

**TOWN OF LOS GATOS**  
**TOWN PENSION AND OPEB TRUSTS OVERSIGHT COMMITTEE AGENDA**  
**MARCH 21, 2023**  
**110 EAST MAIN STREET**  
**TOWN COUNCIL CHAMBERS**  
**6:00 PM**

*Maria Ristow, Mayor*  
*Mary Badame, Vice Mayor*  
*Matthew Hudes, Council Member*  
*Rob Moore, Council Member*  
*Rob Rennie, Council Member*

**PARTICIPATION IN THE PUBLIC PROCESS**

How to participate: The Town of Los Gatos strongly encourages your active participation in the public process, which is the cornerstone of democracy. If you wish to speak to an item on the agenda, please follow the participation instructions on page 2 of this agenda. If you wish to speak to an item NOT on the agenda, you may do so during the “Verbal Communications” period, by following the participation instructions on page 2 of this agenda. The time allocated to speakers may change to better facilitate the Town Council meeting.

Effective Proceedings: The purpose of the Town Council meeting is to conduct the business of the community in an effective and efficient manner. For the benefit of the community, the Town of Los Gatos asks that you follow the Town’s meeting guidelines while attending Town Council meetings and treat everyone with respect and dignity. This is done by following meeting guidelines set forth in State law and in the Town Code. Disruptive conduct is not tolerated, including but not limited to: addressing the Town Council without first being recognized; interrupting speakers, Town Council or Town staff; continuing to speak after the allotted time has expired; failing to relinquish the podium when directed to do so; and repetitiously addressing the same subject.

Deadlines for Public Comment and Presentations are as follows:

- Persons wishing to make an audio/visual presentation on any agenda item must submit the presentation electronically, either in person or via email, to the Clerk’s Office no later than 3:00 p.m. on the day of the Council meeting.
- Persons wishing to submit written comments to be included in the materials provided to Town Council must provide the comments as follows:
  - For inclusion in the regular packet: by 11:00 a.m. the Thursday before the Council meeting
  - For inclusion in any Addendum: by 11:00 a.m. the Monday before the Council meeting
  - For inclusion in any Desk Item: by 11:00 a.m. on the day of the Council Meeting

***Town Council Meetings Broadcast Live on KCAT, Channel 15 (on Comcast) on the 1st and 3rd Tuesdays at 7:00 p.m.***  
***Rebroadcast of Town Council Meetings on the 2<sup>nd</sup> and 4<sup>th</sup> Tuesdays at 7:00 p.m.***  
***Live & Archived Council Meetings can be viewed by going to:***  
***[www.LosGatosCA.gov/TownYouTube](http://www.LosGatosCA.gov/TownYouTube)***

***IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT THE CLERK DEPARTMENT AT (408) 354-6834. NOTIFICATION 48 HOURS BEFORE THE MEETING WILL ENABLE THE TOWN TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING [28 CFR §35.102-35.104]***

**TOWN OF LOS GATOS**  
**TOWN PENSION AND OPEB TRUSTS OVERSIGHT COMMITTEE AGENDA**  
**MARCH 21, 2023**  
**110 EAST MAIN STREET**  
**TOWN COUNCIL CHAMBERS**  
**6:00 PM**

**IMPORTANT NOTICE**

This is a hybrid meeting and will be held in-person at the Town Council Chambers at 110 E. Main Street and virtually through the Zoom webinar application (log-in information provided below). Members of the public may provide public comments for agenda items in-person or virtually through the Zoom webinar by following the instructions listed below. The live stream of the meeting may be viewed on television and/or online at [www.LosGatosCA.gov/TownYouTube](http://www.LosGatosCA.gov/TownYouTube).

**PARTICIPATION**

To provide oral comments in real-time during the meeting:

- **Zoom webinar:** Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join: <https://losgatosca.gov.zoom.us/j/82962520806?pwd=djJvVHgzdDE3R1dhUTc0R0c0vbnFN4QT09>  
Passcode: 735400 You can also type in 829 6252 0806 in the “Join a Meeting” page on the Zoom website at <https://zoom.us/join>.
  - When the Mayor announces the item for which you wish to speak, click the “raise hand” feature in Zoom. If you are participating by phone on the Zoom app, press \*9 on your telephone keypad to raise your hand.
- **Join by telephone:** Join by Telephone: Dial: USA 888 278 0296 US Toll-free or 214 765 0479 US Toll. Conference code: 919847
  - If you are participating by calling in, press #2 on your telephone keypad to raise your hand.
- **In-Person:** If you wish to speak during the meeting, please complete a “speaker’s card” located on the back of the chamber benches and return it to the Town Clerk. If you wish to speak to an item on the agenda, please list the item number. If you wish to speak on an item NOT on the agenda, please list the subject and you may speak during the “Verbal Communications” period. The time allocated to speakers may change to better facilitate the Town Council meeting.

When called to speak, you may be asked to provide your full name and your town/city of residence. This identifying information is optional and not a requirement for participation. Please limit your comments to three (3) minutes, or such other time as the Mayor may decide, consistent with the time limit for speakers at a Council meeting. If you wish to speak to an item or items on the Consent Calendar, please state which item number(s) you are commenting on at the beginning of your time.

If you are unable to participate in real-time, you may email to Clerk@losgatosca.gov the subject line "Public Comment Item #\_\_" (insert the item number relevant to your comment) or "Verbal Communications – Non-Agenda Item." Comments received by 11:00 a.m. the day of the meeting will be reviewed and distributed before the meeting. All comments received will become part of the record.

### **RULES OF DECORUM AND CIVILITY**

To conduct the business of the community in an effective and efficient manner, please follow the meeting guidelines set forth in the Town Code and State law.

The Town does not tolerate disruptive conduct, which includes but is not limited to:

- Addressing the Committee without first being recognized;
- Interrupting speakers, Committee Members, or Town staff;
- Continuing to speak after the allotted time has expired;
- Failing to relinquish the microphone when directed to do so;
- Repetitiously addressing the same subject.

Town Policy does not allow speakers to cede their commenting time to another speaker. Disruption of the meeting may result in a violation of Penal Code Section 403.

### **MEETING CALL TO ORDER**

#### **ROLL CALL**

**CONSENT ITEMS** *Items appearing on the Consent Items are considered routine Town business and may be approved by one motion. Any member of the Council may request to have an item removed from the Consent Items for comment and action. Members of the public may provide input on any or multiple Consent Item(s) when the Mayor asks for public comments on the Consent Items. If you wish to comment, please follow the Participation Instructions contained on Page 2 of this agenda. If an item is removed, the Mayor has the sole discretion to determine when the item will be heard.*

1. Approve Minutes of the December 20, 2022 Pension and OPEB Trusts Oversight Committee Meeting.
2. Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending December 31, 2022.
3. Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2022.

**VERBAL COMMUNICATIONS** *(Members of the public are welcome to address the Town Council on any matter that is not listed on the agenda. To ensure all agenda items are heard and unless additional time is authorized by the Mayor, this portion of the agenda is limited to 30 minutes and no more than three (3) minutes per speaker. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment.)*

**OTHER BUSINESS** (*Up to three minutes may be allotted to each speaker on any of the following items.*)

4. Receive Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants and Identify Amortization Bases for Future Potential Additional Discretionary Payments (ADPs).

## **ADJOURNMENT**

*Writings related to an item on the Town Council meeting agenda distributed to members of the Council within 72 hours of the meeting are available for public inspection at the front desk of the Los Gatos Town Library, located at 100 Villa Avenue, and are also available for review on the official Town of Los Gatos website. Copies of desk items distributed to members of the Council at the meeting are available for review in the Town Council Chambers.*

*Note: The Town of Los Gatos has adopted the provisions of Code of Civil Procedure §1094.6; litigation challenging a decision of the Town Council must be brought within 90 days after the decision is announced unless a shorter time is required by State or Federal law.*



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

MEETING DATE: 3/21/2023

ITEM NO: 1

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**DRAFT  
Minutes of the Pension and OPEB Trust Oversight Committee Meeting  
December 20, 2022**

The Pension and OPEB Trust Oversight Committee of the Town of Los Gatos conducted a regular meeting in-person and utilizing teleconferencing means on Tuesday, December 20, 2022 at 6:15 p.m.

**MEETING CALLED TO ORDER AT 6:16 P.M.**

**ROLL CALL**

Present: Mayor Maria Ristow, Vice Mayor Mary Badame, Council Member Matthew Hudes, Council Member Rob Moore, Council Member Rob Rennie.

Absent: None.

**CONSENT ITEMS (TO BE ACTED UPON BY A SINGLE MOTION)**

1. Approve Minutes of the September 20, 2022 Town Pension and OPEB Trust Oversight Committee Meeting.
2. Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending September 30, 2022.
3. Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending September 30, 2022.

Council Member Moore pulled items 2 and 3.

**MOTION: Motion by Vice Mayor Badame to approve the Consent Item 1. Seconded by Council Member Rennie.**

**VOTE: Motion passed unanimously.**

**VERBAL COMMUNICATIONS**

None.

**OTHER BUSINESS**

4. Adopt Proposed Revisions to the Town of Los Gatos IRS Section 115 Pension Trust and Other Post-Employment Benefits (OPEB) Investment Policy as Recommended by the Finance Commission.

Arn Andrews, Assistant Town Manager, the staff report.

PAGE 2 OF 3

SUBJECT: Draft Minutes of the Pension and OPEB Trust Oversight Committee Meeting of  
December 20, 2022

DATE: December 20, 2022

Other Business Item #4 – continued

Opened Public Comment.

No one spoke.

Closed Public Comment.

Council discussed the item.

**MOTION: Motion by Vice Mayor Badame** to adopt proposed revisions to the Town of Los Gatos IRS Section 115 Pension Trust and Other Post-Employment Benefits (OPEB) Investment Policy as recommended by the Finance Commission. **Seconded by Council Member Hudes.**

**VOTE: Motion passes unanimously.**

5. Receive CalPERS 2022 Annual Review of Funding Levels and Risks.

Arn Andrews, Assistant Town Manager, presented the staff report.

Opened Public Comment.

No one spoke.

Closed Public Comment.

Council discussed the item and received the CalPERS 2022 Annual Review of Funding Levels and Risks.

Pulled Consent Items

2. Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending September 30, 2022.
3. Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending September 30, 2022.

Arn Andrews, Assistant Town Manager, presented the staff reports for pulled Consent Items 1 and 2.

Opened Public Comment.

PAGE 3 OF 3

SUBJECT: Draft Minutes of the Pension and OPEB Trust Oversight Committee Meeting of  
December 20, 2022

DATE: December 20, 2022

Pulled Consent Items #1 and #2 – continued

No one spoke.

Closed Public Comment.

Council discussed the item and received the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the period ending September 30, 2022 and the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the period ending September 30, 2022.

**ADJOURNMENT**

The meeting adjourned at 6:46 p.m.

Respectfully submitted:

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Jenna De Long, Deputy Clerk



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

MEETING DATE: 3/21/2023

ITEM NO: 2

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DATE: March 14, 2023  
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 December 31, 2022

**RECOMMENDATION:**

Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending December 31, 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:** Gitta Ungvari  
Finance Director

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Reviewed by: Town Manager and Town Attorney

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PAGE 2 OF 2

SUBJECT: CEPPT Update

DATE: March 14, 2023

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 \$390,000 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 December 31, 2022, was \$662,323 (Attachment 1). As of January 31, 2023, the CEPPT Strategy 2 fund had a net return of 4.51% for the month and 2.37% for the Fiscal YTD (Attachment 2). Staff anticipates transferring an additional \$690,000 to the CEPPT Trust during FY 2022/23. Per prior Pension/OPEB Oversight Committee direction, staff consult with the Town's actuary and provide a recommendation to the Finance Commission for a future ADP.

The Finance Commission received this report on March 13, 2023.

Attachments:

1. CEPPT Market Value Summary
2. CEPPT Performance January 31, 2023



**Market Value Summary:**

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$638,355.08	\$676,150.03
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	24,347.27	(13,053.46)
Administrative Expenses	(250.23)	(510.24)
Investment Expense	(129.15)	(263.36)
Other	0.00	0.00
Ending Balance	\$662,322.97	\$662,322.97
FY End Contribution Accrual	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$662,322.97	\$662,322.97

**Unit Value Summary:**

	QTD Current Period	Fiscal Year to Date
Beginning Units	68,400.224	68,400.224
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	68,400.224	68,400.224
Period Beginning Unit Value	9.332646	9.885202
Period Ending Unit Value	9.683052	9.683052

Please note the Grand Total is your actual fund account balance at the end of the period, including accrued contribution and disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CEPPT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 12/31/2022

Town of Los Gatos

Entity #: SKHE-4589482285-501P



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Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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Client Contact:  
CEPPT4U@CalPERS.ca.gov

# CEPPT Strategy 2



January 31, 2023

## Objective

The CEPPT Strategy 2 portfolio seeks to provide capital appreciation and income consistent with its strategic asset allocation. There is no guarantee that the portfolio will achieve its investment objective.

## Strategy

The CEPPT Strategy 2 portfolio is invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CEPPT Strategy 1, this portfolio has a lower allocation to equities and a higher allocation to bonds. Historically, funds with a lower percentage of equities have displayed less price volatility and, therefore, this portfolio may experience comparatively less fluctuation of value. Employers that seek greater stability of value, in exchange for possible lower investment returns, may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes in composition as well as targeted allocation percentages and ranges at any time.

## Assets Under Management

As of the specified reporting month-end:

CEPPT Strategy 2	Annual Expense Ratio
\$34,727,138	0.25%

## Composition

### Asset Class Allocations and Benchmarks

The CEPPT Strategy 2 portfolio consists of the following asset classes and corresponding benchmarks:

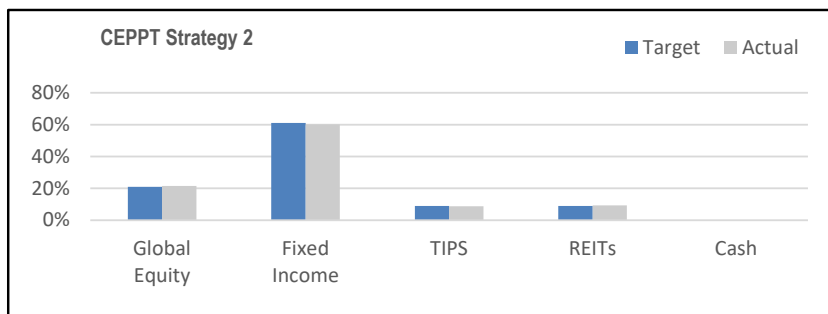
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	21%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	61%	± 5%	Bloomberg US Aggregate Bond Index
Treasury Inflation-Protected Securities ("TIPS")	9%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	9%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Cash	-	+ 2%	91-Day Treasury Bill

### Portfolio Benchmark

The CEPPT Strategy 2 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

### Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may temporarily deviate from the target allocation for a particular asset class based on market, economic, or other considerations.



## CEPPT Strategy 2 Performance as of January 31, 2023

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (January 1, 2020)
Gross Return <sup>1,3</sup>	4.53%	7.58%	2.51%	-7.61%	-0.04%	-	-	0.41%
Net Return <sup>2,3</sup>	4.51%	7.51%	2.37%	-7.81%	-0.27%	-	-	0.18%
Benchmark Return	4.40%	7.63%	2.52%	-7.65%	-0.15%	-	-	0.31%
Standard Deviation <sup>4</sup>	-	-	-	-	8.45%	-	-	8.37%

\* Returns for periods greater than one year are annualized.

<sup>1</sup> Gross returns are net of SSGA operating expenses.

<sup>2</sup> Net returns are net of SSGA operating expenses, investment management, administrative and recordkeeping fees.

<sup>3</sup> Expenses are described in more detail on page 2 of this document.

<sup>4</sup> Standard deviation is based on gross returns and is reported for periods greater than 3 years.

# CEPPT Strategy 2



January 31, 2023

## General Information

### Information Accessibility

The CEPPT Strategy 2 portfolio consists of assets managed internally by CalPERS and/or by external managers. Since it is not a mutual fund, a prospectus is not available and daily holdings are not published. CalPERS provides a quarterly statement of the employer's account and other information about the CEPPT. For total market value, detailed asset allocation, investment policy and performance information, please visit our website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

### Portfolio Manager Information

The CalPERS Board, through its Investment Committee, directs the CEPPT investment strategy based on policies approved by the Board of Administration. State Street Global Advisors (SSGA) manages all underlying investments for CEPPT, which include: Global Equity, Fixed Income, Real Estate Investment Trusts, and Treasury Inflation-Protected Securities.

### Custodian and Record Keeper

State Street Bank serves as custodian for the CEPPT. Northeast Retirement Services serves as recordkeeper.

### Expenses

CEPPT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater reduction of investment return. Currently, CEPPT expense ratios are 0.25%. This equates to \$2.50 per \$1,000 invested. The expenses consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSGA to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

## What Employers Own

Each employer invested in CEPPT Strategy 2 owns units of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

### Price

The value of the portfolio changes daily based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

## Principal Risks of the Portfolio

The CEPPT fund is a trust fund dedicated to prefunding employer contributions to defined benefit pension plans for eligible state and local agencies. CEPPT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives or provide sufficient funding to meet employer obligations.

An investment in the portfolio is not a bank deposit, nor is it insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CEPPT Principal Investment Risks" located at [www.calpers.ca.gov](http://www.calpers.ca.gov).

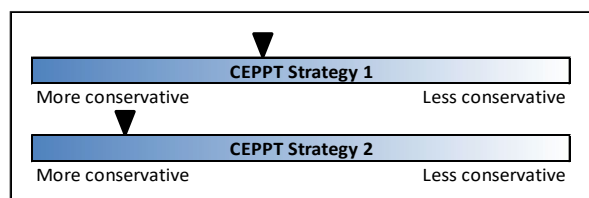
## Fund Performance

Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit [www.calpers.ca.gov](http://www.calpers.ca.gov) and follow the links to California Employers' Pension Prefunding Trust.

## CEPPT Strategy Risk Levels

CalPERS offers employers the choice of one of two investment strategies. Projected risk levels among risk strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations	Strategy 1	Strategy 2
Global Equity	37%	21%
Fixed Income	44%	61%
Treasury-Inflation Protected Securities	5%	9%
Real Estate Investment Trusts	14%	9%





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

MEETING DATE: 3/21/2023

ITEM NO: 3

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DATE: March 14, 2023  
TO: Town Pension and OPEB Trusts Oversight Committee  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2022

**RECOMMENDATION:**

Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2022.

**BACKGROUND:**

In 2009, the Council approved participating in the CERBT Fund. The CERBT Fund is an IRS Section 115 trust fund dedicated to the prefunding of other post-employment benefits ("OPEB"). The CERBT Strategy 1 is the single investment vehicle for the Town's OPEB Plan ("OPEB Plan").

**DISCUSSION:**

The ending OPEB 115 Trust account balance as of December 31, 2022, was \$22,645,730 compared to \$21,197,608 as of September 30, 2022 (Attachment 1). As of January 31, 2023, the CERBT Strategy 1 fund had a net return of 6.66% for the month and 5.66% for the Fiscal YTD (Attachment 2).

The Finance Commission received this report on March 13, 2023.

**Attachments:**

1. OPEB 115 Trust Market Value Summary
2. CERBT Performance Report December 2022

**PREPARED BY:** Gitta Ungvari  
Finance Director

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Reviewed by: Town Manager and Town Attorney

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**Market Value Summary:**

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$21,197,607.83	\$22,861,333.23
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	1,452,901.73	(205,820.03)
Administrative Expenses	(2,761.11)	(5,651.46)
Investment Expense	(2,018.86)	(4,132.15)
Other	0.00	0.00
Ending Balance	<u>\$22,645,729.59</u>	<u>\$22,645,729.59</u>
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$22,645,729.59	\$22,645,729.59

**Unit Value Summary:**

	QTD Current Period	Fiscal Year to Date
Beginning Units	1,188,552.988	1,188,552.988
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	<u>1,188,552.988</u>	<u>1,188,552.988</u>
Period Beginning Unit Value	17.834803	19.234593
Period Ending Unit Value	19.053193	19.053193

Please note the Grand Total is your actual fund account balance at the end of the period, including all contributions per GASB 74 paragraph 22 and accrued disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 12/31/2022

Town of Los Gatos

Entity #: SKB0-4589482285



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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Client Contact:  
CERBT4U@CalPERS.ca.gov



# CERBT Strategy 1



January 31, 2023

## Objective

The CERBT Strategy 1 portfolio seeks to provide capital appreciation and income consistent with its strategic asset allocation. There is no guarantee that the portfolio will achieve its investment objective.

## Strategy

The CERBT Strategy 1 portfolio is invested in various asset classes. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CERBT Strategy 2 and Strategy 3, this portfolio has a higher allocation to equities than bonds and other assets. Historically, equities have displayed greater price volatility and, therefore, this portfolio may experience greater fluctuation of value. Employers that seek higher investment returns, and are able to accept greater risk and tolerate more fluctuation in returns, may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes in composition as well as targeted allocation percentages and ranges at any time.

## Assets Under Management

As of the specified reporting month-end:

CERBT Strategy 1	Annual Operating Ratio
\$14,217,497,111	0.10%

## Composition

### Asset Class Allocations and Benchmarks

The CERBT Strategy 1 portfolio consists of the following asset classes and corresponding benchmarks:

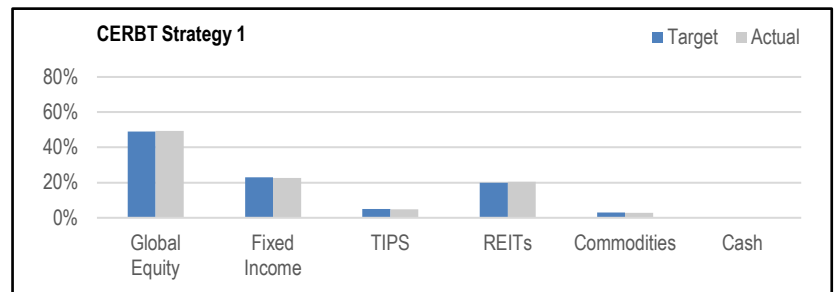
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	49%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	23%	± 5%	Bloomberg Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	20%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Commodities	3%	± 3%	S&P GSCI Total Return Index
Cash	-	+ 2%	91-Day Treasury Bill

## Portfolio Benchmark

The CERBT Strategy 1 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

## Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may temporarily deviate from the target allocation to a particular asset class based on market, economic, or other considerations.



## CERBT Strategy 1 Performance as of January 31, 2023

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (June 1, 2007)
Gross Return <sup>1,3</sup>	6.67%	10.32%	5.71%	-8.58%	4.22%	4.52%	6.25%	5.04%
Net Return <sup>2,3</sup>	6.66%	10.30%	5.66%	-8.66%	4.13%	4.43%	6.15%	4.97%
Benchmark Returns	6.58%	10.26%	5.65%	-8.76%	3.96%	4.28%	5.90%	4.65%
Standard Deviation <sup>4</sup>	-	-	-	-	16.08%	13.59%	10.80%	13.09%

\* Returns for periods greater than one year are annualized.

<sup>1</sup> Gross returns are net of SSGA operating expenses.

<sup>2</sup> Net returns are net of SSGA operating expenses, investment management, administrative and recordkeeping fees.

<sup>3</sup> Expenses are described in more detail on page 2 of this document.

<sup>4</sup> Deviation is based on gross returns and is reported for periods greater than 3 years.

January 31, 2023

## General Information

### Information Accessibility

The CERBT Strategy 1 portfolio consists of assets managed internally by CalPERS and/or by external advisors. Since it is not a mutual fund, a prospectus is not available and daily holdings are not published. CalPERS provides a quarterly statement of the employer's account and other information about the CERBT. For total market value, detailed asset allocation, investment policy and current performance information, please visit our website at: [www.calpers.ca.gov](http://www.calpers.ca.gov).

### Portfolio Manager Information

The CalPERS Board, through its Investment Committee, directs the CERBT investment strategy based on policies approved by the Board of Administration. State Street Global Advisors (SSGA) manages all underlying investments for CERBT, which include: Global Equity, Fixed Income, Real Estate Investment Trusts, Treasury Inflation-Protected Securities, and Commodities.<sup>1</sup>

### Custodian and Record Keeper

State Street Bank serves as custodian for the CERBT. Northeast Retirement Services serves as recordkeeper.

### Expenses

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater the reduction of investment return. Currently, CERBT expenses are 0.10% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSGA to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

## What Employers Own

Each employer invested in CERBT Strategy 1 owns units of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

### Price

The value of the portfolio changes daily based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

## Principal Risks of the Portfolio

The CalPERS CERBT Fund provides California government employers with a trust through which they may prefund retiree medical costs and other post-employment benefits (OPEB). CERBT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives or provide sufficient funding to meet employer obligations. Further, CalPERS will not make up the difference between an employer's CERBT assets and the actual cost of OPEB provided to an employer's plan members.

An investment in the portfolio is not a bank deposit, nor is it insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CERBT Principal Investment Risks" located at [www.calpers.ca.gov](http://www.calpers.ca.gov).

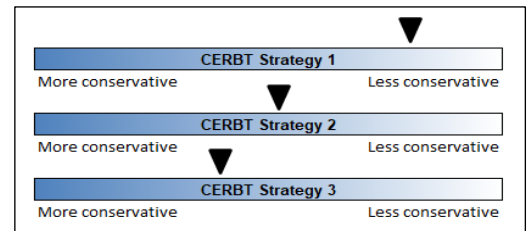
## Fund Performance

Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit [www.calpers.ca.gov](http://www.calpers.ca.gov) and follow the links to California Employers' Retiree Benefit Trust.

## CERBT Strategy Risk Levels

CalPERS offers employers the choice of one of three investment strategies. Projected risk levels among strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations	Strategy 1	Strategy 2	Strategy 3
Global Equity	49%	34%	23%
Fixed Income	23%	41%	51%
Treasury Inflation-Protected Securities	5%	5%	9%
Real Estate Investment Trusts	20%	17%	14%
Commodities	3%	3%	3%



<sup>1</sup> Since June 2018, SSGA has passively managed all CERBT asset classes. Previously, Fixed Income, TIPS and Commodity asset classes were managed internally by CalPERS.



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

MEETING DATE: 03/21/2023

ITEM NO: 4

---

DATE: March 14, 2023  
TO: Town Pension and OPEB Trusts Oversight Committee  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants and Identify Amortization Bases for Future Potential Additional Discretionary Payments (ADPs)

**RECOMMENDATION:**

Receive Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants and identify amortization bases for future potential Additional Discretionary Payments (ADPs).

**BACKGROUND:**

The Town's pension plans are administered by the Board of Administration of the California Public Employees' Retirement System (CalPERS). The Board of Administration is responsible for the management and control of CalPERS and maintains exclusive control of the administration and investment of pension funds. In addition, CalPERS actuaries are responsible for the provision of actuarial valuations for the Town's pension plans. Sworn employees are covered under the Safety Plan which is a pooled plan, while all other employees are covered in the Miscellaneous Plan, which is a separate plan. The Miscellaneous Plan is administered by CalPERS in the Public Employees' Retirement Fund (PERF).

Recognizing the importance of the Town's pension obligations and projected increases in future pension costs, starting in 2018 the Town contracted Bartel and Associates to perform an annual review of the actuarial valuation reports provided by CalPERS. Foster & Foster Actuaries and Consultants (formerly Bartel and Associates) is an industry leader in providing actuarial related services to California local governments.

**PREPARED BY:** Gitta Ungvari  
Finance Director

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Reviewed by: Town Manager and Town Attorney

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PAGE 2 OF 3

SUBJECT: Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by  
Foster & Foster Actuaries and Consultants

DATE: March 14, 2023

DISCUSSION:

Foster & Foster has prepared an analysis of the status of the Town's pension plans for its Miscellaneous and Safety employees as provided in Attachment 1. The Town Actuarial Consultants are attending the meeting to review the following key issues regarding the Town's pension plans:

- An introduction to actuarial valuations
- An introduction to the development of expected returns
- A review of 6/30/2021 valuations and subsequent projections
- Recommended amortization bases for potential future ADPs

The presentation slides are contained in Attachment 2.

CONCLUSION:

The Finance Commission received the presentation and had an opportunity to ask questions of the consultant its March 13, 2023 meeting. The Finance Commission recommended that Oversight Committee pay down the longest base for the Miscellaneous Plan. The current balance of the IRS Pension Trust is approximately \$1.3 million as of March 14, 2023. The entire balance is available for the ADP payment. Staff recommends that the Oversight Committee evaluate and compare both the pros and cons of paying down longest base in Miscellaneous Plan versus Safety Plan as described below.

If the Town makes an ADP payment to the non-pooled Miscellaneous plan, the ADP will be added to the plan's assets and it will reduce the plan's unfunded liability. Earnings will be credited on the plan's assets including the ADP for the year deposited based on the average return credited for the year and the portion of the year after the payment is made. Per the actuarial analysis, paying additional \$1 million ADP to the Miscellaneous Plan yields approximately \$954,000 interest savings.

If the Town makes an ADP payment to the pooled Safety plan, it will reduce the Safety plan's unfunded liability in exactly the same manner as for the Miscellaneous plan. Since actuarial gains and losses are allocated among the risk pool members, the ADP's future investment gains and losses for the Safety plan will not be the same but will be very close to the Miscellaneous plan. Per the actuarial analysis paying additional \$1 million ADP to the Safety Plan yields approximately \$1,035,000 interest savings.

COORDINATION:

This report has been coordinated with the Town Manager's Office.

