

Prefunding Other Post-Employment Benefits (OPEB)
with the
California Employers' Retiree Benefit Trust (CERBT)

Employer

August 5, 2022

Why Should You Prefund?

Increase investment income

- Outperform County Treasury & LAIF
- Build a larger base of assets to increase earnings

Reduce unfunded liabilities and contributions

- Trust assets reduce liabilities
- Higher discount rates reduce liabilities and contributions

Prudent financial management

- Improves financial reporting outcomes
- Contributes to preserving positive credit ratings
- Ongoing cost

CERBT Customer A

Initial contribution: 6/21/2010

OPEB Funding Policy: Contribute 100% of ADC

Fiscal Year Ending	6/30/2008 (Pay-Go)	6/30/2019 (Prefund)
Discount Rate	4.25%	7.28%
Total OPEB Liability	\$7,869,000	\$4,323,267
Cumulative CERBT Contributions	\$0	\$1,690,878
Net Investment Income Generated	\$?	\$1,039,384
CERBT Assets	\$0	\$2,715,805
Net OPEB Liability	\$7,869,000	\$1,607,462
Funded Status	0%	63%

OPEB Pay-As-You-Go vs. Prefunding - Estimated

Fiscal Year Ending	6/30/2020 (Pay-Go)	6/30/2021 (Prefund)
Discount Rate	3.50%	6.50%
Total OPEB Liability	\$6,310,545	~\$4,417,381
CERBT Contributions	\$0	\$500,000 (Option 1)
Net Investment Income Generated	1-2% (LAIF)	6-7% (CERBT)
CERBT Assets	\$0	~\$532,500
Net OPEB Liability	\$6,310,545	~\$3,884,881
Funded Status	0%	12%

Advantages of the CEPPT & CERBT

- **Investment policy and management services by CalPERS**
 - Unmatched resources and economies of scale
 - Most broadly diversified portfolios
 - No socially conscious divestment
- **Lowest total participation cost**
 - Not-for-profit make us always the least expensive option
 - Least volatile way to save money and net better returns
- **Excellent customer service**
 - 98% retention rate of more than 600 clients over 14 years
- **Simple administration**
 - Join or leave at anytime and zero costs
- **GASB compliance**
 - Already have a PLR for CERBT
 - Getting a PLR for CEPPT once IRS opens the process again
 - No audit findings

Prefunding Program Employers

621 contracting employers (598 CERBT and 75 CEPPT)



State of California



157 Cities or Towns



10 Counties

81 School Employers



32 Courts



340 Special Districts &
Public Agencies



Prefunding Programs Portfolios

Portfolios	CERBT Strategy 1	CERBT Strategy 2	CERBT Strategy 3	CEPPT Strategy 1	CEPPT Strategy 2
Expected Return	6.0%	5.5%	5.0%	4.5%	3.5%
Risk	12.1% (-6.1 - +18.1)	9.9% (-4.4 - +15.4)	8.4% (-3.4 - +13.4)	8.2% (-3.7 - +12.7)	5.2% (-1.7 - +8.7)

CERBT Portfolio Details

Asset Classification	Benchmark	CERBT Strategy 1	CERBT Strategy 2	CERBT Strategy 3
Global Equity	MSCI All Country World Index	59% ±5%	40% ±5%	22% ±5%
Fixed Income	Bloomberg Capital Long Liability Index	25% ±5%	43% ±5%	49% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8% ±5%	8% ±5%	8% ±5%
Treasury Inflation Protected Securities (TIPS)	Bloomberg Capital Global Real: US TIPS Index	5% ±3%	5% ±3%	16% ±3%
Commodities	S&P GSCI Total Return Index	3% ±3%	4% ±3%	5% ±3%
Cash	3-Month Treasury Bill	0% +2%	0% +2%	0% +2%

CEPPT Portfolio Details

Asset Classification	Benchmark	CEPPT Strategy 1	CEPPT Strategy 2
Global Equity	MSCI All Country World Index	40% ±5%	14% ±5%
Fixed Income	Bloomberg U.S. Aggregate Bond Index	47% ±5%	73% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8% ±5%	8% ±5%
Treasury Inflation Protected Securities (TIPS)	Bloomberg Capital Global Real: US TIPS Index	5% ±3%	5% ±3%
Cash	3-Month Treasury Bill	0% +2%	0% +2%

