



Investment Solutions for OPEB Trusts

The Other Post-Employment Benefits (OPEB) Challenge

Public employers are responsible for ensuring that active and retired employees receive the benefits that they have been promised. However, myriad challenges exist in the current market and economic environment, including:

- Ongoing budgetary pressures for both revenues and expenses
- Increasing healthcare costs
- Changes in actuarial discount rates, which can affect funding ratios
- Assessing whether trust contributions are sufficient for the trust’s objectives
- Investing for a long-term investment horizon
- Evaluating a variety of asset classes and investment opportunities for the portfolio

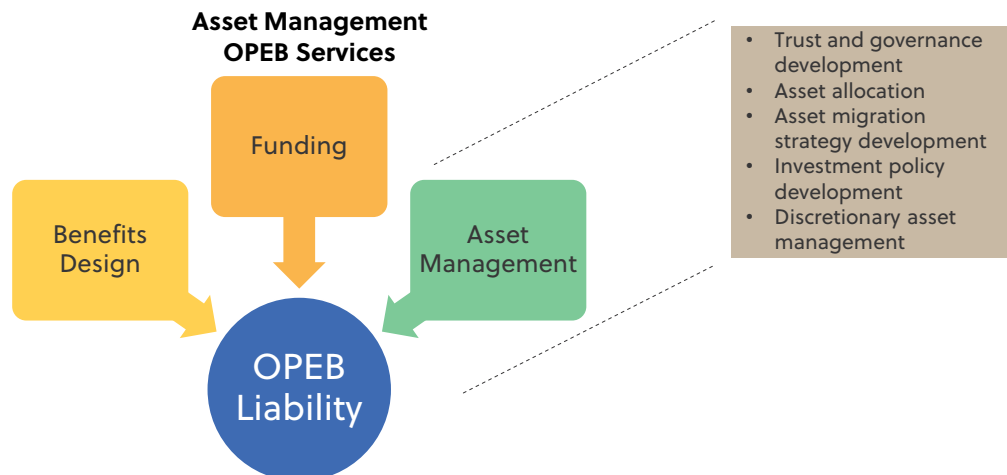
PFM’s asset management business helps government employers address their OPEB liabilities by providing customized investment advisory services designed to create sustainable, affordable, and sufficient benefit plans. One method for helping to manage the long-term cost of OPEBs is to create and manage an OPEB trust. As an investment advisor, we help set up trusts and governance structures, and implements a time-tested investment approach that is customized to reflect the specific needs of each individual plan.

Why PFM?

PFM is a leading provider of independent investment management services to governments, government agencies, not-for-profit organizations, pension funds, insurance pools, and other institutional investors. As of March 31, 2020, PFM advises on more than \$4.3 billion in total OPEB assets, including over \$3.3 billion in discretionary assets and approximately \$942 million in consulting assets.

Retirement Finance Services

PFM helps public employers by examining the benefits plan in its entirety and offering recommendations relating to the benefits structure, funding alternatives, and investment choices. Our dedicated Retirement Finance Practice, which includes professionals from PFM’s asset management business, provides industry-leading services ranging from planning to strategy execution.





Our Philosophy

We believe that planning is critical to a successful OPEB program. We work closely with clients to determine the opportunities and risks associated with different funding alternatives, carefully considering factors such as availability of funds, current market conditions, and financial statement impacts. Our philosophy is to structure a portfolio that is diversified, cost-effective, and positioned to exploit market inefficiencies.

Our Process

In order to best match strategies with specific client needs, our team uses an analytical approach to understanding clients' liabilities and the various financial implications of each funding scenario. Additionally, we review plan demographics and expected cash flows to help us understand the duration of the liabilities and the potential impact on asset allocation. Our process for developing an investment program that seeks to manage all aspects of a client's OPEB liability consists of the following services:

- Creating a governance framework to provide a consistent process for administering the OPEB trust
- Developing a customized asset allocation based upon a formal asset-liability analysis and Portfolio Planning Survey
- Crafting a customized Investment Policy Statement
- Advising on manager selection, as well as rebalancing funds to match current asset allocation targets
- Active monitoring of the asset allocation, investment managers/mutual funds, cash flows, and investment results

Strategy MapSM

When we consider a client's liabilities and identify a need for benefits plan redesign, we can create a customized strategy map that outlines an action plan and recommended steps for implementation. Our goal is to help clients achieve long-term sustainability of their retiree medical benefits plans.

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