

**OTHER POST-EMPLOYMENT BENEFITS  
IRREVOCABLE TRUST  
Asset Allocation Committee  
March 14, 2017**

**Agenda & Meeting Notes**

Attendees: Aaron S. Brown, Amber Casolari, Beth Gomez (Absent), Gustavo Segura,  
Dwight Tate, and Melissa Elwood (Guest)

**HANDOUTS:**

- OPEB Irrevocable Trust financial activity for the year ended February 28, 2107
- CalPERS CERBT – Strategy 2 report as of July 31, 2017
- RCCD CalPERS CERBT statement for the quarter ended December 31, 2016

**AGENDA:**

- ❖ Review OPEB Irrevocable Trust Financial Activity for the Period Ended February 28, 2017
- ❖ Review of most recent CERBT Fund Facts – Strategy 2 from CalPERS for the Month Ended January 31, 2017
- ❖ Review of most recent RCCD CERBT Strategy 2 Statement for the Quarter Ended December 31, 2016

**NOTES:**

1. Elwood reviewed financial activity for period ended February 28, 2017 noting contributions, earnings, expenses, and ending balances.
2. Elwood mentioned a difference in the ending balance between the financial activity statement and CERBT reports arising due to cut-off/accrual differences. The differences will be corrected in the future months by delaying the preparation of financial activity statements by one week each month.
3. Casolari asked about the “pay-as-you-go” amount. Elwood responded that it was approximately \$2.3 million. Brown indicated that we pre-fund the “pay-as-you-go” amount at the beginning of the year and then reimburse the District for actual expenditures at year-end.
4. Casolari asked if we were required to pay a certain amount or if we have thought about paying more to make additional progress on the \$25 million liability. Brown responded that there is no external requirement to fund the liability. Brown also responded that any increase to the amount contributed would be an additional cost to the general fund and could take funds away from other competing needs.

5. Casolari asked if the “pay-as-you-go” amount increased due to the retirement incentive. Brown responded that it has increased by over \$1 million for retirees between ages 55 and 65.
6. Casolari asked if we should consider a more aggressive investment strategy. Tate indicated that Investment Strategy 2, for the time being, positions the District in the middle between aggressive Strategy 1 and more conservative Strategy 3, and he favors this position now.
7. Segura asked how the contribution percentage was determined. Brown responded that total payroll is estimated and percentages are evaluated to derive the \$250,000 minimum contribution.
8. Segura asked if some of the ending balance could be used to fund more of a contribution. Brown responded that yes, it could be but use of the ending balance would also impact the following year budget.
9. Casolari indicated that the last couple of years have been better financially so could some of the additional funds be used to increase the contribution. Brown responded that yes, they could be used but since we have decreasing ongoing revenues and increasing ongoing expenditures (PERS, STRS, Health, etc.), he is attempting to reserve as much funds as possible to “soft glide” the structural deficit changes are made to eliminate the differential.

**Riverside Community College District**  
**OPEB Irrevocable Trust Activity - CalPERS CERBT**  
**For the Period Ended February 28, 2017**

Revenues			
Contributions	\$	2,514,155	
Investment Earnings		76,630	
Total Revenues			<u>\$ 2,590,786</u>
Expenditures			
CERBT Administrative Expense		842	
Investment Expense		615	
Distributions for Retiree Health Insurance		-	
Total Expenditures			<u>1,457</u>
Revenues Over (Under) Expenditures	\$		2,589,329
Beginning Fund Balance			<u>358,870</u>
Ending Fund Balance	\$		<u><u>2,948,199</u></u>

# California Employers' Retiree Benefit Trust (CERBT) CERBT Strategy 2



January 31, 2017

## Objective

The objective of the CERBT Strategy 2 portfolio is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. There is no guarantee that the portfolio will achieve its investment objective.

## Strategy

The CERBT Strategy 2 portfolio is invested in various asset classes in percentages approved by the CalPERS Board. The specific percentages of portfolio assets allocated to each asset class are shown under "Composition". Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CERBT Strategy 1 and Strategy 3, this portfolio consists of a moderate allocation of equities, bonds, and other assets. Historically, equities have displayed greater price volatility and therefore, this portfolio may experience comparatively less fluctuation of value compared to CERBT Strategy 1 but more fluctuation of value compared to CERBT Strategy 3. Employers that seek a moderate approach to investing may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes, in composition as well as targeted allocation percentages and ranges at any time.

## Assets Under Management

As of the specified reporting month-end, the aggregate total of assets under management for all CERBT Strategies was **\$5,996,528,138**.

## Composition

### Asset Class Allocations and Benchmarks

The CERBT Strategy 2 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Target Allocation <sup>1</sup>	Target Range	Benchmark
Global Equity	40%	± 2%	MSCI All Country World Index IMI (net)
Fixed Income	39%	± 2%	Barclays Capital Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	10%	± 2%	Barclays Capital Global: US TIPS Index
Real Estate Investment Trusts ("REITs")	8%	± 2%	FTSE EPRA/NAREIT Developed Liquid Index (net)
Commodities	3%	± 2%	S&P GSCI Total Return Index

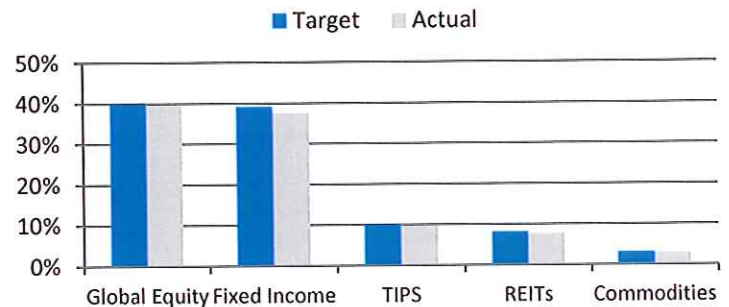
<sup>1</sup> Allocations approved by the Board at the October 2014 Investment Committee meeting

### Portfolio Benchmark

The CERBT Strategy 2 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

### Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may overweight or underweight an allocation to a particular asset class based on market, economic, or CalPERS policy considerations.



