



Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA



Regional Water Authority

ANNUAL REVIEW OF INVESTMENT POLICY 500.2 AND OTHER POST EMPLOYMENT BENEFIT (OPEB)

October 26, 2022



Overview

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What is LAIF?

- The Local Agency Investment Fund (LAIF) is a voluntary program created by statute in 1977 as an investment alternative for California's local governments and special districts.
- Led under State Treasurer Fiona Ma's administration.
- LAIF has 2,387 participants & \$35.8 billion as of June 30, 2022.
- LAIF is approximately 16% of the PMIA (Pooled Money Investment Account). PMIA consists of the State's Surplus Money Investment Fund (SMIF), LAIF, and the General Fund. Total ~ \$224 billion.
- LAIF oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee; PMIB members are the State Treasurer, Director of Finance, and State Controller.



Why Stay with LAIF?

- SAFETY – Due to the portfolio's characteristics and management team expertise, credit risk is minimal.
- YIELD - Despite the declining rate of return, LAIF is still reporting positive interest income (1.35 basis points over the last quarter).
- LIQUIDITY – Easy and Fast Access to funds when needed.
- LAIF administrative costs are minimal and are assessed quarterly (.3 basis points last quarter).
- The Government Code states that administrative costs are not to exceed 5% of quarterly earnings of the fund. If the 13-week Daily Treasury Bill Rate on the last day of the fiscal year is below 1%, then administrative costs shall not exceed 8% of quarterly earnings of the fund for the subsequent fiscal year.
- Future Forecast is improving!



CERBT Overview

- CERBT stands for California Employee Retirement Benefits Trust and is used to fund Other Post Employee Benefits (OPEB).
- Managed by CalPERS with \$14.3 billion in assets
- CERBT offers three diversified asset allocation strategies. These strategies invest in five common asset classes:
 1. Commodities, 2. Fixed Income, 3. Global Equity, 4. Global Public Real Estate Investment Trusts (REITs), and 5. Treasury Inflation Protected Securities (TIPS)
- Members can only choose one strategy in order to keep admin fees low. You can not bifurcate strategies unless you have different employee groups that you invest 100%.



CERBT Performance

- RWA has elected to invest in CERBT Strategy 1 – Most Aggressive.
- As a result, CERBT Performance has been volatile over the last 2 years.
- Although every Strategy is projecting a decrease in rate of return, Strategy 1 still has the highest long-term forecasted gains compared to Strategy 2 or Strategy 3.
- RWA's Annual Net Rate of Return, since inception date of June 8, 2009, is 7.29% with cumulative admin fees paid of approximately \$12,000 (less than \$1000 in annual admin fees).



CERBT Outlook

- For RWA, OPEB is used to fund retiree health cost for active, non-active, and future retirees.
- Costs are highest between retirement age and 65 years of age (when Medicare starts).
- Costs are driven by plan premiums, age of staff, years of service with RWA, etc.. Employee salaries do not affect future OPEB funding.
- Future projected cost needs are calculated by an actuarial and updated every two years.
- As the number of retiring employees and new staff increase, so will OPEB funding needs.
- Currently, RWA CERBT is an over-funded status, but that will change radically in the next reporting period.

Staff Recommendations

- Keep RWA cash assets with LAIF.
- Keep on investing in CalPERS CERBT staying with current Investment Strategy 1.
- Recommend No Changes to Investment Policy and Strategies for LAIF and CERBT to the RWA Board of Directors via consent calendar.



Questions and Discussion