Retirement Health Benefit Trust

Investment Report to the Board of Education

May 10, 2018

Presentation Overview

- History
- Actuarial Report
- Investment History Update
- Public Entity Trust Concept
- Next Steps

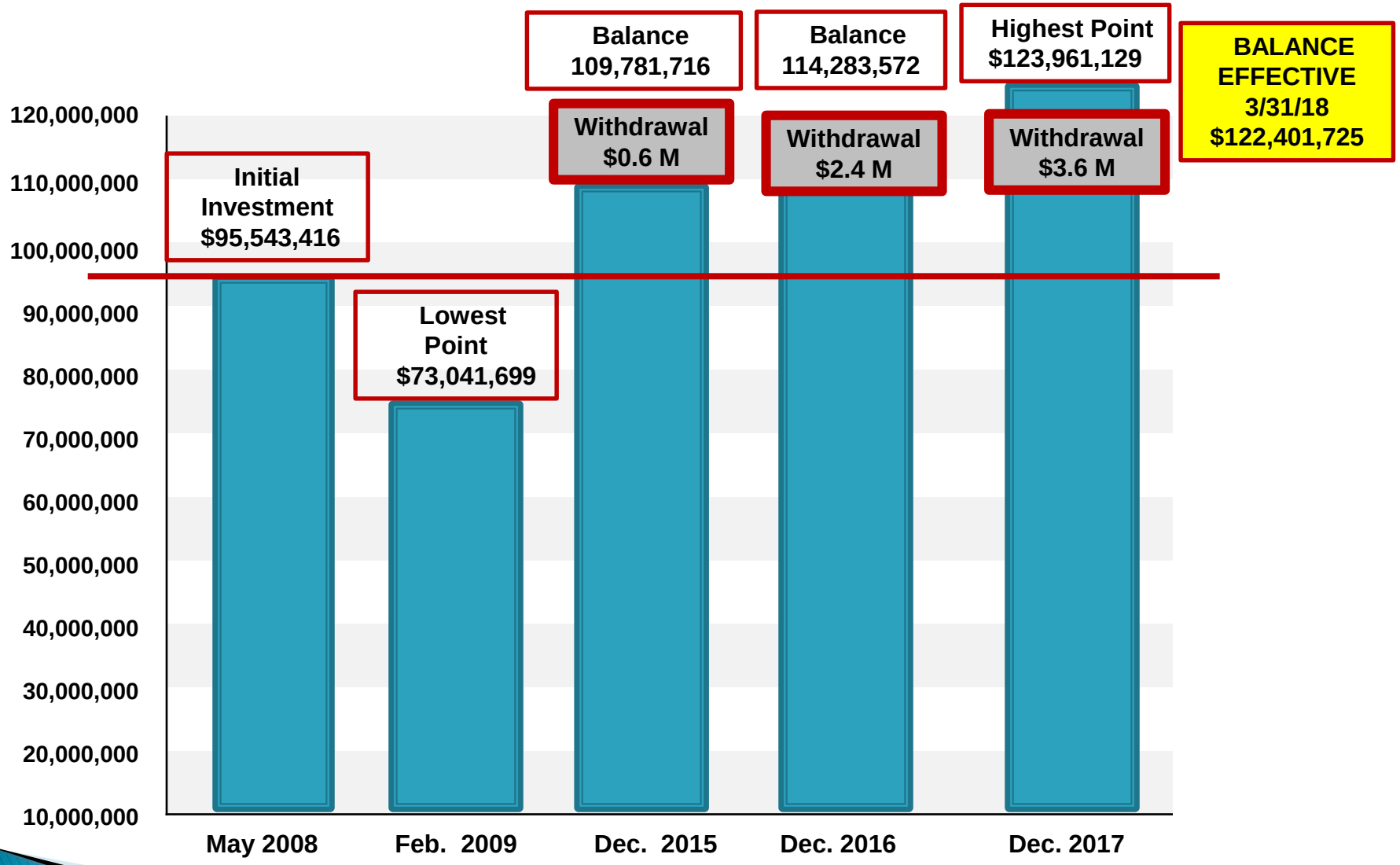
History

- **October 1976**: District approves employee contracts giving medical benefits to retirees with ten years or more in service.
- **July 1991:** All newly-employed certificated employees are no longer eligible for lifetime medical benefits.
- **July 1992:** All newly-employed classified are no longer eligible for lifetime medical benefits.
- **May 2006:** The Futuris Retirees Public Entity Trust (Futuris) established to provide a vehicle for irrevocable contributions to fund retiree medical benefits and investment management.
