



#### RECOMMENDED ACTION

To approve the revised Investment Policy Statement for the Retirement Plan for salaried employees.

#### STAFF REPRESENTATIVE

Lisa Patton, Executive Director/VP, Finance and Budget

#### BACKGROUND

On March 25, 2021, Long Beach Transit's Board of Directors authorized the President and CEO to enter into a contract with Public Agency Retirement Services for administration services for the Retirement Plan for salaried employees (Plan).

In conjunction with the assessment of pension administrative services, the investment management options for LBT's two defined benefits pension programs were also evaluated.

The purpose of the IPS is to assist the Pension Committee, comprised of three LBT members, to effectively supervise, monitor, and evaluate the investable assets of the Plan. It is the responsibility of the Committee to oversee the hiring and performance of the investment management firm along with the overall returns of plan assets.

LBT's Retirement Plan for salaried employees is a defined benefit pension program to full-time staff employees hired prior to April 1, 2011. The assets of the Plan are managed by an independent investment management firm, who is guided by the IPS for the Plan.

As of the most recent actuarial valuation dated July 1, 2020, the Salaried Plan had 128 total participants, with 37 retirees and beneficiaries receiving monthly benefits, respectively. The Salaried plan held \$31.4 million in plan assets.

The current investment return assumption for the Salaried Plan is 6.00% per annum. During the last ten plan years, historical rates of return have averaged 5.57%, however, in the last five years the rates of return averaged only 3.39%.

The Pension Committee, with assistance from pension investment professionals, completed an assessment of the low historical investment returns and of the investment management options. Based upon this assessment, staff is proposing changes to the IPS in order to improve pension portfolio performance while maintaining the same level of risk.

The proposed changes reflect an asset allocation strategy to improve performance of plan assets to achieve the assumed rate of return of 6.00% per annum and to meet ongoing future obligations to Plan participants and beneficiaries.



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### April 22, 2021

#### Current Strategic Allocation (%)

#### Proposed Strategic Allocation (%)

	<u>Target</u>		<u>Target</u>
US Stocks	35	US Stocks	36
International Equity	20	International Equity	18
Real Estate Securities	6	Real Estate Assets	8
Multi-strategy	5	Commodities/Gold	8
Fixed Income	33	Fixed Income	30
Cash Equivalent	1	Cash Equivalent	0
<b>TOTAL</b>	<b>100</b>	<b>TOTAL</b>	<b>100</b>

#### BUDGETARY/FISCAL IMPACT

The Plan currently expends approximately \$60,000, or 0.20% of assets, toward investment management services per year. Adoption of the proposed IPS is expected to reduce these fees to approximately \$30,000 per year, or 0.10% of assets, an annual savings of approximately \$30,000.

As the Plan investment returns increase, the long term cost of the plan is expected to decrease. Expenses for this service will be funded by plan assets and reported annually in the audited financial statements.

#### ALTERNATIVES CONSIDERED

The Board could maintain the current IPS; however, staff does not recommend this option as it will prevent the Plan from maximizing plan assets to meet ongoing and future obligations to Plan participants.

#### STAFF RECOMMENDATION

Staff is requesting LBT's Board of Directors to approve the revised IPS for the Retirement Plan for salaried employees.

Kenneth A. McDonald  
President and Chief Executive Officer