



**SAN BENITO COUNTY
AGENDA ITEM
TRANSMITTAL FORM**

Dom Zanger
District No. 1
Vice-Chair

Kollin Kosmicki
District No. 2
Chair

Mindy Sotelo
District No. 3

Angela Curro
District No. 4

Ignacio Velazquez
District No. 5

Item Number: 3.E

MEETING DATE: 05/13/2025

DEPARTMENT: AUDITOR/CONTROLLER

AGENDA ITEM PREPARER: Joe Paul Gonzalez

DEPT HEAD/DIRECTOR: Joe Paul Gonzalez

SUBJECT:

AUDITOR/CONTROLLER - J.P. GONZALEZ

Receive presentation from PARS and PFM Asset Management concerning the investment performance and investment allocation strategy options of the County's IRC 115 Irrevocable Other Post Employment Benefits (OPEB) and Pension Combo Trust, discuss and approve the continuation of the Moderately Conservative investment strategy option for the Pension Trust, and the change of investment strategy from Capital Appreciation to a lower risk strategy option.

SBC FILE NUMBER: 608

AGENDA SECTION:

REGULAR AGENDA

BACKGROUND/SUMMARY:

SUMMARY: The PARS/PFM Asset Management fiduciary trust team are providing a PowerPoint presentation to update the Board of Supervisors on the performance of the PARS/County of San Benito IRC 115 Combo OPEB/Pension Trust and investment strategy options. The Board will also be asked to approve the continuation of the Moderately Conservative investment strategy option for the Pension Trust. Additionally, given the excellent level of funded status of the OPEB trust, the need to grow of the fund is no longer the priority, the Board will be asked to approve the change of investment strategy from Capital Appreciation to a lower risk strategy option.

BACKGROUND: On June 8, 1993, the Board of Supervisors passed Resolution #93-96 that committed the County to allowing retirees to use the same health plans as active employees. Since the County was a CalPERS healthcare participant, this resolution also committed the County to provide equal healthcare

contributions to retirees as provided to actives over 20 years pursuant to the Public Employees' Medical and Hospital Care Act (PEMHCA). This Board action created the County's OPEB obligation.

In June of 2009, the County's first OPEB actuarial valuation was performed by Bickmore Risk Services and Consulting as required by the Governmental Accounting Standards Board (GASB) Statement 45. The actuary's valuation reported the County's Unfunded Actuarial Accrued Liability in the amount of \$41,693,948. At that time the County had not adopted any contribution caps or PEMHCA minimum tiers to manage the OPEB liability and had not yet committed to prefunding the OPEB obligations through an IRC 115 irrevocable trust. Later that same month, the Board adopted the County's first IRC irrevocable trust with CalPERS and deposited \$2,322,101 as the initial Annual Required Contribution (ARC) payment utilizing the growth investment strategy offered by CalPERS to prioritize growth the fund.

In November 2014, an additional IRC 115 trust was adopted by the Board of Supervisors with PARS and half of the balance held in the CERBT (CalPERS Trust) was transferred to the PARS trust. In 2016, mimicking the CalPERS growth investment strategy, financial performance between CalPERS and PARS demonstrated that though CalPERS charged lower fees, PARS net of fees financial performance was significantly better than CalPERS CERBT investment management. At that time, the Board directed that all the County's OPEB funds held in the CERBT be transferred to PARS continuing with the Capital Appreciation investment strategy, 65% – 75% in equities and 25% – 35% in fixed income. Also in 2016, the Board of Supervisors invested \$3,000,000 to the PARS Combo OPEB/Pension trust as a "Rainy-Day fund" for Pension to utilize only in extreme financial circumstances. The Board adopted a Pension Funding Policy for this trust that describes the circumstances that the funds may be accessed and the required timeline for replenishment of the accessed funds (attached). The nature of the Pension trust places liquidity over earnings; thus, the fund utilizes a moderately conservative Investment allocation strategy that targets fixed income in the 60% – 70% range and equities from 30% - 40%.

RESOLUTION OR ORDINANCE NEEDED FOR THIS ITEM:

No

CONTRACT NEEDED FOR THIS ITEM:

No

RFP AND BID HISTORY:

N/A

LAST CONTRACT AMOUNT OR N/A:

N/A

CONTRACT HISTORY (Describe all amendments and previous contracts):

N/A

STRATEGIC PLAN GOALS: 1. Operational Development & Excellence

Yes

STRATEGIC PLAN GOALS: 2. Planning And Sustainable Growth

Yes

STRATEGIC PLAN GOALS: 3. Technology

No

STRATEGIC PLAN GOALS: 4. Community Engagement

No

STRATEGIC PLAN GOALS: 5. Health & Safe Community

No

BUDGETED:

N/A

BUDGET ADJUSTMENT NEEDED:

N/A

SOURCE OF FUNDING:

N/A

UNFUNDED MANDATE:

No

SBC BUDGET LINE ITEM NUMBER:

101.20.1145.1000

CURRENT FY COST:

N/A

STAFF RECOMMENDATION:

1. Receive PowerPoint presentation from PFM Asset Management and PARS concerning investment performance and investment allocation strategy options of the County's IRC 115 Irrevocable Other Post Employment Benefits (OPEB) and Pension Combo Trust
2. Discuss and approve the continuation of the Moderately Conservative investment strategy option for the Pension Trust
3. Discuss and approve the change of investment strategy from Capital Appreciation to a lower risk strategy option.

ATTACHMENTS:

[PARS Presentation - County of San Benito](#)
[Investment Allocation Form - Pension](#)
[Pension Funding Policy \(6.28.22\)](#)

Agenda Item Transmittal - Board Meeting 6.28.2022
Investment Strategy - 8-1-19