PAGE 3 OF 3

SUBJECT: Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by  
Foster & Foster Actuaries and Consultants

DATE: March 14, 2023

FISCAL IMPACT:

Based on the recommended plan bases payment, the Town will have an interest savings between \$954,000 to \$1,035,000.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants
2. Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants
3. Commissioner Communication



**TOWN OF LOS GATOS  
CALPERS MISCELLANEOUS & SAFETY PLANS**



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**CalPERS Analysis – 6/30/21 Valuation**

**Mary Elizabeth Redding, FSA, EA, MAAA**

**Bianca Lin, FSA, EA, MAAA**

**Wai Man Yam**

**Foster & Foster, Inc.**

**March 7, 2023**

ATTACHMENT 1

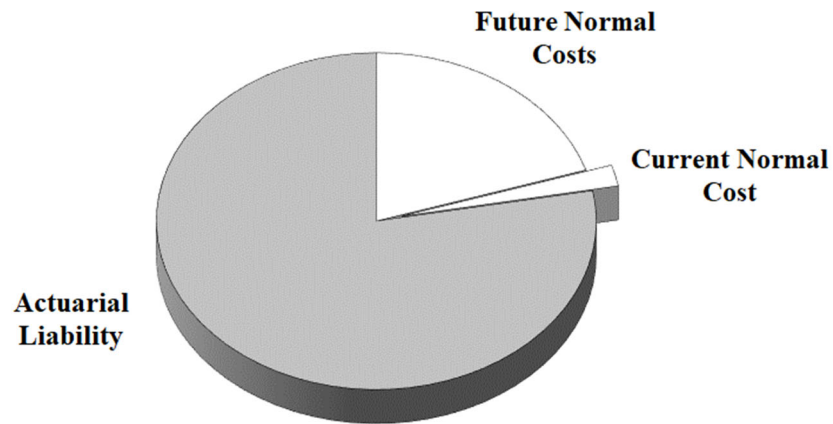
# Contents

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# DEFINITIONS

## Present Value of Benefits June 30, 2021



### ■ **PVB - Present Value of all Projected Benefits:**

- The value now of amounts due to be paid in the future
- Discounted value (at valuation date - 6/30/21), of all future expected benefit payments based on various (actuarial) assumptions

### ■ **Current Normal Cost (NC):**

- Portion of PVB allocated to (or “earned” during) current year
- Value of employee and employer current service benefit

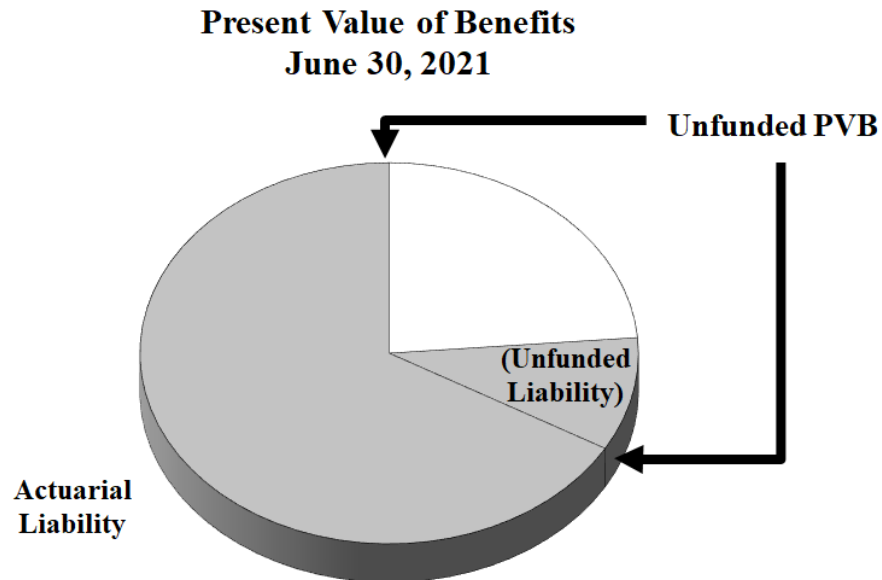
### ■ **Actuarial Liability (AAL):**

- Discounted value (at valuation date) of benefits earned through valuation date [value of past service benefit]
- Portion of PVB “earned” at measurement





# DEFINITIONS



- **Target-** Have money in the bank to cover Actuarial Liability (past service)
- **Unfunded Liability (UAAL or UAL) - Money short of target at valuation date**
  - If all actuarial assumptions were always exactly met, then the plan assets would always equal AAL
  - Any difference is the unfunded (or overfunded) AAL
  - Every year, the actuary calculates the difference between the expected UAAL and Actual UAAL. This is a new layer or amortization base
  - Each new layer gets amortized (paid off) over a period of time as part of the contribution [rate]



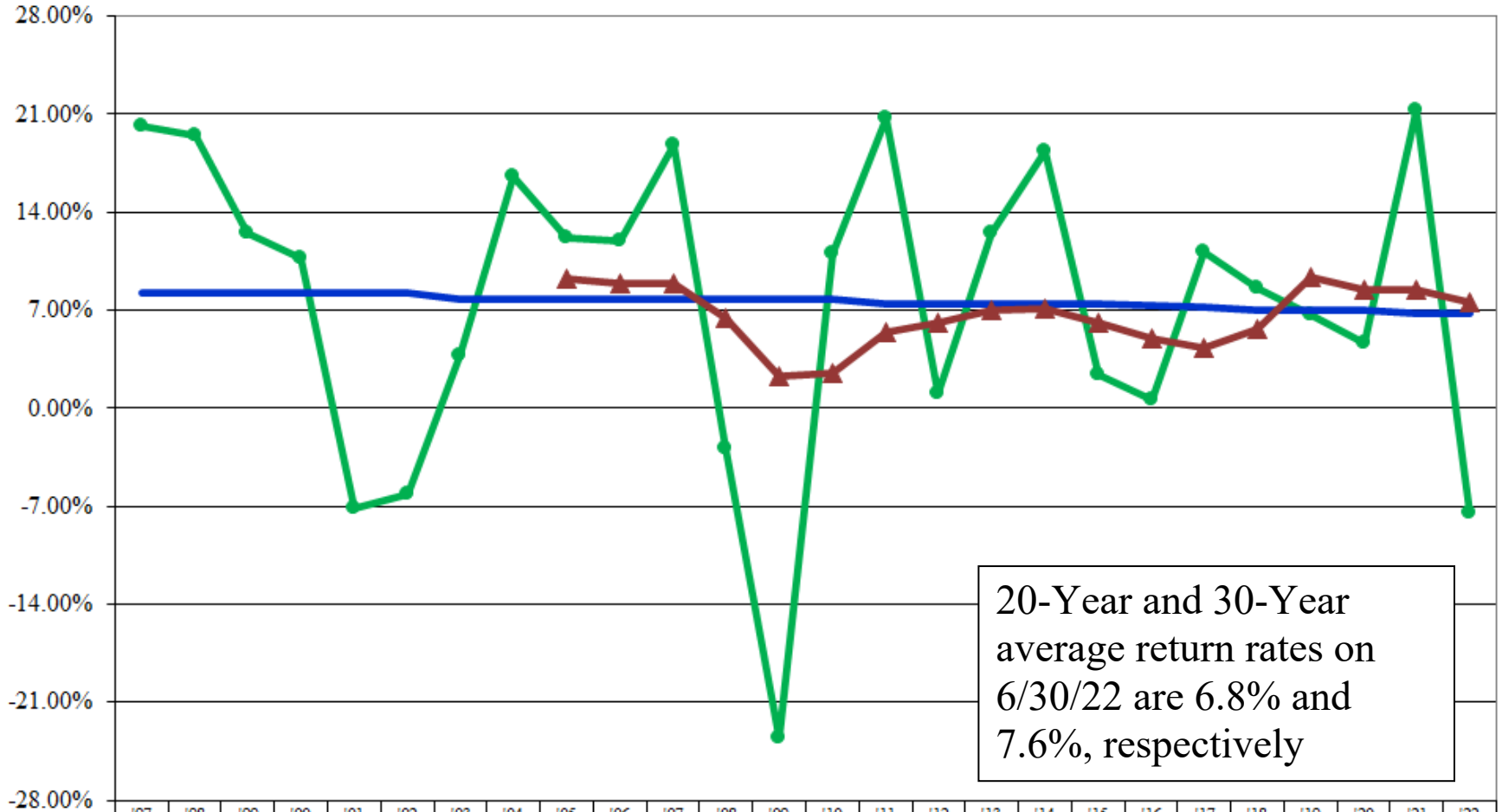
## HOW WE GOT HERE

- Investment Losses
- CalPERS Contribution Policy
- Enhanced Benefits
- Demographics



# HOW WE GOT HERE – INVESTMENT RETURN

## Annual Return on Market Value of Assets



20-Year and 30-Year average return rates on 6/30/22 are 6.8% and 7.6%, respectively

	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22
Rate of Return	20.1%	19.5%	12.5%	10.7%	-7.1%	-6.1%	3.7%	16.6%	12.2%	11.9%	18.8%	-2.9%	-23.6%	11.1%	20.7%	1.0%	12.5%	18.4%	2.4%	0.6%	11.2%	8.6%	6.70%	4.70%	21.30%	-7.50%
Discount Rate	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.50%	7.50%	7.50%	7.50%	7.50%	7.375%	7.25%	7.00%	7.00%	7.00%	6.80%	6.80%
10-Year Rolling Average									9.3%	9.0%	8.9%	6.4%	2.3%	2.6%	5.4%	6.1%	7.0%	7.1%	6.1%	5.0%	4.3%	5.7%	9.3%	8.5%	8.5%	7.6%

Returns (after 2001) shown are gross returns, unreduced for administrative expenses, from CalPERS valuation reports, when available. The discount rate is based on expected returns net of administrative expenses.



## HOW WE GOT HERE – OLD CONTRIBUTION POLICY

- Effective with 2003 valuations:
  - Slow (15 year) recognition of investment losses into funded status
  - Rolling 30 year amortization of all (primarily investment) losses
  
- Designed to:
  - First smooth rates and
  - Second pay off UAL
  
- Mitigated contribution volatility



## HOW WE GOT HERE – ENHANCED BENEFITS

- At CalPERS, Enhanced Benefits implemented using all (future & prior) service
- Typically not negotiated with cost sharing
- Town of Los Gatos

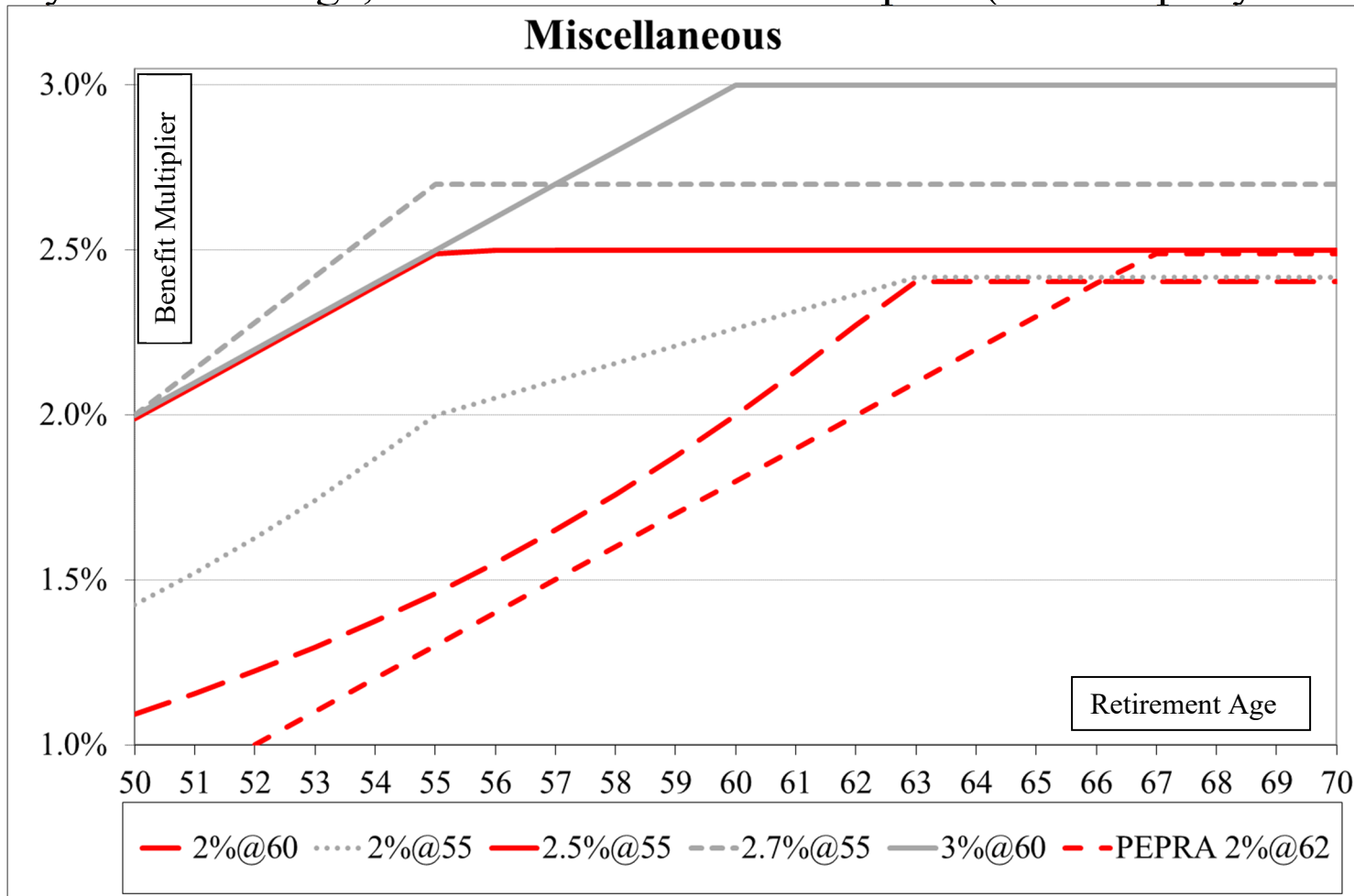
	<b>Tier 1</b>	<b>Tier 2</b>	<b>PEPRA</b>
● Miscellaneous	2.5%@55 FAC1	2%@60 FAC3 9/15/12	2%@62 FAC3
● Safety	3%@50 FAC1	N/A	2.7%@57 FAC3

- Note:
  - FAC1 is highest one year (typically final) average earnings
  - FAC3 is highest three years (typically final three) average earnings
- PEPRA tier implemented for new employees hired after 1/1/13
  - Employee pays half of total normal cost
  - 2023 Compensation limit
    - Social Security participants: \$146,042
    - Non-Social Security participants: \$175,250

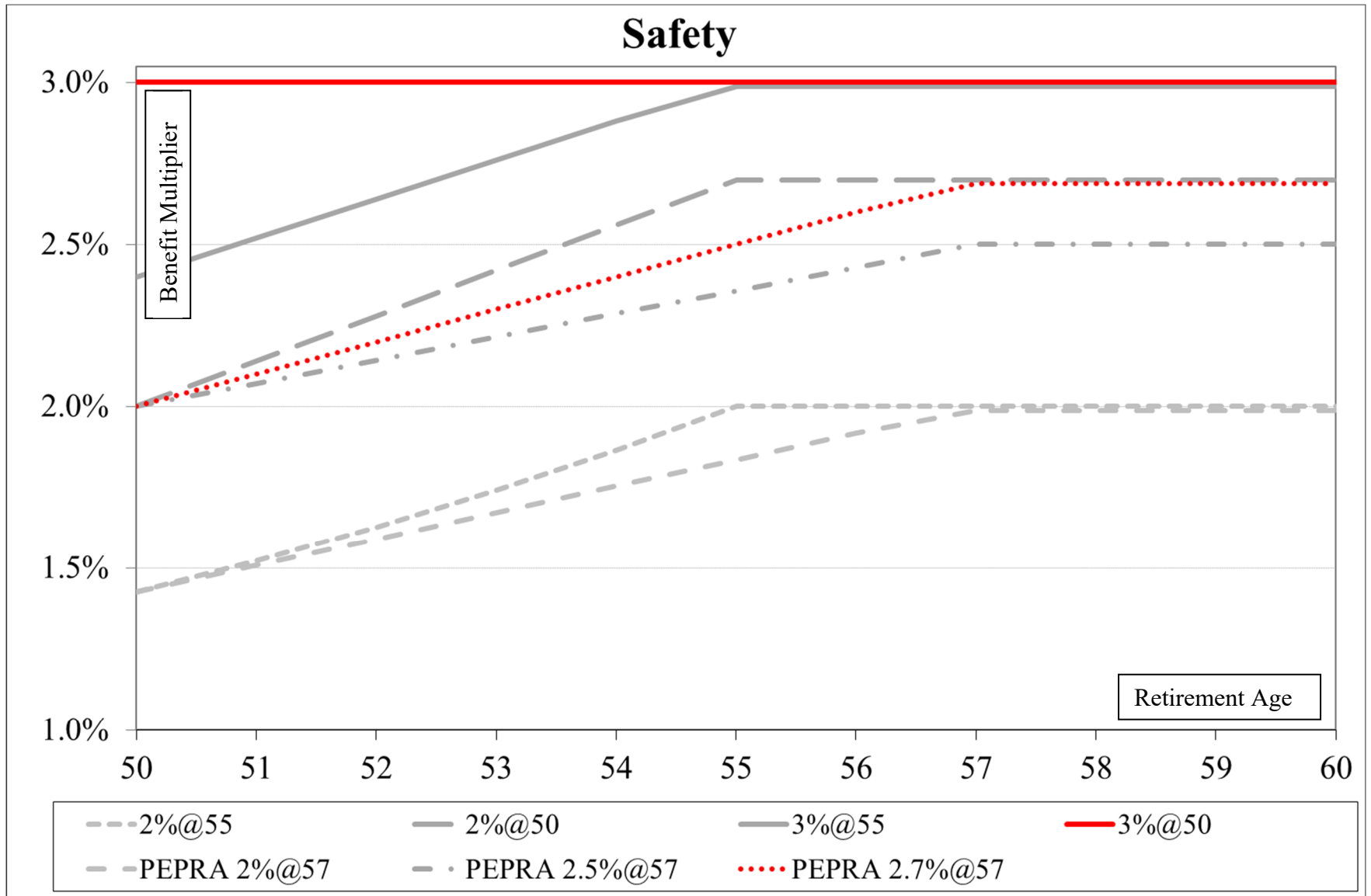


# HOW WE GOT HERE – ENHANCED BENEFITS

- Available CalPERS Benefit formulas. Town’s formulas shown in red.
- For any retirement age, chart shows benefit multiplier (% FAE per year of service)



# HOW WE GOT HERE – ENHANCED BENEFITS



## HOW WE GOT HERE – DEMOGRAPHIC

- Around the State
  - Large retiree liability compared to actives
    - Public Agency average: 59% for Miscellaneous, 67% for Safety
  - Declining active population and increasing number of retirees
  - Higher percentage of retiree liability increases contribution volatility
  
- Town of Los Gatos percentage of liability belonging to retirees:
  - Miscellaneous 65%
  - Safety 74%





# CALPERS CHANGES

- April 2013: CalPERS adopted new contribution policy
  - No asset smoothing or rolling amortization
- February 2018: New amortization policy for 2021/22 contributions
  - Fixed dollar (level) 20-year amortization rather than % pay (escalating)
  - 5-year ramp up (not down) for investment gains and losses
- CalPERS Board changed the discount rate to 7%, still phasing in to rates:

	<u>Rate</u>	<u>Initial Impact</u>	<u>Full Impact</u>
● 6/30/16 valuation	7.375%	18/19	22/23
● 6/30/17 valuation	7.25%	19/20	23/24
● 6/30/18 valuation	7.00%	20/21	24/25

- In the November 2021 meeting, CalPERS Board adopted new
  - Discount rate and investment allocation
    - Discount rate: 6.8% for 6/30/2021. UAL impact matches investment gain amortization (5-year ramp-up). Initial impact in 23/24 and full impact in 27/28.
    - Asset allocation has higher investment risk than current portfolio
  - Experience study (Demographic assumptions)



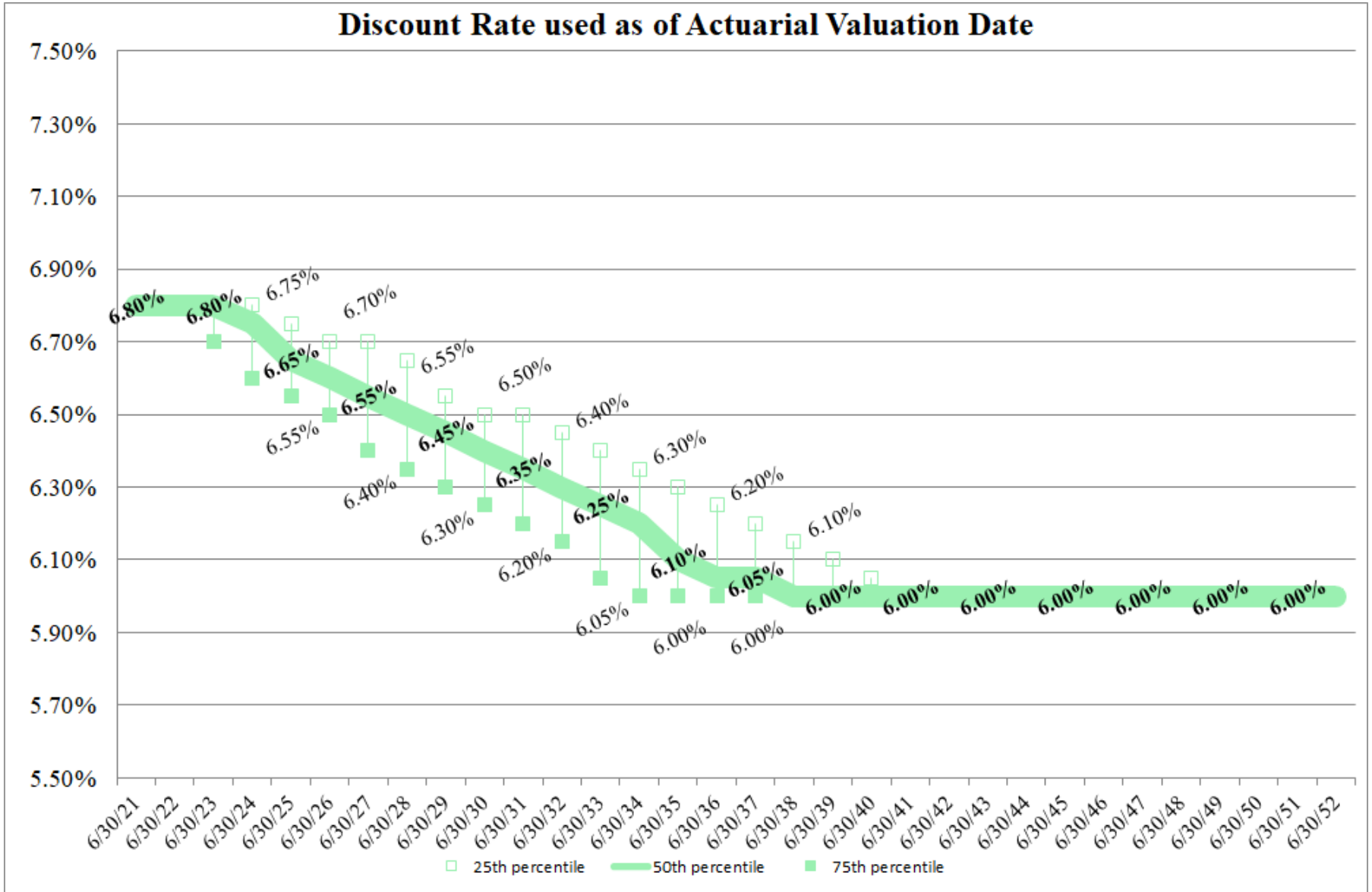
# CALPERS CHANGES

## ■ Risk Mitigation Strategy

- Move to more conservative investments over time to reduce volatility
  - Only when investment return is better than expected
  - Lower discount rate in concert
  - Essentially use  $\approx 50\%$  of investment gains to pay for cost increases
- Likely get to 6.0% discount rate over 20+ years
  - Risk mitigation suspended from 6/30/16 to 6/30/18 valuation
  - Did not trigger for 6/30/19 or 6/30/20 valuations
- First triggered for 6/30/21 valuation – 6.8% discount rate



# CALPERS CHANGES



# CALPERS CHANGES

## Capital Market Assumptions

Asset Class	Asset Segment	Near-Term Return (5-year)	Long-Term Return (20-year)	Volatility (20-year)
Growth	Global Equity – Cap Weighted	6.8%	6.8%	17.0%
	Global Equity – Non-Cap Weighted	5.1%	6.1%	13.5%
	Private Equity	8.9%	9.6%	30.1%
Income	Long U.S. Treasuries	0.1%	2.6%	12.4%
	Mortgage-Backed Securities	1.2%	2.8%	3.1%
	Investment Grade Corporates	0.1%	3.9%	8.5%
	Spread Product – High Yield	2.2%	4.7%	9.2%
	Spread Product – Sovereigns	3.2%	4.5%	10.4%
	High Yield Segment	2.2%	4.6%	9.0%
Real Assets	Real Estate	5.3%	5.5%	12.2%
Liquidity	Liquidity	0.3%	1.7%	0.8%
Other	Private Debt	6.8%	5.9%	9.9%
	Emerging Market Debt	2.7%	4.8%	10.3%



# CALPERS CHANGES

## Portfolio Target Allocations

	<b>Prior Portfolio</b>	<b>11/17/21 Portfolio</b>
<b>Asset Classification</b>		
Liquidity	1%	-
Real Assets	13%	15%
Private Debt	-	5%
EM Sov Bonds	1%	5%
High Yield	4%	5%
Investment Grade Corp.	6%	10%
Mtge-backed Securities	7%	5%
Treasury	10%	5%
Private Equity	8%	13%
Global Equity <sup>1</sup>	50%	42%
Leverage	-	(5)%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Standard Deviation</b>	<b>11.2%</b>	<b>12.0%</b>

<sup>1</sup> Cap and non-cap weighted combined for this table; actual portfolios have specific allocations for each classification.



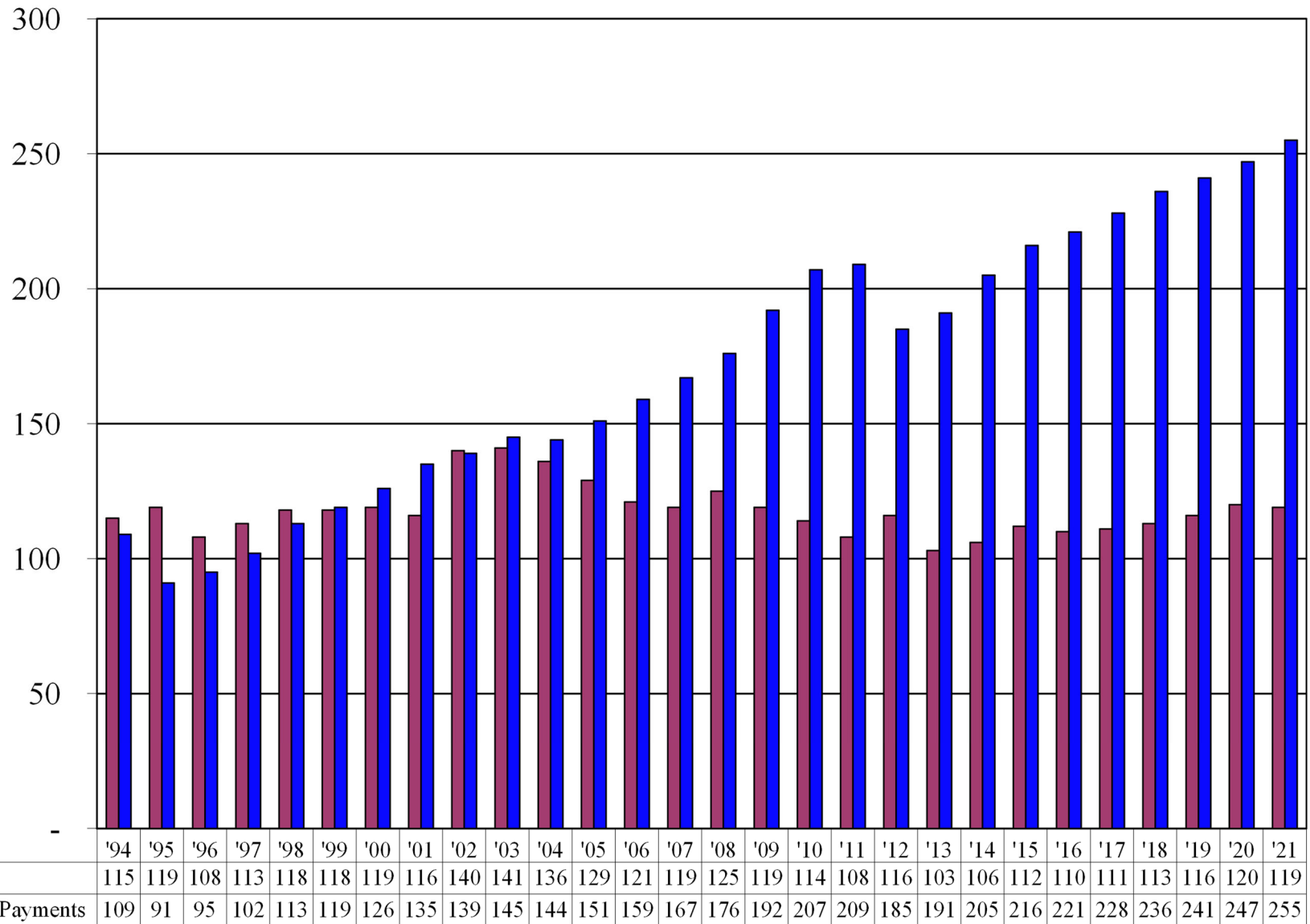
## SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

	2001	2011	2020	2021
<b>Actives</b>				
■ Counts	116	108	120	119
■ Average				
• Age	46	48	45	45
• Town Service	9	10	8	8
• PERSable Wages	\$ 56,900	\$ 79,800	\$ 98,000	\$ 100,600
■ Total PERSable Wages	6,600,000	8,600,000	11,800,000	12,000,000
<b>Inactive Members</b>				
■ Counts				
• Transferred	76	88	101	101
• Separated	67	72	88	91
• Retired				
<input type="checkbox"/> Service	109	178	213	220
<input type="checkbox"/> Disability	9	11	12	13
<input type="checkbox"/> Beneficiaries	<u>17</u>	<u>20</u>	<u>22</u>	<u>22</u>
<input type="checkbox"/> Total	135	209	247	255
■ Average Annual Town Provided Benefit for Service Retirees <sup>2</sup>	9,700	18,300	26,600	27,000

<sup>2</sup> Average Town-provided pensions are based on Town service & Town benefit formula, and are not representative of benefits for long-service employees.



# SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS



## PLAN FUNDED STATUS - MISCELLANEOUS

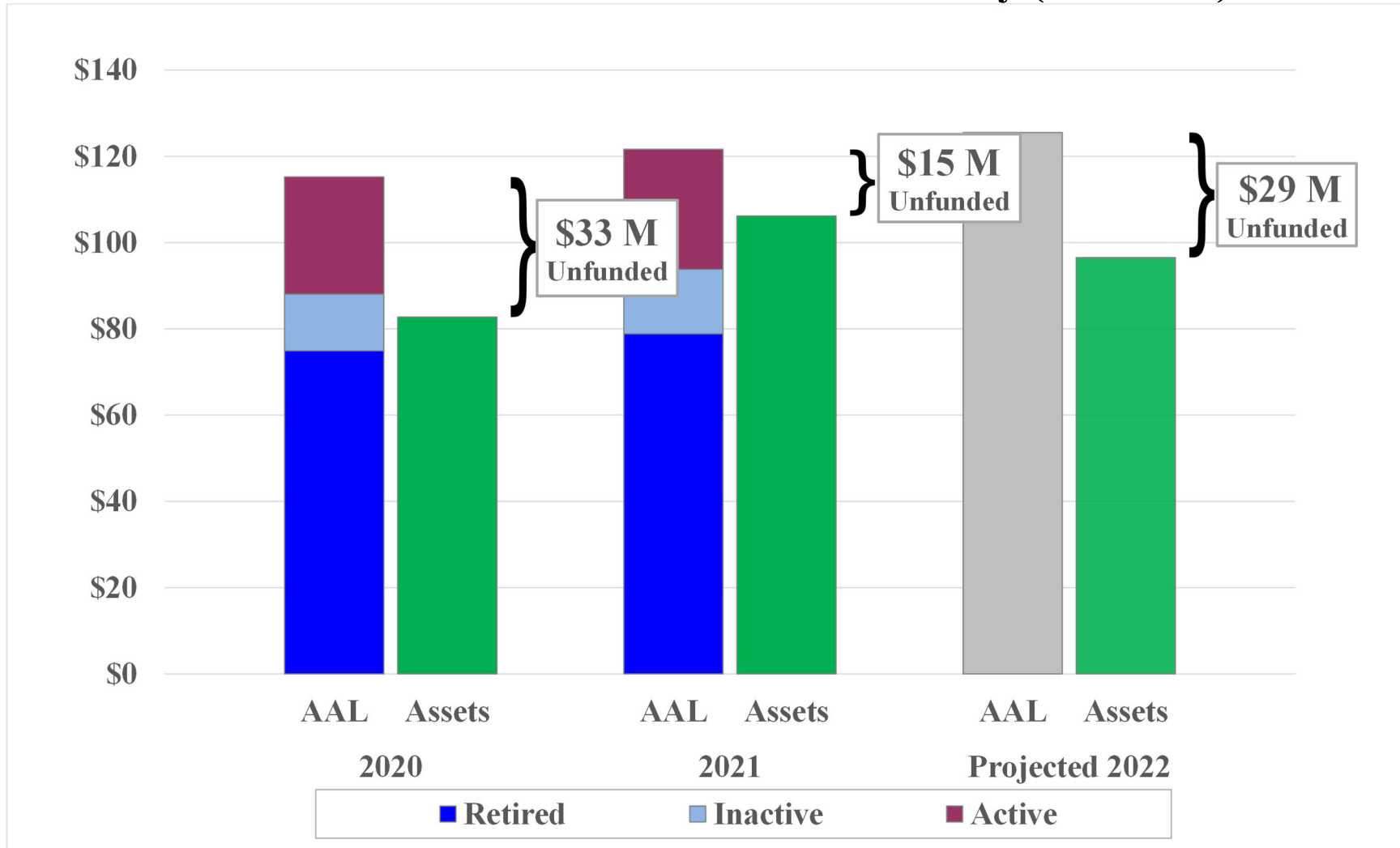
	<u>June 30, 2020</u>	<u>June 30, 2021</u>
■ <b>Actuarial Accrued Liability</b>		
● Active	\$27,200,000	\$27,800,000
● Retiree	74,900,000	78,800,000
● Inactive	<u>13,100,000</u>	<u>15,000,000</u>
● Total	115,200,000	121,600,000
■ <b>Assets</b>	<u>82,700,000</u>	<u>106,200,000</u>
■ <b>Unfunded Liability</b>	32,500,000	15,400,000
■ <b>Funded Ratio</b>	71.8%	87.3%
■ <b>Average funded ratio for CalPERS Public Agency Miscellaneous Plans</b>	72.3%	83.7%





# PLAN FUNDED STATUS - MISCELLANEOUS

## Town CalPERS Assets and Actuarial Liability (\$Millions)<sup>3</sup>



<sup>3</sup> Projected 2022 assets reflect -7.5% CalPERS investment return for 2021/22.



# PLAN FUNDED STATUS - MISCELLANEOUS

## Discount Rate Sensitivity

June 30, 2021

	<b>Discount Rate</b>		
	<b><u>6.80%</u></b>	<b><u>6.30%</u><sup>4</sup></b>	<b><u>5.80%</u></b>
<b>AAL</b>	\$121,600,000	\$129,700,000	\$137,700,000
<b>Assets</b>	<u>106,200,000</u>	<u>106,200,000</u>	<u>106,200,000</u>
<b>Unfunded Liability</b>	15,400,000	23,500,000	31,500,000
<b>Funded Ratio</b>	87.3%	81.9%	77.1%

<sup>4</sup> Estimated by Foster & Foster.



