



## Legislation Text

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**File #:** 17-521, **Version:** 1

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*Report Prepared by: Venus Rodriguez, Interim Finance Officer*

**SUBJECT:** Investment Advisory Services and Trust 115 for Pension Liability

### REPORT IN BRIEF

Request City Council direction to move forward with Investment Advisory Services and Trust 115 for Pension Liability. Consider naming two City Council members to a Selection Committee.

### RECOMMENDATION

**City Council** - Adopt a motion:

- A. Directing staff to Issue a Request for Proposal for Investment Advisory Services; and
- B. Directing staff to evaluate the benefits of establishing a Trust 115 for Pension Liability and, if determined beneficial, Issue a Request for Quote or Proposal; and
- C. Naming two City Council members to a Selection Committee.

### ALTERNATIVES

1. Approve as recommended by staff; or
2. Approve subject to amended conditions to be addressed in the City Council motion; or
3. Deny; or
4. Continue item to a future City Council meeting (date and time to be specified in City Council motion.)

### CITY COUNCIL PRIORITIES

As provided for in the 2017-18 Adopted Budget.

### DISCUSSION

The Finance Department has been through significant transition in the past six months. Due to time constraints and lack of resources, the department is unable to spend quality time in researching, monitoring, and evaluating investments. The current practice is that, when funds are available to invest, we request offers from at least two brokers that comply with our current City Investment Policy. The Deputy Finance Officer and/or Finance Officer then review the offers and make(s) a selection. In review, some of the benefits of using an external investment advisor are that they have the expertise, time, and resources to analyze our cash flow to maximize investment earnings. Staff would like to request proposals for Investment Advisory Services.

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50%

to 7.00%. CalPERS will begin a five-year ramp-up in Fiscal Year 2018-19 to take into account actuarial gains and losses, as well as changes in actuarial assumptions or methods. The first three of the five years will also incorporate the new discount rate. It is expected that the City of Merced's citywide cost at full phase-in will double from \$7.1 to \$14.7 million. During several government conferences and/or seminars, the discussion of opening a Trust 115 in order to mitigate pension liability has become the hottest topic of conversation for government agencies. Staff would like to proceed in researching and evaluating the potential of a Trust 115 for pension liability. If it is determined to provide a positive benefit for the City, we would proceed in requesting a proposal or quote.

Staff would also like to request that the City Council consider naming two Council Members to a selection committee for these two items. The selection committee would be comprised of the Interim Finance Officer, a Finance accountant, the Assistant City Manager, and two City Council Members.

### **IMPACT ON CITY RESOURCES**

No funding is needed.