



Beverly Hills City Council Liaison / Audit and Finance Committee will conduct a Special Meeting, at the following time and place, and will address the agenda listed below:

CITY OF BEVERLY HILLS
455 N. Rexford Drive
Beverly Hills, CA 90210

TELEPHONIC VIDEO CONFERENCE MEETING

Beverly Hills Liaison Meeting
https://beverlyhills-org.zoom.us/my/bhliaison
Meeting ID: 312 522 4461
Passcode: 90210

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+1 888 788 0099 Toll-Free

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+18887880099,,3125224461#,,,,*90210# Toll-Free

Friday, July 23, 2021
10:00 AM

Pursuant to Executive Order N-25-20, members of the Beverly Hills City Council and staff may participate in this meeting via a teleconference. In the interest of maintaining appropriate social distancing, members of the public can participate in the teleconference/video conference by using the link above. Written comments may be emailed to mayorandcitycouncil@beverlyhills.org.

AGENDA

- 1. Public Comment
a. Members of the public will be given the opportunity to directly address the Committee on any item listed on the agenda.
2. Provide an update to the temporary City of Beverly Hills Section 115 Trust Investment Committee to review the portfolio structure, holdings, and performance.
3. Discuss recommendations and obtain direction for the permanent City of Beverly Hills Section 115 Trust Investment Committee and establishing the City of Beverly Hills Employer Sponsored Retirement Plan Committee
4. Future Agenda Items Discussion
5. Adjournment

Handwritten signature of Huma Ahmed

Huma Ahmed
City Clerk

Posted: July 21, 2021

A DETAILED LIAISON AGENDA PACKET IS AVAILABLE FOR REVIEW AT WWW.BEVERLYHILLS.ORG



Pursuant to the Americans with Disabilities Act, the City of Beverly Hills will make reasonable efforts to accommodate persons with disabilities. If you require special assistance, please call (310) 285-1014 (voice) or (310) 285-6881 (TTY). Providing at least twenty-four (24) hours advance notice will help to ensure availability of services.



STAFF REPORT

Meeting Date: July 23, 2021

To: Audit and Finance Committee

From: Jeff S. Muir, Director of Finance
Tatiana Szerwinski, Assistant Director of Finance

Subject: Update on Section 115 Trust Investment Portfolio and
Recommendation to Permanently Establish the City of Beverly
Hills Section 115 Trust Investment Committee and to Establish
the City of Beverly Hills Employer Sponsored Retirement Plan
Committee

Attachments: None

INTRODUCTION

At its October 5, 2016 meeting, the Budget Review Committee reviewed several vendor options for establishing a Section 115 Trust and recommended Public Agency Retirement Services (PARS) be selected to administer the trust. In the Study Session on December 5, 2017, Council unanimously approved the establishment of a Section 115 Trust and on December 19, 2017, Council unanimously approved the adoption of the public agencies post-employment benefits trust administered by PARS. PARS has partnered with US Bank to serve as trustee and its sub-advisor HighMark Capital Management, Inc., to provide investment management services for the program. In the fall of 2018, then Mayor Gold tasked the City Treasurer with assembling a Blue Ribbon Committee to review the unfunded pension and benefit liabilities of Beverly Hills and make recommendations on addressing its long-term unfunded liabilities. The Committee met four times in the fall of 2018 and a report was brought forward at the April 2, 2019 Study Session, where the City Treasurer presented the Committee's recommendations, one of which included funding the City's Section 115 Trust with funds previously earmarked and reserved for unfunded liabilities. Council unanimously approved funding the City's Trust at this meeting and selected the actively managed Conservative investment strategy. Council also approved a temporary Section 115 Trust Investment Committee comprised of the two members of the Audit and Finance Committee, City Treasurer, City Manager, and Director of Finance (total of five members).

FISCAL IMPACT.

The City initially funded the trust with \$23.0 million for Pension Investment and \$58.7 million for OPEB Investment (total of \$81.7 million). The current balances as of May 31, 2021 of the Pension and OPEB Trusts are \$22.6 million and \$79.1 million, respectively (total of \$101.7 million). The decrease in the Pension Trust is due to the use of trust funds to increase amortization payments to CalPERS per Council adopted direction.

DISCUSSION

Per the terms of the agreement with PARS and the Bylaws of the Section 115 Trust Investment Committee, the Investment Advisor (HighMark) is to provide annual updates to the Committee on portfolio holdings, structure, and performance.

Since adoption of the temporary Committee, one additional meeting was held on August 22, 2019, whereby an update was provided and new direction was received to maintain the investment strategy of the pension trust as Custom-Conservative, actively managed portfolio and to change the OPEB trust to Custom-Moderately Conservative, actively managed portfolio. This change was recommended due to the longer duration for OPEB holdings (30-50 years) and as a result, considering portfolio options with higher returns. As the Pension trust has a shorter-term horizon (10-15 years), the goal was to consider asset preservation and portfolio options with lower returns.

Due to the pandemic, a subsequent annual meeting did not occur in the late summer/early fall of 2020. As the State and City continue efforts to reopen, the Investment Committee has been reconvened to receive an update from the Investment Advisor (HighMark) and Trust Administrator (PARS).

Additionally, as the Section 115 Trust Committee was established as a temporary committee, Finance staff recommends the current Committee be permanently adopted and that a resolution be brought forward for approval by the City Council.

Lastly, Finance staff also recommends that the City of Beverly Hills Employer Sponsored Retirement Plan Committee be established by resolution of the City Council, which would include the City Manager, Director of Finance, and Director of Human Resources. This Committee will be responsible for managing and ensuring fiduciary duties are performed pertaining to the administration of the Employer Sponsored Retirement Plan (consisting of deferred compensation accounts and retiree health savings accounts), which consists of employee accounts (not employer funds). At present, there is no Committee and the Director of Finance serves as Plan Administrator. It is a best practice to establish a Committee comprised of several members to perform the fiduciary duties associated with managing the plans.

RECOMMENDATION

Finance staff recommends that:

1. The current City of Beverly Hills Section 115 Trust Committee be permanently adopted by resolution, consisting of the two members of the Audit and Finance Committee, City Treasurer, City Manager, and Director of Finance,
2. The new City of Beverly Hills Employer Sponsored Retirement Plan Committee be established by resolution, consisting of the City Manager, Director of Finance, and Director of Human Resources, and
3. That Council provide direction on any changes to investment strategy based on the update provided by the Investment Advisor, HighMark.

Tatiana Szerwinski

Approved By

Jeff S. Muir

Approved By