



Agenda Item No. (7)

To: OPEB Retirement Investment Trust Board
Meeting of October 23, 2025

From: Alice Ng, Director of Fiscal Resources
Jennifer H. Mennucci, Auditor-Controller

Subject: **CONDUCT AN ANNUAL REVIEW OF THE OPEB INVESTMENT POLICY, TRUST BOARD SERVICE PROVIDERS, AND THE TRUST BOARD CHARTER; AND AUTHORIZE SUBMISSION OF THE TRUST BOARD'S ANNUAL REPORT TO THE DISTRICT BOARD OF DIRECTORS**

Recommendation

Staff recommends the Other Post-Employment Benefits ("OPEB") Retirement Investment Trust Board ("Trust Board"):

1. Conduct an Annual Review of the OPEB Investment Policy, Trust Board Service Providers, and the Trust Board Charter; and,
2. Authorize submission of the Trust Board's Annual Report to the Golden Gate Bridge, Highway and Transportation District ("District") Board of Directors ("Board").

Summary

The Charter of the OPEB Retirement Investment Trust Board ("Trust Board") requires that the Trust Board, on at least an annual basis, monitor compliance with the OPEB Trust Investment Policy, review and assess the performance of any Trust Board service providers, and review the adequacy of the Charter. The results of this annual review are then reported to the District Board of Directors. To facilitate the Trust Board's review of these matters, the attached draft report has been prepared. The Trust Board is invited to discuss, edit and approve the draft report for submission to the District Board at the District's Finance-Auditing Committee Meeting of November 20, 2025.

The Trust's asset value at June 30, 2025 was **\$142.8 million**.¹ The chart below provides a summary of the Trust activities by fiscal year since its inception in November 2007. Since inception through FY 24/25, the District has made \$218.5 million in contributions into the Trust

¹ June 30, 2025 Trust asset value of \$142.8 million is preliminary, awaiting updated market values of private investments.

and has paid out \$170.4 million in retiree benefits and administrative expenses. Cumulative return on investments has added \$94.7 million into the Trust assets.

	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
FY 24/25	\$ 128,778,520	\$ 10,529,924	\$ (11,534,980)	\$ 15,022,114	\$ 142,795,579
Cumulative from Trust Inception		\$ 218,506,624	\$ (170,381,805.0)	\$ 94,670,759	
*Inception Trust - 11/6/2007					

Annual Review of the OPEB Investment Policy

As discussed in the attached draft report, staff has reviewed the Investment Advisor's Compliance Certificate, certifying that the investment portfolio is in full compliance with the District's OPEB Investment Policy and Trust Agreement.

Annual Review of Trust Board Service Providers

To assist the Trust Board in the assessment of PFM Asset Management ("PFMAM") as the Investment Advisor and Trust Administrator, and U.S. Bank National Association ("U.S. Bank") as the Trustee and Custodian, staff provides the following information on three performance criteria: investment performance, pricing, and customer service.

Investment Performance

The Trust's asset value at June 30, 2025 was **\$142.8 million**, as compared to \$128.8 million at June 30, 2024. Please refer to pages 2.3 through 2.11 of PFMAM's Annual Investment Report for the fiscal year ended June 30, 2025 (attached in Agenda Item No. 5) for a summary of the Trust's investment performance as of June 30, 2025.

Investment Performance on Combined Assets (Liquid Account and Investment Account)

For FY 24/25, the Trust's combined assets' gross investment return (net of asset managers' fees but before PFMAM advisory and U.S. Bank trustee and custodial fees) was **11.43%** and was 0.72% below its relative blended benchmark of 12.15%. From inception, the gross return was **7.12%** and was 0.80%, above its relative blended benchmark of 6.32%.

For FY 24/25, the Trust's combined assets' investment return net of all fees was **11.25%** (11.43% less approximately 0.18% for PFMAM advisory and U.S. Bank trustee and custodial fees). From inception, the Trust's investment return net of all fees was **6.88%** (7.12% less approximately 0.24% for PFMAM advisory and U.S. Bank trustee and custodial fees).

