



Finance and Administration Committee Agenda Item 4d

August 16, 2016

Item Name: California Employers' Retiree Benefit Trust Report

Program: California Employers' Retiree Benefit Trust

Item Type: Information Consent

Executive Summary

The California Employers' Retiree Benefit Trust (CERBT) program continues to grow and to deliver valuable service to both contracted and prospective employers. CERBT achieved two significant milestones in surpassing \$5 billion in assets under management and over 400,000 covered lives represented.

Strategic Plan

This agenda item supports the California Public Employees' Retirement System (CalPERS) Strategic Plan Goal A of improving long-term pension and health benefit sustainability. Employers who participate in the CERBT can help finance future retiree health care costs in large part from investment earnings provided by CalPERS.

Background

The CERBT is a CalPERS program whose purpose is to prefund employer other post-employment benefit (OPEB) liabilities.

The CERBT program delivers five key advantages:

1. Excellent investment management.
2. Simple and focused administrative procedures.
3. Financial reporting compliant with governmental accounting standards.
4. Outstanding customer service.
5. Lowest service cost.

It is the concurrent delivery of all five of these advantages that differentiates CERBT from its competitors.

Analysis

CERBT's marketing and retention efforts to employers continue to be delivered through various channels. During Fiscal Year (FY) 2015-16 CERBT staff completed sixteen workshops throughout the state. These workshops were hosted at CalPERS Regional Offices and employer sites, and allowed employers to learn about the CERBT program, its services, and the benefits of prefunding OPEB.

The chart below provides data from the FY 2015-16 CERBT workshops. For additional detail by workshop location see Attachment 1.

	Total
Employers Registered	218
Employers Attended	140
Attendees Registered	298
Attendees Attended	189

From the FY 2015-16 workshops, 110 qualified employer leads were generated. The goal is to move the leads through three categories; looking at CERBT, employer staff to recommend CERBT to its governing body, and governing body has approved and employer will join the CERBT.

CERBT staff provides a year-round communication and outreach process to retain contracted employers. CERBT staff provides annual update reports to participating employers through in-person meetings, teleconferences and emails. The annual update reports include information on program developments, improvements, performance results and employer account information. In turn, employers often use these annual reports to inform their governing bodies. Employers report this communication effort is a useful and valuable service to them. The CERBT goal is to deliver in-person annual update presentations to 125 employers, deliver 1:1 teleconferences to another 125 employers and customized 1:1 emails with the remaining. CERBT staff delivered 491 annual update during Fiscal Year 2015-2016. There were no terminations during FY 2015-16 thus the retention rate was 100 percent. For more detailed retention information please see Attachment 1, page 2 of 2.

The CERBT fund continues to grow. During FY 2015-16 the number of contracted employers increased 6.7 percent, from 462 to 493. During the same period, cumulative employer net contributions increased 17.5 percent, from \$3.45 billion to \$4.05 billion; the CERBT assets under management increased 15.2 percent, from \$4.49 billion to \$5.17 billion and total covered lives increased 4.2 percent, from 386,586 to 402,835. For more detailed information please see Attachment 2.

The CERBT offers three asset allocation strategies for its contracted employers to choose from. For the 12 months ending June 30, 2016 those strategies returned between 1.04% and 4.18%, and all three outperformed their respective benchmarks by between 11 and 33 basis points on a gross basis. For more detailed information please see Attachment 2, page 2 of 2.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

Not Applicable



Attachments

Attachment 1 – Covered Lives, Workshops, and Retention Statistics

Attachment 2 – Performance Statistics

John Swedensky

Assistant Chief

Prefunding Programs

Cheryl Eason

Chief Financial Officer