

**MONTEREY PENINSULA REGIONAL PARK DISTRICT
BOARD OF DIRECTORS MEETING**

DATE: August 7, 2019
TO: Board of Directors
FROM: Kelly McCullough, Finance Manager
REVIEWED BY: Rafael Payan, General Manager
SUBJECT: Other Postemployment Benefits (OPEB) Prefunding Plan Progress

RECOMMENDED ACTION

Staff respectfully recommends that the Board review the California Employees Retirement Benefit Trust (CERBT) Account Update presentation materials (**ATTACHMENTS 1 – 4**) and advise staff on potential investment strategy changes.

FISCAL IMPACT:

Unknown at this time. Has the potential to affect investment returns in the CERBT account.

FUNDING SOURCE:

This is not an expense request.

FUNDING BALANCE:

\$2,547,835

DISCUSSION:

Staff provides an CERBT annual update for the Board detailing the cumulative and current year activity (**ATTACHMENT 1**).

The District has the ability to change its' investment strategy at any time during the year, however, the timing of any changes may have a fiscal impact. The District is required to provide an actuarial valuation every two years with a roll-forward every year in between. In the year in which a full valuation is performed, staff provides the actuary with a choice of one of the three investment strategies offered by the CERBT. The District has been in Strategy 1 since joining the CERBT. The strategy selection is then provided to the CERBT and used for their reporting purposes. Should the District decide to change investment strategies between full actuarial valuations, it would require another full valuation be provided to the CERBT, which is quite costly. The District is coming upon its normal schedule for a full actuarial valuation. The Board has the opportunity to change direction on its investment strategy or stay in the same strategy.

Attached to this report are the latest information sheets (**ATTACHMENTS 2 – 4**) available on the three strategies offered by the CERBT.

- **STRATEGY 1**, the District's current investment strategy, includes a higher percentage of equities than the other two options. Strategies invested in a higher percentage of equities seek higher investment returns, but also assume more risk, and will likely experience a greater fluctuation of value. This has been the District's experience.
- **STRATEGY 2**, consists of a moderate allocation of equities, bonds and other assets. If the Board is seeking a moderate approach, this is the investment portfolio to consider.
- **STRATEGY 3**, consists of a lower percentage of equities than bonds, and other assets. This portfolio may experience less fluctuation in value. If the Board is seeking greater stability of value, in exchange for possible lower investment returns, this is the investment portfolio to consider.

After a year of extreme volatility, investments have recently been performing well. As can be seen in the attached CERBT Account Update (**ATTACHMENT 1**), the District is back to an 84% funded status compared to the year previous, where we were at 79% funded. The goal is to stay at or near 100% funded without exceeding 100%.

Staff would like to continue watching the results of the current investment strategy throughout the remainder of the year to determine if a contribution is necessary to achieve a near 100% funded status.

Staff requests the Board provide direction on their desire to remain with the current investment strategy, Strategy 1 or to switch to Strategy 2 or Strategy 3 at the next actuarial valuation report. The questions on slide #9 of the CERBT Account Update (**ATTACHMENT 1**) may assist the Board in analyzing their desired strategy. In addition, staff recommends that the Board's Finance Committee work with staff to develop an OPEB Funding Policy.

ATTACHMENTS:

1. [CERBT Account Update](#)
2. [CERBT Strategy 1](#)
3. [CERBT Strategy 2](#)
4. [CERBT Strategy 3](#)