- **November 2007:** The Epler Company actuarial valuation report identified over $493 million in retiree medical benefit obligations. NPV of $182,534,666.
- **May 2008:** Issued $94,765,000 Other Post Employment Benefit (OPEB) taxable bonds. Invested the bond proceeds and $2,000,000 already in the Trust.
- **May 9, 2017:** Governmental Accounting Standards Board issued GASB 74
- **June 30, 2017:** Audit of the Futuris is conducted, AV of Plan assets$119.4 M
- **November 10, 2017:** The Total Compensation System Actuarial identified the actuarial NPV in retiree medical benefit obligations of $115.5M.

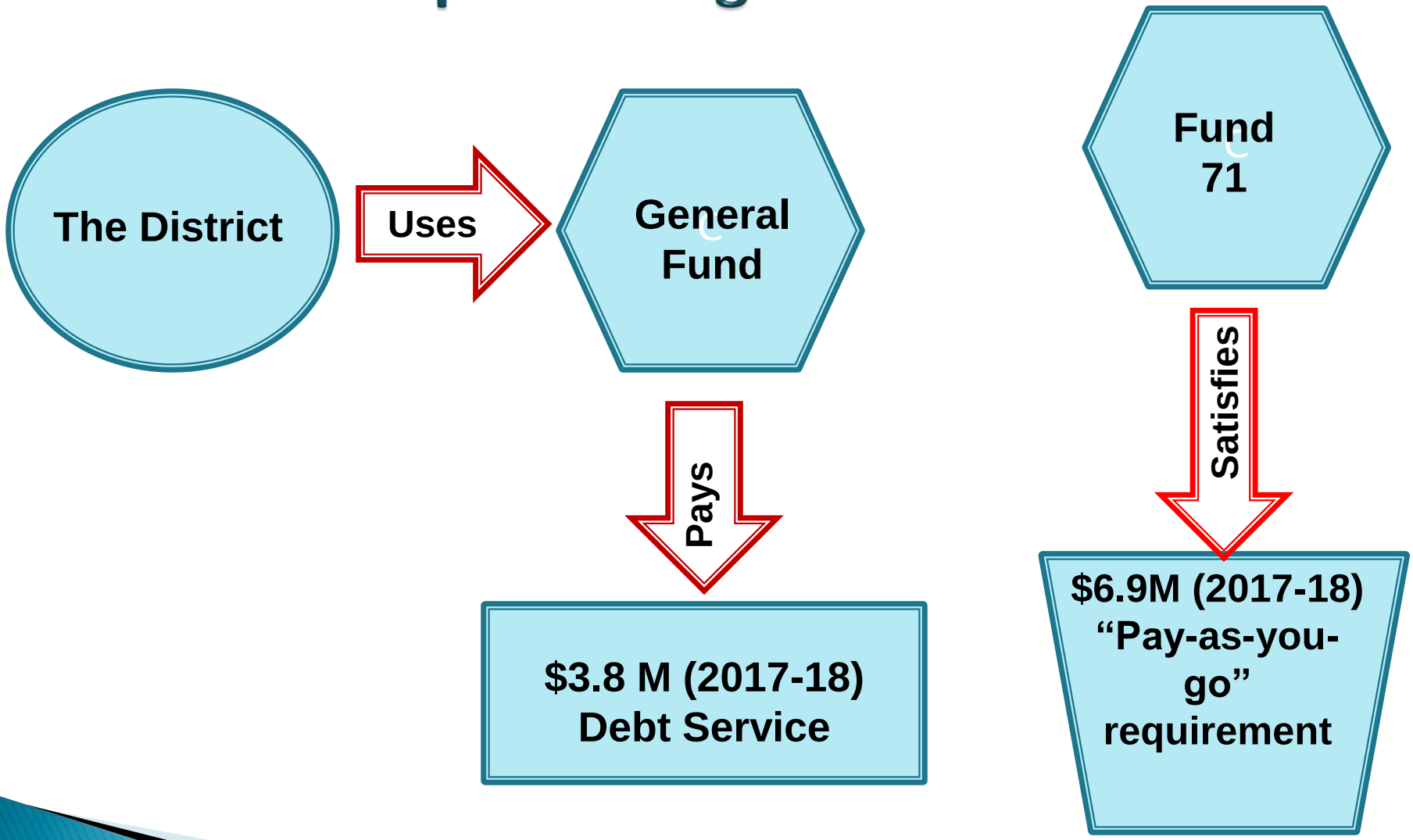
Actuarial Analysis Overview November 2017

