



**TOWN OF LOS GATOS  
SPECIAL MEETING OF THE TOWN COUNCIL: JOINT  
FINANCE COMMISSION STUDY SESSION AGENDA  
OCTOBER 6, 2025  
110 EAST MAIN STREET AND VIA TELECONFERENCE  
TOWN COUNCIL CHAMBERS  
5:30 PM**

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

**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 Zoom Webinar (log-in information provided below). You may watch the Council meeting without providing public comment on Comcast cable channel 15 or at [www.LosGatosCA.gov/TownYouTube](http://www.LosGatosCA.gov/TownYouTube). Members of the public may provide public comments for agenda items in-person or virtually by following the instructions listed at the end of the agenda.

**To watch and participate via Zoom, please go to:**

<https://losgatosca-gov.zoom.us/j/85488322698?pwd=7Sq4eCaTO82GZSxVmc2bKaNicYDDOu.1>

Passcode: 652669

Council Member Rob Rennie will be participating via teleconference pursuant to Government Code Section 54953(b)(3) from a location at Via Guglielmo Marconi, 15, 70011 Alberobello BA, Italy. The teleconference location shall be accessible to the public and the agenda will be posted at the teleconference location 24 hours before the meeting.

**CALL MEETING TO ORDER**

**ROLL CALL**

**VERBAL COMMUNICATIONS** *(Members of the public are welcome to address the Council only on matters listed on the agenda. Each speaker is limited to three minutes or such time as authorized by the Mayor.)*

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

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

**ADJOURNMENT** (*Council policy is to adjourn no later than midnight unless a majority of Council votes for an extension of time*)

**ADA NOTICE** - In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk's Office at (408) 354-6834. Notification at least two (2) business days prior to the meeting date will enable the Town to make reasonable arrangements to ensure accessibility to this meeting [28 CFR §35.102-35.104]. **NOTE:** The ADA access ramp to the Town Council Chambers is currently under construction and will be inaccessible until further notice. Individuals who require the use of that ramp to attend meetings should contact the Clerk's Office at least two (2) business days in advance to arrange for alternative accommodations.

**NOTICE REGARDING SUPPLEMENTAL MATERIALS** - Materials related to an item on this agenda submitted to the Town Council after initial distribution of the agenda packets are available for public inspection in the Clerk's Office at Town Hall, 110 E. Main Street, Los Gatos and on the Town's website at [www.losgatosca.gov](http://www.losgatosca.gov). Town Council agendas and related materials can be viewed online at <https://losgatos-ca.municodemeetings.com/>.

### HOW TO PARTICIPATE

The public is welcome to provide oral comments in real-time during the meeting in three ways:

- **Zoom Webinar (Online):** Join from a PC, Mac, iPad, iPhone or Android device. Please click this URL to join: <https://losgatosca.gov.zoom.us/j/85488322698?pwd=7Sq4eCaTO82GZSxVmc2bKaNicYDDOu.1>  
Passcode: 652669. You can also type in 854 8832 2698 in the "Join a Meeting" page on the Zoom website at [zoom.us](http://zoom.us) and use passcode 652669.
  - 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.
- **Telephone:** Please dial 1 (855) 758-1310 for US Toll-free or 1 (408) 961-3927 for US Toll. (Meeting ID: 854 8832 2698)
  - If you are participating by calling in, press \*9 on your telephone keypad to raise your hand.
- **In-Person:** Please complete a "speaker's card" located on the back of the chamber benches and return it to the Town Clerk before the meeting or when the Mayor announces the item for which you wish to speak.

**NOTES:** Comments will be limited to three (3) minutes or less at the Mayor's discretion.

If you are unable to participate in real-time, you may email [Clerk@losgatosca.gov](mailto:Clerk@losgatosca.gov) with the subject line "Public Comment Item #\_\_" (insert the item number relevant to your comment).

Deadlines to submit written comments are:

- 11:00 a.m. the business day before the Council meeting for inclusion in an addendum.
- 11:00 a.m. on the day of the Council meeting for inclusion in a desk item.



