



Agenda Item No. 6

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of September 24, 2009

From: OPEB Retirement Investment Trust Board

Subject: **ACCEPT ANNUAL REVIEW AND REPORT FROM THE OPEB  
RETIREMENT INVESTMENT TRUST BOARD TO THE GOLDEN GATE  
BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT'S BOARD  
OF DIRECTORS**

### **Recommendation**

The Finance-Auditing Committee recommends that the Board of Directors receive the Annual Review and Report from the OPEB Retirement Investment Trust Board of its investment policy, service personnel and Trust Board's Charter.

### **Summary**

The OPEB Retirement Investment Trust was established by the District in 2007 to provide for funding of retiree health benefits and other post-employment benefits for the District's eligible retirees. In creating the OPEB Trust, the District also established the OPEB Retirement Investment Trust Board ("Trust Board") to oversee the investment of trust assets with specific duties and responsibilities that are spelled out in the Trust Board's Charter and Bylaws. As required in the Charter and Bylaws, the Trust Board must review, on at least an annual basis, the OPEB Trust investment policy, the performance of the Trust Board's service providers and the adequacy of the Trust Board Charter. The results of this annual review must be reported to the District Board of Directors. The purpose of this report is to cover these points:

1. **Monitor Compliance with the Investment Policy for the OPEB Trust**

At the Trust Board Meeting of September 28, 2007, the Trust Board adopted an Investment Policy which reflected the investment policy, objectives and constraints of the trust. The Trust Board monitors compliance with the Investment Policy for the OPEB Trust through review of periodic reports of the Trust as presented by the PFM Asset Management LLC ("PFM") as the Trust's Investment Advisor and Trust Administrator. These reports lay out the Trust's investment strategy, performance results, compliance to the Investment Policy and Trust Agreement, and track the progress of the Trust's funding per its actuarial determined target. The investment portfolio is in full compliance with the District's Investment Policy and Trust Agreement as of June 30, 2009.

In February 2009, to address its concerns regarding the investment of new assets during the time of deterioration in the financial markets, the Trust Board took action to increase the range in the asset allocation of fixed income to 50% (from 40%).

In April 2009, to further address the Trust Board's concerns, PFM began investing half of the District's monthly OPEB contributions of investment assets in cash and the other half in the normal portfolio asset allocation. In May 2009, PFM notified the Trust Board that the recent market dislocation had played out and consequently, in June 2009, PFM returned to its prior investment strategy and began investing the District's entire monthly contribution of investment assets at the investment target.

At the Trust Board Meeting of September 9, 2009, the Trust Board evaluated the Investment Policy, including the current asset allocation in the Investment Policy, and determined that it is adequate and no change is recommended. The current asset weightings targets PFM's expected 10 year target rate of return of 8.46% in order to achieve the performance objective in the Investment Policy of 7.75% (net of fees) as an average annual rate of return.

2. Review and Assess the Performance of Service Providers Appointed by the Trust Board or the District to Perform Services Related to the OPEB Trust

There are two service providers responsible for the administration of the OPEB Trust and implementation of the Trust investment policy, as designated under the Trust Agreement approved by the District in 2007: (1) PFM Asset Management LLC ("PFM") as the Investment Advisor and Trust Administrator, and (2) U.S. Bank National Association ("U.S. Bank") as the Trustee and Custodian.

PFM's responsibilities include managing the assets in accordance with the Investment Policy, coordinating investment and funding planning activities with Actuary and Benefits Administrator, recommending policy and asset allocation changes to the Trust Board and Staff, reporting investment performance regularly and providing a variety of other OPEB and market related educational services. The net portfolio return of the Trust's investment account exceeded its blended benchmark by 1.50% for the fiscal year ended June 30, 2009.

U.S. Bank is responsible for asset safekeeping, contribution and distribution processing, investment transaction processing, monthly reporting of asset holdings and transactions, and providing reporting support for the annual audit.

The Trust Board has reviewed the performance of both PFM and U.S. Bank and has found that both have complied fully with their responsibilities as summarized above.

3. Review and Reassess the Adequacy of the Trust Board Charter and Recommend Proposed Changes, if any, to the District Board for its Approval

The Trust Board has reviewed its Charter. No changes are recommended at this time.

**Fiscal Impact**

There is no fiscal impact associated with receiving this report.