



Agenda Item No. (7)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of November 17, 2022

From: Other Post-Employment Benefits (“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”) in 2007 to provide for the 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 (“PFMAM”) 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.

At the October 27, 2022 Trust Board Meeting, the Trust Board amended the Investment Policy to modify the **Guidelines for Portfolio Holdings**, to permit investments in pooled vehicles domiciled outside of the United States.

Attached is the Investment Advisor's Compliance Certificate as of June 30, 2022. 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) PFMAM as the Investment Advisor and Trust Administrator, and (2) U.S. Bank National Association ("U.S. Bank") as the Trustee and Custodian.

PFMAM's responsibilities include managing the assets in accordance with the Investment Policy, coordinating investment and funding planning activities with Actuary and the District, 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.

On December 7, 2021, the acquisition of PFMAM by U.S. Bancorp Asset Management, Inc. ("USBAM"), a subsidiary of U.S. Bank, was completed. As guided by District Counsel, the District executed amendments to the PFMAM's Professional Services Agreement and the OPEB Trust Agreement to clarify fiduciary duties applicable to PFMAM as a result of the acquisition. At the October 27, 2022 Trust Board Meeting, the Trust Board ratified these amendments, as follows:

1. Seventh Amendment to the Professional Services Agreement No. 2007-D-7, Trust & Investment Management Services for GASB 45 (OPEB) Trust
2. First Amendment to the Golden Gate Bridge, Highway and Transportation District Other Post Employment Benefits (OPEB) Trust Agreement

PFMAM is now a wholly-owned subsidiary of USBAM. PFMAM will continue to operate as a separate entity and registered investment adviser as PFM Asset Management LLC, a division of USBAM. To date, the transition has been seamless to District staff (as previously assured by PFMAM in July 2021 when the acquisition was originally announced).

The current contract with PFMAM, as per 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*, has a 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.

The Trust's asset value at June 30, 2022 was \$108.3 million. The grid below provides a recap of the Trust activities by fiscal year since its inception in November 2007. Since inception

through FY 21/22, the District has made \$191.7 million in contributions into the Trust and has paid out in retiree benefits and administrative expenses totaling \$138 million. Cumulative return on investments has added \$54.6 million into the Trust assets.

	Beginning Balance	Annual Contribution	Annual Payments	Investment Return	Ending Balance
Partial FY 07/08*	\$ -	\$ 10,209,037.09	\$ (4,255,508.60)	\$ 281,945.36	\$ 6,235,473.85
FY 08/09	\$ 6,235,473.85	\$ 13,993,687.28	\$ (8,975,702.45)	\$ (1,434,091.78)	\$ 9,819,366.90
FY 09/10	\$ 9,819,366.90	\$ 14,356,767.53	\$ (9,554,010.25)	\$ 1,529,365.39	\$ 16,151,489.57
FY 10/11	\$ 16,151,489.57	\$ 14,850,545.00	\$ (9,584,054.14)	\$ 3,799,162.89	\$ 25,217,143.32
FY 11/12	\$ 25,217,143.32	\$ 15,133,177.00	\$ (9,491,712.21)	\$ 255,633.79	\$ 31,114,241.90
FY 12/13	\$ 31,114,241.90	\$ 14,519,520.20	\$ (8,278,072.29)	\$ 3,975,759.10	\$ 41,331,448.91
FY 13/14	\$ 41,331,448.91	\$ 11,332,344.00	\$ (8,478,330.62)	\$ 7,565,265.59	\$ 51,750,727.88
FY 14/15	\$ 51,750,727.88	\$ 11,724,682.00	\$ (8,101,045.16)	\$ 1,800,780.61	\$ 57,175,145.33
FY 15/16	\$ 57,175,145.33	\$ 12,132,624.00	\$ (8,480,852.71)	\$ 1,146,493.79	\$ 61,973,410.41
FY 16/17	\$ 61,973,410.41	\$ 11,649,415.00	\$ (10,320,873.11)	\$ 7,287,638.09	\$ 70,589,590.39
FY 17/18	\$ 70,589,590.39	\$ 12,293,865.00	\$ (10,516,714.96)	\$ 6,274,272.00	\$ 78,641,012.43
FY 18/19	\$ 78,641,012.43	\$ 12,701,935.00	\$ (10,608,573.23)	\$ 6,229,598.49	\$ 86,963,972.69
FY 19/20	\$ 86,963,972.69	\$ 13,125,165.00	\$ (10,507,492.68)	\$ 4,955,497.29	\$ 94,537,142.30
FY 20/21	\$ 94,537,142.30	\$ 11,681,681.00	\$ (10,392,279.12)	\$ 25,906,727.13	\$ 121,733,271.31
FY 21/22	\$ 121,733,271.31	\$ 12,032,777.00	\$ (10,478,411.66)	\$ (14,938,891.16)	\$ 108,348,745.49
Cumulative from Trust Inception		\$ 191,737,222.10	\$ (138,023,633.19)	\$ 54,635,156.58	
*Inception Trust - 11/6/2007					

At its October 27, 2022 Meeting, the Trust Board conducted its performance review of both PFMAM and U.S. Bank and has determined that both have continued to consistently perform well since their engagement by the District, allowing for the most flexibility accompanied by good investment performance at a reasonable cost.

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.

Attachment: Investment Advisor’s Compliance Certificate as of June 30, 2022

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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?
GROWTH					
Domestic Equity	36.40%	36.0%	26.0%	- 46.0%	Yes
International Equity	16.03%	19.0%	9.0%	- 29.0%	Yes
Other	0.00%	0.0%	0.0%	- 10.0%	Yes
INCOME					
Fixed Income	25.24%	25.0%	5.0%	- 45.0%	Yes
Other	7.28%	0.0%	0.0%	- 10.0%	Yes
Alternatives					
Private Equity	1.50%	6.7%	0.0%	- 10.0%	Yes
Private Debt	3.40%	6.7%	0.0%	- 10.0%	Yes
Real Assets	2.82%	6.6%	0.0%	- 10.0%	Yes
Cash	7.33%	0.0%	0.0%	- 20.0%	Yes

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