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

MEETING DATE: 10/06/2025

ITEM NO. 1.

ITEM NO: 1

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DATE: October 6, 2025

TO: Town Council  
Finance Commission

FROM: Chris Constantin, Town Manager

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

**RECOMMENDATION:**

Discussion only and no action is recommended.

**FISCAL IMPACT**

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

**STRATEGIC PRIORITIES**

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

**BACKGROUND:**

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

**PREPARED BY:** Chris Constantin  
Town Manager

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Reviewed by: Finance Director

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SUBJECT: Fiduciary Presentation on Investment Environment and Trust Implications

DATE: October 6, 2025

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

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

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

#### DISCUSSION:

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

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

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

#### Attachments:

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

# The Local Government Investment Environment and Implications on a Section 115 Trust for OPEB and Pension Prefunding



Prepared for

## Town of Los Gatos Town Council & Finance Commission



October 6, 2025

# **POWERS AND DUTIES COMMON TO CITIES, COUNTIES**

## **AND OTHER AGENCIES**

### **CA GOVT CODE §53600.3**

All governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are **trustees** and therefore **fiduciaries** subject to the prudent investor standard.

When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a **trustee** shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the agency, that a **prudent person** acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.



# FIDUCIARY RESPONSIBILITIES – PLAN OVERSIGHT

- ❖ Plan fiduciaries have important responsibilities and are subject to standards of conduct.
- ❖ *California Constitution, Article XVI, Section 17 contains fiduciary provisions that are essentially identical to those under ERISA.*

## **Fiduciaries must:**

- Act solely in the interest of plan participants and their beneficiaries;
- Carry out their duties prudently;
- Follow plan documents;
- Diversify plan investments;
- Ensure plan and investment expenses are reasonable; and
- Have a fidelity bond

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1. Shuster Advisory Group, LLC
2. 115 Trust Overview
3. Portfolio and Performance  
Comparison
4. Market Review



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# SHUSTER ADVISORY GROUP, LLC



# SHUSTER ADVISORY GROUP, LLC

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# SHUSTER ADVISORY GROUP, LLC

- SEC-Registered Investment Advisor w/ \$9B+ in assets under management/advisement
- Focuses on serving the unique needs of governmental agencies and special districts
- Fiduciary to plan investments
- Must act in the best interest of our clients
- Provides investment selection and ongoing monitoring and management
- Provides transparent services and fees

# PLAN CONSULTING SERVICES

- **Defined Contribution**
  - 457(b)
  - 457(f)
  - 401(a)
  - 401(k)
  - 403(b)
  - 415(m)
  - PT-OBRA/ Social Security Alternative
- **Pension**
  - Defined Benefit
  - Cash Balance
  - Supplemental Defined Benefit
- **Retiree Medical Reimbursement**
- **Future Liability Prefunding (115 Trust)**
  - Pension
  - OPEB
- **Operating Reserves/Cash Accounts**

