund	12.96%
	PTRQX	Prudential Total Return BD	12.95%
	DBLFX	Doubleline Core Fixed Inc Cl I	12.90%
<b>Cash</b>			<b>0.71%</b>
	FGZXX	First Amern Govt Oblig Fd CL Z	0.71%
<b>TOTAL</b>			<b>100.00%</b>

# MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

## PARS/PRSP MODERATE HIGHMARK PLUS August 31, 2018

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 Inst	2.47	7.45	6.03	13.37	13.44	13.18	11.22
Vanguard Growth & Income Adm	3.82	7.99	10.73	20.79	16.09	14.76	10.58
Harbor Capital Appreciation Retirement	4.83	6.11	17.62	27.06	18.79	18.21	13.28
T. Rowe Price Growth Stock I	3.41	6.42	15.57	22.91	18.06	17.79	13.12
Dodge & Cox Stock	1.65	7.89	7.34	18.05	15.56	13.64	10.19
<b>S&amp;P 500 TR USD</b>	<b>3.26</b>	<b>7.76</b>	<b>9.94</b>	<b>19.66</b>	<b>16.11</b>	<b>14.52</b>	<b>10.86</b>
MID CAP EQUITY FUNDS							
iShares Russell Mid-Cap ETF	3.09	6.35	8.03	17.69	13.17	12.61	10.76
SMALL CAP EQUITY FUNDS							
Undiscovered Managers Behavioral Val L	2.60	5.56	8.52	21.95	14.64	13.45	13.72
T. Rowe Price New Horizons I	7.28	12.12	25.18	35.50	21.56	17.95	16.67
<b>Russell 2000 TR USD</b>	<b>4.31</b>	<b>6.89</b>	<b>14.26</b>	<b>25.45</b>	<b>16.11</b>	<b>13.00</b>	<b>10.46</b>
REAL ESTATE FUNDS							
Vanguard Real Estate ETF	2.49	7.52	3.24	4.55	9.03	9.97	7.78
INTERNATIONAL EQUITY FUNDS							
Dodge & Cox International Stock	-4.13	-1.28	-6.69	-2.34	5.79	5.29	4.25
Nationwide Baird Intl Eqs R6	-2.36	-4.84	-7.07	-2.69	4.26	5.72	3.28
MFS® International Growth R6	-0.46	2.01	3.49	11.71	12.64	8.20	6.34
<b>MSCI EAFE NR USD</b>	<b>-1.93</b>	<b>-0.74</b>	<b>-2.28</b>	<b>4.39</b>	<b>7.04</b>	<b>5.73</b>	<b>3.66</b>
Hartford Schroders Emerging Mkts Eq Y	-3.44	-4.52	-7.33	-0.36	12.67	5.70	4.24
<b>MSCI EM Free Index</b>	<b>-2.70</b>	<b>-4.70</b>	<b>-7.18</b>	<b>-0.68</b>	<b>11.42</b>	<b>5.04</b>	<b>3.45</b>
BOND FUNDS							
PIMCO Total Return Instl	0.46	0.71	-1.04	-1.19	2.20	2.75	4.80
Vanguard Short-Term Investment-Grade Adm	0.53	0.70	0.35	0.16	1.82	1.92	2.88
PGIM Total Return Bond R6	0.46	0.70	-1.24	-0.47	3.15	3.91	5.80
<b>BBgBarc US Agg Bond TR USD</b>	<b>0.64</b>	<b>0.54</b>	<b>-0.96</b>	<b>-1.05</b>	<b>1.76</b>	<b>2.49</b>	<b>3.70</b>

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.