

**OPEB Pre-Funding Trust Program & Pension Rate Stabilization Program (PRSP) Client Review**

February 23, 2021

### Summary of Agency's OPEB Plan

<b>Plan Type:</b>	IRC Section 115 Irrevocable Exclusive Benefit Trust
<b>Trustee Approach:</b>	Discretionary
<b>Plan Effective Date:</b>	April 10, 2014
<b>Plan Administrator:</b>	District Treasurer
<b>Current Investment Strategy:</b>	Capital Appreciation (Active) Strategy; Individual Account

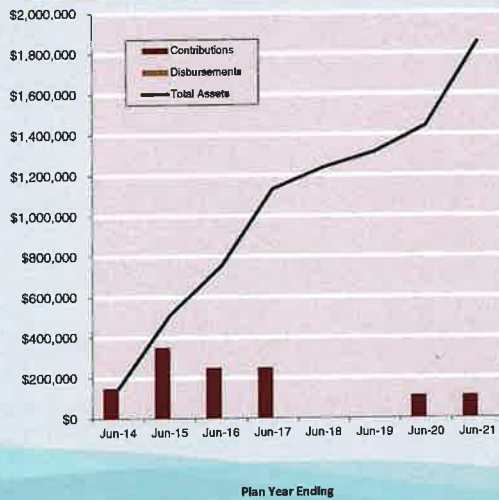
**AS OF DECEMBER 31, 2020:**

<b>Initial Contribution:</b>	June 2014: \$150,000
<b>Additional Contributions:</b>	\$1,070,000
<b>Total Contributions:</b>	\$1,220,000
<b>Disbursements:</b>	\$0
<b>Total Investment Earnings:</b>	\$673,857
<b>Account Balance:</b>	\$1,853,977



## Summary of Agency's OPEB Plan

Contributions, Disbursements, and Total Assets as of December 31, 2020:



Year	Contributions	Disbursements	Total Assets
Jun-14*	\$150,000	\$0	\$150,000
Jun-15	\$350,000	\$0	\$510,025
Jun-16	\$250,000	\$0	\$751,849
Jun-17	\$250,000	\$0	\$1,131,243
Jun-18	\$0	\$0	\$1,237,589
Jun-19	\$0	\$0	\$1,312,312
Jun-20	\$110,000	\$0	\$1,442,623
Jun-21**	\$110,000	\$0	\$1,853,977

\*Plan Year Ending June 2014 is based on 1 month of activity.  
 \*\*Plan Year Ending June 2021 is based on 6 months of activity.



## OPEB Actuarial Results

Demographic Study, Valuation Date: June 30, 2019

We have received the actuarial report by Bartel Associates, LLC dated September 30, 2020 with a valuation date as of June 30, 2019. In the table below, we have summarized the results.

Actives	57
Retirees	32
<b>Total</b>	<b>89</b>



## OPEB Actuarial Results

Data from June 30, 2019 Valuation (6.75% Discount Rate, Prefunding)

<b>Total OPEB Liability (TOL)</b> <i>Actuarial Accrued Liability (AAL)</i>	\$1,696,467
<b>Fiduciary Net Position</b> <i>Actuarial Value of Assets</i>	\$1,312,312*
<b>Net OPEB Liability (NOL)</b> <i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$384,175
<b>Funded Ratio</b>	77.4%
<b>Actuarially Determined Contribution (ARC)</b> <i>Annual Required Contribution (ARC)</i>	\$115,302
<b>Annual Benefit Payments (Pay-as-you-Go)</b>	\$90,965

**Rule of thumb:** For every one percent increase in the discount rate, the unfunded liability is lowered by 10-12%.

\* As of December 31, 2020, PARS 115 Trust OPEB Assets total \$1,853,977



## Summary of Agency's Pension Plan

<b>Plan Type:</b>	IRC Section 115 Irrevocable Exclusive Benefit Trust
<b>Trustee Approach:</b>	Discretionary
<b>Plan Effective Date:</b>	June 8, 2017
<b>Plan Administrator:</b>	District Treasurer
<b>Current Investment Strategy:</b>	Capital Appreciation (Active) Strategy; Individual Account

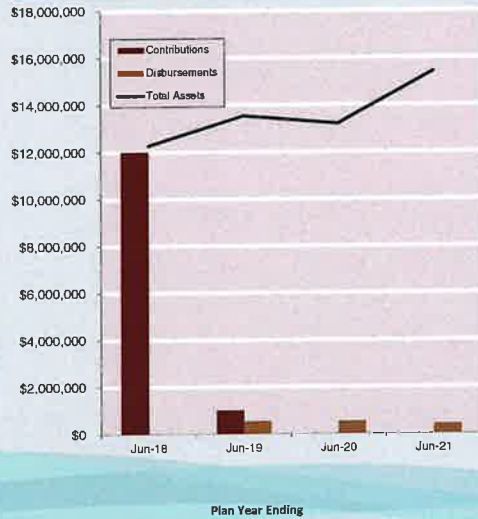
**AS OF DECEMBER 31, 2020:**

<b>Initial Contribution:</b>	July 2017: \$1,000,000
<b>Additional Contributions:</b>	\$12,000,000
<b>Total Contributions:</b>	\$13,000,000
<b>Disbursements:</b>	\$1,446,321
<b>Total Investment Earnings:</b>	\$4,043,415
<b>Account Balance:</b>	\$15,401,641