## CERBT Strategy 2 Performance as of January 31, 2017

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	Since Inception* (October 1, 2011)
Gross Return <sup>1,3</sup>	1.31%	1.32%	2.25%	10.79%	4.26%	6.01%	7.38%
Net Return <sup>2,3</sup>	1.31%	1.30%	2.19%	10.69%	4.17%	5.89%	7.26%
Benchmark returns	1.29%	1.16%	1.83%	9.97%	3.92%	5.66%	7.10%

Performance quoted represents past performance, which is no guarantee of future results that may be achieved by the fund.

\*Returns for periods greater than one year are annualized.

<sup>1</sup> Gross performance figures are provided net of SSGA operating expenses.

<sup>2</sup> Net Performance figures deduct all expenses to the fund, including investment management, administrative and recordkeeping fees.

<sup>3</sup> See the Expense section of this document.

January 31, 2017

## General Information

### Information Accessibility

The CERBT Strategy 2 portfolio consists of assets managed internally by CalPERS and/or external advisors. Since it is not a mutual fund, a prospectus is not available nor is information available from a newspaper source. This summary is designed to provide descriptive information. CalPERS provides a quarterly statement of the employer's account and other information about the CERBT. For total market value, detailed asset allocation, investment policy and current performance information, including performance to the most recent month-end, please visit our website at: [www.calpers.ca.gov](http://www.calpers.ca.gov).

### Portfolio Manager Information

The CalPERS Investment Committee and Board of Administration directs the investment strategy and investments of the CERBT. Under that direction, CalPERS Investment staff manages fixed income, treasury inflation-protected securities and commodities assets; and State Street Global Advisors (SSgA) manages the global equity and real estate investment trust assets.

### Custodian and Record Keeper

State Street Bank serves as custodian for the CERBT. Northeast Retirement Services serves as record keeper.

### Expenses

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the fee, the greater the reduction of investment return. Currently, CERBT expenses are 0.10% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSgA to manage the global equity and real estate trust assets, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per share. CERBT's actual expenses may differ from the amount currently being accrued due to factors such as changes in average fund assets or market conditions. The expense accrual rate may change without notice in order to reflect changes in average portfolio assets or in expense amounts. The CalPERS Board annually reviews the operating expenses and changes may be made as appropriate. Even if the portfolio loses money during a period, the fee is still charged.

## What Employers Own

Each employer choosing CERBT Strategy 2 owns a percentage of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

## Price

The value of the portfolio changes daily, based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

## Principal Risks of the Portfolio

The CalPERS CERBT Fund provides California government employers with a trust through which they may prefund retiree medical costs and other post-employment benefits. CERBT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives nor provide sufficient funding to meet these employer obligations. Further, CalPERS will not make up the difference between actual health care premiums for payment of future benefits provided to retirees should CERBT assets not be sufficient to cover future obligations.

An investment in the portfolio is not a bank deposit, and it is not insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CERBT Principal Investment Risks" located at [www.calpers.ca.gov](http://www.calpers.ca.gov).

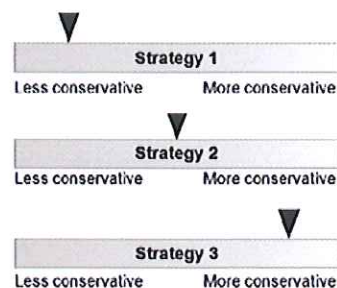
## Fund Performance

Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit [www.calpers.ca.gov](http://www.calpers.ca.gov) and follow the links to California Employers' Retiree Benefit Trust.

## CERBT Strategy Risk Levels

CalPERS offers employers the choice of one of three investment strategies. Risk levels among strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations	Strategy 1	Strategy 2	Strategy 3
Global Equity	57%	40%	24%
Fixed Income	27%	39%	39%
Treasury Inflation-Protected Securities	5%	10%	26%
Real Estate Investment Trusts	8%	8%	8%
Commodities	3%	3%	3%





Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$2,799,066.06	\$358,870.19
Contribution	65,082.57	2,468,733.97
Distribution	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	(51,759.50)	(14,744.83)
Admin Expense	(342.10)	(613.70)
Investment Expense	(250.16)	(448.76)
Other	0.00	0.00
Ending Balance	<u>\$2,811,796.87</u>	<u>\$2,811,796.87</u>
YTD Accrual	0.00	0.00
Grand Total	\$2,811,796.87	\$2,811,796.87

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	192,679.072	25,399.246
Unit Purchases from Contributions	4,600.962	171,880.788
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	<u>197,280.034</u>	<u>197,280.034</u>
Period Beginning Unit Value	14.527089	14.129166
Period Ending Unit Value	14.252820	14.252820

Please note that the Grand Total is your actual fund account balance at the end of the period, including all accrued Contributions and Distributions. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 12/31/2016

Riverside Community College District

Entity #: SKB7-1832356320-001



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
11/02/2016	Contribution	\$21,400.07	\$14.167048	1,510.553	WIRE 2016110200287 699	
11/22/2016	Contribution	\$21,884.77	\$14.042625	1,558.453	WIRE 2016112200335 700	
12/08/2016	Contribution	\$21,797.73	\$14.228693	1,531.956	WIRE 2016120700325 630	

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