



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/12/2022

ITEM NO: 2

DATE: September 2, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy
Market Value Summary Report for the Period Ending June 30, 2022

RECOMMENDATION:

Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending June 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 2015/16, Council determined if sufficient General Fund year-end savings are available and targeted reserve levels for the Catastrophic Reserve and Budget Stabilization

PREPARED BY: Arn Andrews
Assistant Town Manager

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

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SUBJECT: CEPPT Market Value Update

DATE: September 2, 2022

DISCUSSION (continued):

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 through additional Unfunded Actuarial Liability (UAL) payments of approximately \$400,000 per year.

Since the last distribution in 2021, the ending CEPPT 115 Trust account balance as of June 30, 2022, was \$676,150.03 (Attachment 1). As of July 31, 2022, the CEPPT Strategy 2 fund had a net return of 4.81% for the month end and -0.31% for the 3-month period (Attachment 2). Per prior Council direction, staff will consult with the Town's actuary and return to the Finance Commission with a recommended amortization base for an ADP.

Attachments:

1. CEPPT Market Value Update
2. CEPPT Performance July 2022