



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: RES 26-006

January 13, 2026

Introduced: 1/2/2026

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Resolution

Adopt a Resolution to:

- a. Approve revisions to the County of Monterey's Investment Policy Statement for the Section 115 Pension Trust, which is administered by Public Agency Retirement Services (PARS) with investment management provided by PFM Asset Management (PFMAM); and
- b. Reappoint the County Administrative Officer as the Plan Administrator.

RECOMMENDATION:

It is recommended that the Board of Supervisors adopt a Resolution to:

- a. Approve revisions to the County of Monterey's Investment Policy Statement for the Section 115 Pension Trust, which is administered by Public Agency Retirement Services (PARS) with investment management provided by PFM Asset Management (PFMAM); and
- b. Reappoint the County Administrative Officer as the Plan Administrator.

SUMMARY:

In June 2021, the Board of Supervisors (Board) established a Section 115 Pension Trust ("Pension Trust") for pension obligations with the Public Agency Retirement Services (PARS) to address the County's growing unfunded accrued liability (UAL). At the same time, the Board also adopted a Pension Liability Policy to provide oversight and procedures for the administration of the Pension Trust. At the time of adoption of the Pension Trust, PARS partnered with HighMark Capital Management (HighMark) to serve as the investment advisor and manager of the Pension Trust assets. In June 2021, the County, under advisement from HighMark, executed an Investment Policy Statement detailing the responsibilities of both parties and approved investment strategies. On January 1, 2024, HighMark was merged by its parent company into PFM Asset Management (PFMAM). Given this change in investment advisor, PFMAM is requesting an update to the Investment Policy Statement.

DISCUSSION:

The initial investment policy was approved to establish guidelines for investing and managing the County's Pension Trust and included the following:

- Document investment objectives, performance expectations, and investment guidelines for Fund assets.
- Establish an appropriate investment strategy for managing all Pension Trust assets, including an investment time horizon, risk tolerance ranges, and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Pension Trust.
- Establish investment guidelines to control overall risk and liquidity.
- Establish periodic performance reporting requirements to monitor investment results and confirm that

the investment policy is being followed.

- Comply with fiduciary, prudence, due diligence, and legal requirements for Pension Trust assets.

Duties and responsibilities of the investment advisor, PFMAM, remain in place within the revised Investment Policy Statement. Expectations surrounding the portfolio reporting requirements, fiduciary role, and investment management parameters did not change. Additionally, the overriding asset allocation target mix of 30% equity, 70% fixed income/cash is also unchanged in the revised Investment Policy Statement.

The recommended changes to the investment policy include the following:

- Asset class benchmark changes to domestic equity, international equity, real estate investments, and listed global infrastructure.
- While the high-level asset allocation target mix of 30% equity and 70% fixed income/cash remain in place, PFMAM is making the below recommendations regarding the components of the sub-asset class target levels.

<u>Plan Target Mix</u>	<u>Investment Policy as of June 2021</u>	<u>Investment Policy proposed in 2025</u>
Domestic Equity	23%	18%
International Equity	6%	9%
Domestic Real Estate	1%	1.5%
Global Infrastructure	0%	1.5%
Domestic Fixed Income (investment grade)	63.25%	62.5%
High-Yield Fixed Income	1.75%	5.5%
Cash	5%	2%

OTHER AGENCY INVOLVEMENT/COMMITTEE ACTIONS:

The County Administrative Office prepared this report with input and review from the Treasurer-Tax Collector.

FINANCING:

There is no cost associated with approving the recommended changes to the investment policy.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

The proposed recommended actions demonstrate the County's commitment to the efficient and effective management of the County's pension liabilities.

Mark a check to the related Board of Supervisors Strategic Plan Goals:

- ☐ Well-Being and Quality of Life
- ☐ Sustainable Infrastructure for the Present and Future
- ☐ Safe and Resilient Communities
- ☐ Diverse and Thriving Economy
- ☒ Dynamic Organization and Employer of Choice

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Approved by: Michael Beaton, Assistant County Administrative Officer, ext. 3835

Attachments:

Resolution

Original Investment Policy Statement

Proposed Revised Investment Policy Statement