## PLAN FUNDED STATUS - MISCELLANEOUS

### Unfunded Accrued Liability Changes

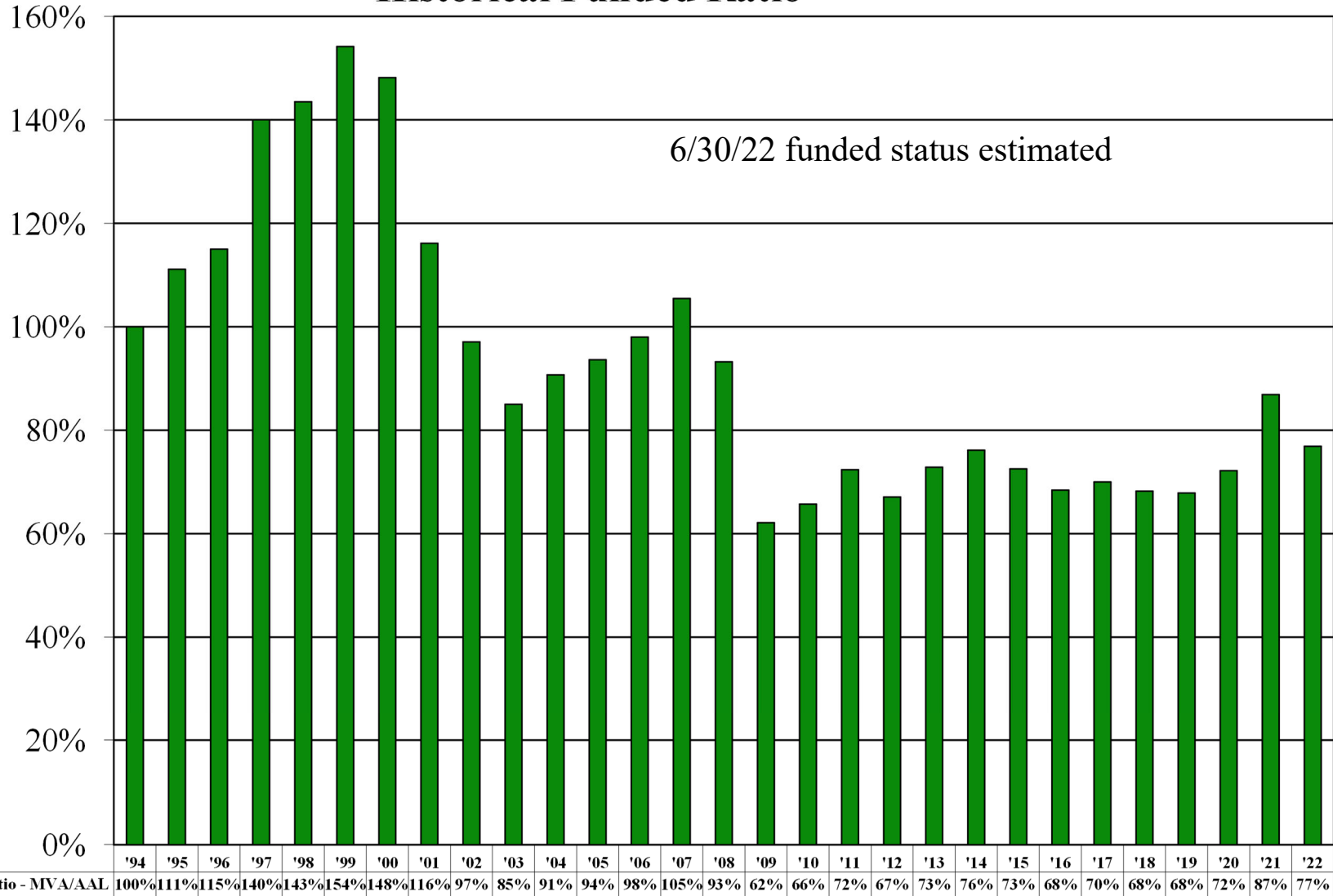
<b>■</b>	<b>Unfunded Accrued Liability on 6/30/20</b>	<b>\$ 32,500,000</b>
<b>■</b>	<b>Expected 6/30/21 Unfunded Accrued Liability</b>	<b>26,400,000</b>
<b>■</b>	<b>Changes</b>	
●	Assumption Change (demographics)	0
●	Discount Rate 7% to 6.8%	2,800,000
●	Asset Loss (Gain) (21.3% return for FY 2021)	(13,700,000)
●	Contribution & Experience Loss (Gain)	<u>(100,000)</u>
●	Total	<u>(11,000,000)</u>
<b>■</b>	<b>Unfunded Accrued Liability on 6/30/21</b>	<b>15,400,000</b>
<b>■</b>	<b>Projected Unfunded Accrued Liability on 6/30/22<sup>5</sup></b>	<b>29,000,000</b>

<sup>5</sup> Projected UAL reflects -7.5% CalPERS investment return for 2021/22.

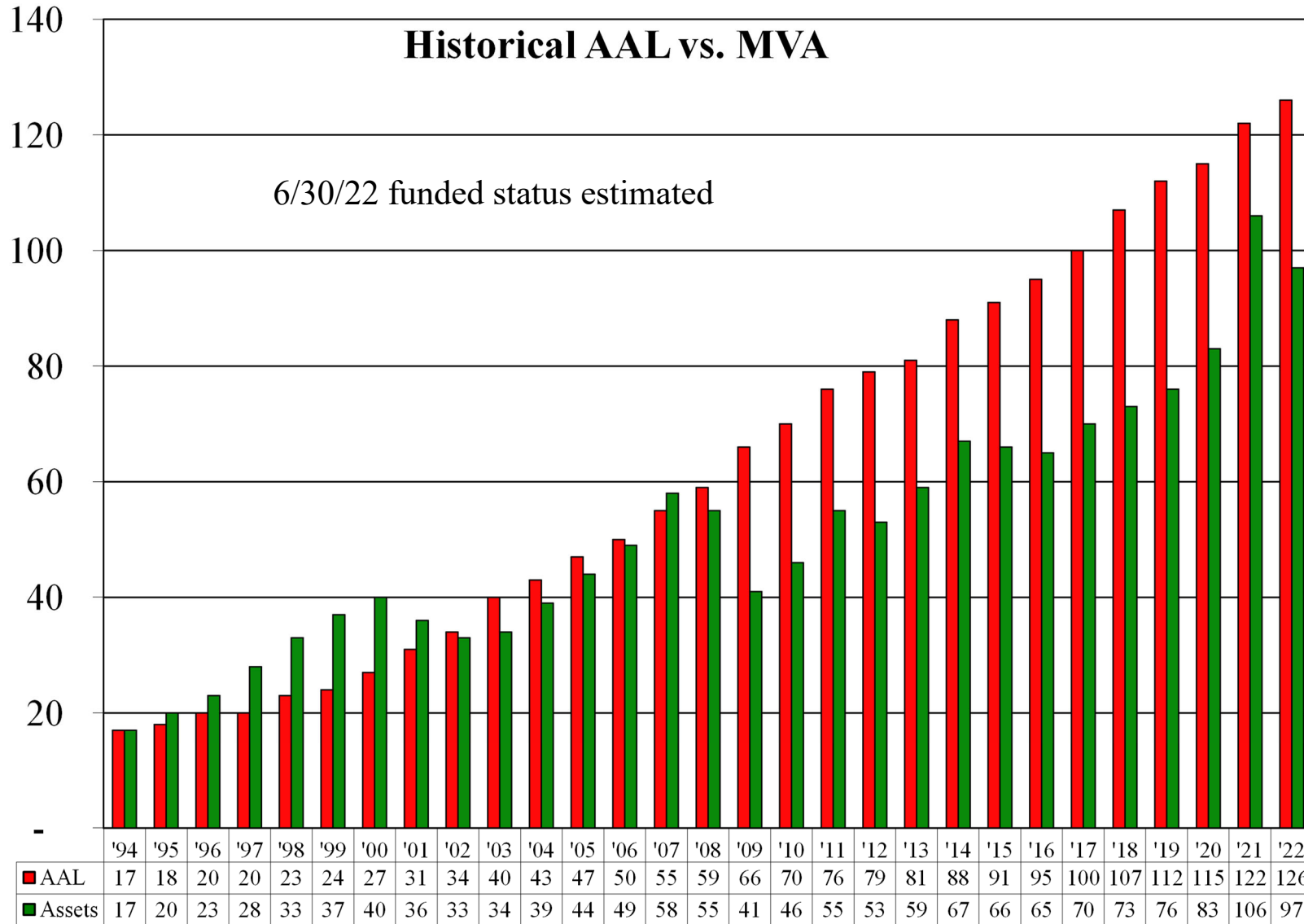


# FUNDED RATIO - MISCELLANEOUS

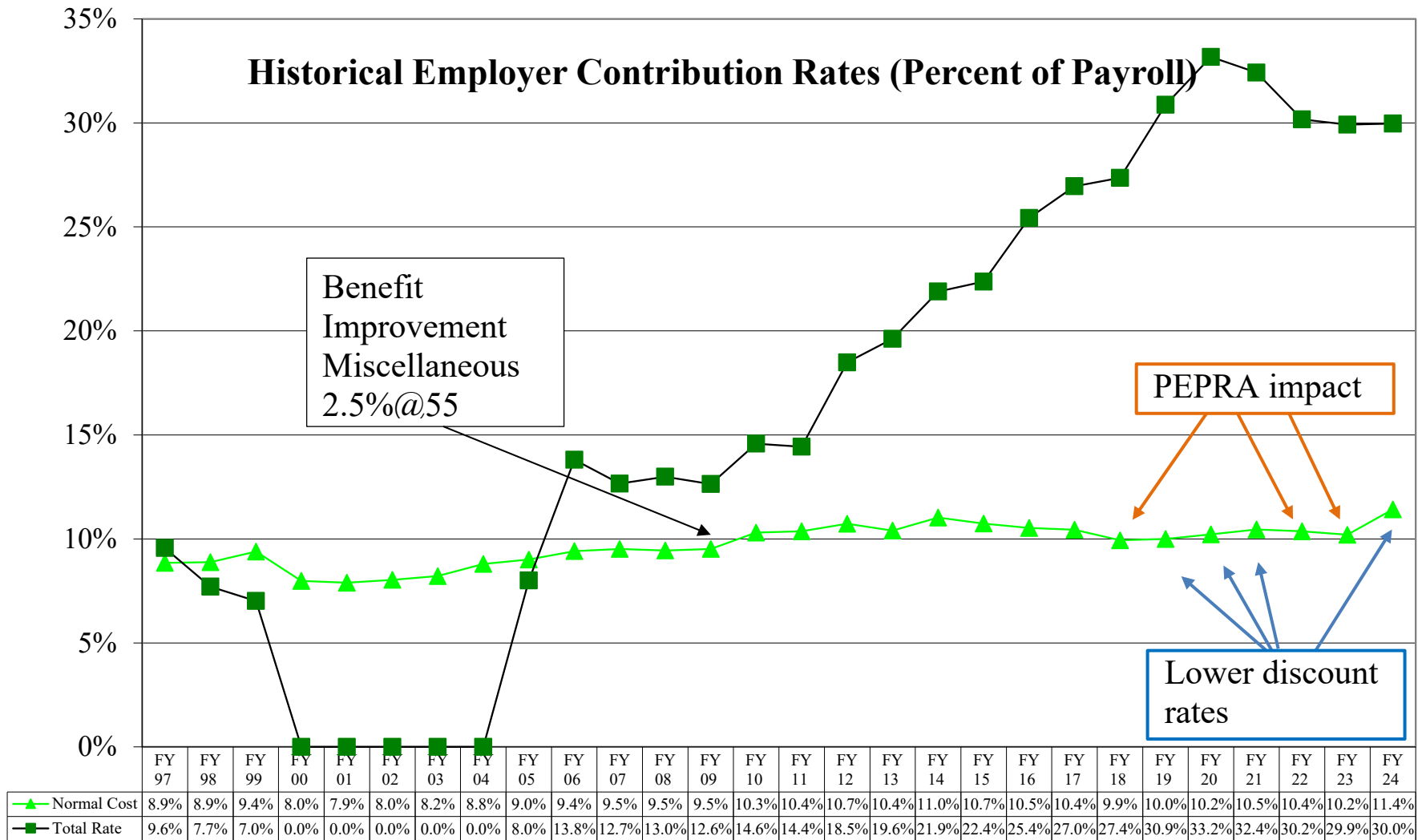
## Historical Funded Ratio



# FUNDED STATUS (MILLIONS) - MISCELLANEOUS



# CONTRIBUTION RATES - MISCELLANEOUS



FY21 & FY22 Total Rates reflect Additional Discretionary Payments (ADPs) of \$4,753,965 made October 2019, \$3,580,365 made July 2020, and \$2,050,942 in April 2021.



## CONTRIBUTION RATES - MISCELLANEOUS

	<u>6/30/20</u> <u>2022/2023</u>	<u>6/30/21</u> <u>2023/2024</u>
■ Total Normal Cost	17.6%	18.8%
■ Employee Normal Cost	<u>7.4%</u>	<u>7.4%</u>
■ Employer Normal Cost	10.2%	11.4%
■ Amortization Payments	<u>19.7%</u>	<u>18.5%<sup>6</sup></u>
■ Total Employer Contribution Rate	29.9%	30.0%
■ 2022/23 Employer Contribution Rate		29.9%
● Payroll Changes		0.2%
● 6/30/17 Discount Rate & Inflation (5 <sup>th</sup> Year)		0.2%
● 6/30/18 Discount Rate change (4 <sup>th</sup> Year)		0.6%
● 6/30/21 Demographic Assumption change (no ramp)		0.7%
● 6/30/21 Risk Mitigation (6.8%) (Normal Cost change)		0.8%
● Other (Gains)/Losses mainly net investment gain		<u>(2.4%)</u>
■ 2023/24 Employer Contribution Rate		30.0%

<sup>6</sup> Equivalent to 18.8% of UAL. One year, 6.8% interest on the UAL is 6.7% of payroll. 2023/24 amortization payment exceeds interest on the UAL, so there is no “negative amortization.”



## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

■ Investment returns:

- June 30, 2022 (7.5%)<sup>7</sup>
- Future returns based on stochastic analysis using 1,000 trials
- Single year returns<sup>8</sup> with current investment mix, no risk mitigation

	Percentile		
	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>
First 10 years	<b>-1.8%</b>	<b>6.0%</b>	<b>14.7%</b>
After 10 years	<b>-0.7%</b>	<b>7.5%</b>	<b>16.4%</b>

- Assumes investment returns will generally be lower over the next 10 years and higher beyond that.

■ Discount Rate decreases due to Risk Mitigation policy – Ultimate rate 6.0%

■ No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements

■ Different from CalPERS projection

■ Impact of Risk Mitigation Policy:

- Net impact of investment gain and discount rate change amortized over 20 years with 5 year ramp up; same amortization method for all future years

■ Projected payroll FY 2023-2027 from City budget projections

<sup>7</sup> Final return based on CalPERS 2022 ACFR.

<sup>8</sup> N<sup>th</sup> percentile means N percentage of our trials result in returns lower than the indicated rates.





## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

■ New hire assumptions:

- All new hires assumed PEPRA members and none are Classic members

■ 6/30/21 employee distribution:

Benefit Tier	Count	% of Total	20/21 Payroll	% of Total
● 2.5%@55 FAC1	32	26.9%	\$3,511,394	29.3%
● 2%@60 FAC3	25	21.0%	3,344,416	27.9%
● 2%@62 FAC3 (PEPRA)	62	52.1%	5,114,292	42.7%

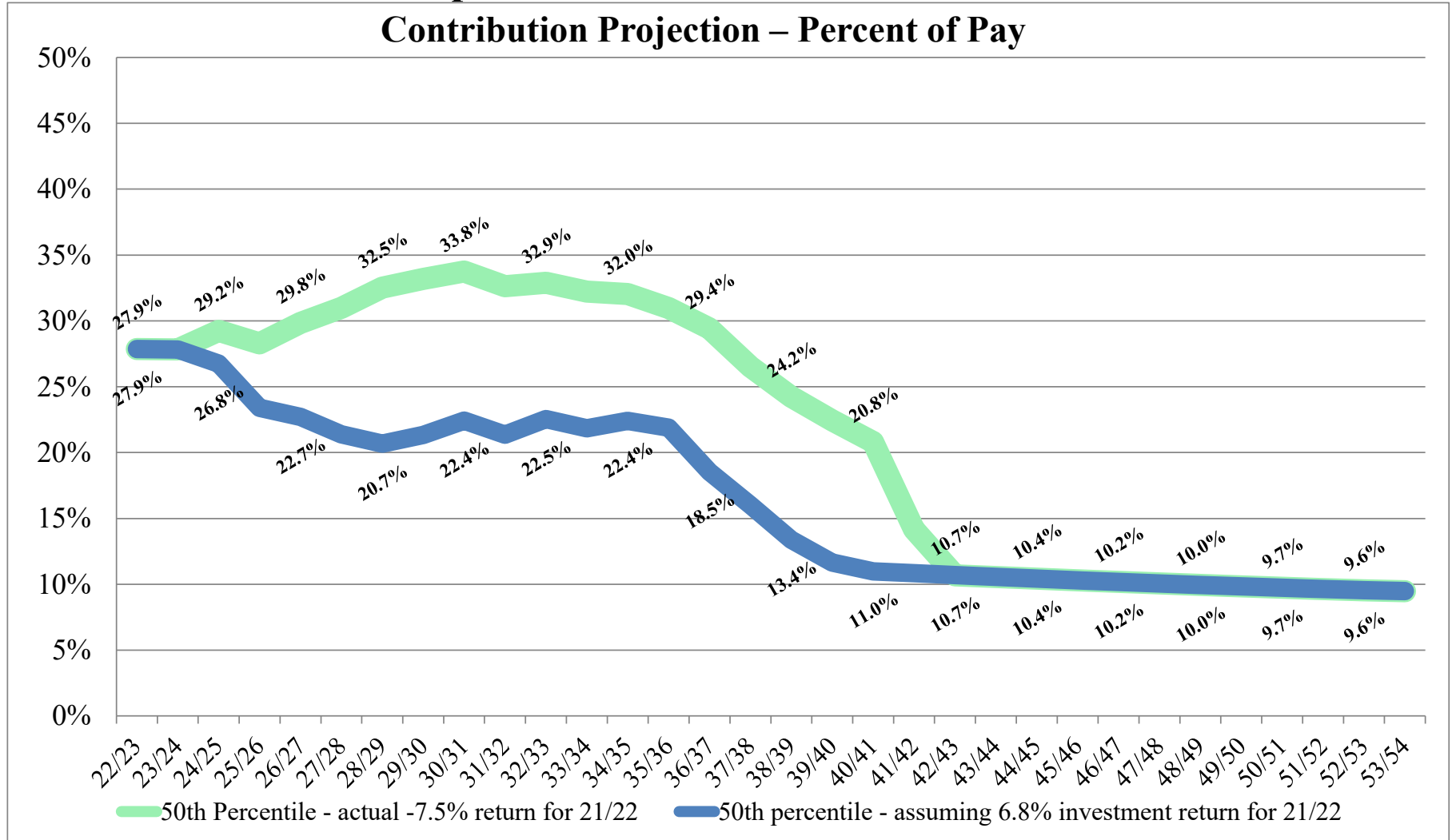
■ Town provided payroll for contribution years:

FYE	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Payroll (000s)	\$14,241	\$14,695	\$15,128	\$15,388	\$15,747	\$16,111	\$16,439



# CONTRIBUTION PROJECTIONS - MISCELLANEOUS

## Impact of 21/22 Investment Return Contribution Projection – Percent of Pay

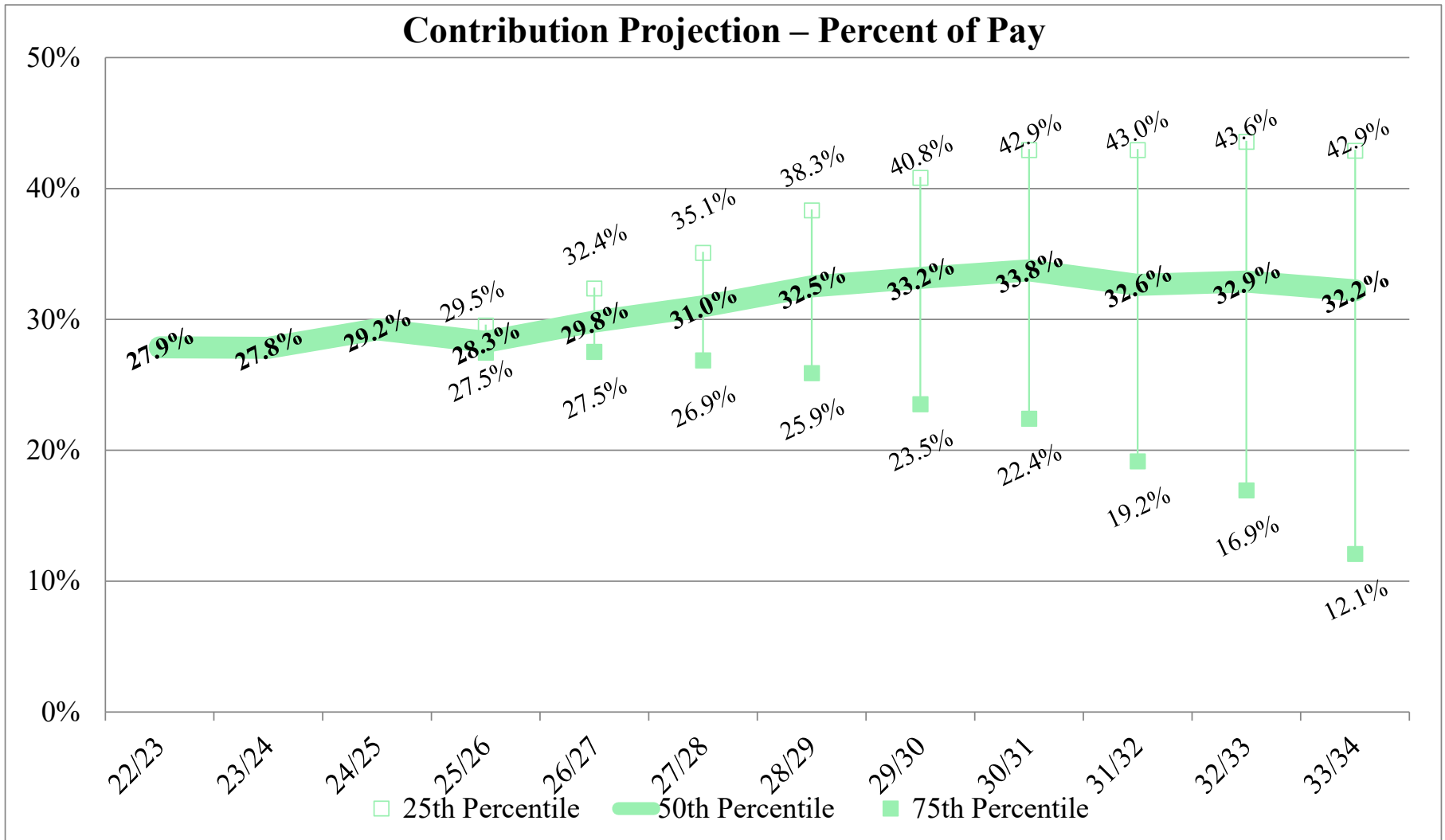


# CONTRIBUTION PROJECTIONS - MISCELLANEOUS

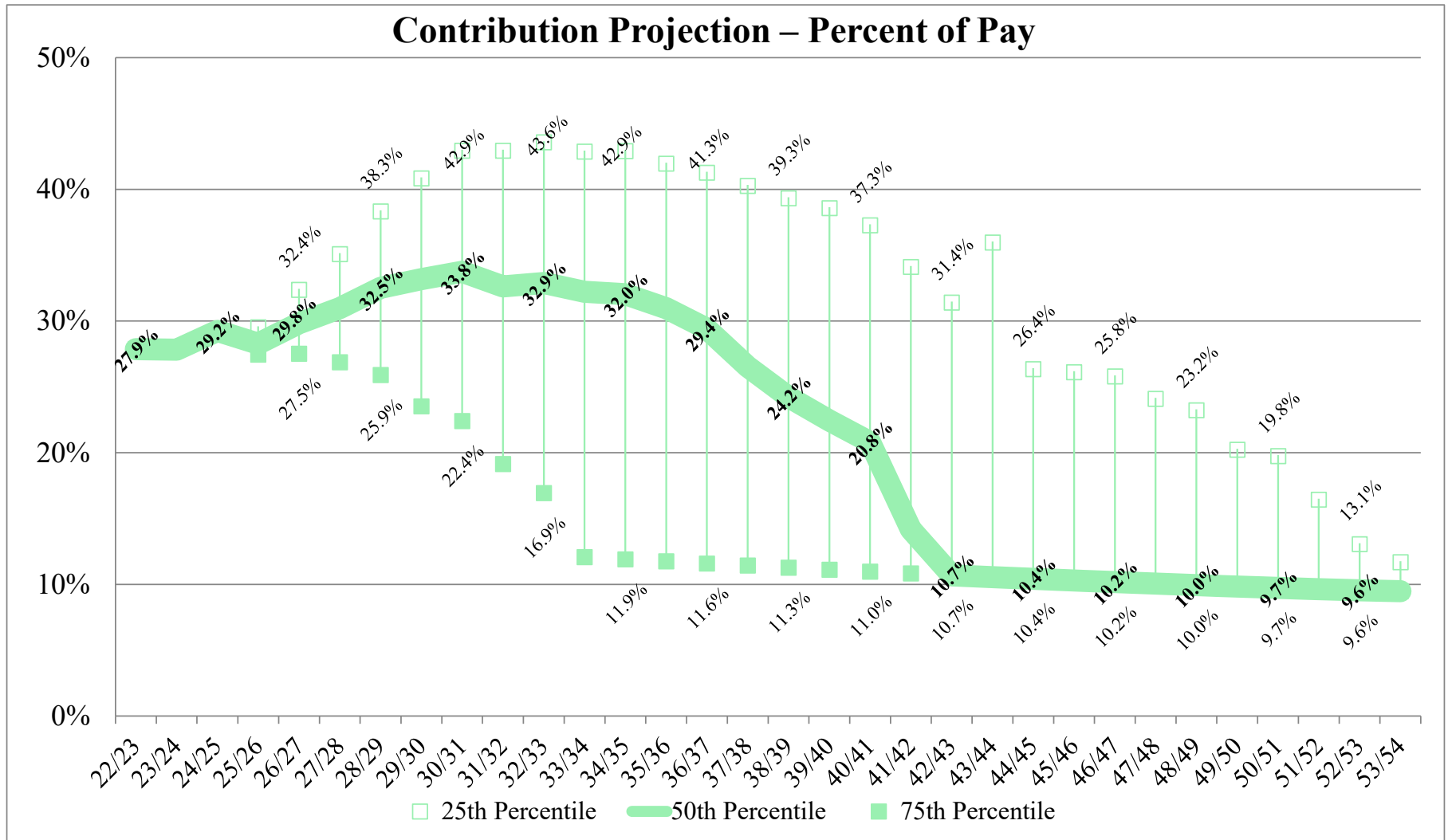
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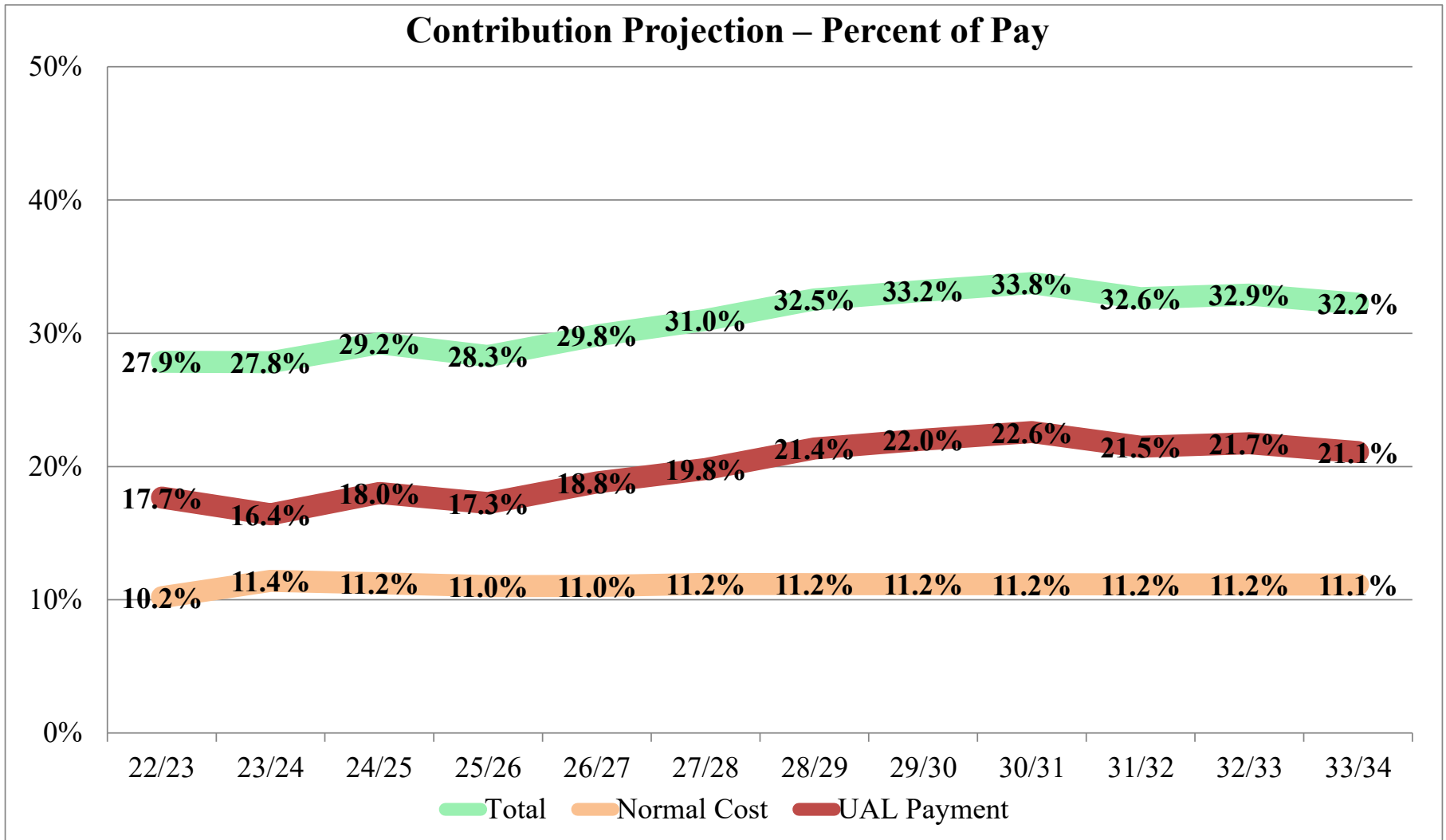
# CONTRIBUTION PROJECTIONS - MISCELLANEOUS



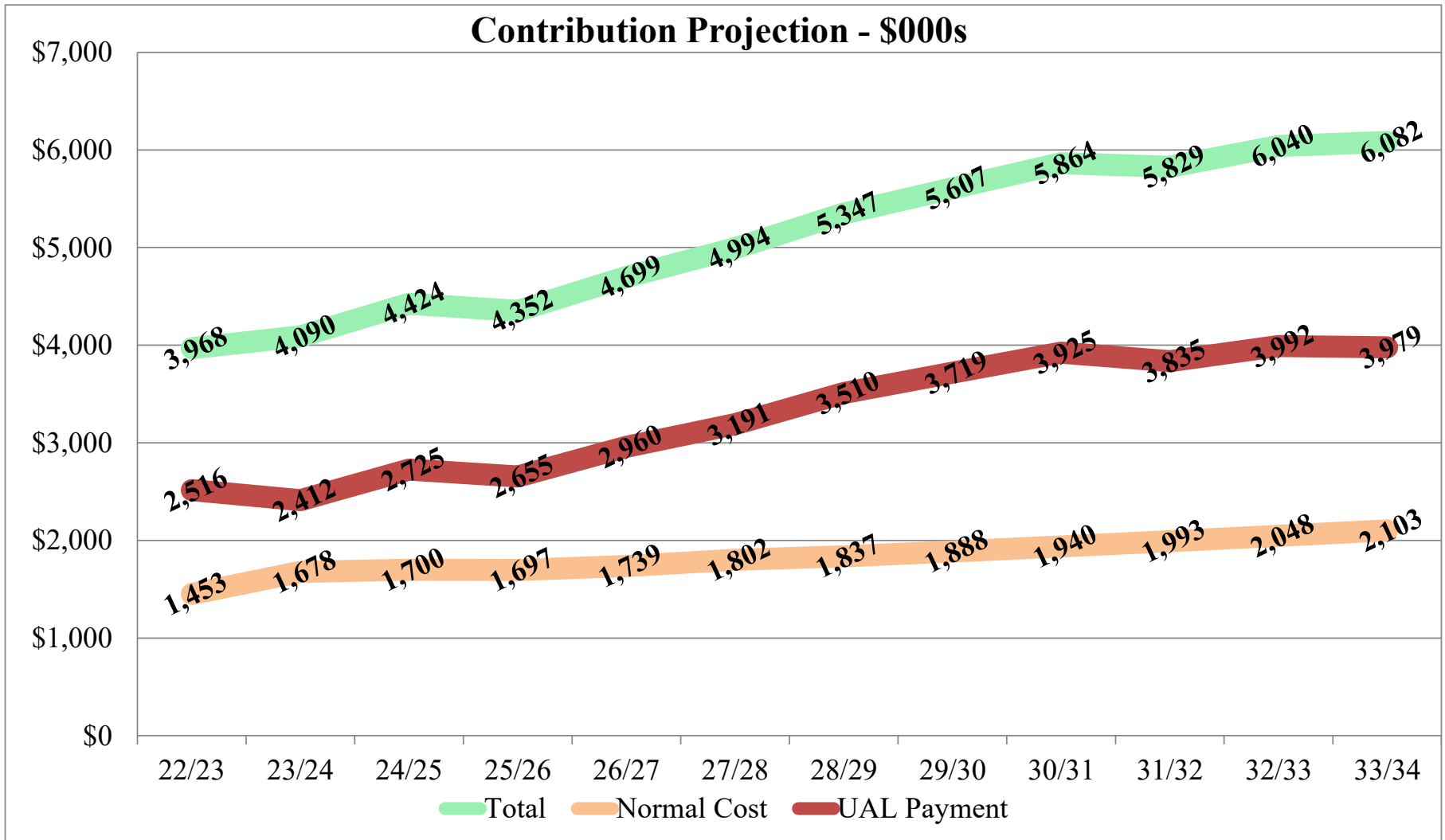
# CONTRIBUTION PROJECTIONS - MISCELLANEOUS