- Prepared by Geoffrey Kischuk of Total Compensation Systems, Inc.
- Present Value of Total Projected Benefits = $115,479,603
  - Represents the present value of benefits projected to be paid by the District for current and future retirees.
  - The retiree medical benefit obligation includes:
    - Retiree health benefits for current retirees (926 retirees)
    - Current eligible active employees expected to retire in the future (1,422 employees)
- Report covers projected cash flow obligations from Fiscal Year 2017/2018 through Fiscal Year 2026/2027 (10 years).

Investment History to Date



2017-18 Adopted budget



Next Steps

- Continue to actively monitor Investment Portfolio
- Update Actuarial Rollover Calculation – June 2018
- Actuarial Report & Rollover Report- June 2019
  - Matches Audit period (Required every two years)

- As investment portfolio continues to grow, use profits for current retiree benefit obligations.

Orange USD Portfolio Performance

FUTURIS PUB ENTITY INV TRUST FOR ORANGE UNIFIED SCHOOL DISTRICT

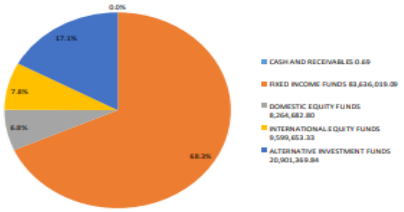
March 31, 2018

Change In Portfolio

Portfolio Value on 12-31-17	123,961,128.96
Contributions	0.00
Withdrawals	-931,608.00
Change in Market Value	-1,260,465.66
Income Received	742,855.99
Portfolio Fees	-110,185.53
Portfolio Value on 03-31-18	122,401,725.75
	122,401,725.75