# SHUSTER ADVISORY GROUP, LLC

## Cities, Agencies, and Public Entities We Proudly Serve

American Canyon	Fontana	Antelope Valley Medical Center	Los Gatos	Redlands
Arcadia	Fullerton	Chino Valley Fire District	Manhattan Beach	Rialto
Artesia	Gardena	Conejo Recreation & Park District	Montebello	Riverside
Azusa	Glendora	County Commissioners' Association of Ohio (CCAO)	Monterey Park	San Bernardino
Baldwin Park	Hemet	First Public Hydrogen Authority	Moraga	San Dimas
Bell	Hermosa Beach	Hesperia Fire Protection District	Moreno Valley	San Fernando
Bell Gardens	Hesperia	Hesperia Water District	Morgan Hill	San Juan Capistrano
Bellflower	Huntington Park	Madera Irrigation District	Norwalk	San Pablo
Beverly Hills	Indian Wells	Midway City Sanitation District	Oakley	Santa Fe Springs
Canyon Lake	Inglewood	Mountains Recreation & Conservation Authority	Ontario	Sebastopol
Carson	Jurupa Valley	Ohio County Employees Retirement Plan (OCERP)	Orange	Scotts Valley
Cathedral City	Laguna Hills	Ontario International Airport Authority	Oxnard	Signal Hill
Chino	La Mirada	Orange County Fire Authority	Palmdale	South Gate
Claremont	La Palma	Regional Center of the East Bay	Palm Desert	Stanton
Clovis	La Quinta	San Bernardino Water District	Perris	Stockton
Colton	La Verne	South Bay Regional Public Communications Authority	Pico Rivera	Temecula
Commerce	Lafayette	Three Valleys Municipal Water District	Pismo Beach	Union City
Covina	Lakewood	Trinity County Waterworks	Placentia	Upland
Downey	Lancaster	Valley-Wide Recreation & Park District	Pleasant Hill	Vernon
Eastvale	Lomita	West Valley Water District	Rancho Cordova	Walnut
El Segundo	Lompoc		Rancho Mirage	Whittier
Emeryville	Los Altos		Rancho Palos Verdes	Wildomar

The cities and agencies listed above do not expressly recommend Shuster Advisory Group, LLC, a SEC Registered Investment Advisor.

# SHUSTER ADVISORY GROUP, LLC

## Corporate Clients We Proudly Serve



The entities listed above do not expressly recommend Shuster Financial Group, LLC, Shuster Advisory Group, LLC, KOBO Retirement Strategies, LLC, Shuster Financial & Insurance Services, Inc., or any other related company (the "Shuster Companies"). Similarly, Shuster Companies do not expressly recommend the services or products provided by any of the entities listed above. The entities listed above are clients of a least one of the Shuster Companies but not necessarily all of the Shuster Companies.

## PARTICIPANTS' RETIREMENT SAVINGS

Pricing reduction eff  
10/1/25 and new  
investments eff  
11/14/25

Lower Fees

### What does this mean?

A plan with lower overall plan fees can enhance long-term growth potential by reducing costs.

Client	Starting Balance	Fee Savings (\$)		
Assumed Annualized Future Plan Growth:		6.00%	7.00%	8.00%
Town of Moraga	\$5,345,983	\$4,909,178	\$6,417,024	\$8,378,808
City of Los Altos	\$19,456,255	\$11,321,104	\$14,823,295	\$19,377,823
City of San Pablo	\$20,175,108	\$11,848,169	\$15,509,532	\$20,270,672
City of Lafayette*	\$32,763,336	\$1,390,378	\$1,826,303	\$2,392,816
<b>Town of Los Gatos</b>	<b>\$33,914,960</b>	<b>\$12,801,839</b>	<b>\$16,790,780</b>	<b>\$21,975,967</b>
City of Morgan Hill*	\$36,867,860	\$35,999,586	\$47,331,302	\$62,070,958
City of Pleasant Hill	\$44,698,640	\$15,227,698	\$19,930,823	\$26,044,284
City of Union City	\$46,390,555	\$15,057,703	\$19,696,229	\$25,725,516
<b>Total</b>		<b>\$108,555,655</b>	<b>\$142,325,289</b>	<b>\$186,236,845</b>

### What does this mean?

A plan with lower overall plan fees **and** a stronger investment lineup can enhance long-term growth potential by reducing costs **and** improving investment quality.

