



Finance and Administration Committee

Agenda Item 5h

September 17, 2019

Item Name: California Employers' Retiree Benefit Trust Report

Program: Prefunding Programs

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 2017-2018 to Fiscal Year 2018-19 the number of participating employers increased by 3.7%. There was one termination.

Program growth: Fiscal Year 2017-2018 to Fiscal Year 2018-2019	
Growth Area	% Increase
Assets Under Management	18.2%
Cumulative Employer Net Contributions	15.5%
Total Participating Employers	3.7%
Total Plan Members	0.32%

Investment Update

Net investment returns for FY 2018-19 were 6.13%, 6.98%, and 7.15% for CERBT Strategies 1, 2 & 3, respectively, and returns outperformed their benchmarks for the year by between 0.05% & 0.13% for the strategies. CERBT Strategy 3 posted the highest returns, which are attributable to a higher allocation to fixed income. Fixed income was the strongest performing asset class due to volatility in the market.

Budget and Fiscal Impacts

Not Applicable

Benefits and Risks

Not Applicable

Attachments

Attachment 1 – California Employers' Retiree Benefit Trust Update

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Pension Contract and Prefunding Programs

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Chief Financial Officer