Legislation Details (With Text)

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Title:	Staff Report for Discussion on the Section 115 OPEB (Other Post-Employment Benefits) Trust Investment Report for the Quarter Ended June 30, 2021				
Sponsors:	Susan Hsieh Finance Director				
Indexes:					
Code sections:					
Attachments:	1. OPEB Trust Investment Report 2Q21, 2. Presentation - OPEB Trust Annual Review FY21				

Date	Ver.	Action By	Action	Result

Staff Report for Discussion on the Section 115 OPEB (Other Post-Employment Benefits) Trust Investment Report for the Quarter Ended June 30, 2021

SUMMARY AND RECOMMENDATION

Staff recommends that the Committee review the OPEB Trust investment report for the quarter ended June 30, 2021. This report is for information only.

BACKGROUND

In fiscal year 2008-09, the City established a Section 115 OPEB Trust with PARS. The primary objective is to accumulate resources in the trust and generate investment income to fund the City's OPEB obligations in future years. The trust account was set up with an initial contribution of $0.5 million. The City has been proactive in funding its unfunded liabilities. Over the years, the City Council has authorized various contributions into the trust. At the end of fiscal year 2021, the assets in the OPEB Trust total $21.8 million including contributions and investment earnings. The inception-to-date investment return is close to 7%.

As of June 30, 2020, the City's OPEB plan/liability was 81% funded. A plan is considered healthy when the funded status is 80% or higher. The City is currently conducting another actuarial valuation as part of the fiscal year 2020-21 audit, an updated funded status will be provided to the Committee once the information becomes available.

Highmark Capital has prepared a quarterly investment report for the period ending June 30, 2021, summarizing the investment performance and the economic and market outlook. At the September 7th meeting, representatives from PARS and HighMark Capital will provide an annual review of the OPEB Trust.

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DISCUSSION

At the time the OPEB Trust was established, the City selected a “Moderately Conservative” investment strategy. The objective is to provide current income and moderate capital appreciation. The investment time horizon is long-term. With this risk tolerance, the trust can accept modest price fluctuations to pursue its investment objectives.

The Investment Guidelines Document for the trust provides that the asset allocation shall generally be in the ranges presented below, allowing for some reweighting by the Investment Manager if the actual weighting differs substantially. The asset allocation for the trust for the quarter ended June 30, 2021 comports with the policy.

Strategic Asset Allocation Ranges		
Cash	Fixed Income	Equity
0%-20%	50%-80%	20%-40%
Policy: 5%	Policy: 65%	Policy: 30%

Assets in the portfolio increased to $21.8 million from $21.1 million in the prior quarter. Investment returns are as follows. Please refer to the attached investment report for details.

1 Year: 14.27%
3 Years: 8.65%
5 Years: 7.26%
10 Years: 6.01%
Inception to date: 6.79%

ATTACHMENT(S)

- Investment Report for the Quarter Ended June 30, 2021

PREPARED BY

Susan Hsieh, Finance Director