## Summary of Agency's Pension Plan

Contributions, Disbursements, and Total Assets as of December 31, 2020:



Month	Contributions	Disbursements	Total Assets
Jun-18	\$12,000,000	\$0	\$12,278,123
Jun-19	\$1,000,000	\$531,042	\$13,528,061
Jun-20	\$0	\$517,312	\$13,188,800
Jun-21*	\$0	\$397,966	\$15,401,641

\*Plan Year Ending June 2021 is based on 6 months of activity.



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## Pension Funding Status

As of June 30, 2019, Mesa Water District's CalPERS pension plan is funded as follows\*:

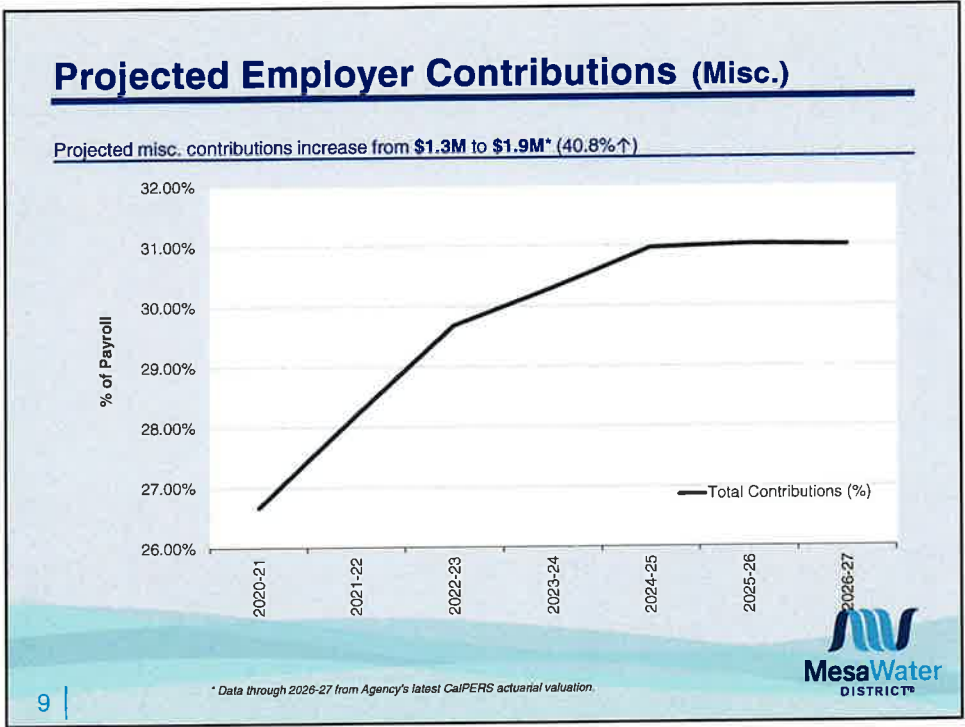
Combined Miscellaneous Groups	Valuation as of June 30, 2018	Valuation as of June 30, 2019	Change
Actuarial Liability	\$42.6 M	\$48.5 M	4.98% ↑
Assets	\$34.3 M	\$35.9 M**	4.66% ↑
Unfunded Liability	\$11.9 M	\$12.6 M	5.88% ↑
Funded Ratio	74.2%	73.9%	0.40% ↓
Employer Contribution Amount	\$1.2 M (FY 19-20)	\$1.3 M (FY 20-21)	8.33% ↑
Employer Contribution Amount	---	\$1.9 M (FY 26-27)	40.8% ↑

\* Data through 2026-27 from Agency's latest CalPERS actuarial valuation.

