



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

MEETING DATE: 06/04/2024

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DATE: May 22, 2024  
TO: Town Pension and OPEB Trusts Oversight Committee  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive Actuarial Presentation on CalPERS Analysis – 6/30/2022 Valuation Report by Foster & Foster Actuaries and Consultants and Identify Amortization Bases for Future Potential Additional Discretionary Payments (ADPs)

**RECOMMENDATION:**

Receive Actuarial Presentation on CalPERS Analysis – 6/30/2022 Valuation Report by Foster & Foster Actuaries and Consultants and identify amortization bases for future potential Additional Discretionary Payments (ADPs).

**BACKGROUND:**

The Town's pension plans are administered by the Board of Administration of the California Public Employees' Retirement System (CalPERS). The Board of Administration is responsible for the management and control of CalPERS and maintains exclusive control of the administration and investment of pension funds. In addition, CalPERS actuaries are responsible for the provision of actuarial valuations for the Town's pension plans. Sworn employees are covered under the Safety Plan which is a pooled plan, while all other employees are covered in the Miscellaneous Plan, which is a separate plan. The Miscellaneous Plan is administered by CalPERS in the Public Employees' Retirement Fund (PERF).

Recognizing the importance of the Town's pension obligations and projected increases in future pension costs, starting in 2018 the Town contracted Bartel and Associates to perform an annual review of the actuarial valuation reports provided by CalPERS. Foster & Foster Actuaries and Consultants (formerly Bartel and Associates) is an industry leader in providing actuarial related services to California local governments.

**PREPARED BY:** Gitta Ungvari  
Finance Director

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

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Foster & Foster Actuaries and Consultants

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DISCUSSION:

Foster & Foster has prepared an analysis of the status of the Town's pension plans for its Miscellaneous and Safety employees as provided in Attachment 1. The Town Actuarial Consultants are attending the meeting to review the following key issues regarding the Town's pension plans:

- An introduction to actuarial valuations
- An introduction to the development of expected returns
- A review of 6/30/2022 valuations and subsequent projections
- Recommended amortization bases for potential future ADPs

The presentation slides are contained in Attachment 2.

The Finance Commission received the presentation and had an opportunity to ask questions of the consultant its May 13, 2024 meeting. Per the actuarial analysis, paying additional \$1.0 million ADP to the Miscellaneous Plan yields approximately \$853,000 interest savings. Per the actuarial analysis paying additional \$1.0 million ADP to the Safety Plan yields approximately \$1,068,000 interest savings.

The Finance Commission recommended to the Oversight Committee 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 saving. In addition, the Finance Commission intends to work with Town staff to identify additional pockets of savings for potential investment in the Town's 115 Restricted Pension Trust.

The current balance of the Pension Trust is approximately \$2.18 million as of March 31, 2024. The entire balance is available for the ADP payment. Per the actuarial analysis, paying an ADP of \$2.18 million to the Safety Plan yields approximately \$2,259,000 interest savings.

CONCLUSION:

The Oversight Committee should evaluate the Finance Commission's recommendation of paying down longest base in Safety Plan to maximize interest savings.

COORDINATION:

This report has been coordinated with the Town Manager's Office.

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FISCAL IMPACT:

If the Oversight Committee agrees with the Finance Commission and makes the recommended ADP, the Town will have approximately \$2,259,000 interest savings. If the Town's Restricted 115 Pension Trust balance is transferred to CalPERS, the General Fund Balance will decrease by \$2.18 million.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. CalPERS Analysis – 6/30/2022 Valuation Report by Foster & Foster Actuaries and Consultants
2. Actuarial Presentation on CalPERS Analysis – 6/30/2022 Valuation Report by Foster & Foster Actuaries and Consultants