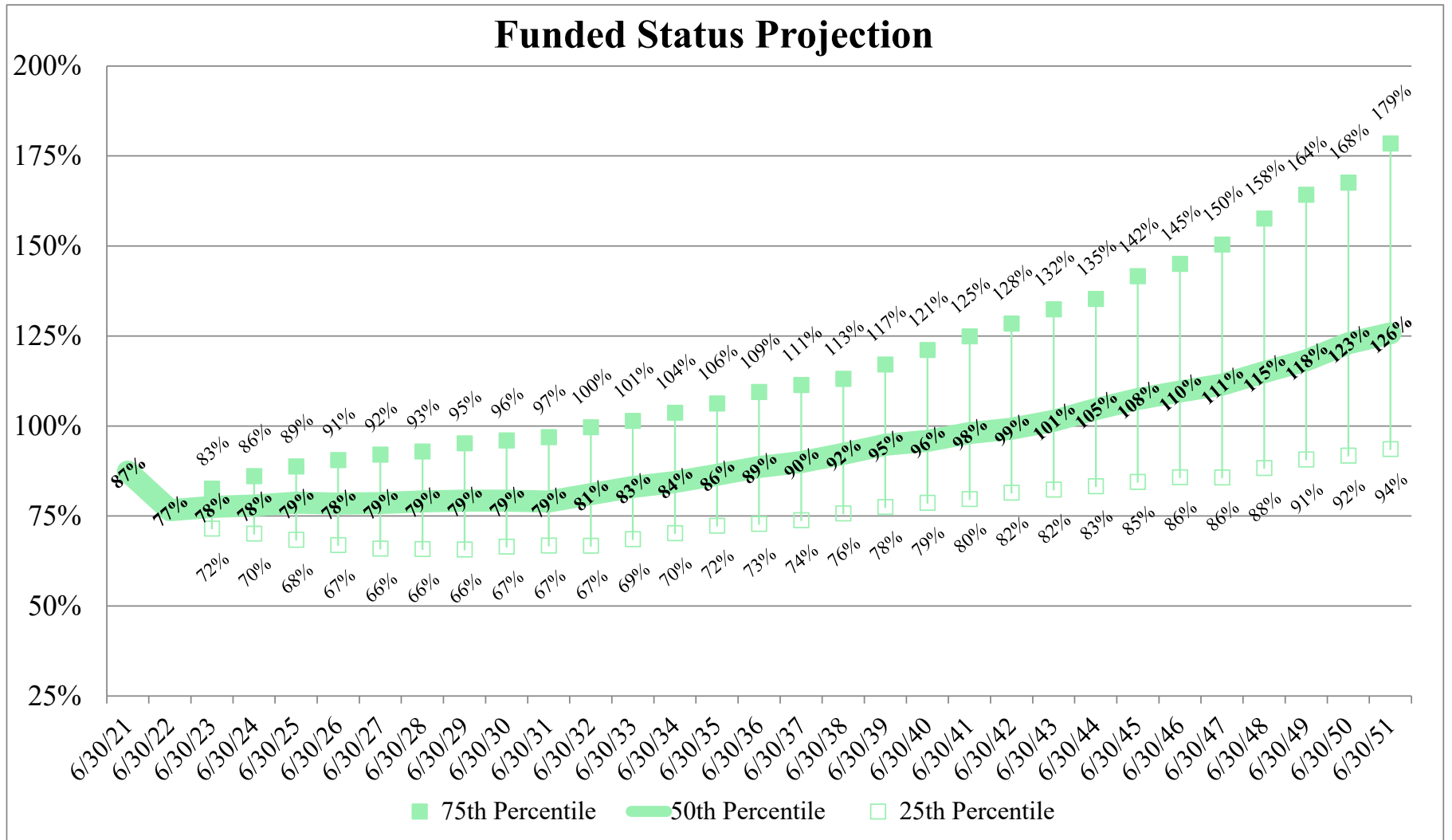
# CONTRIBUTION PROJECTIONS - MISCELLANEOUS



# CONTRIBUTION PROJECTIONS - MISCELLANEOUS



# FUNDED STATUS - MISCELLANEOUS



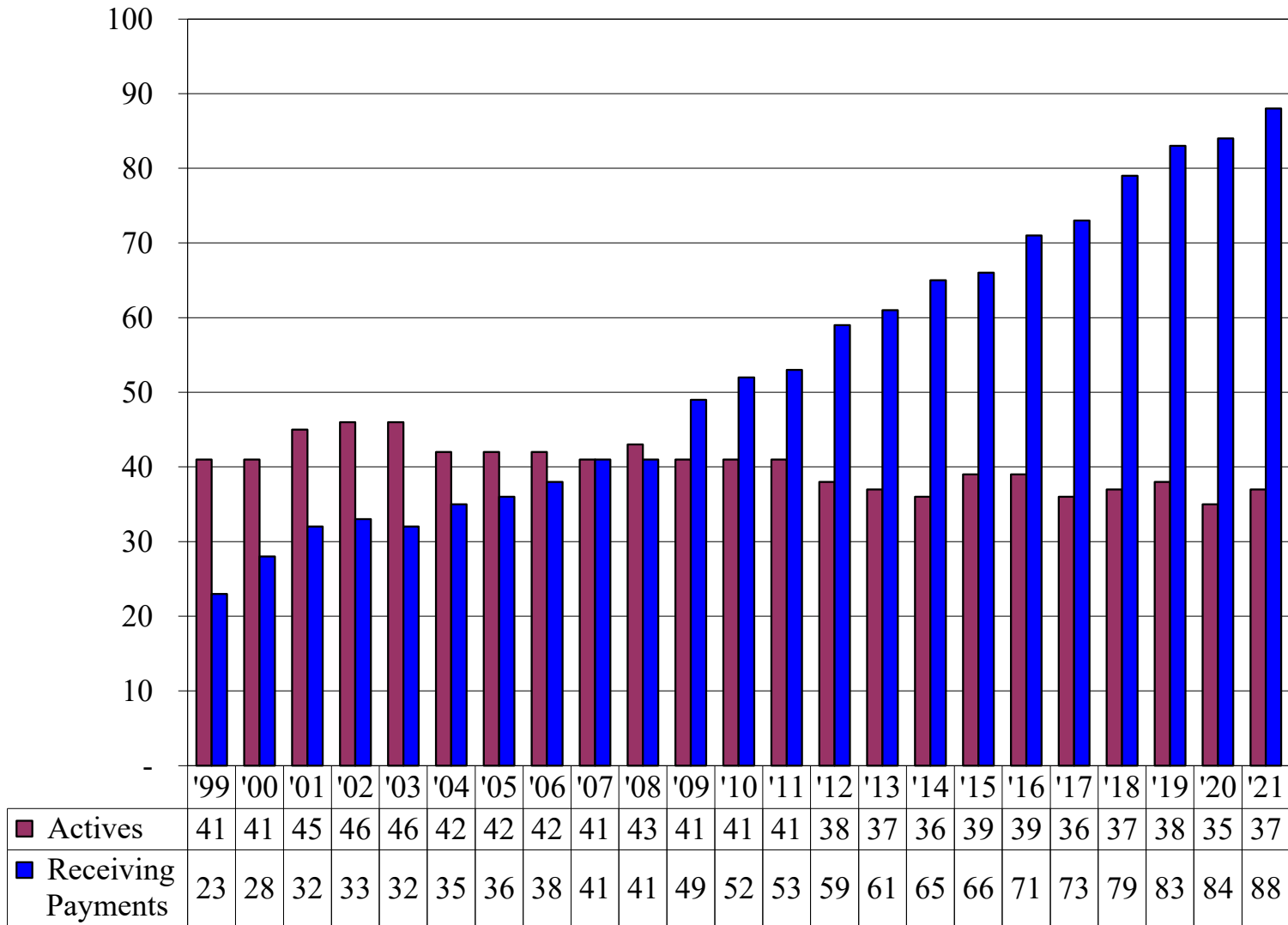


## SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

	2012	2016	2020	2021
<b>Actives</b>				
■ Counts	38	39	35	37
■ Average PERSable Wages	\$ 128,000	\$ 129,000	\$ 152,900	\$ 149,900
■ Total PERSable Wages	4,900,000	5,000,000	5,300,000	5,500,000
<b>Inactive Members</b>				
■ Counts				
● Transferred	15	14	13	13
● Separated	3	2	3	3
● Receiving Payments	59	71	84	88



# SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY



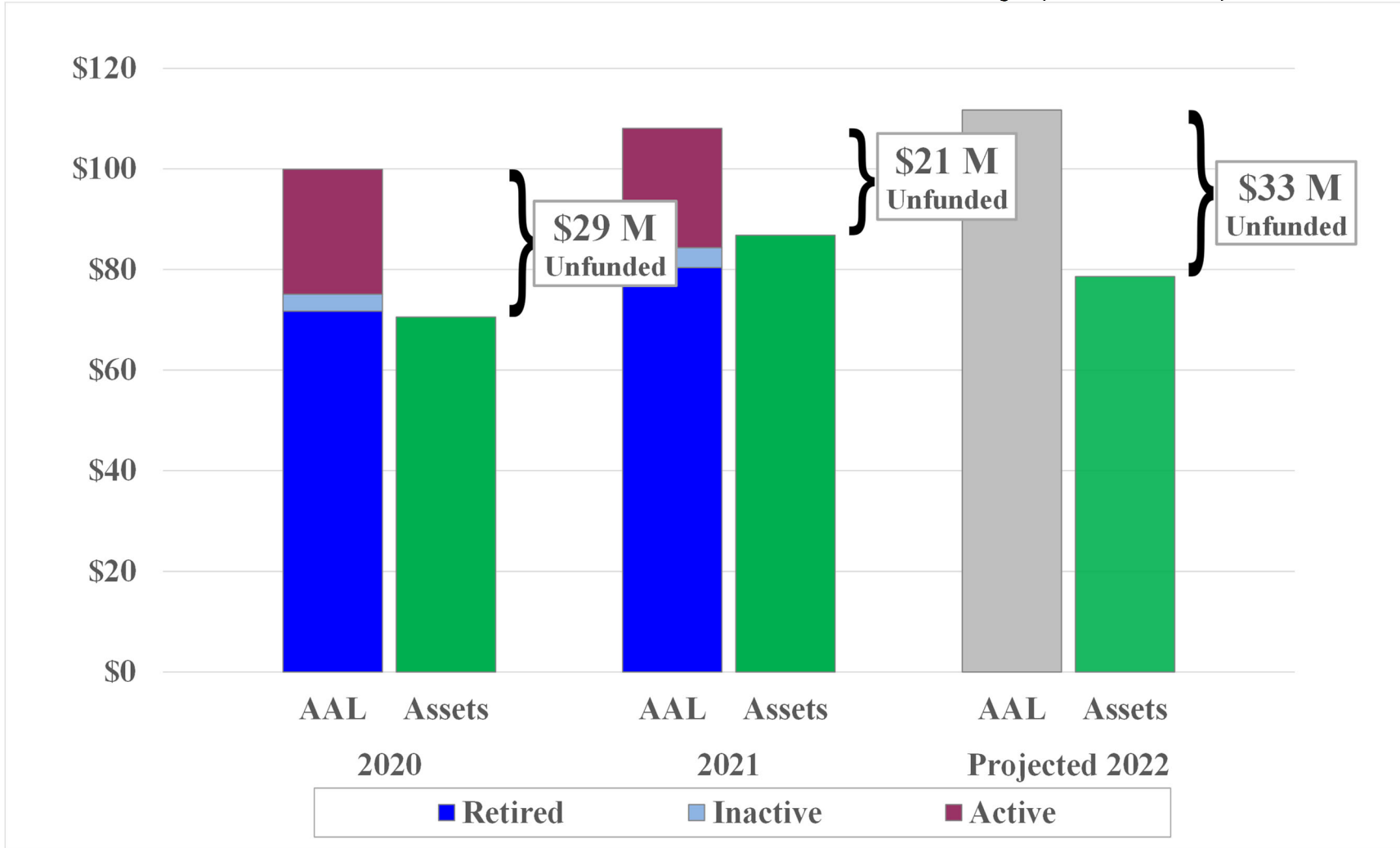
## PLAN FUNDED STATUS - SAFETY

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
■ <b>Actuarial Accrued Liability</b>		
● Active	\$24,800,000	\$23,700,000
● Retiree	71,700,000	80,400,000
● Inactive	<u>3,400,000</u>	<u>4,000,000</u>
● Total	99,900,000	108,100,000
■ <b>Assets</b>	<u>70,500,000</u>	<u>86,800,000</u>
■ <b>Unfunded Liability</b>	29,400,000	21,300,000
■ <b>Funded Ratio</b>	70.6%	80.3%
■ <b>Average funded ratio for CalPERS Public Agency Safety Plans</b>	69.2%	80.9%



# PLAN FUNDED STATUS - SAFETY

## Town CalPERS Assets and Actuarial Liability (\$Millions)<sup>9</sup>



<sup>9</sup> Projected 2022 assets reflects -7.5% CalPERS investment return for 2021/22.



# PLAN FUNDED STATUS - SAFETY

## Discount Rate Sensitivity

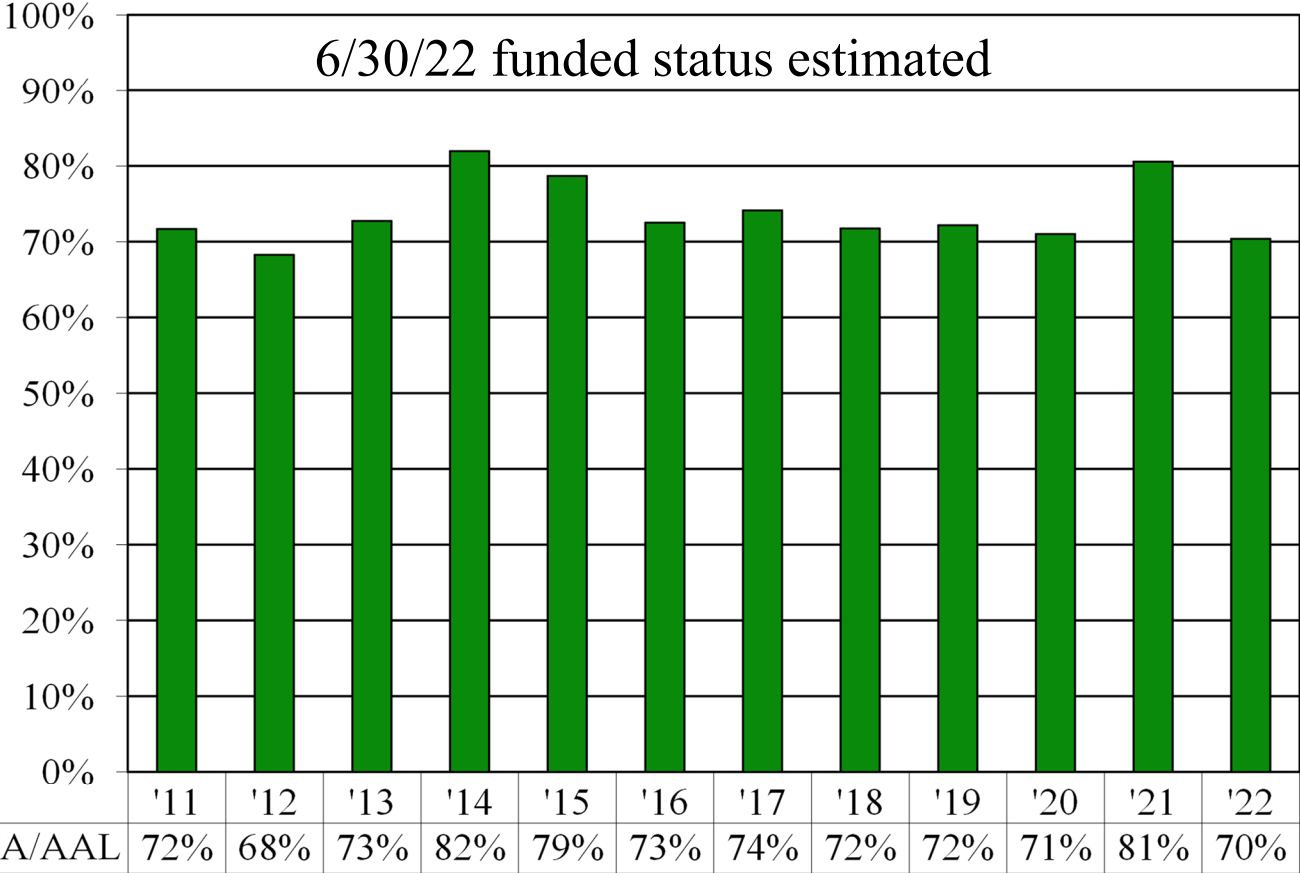
June 30, 2021

	<b>Discount Rate</b>		
	<b><u>6.80%</u></b>	<b><u>6.30%</u><sup>10</sup></b>	<b><u>5.80%</u></b>
<b>AAL</b>	\$108,100,000	\$115,500,000	\$122,900,000
<b>Assets</b>	<u>86,800,000</u>	<u>86,800,000</u>	<u>86,800,000</u>
<b>Unfunded Liability</b>	21,300,000	28,700,000	36,100,000
<b>Funded Ratio</b>	80.3%	75.2%	70.6%

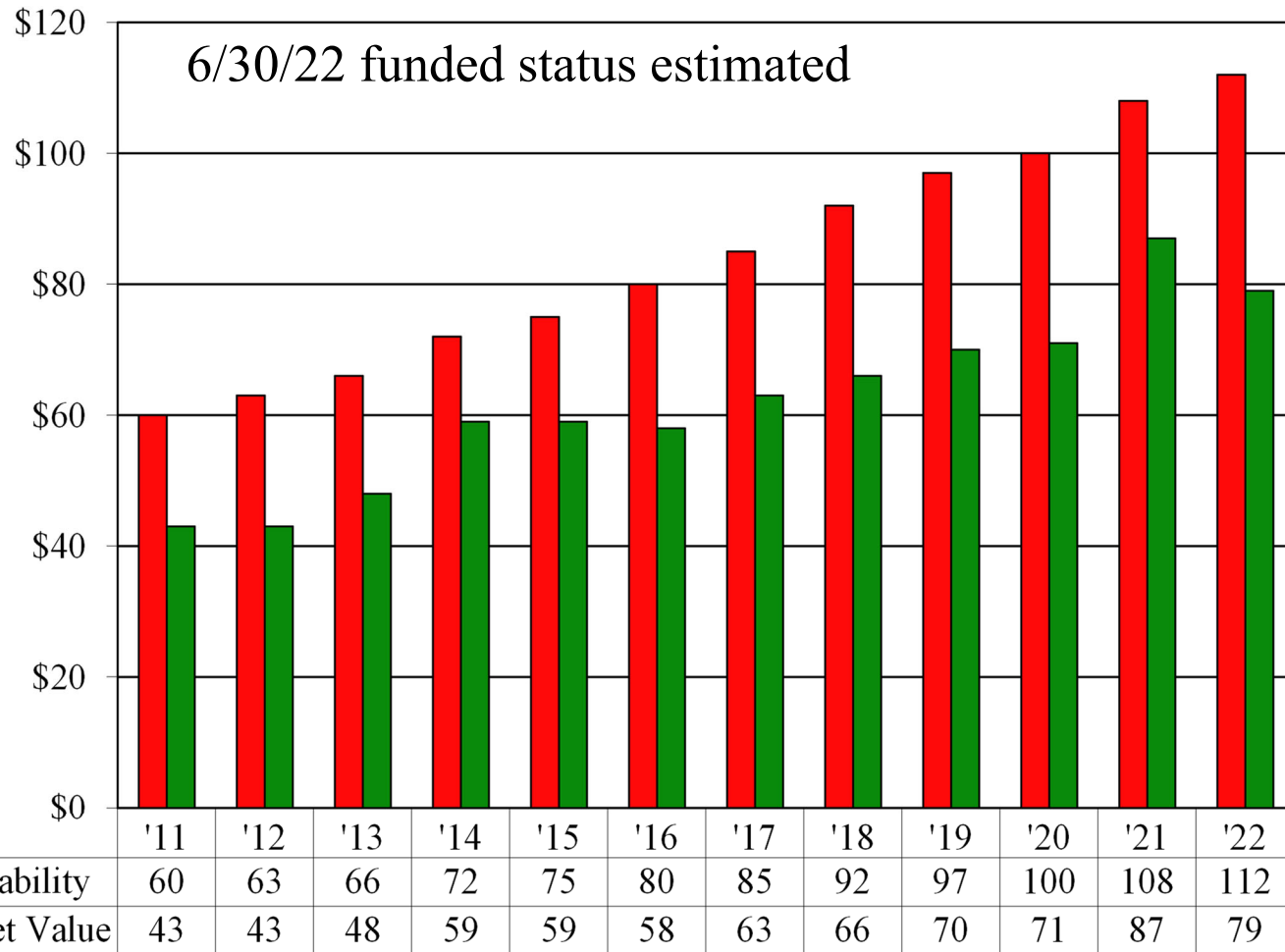
<sup>10</sup> Estimated by Foster & Foster.



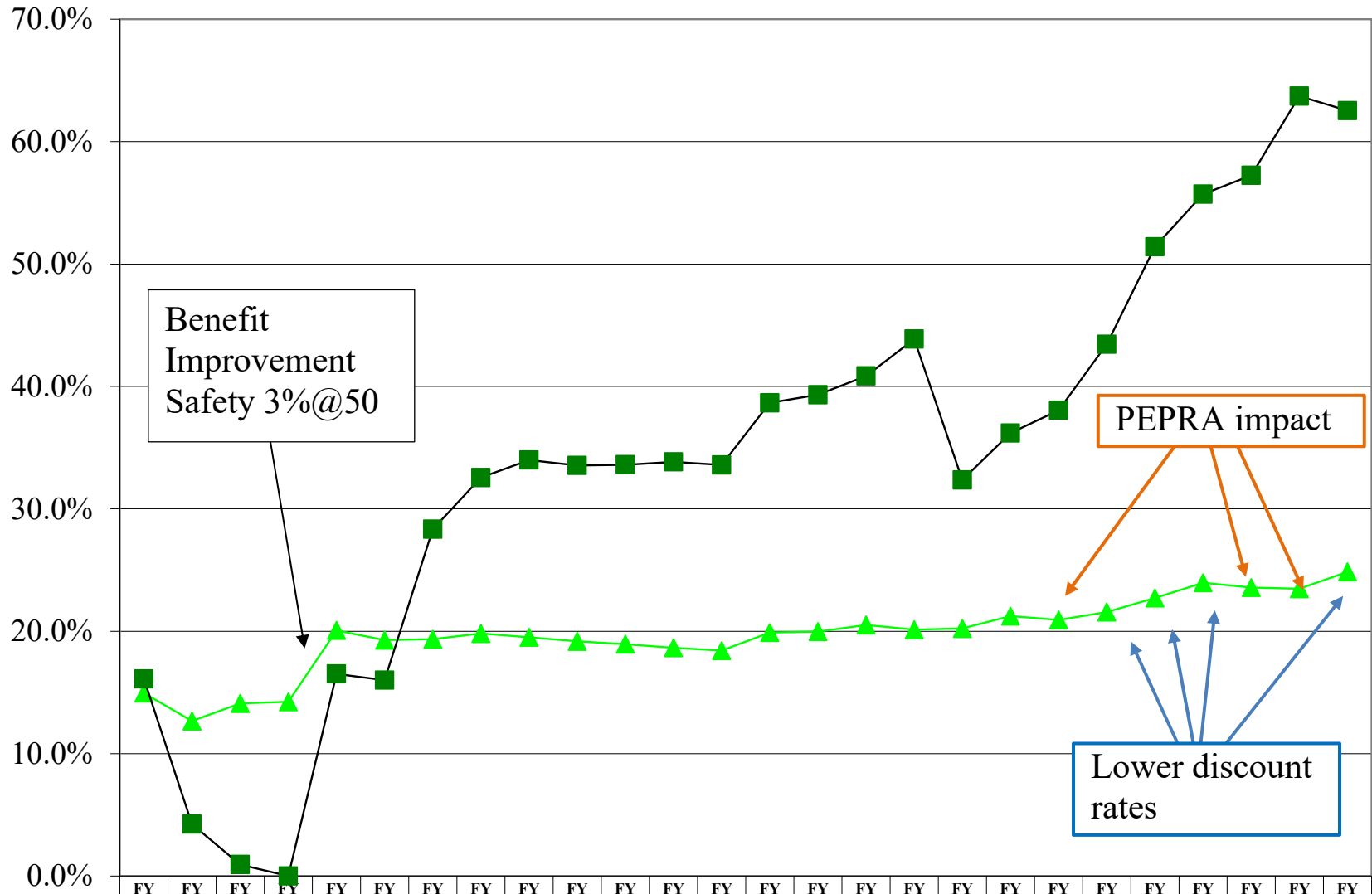
# FUNDED RATIO - SAFETY



# FUNDED STATUS (MILLIONS) - SAFETY



# CONTRIBUTION RATES - SAFETY



	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24
ER Normal Cost	15.0%	12.7%	14.1%	14.2%	20.1%	19.3%	19.4%	19.8%	19.5%	19.2%	18.9%	18.6%	18.4%	19.9%	20.0%	20.5%	20.1%	20.2%	21.2%	20.9%	21.6%	22.7%	24.0%	23.6%	23.5%	24.9%
Total ER Cont Rate	16.1%	4.2%	0.9%	0.0%	16.5%	16.0%	28.3%	32.6%	34.0%	33.5%	33.6%	33.8%	33.6%	38.6%	39.3%	40.9%	43.9%	32.4%	36.2%	38.1%	43.4%	51.4%	55.7%	57.2%	63.7%	62.5%





# CONTRIBUTION RATES - SAFETY

	<b>6/30/21 Valuation</b>		
	<b><u>2023/2024 Contribution Rates</u></b>		
	<b><u>Total</u><sup>11</sup></b>	<b><u>Tier 1</u></b>	<b><u>PEPRA</u></b>
		<b>3%<u>@50</u></b>	<b>2.7%<u>@57</u></b>
■ Base Total Normal Cost	32.5%	34.60%	27.3%
■ Class 1 Benefits			
● Final One Year Compensation	1.0%	1.50%	-
● PRSA	<u>1.9%</u>	<u>2.00%</u>	<u>1.7%</u>
■ Total Normal Cost	35.4%	38.10%	29.0%
■ Formula's Expected EE Contr. Rate	<u>10.6%</u>	<u>9.00%</u>	<u>14.5%</u>
■ Employer Normal Cost	24.9%	29.10%	14.5%
■ Amortization Payment	37.7%	53.10%	-
■ Amortization of Side Fund	<u>-</u>	<u>-</u>	<u>-</u>
■ <b>Total Employer Contribution</b>	<b>62.5%</b>	<b>82.20%</b>	<b>14.5%</b>
■ Employee counts	37	24	13
■ Employee payroll (in 000's)	\$ 6,026	\$4,276	\$ 1,751
■ <b>Total ER Contribution \$ (in 000's)</b>	<b>\$ 3,769</b>	<b>\$3,515</b>	<b>\$ 254</b>

<sup>11</sup> Weighting of total contribution based on projected classic and PEPRA payrolls



## CONTRIBUTION RATES - SAFETY

	<b>6/30/20</b>	<b>6/30/21</b>
	<b><u>2022/2023</u></b>	<b><u>2023/2024</u></b>
■ Total Normal Cost	33.3%	35.4%
■ Employee Normal Cost	<u>9.9%</u>	<u>10.6%</u>
■ Employer Normal Cost	23.5%	24.9%
■ Amortization Payments	<u>40.3%</u>	<u>37.7%</u> <sup>12</sup>
■ Total Employer Contribution Rate	63.7%	62.5%
■ 2022/23 Employer Contribution Rate		63.7%
● Payroll Changes		(0.4%)
● 6/30/17 Discount Rate & Inflation (5 <sup>th</sup> Year)		0.7%
● 6/30/18 Discount Rate change (4 <sup>th</sup> Year)		1.0%
● 6/30/21 Demographic Assumption change		1.8%
● 6/30/21 Risk Mitigation (Normal Cost change)		0.7%
● Other (Gains)/Losses mainly net investment gain		<u>(5.0%)</u>
■ 2023/24 Employer Contribution Rate		62.5%

<sup>12</sup> Equivalent to 11.4% of UAL. One year, 6.8% interest on the UAL is 22.4% of payroll. 2023/24 amortization payment exceeds interest on the UAL, so there is no “negative amortization.”



## CONTRIBUTION PROJECTION - SAFETY

■ Investment returns:

- June 30, 2022 (7.5%)<sup>13</sup>
- Future returns based on stochastic analysis using 1,000 trials
- Single year returns<sup>14</sup> with current investment mix, no risk mitigation:

	Percentile		
	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>
First 10 years	<b>-1.8%</b>	<b>6.0%</b>	<b>14.7%</b>
After 10 years	<b>-0.7%</b>	<b>7.5%</b>	<b>16.4%</b>

- Assumes investment returns will generally be lower over the next 10 years and higher beyond that.
- Discount Rate decreases due to Risk Mitigation policy – Ultimate rate 6.0%
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Different from CalPERS projection
- Impact of Risk Mitigation Policy:
  - Net impact of investment gain and discount rate change amortized over 20 years with 5 year ramp up; same amortization method for all future years
- Projected payroll FY 2023-2027 from City budget projections

<sup>13</sup> Final return based on CalPERS 2022 ACFR.

<sup>14</sup> N<sup>th</sup> percentile means N percentage of our trials result in returns lower than the indicated rates.

