



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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### REPORT TO COUNCIL

#### SUBJECT

Approve Amendment 1 to the Pension Trust Agreement with PFM Asset Management, LLC for the Sunnyvale Post-Employment Pension and Retiree Healthcare Benefits Program and Consent to the Assignment from PFM Asset Management LLC to U.S. Bancorp Asset Management Inc. for the Pension Trust Agreement for the Sunnyvale Post-Employment Pension and Retiree Healthcare Benefits Program

#### REPORT IN BRIEF

Approval is requested to execute the amendment to the existing Pension Trust Agreement with PFM Asset management for a lower fee schedule to manage City's Post-Employment Pension and Retiree healthcare Benefits program. Additionally, approval is requested to accept the assignment to transfer the trust agreement from PFM Asset Management LLC to U.S. Bancorp Asset Management Inc as the City's investment advisor.

#### EXISTING POLICY

Pursuant to Section 2.08.040 of the Sunnyvale Municipal Code, Council approval is required for the procurement of goods and/or services greater than \$250,000 in any one transaction.

#### ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (b) (4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

#### BACKGROUND AND DISCUSSION

On May 8, 2018, the City Council approved for the City to execute a Post-Employment Benefits Trust Agreement (Attachment 4) with PFM Asset Management, LLC (PFMAM) for the Sunnyvale Post-Employment Pension and Retiree Healthcare Benefits Programs. In Section VI(e) of the 2018 agreement, City agreed to pay for the Trust Administration Fees as follows:

Investment Advisory Fee Schedule	
First \$50 million in net assets	0.28%
Over \$50,000,000	0.20%

In January 2021, PFMAM offered a lower fee structure to the City due to the longstanding partnership. PFMAM was able to provide a lower fee schedule as follows:

Investment Advisory Fee Schedule	
First \$25 million in net assets	0.30%
Next \$75million in net assets	0.15%
Next \$200 million in net assets	0.10%
Thereafter	0.02%

In addition, on July 23, 2021, PFMAM notified the City that the holding company of the PFMAM and its affiliates entered into a definitive agreement to sell PFMAM and other associated entities to U.S. Bancorp Asset Management Inc. (USBAM) (Attachment 2 and 3). This transaction is expected to close near the end of calendar year 2021. The City's investment advisory contract with PFMAM allows assignment only upon City's consent.

### **FISCAL IMPACT**

The City has about \$160 million in investment assets with PFMAM in the Pension and OPEB programs. The City would have paid about \$360,000 for the investment fee with the original fee structure. With the new fee structures, City's annual fee is about \$247,000 and a saving of \$112,000 annually.

Regarding the USBMA acquisition of PFMAM, the City staff does not anticipate any service disruptions or changes to our primary service team for the acquisition. There is no fiscal impact on the City.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

### **RECOMMENDATION**

Take the following actions:

- Authorize the City Manager to execute the First Amendment to the Post-Employment Benefits Trust Agreement with U.S. Bank National Association and PFM Asset Management LLC; and
- Execute the Consent to Deemed Assignments of Investment Advisory Agreements for the OPEB Trust and Pension Program Trust from PFM Asset Management LLC to U.S. Bancorp Asset Management Inc.

Prepared by: Inderdeep Dhillon, Finance Manager

Prepared by: Grace Zheng, Assistant Director of Finance

Reviewed by: Tim Kirby, Director of Finance

Reviewed by: Jaqui Guzmán, Deputy City Manager

Approved by: Kent Steffens, City Manager

### **ATTACHMENTS**

1. Draft First Amendment
2. OPEB Trust Consent Letter

3. Pension Program Consent Letter
4. Post-Employment Benefits Trust Agreement