Asset Allocation

PORTFOLIO SUMMARY
March 31, 2018



Time Weighted Return - Gross of Fees

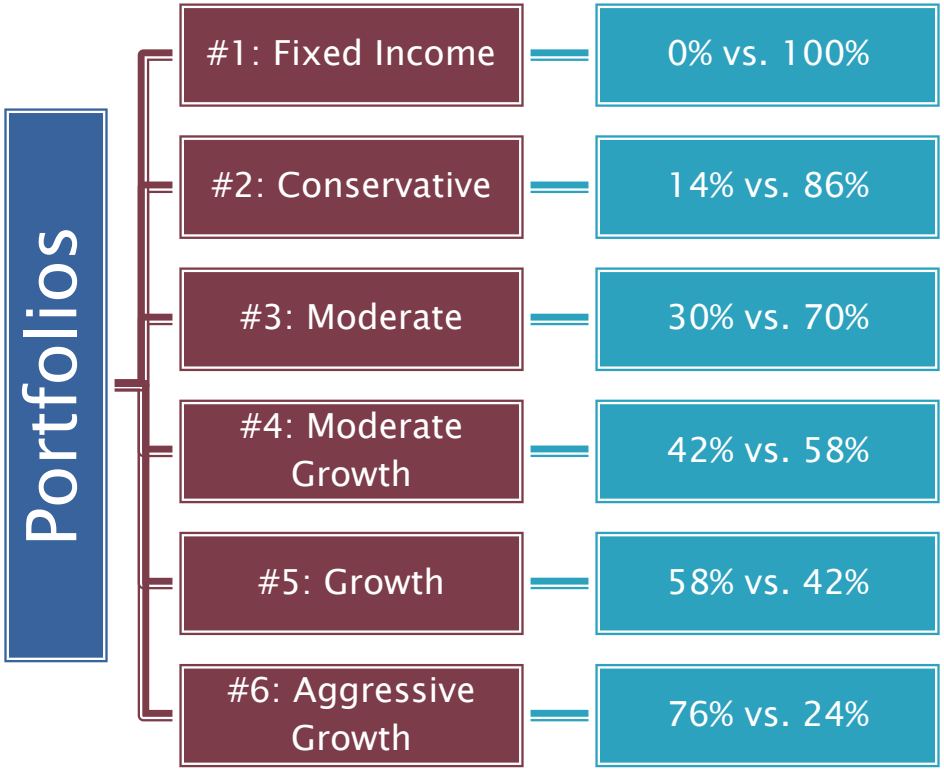
	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Annualized Latest 3 Year	Annualized Latest 5 Year	Annualized Inception To Date
Account	0.31	-0.42	-0.42	7.46	4.79	5.56	5.44
S&P 500 TR	-2.54	-0.76	-0.76	14.00	10.80	13.32	8.21
MSCI EAFE	-1.97	-1.70	-1.70	14.60	5.49	6.46	1.72
MSCI ACWI Ex US Net	-1.76	-1.18	-1.18	17.36	6.47	6.05	1.76
Barclays Aggregate	0.64	-1.46	-1.46	1.20	1.21	1.83	3.77
Barclays Global Agg Bd Unhedged	1.06	1.35	1.35	6.98	3.14	1.49	3.14
50% MSCI ACWI/ 50% Barclays Agg	-0.75	-1.13	-1.13	8.09	4.83	5.64	4.49

Time Weighted Return - Net of Fees

	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Annualized Latest 3 Year	Annualized Latest 5 Year	Annualized Inception To Date
Account	0.28	-0.51	-0.51	7.07	4.41	5.19	5.05
S&P 500 TR	-2.54	-0.76	-0.76	14.00	10.80	13.32	8.21
MSCI EAFE	-1.97	-1.70	-1.70	14.60	5.49	6.46	1.72
MSCI ACWI Ex US Net	-1.76	-1.18	-1.18	17.36	6.47	6.05	1.76
Barclays Aggregate	0.64	-1.46	-1.46	1.20	1.21	1.83	3.77
Barclays Global Agg Bd Unhedged	1.06	1.35	1.35	6.98	3.14	1.49	3.14
50% MSCI ACWI/ 50% Barclays Agg	-0.75	-1.13	-1.13	8.09	4.83	5.64	4.49

Portfolio Value/Asset Mix

- Inception Date 6/1/2006
- Actuarial Accrued Liability $115,500,000
  (As of 11/01/17)
- Total Value as of (12/31/17) $122,401,725
- Asset Mix 55% fixed income/45 %equities
- (Inception thru Nov 2017)
- Asset Mix 84% fixed income/16% equities
- (After Nov 2017)

Portfolio Options

- Portfolios are designed to take **minimum risk** to achieve target returns over a full market cycle…