## CONTRIBUTION PROJECTION - SAFETY

■ New hire assumptions:

- All new hires assumed PEPRA members and none are Classic members

■ 6/30/21 employee distribution:

Benefit Tier	Count	% of Total	20/21 Payroll	% of Total
● 3%@50 FAE1	24	64.9%	\$3,935,891	71.0%
● 2.7%@57 FAE3 (PEPRA)	13	35.1%	1,611,346	29.0%

■ Employee Cost Sharing of Employer Contribution:

- 3% of pay employee share for Classic members

■ Town provided payroll (000s) for contribution years:

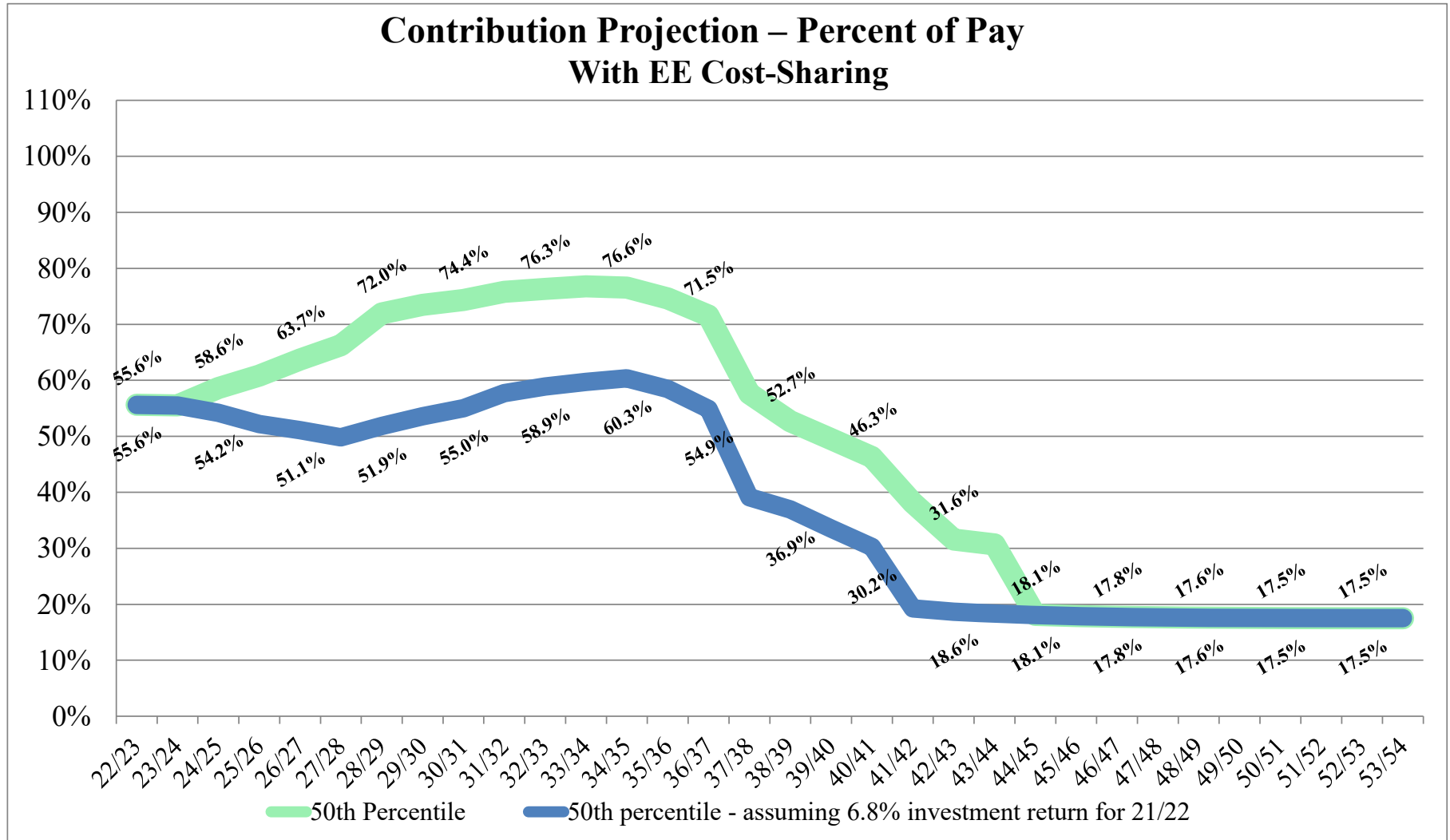
FYE	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Classic	\$3,982	\$4,113	\$4,204	\$4,290	\$4,375	\$4,462	\$4,551
PEPRA	2,438	2,586	2,712	2,810	2,869	2,927	2,985



# CONTRIBUTION PROJECTION - SAFETY

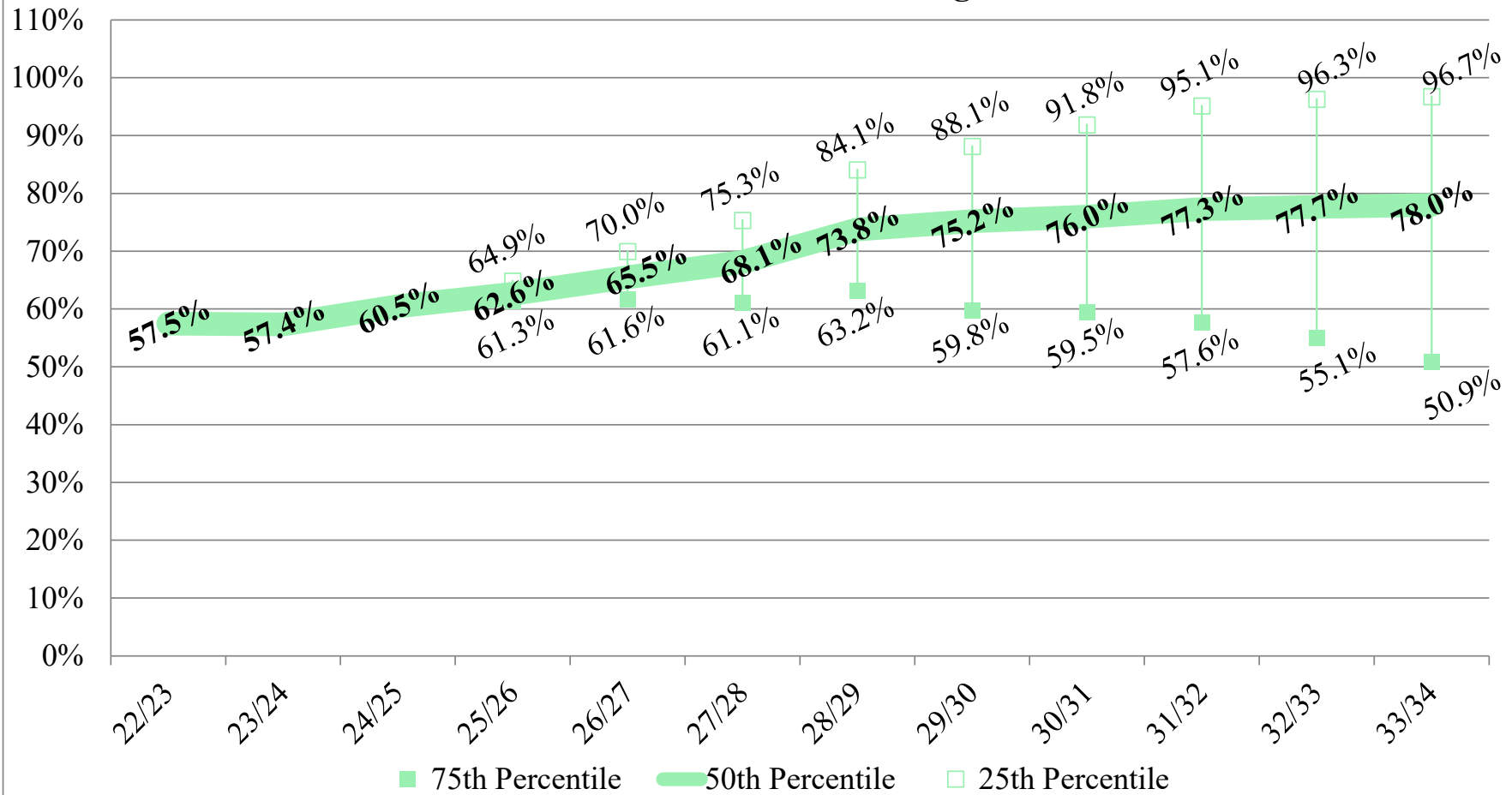
## Impact of 21/22 Investment Return

### Contribution Projection – Percent of Pay With EE Cost-Sharing



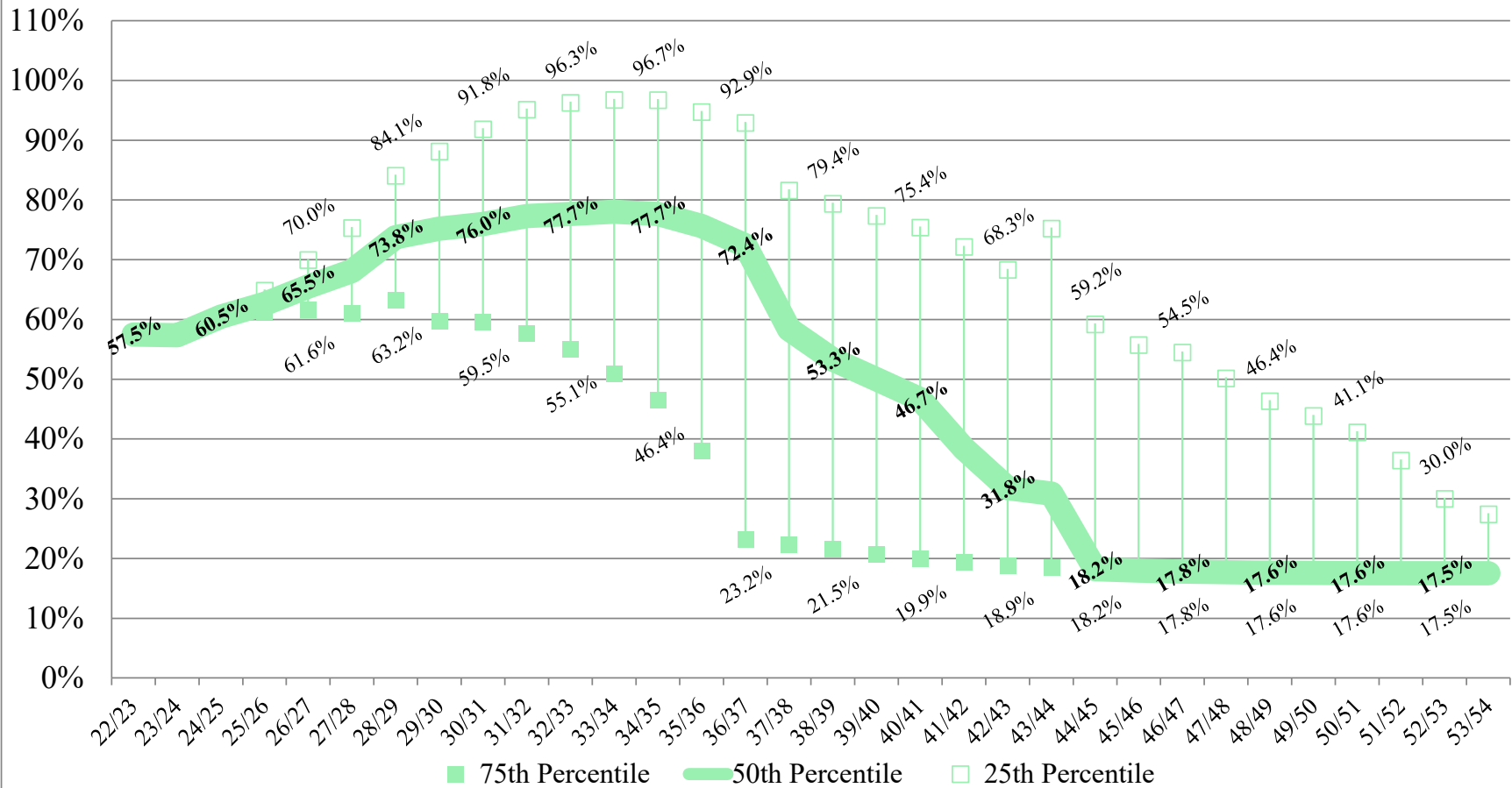
# CONTRIBUTION PROJECTION - SAFETY

## Contribution Projection – Percent of Pay Without EE Cost-Sharing

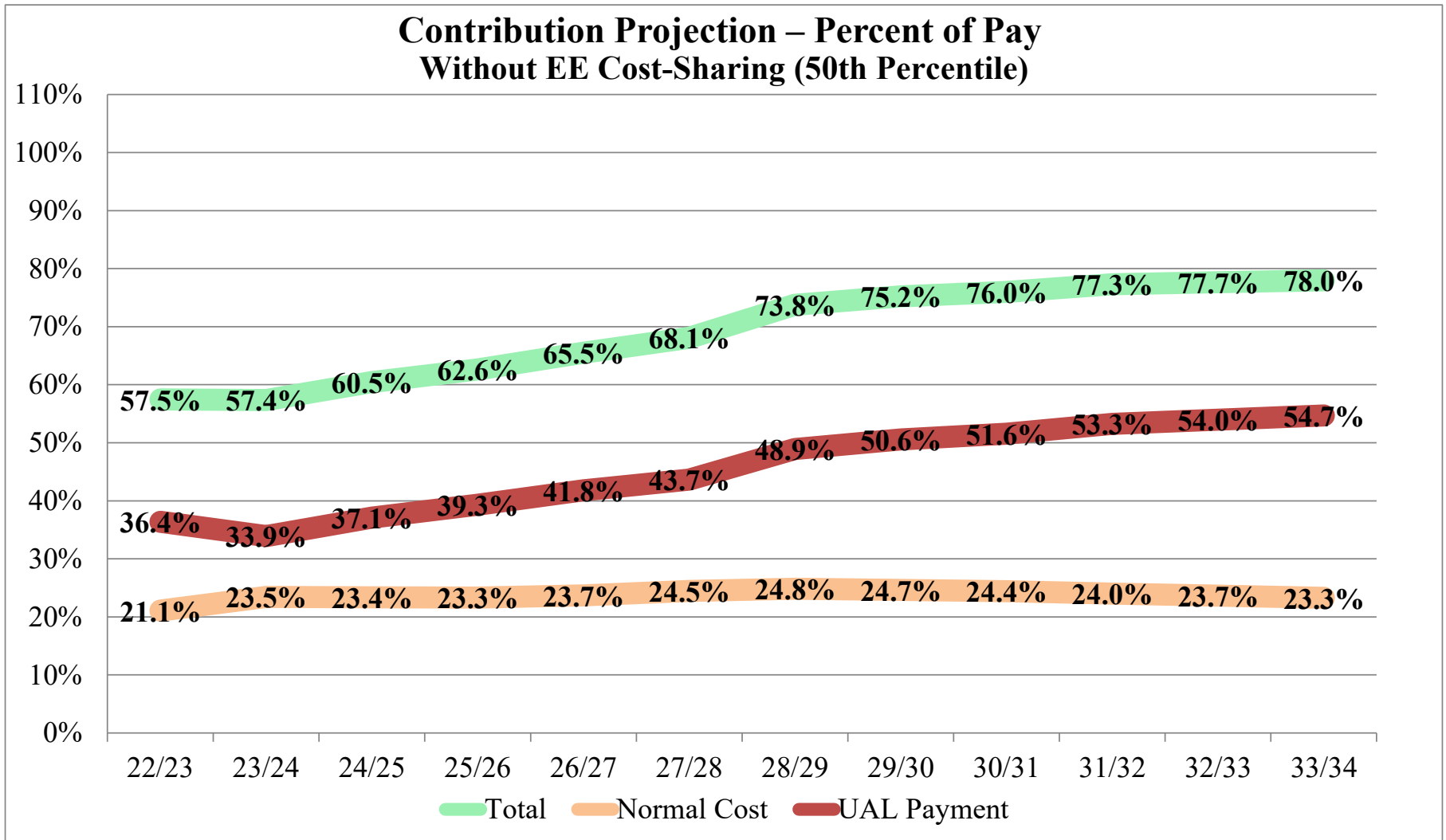


# CONTRIBUTION PROJECTION - SAFETY

## Contribution Projection – Percent of Pay Without EE Cost-Sharing

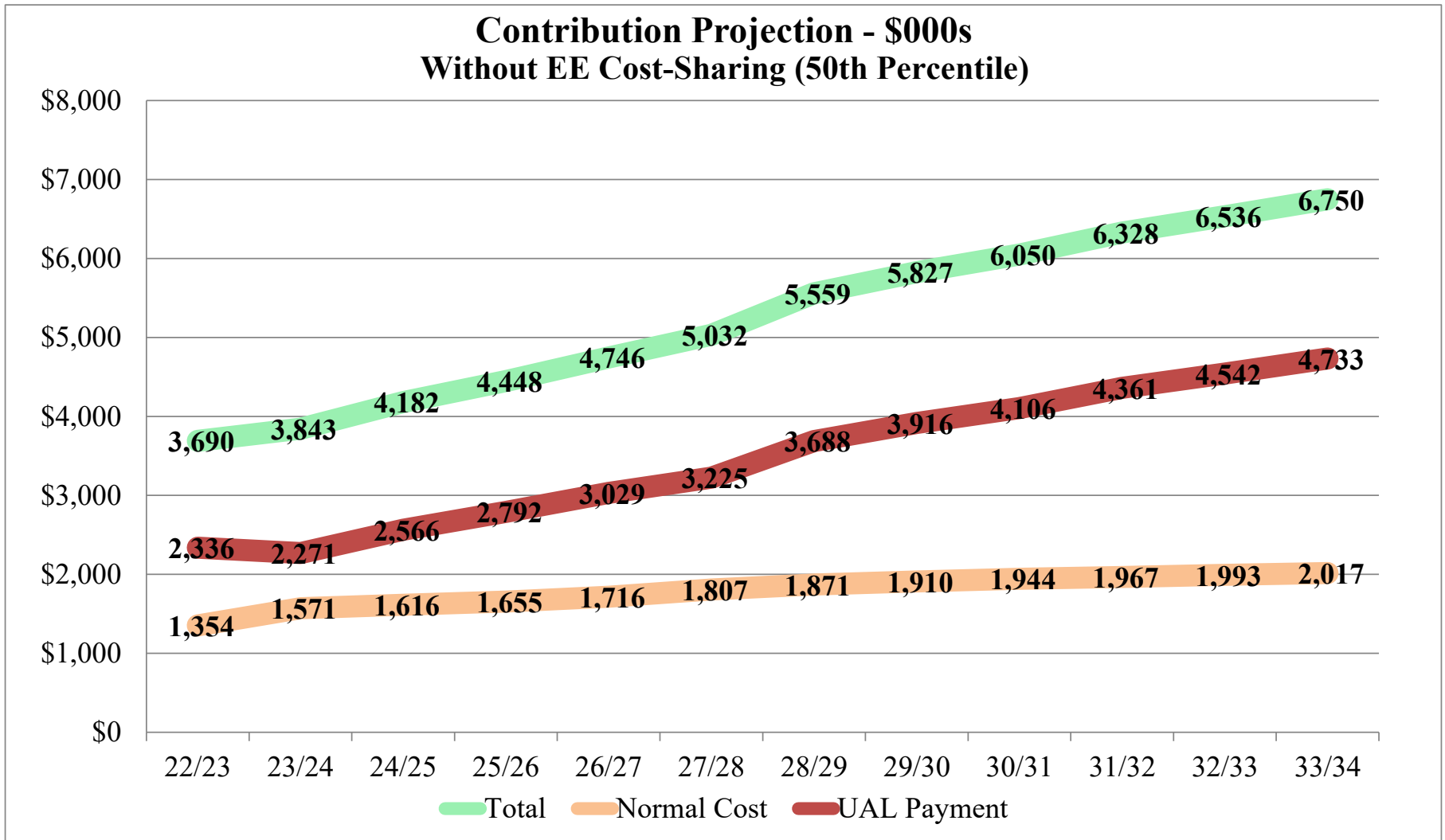


# CONTRIBUTION PROJECTION - SAFETY



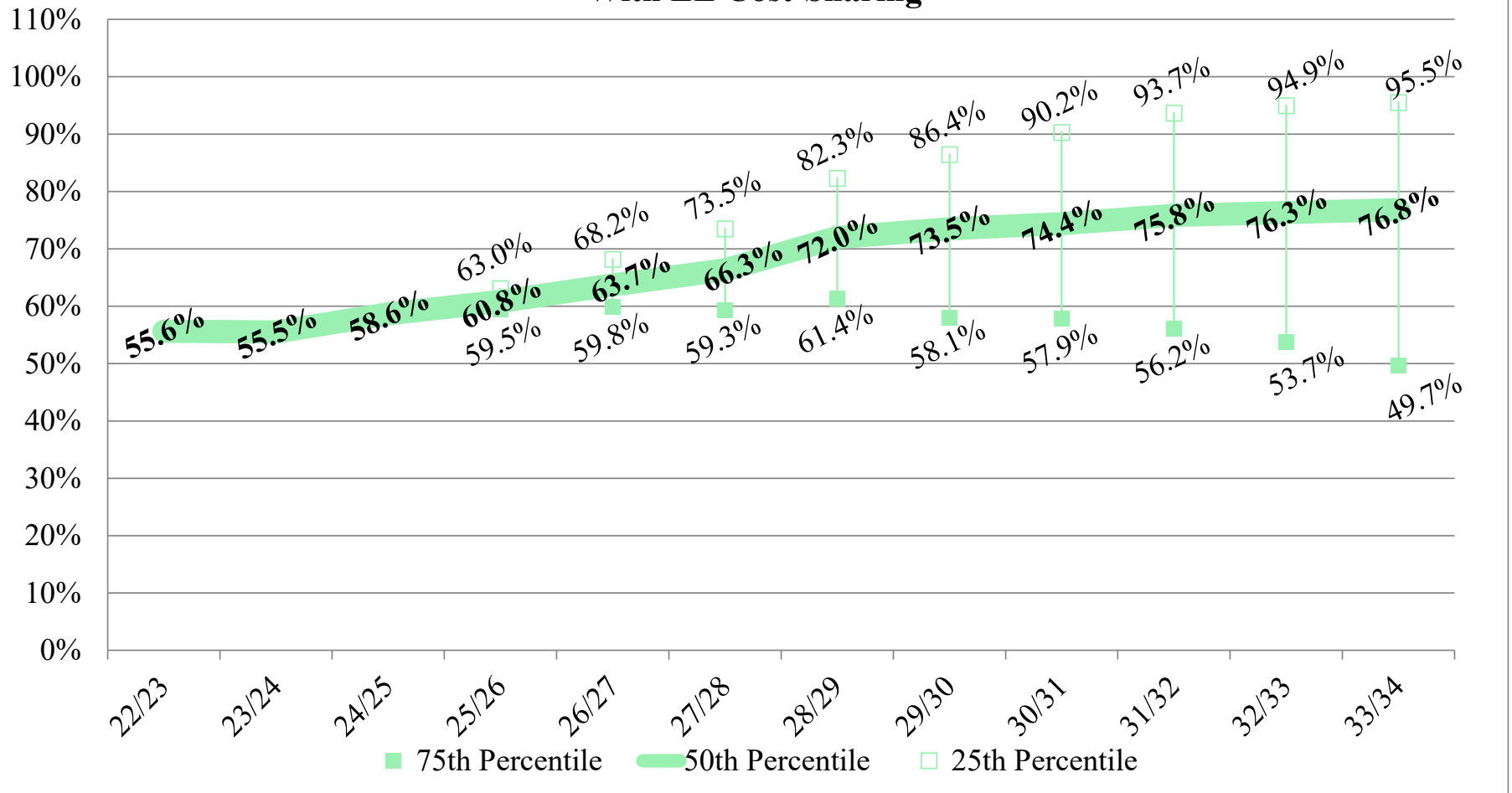


# CONTRIBUTION PROJECTION - SAFETY

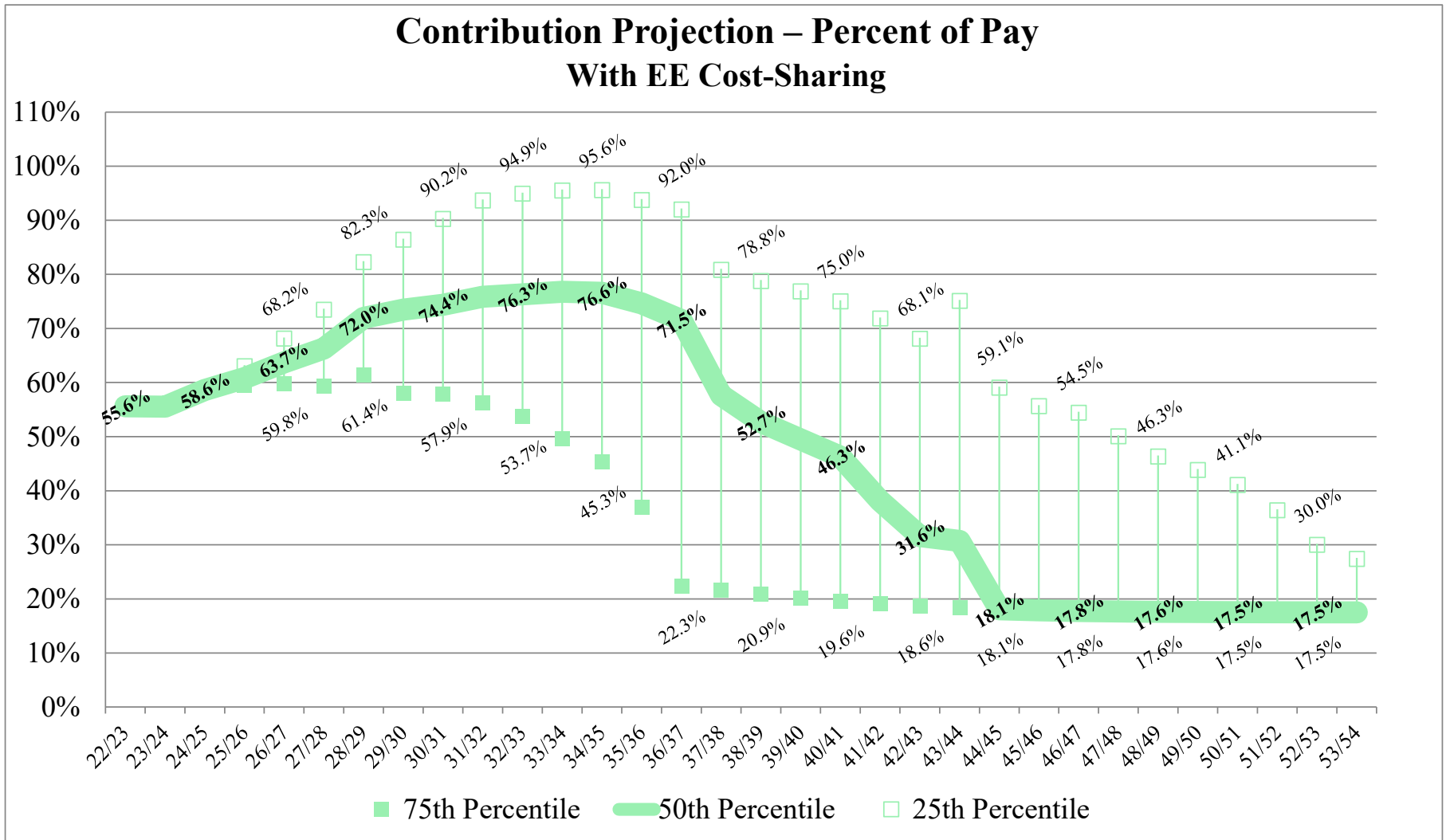


# CONTRIBUTION PROJECTION - SAFETY

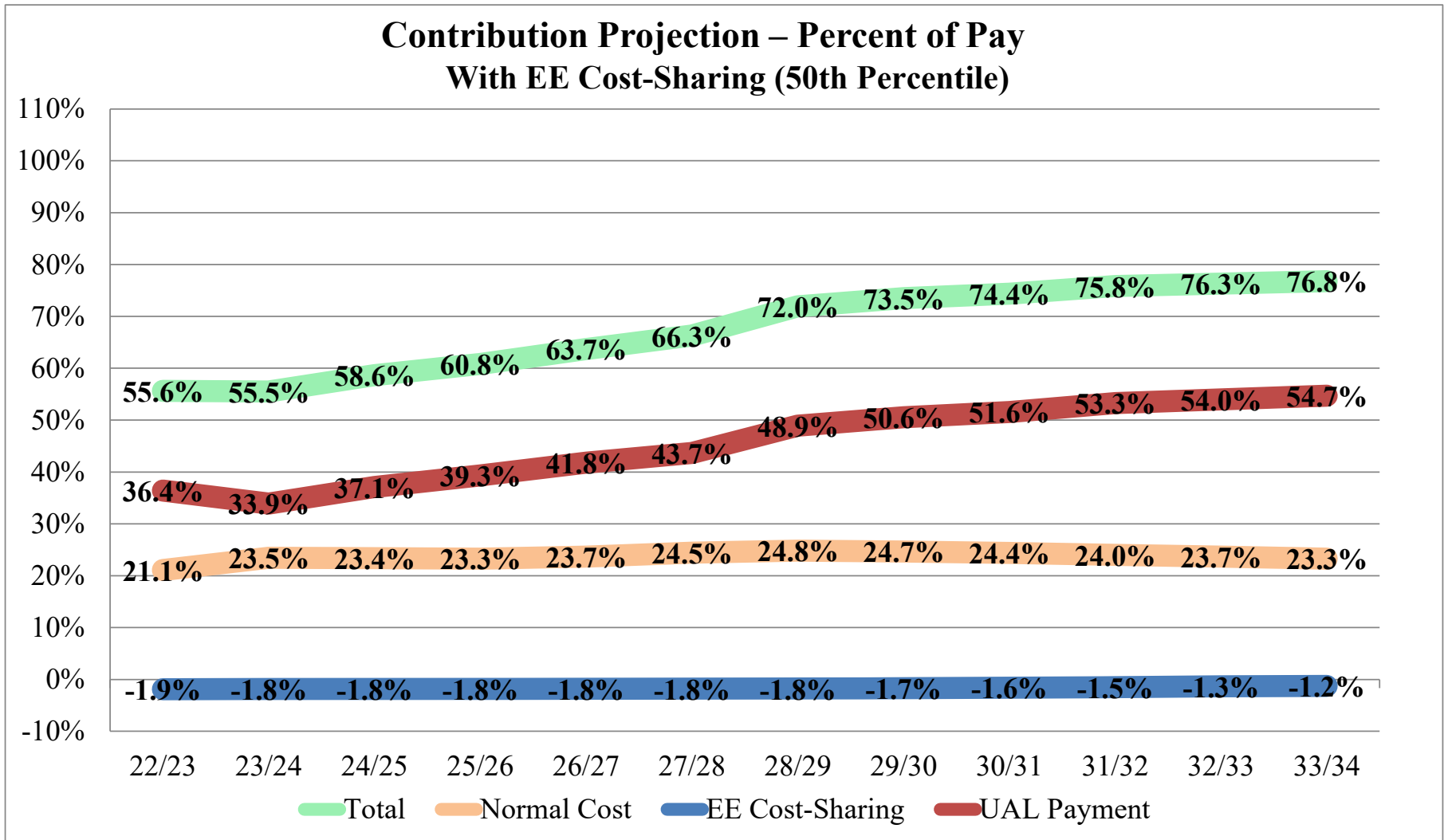
## Contribution Projection – Percent of Pay With EE Cost-Sharing



