

PICO HOLDINGS INC /NEW  
Form 11-K  
June 29, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal ended December 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 033-36383

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

PICO HOLDINGS, INC. EMPLOYEES 401(k)  
RETIREMENT PLAN AND TRUST

Financial statements as of December 31, 2015 and 2014 and for the year ended December 31, 2015. Supplemental schedules as of and for the year ended December 31, 2015 and Report of Independent Registered Public Accounting Firm.

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

PICO HOLDINGS, INC.  
7979 Ivanhoe Avenue, Suite 300  
La Jolla, California 92037

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PICO Holdings, Inc. Employees 401(k)  
Retirement Plan and Trust

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Supplemental Schedules:	
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Note: All other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of and Participants in the  
PICO Holdings, Inc. Employees 401(k) Retirement Plan and Trust  
La Jolla, CA

We have audited the accompanying statements of net assets available for benefits of the PICO Holdings, Inc. Employees 401(k) Retirement Plan and Trust (the "Plan") as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2015 and 2014, and the changes in net assets available for benefits for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

The supplemental information in the accompanying schedules of assets (held at end of year) as of December 31, 2015 and delinquent contributions for the year ended December 31, 2015, have been subjected to audit procedures performed in conjunction with the audits of the Plan's financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements but includes supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedules, we have evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As further discussed in Note 1, the Plan adopted Accounting Standards Update No. 2015-12 as of December 31, 2015 and 2014 for the year ended December 31, 2015. Our opinion is not modified in respect to this matter.

/s/ MAYER HOFFMAN MCCANN P.C.

San Diego, California  
June 28, 2016

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PICO Holdings, Inc. Employees 401(k)  
 Retirement Plan and Trust  
 Statements of Net Assets Available for Benefits  
 December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents		\$ 17,595
Investments - at fair value (See Note 3)	\$ 17,067,194	15,607,455
Fully benefit-responsive stable value fund - at contract value (See Note 6)	55,963	1,680,239
Total investments	17,123,157	17,305,289
Employer contributions receivable	29,708	39,881
Net assets available for benefits	\$ 17,152,865	\$ 17,345,170

The accompanying notes are an integral part of these financial statements.

PICO Holdings, Inc. Employees 401(k)  
 Retirement Plan and Trust  
 Statement of Changes in Net Assets Available for Benefits  
 For the year ended December 31, 2015

	2015
Additions	
Contributions:	
Participant contributions	\$1,772,527
Rollover contributions	490,670
Employer contributions	870,475
Total contributions	3,133,672
Investment income:	
Net depreciation in fair value of investments	(1,716,534 )
Interest and dividends	911,342
Net investment loss	(805,192 )
Deductions	
Benefits paid to participants	2,494,954
Plan expenses	25,831
Total deductions	2,520,785
Decrease in net assets	(192,305 )
Net assets available for benefits:	
Beginning of year	17,345,170
End of year	\$17,152,865

The accompanying notes are an integral part of these financial statements.

PICO Holdings, Inc. Employees 401(k)  
 Retirement Plan and Trust  
 Notes to Financial Statements

1. Description of Plan

The following description of the PICO Holdings, Inc. Employees 401(k) Retirement Plan and Trust (the “Plan”) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General - The Plan is a defined contribution 401(k) profit-sharing plan covering eligible employees as defined in the Plan Agreement of PICO Holdings, Inc. and subsidiaries (the “Company” and “Plan Sponsor”). The Plan was adopted to provide retirement benefits to employees of the Plan Sponsor. Effective January 1, 2014, the Plan was modified to be a multiple employer plan, as defined by Section 413(c) of the Internal Revenue Code, due to the initial public offering of a subsidiary of the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”) and has been designed to be qualified for tax-exempt status by the Internal Revenue Service (“IRS”).

