



## Finance and Administration Committee

# Agenda Item 5i

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**September 25, 2018**

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

**Program:** Pension Contract Management Services

**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. CalPERS team members conduct 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 2016/2017 to Fiscal Year 2017/18 the number of participating employers increased by 3.5. There were two terminations.

<b>Program growth: Fiscal Year 2016/ 2017 to Fiscal Year 2017/18</b>	
<b>Growth Area</b>	<b>% Increase</b>
Assets Under Management	22.1%
Cumulative Employer Contributions	19.5%
Total Participating Employers	3.5%
Total Plan Members	6.6%

### Investment Update

Net investment returns for FY 2017/18 were 7.91%, 6.14%, and 4.62% for CERBT Strategies 1, 2 & 3, respectively and returns outperformed their benchmarks for the year by between 0.22% & 0.30% 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 was performed in April 2018 and will be fully implemented by October 1, 2018.

### **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**

Pension Contract and Prefunding Programs

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