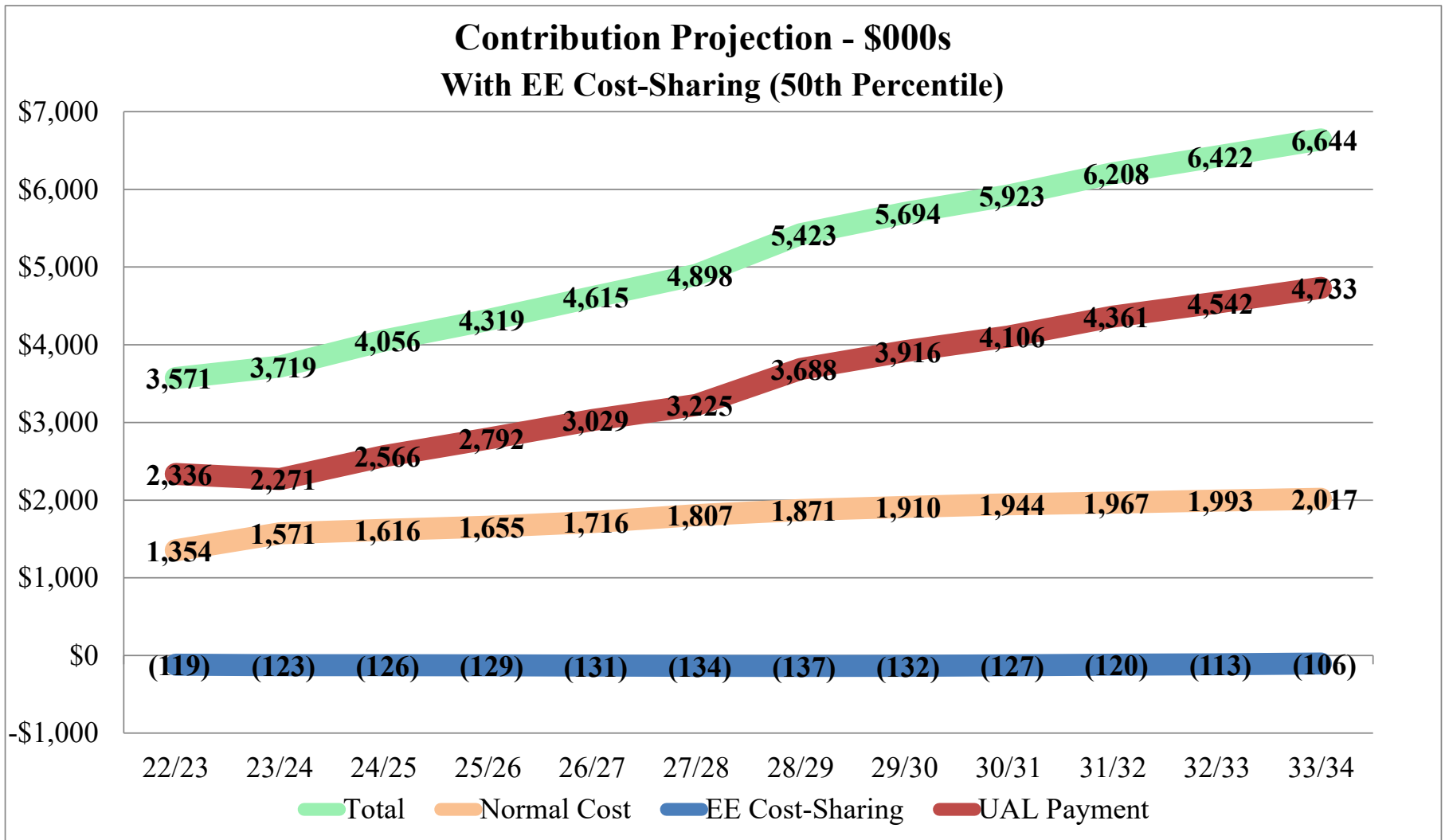
# CONTRIBUTION PROJECTION - SAFETY



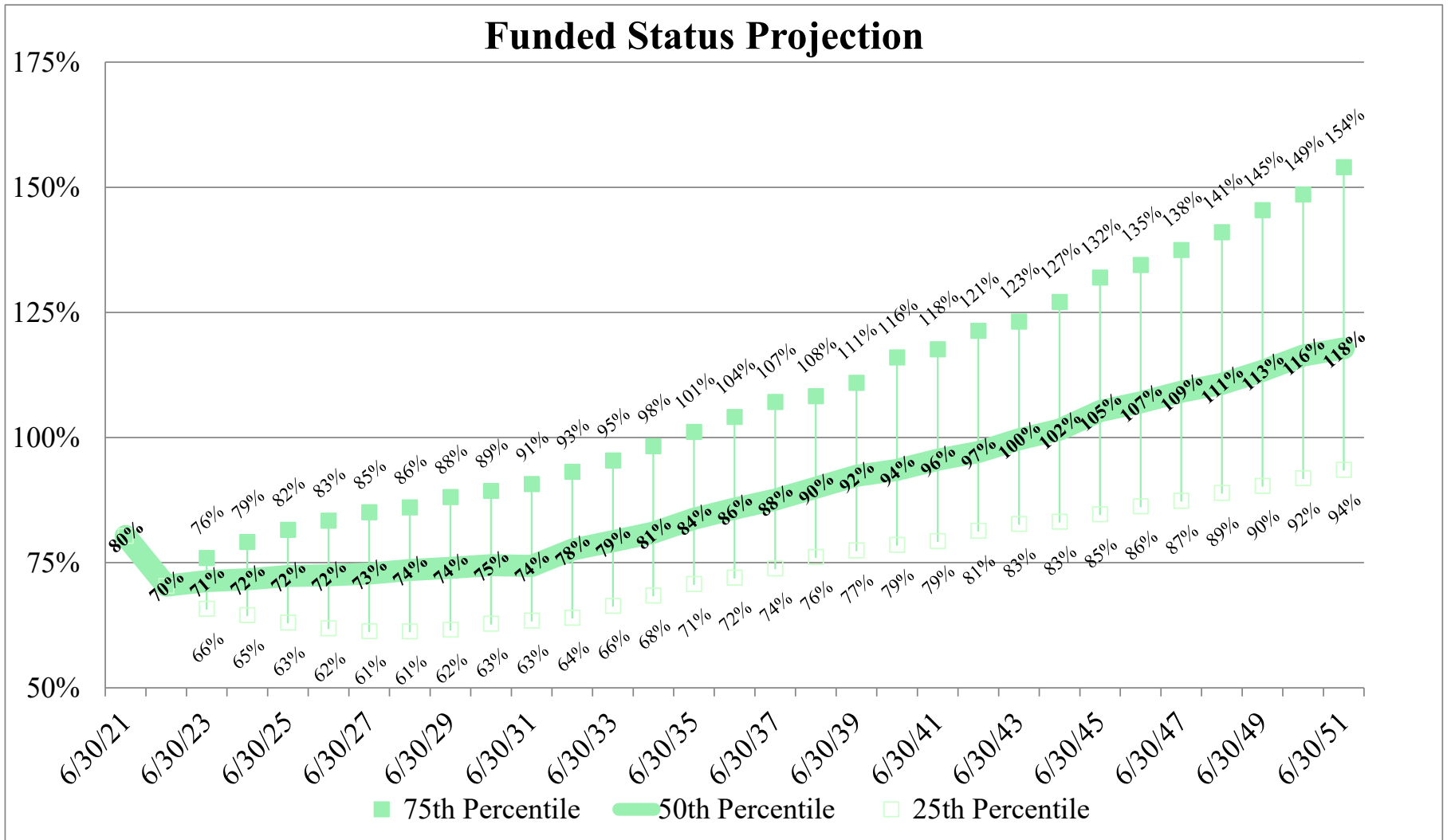
# CONTRIBUTION PROJECTION - SAFETY



# CONTRIBUTION PROJECTION - SAFETY



# FUNDED STATUS - SAFETY



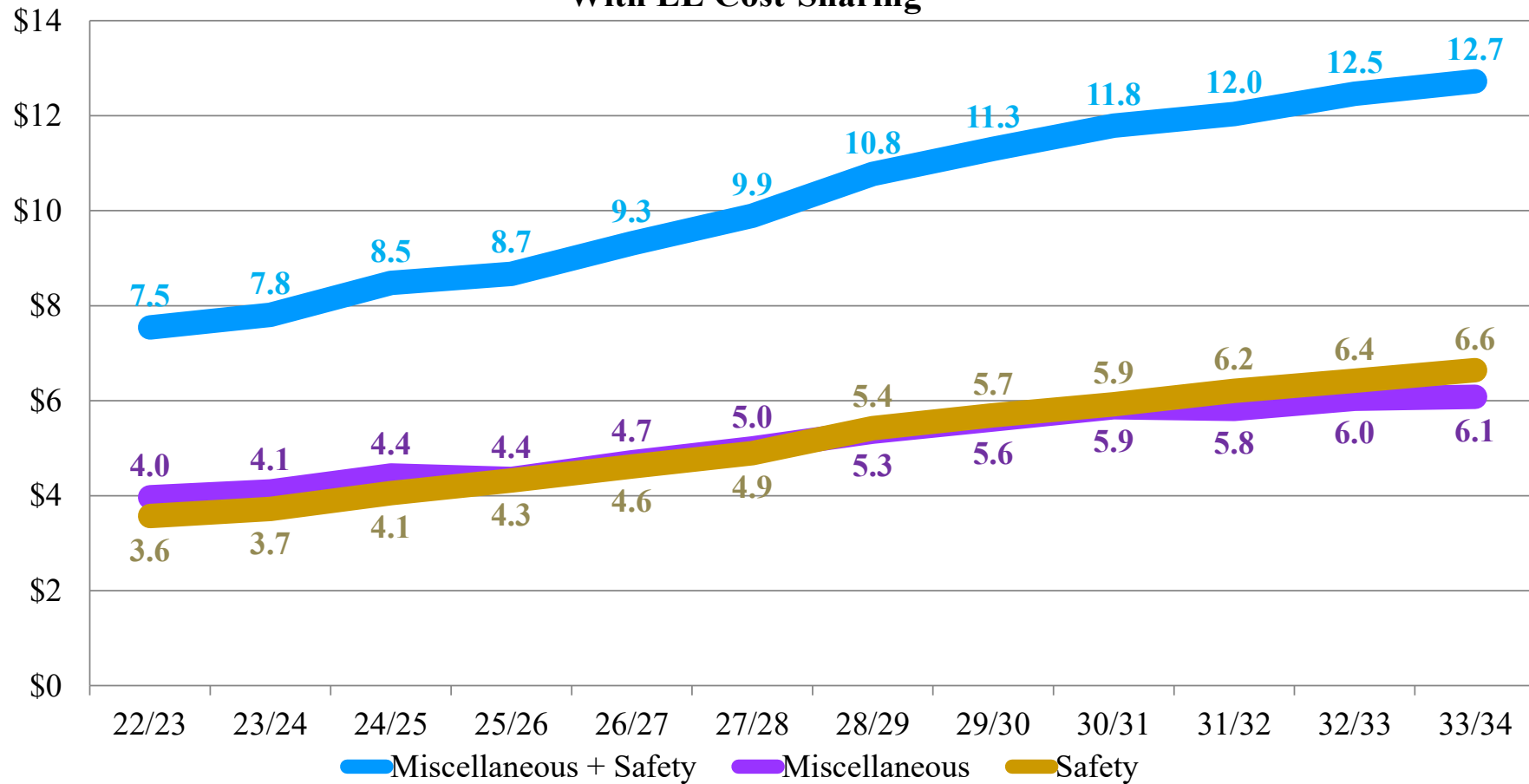
# FUNDED STATUS - SAFETY

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# COMBINED MISCELLANEOUS AND SAFETY

**Contribution Projection (\$Millions)  
Miscellaneous & Safety  
With EE Cost-Sharing**





## COMBINED MISCELLANEOUS AND SAFETY

### Funded Status Summary on June 30, 2021

(Amounts in \$Millions)

	Miscellaneous	Safety	Total
■ <b>AAL</b>	\$ 121.6	\$ 108.1	\$ 229.7
■ <b>Assets</b>	<u>106.2</u>	<u>86.8</u>	<u>193.0</u>
■ <b>Unfunded AAL</b>	15.4	21.3	36.7
■ <b>Funded Ratio</b>	87.3%	80.3%	84.0%

### Projected Funded Status Summary on June 30, 2022<sup>15</sup>

(Amounts in \$Millions)

	Miscellaneous	Safety	Total
■ <b>AAL</b>	\$ 125.5	\$ 111.6	\$ 237.1
■ <b>Assets</b>	<u>96.1</u>	<u>78.6</u>	<u>174.7</u>
■ <b>Unfunded AAL</b>	29.4	33.0	62.4
■ <b>Funded Ratio</b>	76.6%	70.4%	73.7%

<sup>15</sup> Projected 2022 assets reflects -7.5% CalPERS investment return for 2021/22.



## LEAVING CALPERS

- Participation in CalPERS is governed by State law and CalPERS rules
- The following are considered “withdrawing” from CalPERS:
  - Exclude new hires from CalPERS & giving them a different pension
  - Stop accruing benefits for current employees
- “Withdrawal” from CalPERS:
  - Treated as plan termination
  - Liability increased for conservative investments
  - Liability increased for future demographic fluctuations
  - Liability must be funded immediately by withdrawing agency
  - Otherwise, retiree benefits are cut



# LEAVING CALPERS

## CalPERS Termination Estimates on June 30, 2021 (Amounts in Millions)

Discount Rate	Ongoing Plan	Termination Basis	
	6.80%	1.00%	2.25%
<b>Miscellaneous</b>			
Actuarial Accrued Liability	\$ 121.6	\$ 270.8	\$ 223.9
Assets	<u>106.2</u>	<u>106.2</u>	<u>106.2</u>
Unfunded AAL (UAAL)	15.4	164.6	117.7
<b>Safety</b>			
Actuarial Accrued Liability	\$ 108.1	\$ 258.1	\$ 210.9
Assets	<u>86.8</u>	<u>86.8</u>	<u>86.8</u>
Unfunded AAL (UAAL)	21.3	171.3	124.1
<b>Total</b>			
Unfunded AAL (UAAL)	\$36.7	\$335.9	\$241.8
Funded Ratio	84.0%	36.5%	44.4%



# PEPRA COST SHARING

- Target of 50% of total normal cost paid by all employees
- *PEPRA members* must pay greater of 50% of total normal cost or bargained amount if higher
- Employer cannot pay any part of *PEPRA member* required employee contributions
- Employer may impose current employees pay 50% of total normal cost (limited to 8% of pay for Miscellaneous and 12% for Safety) if not agreed through collective bargaining
- Miscellaneous Plan 2023/24:

	<u>Classic Members</u>		<u>New Members</u>
	Tier 1	Tier 2	PEPRA
	<u>2.5% @ 55 FAC1</u>	<u>2% @ 60 FAC3</u>	<u>2% @ 62 FAC3</u>
● Employer Normal Cost	13.8%	14.3%	7.93%
● Member Normal Cost	<u>8.0%</u>	<u>7.0%</u>	<u>7.25%</u>
● Total Normal Cost	21.8%	21.3%	15.18%
● 50% Target	10.9%	10.7%	7.59%



# PEPRA COST SHARING

■ Safety Plan 2023/24:

	<u>Classic Members</u>	<u>New Members</u>
	<b>Tier 1</b>	<b>PEPRA</b>
	<u><b>3%@50 FAC1</b></u>	<u><b>2.7%@57 FAC3</b></u>
● Employer Normal Cost	29.1%	14.50%
● Member Normal Cost	<u>9.0%</u>	<u>14.50%</u>
● Total Normal Cost	38.1%	29.00%
● 50% Target	19.1%	14.50%

■ PEPRA Member Contributions:

	2022/23		2023/24			
	Total NC (Basis)	Member Rate	Total Normal Cost	Change	Member Rate	Method
Miscellaneous	14.43%	7.25%	15.18%	<b>0.75%</b>	<b>7.25%</b>	PEPRA Members
Safety	27.63%	13.75%	29.00%	<b>1.37%</b>	<b>14.50%</b>	PEPRA Members



## PAYING DOWN THE UAL & RATE STABILIZATION

- Where do you get the money from?
- How do you use the money?



## WHERE DO YOU GET THE MONEY FROM?

- POB:
  - Usually thought of as interest arbitrage between expected earnings and rate paid on POB
  - No guaranteed savings
  - PEPPRA prevents contributions from dropping below normal cost
    - Savings offset when investment return is good
  - GFOA Advisory
- Borrow from General Fund similar to State
- One time payments
  - Governing body resolution to use a portion of one time money, e.g.
    - 1/3 to one time projects
    - 1/3 to replenish reserves and
    - 1/3 to pay down unfunded liability



## ADDITIONAL PAYMENTS TO CALPERS

- Internal Service Fund
  - Typically used for rate stabilization
  - Restricted investments:
    - Likely low (0.5%-1.0%) investment returns
    - Short term/high quality, designed for preservation of principal
  - Assets can be used by governing body for other purposes
  - Does not reduce Unfunded Liability





## ADDITIONAL PAYMENTS TO CALPERS

Make payments directly to CalPERS:

- Likely best long-term investment return
- Must be considered an irrevocable decision
  - Extra payments cannot be used as future “credit”
  - PEPPRA prevents contributions from dropping below normal cost
- Option #1: Request shorter amortization period (Fresh Start):
  - Higher short term payments
  - Less interest and lower long term payments
  - Likely cannot revert to old amortization schedule
    - Savings offset when investment return is good (PEPPRA)



## ADDITIONAL PAYMENTS TO CALPERS

- Make payments directly to CalPERS (continued):
  - Option #2: Target specific amortization bases with an Additional Discretionary Payment “ADP” :
    - Extra contribution’s impact muted by reduced future contributions
      - CalPERS can’t track the “would have been” contribution
    - No guaranteed savings
      - Larger asset pool means larger loss (or gain) opportunity
    - Paying off shorter amortization bases: larger contribution savings over shorter period:
      - e.g. 10 year base reduces contribution 13.7¢ for \$1
      - Less interest savings vs paying off longer amortization bases
    - Paying off longer amortization bases: smaller contribution savings over longer period:
      - e.g. 25 year base reduces contribution 8.2¢ for \$1
      - More interest savings vs paying off shorter amortization bases
    - Maintaining the current payment schedule – not letting payments reduce due to extra payment – gives the greatest long-term savings



## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- Can only be used to:
  - Reimburse Town for CalPERS contributions
  - Make payments directly to CalPERS
- Investments significantly less restricted than Town investment funds
  - Fiduciary rules govern Trust investments
  - Usually, designed for long term returns
- Assets don't count for GASB accounting
  - Are considered Employer assets
- Over 100 trusts established, mostly since 2015
  - Trust providers: PARS, PFM, Keenan
  - California Employers' Pension Prefunding Trust (CEPPT) effective July 2019
    - Strategy 1: 48% stocks / 52% bonds
    - Strategy 2: 22% stocks / 78% bonds



## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- More flexibility than paying CalPERS directly
  - Town decides if and when and how much money to put into Trust
  - Town decides if and when and how much to withdraw to pay CalPERS or reimburse Agency
- Funding strategies typically focus on:
  - Reducing the unfunded liability
    - Fund enough to make total CalPERS UAL = 0
    - Make PEPPA required payments from Trust when overfunded
  - Stabilizing contribution rates
    - Mitigate expected contribution rates to better manage budget
  - Combination
    - Use funds for rate stabilization/budget predictability
    - Target increasing fund balance to pay off UAL sooner



## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- Consider:
  - How much can you put into Trust?
    - Initial seed money?
    - Additional amounts in future years?
  - When do you take money out?
    - Target budget rate?
    - Year target budget rate kicks in?
      - Before or after CalPERS rate exceeds budgeted rate?



## PREFUNDING OPTION

### Direct Payment to CalPERS Prefunding Option

- Following illustrates savings from an additional \$1 million contribution to CalPERS on June 30, 2023:
- Miscellaneous Plan
  - Shortest Base: 2003 Assumption Change (2 years, \$0.6 million on 6/30/23) and 2007 Benefit Change (5 years, \$1.0 million on 6/30/23)  
Less interest savings, largest short-term contribution impact
  - Longest Base: 2013 Gain/Loss (22 years, \$8.7 million on 6/30/23)  
Greater interest savings, smallest short-term contribution impact

Target Bases	Estimated Interest Savings	2023/24 Contribution Impact
<b>Shortest Bases</b>	<b>\$1 million</b>	
\$ Savings (000's)	\$114	\$(400)
PV Savings @ 3% (000's)	60	
<b>Longest Base</b>	<b>\$1 million</b>	
\$ Savings (000's)	\$954	\$(73)
PV Savings @ 3% (000's)	430	



## PREFUNDING OPTION

### ■ Safety Plan<sup>16</sup>

- Shortest Base: 2014 Assumption Change (13 years, \$3.9 million on 6/30/23)  
Less interest savings, largest short-term contribution impact
- Longest Base: 2018 Non Asset Gain/Loss (27 years, \$0.4 million on 6/30/23), 2017 Non Asset Gain/Loss (26 years, \$0.07 million on 6/30/23) and 2016 Asset Gain/Loss (25 years, \$5.5 million on 6/30/23)  
Greater interest savings, smallest short-term contribution impact

Target Bases	Estimated Interest Savings	2023/24 Contribution Impact
<b>Shortest Bases</b>	<b>\$1 million</b>	
\$ Savings (000's)	\$439	\$(113)
PV Savings @ 3% (000's)	215	
<b>Longest Base</b>	<b>\$1 million</b>	
\$ Savings (000's)	\$1,035	\$(60)
PV Savings @ 3% (000's)	452	

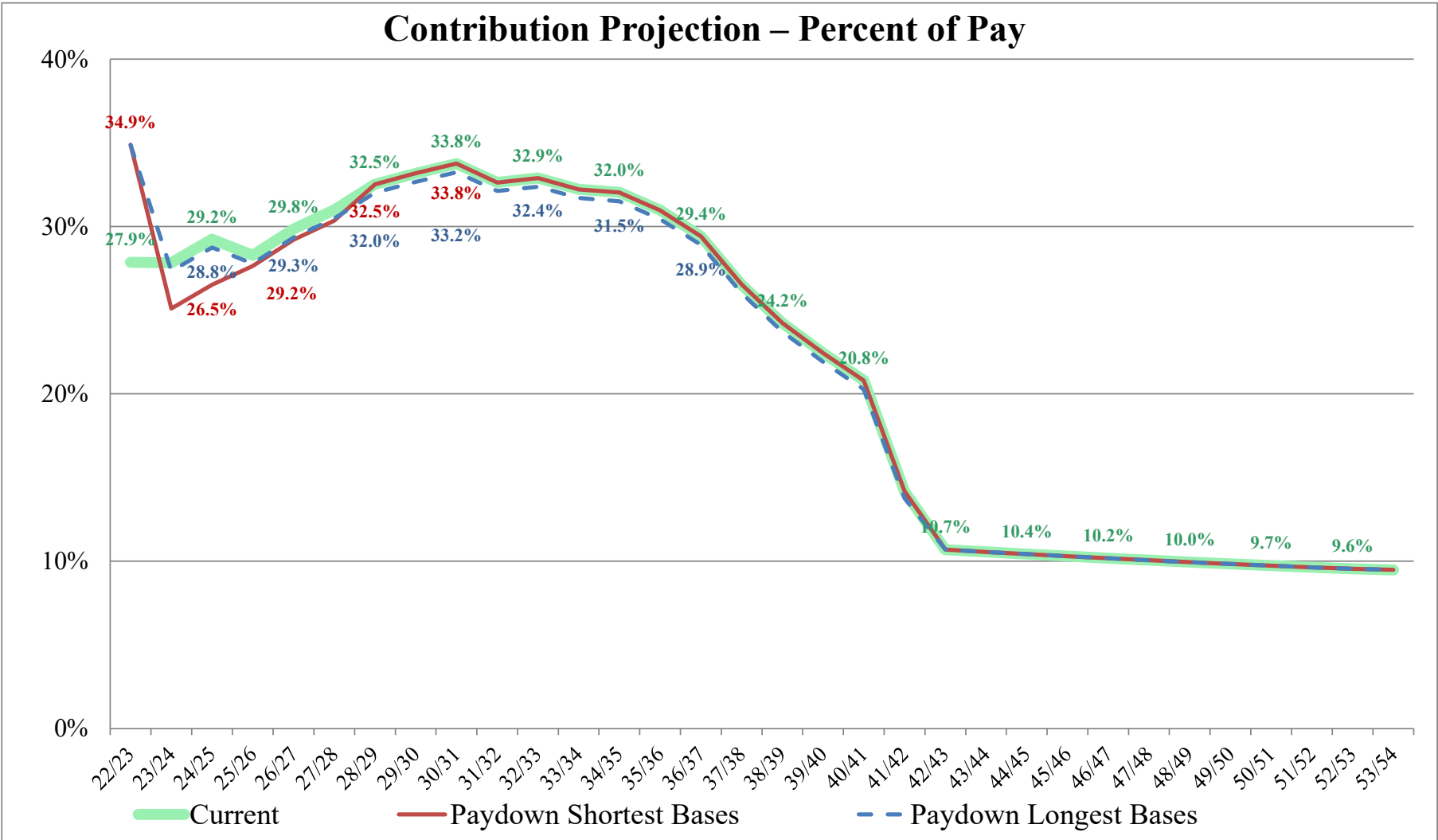
<sup>16</sup> All of the target bases are in Safety Classic plan. PEPR plan has only one credit base.



# PREFUNDING OPTION

## Direct Payment to CalPERS Miscellaneous

### Contribution Projection – Percent of Pay

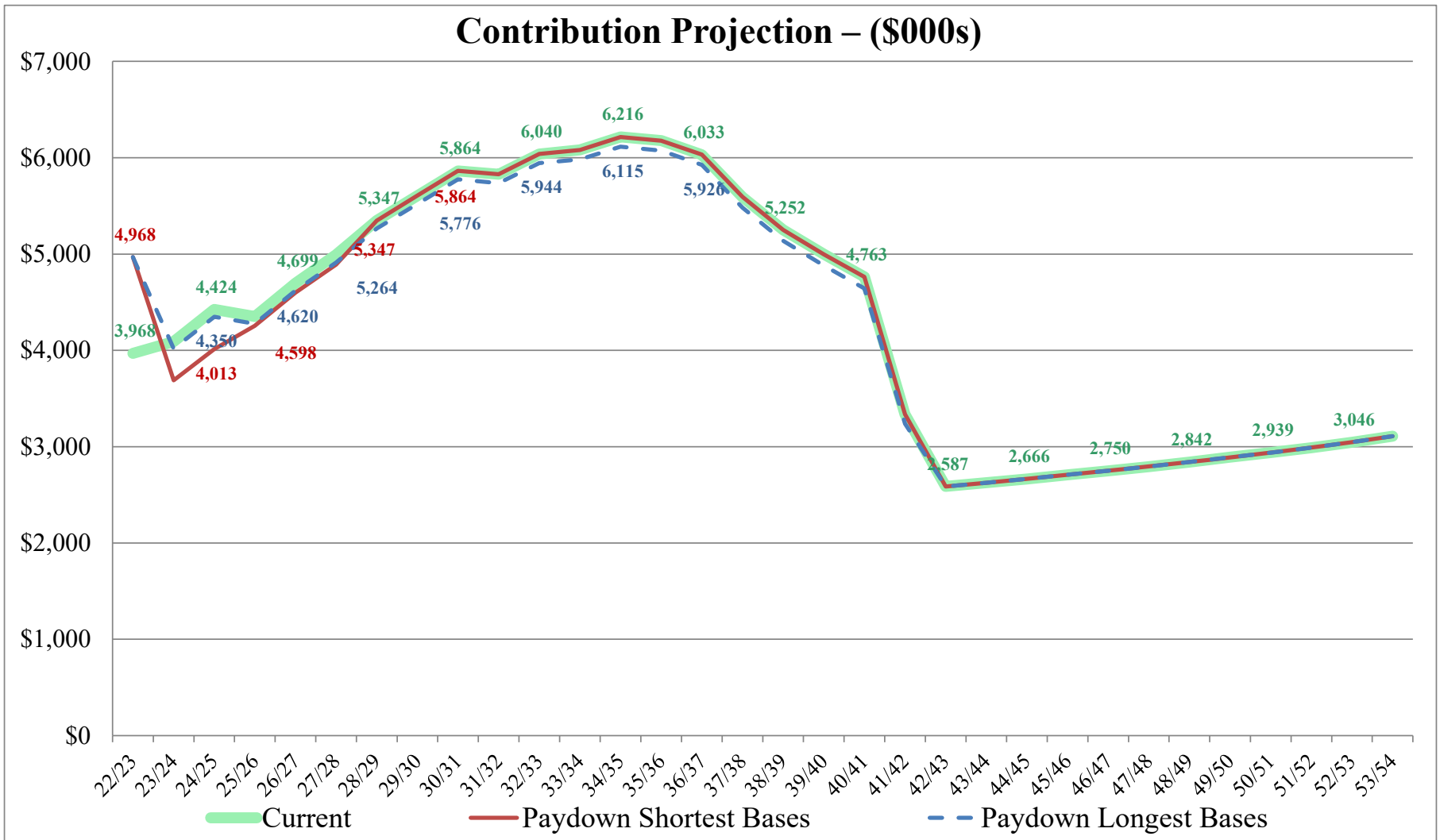




# PREFUNDING OPTION

## Direct Payment to CalPERS Miscellaneous

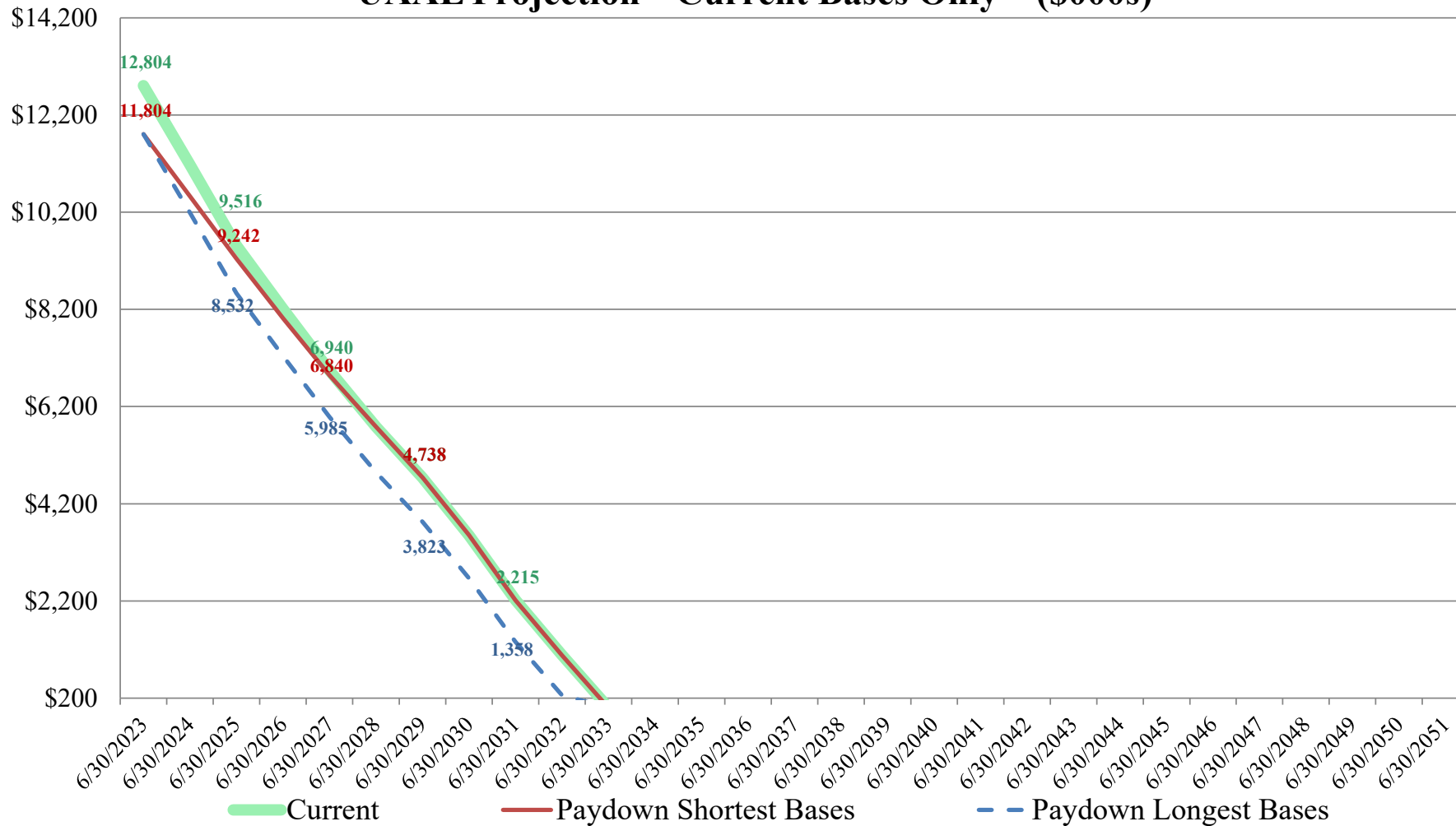
### Contribution Projection – (\$000s)



# PREFUNDING OPTION

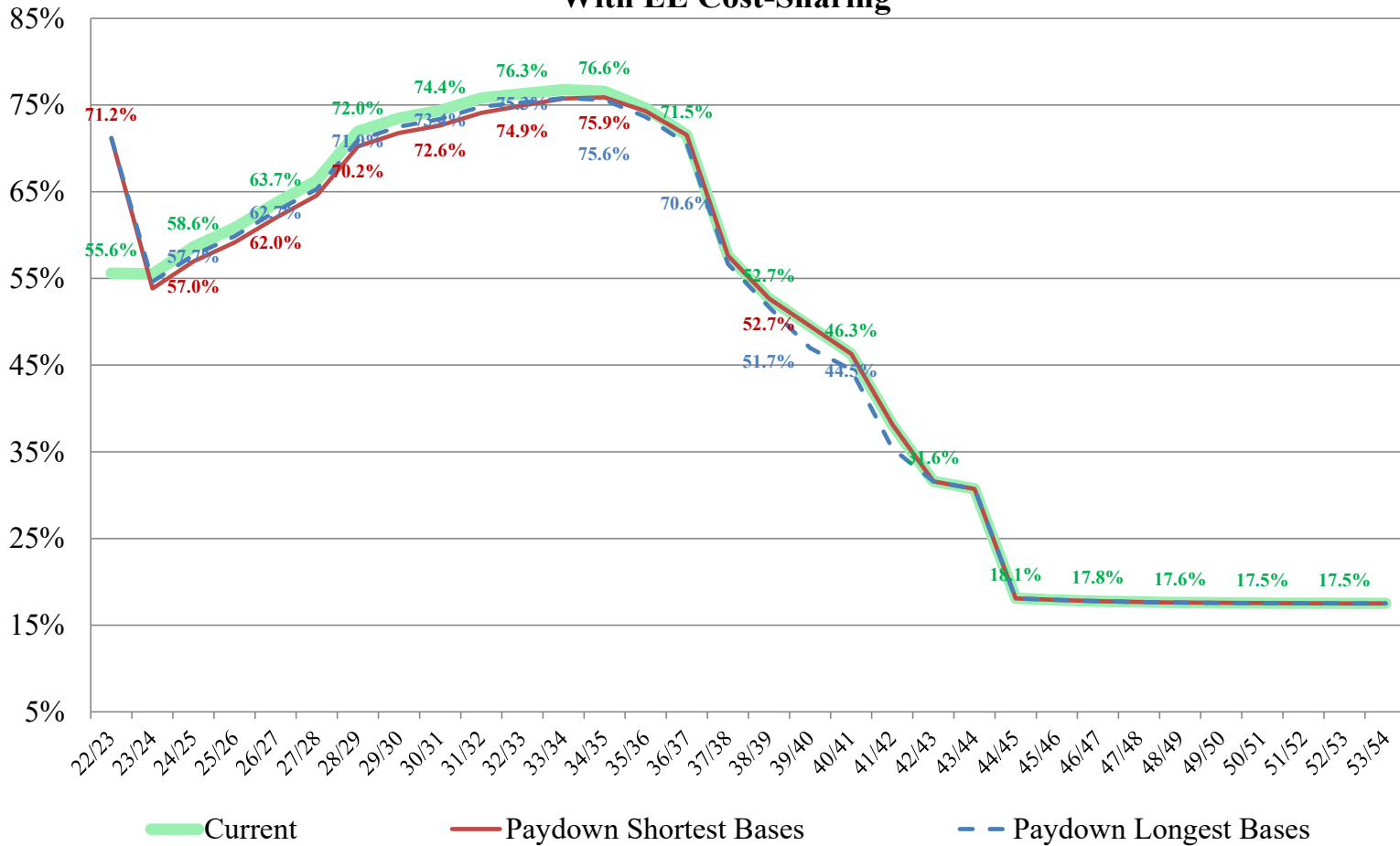
## Direct Payment to CalPERS Miscellaneous