Investment Returns Outperform Benchmarks

Periods Ended June 30, 2022

CERBT OPEB	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CERBT Strategy 1 (Inception June 1, 2007)	\$12,805,762,723	-6.65%	-12.97%	-13.35%	-13.35%	4.60%	5.60%	6.86%	4.86%
Benchmark		-6.71%	-13.07%	-13.55%	-13.55%	4.32%	5.32%	6.51%	4.45%
CERBT Strategy 2 (Inception October 1, 2011)	\$1,750,235,674	-5.53%	-11.49%	-12.54%	-12.54%	3.35%	4.66%	5.69%	6.29%
Benchmark		-5.57%	-11.54%	-12.66%	-12.66%	3.15%	4.43%	5.37%	6.02%
CERBT Strategy 3 (Inception January 1, 2012)	\$747,065,965	-4.56%	-9.82%	-10.72%	-10.72%	2.56%	3.91%	4.55%	4.81%
Benchmark		-4.59%	-9.84%	-10.77%	-10.77%	2.41%	3.73%	4.22%	4.53%
CERBT Total	\$15,303,064,362								

CEPPT PENSION	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CEPPT Strategy 1 (Inception October 1, 2019)	\$58,090,430	-4.86%	-10.08%	-12.41%	-12.41%	-	-	-	2.49%
Benchmark		-4.95%	-10.24%	-12.62%	-12.62%	-	-	-	2.41%
CEPPT Strategy 2 (Inception January 1, 2020)	\$25,825,663	-3.12%	-7.30%	-10.94%	-10.94%	-	-	-	-0.48%
Benchmark		-3.14%	-7.34%	-11.02%	-11.02%	-	-	-	-0.62%
CEPPT Total	\$83,916,093								

Time weighted return reports the performance of the investment vehicle, not of the employer assets. Returns are gross. Historical performance is not necessarily indicative of actual future investment performance or of future total program cost. Current and future performance may be lower or higher than the historical performance data reported here. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the original cost. The value of an employer's fund shares will go up and down based on the performance of the underlying funds in which the assets are invested. The value of the underlying funds' assets will, in turn, fluctuate based on the performance and other factors generally affecting the securities market.

You Control the Funding Policy

- Choose appropriate investment strategy
 - Based on investment time horizon and risk tolerance
- Decide if, when, and how much to contribute
 - **Voluntary and never required**
- Decide if and when to seek reimbursement
 - Expenses incurred in current fiscal year
 - CERBT: OPEB Pay-Go costs; implicit rate subsidies
 - CEPPT: Any pension contributions

Total Participation Cost Fee Rate

- All-inclusive cost of participation
 - Combines administrative, custodial, and investment fees
 - Self-funded, not-for-profit, fee rate may change in the future
- Zero cost to join and setup account/s

Fee Rate Illustration

Program	Asset Value on Deposit*	All-Inclusive Fee Rate	Annual Cost
CERBT (OPEB)	\$1,000,000	10 Basis Points (0.10%)	\$1,000
CEPPT (Pension)	\$1,000,000	25 Basis Points (0.25%)	\$2,500

*Asset values shown assume the amount is deposited on the first day of a 12-month calendar year and remains constant the entire 12 months ending on the last day with the exact same amount. No investment gains/losses, or contribution additions/withdrawals are experienced at any time during the 12 months.

There are **no** additional fees of any kind. No set-up, joining, renewal, contribution, disbursement, termination fees. No minimum contribution amount.

Consistently Low Fee Rate History

Fiscal Year	CERBT	CEPPT
2007-2008	2.00 basis points	-
2008-2009	6.00 basis points	-
2009-2010	9.00 basis points	-
2010-2011	12.00 basis points	-
2011-2012	12.00 basis points	-
2012-2013	15.00 basis points	-
2013-2014	14.00 basis points	-
2014-2015	10.00 basis points	-
2015-2016	10.00 basis points	-
2016-2017	10.00 basis points	-
2017-2018	10.00 basis points	-
2018-2019	10.00 basis points	-
2019-2020	10.00 basis points	25.00 basis points
2020-2021	10.00 basis points	25.00 basis points
2021-2022	10.00 basis points	25.00 basis points
2022-2023	10.00 basis points	25.00 basis points

Contracting Documents

Actuary	Governing Body	Employer
Actuarial Valuation	Contract Agreement	Certification of Funding Policy
Certification of Actuarial Information	Delegation of Authority to Request Disbursements	
Summary of Actuarial Information		

Next Steps

Continue Pay-As-You-Go

- Most expensive approach
- Rely 100% on current & future operating budget
- Increasing OPEB costs may stress future budget

Setup Prefunding Options

- ✓ Higher investment income than LAIF/Treasury
- ✓ Reduce budget dependency
- ✓ Rainy day fund
- ✓ Voluntary contributions & retain liquidity

Questions? Where to Get Trust Fund Information?

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