



Legislation Text

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Adopt a Resolution to Accept 2022-2023 City of San Leandro Section 115 Other Post-Employment Benefits (OPEB) and Pension Trust Investment Report for the Quarter Ended March 31, 2023

SUMMARY AND RECOMMENDATION

Staff report for City Council resolution accepting the City's Section 115 Other Post-Employment Benefits (OPEB) and Pension Trust Investment Report for the quarter ended March 31, 2023.

DISCUSSION

OPEB Trust

In 2008-2009, the City established the Section 115 OPEB Trust with PARS. The primary purpose is accumulating resources and generating investment income to fund 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 March 31, 2023, the assets in the OPEB Trust totaled \$19,600,000 including contributions and investment earnings. The inception-to-date investment return is 5.16%.

Pension Trust

In 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 first quarter of 2023, assets in the Pension Trust totaled \$13,800,000, including both contributions (since inception of the fund in 2021-2022) and investment earnings. In December 2022, the City Council authorized the transfer of funds from the set-aside for potential City liability for the Alameda County Fire Department's unfunded OPEB obligation.

Following the agreement between the City and ACFD limiting the City's OPEB liability to ACFD, a total of \$8,222,700 was transferred from the City's ACFD set-aside to the Pension Trust. 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 March 2023, the assets in the Pension Trust totaled \$14,400,000. The 3-month investment return was 4.45%, and the inception-to-date investment return is negative 6.29%. The stock market has been volatile due to higher inflation, the Ukraine crisis, and lingering supply chain challenges.

Highmark Capital has prepared a quarterly investment report for the OPEB Trust and Pension Trust for the period ending March 31, 2023, summarizing the investment performance. The asset allocations for both the OPEB Trust and the Pension Trust for the quarter ended March 31, 2023, comport with the investment policies.

Assets in the OPEB Trust portfolio increased from \$18,900,000 in the prior quarter to \$19,600,000. Assets in the Pension Trust were \$13,800,000, representing initial contributions from the City and the ACFD transfer; it is now at \$14,400,000. Investment fluctuations are expected due to changing 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	-5.30%	4.44%	3.16%	3.81%	5.16%
Pension	-4.90%	N/A	N/A	N/A	-6.29%

REVIEW BY FINANCE COMMITTEE

The City Council Finance Committee reviewed the City Section 115 Other Post-Employment Benefits (OPEB) and Pension Trust Investment Report for the quarter ended March 31, 2023, on May 24, 2023. The Finance Committee unanimously recommended the report be moved to the City Council.

ATTACHMENTS

- Attachment A - Resolution Accepting Other Post-Employment Benefits (OPEB) and Pension Trust Investment Report
- Attachment B - OPEB and Pension Trust Investment Report for Quarter Ended March 31, 2023

PREPARED BY

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