



**Beverly Hills City Council Liaison /
Audit and Finance Committee & Section 115 Trust Committee**
will conduct a Joint Special Meeting, at the following time and place, and will address the
agenda listed below:

**CITY OF BEVERLY HILLS
455 N. Rexford Drive
Room 280A
Beverly Hills, CA 90210**

IN-PERSON / TELEPHONIC / VIDEO CONFERENCE MEETING

Beverly Hills Liaison Meeting
<https://beverlyhills-org.zoom.us/my/committee>
Meeting ID: 516 191 2424
Passcode: 90210

**You can also dial in by phone:
+1 669 900 9128 US
+1 833 548 0282 (Toll-Free)**

**One tap mobile
+16699009128,,5161912424# US
+18335480282,,5161912424# US (Toll-Free)**

**Thursday, March 30, 2023
4:00 PM**

Please be advised that pre-entry metal detector screening requirements are now in place in City Hall. Members of the public are requested to plan visits accordingly.

In the interest of maintaining appropriate social distancing, members of the public can view this meeting through live webcast at www.beverlyhills.org/live and on BH Channel 10 or Channel 35 on Spectrum Cable, and can participate in the teleconference/video conference by using the link above. Written comments may be emailed to mayorandcitycouncil@beverlyhills.org and will also be taken during the meeting when the topic is being reviewed by the Beverly Hills City Council Liaison / Audit and Finance Committee and Section 115 Trust Committee. Beverly Hills Liaison meetings will be in-person at City Hall.

AGENDA

- 1) Public Comment
 - a. Members of the public will be given the opportunity to directly address the Committee on any item listed on the agenda.
- 2) Review of June 30, 2022 Annual Financial Audit and Annual Comprehensive Financial Report (ACFR)
- 3) Discussion of Section 115 Trust Investment strategies

4) Adjournment



Huma Ahmed
City Clerk

Posted: March 23, 2023



Pursuant to the Americans with Disabilities Act, the City of Beverly Hills will make reasonable efforts to accommodate persons with disabilities. If you require special assistance, please call (310) 285-1014 (voice) or (310) 285-6881 (TTY). Providing at least twenty-four (24) hours advance notice will help to ensure availability of services. City Hall, including Room 280A is wheelchair accessible.



STAFF REPORT

Meeting Date: March 30, 2023

To: Joint Meeting of the Audit and Finance Committee and the
Section 115 Trust Investment Committee

From: Jeff S. Muir, Director of Finance
Tatiana Szerwinski, Assistant Director of Finance

Subject: Report on Fiscal Year 2021-22 Financial Statement Audit and
Discussion of Investment Strategies for Section 115 Pension and
OPEB Trusts

Attachments: None

INTRODUCTION

The purpose of this joint meeting is for the Audit and Finance Committee to receive a report on the audited financial statements for Fiscal Year 2021-22 from the City's independent auditors (Crowe, LLC) and for the Section 115 Trust Committee to discuss investment allocation strategies for the City's Section 115 Trust accounts.

DISCUSSION

Annual Comprehensive Financial Statements for Fiscal Year 2021-22

The independent audit of the Fiscal Year 2021-22 financial statements was completed on November 30, 2022, and an unmodified opinion was issued, which indicates that the auditor, Crowe LLP, found that the financial statements were presented fairly, in all material respects and in accordance with generally accepted accounting principles. As part of the annual, required audit communications, Crowe LLP will be providing an update to the Audit and Finance Committee on this past year's audit and is available to address any questions or concerns of the Committee.

Crowe was also engaged to perform an Alternative Compliance Examination of federal coronavirus relief funds that were administered through the State Water Resources Control Board to fund the California Water and Wastewater Arrearage Payment Program. The Program provided funding to cover unpaid debt from residential and commercial customers accrued between March 4, 2020 and June 15, 2021. It was determined that a minor amount of the funding was incorrectly applied to utility accounts just beyond the cutoff date. As a result of this finding, impacted customers have been notified and ineligible grant funds will be returned to the state.

Section 115 Trust

In April 2019, the City Council approved placing previously earmarked funds into a Section 115 Trust administered by PARS/U.S. Bank/Highmark Capital Management, Inc. to offset liabilities for retiree medical benefits (called Other Post-Employment Benefits or “OPEB”) and CalPERS pension obligations. The City Council also approved formation of the Section 115 Trust Investment Committee comprised of the two members of the Audit and Finance Committee, City Treasurer, City Manager, and Director of Finance (total of five members).

The administration of the trust was recently evaluated and based on a review of available firms offering trust administration services along with trustee/custodian, and investment manager partners, Shuster Advisory Group, LLC (Shuster) was selected as the trust administrator and investment manager with their partners Alta Trust/Charles Schwab as Trustee/Custodian. This transition will significantly reduce fees paid by the trust.

As of February 28, 2023, trust assets have been transferred to Charles Schwab as custodian, with a pension trust balance of \$24.1 million and OPEB trust balance of \$88.7 million, totaling \$112.8 million. Shuster provides various investment strategies that combine both active and passive (index) investment solutions to take advantage of the optimum mix of investments from an investment return/cost/risk perspective, similar to PARS.

Below is a breakdown of the current trust portfolios and previously approved investment strategies:

Trust	Assets (\$) As of 2/28/23	Investment Strategy	Allocation	Investment Time Horizon
Pension	\$24.1 million	Conservative	Equity: 20% Fixed Income: 78% Cash: 2%	Less than 3 years
OPEB	\$88.7 million	Moderate Conservative	Equity: 30% Fixed Income: 68% Cash: 2%	3-5 years

Staff and Shuster will discuss with the Committee current and future cash flow needs of the pension and OPEB trusts, as well as additional considerations for the investment strategies and allocations for the Committee’s consideration.

FISCAL IMPACT

Trust assets as of February 28, 2023, total over \$112.8 million between the two trusts. Committee direction and resulting trust asset returns can yield different results and options will be discussed by Shuster Advisory Group to help determine the best investment strategy to meet the City’s needs for managing its unfunded liabilities.

RECOMMENDATION

It is recommended that the Audit and Finance Committee provide any updates/direction to the City’s auditor, Crowe LLP and that the Section 115 Trust Investment Committee discuss and provide direction on investment strategy changes for both the pension and OPEB trusts.

Tatiana Szerwinski
Approved By

Jeff S. Muir
Approved By