SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-B**

FROM: Steve Mack, General Manager

Meeting Date: February 7, 2019

Subject: PARS vs. CERBT

RECOMMENDED ACTION: Receive a presentation on the performance of District investments.

FISCAL IMPACT: None.

DISCUSSION:

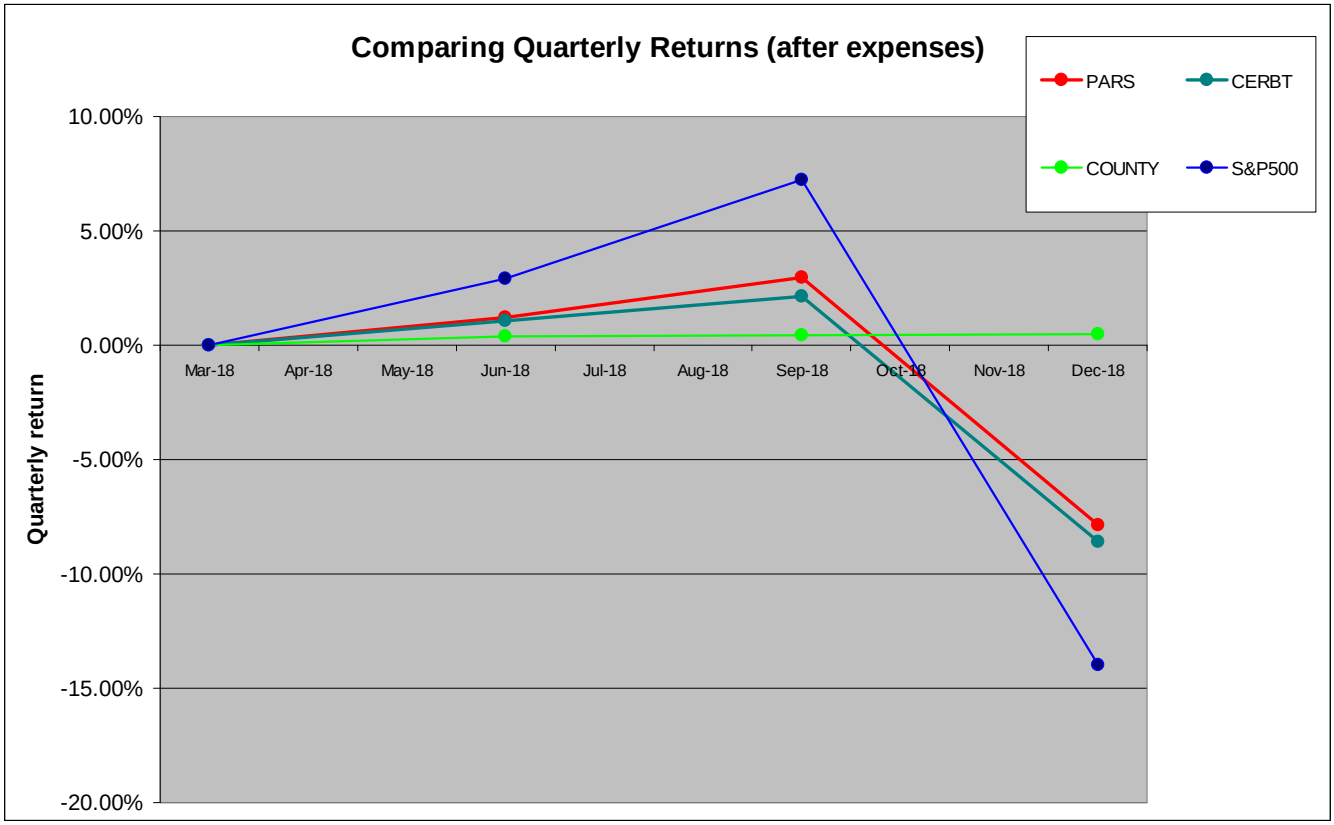
Just over a year ago the District made the decision to invest a portion of funds in PARS with the hope of earning investment returns greater than those earned with County of Sonoma. The right to invest in PARS is tied the District's post-employment retirement expenses. The companion program to PARS is the PERS-administered CERBT program, which is tied to the District's post-employment health benefits expenses. Recently, PERS has advertised that it is developing an investment program similar to PARS -- tied to post-employment retirement expenses. This news coupled with recent losses in our PARS fund, gives rise to the question: How is PARS doing compared to CERBT? Should we move our PARS funds over to the PERS program? Should we be investing in these riskier investments at all?

Staff has compiled a graph (on the next page) comparing the quarterly investment performance of PARS and CERBT (after expenses) as well as the County of Sonoma and the S&P 500 for the period of March 31, 2018 thru December 31, 2018. From the graph, we can conclude that for this period:

- Both PARS and CERBT fell sharply in the 4th quarter of December 2018
- PARS and CERBT returns shadow each other quite closely, with PARS slightly outperforming CERBT
- Both PARS and CERBT have less "drama" than the S&P 500. This was expected as the District chose a balanced portfolio of fixed, bond, and equities in both programs
- The County of Sonoma's very conservative investments outperformed PARS, CERBT, and the S&P 500, as shown another way in the table below:

What $1 would be worth?

	PARS	CERBT	COUNTY	S&P500
3/30/2018	$1.00	$1.00	$1.00	$1.00
6/30/2018	$1.01	$1.01	$1.00	$1.03
9/30/2018	$1.03	$1.02	$1.00	$1.07
12/31/2018	$0.92	$0.91	$1.01	$0.85



Our investments in both PARS and CERBT have been performing about the way we hoped they would. For the short period in question it has been a rough ride for riskier investments across the board, but our investment in PARS and CERBT was not intended to be short-term. It should be noted that we have been in CERBT for four full fiscal years. Our average investment return in those four years has been about 4.6% - far exceeding returns on our County investments. From the chart above, it is reasonable to assume an earlier investment in PARS would have yielded similar returns.