



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

MEETING DATE: 12/06/2022

ITEM NO: 3

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DATE: November 23, 2022  
TO: Town Pension and OPEB Trusts Oversight Committee  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy  
Market Value Summary Report for the Period Ending September 30, 2022

**RECOMMENDATION:**

Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending September 30, 2022.

**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:**

On April 14, 2021, the remaining CEPPT balance at the time of approximately \$700,000 was liquidated for inclusion in a \$2,050,942 additional discretionary payment. The CEPPT account continues to be maintained by the Town (at no cost) to accommodate annual account distributions associated with the Town's General Fund Reserve Policy.

Effective Fiscal Year (FY) 2015/16, Council determined if sufficient General Fund year-end savings are available and targeted reserve levels for the Catastrophic Reserve and Budget

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

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

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DISCUSSION (continued):

Stabilization Reserve have been met, upon final close of the fiscal year, a minimum of \$300,000 annually shall be deposited into the Pension/OPEB Reserve Fund. In addition, in 2018 the Council updated the General Fund Reserve Policy to provide for additional discretionary payments (ADPs) of \$400,000 per year to address the unfunded pension liability. Under the updated Policy, a 20-year amortization equivalence will be achieved.

Since the last distribution in 2021, the ending CEPPT 115 Trust account balance as of September 30, 2022, was \$638,355 (Attachment 1). As of October 31, 2022, the CEPPT Strategy 2 fund had a net return of 0.86% for the month and -4.78% for the Fiscal YTD (Attachment 2). Per prior Oversight Committee direction, staff will consult with the Town's actuary and the Finance Commission, and return to the Oversight Committee with a recommended amortization base for an ADP.

Attachments:

1. CEPPT Market Value Summary
2. CEPPT Performance October 2022