

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

June 24, 2020

## Summary of Agency's OPEB Plan

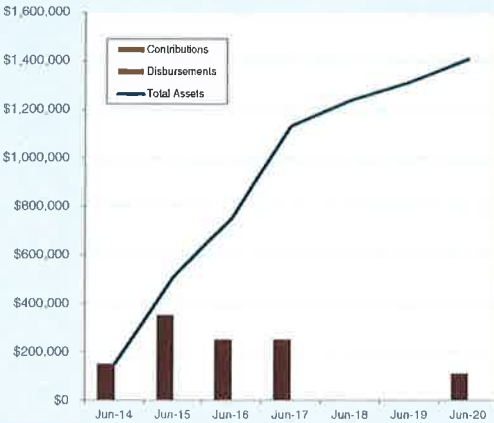
<b>Plan Type:</b>	IRC Section 115 Irrevocable Exclusive Benefit Trust
<b>Trustee Approach:</b>	Discretionary
<b>Plan Effective Date:</b>	April 10, 2014
<b>Plan Administrator:</b>	District Treasurer
<b>Current Investment Strategy:</b>	Capital Appreciation (Active) Strategy; Individual Account

**AS OF MAY 31, 2020:**

<b>Initial Contribution:</b>	June 2014: \$150,000
<b>Additional Contributions:</b>	\$959,999
<b>Total Contributions:</b>	\$1,109,999
<b>Disbursements:</b>	\$0
<b>Total Investment Earnings:</b>	\$333,409
<b>Account Balance:</b>	\$1,408,017

## Summary of Agency's OPEB Plan

Contributions, Disbursements, and Total Assets as of May 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	\$1,237,569
Jun-19	\$0	\$0	\$1,312,312
Jun-20**	\$110,000	\$0	\$1,408,017

\*Plan Year Ending June 2014 is based on 1 month of activity.  
 \*\*Plan Year Ending June 2020 is based on 11 months of activity.

Plan Year Ending



## OPEB Actuarial Results

Demographic Study, Valuation Date: June 30, 2017

Actives	53
Retirees	36
<b>Total</b>	<b>89</b>



## OPEB Actuarial Results

Data from June 30, 2017 Valuation (6.75% Discount Rate, Prefunding)

<b>Total OPEB Liability (TOL)</b> <i>Actuarial Accrued Liability (AAL)</i>	\$1,815,878
<b>Fiduciary Net Position</b> <i>Actuarial Value of Assets</i>	\$1,131,244
<b>Net OPEB Liability (NOL)</b> <i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$684,634
<b>Funded Ratio</b>	62.3%
<b>Actuarially Determined Contribution (ARC)</b> <i>Annual Required Contribution (ARC)</i>	\$143,000
<b>Annual Benefit Payments (Pay-as-you-Go)</b>	\$89,724

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



## 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 MAY 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>	\$990,875
<b>Total Investment Earnings:</b>	\$1,073,454
<b>Account Balance:</b>	\$12,926,500



## Summary of Agency's Pension Plan

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



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## Pension Funding Status

As of June 30, 2018, Mesa Water District's CalPERS pension plan is funded as follows\*:

Combined Miscellaneous Groups	Valuation as of June 30, 2017	Valuation as of June 30, 2018	Change
Actuarial Liability	\$42.6 M	\$46.2 M	8.45% ↑
Assets	\$32.4 M	\$34.3 M	5.86% ↑
Unfunded Liability	\$10.2 M	\$11.9 M	16.67% ↑
Funded Ratio	76.1%	74.2%	2.5% ↓
Employer Contribution Amount	\$1.1 M (FY 18-19)	\$1.2 M (FY 19-20)	9.09% ↑
Employer Contribution Amount (FY 25-26)	---	\$1.8 M	48.0% ↑