Lower Fees

+

Enhanced Investments

Client	Starting Balance	Fee Savings & Hypothetical Investment Performance Impact (\$)		
Assumed Annualized Future Plan Growth:		6.00% vs. 6.25%	6.00% vs. 6.50%	6.00% vs. 7.00%
Town of Moraga	\$5,345,983	\$6,707,338	\$8,632,796	\$12,900,892
City of Los Altos	\$19,456,255	\$17,567,597	\$24,256,084	\$39,081,507
City of San Pablo	\$20,175,108	\$19,098,819	\$26,862,474	\$44,070,938
City of Lafayette*	\$32,763,336	\$11,607,736	\$22,547,624	\$46,795,065
<b>Town of Los Gatos</b>	<b>\$33,914,960</b>	<b>\$25,501,170</b>	<b>\$39,098,429</b>	<b>\$69,235,348</b>
City of Morgan Hill*	\$36,867,860	\$49,081,200	\$63,087,918	\$94,132,850
City of Pleasant Hill	\$44,698,640	\$30,649,362	\$47,161,421	\$83,758,624
City of Union City	\$46,390,555	\$31,004,684	\$48,079,119	\$85,922,489
<b>Total</b>		<b>\$191,217,905</b>	<b>\$279,725,865</b>	<b>\$475,897,713</b>



# 30-YEAR FEE SAVINGS IMPACT FOR THE TOWN OF LOS GATOS

## 457(B) PLAN

Pricing reduction eff  
10/1/25 and new  
investments eff  
11/14/25

Starting  
Balance:  
\$33.9M

65% Fee  
Reduction

62% Fee  
Reduction

	Mutual Funds (\$31.3M)			Mutual Funds & Fixed Account (\$33.9M)		
	Current	New	Difference	Current	New	Difference
Total Plan Fees:	0.40%	0.14%	-0.26%	0.41%	0.16%	-0.26%
Equates to:	\$125,196	\$43,520	-\$81,676	\$139,846	\$52,676	-\$87,170

Annualized impact...

Combined Fee Savings Impact:							
Gross Inv. Return	End of Year 1	End of Year 5	End of Year 10	End of Year 15	End of Year 20	End of Year 25	End of Year 30
6.00%	\$87,170	\$540,878	\$1,419,628	\$2,799,254	\$4,912,682	\$8,090,879	\$12,801,839
7.00%	\$87,170	\$561,037	\$1,542,395	\$3,187,008	\$5,862,634	\$10,122,004	\$16,790,780
8.00%	\$87,170	\$581,770	\$1,674,718	\$3,624,981	\$6,987,066	\$12,641,458	\$21,975,967
6.00% vs. 6.25%	\$165,417	\$1,034,687	\$2,740,901	\$5,450,763	\$9,642,518	\$16,000,858	\$25,501,170
6.00% vs. 6.50%	\$243,664	\$1,533,170	\$4,090,488	\$8,191,182	\$14,588,875	\$24,370,951	\$39,098,429
6.00% vs. 7.00%	\$400,159	\$2,544,297	\$6,876,763	\$13,949,874	\$25,169,006	\$42,595,189	\$69,235,348

Higher  
investment  
return increases

....compounds to a large impact over time

## 30-YEAR FEE SAVINGS DISCLOSURES

ITEM NO. 1.

### Assumptions:

- Beginning value of \$33,914,960 (\$31,298,880 funds and \$2,616,080 safety of principal assets) estimated as of 9/23/2025.
- Year-to-year values assume there are no contributions or distributions from the plan.

### Please note:

This summary is for illustrative purposes only and is not guaranteed. This is to show estimated financial impacts of various investment returns and fee differentials. Hypothetical investment returns and fees are annualized. Actual returns will vary higher or lower thus affecting plan balances accordingly. The fee differential shown for Safety of Principal Assets does not incorporate an assumed rate of return or crediting rate. Fee impacts assume no changes in fees over time.

The PLUS Fund Gross total fee is 0.21% of assets as reported on the MissionSquare PLUS Fund Fact Sheet. The total estimated expenses for the PLUS Fund R5 is 0.77% (with a MissionSquare expense of 0.56%) and the PLUS Fund R10 is 0.52% (with a MissionSquare expense of 0.31%).

All fees are annualized based on each years' hypothetical balances. The current fees shown are estimates based on documents provided by MissionSquare for a plan of similar size. The new fees are based on sample proposals obtained from MissionSquare for plans of similar size and demographics and are not guaranteed. Any variance in fees is purely accidental.

