



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: July 15, 2025
TO: LaTanya Bellow, City Manager
FROM: Sharon Friedrichsen, Finance Director
SUBJECT: Resolution Of The City Council Of The City Of Emeryville Adopting The Investment Policy Statement For The City Of Emeryville Section 115 Trust Pension Fund

RECOMMENDATION

Staff recommends that the City Council adopt the Investment Policy Statement for the City of Emeryville's Section 115 Pension Trust.

BACKGROUND

The City Council adopted a resolution authorizing the establishment of a Section 115 Pension Trust on May 1, 2018. A Section 115 Trust is a mechanism to assist the City in proactively addressing its unfunded pension liabilities. As part of this action, the Council adopted the Investment Guidelines for the Trust, which helps (1) Facilitate the process of ongoing communication between the City and PARS (the Trust program administrator) and HighMark (the investment advisor) and (2) Confirms the Plan's investment goals and objectives and management policies applicable to the investment portfolio.

As briefly explained in the Discussion section, the investment manager has changed from Highmark Capital Management to PFM Asset Management. The purpose of this agenda item is to update the investment guidelines to reflect the change to PFM Asset Management. The proposed Investment Policy Statement for Council adoption is consistent with the strategies originally adopted by the City in 2018.

DISCUSSION

Highmark Capital Management was a registered investment adviser within the Union Bank N.A. organization. Union Bank was acquired by US Bank in 2022. In the previous year, PFM Asset Management was acquired by US Bank. In 2023, US Bank had essentially two registered investment advisory affiliates: Highmark Capital Management and PFM Asset Management, until deciding to transition to PFM Asset Management on January 1, 2024. The majority of personnel tasked with managing the City's Pension 115 Trust at Highmark were retained in their roles at PFM Asset Management. From an administration standpoint, PFM Asset Management has utilized the investment policy statement created in 2018 to manage the Trust. However, given the numerous references to Highmark Capital Management within the document, the Investment Policy Statement will reflect the current Advisor's strategies and structure.

Related to policy changes, PFM Asset Management has streamlined the investment benchmarks such that domestic equities will be benchmarked against the Russell 3000

Index. International equities are benchmarked against the MSCI-ACWI Ex-US Index. Fixed income remains benchmarked against the Bloomberg US Aggregate Bond Index. However, at the core, the fundamental investment proposed policies are consistent with the 2018 approach related to a moderately conservative strategy.

FISCAL IMPACT

On May 1, 2018, the Council adopted a moderate conservative strategy that allocated assets as follows: fixed income at 50-80%, equities at 20-40% and cash investments at 0-20%. The asset allocation within the proposed Investment Policy Statement remains the same. Therefore, there is no fiscal impact related to updating the policy at this time.

STAFF COMMUNICATION WITH THE PUBLIC

None.

CONFLICT OF INTEREST

None.

CONCLUSION

Staff recommends Council approve the Investment Policy Statement as the update is a technical change to reflect the new investment advisor. Given the current economic volatility, staff recommends maintaining the current investment strategy. Staff will bring forward a comprehensive review of the City's investment strategies, including strategies pertaining to the Trust in particular, in the upcoming months.

PREPARED BY: Sharon Friedrichsen, Finance Director

**APPROVED AND FORWARDED TO THE
CITY COUNCIL OF THE CITY OF EMERYVILLE:**



LaTanya Bellow, City Manager

ATTACHMENT

- Draft Resolution
 - Exhibit A – Investment Policy Statement for the City of Emeryville Section 115 Trust Pension Fund