

Other Post-Employment Benefits (OPEB) Trust Quarterly Summary

The City of Sunnyvale provides healthcare benefits to eligible retirees and their dependents through the California Public Employee's Retirement System (CalPERS) healthcare program. To implement a funding plan to address the unfunded liabilities associated with retiree medical benefits, the City created an OPEB trust. Earnings generated from this trust fund will eventually be utilized to offset future ongoing costs for retiree medical insurance.

OPEB fund investments are governed by Section 53622 of the California Government Code. The code allows for a wider range of permitted investments than the City's investment policy, including both domestic and international equities. Investing in equities generally results in higher earnings than fixed-income securities. However, investing in equities can be more volatile than investing in fixed-income securities. As mentioned in previous reports, earnings will fluctuate year over year as a result of investing in equities.

Attached is the quarterly/historical performance summary and asset allocation report of the OPEB trust for the third quarter of 2015 and an economic overview provided by the City's OPEB Trust investment manager, PFM Asset Management, LLC. As the report shows, the trust experienced losses of over \$2.9 million from July 1 through September 31, 2015. These losses represent a -4.5 percent return on our portfolio for the quarter, which, compares to -4.7 percent return on the Benchmark portfolio. As highlighted in the report, the portfolio is down 0.5 percent for the one-year performance compared to a decline of 1.4 percent in the benchmark portfolio.