The current MissionSquare plan does not have an advisor thus there is no advisor fee. Shuster's total advisor compensation is \$31,000 annually for the 457(b) plan, equating to approximately 0.09% based on approximate MSQ assets. Advisor compensation is applied to all assets.

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## 115 TRUST OVERVIEW





# Town of Los Gatos 115 Trust Summary

**Total Assets as of 6/30/25: \$33,375,494**

OPEB assets as of 6/30/2025: \$30,284,763

Pension Stabilization assets as of 6/30/2025: \$3,090,731

**Investment Policy:**

OPEB: CERBT Strategy 1 (70% Equity/30% Fixed Income & Cash)

Pension Stabilization: CEPPT Strategy 2 (30% Equity/70% Fixed Income & Cash)

**Initial Funding and Contributions (as of 6/30/24):**

OPEB: Initial contribution of \$400,000 made 6/29/2009

Additional contributions of \$14,899,963

Pension Stabilization: Initial contribution of \$268,000 made 5/18/2020

Additional contributions of \$2,463,400

**Distributions (as of 6/30/24):**

OPEB: \$0

Pension Stabilization: \$706,988

**OPEB Plan Discount Rate:** 6.25% as of FY 23-24 ACFR

**Pension Plan Discount Rate:** 6.80% as of FY 23-24



# Town of Los Gatos Cash Account IPS Comparison with 53601

ITEM NO. 1.

Investment Type	Town of Los Gatos	CA Code 53601 Limits
1 US Treasury Obligations	Same as the Code	5yr max maturity, no limit
* 2 US Agency Obligations	5yr max maturity, no limit <b>except for 20% limit on combination of GNMA, FNMA, and FHLMC securities</b>	5yr max maturity, no limit
* 3 Mortgage Pass-Through and Asset-Backed Securities	Not explicitly stated	5yr max maturity, 20% limit, AA rated or better, No portfolio limit on Agency MBS
* 4 Medium-Term Notes (i.e. corporates)	5yr max maturity, 30% limit, A rated or better <b>5% single-issuer limit</b>	5yr max maturity, 30% limit, A rated or better 10% single-issuer limit
5 Negotiable CDs	5yr max maturity, 30% limit, <b>5% single-issuer limit</b>	5yr max maturity, 30% limit
6 Non-negotiable CDs	5yr max maturity, 30% limit, <b>5% single-issuer limit</b>	5yr max maturity, no limit
7 Mutual Funds and MMMFs	MM same as the Code, <b>Mutual Funds not explicitly stated</b>	20% limit
8 Bankers' Acceptances	180 day max maturity, <b>30% limit, 5% single-issuer limit</b>	180 day max maturity, 40% limit
9 Repurchase Agreements	Not explicitly stated	1yr max maturity, no limit
10 CP (non-pooled, city with >=100mn of investments)	270 day max maturity, <b>25% limit, A-1 rated or better, 5% single-issuer limit</b>	270 day max maturity, 40% limit, A-1 rated or better
11 CP (non-pooled, city with <100mn of investments)	270 day max maturity, 25% limit, A-1 rated or better, <b>5% single-issuer limit</b>	270 day max maturity, 25% limit, A-1 rated or better
* 12 Supranational Obligations (IBRD, IFC, IADB)	Not explicitly stated	5yr max maturity, 30% limit, AA rated or better
13 Local Agency Bonds	5yr max maturity, <b>30% limit, A rated or better, 5% single-issuer limit</b>	5yr max maturity, no limit
14 CA Local Agency Obligations	5yr max maturity, <b>30% limit, A rated or better, 5% single-issuer limit</b>	5yr max maturity, no limit
15 State Obligations (CA and others)	5yr max maturity, <b>30% limit, A rated or better, 5% single-issuer limit</b>	5yr max maturity, no limit
16 Reverse Repurchase Agreements & Sec Lending Agreements	Not explicitly stated	92 day max maturity, 20% limit
* 17 Joint Powers Authority Pool	Not explicitly stated	No Limit
18 Local Agency Investment Fund (LAIF)	Same as the Code	No Limit in Aggregate / \$75M per LAIF account
19 CP (pooled funds)	Not explicitly stated	270 day max maturity, 40% limit
20 Placement Service Deposits	Not explicitly stated	5yr max maturity, 50% limit
21 Placement Service Certificates of Deposit	Not explicitly stated	5yr max maturity, 50% limit
22 Collateralized Bank Deposits	Not explicitly stated	5yr max maturity, no limit
23 County Pooled Investment Funds	Not explicitly stated	No Limit
24 Voluntary Investment Program Fund	Not explicitly stated	No Limit
25 Public Bank Obligations	Not explicitly stated	5yr max maturity, no limit