### UAAL Projection - Current Bases Only - (\$000s)



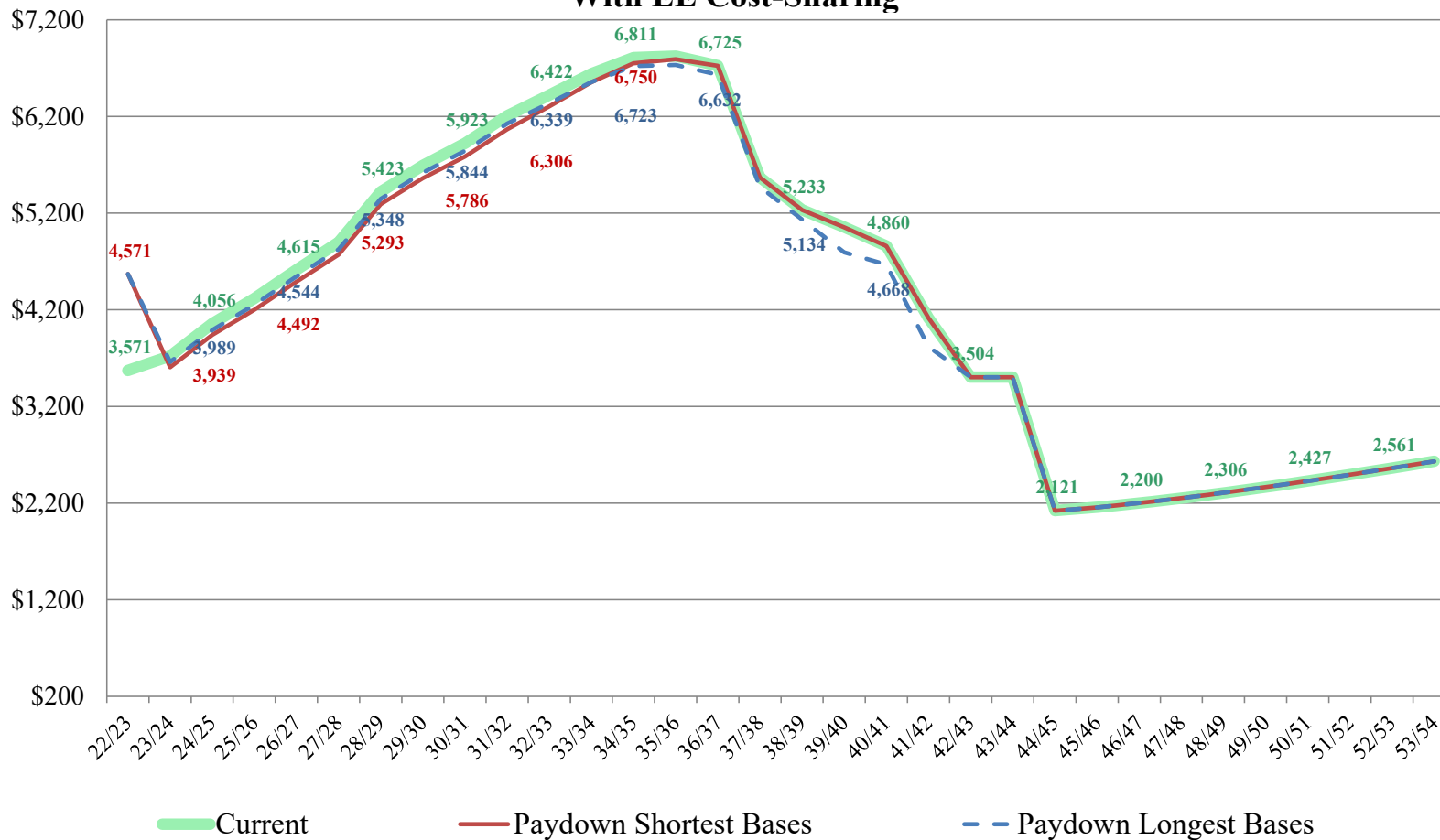
# PREFUNDING OPTION

## Direct Payment to CalPERS Safety Contribution Projection – Percent of Pay With EE Cost-Sharing



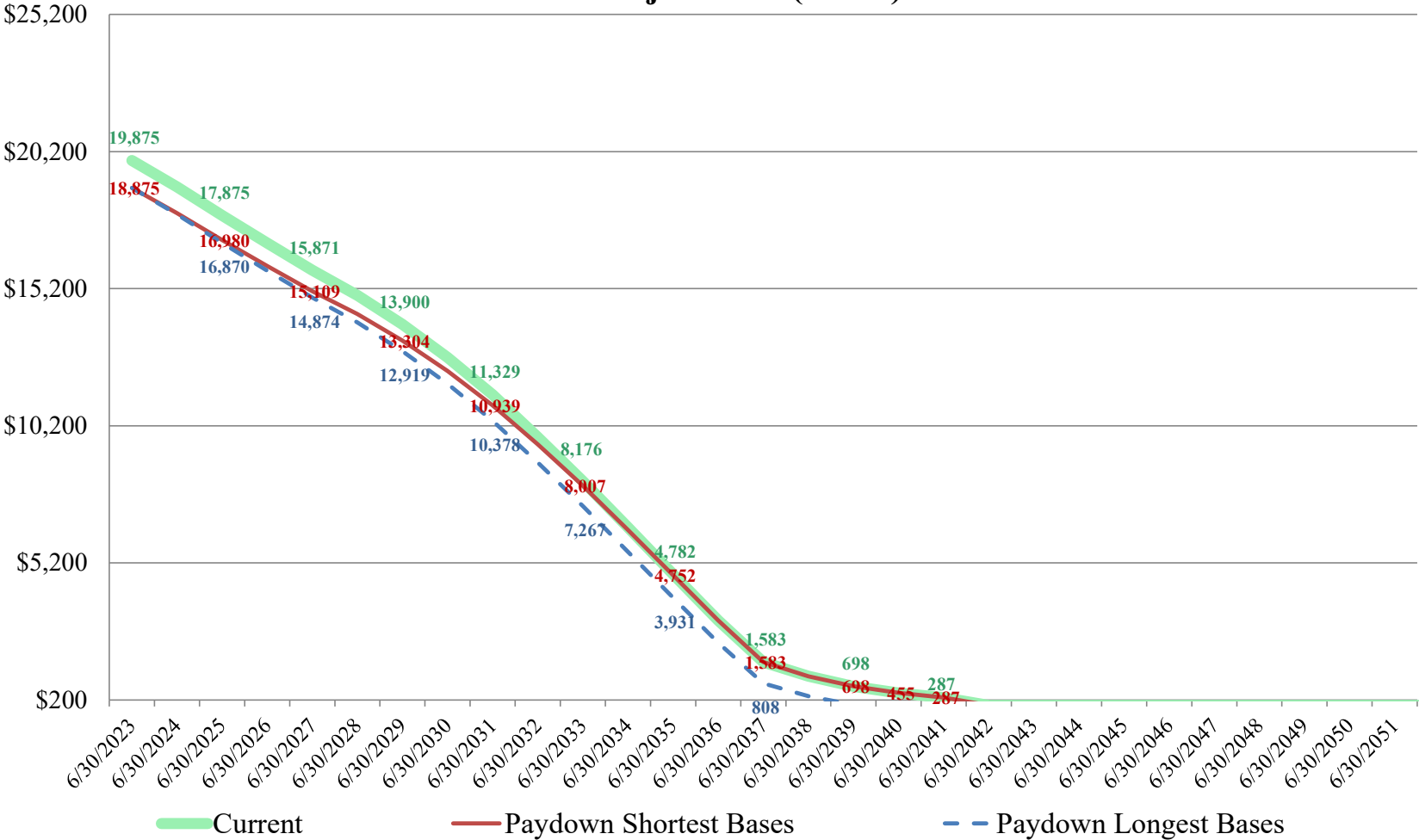
# PREFUNDING OPTION

## Direct Payment to CalPERS Safety Contribution Projection – (\$000s) With EE Cost-Sharing



# PREFUNDING OPTION

## Direct Payment to CalPERS Safety UAAL Projection – (\$000s)



## COMPARISON OF OPTIONS

### ■ Supplemental Trust

- Flexible
- Likely lower long-term return
- Investment strategy choice
- Does not reduce net pension liability for GASB reporting
- More visible

### ■ CalPERS

- Locked In
- Likely higher long-term return
- No investment choice
- Reduces net pension liability for GASB reporting
- More restricted



# ACTUARIAL CERTIFICATION

This report presents analysis of the Town of Los Gatos's CalPERS pension plans. The purpose of this report is to provide the Town:

- Historical perspective on the plan investment returns, assets, funded status and contributions.
- Projections of likely future contributions and the impact of investment volatility

The calculations and projections in this report are based on information contained in the Town's June 30, 2021 and earlier CalPERS actuarial valuation reports. We reviewed this information for reasonableness, but do not make any representation on the accuracy of the CalPERS reports.

Future investment returns and volatility are based on Foster & Foster's Capital Market model which results in long term returns summarized on pages 25 and 57.

Future results may differ from our projections due to differences in actual experience as well as changes in plan provisions, CalPERS actuarial assumptions or methodology. Other than variations in investment return, this study does not analyze these.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,



Mary Elizabeth Redding, FSA, EA, MAAA  
Foster & Foster, Inc.  
March 7, 2023



Bianca Lin, FSA, EA, MAAA  
Foster & Foster, Inc.  
March 7, 2023





# TOWN OF LOS GATOS CALPERS MISCELLANEOUS & SAFETY PLANS



## CalPERS Analysis – 6/30/21 Valuation

**Mary Elizabeth Redding, FSA, EA, MAAA**

Bianca Lin, FSA, EA, MAAA

Wai Man Yam

**Foster & Foster, Inc.**

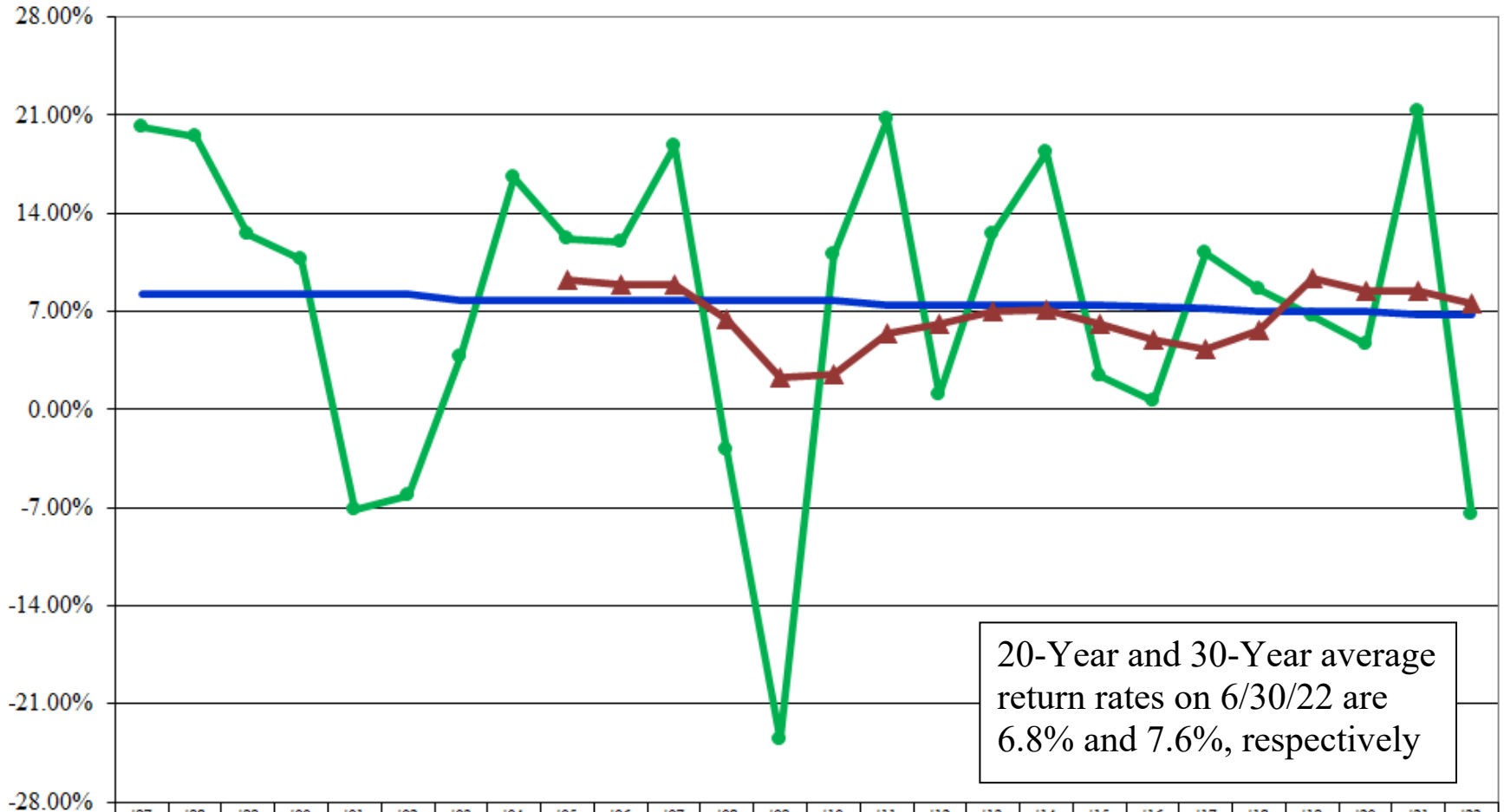
March 21, 2023





# HOW WE GOT HERE – INVESTMENT RETURN

## Annual Return on Market Value of Assets



	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22
Rate of Return	20.1%	19.5%	12.5%	10.7%	-7.1%	-6.1%	3.7%	16.6%	12.2%	11.9%	18.8%	-2.9%	-23.6%	11.1%	20.7%	1.0%	12.5%	18.4%	2.4%	0.6%	11.2%	8.6%	6.70%	4.70%	21.30%	-7.50%
Discount Rate	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.50%	7.50%	7.50%	7.50%	7.50%	7.375%	7.25%	7.00%	7.00%	7.00%	6.80%	6.80%
10-Year Rolling Average									9.3%	9.0%	8.9%	6.4%	2.3%	2.6%	5.4%	6.1%	7.0%	7.1%	6.1%	5.0%	4.3%	5.7%	9.3%	8.5%	8.5%	7.6%

Returns (after 2001) shown are gross returns, unreduced for administrative expenses, from CalPERS valuation reports, when available. The discount rate is based on expected returns net of administrative expenses.

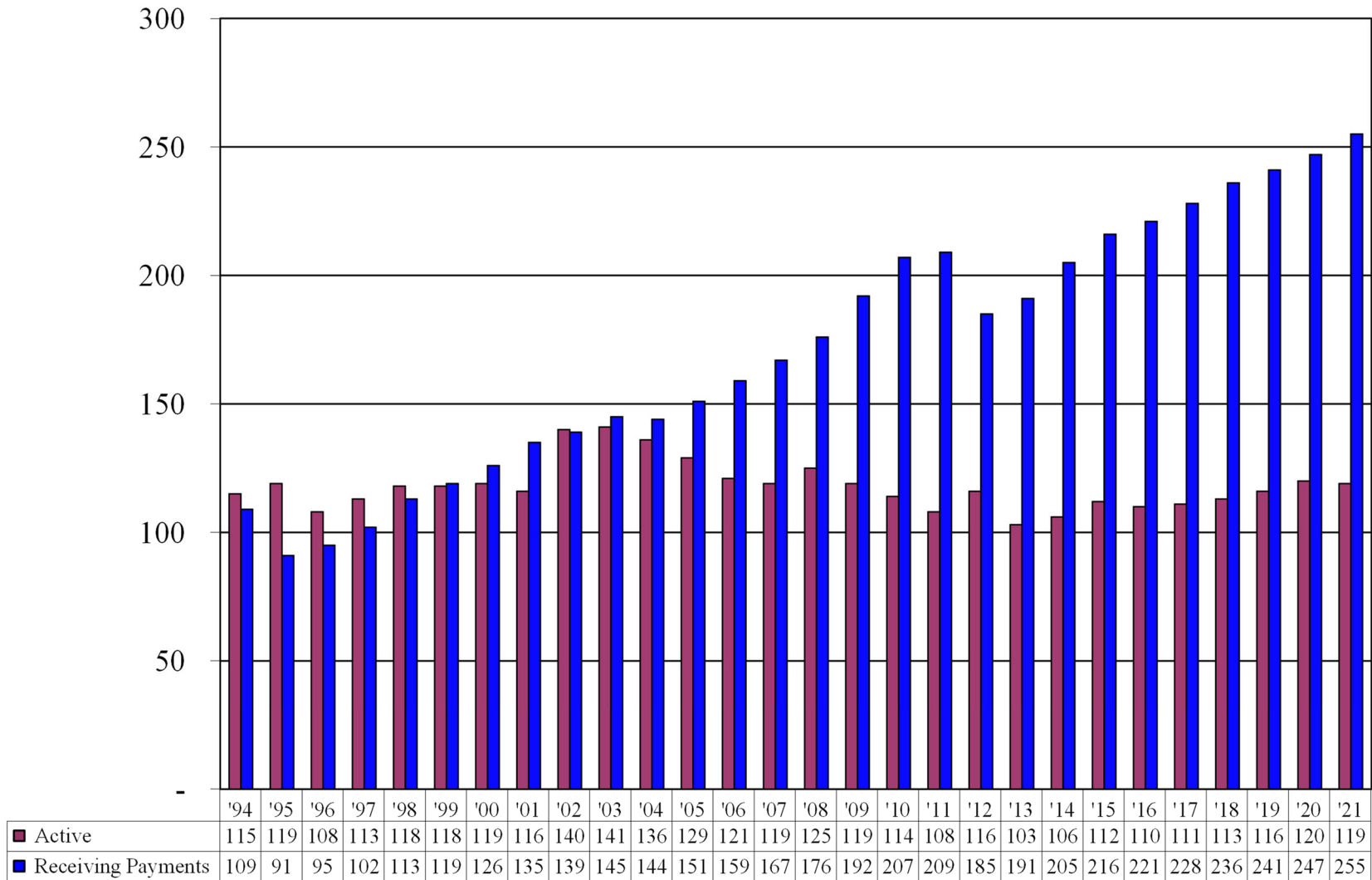


## CALPERS CHANGES

- CalPERS has made many changes to improve the long-term funded status of the plans
  - Higher contribution to pay off unfunded liability
  - Increased year-to-year volatility in contribution levels
- PEPRAL
  - New pension law for employees hired after 1/1/13
  - Beginning to impact Town's annual contribution
  - Will reduce costs in the long run
  - As of June 30, 2021 for Town of Los Gatos
    - Miscellaneous: 52% of employees are PEPRAL, 43% of payroll
    - Safety: 35% of employees are PEPRAL, 29% of payroll



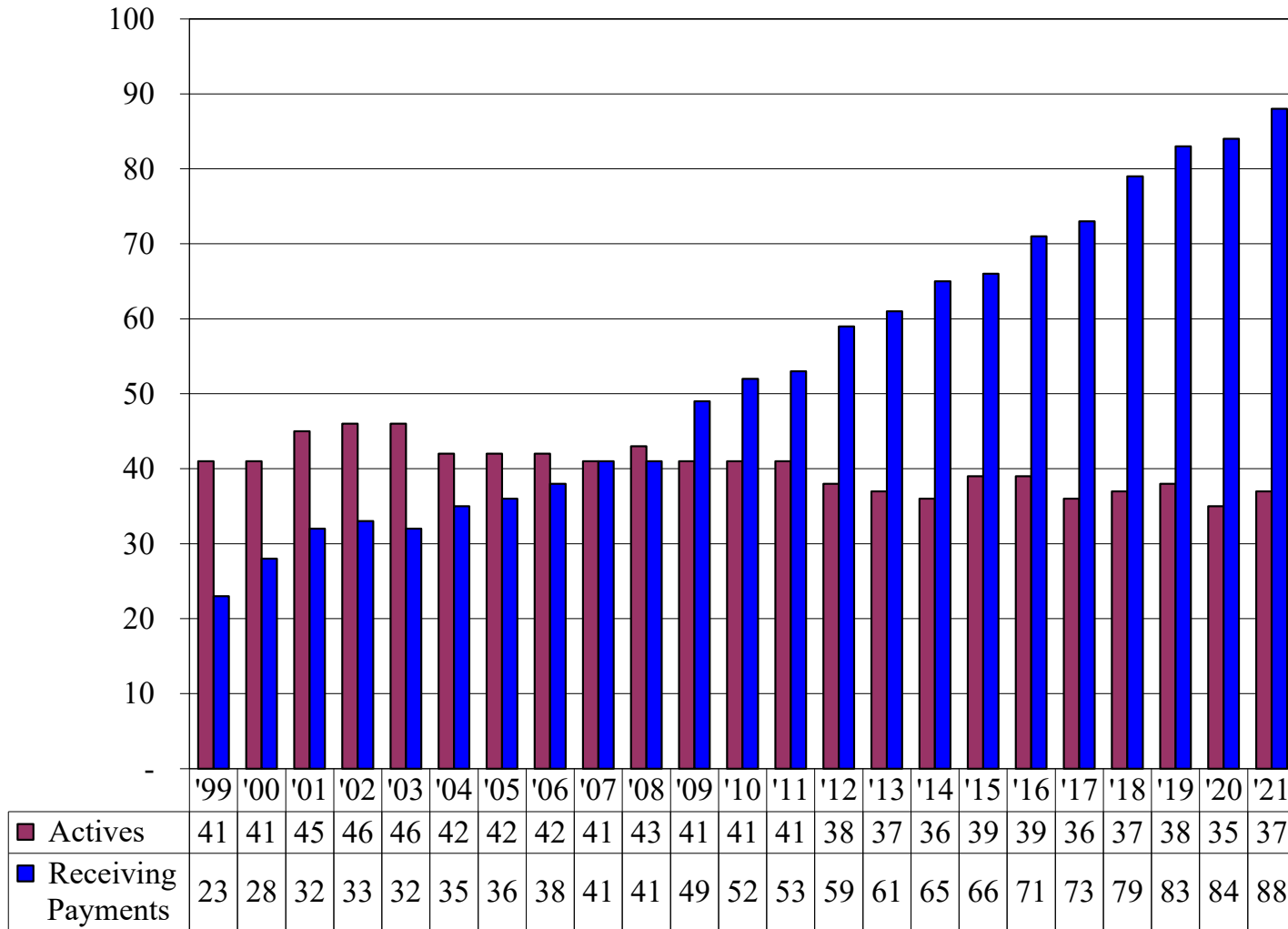
# HISTORICAL HEADCOUNTS - MISCELLANEOUS



65% of the Town's Miscellaneous actuarial liability is for retirees,  
compared to 59% for the average public agency



# HISTORICAL HEADCOUNTS - SAFETY

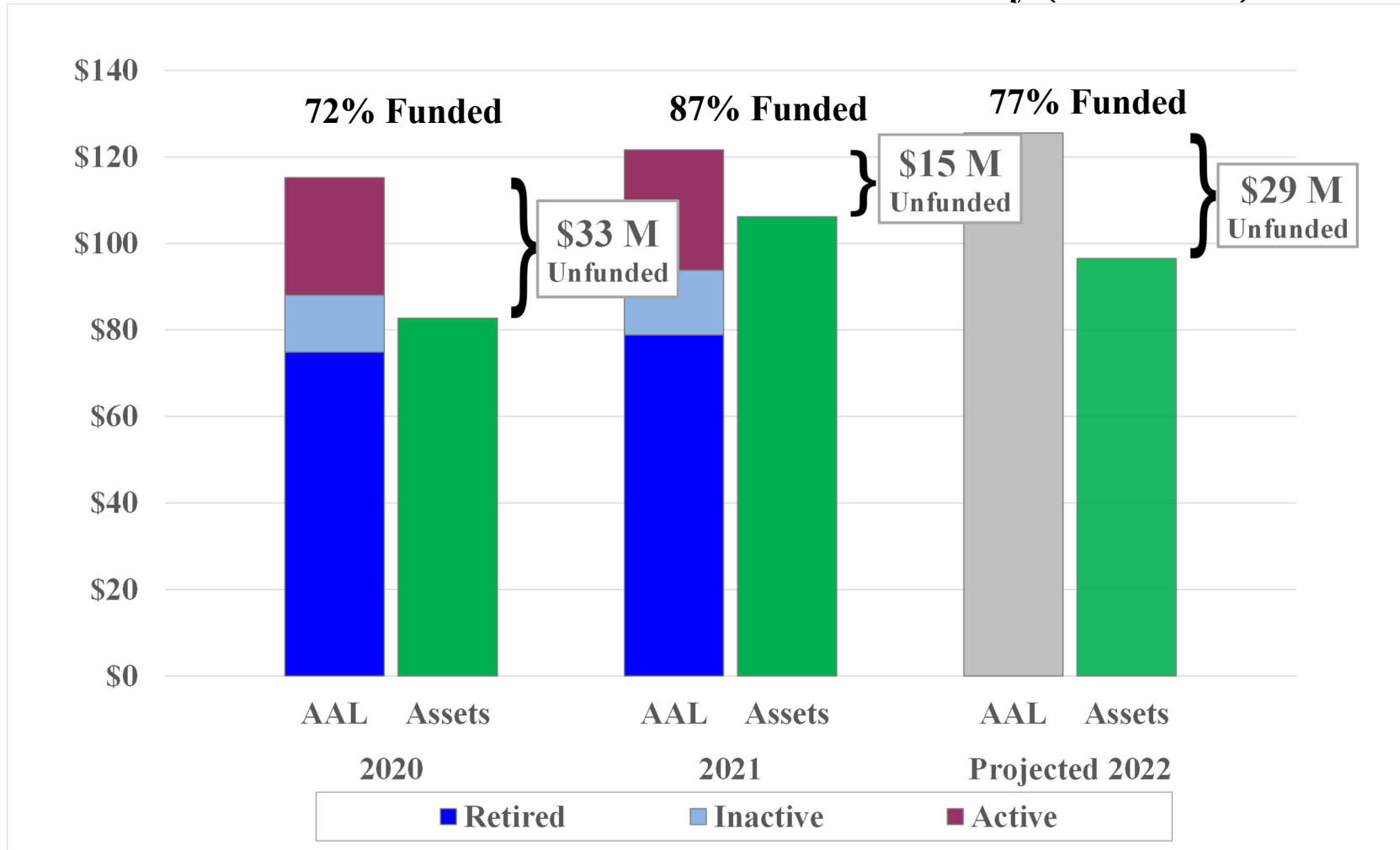


74% of the Town’s Safety actuarial liability is for retirees,  
compared to 67% for the average public agency



# PLAN FUNDED STATUS - MISCELLANEOUS

## Town CalPERS Assets and Actuarial Liability (\$Millions)<sup>1</sup>



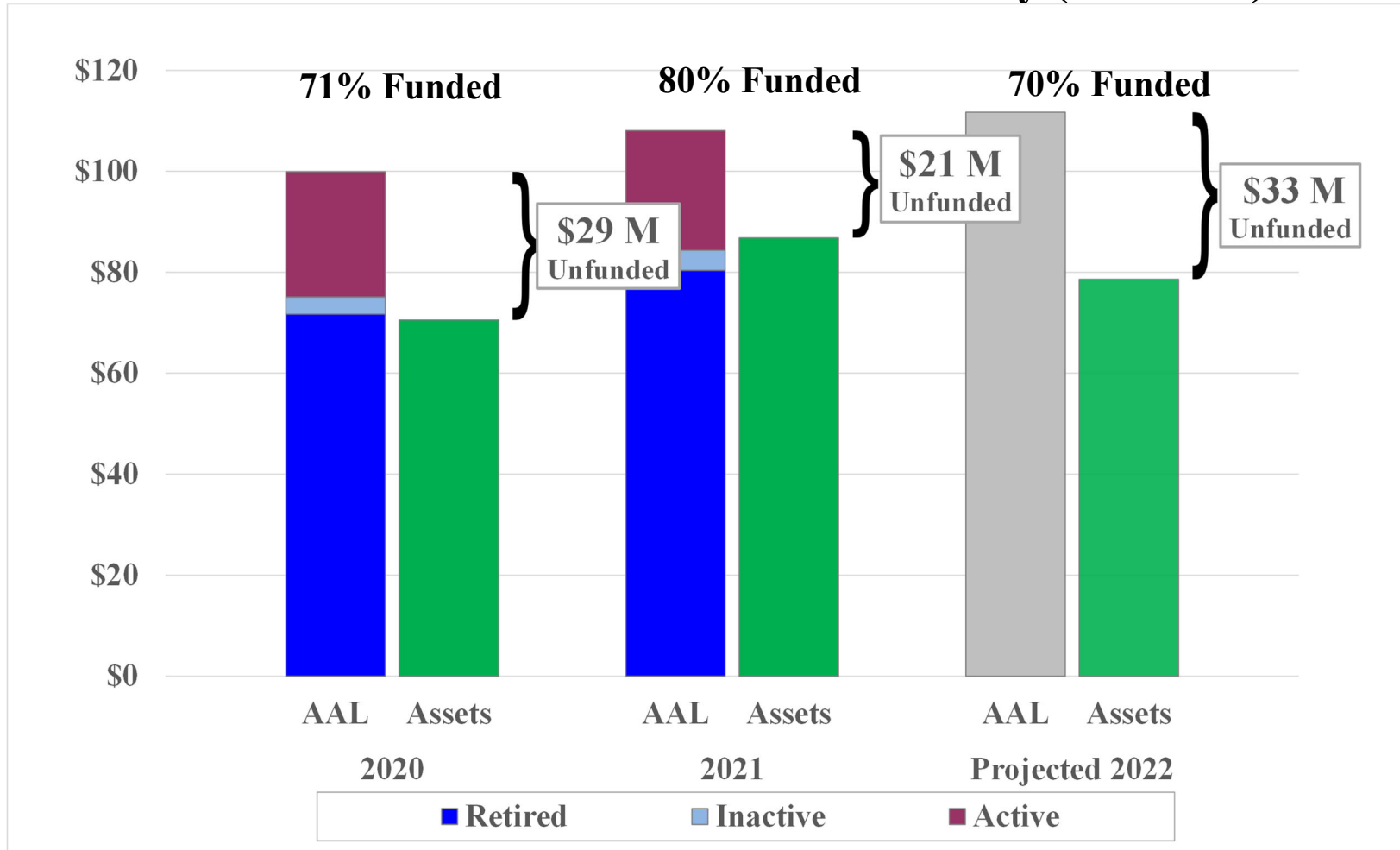
Average funded ratio for CalPERS Public Agency Miscellaneous Plans: 72% at 6/30/2020 and 84% at 6/30/2021

<sup>1</sup> Projected 2022 assets reflect -7.5% CalPERS investment return for 2021/22.



# PLAN FUNDED STATUS - SAFETY

## Town CalPERS Assets and Actuarial Liability (\$Millions)<sup>2</sup>



Average funded ratio for CalPERS Public Agency Miscellaneous Plans: 69% at 6/30/2020 and 81% at 6/30/2021

<sup>2</sup> Projected 2022 assets reflects -7.5% CalPERS investment return for 2021/22.

