



Agenda Item No. (7)

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of November 19, 2020

From: OPEB Retirement Investment Trust Board

Subject: **RECEIVE THE ANNUAL REPORT OF THE OPEB RETIREMENT  
INVESTMENT TRUST BOARD**

### **Recommendation**

The Finance-Auditing Committee recommends that the Golden Gate Bridge, Highway and Transportation District receive the Annual Report of the OPEB Retirement Investment Trust Board. This report summarizes the annual review of the OPEB Retirement Investment Trust Board of its investment policy, service personnel and Charter.

### **Summary**

The OPEB Retirement Investment Trust was established by the Golden Gate Bridge, Highway and Transportation District (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 Statement for the OPEB Trust**

The Investment Policy Statement ("Investment Policy") reflects 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 with the Investment Policy Statement and the Trust Agreement, and track the progress of the Trust's funding per its actuarially determined target.

Attached is the Investment Advisor's Compliance Certificate as of June 30, 2020. The investment portfolio is in full compliance with the District's OPEB Investment Policy and Trust Agreement.

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: (1) 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.

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.

Since the Trust Board meets semi-annually, the Trust Board discussed contract options in advance of the current contract end date of February 28, 2021, at the April 23, 2020, Trust Board meeting. It was determined that the PFM’s historical investment performance was very good; the proposed lower pricing appeared reasonable and competitive; and both PFM and U.S. Bank’s customer service had been very responsive to District’s requests. It was based on these three performance criteria that during the Trust Board meeting in April 2020, the Trust Board approved staff’s recommendation that the Trust Board recommend that the Bridge District authorize execution of Amendment No. 6 to the Professional Services Agreement relative to Request for Proposal No. 2007-D-7, *Trust and Investment Management Services for GASB 45 (OPEB) Trust*, with PFM Asset Management LLC (“PFM”), for a new three-year base term effective March 1, 2021 through February 29, 2024, with options, exercisable by the District, for two additional one-year terms, at an estimated cost of \$1,198,000 for the five year period. Staff will work with Procurement to execute Amendment No. 6 in the upcoming months.

At its October 22, 2020 Meeting, the Trust Board conducted its performance review of both PFM and U.S. Bank. PFM continues to perform well since their engagement in 2007 by the District, allowing for the most flexibility accompanied by good investment performance at a reasonable cost. Their staff has been responsive and receptive to District requests for information and support, and has provided informative and educational briefings for the Trust Board.

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.

4. Review Fiduciary Insurance Coverage for OPEB Trust Board Members

As the Trust assets have recently grown to over \$100 million, District Risk Services has increased the Trust Board members' fiduciary coverage from \$2 million to \$5 million for the remaining of this year and going forward. The annual premium will increase, accordingly, from \$6,116 to \$12,134.

**Fiscal Impact**

There is no fiscal impact associated with receiving this report.

Attachment: Investment Advisor's Compliance Certificate as of June 30, 2020

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## Golden Gate Bridge – Investment Assets

As of June 30, 2020

## Asset Allocation Targets

## Compliance Certificate

The investment portfolio is in compliance  
with the District OPEB Trust's Investment Policy and Trust Agreement

Asset Class	Current Weight	Target	Minimum	Maximum	Within Range?
<b>GROWTH</b>					
Domestic Equity	39.89%	42%	32%	- 52%	Yes
International Equity	19.56%	23%	13%	- 33%	Yes
Other	4.47%	0%	0%	- 10%	Yes
<b>INCOME</b>					
Fixed Income	35.95%	35%	15%	- 55%	Yes
Other	0.00%	0%	0%	- 10%	Yes
Cash	0.13%	0%	0%	- 20%	Yes

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