Investment Performance on Investment Assets (Investment Account)

Based on the Peer Group Analysis² on pages 2.9 and 2.10 in PFMAM's Annual Investment Report for the fiscal year ended June 30, 2025, the Trust Fund (Investment Assets only) was ranked in the **37th percentile** out of 39 public plans with assets between \$75 million and \$150 million as of June 30, 2025 (as compared to 27th percentile for the California Employers Retiree Benefits Trust ("CERBT")). From inception (December 2007), the Trust Fund (Investment Assets) was ranked in the **20th percentile** out of 21 public plans with assets between \$75 million and \$150 million as of June 30, 2025.

Below is a summary of the Trust's Investment Funds, on a net basis (after asset managers' fees, PFMAM advisory and U.S. Bank trustee and custodial fees) compared to the CERBT.

As of June 30, 2025							
		1 year	3 year	5 year	10 year	Since Inception**	
PFMAM - Investment Funds							
	Gross Return*	11.56	11.24	9.01	8.06	7.12	(12/1/07)
	Est. PFM Advisory and U.S. Bank Trustee & Custodial Fees	0.18	0.19	0.20	0.22	0.24	
	Net Return	11.38	11.05	8.81	7.84	6.88	(12/1/07)
CERBT							
	Net Return	12.27	9.83	7.88	6.81	5.60	(6/1/07)
* Gross Return is investment return net of investment manager fees but before PFMAM Advisory & US Bank trustee & custodial fees							
** "Since Inception" performance is presented for information purposes only - not for comparative purposes as the inception dates differ							

Pricing

Under an unbundled compensation structure, PFMAM's fee for management of the OPEB trust assets, U.S. Bank's trustee, custodial and trading fees, as well as asset managers' fees and expense ratios, are segregated. PFMAM bills the District directly for the management of OPEB trust assets while U.S. Bank bills the District directly for custodial, trustee, and trading fees. Managers' fees and expense ratios are netted out of the assets directly by the mutual funds. As per its contract with the District, PFMAM does not receive compensation from any other source relating to the

² The Peer Group Analysis is generated using the third-party software, Investment Metrics. Investment Metrics' Portfolio Analytics and Reporting (PARis) platform is a performance analysis and information reporting system. The sponsor peer groups are a consolidation of all plans across all the investment consulting firms using the PARis platform.

management of the District's assets. Additionally, effective December 7, 2021, as a result of the acquisition of PFMAM by U.S. Bancorp Asset Management, Inc. ("USBAM"), which is a subsidiary of U.S. Bank, PFMAM will not charge any fee on assets invested in an investment fund with respect to which any compensation is received, directly or indirectly, by USBAM.

PFMAM's fee for management of the OPEB trust assets is based on the amount of assets managed and is currently as follows:

- 0.30% annum for the first \$25 million
- 0.15% annum for the next \$75 million
- 0.10% annum over \$100 million

U.S. Bank's custodial administrative fee is 0.025% annum for the first \$100 million of assets; 0.015% annum over \$100 million. Portfolio transaction fees range from \$1.50-\$15.00 per transaction and there is an annual trustee fee of \$1,000.

For FY 24/25, total fees were \$722,095 comprised of the following:

	Total Fees	% of MV of Assets
• PFMAM's fee for management of OPEB trust assets	\$ 222,237	0.16%
• U.S. Bank's trustee, custodial and trading fees	32,270	0.02%
Total Fees to PFMAM/U.S. Bank	\$ 254,507	0.18%
• Estimated Asset manager(s)' fees and expense ratios (netted out of investment returns)	467,588	0.34%
Total Fees	\$ 722,095	0.52%

Total fees of \$722,095 are approximately 52 basis points (0.52%) based on an average Trust asset market value during FY 24/25 of \$137.9 million. The total of 52 basis points is comprised of 18 basis points (0.18%) for "hard fees" paid to PFMAM/U.S. Bank and approximately 34 basis points (0.34%) for asset managers' fees and expense ratios that are netted out of investment returns. According to Morningstar's 2024 Fee Study, the average weighted expense ratio across all funds was 0.34% (with asset-weighted average fee for Active Funds at 0.59% and Passive Funds at 0.11%).

Other administrative costs (not covered under the District's contract with PFMAM) paid from the Trust assets during FY 24/25 include fees for HRA administration services (\$54,860 paid to Navia), actuarial services (\$3,200 paid to Foster & Foster), and fiduciary liability insurance premium (\$15,105 paid to USI Insurance Services). These were encumbered and approved by the District in full compliance with the District's procurement policy.

