



## Finance and Administration Committee Agenda Item 4j

September 19, 2017

**Item Name:** California Employers' Retiree Benefit Trust Report

**Program:** California Employers' Retiree Benefit Trust

**Item Type:** Information Consent

### **Executive Summary**

This agenda item provides an annual update on the status, efforts, and strategies for the California Employers' Retiree Benefit Trust (CERBT) program that provides prefunding services to participating employers for Other Post-Employment Benefits (OPEB).

### **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**

#### Overview

Participating employers receive year-round communication, education outreach services, and annual update reports to support retention. Staff conducts semi-annual workshops at CalPERS Regional Offices and employer hosted sites to provide education/technical support. Participating employers also receive tailored reports that provide information on program developments, improvements, performance results, and account information for stakeholder communication and reporting requirements.

### Program Update

The number of employers in the CERBT program continues to grow. From Fiscal Year 2015/2016 to Fiscal Year 2016-17 the number of participating employers increased by 6.3% and there was only one termination.

<b>Program growth: Fiscal Year 2015/ 2016 to Fiscal Year 2016-17</b>	
<b>Growth Area</b>	<b>% Increase</b>
Assets Under Management	31.4%
Cumulative Employer Contributions	26.1%
Total Participating employers	6.3%
Total Plan Members	81.3%

### Investment Update

Net investment returns for FY 2016-17 were 10.52%, 7.18%, and 4.07% for CERBT Strategies 1, 2 & 3, respectively and returns outperformed their benchmarks for the year by between .59% & .66% for the strategies. The investment performance across the 1-year, 3-year, and 5-year measurement periods is aligned with the risk profile for each of the strategies with CERBT Strategy 1 showing the highest returns, which are attributable to a higher allocation to equities. The CERBT asset allocation review is scheduled for 2018 and will be completed after the PERF review is conducted.

### **Budget and Fiscal Impacts**

Not Applicable

### **Benefits and Risks**

Not Applicable

### **Attachments**

Attachment 1 – California Employers' Retiree Benefit Trust Update

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**Arnita Paige, Chief**

Pension Contract and Prefunding Programs

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**Marlene Timberlake D'Adamo**

Interim Chief Financial Officer