\*\* As of December 31, 2020, PARS 115 Trust Pension Assets total \$15,401,641

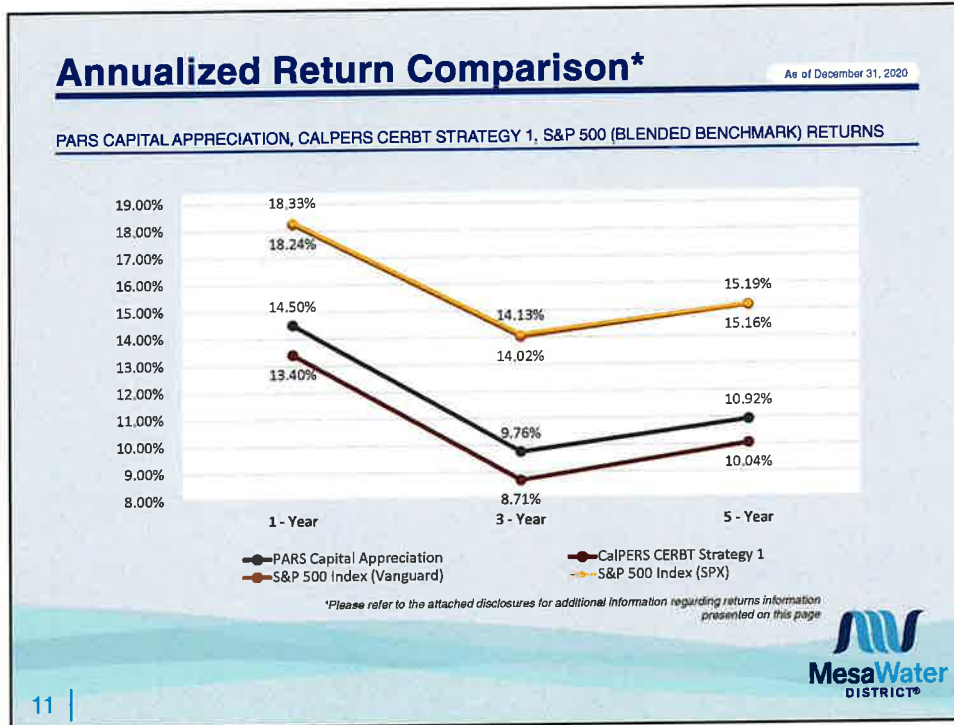


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## PARS: Mesa Water District

Presented by  
Christiane Tsuda  
HighMark Capital Management



## Disclosures

- All returns are presented gross of investment management fees and net of embedded fees as of 12/31/2020
- PARS/Highmark Capital Appreciate returns are based on Capital Appreciation Portfolio as provided by HighMark Capital Management
- CalPERS CERBT Strategy 1 returns provided by CalPERS
- S&P 500 (Vanguard) returns are based on the Vanguard S&P 500 Index fund
- S&P 500 (SPX) returns are based on the SPX Index fund

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## Discussion Highlights: Mesa Water District

### Investment objective – Mesa Water District - OPEB

#### Asset Allocation: PARS/Capital Appreciation HM Plus (Active)

Allocation Target – 75.08% stocks (65-85% range), 23.64% bonds (10-30% range), 1.27% cash (0-20% range)  
 Large cap 44.89%, Mid-cap 5.11%, Small cap 7.06%, International 16.84%; REIT 1.18%

#### Performance: Mesa Water District (OPEB)

(as of 12-31-2020 gross of investment management fees, net of fund fees)

3-Months:	13.24%
6-Months:	20.17%
12-Months (YTD):	14.69%
3-Years:	9.74%
5-Years:	10.93%
Inception to Date (8-1-2014):	8.88%

### Investment objective – Mesa Water District – PENSION

#### Asset Allocation: PARS/Capital Appreciation HM Plus (Active)

Allocation Target – 72.64% stocks (65-85% range), 23.49% bonds (10-30% range), 3.87% cash (0-20% range)  
 Large cap 42.48%, Mid-cap 5.13%, Small cap 11.59%, International 12.25%; REIT 1.19%

#### Performance: Mesa Water District (Pension)

(as of 12-31-2020 gross of investment management fees, net of fund fees)

3-Months:	13.26%
6-Months:	20.36%
12-Months (YTD):	14.77%
3-Years:	9.78%
Inception to Date (8-1-2017):	10.59%

#### Asset Allocation:

Added high yield  
 Adding to REIT's  
 Recently raising small cap allocation



## Discussion Highlights: Mesa Water District

### Economic Review

- Coronavirus continues to impact on the global growth...trying to find a path forward to re-open the economy
- Fed QE liquidity fueled rally...willing to accept risk of inflation to support economy
- New administration with President Biden – brings a new direction of globalism and normalizing relations with allies
- Democrats seize both houses of Congress...more fiscal stimulus appears likely...help for struggling states...future tax hikes...some version of a green new deal/clean energy



## Administrative Review

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- 1 Future contributions
- 2 Future disbursement requests/options
- 3 Agency's future actuarial valuation for GASB 45/75 compliance  
Next valuation measurement date: (06/2021)
- 4 GASB 75 updates – effective for fiscal years beginning after June 15, 2017
- 5 Investment Guidelines Document
- 6 Client funding policy
- 7 Client Feedback
- 8 GASB 74/75 Compliance
- 9 Employer Portal