TOWN OF LOS GATOS
FINANCE COMMISSION

MEETING DATE: 09/14/2026

ITEM NO: 2

DATE: September 4, 2026

TO: Finance Commission

FROM: Chris Constantin, Town Manager

SUBJECT: **Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending June 30, 2026, and Performance as of July 31, 2026**

RECOMMENDATION: Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending June 30, 2026, and performance as of July 31, 2026.

FISCAL IMPACT:

There is no fiscal impact associated with receiving this report.

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.

Effective Fiscal Year (FY) 2015-16, Council determined that sufficient General Fund year-end savings are available and targeted reserve levels for the Catastrophic Reserve and Budget Stabilization Reserve have been met, upon the final close of the fiscal year, a minimum of $300,000 annually shall be deposited into the Pension/OPEB Reserve Fund. In 2018, the Council updated the General Fund Reserve Policy to provide for additional discretionary

PREPARED BY: Diane M. Howard
Finance Division Manager

Reviewed by: Town Manager and Administrative Services Director payments Strategy 2 (ADPs) of $390,000 per year to address the unfunded pension liability. Under the updated Policy, a 20-year amortization equivalence will be achieved.

DISCUSSION:

The ending CEPPT 115 Trust account balance as of June 30, 2026, was $4,055,601.39 (Attachment 1). As of July 31, 2026, the CEPPT Strategy 2 fund had a net return of -0.69% for the month and -0.69% for the Fiscal Year to Date (FYTD) (Attachment 2).

The Town Pension and OPEB Oversight Committee received this information at its September 1, 2026, meeting.

According to the December 2, 2025, Pension/OPEB Oversight Committee action, the Town will retain the funds in the CEPPT Trust until the Town concludes its Fiscal Condition Analysis and Asset Liability Management studies. After receiving and considering the studies, staff plans to explore alternative providers and investment options through an RFP process.

The Finance Commission's review of the FY 2026-27 Proposed Budget on May 11, 2026, the Commission recommended that Council transfer the balance of the 115 Trust, and an additional $390,000 for FY 2026-27 as an additional discretionary payment (ADP), however, the Council did not approve this recommendation. Instead, the Council will wait until all NHA Advisor studies are finalized before considering the transfer. The NHA Advisor studies are expected to come before Council in October.

Attachments:
1. CEPPT Market Value Summary Report as of June 30, 2026
2. CEPPT Strategy 2 Performance as of July 31, 2026