



CITY COUNCIL AGENDA STATEMENT



December 8, 2020

File ID: 20-0406

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING THE CITY'S PARTICIPATION IN THE PUBLIC AGENCY RETIREMENT SERVICES (PARS) POST-EMPLOYMENT BENEFITS TRUST PROGRAM (SECTION 115 PENSION TRUST FUND) TO BE ADMINISTERED BY PARS, WITH U.S. BANK AS TRUSTEE, DELEGATING SECTION 115 PENSION TRUST FUND ACTIVITY TO THE DIRECTOR OF FINANCE/TREASURER AND AUTHORIZING THE DIRECTOR OF FINANCE/TREASURER TO EXECUTE THE DOCUMENTS TO IMPLEMENT THE PROGRAM

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

The City of Chula Vista solicited proposals from qualified firms interested in performing the duties and functions necessary to establish and manage a Section 115 Pension Trust Fund for the City, as well as to provide investment services for said Trust Fund. This award allows the City to select a firm(s) based on their expertise and on the City's needs.

A total of three (3) firms submitted proposals and they were all considered to be responsive. A committee was formed to review all three proposals. After the scores were finalized, Public Agency Retirement Services (PARS) was selected to perform Section 115 Pension Trust Fund Administration and Investment Management Services for the City.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) State Guidelines and has determined that the activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable

DISCUSSION

The City of Chula Vista provides its full-time miscellaneous and safety employees with a defined benefit pension plan through the California Public Employees' Retirement System (CalPERS). The City has routinely looked for opportunities to increase the funded status of its CalPERS plans and minimize the volatility of changes in required contributions. The City is currently working on issuing Pension Obligation Bonds to pay off all or a portion of its UAL to achieve Fiscal Sustainability, among other objectives. Part of The City's plan includes setting aside a portion of the future savings into a Section 115 Trust to help mitigate future pension cost increases.

On September 30, 2020, the City of Chula Vista released a Request for Proposal (RFP) for "Section 115 Pension Trust Fund Administration and Investment Management Services" and conducted a competitive RFP process to identify the most qualified 115 Trust provider. Through the competitive RFP process, the City has selected PARS as the most qualified provider of these services. They are well-known and well-respected for their similar work with many public agencies across the region including the cities of Coronado, National City, La Mesa and Lemon Grove. In addition, the City has been working with PARS for nearly the last thirty years on the management of our alternate to Social Security plan for part-time employees. They have over thirty-five years of experience and are recognized as an industry leader for public employee benefit services.

In an effort to help public agencies address and manage their pension liability, PARS has developed the PARS Post-Employment Benefits Trust Program. PARS has assembled leading professionals to provide the City with the necessary services required under one program to pre-fund pension and retiree health care liabilities through an IRS approved program. The program has been established as a multiple employer trust so that public agencies regardless of size can join the program to receive the necessary economies of scale to keep administrative fees low and avoid any setup costs. Funds are set aside in an irrevocable trust that cannot be accessed by creditors. The trust permits the City, under federal and state law, to invest in a more diversified array of investments to maximize investment returns long term and reduce the City's overall liabilities. The City can request a distribution from the Trust at any time to help reduce on-going required contribution to CalPERS.

PARS has partnered with US Bank to serve as trustee and its sub-adviser HighMark Capital Management, Inc., to provide investment management services for the program.

Expected benefits offered by the PARS Post-Employment Benefit Trust program include:

- Contributions placed in an exclusive benefit trust could address the City's Net Pension Liability.
- Investment flexibility with Section 115 Trust compared to restrictions on general fund investments (Govt. Code 53216).
- Increased risk diversification of plan assets through different asset management.
- Investments can be tailored to the City's unique demographics.
- Oversight and control of fund management selection, monitoring of performance and ability to replace fund management based on performance criteria.
- Increased flexibility on use of trust assets (i.e., trust assets can be accessed at any time as long as the assets are used to fund the City's pension obligations).
- Potential for positive rating agency and investor consideration.

Scope of Services

The selected firm(s) will assist the City in establishing and administering a Section 115 Pension Trust Fund, as well as in providing investment services for said Trust Fund.

In order to assist the City, the firm selected will be required to have the capabilities to perform the following services including but not limited to:

- Offer an IRS-approved irrevocable funding vehicle to protect the City's assets.
- Implement the trust program within 120 days of executing contracts.
- With City Staff, develop an Investment Policy for the Section 115 Pension Trust Fund.
- Provide a full-service program that includes Trust Administration and Trustee and Investment Management Services.
- Work directly with City Staff to prepare asset allocation guidelines for the trust based on the City's investment objectives and risk tolerance and compliance with the City's Investment Policy.
- Provide education/presentations regarding the pension trust program to Council and other City staff.
- Assist with GASB 74/75 Reporting.
- Provide quarterly and annual comparative performance analyses and evaluation reports of the Investments of the Trust.
- Coordinate all contributions into the trust and process any requests for appropriate distribution.

Firm Selection Process

Finance staff followed Chula Vista Municipal Code Section 2.56.110 in the selection process. As required, a Request for Proposal (RFP) was prepared, advertised and posted on PlanetBids, the City's third-party bid platform. A total of 256 vendors were notified through the posting of this RFP.

The RFP included a description of the scope of work and the time frames for completion. Each firm was asked to indicate in its proposal: 1) proof of general familiarity with various Section 115 Pension Trust Funds; 2) past record of performance and references and names and qualifications of all key personnel to be used in the project, including any subconsultants; 3) methodology to be used in accomplishing the scope of work 4) proof of capacity, resources and specialized equipment or expertise to perform the work; and 5) a cost estimate.

The following three (3) firms submitted responses to this RFP:

<u>Firm Name</u>	<u>Location</u>
Chandler Asset Management	San Diego, CA
Public Agency Retirement Services	Newport Beach, CA
PFM Asset Management LLC	Los Angeles, CA

The Selection Committee consisted of the following members:

David Bilby, Director of Finance/Treasurer
James Moore, Accounting Technician
Patricia Macias, Management Analyst

The Selection Committee members were provided with individual copies of the proposals from the 3 firms. The Selection Committee reviewed all three proposals taking into account each firms' qualifications of personnel, adherence of firm's proposal to RFP guidelines, resources available to perform tasks on time and within budget, firm experience directly related to contract, and total cost and justification. Public Agency Retirement Services (PARS) was selected as the most qualified to perform the services required for the City of Chula Vista. This decision was based on evaluating many criteria, including project team and area

knowledge, experience handling similar pension trust funds for other agencies and municipalities, and quality of work based on results achieved through similar contracts. In regard to all of these factors, the Selection Committee concluded that the case for Public Agency Retirement Services (PARS) was the strongest among the competing firms.

Adoption of the resolution presented with this item will authorize City staff to proceed with retaining PARS to perform Section 115 Pension Trust Fund Administration and Investment Management Services, approve the use of the PARS program, which will utilize U.S. Bank as the trustee for the program, and authorize the City's Director of Finance/Treasurer to negotiate and execute all agreements and documents necessary to implement the program.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code §87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

There is no current-year fiscal impact. There is no cost to set up the new trust fund and there are no fees until assets are added.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact. All fees and charges will be offset by interest earned in the trust.

ATTACHMENTS

None.

Staff Contact: Patricia Macias, Management Analyst