



Agenda Item No. (8)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of November 14, 2024

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 ("District") receive the Annual Report of the Other Post-Employment Benefits ("OPEB") Retirement Investment Trust Board. This report summarizes the OPEB Retirement Investment Trust Board's annual review of its investment policy, service personnel and Charter.

Summary

The OPEB Retirement Investment Trust was established by the 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 a review of periodic reports of the Trust as presented by PFM Asset Management ("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.

Attached is the Investment Advisor's Compliance Certificate as of June 30, 2024. 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.

In December 2021, PFMAM was acquired by U.S. Bancorp Asset Management, Inc ("USBAM"), a subsidiary of U.S. Bank. As a wholly-owned subsidiary of USBAM, PFMAM has been operating as a separate entity and registered investment advisor ("RIA") as PFM Asset Management LLC. Effective October 2024, PFMAM's investment advisory client accounts will be consolidated under USBAM. Upon consolidation, PFMAM will be de-registered as an RIA and dissolved as a legal entity. The PFMAM brand will continue as a division of USBAM. As guided by District Counsel, the District executed amendments to PFMAM's Contract and the OPEB Trust Agreement to transfer both of these agreements to USBAM, as the successor to PFMAM.

PFMAM'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.

The Trust's asset value at June 30, 2024 was **\$128.8 million**.¹ The chart below provides a summary of Trust activities by fiscal year since its inception in November 2007. Since inception through FY 23/24, the District has made \$208 million in contributions into the Trust and has paid out \$158.8 million in retiree benefits and administrative expenses. Cumulative return on investments has added \$79.6 million into the Trust assets.

¹ June 30, 2024 Trust asset value of \$128.8 million is preliminary, awaiting updated market values of private investments.

	Beginning Balance	Annual Contribution	Annual Payments	Investment Return	Ending Balance
Partial FY 07/08*	\$ -	\$ 10,209,037	\$ (4,255,509)	\$ 281,945	\$ 6,235,474
FY 08/09	\$ 6,235,474	\$ 13,993,687	\$ (8,975,702)	\$ (1,434,092)	\$ 9,819,367
FY 09/10	\$ 9,819,367	\$ 14,356,768	\$ (9,554,010)	\$ 1,529,365	\$ 16,151,490
FY 10/11	\$ 16,151,490	\$ 14,850,545	\$ (9,584,054)	\$ 3,799,163	\$ 25,217,143
FY 11/12	\$ 25,217,143	\$ 15,133,177	\$ (9,491,712)	\$ 255,634	\$ 31,114,242
FY 12/13	\$ 31,114,242	\$ 14,519,520	\$ (8,278,072)	\$ 3,975,759	\$ 41,331,449
FY 13/14	\$ 41,331,449	\$ 11,332,344	\$ (8,478,331)	\$ 7,565,266	\$ 51,750,728
FY 14/15	\$ 51,750,728	\$ 11,724,682	\$ (8,101,045)	\$ 1,800,781	\$ 57,175,145
FY 15/16	\$ 57,175,145	\$ 12,132,624	\$ (8,480,853)	\$ 1,146,494	\$ 61,973,410
FY 16/17	\$ 61,973,410	\$ 11,649,415	\$ (10,320,873)	\$ 7,287,638	\$ 70,589,590
FY 17/18	\$ 70,589,590	\$ 12,293,865	\$ (10,516,715)	\$ 6,274,272	\$ 78,641,012
FY 18/19	\$ 78,641,012	\$ 12,701,935	\$ (10,608,573)	\$ 6,229,598	\$ 86,963,973
FY 19/20	\$ 86,963,973	\$ 13,125,165	\$ (10,507,493)	\$ 4,955,497	\$ 94,537,142
FY 20/21	\$ 94,537,142	\$ 11,681,681	\$ (10,392,279)	\$ 25,906,727	\$ 121,733,271
FY 21/22	\$ 121,733,271	\$ 12,032,777	\$ (10,478,412)	\$ (14,938,891)	\$ 108,348,745
FY 22/23	\$ 108,348,745	\$ 8,130,243	\$ (10,028,078)	\$ 9,833,578	\$ 116,284,488
FY 23/24	\$ 116,284,488	\$ 8,109,235	\$ (10,795,114)	\$ 15,179,910	\$ 128,778,520
Cumulative from Trust Inception		\$ 207,976,700	\$ (158,846,825)	\$ 79,648,645	
*Inception Trust - 11/6/2007					

In 2020, as recommended by the Trust Board, the District Board authorized the execution of the sixth amendment to PFMAM’s contract for a three-year base term effective March 1, 2021, through February 29, 2024, with two additional one-year option terms, exercisable by the District, at an estimated total cost of \$1,198,000 for the five-year period. Subsequently, in March 2024, as further recommended by the Trust Board, the District exercised the option to extend the contract for two additional one-year terms through February 28, 2026.

At its October 24, 2024 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: Compliance Certificate

THIS PAGE INTENTIONALLY LEFT BLANK

Golden Gate Bridge - Investment Assets
Asset Allocation Targets

As of June 30, 2024
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	37.4%	36.0%	26.0%	- 46.0%	Yes
International Equity	21.3%	19.0%	9.0%	- 29.0%	Yes
Other	0.0%	0.0%	0.0%	- 10.0%	Yes
INCOME					
Fixed Income	29.3%	25.0%	5.0%	- 45.0%	Yes
Other	0.0%	0.0%	0.0%	- 10.0%	Yes
Alternatives					
Private Equity	4.7%	6.7%	0.0%	- 10.0%	Yes
Private Debt	5.8%	6.7%	0.0%	- 10.0%	Yes
Real Assets	1.3%	6.6%	0.0%	- 10.0%	Yes
Cash	0.2%	0.0%	0.0%	- 20.0%	Yes

THIS PAGE INTENTIONALLY LEFT BLANK