

MEMORANDUM

Shasta County Auditor-Controller's Office

Brian Muir, Auditor-Controller

To: Board of Supervisors

From: Brian Muir, Auditor-Controller

Subject: Combining OPEB Trusts

Date: January 5, 2018

In order to pre-fund Other Post Employment benefits (OPEB), the County has been contributing to two separate trusts since 2008 – the CalPERS California Employers Retiree Benefit Trust and the PARS Public Agencies Post-Retirement Health Care Plan. The trusts have total assets of around \$52 million, and both trusts are invested in a broad range of relatively conservative mutual funds. Over time the CalPERS trust has had greater earnings, but the PARS trust has been invested in a more conservative portfolio than the CalPERS trust portfolio. Although an exact comparison is not possible, below is a comparison if the PARS trust had been invested at a roughly equivalent risk level:

PARS Highmark Capital Appreciation	CalPERS CERBT Strategy 1
<i>24% Fixed Income</i>	<i>27% Fixed Income</i>
One Year	
14.07%	10.80%
Less fees (0.59%)	Less fees (0.10%)
Net 1-Year Return 13.48%	Net 1-Year Return 10.70%
Three Years	
7.54%	5.93%
Less fees (0.59%)	Less fees (0.10%)
Net 3-Year Return 6.95%	Net 1-Year Return 5.83%
Five Years	
9.56%	7.69%
Less fees (0.59%)	Less fees (0.10%)
Net 5-Year Return 8.97%	Net 5-Year Return 7.59%

Past earnings are no guarantee of future earnings, but PARS has historically produced better returns. In addition, if the County were to combine its OPEB trusts with PARS their fees would drop from 0.59% to 0.36% per year.