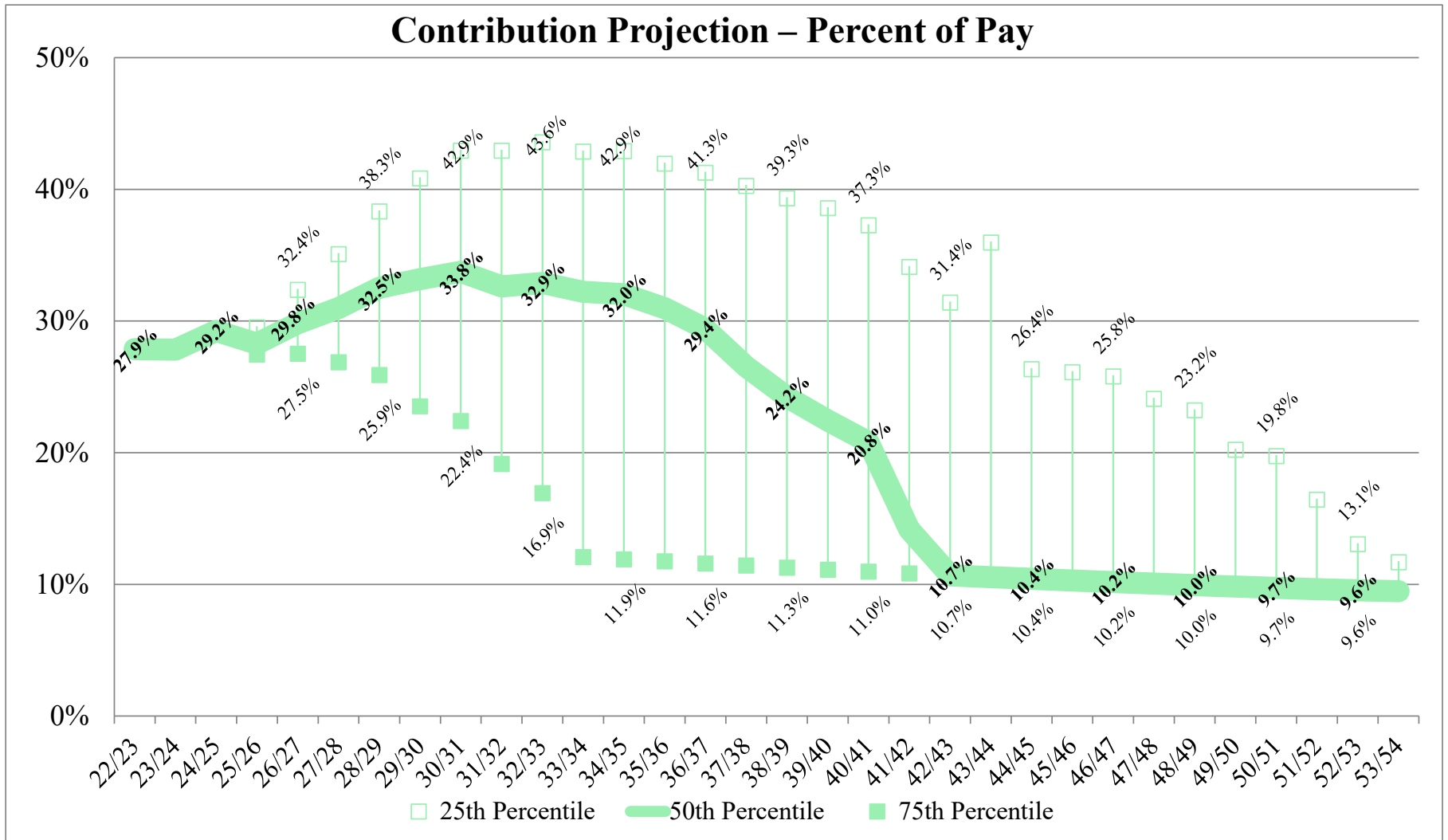


## CONTRIBUTION PROJECTIONS

- Different than CalPERS modeling
  - Includes June 30, 2022 investment loss of (7.5%)
  - Assumes investment returns will generally be lower over the next 10 years and higher beyond that.
  - Reflects CalPERS policy to lower discount rate in years of very good return
  - Includes impact of future PEPRA hires
  
- Projected payroll FY 2023-2027 from City budget projections

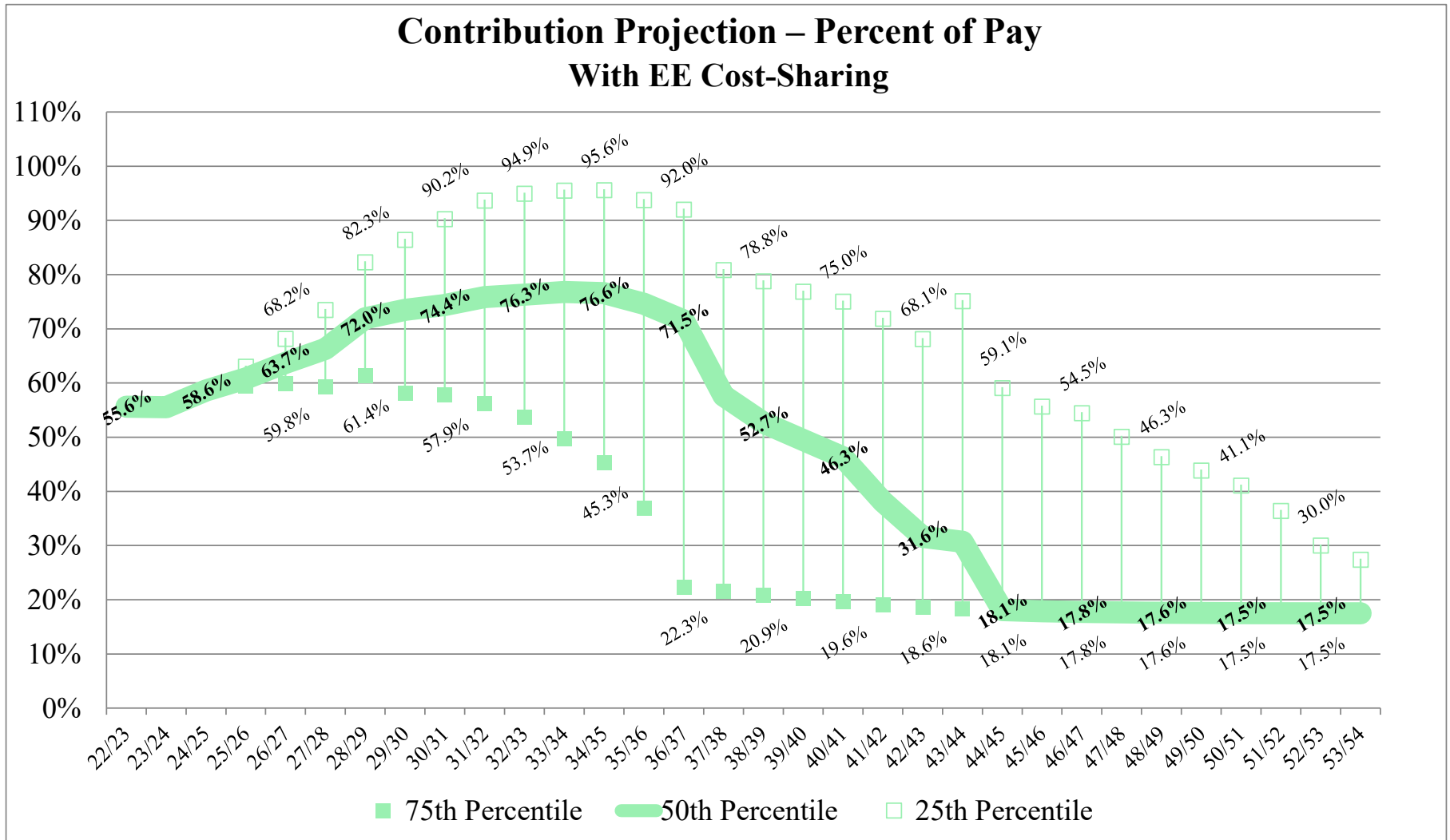


# CONTRIBUTION PROJECTION - MISCELLANEOUS

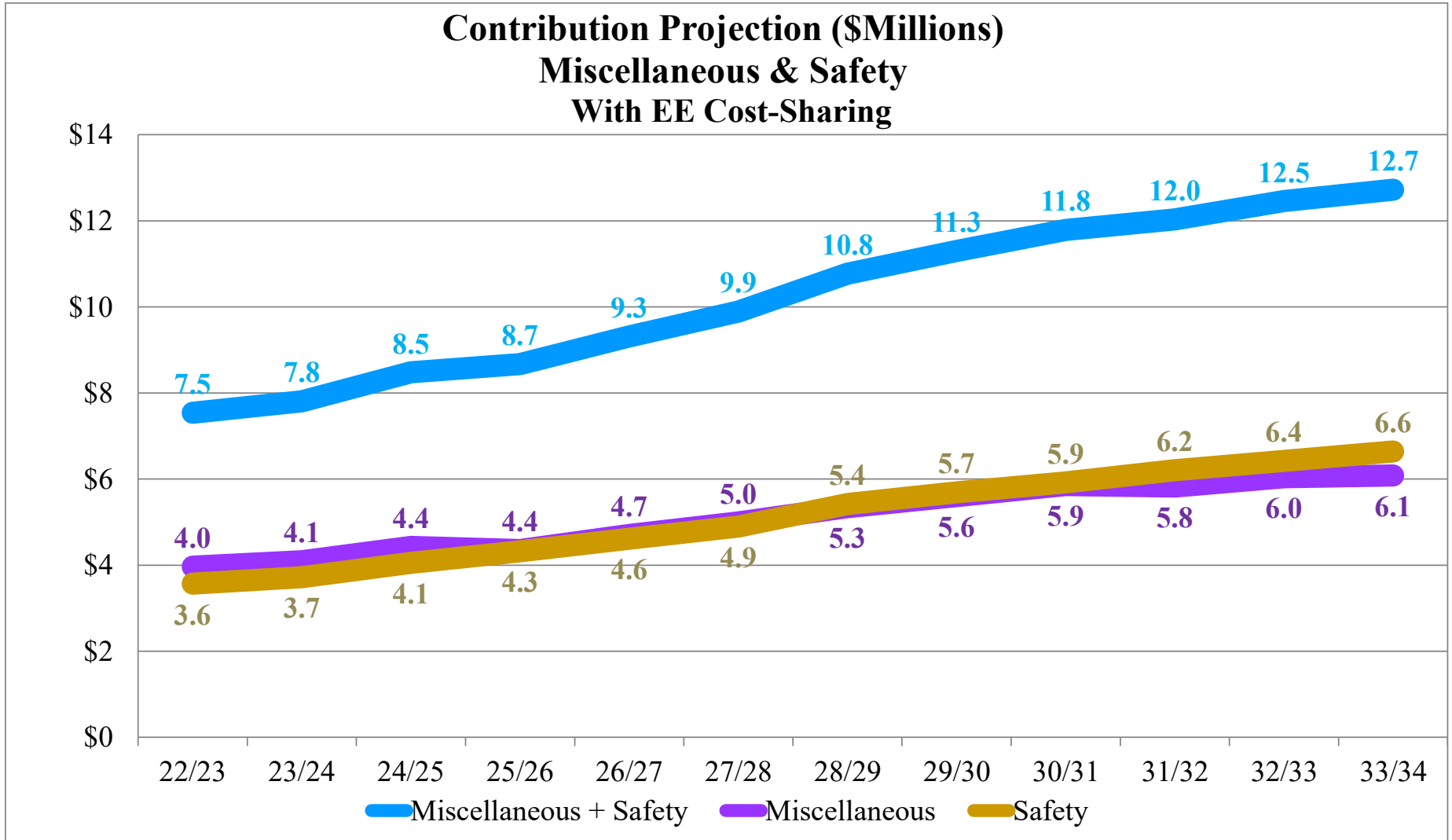




# CONTRIBUTION PROJECTION - SAFETY

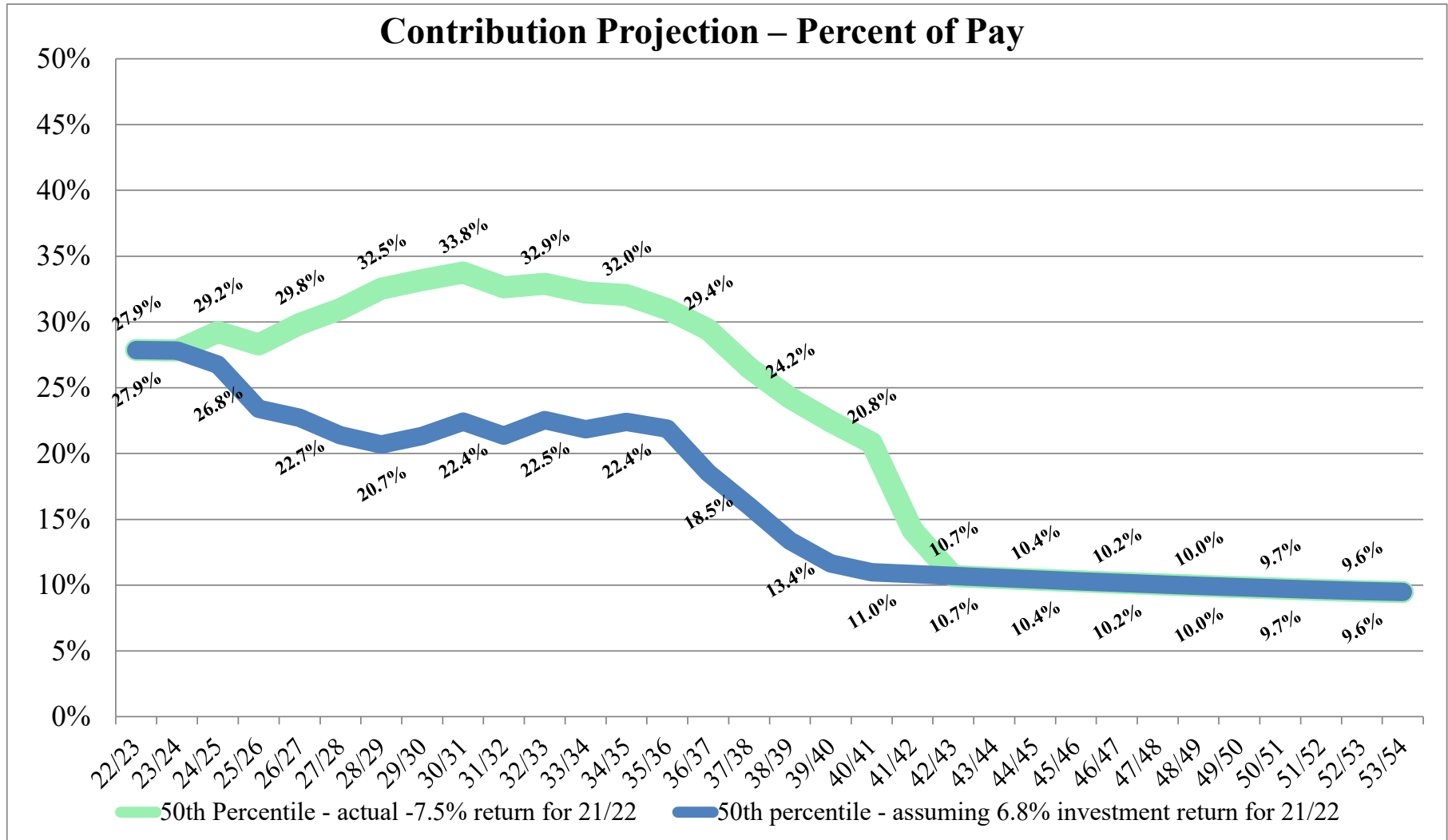


# TOTAL CONTRIBUTION PROJECTION



# IMPACT OF 1 YEAR POOR RETURNS

## Impact of 21/22 Investment Return – Miscellaneous



## PREFUNDING OPTIONS

■ Savings from an additional \$1 million contribution to CalPERS on 6/30/2023:

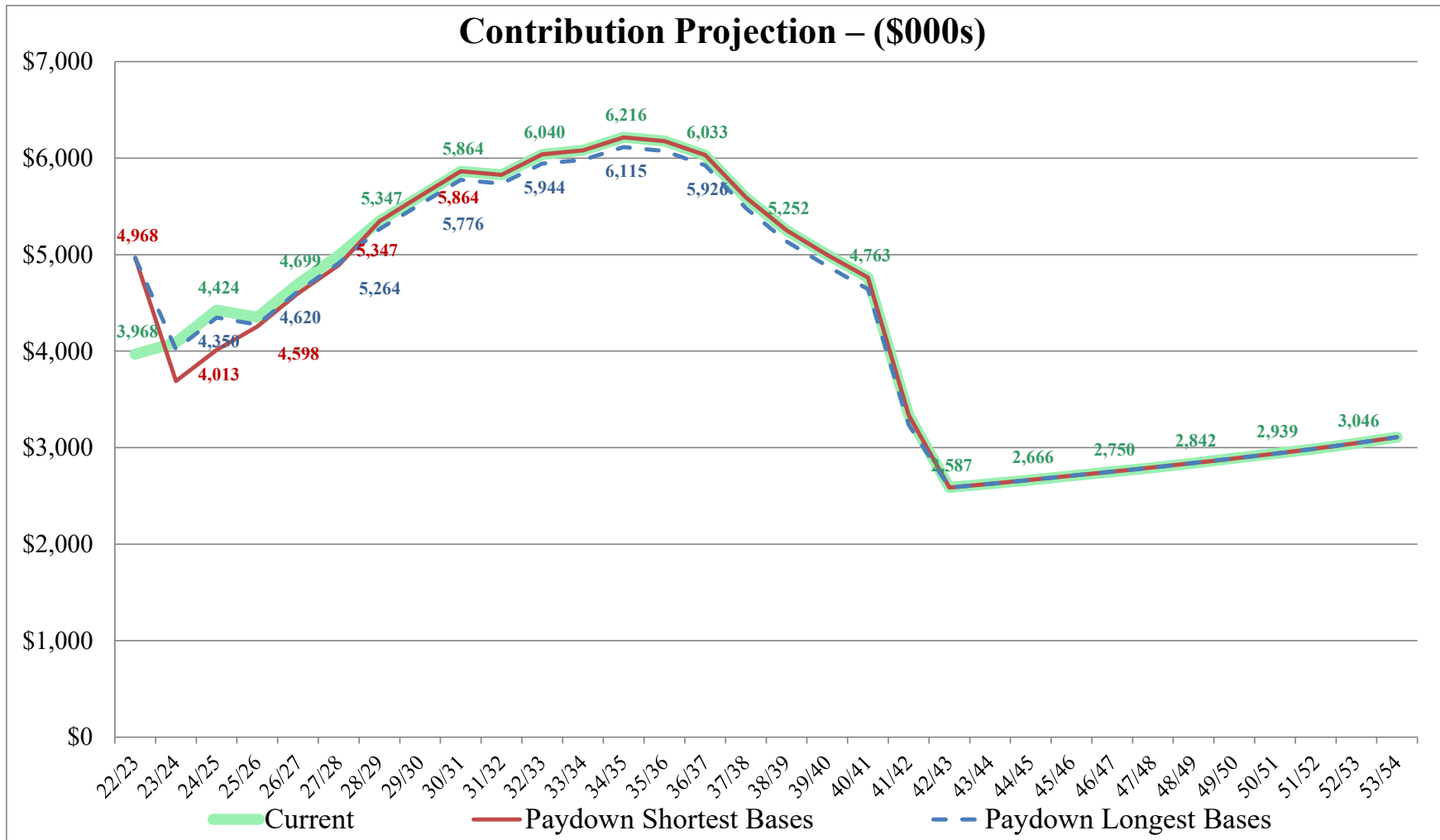
Miscellaneous Plan Target Bases	Estimated Interest Savings	2023/24 Contribution Impact
<b>Shortest Bases</b>	<b>\$1 million</b>	
\$ Savings (000's)	\$114	\$(400)
Present value of savings @ 3% (000's)	60	
<b>Longest Base</b>	<b>\$1 million</b>	
\$ Savings (000's)	\$954	\$(73)
Present value of savings @ 3% (000's)	430	

Safety Plan Target Bases	Estimated Interest Savings	2023/24 Contribution Impact
<b>Shortest Bases</b>	<b>\$1 million</b>	
\$ Savings (000's)	\$439	\$(113)
Present value of savings @ 3% (000's)	215	
<b>Longest Base</b>	<b>\$1 million</b>	
\$ Savings (000's)	\$1,035	\$(60)
Present value of savings @ 3% (000's)	452	



# PREFUNDING OPTIONS

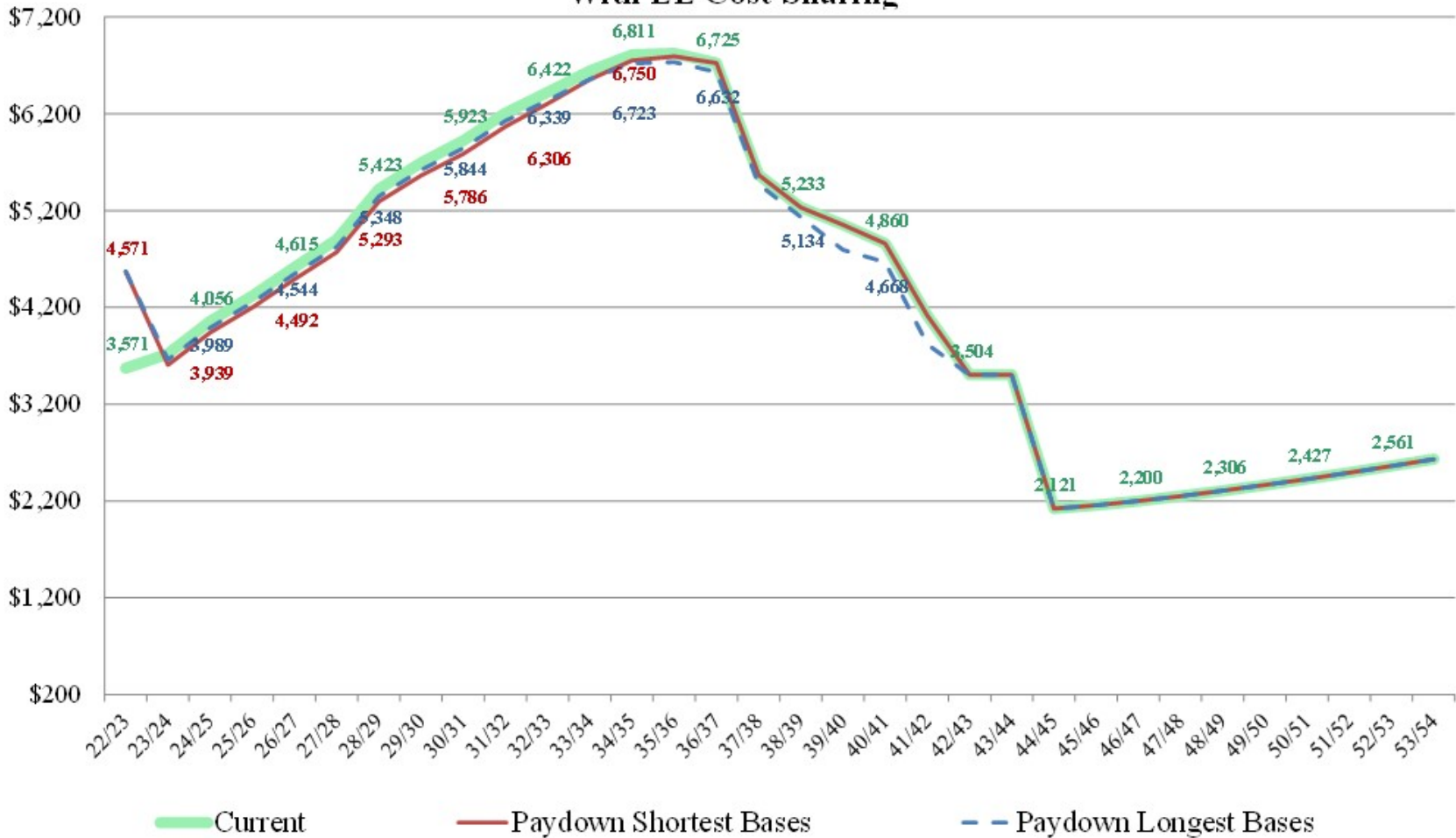
## Direct Payment \$1M to CalPERS Miscellaneous



# PREFUNDING OPTIONS

## Direct Payment \$1M to CalPERS Safety

**Contribution Projection – (\$000s)  
With EE Cost-Sharing**



## Wendy Wood

---

**From:** Phil Koen [REDACTED]  
**Sent:** Thursday, March 9, 2023 7:31 AM  
**To:** Wendy Wood; Laurel Prevetti; Rick Tinsley  
**Subject:** Pages from FY-202122-ACFR - (15).pdf  
**Attachments:** Pages from FY-202122-ACFR - (15).pdf

[EXTERNAL SENDER]

Hello Wendy and Laurel,

Would you please include the attached schedules from the Town's FY 2022 ACFR in the agenda packet as additional information for the CALPERs Analysis discussion agenda item.

Thank you.

Phil Koen

**TOWN OF LOS GATOS, CALIFORNIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**BENEFIT PLAN SCHEDULES**

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*Schedule of Pension Plan Contributions*

*Schedule of Proportionate Share of Net Pension Liability – CalPERS Safety Cost Sharing Plan*

*Schedule of Proportionate Share of Net Pension Liability – CalPERS Misc. Agent-Multiple Employer Plan*

*Schedule of OPEB Contribution*

*Schedule of Changes in Net OPEB Liability*



TOWN OF LOS GATOS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SCHEDULE OF PENSION PLAN CONTRIBUTIONS

<b>Miscellaneous Agent Multiple-Employer Plan</b>								
Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	\$ 1,941,765	\$ 2,223,782	\$ 2,407,496	\$ 2,669,133	\$ 3,049,748	\$ 3,366,304	\$ 3,529,373	\$ 3,472,727
Contributions in Relation to Contractually Required Contributions	1,941,765	2,223,782	2,407,496	2,669,133	3,049,748	8,146,791	9,160,680	3,472,727
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,780,487)	\$ (5,631,307)	\$ -
<b>Covered Payroll</b>	<b>\$ 8,487,940</b>	<b>\$ 9,198,318</b>	<b>\$ 9,024,370</b>	<b>\$ 9,576,157</b>	<b>\$ 10,211,967</b>	<b>\$ 11,188,927</b>	<b>\$ 12,082,520</b>	<b>\$ 11,970,102</b>
Contributions as a % of Covered Payroll	22.88%	24.18%	26.68%	27.87%	29.86%	72.81%	75.82%	29.01%
<b>Safety Cost Sharing Plan</b>								
Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	\$ 1,999,757	\$ 1,586,129	\$ 1,738,150	\$ 1,951,711	\$ 2,325,357	\$ 2,565,205	\$ 2,853,764	\$ 3,072,032
Contributions in Relation to Contractually Required Contributions	1,999,757	1,586,129	1,738,150	1,951,711	2,325,357	2,565,205	2,853,764	3,072,032
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Covered Payroll</b>	<b>\$ 4,897,104</b>	<b>\$ 5,022,498</b>	<b>\$ 4,941,138</b>	<b>\$ 5,079,440</b>	<b>\$ 4,445,061</b>	<b>\$ 4,928,821</b>	<b>\$ 5,178,418</b>	<b>\$ 5,831,703</b>
Contributions as a % of Covered Payroll	40.84%	31.58%	35.18%	38.42%	52.31%	52.05%	55.11%	52.68%

**Notes to Schedule:**

Valuation Date: June 30, 2020  
 Assumptions Used: Entry Age Method used for Actuarial Cost Method  
 Level Percentage of Payroll and Direct Rate Smoothing  
 3.8 Years Remaining Amortization Period  
 Inflation Assumed at 2.50%  
 Investment Rate of Returns set at 7.00%  
 CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.  
 The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, then to 7.15% in 2018.  
 The CalPERS mortality assumptions was adjusted in fiscal year 2019.

FY15 - FY22  
 CAGR  
 Misc Plan  
 - Contrib 8.7 %  
 - Payroll 5.0 %  
 Safety Plan  
 - Contrib 6.3 %  
 - Payroll 2.5 %

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
CALPERS SAFETY COST SHARING PLAN**

<b>Safety Cost Sharing Plan</b>								
Plan Measurement Date	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Fiscal Year Ended	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Proportion of Net Pension Liability (Safety and Misc)	0.28588%	0.14860%	0.22394%	0.22603%	0.23583%	0.24100%	0.24953%	0.30994%
Proportionate Share of Net Pension Liability	\$ 17,788,690	\$ 10,199,904	\$ 19,377,843	\$ 22,415,954	\$ 22,725,267	\$ 24,695,687	\$ 27,149,916	\$ 16,762,598
Covered Payroll	\$ 4,916,535	\$ 4,897,104	\$ 5,022,498	\$ 4,941,138	\$ 5,079,440	\$ 4,445,061	\$ 4,928,821	\$ 5,178,418
<b>Proportionate Share of NPL as a % of Covered Payroll</b>	<b>361.81%</b>	<b>208.28%</b>	<b>385.82%</b>	<b>453.66%</b>	<b>447.40%</b>	<b>555.58%</b>	<b>550.84%</b>	<b>323.70%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>75.66%</b>	<b>74.89%</b>	<b>74.89%</b>	<b>73.87%</b>	<b>74.52%</b>	<b>73.61%</b>	<b>72.46%</b>	<b>83.55%</b>

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.  
 The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, then to 7.15% in 2018.  
 The CalPERS mortality assumptions was adjusted in fiscal year 2019.

TOWN OF LOS GATOS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
CALPERS MISCELLANEOUS AGENT-MULTIPLE EMPLOYER PLAN

Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Pension liability</b>								
Service cost	\$ 1,579,547	\$ 1,491,925	\$ 1,560,679	\$ 1,651,550	\$ 1,700,438	\$ 1,771,368	\$ 1,930,090	\$ 2,062,486
Interest	6,268,015	6,483,032	6,697,247	6,820,536	7,073,843	7,381,846	7,729,269	7,943,404
Diff. between expected and actual exp.	-	(623,495)	(357,870)	(892,479)	994,994	1,082,289	1,465,653	(581,801)
Changes of assumptions	-	(1,513,132)	-	5,481,432	(655,541)	-	-	-
Benefit payments (including refunds)	(4,241,487)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)	(5,958,101)	(6,339,615)
Net change in Total Pension Liability	3,606,075	1,089,544	2,946,300	7,922,956	3,665,360	4,515,271	5,166,911	3,084,474
Total Pension Liability - beginning	84,904,502	88,510,577	89,600,121	92,546,421	100,469,377	104,134,737	108,650,008	113,816,919
Total Pension Liability - ending	\$ 88,510,577	\$ 89,600,121	\$ 92,546,421	\$ 100,469,377	\$ 104,134,737	\$ 108,650,008	\$ 113,816,919	\$ 116,901,393
<b>Plan fiduciary net position</b>								
Employer contributions	\$ 1,796,079	\$ 1,941,765	\$ 2,223,782	\$ 2,407,496	\$ 2,669,104	\$ 3,049,748	\$ 8,146,791	\$ 9,160,680
Employee contributions	668,167	679,796	691,770	682,891	761,705	846,125	834,145	889,649
Plan to plan resource movement	-	22,561	(28,866)	-	(170)	-	-	-
Projected investment earnings	4,328,173	-	-	-	-	-	-	-
Diff. between est. and actual earnings	5,831,718	-	-	-	-	-	-	-
Net investment income	-	1,470,873	369,185	7,171,443	5,883,868	4,759,034	3,913,294	19,606,360
Benefit payments (including refunds)	(4,241,487)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)	(5,958,101)	(6,339,615)
Administrative expense	-	(74,706)	(40,462)	(95,455)	(108,582)	(52,260)	(107,303)	(82,856)
Adjustments	-	-	-	-	(206,199)	170	-	-
Net change in plan fiduciary net position	8,382,650	(708,497)	(1,738,347)	5,028,292	3,551,352	2,882,585	6,828,826	23,234,218
Plan fiduciary net position - beginning	58,716,725	67,099,375	66,390,878	64,652,531	69,680,823	73,232,175	76,114,760	82,943,586
Plan fiduciary net position - ending	\$ 67,099,375	\$ 66,390,878	\$ 64,652,531	\$ 69,680,823	\$ 73,232,175	\$ 76,114,760	\$ 82,943,586	\$ 106,177,804
Net Pension liability (asset)	\$ 21,411,202	23,209,243	27,893,890	30,788,554	30,902,562	32,535,248	30,873,333	10,723,589
Plan fiduciary net position as a percentage of the total Pension liability	75.81%	74.10%	69.86%	69.36%	70.32%	70.05%	72.87%	90.83%
Covered Payroll	\$ 8,406,315	\$ 8,487,940	\$ 9,198,318	\$ 9,024,370	\$ 9,576,157	\$ 10,211,967	\$ 11,188,927	\$ 12,082,520
Net Pension liability % of covered payroll	254.70%	273.44%	303.25%	341.17%	322.70%	318.60%	275.93%	88.75% <sup>1</sup>

Other Notes

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

Pension liability

CAGR  
4.05%

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**SCHEDULE OF OPEB CONTRIBUTIONS**

<b>Fiscal Year Ended</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Actuarially determined contribution (ADC)	\$ 2,129,000	\$ 2,108,000	\$ 2,172,000	\$ 1,859,000	\$ 1,860,000
Less: actual contribution in relation to ADC	(2,935,000)	(2,406,636)	(2,508,306)	(2,096,847)	(1,754,922)
Contribution deficiency (excess)	\$ (806,000)	\$ (298,636)	\$ (336,306)	\$ (237,847)	\$ 105,078
Covered employee payroll	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237	\$ 16,987,042
Contrib. as a % of covered employee payroll	18.13%	13.88%	14.41%	11.66%	10.33%

**Notes to Schedule:**

*Assumptions and Methods*

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal Cost
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	6.75%
Healthcare Trend Rate	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076
Mortality	CalPERS 2000-2019 Experience Study
Retirement	CalPERS 2000-2019 Experience Study

*Other Notes*

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Discount rate was updated based on newer capital market assumptions

Decreased medical trend rate for Kaiser Senior Advantage

Demographic assumptions updated to CalPERS 2000-2019 Experience Study

Inflation rate decreased 25 basis points, decreasing discount rate, medical trend, and salary increases

Retiree and family participation rates at retirement updated

Implicit subsidy added for Tier 1 Medicare eligible

Mortality improvement scale was updated to Scale MP-2021

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY**

Measurement Date	2017	2018	2019	2020	2021
<b>Total OPEB liability</b>					
Service cost	\$ 1,134,000	\$ 1,168,227	\$ 1,203,274	\$ 1,159,152	\$ 1,115,309
Interest	1,607,000	1,706,270	1,814,072	1,887,105	1,956,034
Differences between expected & actual exp.	-	-	(149,297)	-	(2,521,500)
Changes of assumptions	-	-	(392,681)	(533,825)	1,054,638
Benefit payments	(1,269,000)	(1,326,313)	(1,298,623)	(1,399,933)	(1,494,906)
Net change in Total OPEB Liability	1,472,000	1,548,184	1,176,745	1,112,499	109,575
Total OPEB Liability - beginning	23,301,000	24,773,000	26,321,184	27,497,929	28,610,428
Total OPEB Liability - ending	<u>\$ 24,773,000</u>	<u>\$ 26,321,184</u>	<u>\$ 27,497,929</u>	<u>\$ 28,610,428</u>	<u>\$ 28,720,003</u>
<b>Plan fiduciary net position</b>					
Employer contributions	\$ 3,878,000	\$ 2,935,313	\$ 2,406,636	\$ 2,508,306	\$ 2,096,847
Net investment income	1,049,000	1,082,977	1,009,315	652,656	5,529,824
Benefit payments	(1,269,000)	(1,326,313)	(1,298,623)	(1,399,933)	(1,494,906)
Administrative expense	(14,000)	(34,261)	(11,502)	(17,357)	(18,556)
Net change in plan fiduciary net position	3,644,000	2,657,716	2,105,826	1,743,672	6,113,209
Plan fiduciary net position - beginning	9,964,000	13,608,000	16,265,716	18,371,542	20,115,214
Plan fiduciary net position - ending	<u>\$ 13,608,000</u>	<u>\$ 16,265,716</u>	<u>\$ 18,371,542</u>	<u>\$ 20,115,214</u>	<u>\$ 26,228,423</u>
Net OPEB liability (asset)	\$ 11,165,000	10,055,468	9,126,387	8,495,214	2,491,580
Plan fiduciary net position as a percentage of the total OPEB liability	54.93%	61.80%	66.81%	70.31%	91.32%
Covered Employee Payroll	\$ 14,985,716	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237
NOL as a % of cov. emp. payroll	74.50%	62.10%	52.64%	48.80%	13.86%

*Other Notes*

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

## Wendy Wood

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**Subject:** FW: Pages from CalPERS-Analysis-06-30-21-Valuation-Foster-and-Foster-Actuaries-and-Consultants.pdf

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**From:** Phil Koen [REDACTED]

**Sent:** Thursday, March 09, 2023 9:12 AM

**To:** Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>

**Cc:** Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>; Rick Tinsley [REDACTED]; Mary Badame <[MBadame@losgatosca.gov](mailto:MBadame@losgatosca.gov)>

**Subject:** Pages from CalPERS-Analysis-06-30-21-Valuation-Foster-and-Foster-Actuaries-and-Consultants.pdf

[EXTERNAL SENDER]

Hello Gitta,

Could you please ask the actuaries to compute the cumulative delta impact (the area between the blue and green curves) on the company's contribution as a result of FY 22 negative 7.5% return. I computed the impact on FY 29. It would be good if they could validate my calculation.

Thank you,

Phil Koen