Fidelity Management Trust Company is the trustee of the plan (“Trustee”). The Trustee has the authority to administer and maintain the Plan assets at the direction of the Company or a participant. Fidelity Management Trust Company is also the Plan custodian and the Plan record-keeper. From January 1, 2015 through January 31, 2015, Mid Atlantic Trust Company was the trustee and custodian of the plan and Findley Davies was the record-keeper. The trustee, custodian and record-keeper was changed to Fidelity Management Trust Company effective February 1, 2015.

Contributions - Each year, participants may contribute up to the maximum allowed by law of pretax annual compensation, as defined in the Plan, which was \$18,000 for the year ended December 31, 2015. The Plan Sponsor matches up to 5% of the elective deferral of base compensation that a participant contributes to the Plan. The Plan Sponsor's matching contribution does not begin until the first day of the quarter after an employee completes one year of service. Additional amounts which represent profit sharing, as defined in the Plan, may be contributed at the option of the Plan Sponsor. For the year ended December 31, 2015, there was no additional discretionary contribution to the Plan.

Participant Accounts - Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contributions, employer matching contributions, and allocations of (a) the Plan Sponsor's discretionary profit-sharing contributions and (b) Plan earnings, and debited for withdrawals as applicable.

Investments - Upon enrollment in the Plan, a participant may direct 100% of elective deferrals, employer matching contributions, and discretionary profit-sharing amounts. Participants choose from a number of different mutual funds, a common collective trust fund, and a self-directed brokerage account. In addition, participants are able to invest in the stock of the Plan Sponsor. Excess cash within the Plan is invested in an institutional money market fund.

Vesting - Participants are immediately vested in their contributions, the employer matching contributions, plus earnings thereon. Participants become partially vested in the discretionary profit-sharing employer contributions after two years of service and fully vested after six years of service.

Vesting in the Plan Sponsor's discretionary profit-sharing contribution portion of their accounts, plus actual earnings thereon, is based on years of service in accordance with the following schedule:

Years of Service	Percentage
Less than 2	— %

2	20	%
3	40	%
4	60	%
5	80	%
6 or more	100	%

Participant Loans - Loans to participants are not permitted under the Plan.

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Payment of Benefits - Upon termination of service, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest or annual installments. If the value of the participant's account is \$5,000 or less, the trustee shall distribute the entire vested account to the participant.

Forfeited Accounts - At December 31, 2015 and 2014, forfeited non-vested accounts totaled \$110,580 and \$49,233, respectively. Forfeited balances of terminated participants' non-vested accounts are used to reduce plan expenses or employer contributions. There were no forfeited non-vested accounts used to reduce employer contributions, while \$15,135 was used to pay plan expenses for the year ended December 31, 2015.

## 2. Summary of Significant Accounting Policies

Basis of Accounting - The accompanying financial statements are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of net assets and the changes in net assets during the reporting period and disclosure of contingent assets at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties - The Plan utilizes various investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment Valuation and Income Recognition - The Plan's investments are stated at fair value or contract value. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in common stock, preferred stock, corporate bonds and real estate investment trusts through self-directed brokerage accounts, money market accounts, mutual funds, and Plan Sponsor common stock are valued at quoted market prices.

The Plan invests in investment contracts through a common collective trust fund, the Fidelity Managed Income Portfolio Class I ("Stable Value Fund") which may invest in conventional and synthetic investment contracts issued by insurance companies, banks and other financial institutions, corporate, municipal and government bonds, mortgage-backed securities, asset backed securities, private placements, derivative instruments, zero coupon bonds, medium-term notes, preferred securities, structured notes, floating-rate debt, inflation protected securities, cash or short-term debt obligations and collective investment vehicles or shares of investment companies that invest primarily in fixed income securities. Investments in the Stable Value Fund are valued based upon the redemption price of units held by the Plan, which is based on the current contract value of the fund's underlying assets. Unit values are determined by the financial institution sponsoring such funds by dividing the fund's net assets at contract value by its units outstanding at the valuation dates.

The statement of changes in net assets available for benefits is prepared using the contract value basis. The contract value of the Stable Value Fund represents contributions plus earnings, less participant withdrawals and administrative expenses. Purchases and sales of investment securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Management fees and operating expenses charged to the Plan for investments in the mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment income for such investments.