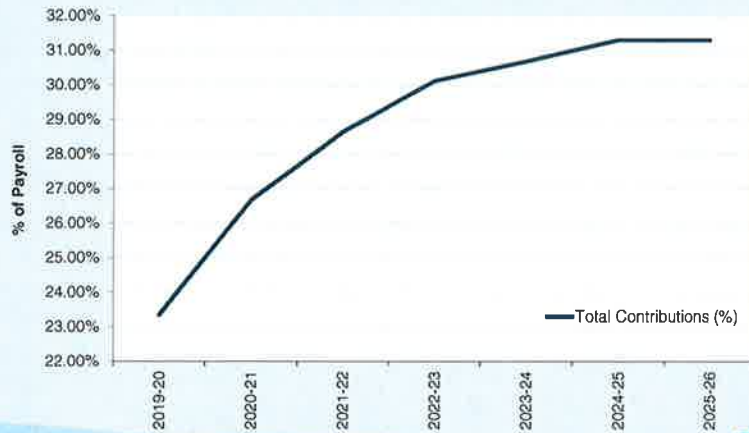
\* Data through 2025-26 from Agency's latest CalPERS actuarial valuation.

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## Projected Employer Contributions (Misc.)

Projected misc. contributions increase from \$1.2M to \$1.8M\* (48.0%↑)



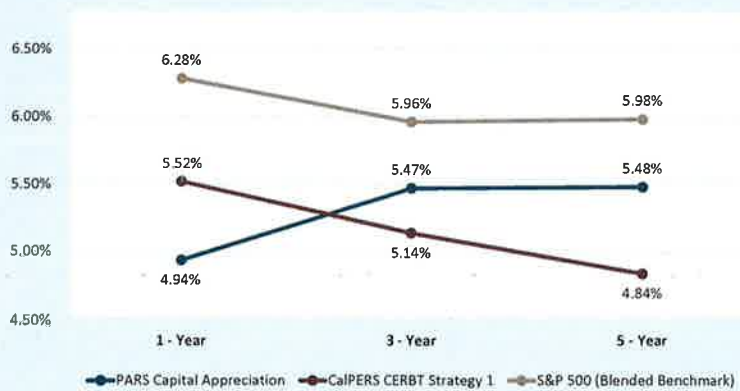
\* Data through 2025-26 from Agency's latest CalPERS actuarial valuation.



## Annualized Return Comparison\*

As of May 31, 2020

PARS CAPITAL APPRECIATION, CALPERS CERBT STRATEGY 1, S&P 500 (BLENDED BENCHMARK) RETURNS



\*Please refer to the attached disclosures for additional information regarding returns information presented on this page



## Disclosures

- All returns are presented gross of investment management fees and net of embedded fees as of 5/31/2019
- PARS/Highmark Capital Appreciate returns are based on Mesa Water District's individualized OPEB returns as provided by HighMark Capital Management
- CalPERS CERBT Strategy 1 returns provided by CalPERS
- S&P 500 (Blended Benchmark) returns are based on the blend of the following:  
Inception - Present: 39.5% S&P 500, 10.5% Russell 2000, 10.25% MSCI EAFE (net), 7.5% Russell MidCap, 5.25% MSCI EM (net), 16% Bloomberg Barclays US Aggregate Bond, 3% ICE BofA 1-3 Year US Corporate/Government, 1% ICE BofA US High Yield Master II, 2% Wilshire REIT, 5% FTSE 1 Month T-Bill



## PARS: Mesa Water District

Presented by  
Keith Stribling, CFA  
HighMark Capital Management



# Discussion Highlights: Mesa Water District

## Investment objective – Mesa Water District –OPEB

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

- Allocation Target – 72.73% stocks (65-85% range), 22.66% bonds (10-30% range), 4.60% cash (0-20% range)
- Large cap 44.92%, Mid-cap 5.24%, Small cap 6.14%, International 15.23%; REIT 1.20%

### Performance: Mesa Water District (OPEB)

(as of 5-31-2020 gross of investment management fees, net of fund fees)

- 2-Months: 13.89%
- 5-Months (YTD): -6.91%
- 1-Year: 4.94%
- 3 -Years: 5.47%
- 5 -Years: 5.48%
- Inception to Date (8-1-2014): 5.95%

## Investment objective – Mesa Water District –PENSION

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

- Allocation Target – 73.05% stocks (65-85% range), 22.73% bonds (10-30% range), 4.22% cash (0-20% range)
- Large cap 45.12%, Mid-cap 5.26%, Small cap 6.12%, International 15.30%; REIT 1.21%

### Performance: Mesa Water District (Pension)

(as of 5-31-2020 gross of investment management fees, net of fund fees)

