



Agenda Report

February 26, 2018

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Department of Finance

SUBJECT: ADOPTION OF SECTION 115 TRUST INVESTMENT GUIDELINES POLICY

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Adopt the recommended Investment Guidelines policy related to the City's Section 115 Trust and authorize the City Manager to execute the document;

BACKGROUND:

On June 12, 2017, the City Council approved the establishment of a Section 115 Trust in order to pre-fund the City's pension and Other Post-Employment Benefits (OPEB). The City Council also approved an initial deposit of \$10 million from the General Fund Fund Balance towards creating the stabilization fund to prefund retirement plan obligations and \$2 million towards funding the City's OPEB liability.

To recap, Section 115 Trust provides the following benefits:

1. Complete control over the assets by the City of Pasadena
2. Provides a Pension Rate Stabilization fund to smooth out future increases in pension cost
3. Assets in the Trust could be used as rainy day funds when City revenues are impaired based on economic conditions
4. Provides the establishment of an investment portfolio with an asset allocation model that generates greater returns than the authorized investments in Government Section 53600 for the General Fund

Over the last several months, staff worked with the City's actuary, the Trustee of the Section 115 Trust, the Investment Manager and Investment Advisor and hereby recommends the investment of funds in the Section 115 Trust in the Moderately Conservative asset allocation strategy as described in the attached Investment Guidelines Policy document.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

There is no fiscal impact as a result of this action nor will there be any indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action. The adoption of the recommended Investment Policy for the City's Section 115 Trust evidences the City's commitment to ensuring that the City of Pasadena achieves its targeted investment return goals over the life of the Trust.

Respectfully submitted,



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Director of Finance

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Approved by:



STEVE MERMELL
City Manager