



# **Agenda Report**

## **Fullerton City Council**

**MEETING DATE:** FEBRUARY 4, 2020

**TO:** CITY COUNCIL / SUCCESSOR AGENCY

**FROM:** KENNETH A. DOMER, CITY MANAGER

**PREPARED BY:** ELLIS CHANG, DIRECTOR OF ADMINISTRATIVE SERVICES

**SUBJECT:** INVESTMENT ADVISORY COMMITTEE OVERSIGHT AND 115 TRUST PLAN INVESTMENT OBJECTIVE CHANGES AND TREASURER'S REPORT FOR QUARTER ENDED DECEMBER 31, 2020

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### **SUMMARY**

Consideration of Investment Advisory Committee (IAC) oversight of the City's Pension and Other Post-Employment Benefits (OPEB) 115 Trust Plan investments and authorizing the Administrative Services Director / City Treasurer execution of the IAC recommended portfolio investment objective change from passive capital appreciation to active capital appreciation for the 115 Trust Plan investments. Receive and file Treasurer's Investment Report for the second quarter of Fiscal Year 2019-20.

### **RECOMMENDATION**

1. Adopt Resolution No. 2020-XX.  
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, APPROVING EXPANSION OF THE INVESTMENT ADVISORY COMMITTEE'S DUTIES TO INCLUDE OVERSIGHT OF PENSION AND OTHER POST-EMPLOYMENT BENEFITS 115 TRUST PLAN INVESTMENTS
2. Authorize change to both the Pension and Other Post-Employment Benefits 115 Trust Plan investment objectives from Passive Capital Appreciation to Active Capital Appreciation.
3. Receive and file the Quarterly Investment Report.

### **BUDGET POLICY PRIORITY STATEMENT**

This item matches the following Budget Policy Priority Statement:

- Fiscal and Organizational Stability.

## FISCAL IMPACT

To support oversight of the prudent and effective management of the City's Pension and OPEB 115 Trust Plan investment portfolio investment objectives.

## DISCUSSION

### IAC's Role Regarding the 115 Trust Plans and IAC 115 Trust Plan Recommendation

The IAC's current role is to support prudent and effective investment of the City's temporarily idle cash. The City has two portfolios with which it manages its temporarily idle cash – 1-3 Year Portfolio and 1-5 Year Portfolio. Public Trust Advisors provides investment advisory services for these portfolios. See Investment Report – Second Quarter below.

The City Council previously directed Staff to establish a Pension 115 Trust Plan and an OPEB 115 Trust Plan. The City initially contributed \$50,000 to its OPEB 115 Trust Plan and will be contributing \$487,000 to its Pension 115 Trust Plan in this Fiscal Year. As the City has made and may continue to make contributions to the 115 Trust Plans, Staff is recommending that the IAC also provide oversight and make recommendations to City Council with respect to the investment objectives for both of the 115 Trust Plan investments.

At the IAC meeting on January 16, 2020, the 115 Trust Plan Administrator and Consultant, PARS, reviewed both Pension and OPEB Trust Programs with the IAC. During this presentation, an overview of the five available investment objectives was provided to the IAC.

The IAC expressed its willingness and ability to provide oversight to the 115 Trust Plans and made a recommendation that the investment objective for both 115 Trust Plans be changed from passive capital appreciation to active capital appreciation. The associated fees with this change are minimal. This recommendation was based on several factors: the time required to yield investment earnings to grow principal, the intended long-term investment duration and the premise that an actively managed portfolio may support navigation of the anticipated market fluctuations. See PARS OPEB Pre-Funding Trust Program & Pension Rate Stabilization Program Client Review attached.

Should City Council approve Resolution No. 2020-XX to approve expansion of the IAC's oversight to the Pension and OPEB 115 Trust Plan Investments, Staff will present City Council with proposed revisions to the City's Investment Policy to incorporate these changes at a future date.

### Investment Report – Second Quarter

The City's operating portfolio ended the quarter with investments totaling \$127.1 million. Investments included \$31.0 million in the State's Local Agency Investment Fund, \$72.4 million in U.S Treasury Notes, \$9.2 million in Federal Agency issues, \$10.0 million in corporate notes, \$4.0 million in Certificates of Deposit, \$0.0 million in asset-backed

securities and \$0.4 million in money market funds. The market yield was 1.76% at December 31, 2019 and the net income realized for the quarter was \$791,702.

Attachments:

- Attachment 1 – Draft Resolution No. 2020-XX
- Attachment 2 – PARS OPEB Pre-Funding Trust Program & Pension Rate Stabilization Program Client Review
- Attachment 3 – Quarterly Investment Report