Customer Service

As of June 30, 2025, the combined OPEB Plan assets of PFMAM and USBAM is \$7.8 billion, servicing 66 public agencies. PFMAM's transportation OPEB clients include the Los Angeles County Metro Transit Authority, Metropolitan Transportation Commission, the Port Authority of New York and New Jersey, and SunLine Transit Agency. PFMAM's California OPEB clients include the counties of Sonoma, Napa, and Yolo, and the cities of Roseville, Livermore, Santa Rosa, Sunnyvale, and Bakersfield.

Both PFMAM and U.S. Bank provide timely reporting and are very responsive to District staff's requests and inquiries. PFMAM has also continued to provide informative and educational briefings to the Board members at each meeting.

New Contract with PFMAM

As recommended by the Trust Board, staff will request that the District Board authorize the execution of Contract No. 2025-D-088 with U.S. Bancorp Asset Management, Inc. ("USBAM") for a three-year base term effective March 1, 2026, through February 28, 2029, with two additional one-year option terms, exercisable by the District, at an estimated total cost of \$1,400,000 for the five year period.

PFMAM and U.S. Bank's pricing under the proposed contract is summarized below:

PFMAM Fees

First \$25 million of assets	0.30%
Next \$75 million of assets	0.15%
Next \$200 million of assets	0.10%
Over \$300 million of assets	0.05%

US Bank Fees

First \$100 million of assets	0.020%
Next \$100 million of assets	0.015%
Over \$200 million of assets	0.002%

Transaction Fees per Trade	\$2.00-\$15.00 per transaction
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The estimated savings from the new reduced fee schedule is \$50,000 over the proposed five-year contract period, effective March 1, 2026 through February 28, 2031 (inclusive of the two one-year options).

PFMAM has demonstrated strong historical investment performance, its pricing is reasonable and competitive, and both PFMAM and U.S. Bank have consistently provided responsive customer service in addressing the District's requests. PFMAM has continued to perform well since its engagement by the District, allowing for the most flexibility accompanied by good investment performance at a reasonable cost.

Annual Review of the Trust Board Charter

Staff does not recommend any changes to the Trust Board Charter at this time.

Fiscal Impact

There is no fiscal impact.

Attachment: Draft of the Trust Board's Annual Report to the Bridge District

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ATTACHMENT



Agenda Item No. x

To: Finance-Auditing Committee/Committee of the Whole
Meeting of November 20, 2025

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 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 Golden Gate Bridge, Highway and Transportation District ("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 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, 2025. 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.

On December 7, 2021, PFMAM was acquired by U.S. Bancorp Asset Management, Inc. (“USBAM”), a subsidiary of U.S. Bank. On October 1, 2024, following the consolidation of PFMAM under USBAM, and dissolution of PFMAM as a legal entity, the Agreement and Trust Agreement were amended to transfer the rights and obligations of PFMAM under the Agreement and Trust Agreement to USBAM. PFMAM is now a division of USBAM and continues to do business under the "PFM Asset Management" name. For familiarity and convenience, staff will refer to USBAM as PFMAM, notwithstanding that the Agreement, and the proposed agreement, is with USBAM.

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, 2025 was **\$142.8 million**.¹ The chart below provides a summary of the Trust activities by fiscal year since its inception in November 2007. Since inception through FY 24/25, the District has made \$218.5 million in contributions into the Trust and has paid out \$170.4 million in retiree benefits and administrative expenses. Cumulative return on investments has added \$94.7 million into the Trust assets.

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*Inception Trust - 11/6/2007					

At the October 2025 District Board meeting, as recommended by the Trust Board, the District Board authorized the execution of Contract No. 2025-D-088 with USBAM for a three-year base term effective March 1, 2026, through February 28, 2029, with two additional one-year option terms, exercisable by the District, at an estimated total cost of \$1,400,000 for the five year period.

At its October 23, 2025 meeting, the Trust Board conducted its performance review of both PFAMAM and U.S. Bank....[TBD - to be drafted following Trust Board discussion; previous wording is drafted below for the Trust Board consideration:

The Trust Board conducted its performance review of both PFAMAM 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

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