



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

MEETING DATE: 11/16/2021

ITEM NO: 3

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DATE: November 10, 2021  
TO: Town Pension and OPEB Trusts Oversight Committee  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive the Town of Los Gatos IRS Section 115 Pension Trust Statement

**RECOMMENDATION:**

Receive on the Town of Los Gatos IRS Section 115 Pension Trust statement.

**BACKGROUND:**

On November 5, 2019, the Town Council authorized the Town Manager to enter into an agreement with CalPERS for participation in the 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:**

On April 14, 2021, the remaining CEPPT balance of approximately \$700,000 was liquidated for inclusion in a \$2,050,942 additional discretionary payment toward the June 30, 2013 gain/loss amortization base. The CEPPT account remains open with no assets at no cost.

**Attachments:**

1. CEPPT September 30, 2021 Statement

**PREPARED BY:** Arn Andrews  
Assistant Town Manager

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Reviewed by: Town Manager and Finance Director

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# CEPPT Account Update Summary

Town of Los Gatos

as of September 30, 2021

# CEPPT Account Summary

As of September 30, 2021	Strategy 1	Strategy 2	Total
Initial contribution (05/18/2020)	\$0	\$268,000	\$268,000
Additional contributions	\$0	\$393,400	\$393,400
Disbursements	\$0	(\$706,988)	(\$706,988)
CEPPT expenses	\$0	(\$1,300)	(\$1,300)
Investment earnings	\$0	\$46,888	\$46,888
Total assets (05/18/2020-09/30/2021 = 1.37 years)	\$0	\$0	\$0

# CEPPT/CERBT Investment Returns Outperform Benchmarks

Periods ended August 31, 2021

Fund	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CERBT Strategy 1 (Inception June 1, 2007)	\$13,514,349,182	1.44%	4.23%	2.75%	21.39%	12.06%	10.79%	9.33%	6.41%
Benchmark		1.42%	4.16%	2.72%	21.18%	11.77%	10.43%	9.01%	5.99%
CERBT Strategy 2 (Inception October 1, 2011)	\$1,888,078,451	0.90%	4.11%	2.48%	15.73%	10.77%	9.01%	-	8.56%
Benchmark		0.89%	4.05%	2.46%	15.53%	10.56%	8.68%	-	8.27%
CERBT Strategy 3 (Inception January 1, 2012)	\$835,538,812	0.39%	3.92%	2.30%	11.28%	9.37%	7.26%	-	6.73%
Benchmark		0.39%	3.89%	2.29%	11.14%	9.19%	6.98%	-	6.42%
<b>CERBT Total</b>	<b>\$16,237,966,445</b>								
CEPPT Strategy 1 (Inception October 1, 2019)	\$42,198,265	0.98%	3.21%	2.17%	14.49%	-	-	-	12.26%
Benchmark		0.99%	3.10%	2.17%	14.30%	-	-	-	12.28%
CEPPT Strategy 2 (Inception January 1, 2020)	\$19,957,503	0.30%	2.44%	1.64%	6.85%	-	-	-	7.48%
Benchmark		0.30%	2.42%	1.63%	6.62%	-	-	-	7.32%
<b>CEPPT Total</b>	<b>\$62,155,768</b>								

## CEPPT Expected Rates of Return & Risk

Portfolios	CEPPT Strategy 1	CEPPT Strategy 2
Expected Return	5.0%	4.0%
Risk	8.2%	5.2%

## CEPPT Portfolio Details

Asset Classification	Benchmark	CEPPT Strategy 1	CEPPT Strategy 2
Global Equity	MSCI All Country World Index	40% ±5%	14% ±5%
Fixed Income	Bloomberg Barclays U.S. Aggregate Bond Index	47% ±5%	73% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8% ±5%	8% ±5%
Treasury Inflation Protected Securities (TIPS)	Barclays Capital Global Real: US TIPS Index	5% ±3%	5% ±3%
Cash	3-Month Treasury Bill	0% +2%	0% +2%

## Total Participation Cost Fee Rate

- Total all-inclusive cost of participation
  - Combines administrative, custodial, and investment fees
  - Separate trust funds
  - Self-funded, fee rate may change in the future
  - Fee is applied daily to assets under management
    - 10 basis points - CERBT
    - 25 basis points - CEPPT

# CEPPT/CERBT Consistently Low Fee Rate History

Fiscal Year	CERBT	CEPPT
2007-2008	2.00 basis points	-
2008-2009	6.00 basis points	-
2009-2010	9.00 basis points	-
2010-2011	12.00 basis points	-
2011-2012	12.00 basis points	-
2012-2013	15.00 basis points	-
2013-2014	14.00 basis points	-
2014-2015	10.00 basis points	-
2015-2016	10.00 basis points	-
2016-2017	10.00 basis points	-
2017-2018	10.00 basis points	-
2018-2019	10.00 basis points	-
2019-2020	10.00 basis points	25.00 basis points
2020-2021	10.00 basis points	25.00 basis points
2021-2022	10.00 basis points	25.00 basis points

## 598 Prefunding Program Employers

587 CERBT and 47 CEPPT

- State of California
- 153 Cities or Towns
- 10 Counties
- 77 School Employers
- 31 Courts
- 326 Special Districts and other Public Agencies
  - (99 Water, 35 Sanitation, 33 Fire, 25 Transportation)

## Questions? Where to Get Trust Fund Information?

Name	Title	E-mail	Desk	Mobile
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Program E-mail Addresses	Prefunding Programs Webpages
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<a href="mailto:CERBT4U@calpers.ca.gov">CERBT4U@calpers.ca.gov</a> – Questions & Document Submittal	<a href="http://www.calpers.ca.gov/CERBT">www.calpers.ca.gov/CERBT</a>
<a href="mailto:CERBTACCOUNT@calpers.ca.gov">CERBTACCOUNT@calpers.ca.gov</a> – Online Record Keeping System	