



**TOWN OF LOS GATOS
TOWN PENSION AND OPEB
TRUSTS OVERSIGHT**

MEETING DATE: 09/02/2025

ITEM NO: 3

DATE: August 14, 2025
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: **Receive the California Employer's Pension Prefunding Trust (CEPPT)
Strategy Market Value Summary Report for the Period Ending June 30,
2025, and Performance as of June 30, 2025**

RECOMMENDATION: Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending June 30, 2025, and performance as of June 30, 2025.

FISCAL IMPACT:

There is no fiscal impact associated with receiving this report.

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.

DISCUSSION:

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

PREPARED BY: Gitta Ungvari
Finance Director

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

\$300,000 annually shall be deposited into the Pension/OPEB Reserve Fund. In 2018, the Council updated the General Fund Reserve Policy to provide for additional discretionary payments Strategy 2 (ADPs) of \$390,000 per year to address the unfunded pension liability. Under the updated Policy, a 20-year amortization equivalence will be achieved.

The ending CEPPT 115 Trust account balance as of June 30, 2025, was \$3,090,730.98 (Attachment 1). As of June 30, 2025, the CEPPT Strategy 2 fund had a net return of 2.09% for the month and 8.63% for the Fiscal Year to Date (FYTD) (Attachment 2). Staff transferred \$690,000 to the CEPPT Trust during this quarter. According to the March 2024 Pension/OPEB Oversight Committee action, the Town will keep the funds in the CEPPT Trust. It will continuously monitor and evaluate whether an additional discretionary payment should be made directly to CalPERS.

The Town Finance Commission will receive this report at its September 8, 2025, regular meeting.

The Commission reiterated its prior recommendation to the Oversight Committee on March 10, 2025, to transfer the balance of the Pension IRS 115 Trust to CalPERS and pay off the Longest Base in the Safety Plan to maximize the interest savings. According to the actuarial analysis, paying an ADP of \$2.18 million to the Safety Plan would have yielded approximately \$2,259,000 in interest savings at the time of the former recommendation. The Finance Commission also recommended that the Town move from Strategy 2 to Strategy 1.

Staff plans to set up a joint Study Session between the Town Pension and OPEB Trust Oversight Committee and the Finance Commission to discuss the pension and OPEB Trusts. Staff recommends waiting until the study session to decide on transferring the money to CalPERS. In the meantime, if the Council wishes to take a higher risk in the CEPPT Trust investment, the portfolio can be moved from Strategy 2 to Strategy 1. Taking higher risks can potentially increase the growth as well as the loss in the current portfolio.

Attachments:

1. CEPPT Market Value Summary Report as of June 30, 2025
2. CEPPT Strategy 2 Performance as of June 30, 2025