



**TOWN OF LOS GATOS
TOWN COUNCIL AND
FINANCE COMMISSION REPORT**

MEETING DATE: 10/06/2025

ITEM NO: 1

DATE: October 6, 2025

TO: Town Council
Finance Commission

FROM: Chris Constantin, Town Manager

SUBJECT: Presentation and Discussion of the Local Government Investment Environment and Its Implications on the Town's California Employers' Pension Prefunding Trust (CEPPT) and California Employers' Retiree Benefit Trust (CERBT) to Provide a Training Foundation for the Town Council and Finance Commission

RECOMMENDATION:

Discussion only and no action is recommended.

FISCAL IMPACT

There is no fiscal impact associated with receiving this presentation. Any potential fiscal impact regarding the transfer of funds from CEPPT to California Public Employees' Retirement System (CalPERS) will be considered in the future, pending direction from the Town Council, which serves as the Pension OPEB Trust Oversight Committee.

STRATEGIC PRIORITIES

This presentation furthers one of the Town Council's top strategic priorities for ensuring prudent financial management. Additionally, it furthers the core goals of **Fiscal Stability** and **Civic Engagement** as it will enhance the ability to understand the complex area of how the Town can address its pension and OPEB liabilities.

BACKGROUND:

On November 5, 2019, the Town Council authorized participation in the CEPPT administered by CalPERS, selecting Strategy 2 as the Town's investment allocation beginning March 2020. As of

PREPARED BY: Chris Constantin
Town Manager

Reviewed by: Finance Director

June 30, 2025, the Town's CEPPT account balance was \$3,090,730.98, with a Fiscal Year-to-Date (FYTD) net return of 8.63%.

The Town also participates in the CERBT to prefund Other Post-Employment Benefits (OPEB), selecting Strategy 1 as its investment allocation. As of June 30, 2025, the CERBT balance was \$30,284,763.02, with a FYTD net return of 12.27%.

Separately, in April 2025, the Town engaged Shuster Advisory Group, LLC as its fiduciary investment advisor and plan consultant following a competitive Request for Proposals process. Shuster currently advises the Town on its 457(b), 401(a), and other retirement-related plans, and provides independent fiduciary investment oversight for governmental pension, OPEB, and trust assets.

DISCUSSION:

The Town Council, who also serve as the Pension and OPEB Trusts Oversight Committee, is holding this joint session with the Finance Commission to receive insights from Shuster regarding:

1. **Current Local Government Investment Environment** – Shuster will provide an overview of local government investment information.
2. **Implications for CEPPT and CERBT** – Shuster will discuss how investing decisions can affect the Town's existing balances in both CEPPT Strategy 2 and CERBT Strategy 1, including considerations of risk, return, and asset allocation selection.
3. **CEPPT Transfer Consideration** – The Finance Commission has previously recommended that the Town Council consider transferring the CEPPT balance directly to CalPERS to reduce unfunded liability interest costs. This presentation will help inform the Council's future deliberations on whether such a transfer is advisable.
4. **Fiduciary Perspective** – As the Town's independent fiduciary, Shuster will provide perspective on the benefits and risks of retaining assets in CEPPT versus transferring funds to CalPERS.

This session is informational only. No action is requested at this meeting. The purpose is to provide Councilmembers and Finance Commissioners with the knowledge necessary to guide future policy decisions regarding the management of the Town's pension and OPEB trust funds.

Attachments:

1. Presentation
2. Items 2 (Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2025, and the Performance Report as of June 30, 2025) and 3 (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) from the September 2, 2025, Agenda of the Town Pension and OPEB Trusts Oversight Committee