- 2-Months: 13.88%
- 5-Months (YTD): -6.99%
- 1-Year: 4.75%
- Inception to Date (8-1-2017): 4.83%



# Discussion Highlights: Mesa Water District

## Economic Review

- Coronavirus and it's impact on the global growth
- Unprecedented spike in unemployment claims as economies shut down
- Fed steps up big – creating a “bridge loan” to the capital markets
- Congress acts swiftly to get cash to businesses and consumers impacted
- Uncertain recovery...looking for a medical solution to temper virus symptoms
- Trying to find a path forward to re-open the economy



### Asset Allocation: Mesa Water District - OPEB

	Ticker	Investment Vehicle	Weight
<b>Equity</b>			<b>72.73%</b>
Large Cap Core	COFYX	Columbia Contrarian Core Cl Y	8.34%
	VGIAX	Vanguard Gro & Inc Admiral Shares	18.97%
Large Cap Value	DODGX	Dodge & Cox International Stock Fund	6.10%
	IVE	iShares S&P 500 Value ETF	2.52%
Large Cap Growth	HNACX	Harbor CP Appre Rtrmt Cl	4.52%
	PRUFX	T. Rowe Price Growth Stock Fund	4.47%
Mid Cap Growth	IWR	iShares Russell Mid Cap ETF	5.24%
Small Cap Value	UBVFX	Undiscovered Mgrs Behavrl R6	2.94%
Small Cap Growth	RSEJX	Victory RS Small Cap Growth	3.21%
International Core	DFALX	DFA Large Cap International Port	4.50%
International Value	DODFX	Dodge & Cox International Stock Fund	2.82%
International Growth	MGRDX	MFS International Growth Fund	2.79%
Emerging Markets	HHHFX	Hartford Schrodr Mkts Eq	5.12%
REIT	VNQ	Vngrp Index Tr Reit Viper Shs	1.20%
<b>Fixed Income</b>			<b>22.66%</b>
Short-Term	VFSUX	Vanguard Short-Term Corp Adm Fund	2.52%
Intermediate-Term	PTTRX	PIMCO Total Return Instl Fund	6.68%
	PTRQX	Prudential Total Return BD	6.75%
	DBLFX	Doubleline Core Fixed Inc Cl I	6.71%
<b>Cash</b>			<b>4.60%</b>
	FGZXX	First Amern Govt Oblig Fd CL Z	4.60%
<b>TOTAL</b>			<b>100.00%</b>

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### Asset Allocation: Mesa Water District - Pension

	Ticker	Investment Vehicle	Weight
<b>Equity</b>			<b>73.05%</b>
Large Cap Core	COFYX	Columbia Contrarian Core Cl Y	8.37%
	VGIAX	Vanguard Gro & Inc Admiral Shares	19.05%
Large Cap Value	DODGX	Dodge & Cox International Stock Fund	6.13%
	IVE	iShares S&P 500 Value ETF	2.53%
Large Cap Growth	HNACX	Harbor CP Appre Rtrmt Cl	4.54%
	PRUFX	T. Rowe Price Growth Stock Fund	4.49%
Mid Cap Growth	IWR	iShares Russell Mid Cap ETF	5.26%
Small Cap Value	UBVFX	Undiscovered Mgrs Behavrl R6	2.95%
Small Cap Growth	RSEJX	Victory RS Small Cap Growth	3.22%
International Core	DFALX	DFA Large Cap International Port	4.52%
International Value	DODFX	Dodge & Cox International Stock Fund	2.83%
International Growth	MGRDX	MFS International Growth Fund	2.81%
Emerging Markets	HHHFX	Hartford Schrodr Mkts Eq	5.14%
REIT	VNQ	Vngrp Index Tr Reit Viper Shs	1.21%
<b>Fixed Income</b>			<b>22.73%</b>
Short-Term	VFSUX	Vanguard Short-Term Corp Adm Fund	2.53%
Intermediate-Term	PTTRX	PIMCO Total Return Instl Fund	6.70%
	PTRQX	Prudential Total Return BD	6.76%
	DBLFX	Doubleline Core Fixed Inc Cl I	6.74%
<b>Cash</b>			<b>4.22%</b>
	FGZXX	First Amern Govt Oblig Fd CL Z	4.22%
<b>TOTAL</b>			<b>100.00%</b>

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## 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: (06/2019)
- 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