



Legislation Text

File #: 23-086, Version: 1

Adopt Resolution to Accept 2022-23, City of San Leandro Section 115 OPEB Trust and Pension Trust Investment Report for the Quarter Ended December 31, 2022

SUMMARY AND RECOMMENDATION

Staff report for City Council resolution accepting the Section 115 OPEB Trust and Pension Trust Investment report for the quarter ended December 31, 2022.

DISCUSSION

OPEB Trust

In 2008-2009, the City established the Section 115 OPEB Trust with PARS. The primary purpose is accumulating resources in trust and generating investment income funding the City's OPEB obligations in future years. The trust account was set up with an initial contribution of \$500,000, and the City has been proactive in funding future liabilities. Over the years, the City Council has authorized various contributions into the trust. At the end of December 2022, the assets in the OPEB Trust total \$18,900,000 including contributions and investment earnings. The inception-to-date investment return is 4.96%.

Pension Trust

In June 2021, the City Council authorized establishing a Section 115 Pension Trust with PARS. The goal is to set aside funds and accumulate investment earnings to buy down the City's unfunded CalPERS pension liabilities. At the beginning of the fourth quarter, assets in the Pension Trust totaled \$5,400,000, including both contributions (since inception of the fund in 2021-2022) and investment earnings.

In December 2022, the City Council authorized an additional contribution to the Pension Trust, transferring funds from the set-aside for potential City liability for the Alameda County Fire Department's unfunded OPEB obligation. Following agreement between the City and ACFD limiting the City's OPEB liability to ACFD, a total of \$8,222,700 was transferred to the Pension Trust from the City's ACFD set-aside. Going forward, the City will pay the full cost of current ACFD contract services, including the amortized portion of the ACFD unfunded OPEB costs.

At the end of December 2022, the assets in the Pension Trust totaled \$13,800,000. The 3-month investment return was 5.93%, and the inception-to-date investment return is -10.40%. The stock market has been volatile due to high inflation, the Ukraine crisis, and supply chain challenges.

Highmark Capital has prepared a quarterly investment report for the OPEB Trust and Pension Trust for the period ending December 31, 2022, summarizing the investment performance. The asset allocations for both the OPEB Trust and the Pension Trust comport with the investment policies.

Assets in the OPEB Trust portfolio increased slightly from \$18,300,000 in the prior quarter to \$18,900,000. Assets in the Pension Trust were \$5,400,000 representing initial contributions from the

City and with the transfer of \$8,222,777 is now \$13,800,000. Fluctuations are expected from time to time due to changes in market conditions.

Investment returns are as follows. Please refer to the attached investment report for details.

<u>Trust</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>Inception to Date</u>
OPEB	-13.53%	0.27%	2.22%	3.72%	4.96%
Pension	-13.38%	N/A	N/A	N/A	-10.40%

REVIEW BY FINANCE COMMITTEE

The Section 115 OPEB Trust and Pension Trust Investment report for the quarter ended December 31, 2022 was reviewed by the Finance Committee on February 22, 2023.

ATTACHMENTS

- Attachment A: Resolution Accepting OPEB/Pension Trust Investment Report
- Attachment B: Investment Report for the Quarter Ended December 31, 2022

PREPARED BY

T. Michael Yuen, Finance Director