



# *Camarillo City Council*

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## **AGENDA REPORT**

Date: November 13, 2024

To: Honorable Mayor and City Councilmembers

From: Greg Ramirez, City Manager

Submitted by: Mark Uribe, Finance Director

Subject: Annual Review of Policy 3.09 Other Post-Employment Benefits (OPEB) Trust Investment

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## **BACKGROUND**

The City of Camarillo Other Post-Employment Benefits (OPEB) Trust Investment Policy was originally adopted on July 22, 2009. Section E of the Policy states that the Policy will be reviewed annually by the Investment Committee and the City Council. The Investment Committee met on October 21, 2024 to review the Policy and recommendation. The committee agreed to forward the Policy to the City Council for approval.

## **DISCUSSION**

### Plan Design

The City participates in the CalPERS 2%@55 Public Agency Miscellaneous Employees pension plan. City employees are eligible for post-retirement medical benefits upon reaching age 50 with a minimum of 5 years of service. The City contributes a minimum amount described in Government Code Section 22825 of the Public Employees Medical and Hospital Care Act, \$157 per month for calendar year 2024. Retirees must contribute any premium amounts in excess of the City contribution.

On July 22, 2009, the City Council adopted Resolution No. 2009-119 which created the PARS Public Agencies Post-Retirement Health Care Plan Trust (Plan). On July 11, 2018, the City Council adopted Resolution No. 2018-76 which created the PARS Public Agencies Post-Employment Benefits Trust (Plan), a combined trust for the purpose of pre-funding both pension (PRSP) obligations and OPEB obligations. The combined trust clearly separates the funds intended for each obligation. IRS Section 115 Trusts may be used by local governments towards pre-funding pension obligations. The monies placed in a Section 115 Trust are irrevocable, meaning they cannot be withdrawn to use for any other purpose.

The City Council also selected PARS as the OPEB Plan Administrator, and the Moderate Investment Strategy Guidelines was selected for the investment of funds placed within the trust.

The goal of the OPEB trust, as stated in the Policy, is to attain and maintain a fully funded status. The OPEB Trust Investment Policy outlines parameters for the investment of funds to maximize return over the long-term horizon, subject to risk and quality constraints set for in the OPEB Investment Policy. This differs from the City's Investment Policy primary objectives of safeguarding principal and ensuring liquidity to meet cash flow needs.

Contributions to the Plan are based on an Actuarial Valuation which estimates the cost of post-retirement medical benefits attributable to current retirees and active employees who are expected to receive the benefit upon retirement. The results of the most recent Actuarial Valuation detail four different funding scenarios to properly fund the plan.

### Policy Discussion

Section E of the Policy states that the Investment Manager shall advise staff of any recommended changes to the policy as needed. For the 2024 annual policy review, there are recommended changes for clarification of Investment Manager, Return Objective and Asset Allocation Strategy.

### Plan Performance

The balance of the trust has grown from the initial contribution of \$1,865,000 on September 2, 2009, to end June 30, 2024, with \$6,056,632. The Funded Ratio (Actuarial Value of Plan Assets/AAL), at June 30, 2024, was 100.9%.

The anticipated rate of return for the PARS Diversified "Moderate" Portfolio is 6.3% over a 30-year time horizon and is factored into the most recent Actuarial Valuation update. For Fiscal Year 2023/24, the annualized investment return was 11.67%. The annualized investment return since inception is 6.00%.

### **FISCAL IMPACT**

There is no budget impact as a result of this action. The monies in the Trust will continue to offset the City's OPEB obligation.

### **RECOMMENDATION**

Approve the amendments made to City Council Policy 3.09 Other Post-Employment Benefits (OPEB) Trust Investment.

### **ATTACHMENTS**

1. Policy 3.09 Other Post-Employment Benefit (OPEB) Trust Investment (Redline)

### **REFERENCE MATERIALS – AVAILABLE FOR REVIEW AT CITY HALL**

None