Administrative Expenses - Administrative expenses of the Plan are paid by the Plan Sponsor as provided in the plan document. All investment management and transaction fees directly related to the Plan investments are paid by the Plan.

Payment of Benefits - Benefit payments to participants are recorded upon distribution. There were no participants, who elected to withdraw from the Plan, but had not yet been paid at December 31, 2015 and 2014.

New Accounting Pronouncements - In July 2015, the FASB issued Accounting Standards Update No. 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965), I. Fully Benefit-Responsive Investment Contracts, II. Plan Investment Disclosures, III. Measurement Date Practical Expedient (“ASU 2015-12”). The FASB is issuing this update in response to a proposal developed by the Emerging Issues Task Force (“EITF”) to reduce complexity in employee benefit plan accounting.

Part I of ASU 2015-12 requires fully benefit-responsive investment contracts to be measured, presented and disclosed at contract value. Contract value is the relevant measure for those contracts because that is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan.

Part II of ASU 2015-12 requires that investments (both participant-directed and nonparticipant-directed) of employee benefit plans be grouped only by general type, such as the following: registered investment companies, government securities, common-collective trusts, pooled separate accounts, short-term securities, corporate bonds, common stock, mortgages, real estate and self-directed brokerage accounts. Plans will be required to disclose the net appreciation or depreciation in fair value of investments in aggregate, but will no longer be required to be disaggregated and disclosed by general type. In addition, if an investment is measured using the net asset value per share (or its equivalent) practical expedient and that investment is in a fund that files a U.S. Department of Labor Form 5500 as a direct filing entity, disclosure of that investment’s strategy will no longer be required.

Part III of ASU 2015-12 provides a practical expedient to permit plans to measure investments and investment related accounts (for example, a liability for a pending trade with a broker) as of a month-end that is closest to the plan’s fiscal year end, when the fiscal period does not coincide with a month-end. If a plan applies the practical expedient and a contribution, distribution, and/or significant event occurs between the alternative measurement date and the plan’s fiscal year end, the plan should disclose the amount of the contribution, distribution, and/or significant event.

The amendments in ASU 2015-12 are effective for fiscal years beginning after December 15, 2015; early application is permitted.

The Plan elected to early adopt ASU 2015-12 Parts I and II as of October 25, 2015 as it will simplify Plan accounting and presentation in the financial statements. The Plan has applied the provisions retrospectively. The Plan is not adopting Part III of the provisions of ASU 2015-12.

### 3. Fair Value Measurements

The FASB accounting guidance on fair value measurements and disclosures provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, as follows: Level 1, which refers to securities valued using unadjusted quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Plan's policy is to recognize significant transfers between levels at the end of the reporting period.

#### Asset Valuation Techniques

The Company's common stock is valued at the closing price reported on the active market on which the securities are traded on the last business day of the Plan year. The Company's common stock is categorized as Level 1.

Money market funds consist of investments in an institutional money market fund that permits daily redemption, the fair value of which is based upon the quoted price in active markets provided by the financial institution managing this fund.

Self-directed brokerage assets consist of common stock, preferred stock, corporate bonds and real estate investment trusts, which are valued at the last reported sales price on the last business day of the year, and uninvested cash, which is recorded at carrying value as maturities are less than three months. These assets are categorized as Level 1 with the exception of certain common stock and preferred stock which are categorized as Level 2.

Shares of registered investment companies are valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded and therefore are categorized as Level 1.

The following tables set forth by level within the fair value hierarchy a summary of the Plan's investments measured at fair value on a recurring basis:

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2015				
Money market fund	\$ 189,074			\$ 189,074
Common stock <sup>(1)</sup>	649,560			649,560
Self-directed brokerage accounts	491,028	\$ 73,996		565,024
Mutual funds	15,663,536			15,663,536
Total	\$ 16,993,198	\$ 73,996		\$ 17,067,194

<sup>(1)</sup> Represents a party-in-interest to the Plan.

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2014				