



TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS
OVERSIGHT COMMITTEE REPORT

MEETING DATE: 3/05/2024

ITEM NO: 3

DATE: February 20, 2024
TO: Town Pension and OPEB Trusts Oversight Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the Period Ending December 31, 2023 and Performance as of January 31, 2024

RECOMMENDATION:

Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending December 31, 2023 and performance as of January 31, 2024.

BACKGROUND:

On November 5, 2019, the Town Council authorized the Town Manager to enter into an agreement with CalPERS for participation in the California Employers' Pension Prefunding Trust (CEPPT) program.

The CEPPT Fund is a Section 115 trust fund dedicated to prefunding employer contributions to defined benefit pension systems for eligible California public agencies. On March 3, 2020, the Town Pension and OPEB Trusts Oversight Committee adopted CEPPT Strategy 2 as the asset allocation for the Town's Section 115 Trust pension assets.

On April 14, 2021, the remaining CEPPT balance at the time of approximately \$700,000 was liquidated for inclusion in a \$2,050,942 additional discretionary payment. The CEPPT account continues to be maintained by the Town (at no cost) to accommodate annual account distributions associated with the Town's General Fund Reserve Policy.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

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SUBJECT: CEPPT Update

DATE: February 20, 2024

BACKGROUND (continued):

Effective Fiscal Year (FY) 2015/16, Council determined that if sufficient General Fund year-end savings are available and targeted reserve levels for the Catastrophic Reserve and Budget Stabilization Reserve have been met, upon the final close of the fiscal year, a minimum of \$300,000 annually shall be deposited into the Pension/OPEB Reserve Fund. In addition, in 2018 the Council updated the General Fund Reserve Policy to provide for additional discretionary payments (ADPs) of \$390,000 per year to address the unfunded pension liability. Under the updated Policy, a 20-year amortization equivalence will be achieved.

DISCUSSION:

The ending CEPPT 115 Trust account balance as of December 31, 2023, was \$1,462,577.40 (Attachment 1). As of January 31, 2024, the CEPPT Strategy 2 fund had a net return of negative 0.41% for the month and 4.03% for the Fiscal Year to Date (FYTD) (Attachment 2). Staff anticipates transferring an additional \$690,000 to the CEPPT Trust during FY 2023/24.

Per the March 2023 Pension/OPEB Oversight Committee action, the Town leaves the funds in the CEPPT Trust and continuously monitors and evaluates if an Additional Discretionary Payment should be made directly to CalPERS. This topic is tentatively scheduled for the May 2024 Finance Commission meeting with subsequent consideration by the Oversight Committee.

The Finance Commission will receive this report at its March 11, 2024 regular meeting.

Attachments:

1. CEPPT Market Value Summary Report as of December 31, 2023
2. CEPPT Strategy 2 Performance January 31, 2024