



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 11/14/2022

ITEM NO: 3

DATE: November 8, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review the Recommended Updates to the Town of Los Gatos IRS Section 115 Pension Trust and OPEB Trust Investment Policy and Forward a Recommendation of Approval to the Town Council.

RECOMMENDATION:

Review the recommended updates to the Town of Los Gatos IRS Section 115 Pension Trust and OPEB Trust Investment Policy and forward a recommendation of approval to the Town Council.

BACKGROUND:

At its November 7, 2017 meeting, the Town Council reviewed and discussed the IRS Section 115 Trust governance. At the conclusion of the meeting, the Town Council established the Town Council as an Oversight Committee for the Town of Los Gatos IRS Section 115 Pension Trust and Other Post-Employment Benefits (OPEB) Trust and adopted an Investment Policy for the Trusts.

At its December 18, 2018 meeting, the Town Pension and OPEB Trusts Oversight Committee adopted revisions to the Investment Policy to reflect that the “purpose” of the 115 pension funds is for “long-term capital accumulation and appreciation, additional discretionary payments (ADPs), and pension contribution management strategies. “

At its December 3, 2019 meeting, the Town Pension and OPEB Trusts Oversight Committee adopted revisions to the Investment Policy to include simplifying the Title of the Investment Policy, acknowledging the closure of the PARS 115 pension trust, identifying the Town’s participation in the CalPERS California Employers’ Pension Prefunding Trust (CEPPT), and stating that the OPEB actuarial valuations occur biennially.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager, Town Attorney, and Finance Director

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SUBJECT: Pension OPEB Investment Policy Updates

DATE: November 8, 2022

DISCUSSION:

At the September 12, 2022 Finance Commission meeting, Commissioners discussed potentially developing a policy for when it would be appropriate to utilize assets in the OPEB 115 Trust. Commissioners asked staff to review options and present a recommendation to the Commission.

Similar to earlier deliberations regarding the appropriate use of assets in the Pension 115 Trust, staff recommends that this is best addressed by updating the Town of Los Gatos IRS Section 115 Pension Trust and OPEB Trust Investment Policy.

The current proposed revisions to the Investment Policy (Attachment 1) address that the California Employers' Retiree Benefit Trust (CERBT) is the sole source of assets for funding OPEB liabilities and introduces reimbursing the Town for Other Post-Employment Benefits pay-as-you-go expenses as an eligible use.

Actual execution of this policy update would be achieved through consultation with the Town actuary and review by the Finance Commission consistent with the adoption and execution of additional discretionary payments (ADP) to the pension plans.

CONCLUSION:

Approval of the recommended updates to the Town Council will bring the Investment Policy in conformity with recent practice and be consistent with prior policy updates.

Attachment:

1. Town of Los Gatos IRS Section 115 Pension Trust and OPEB Trust Investment Policy (redline)