\*Updates to the IPS for these investment types would have the greatest impact on increased investment flexibility.



## Pooled Asset &amp; Money Market Comparison

CA Code 53601 (as of 9/25/25)

	LAIF <sup>1</sup>	CAMP <sup>2</sup>	CLASS <sup>3</sup>	CalTRUST <sup>4</sup>	Schwab (SCOXX)	BlackRock (TFDXX)
<b>7-Day Yield (as of 9/25/2025)</b>	4.20%	4.28%	4.18%	4.28%	3.97%	4.02%
<b>Net Expense Ratio</b>	0.26%	0.09%	0.10%	0.10%	0.19%	0.17%
<b>Weighted Avg. Maturity</b>	247 days	48 days	42 days	43 days	40 days	44 days
<b>Weighted Avg. Life</b>	Not stated	Not stated	82 days	73 days	98 days	103 days
<b>Interest Paid</b>	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
<b>Liquidity</b>	Daily	Daily	Daily	Daily	Daily	Daily
<b>Transaction Fee</b>	None	None	None	None	None	None
<b>Credit Quality</b>	AAA	AAA	AAA	AAA	AAA	AAA
<b>CA Code 53601 Limit</b>	\$75M per Account	No Limit	No Limit	No Limit	20% of Total Portfolio	20% of Total Portfolio
<b>Asset Breakdown</b>	Treasuries: 52.3% Agencies: 28.5% CDs/Bank Notes: 9.2% Commercial Paper: 6.2% Time Deposits: 3.2% (as of 8/31/25)	Treasury Repos: 36% Commercial Paper: 32% CDs: 28% Corporate Notes: 2% (as of 8/31/25)	Commercial Paper: 37.3% Treasury/Agency: 31.4% CDs: 26.9% Money Market: 3.8% (as of 3/28/25)	Commercial Paper: 35.1% Treasury/Repos: 34.09% CDs: 26.4% Money Market: 3.5% Corporates: 0.9% (as of 8/31/25)	Treasury Repos: 75.6% Treasuries: 23.4% (as of 6/30/25)	Treasuries: 42.8% Treasury Repos: 29.3% Agency Repos: 15.6% Agencies: 12.3% (as of 9/25/25)

<sup>1</sup> Managed by the California State Treasurer's Office. Net Expense Ratio not disclosed but calculated from most recent Annual Report.

<sup>2</sup> Managed by PFM Asset Management, LLC.

<sup>3</sup> Managed by Public Trust Advisors, LLC.

<sup>4</sup> Managed by State Street Global Advisors Trust Company

Note: The data above may change daily based upon the market environment, level of interest rates, and portfolio management decisions. All data has been obtained from publically available sources and may not accurately reflect the most up-to-date changes in the respective portfolios. Shuster Advisory Group, LLC does not guarantee the accuracy of the data obtained from third-party and public sources. Any discrepancy is purely incidental.



# What is a Section 115 Trust?

- Authorized by the Internal Revenue Code for essential government functions
- Allows for the segregation of funds from general assets
- Integral-Part Trust
- Used for funding essential government functions - *Pension funding and post-employment obligations are considered essential*
  - Considered a best practice by the Government Finance Officers Association (GFOA)
- The Trust is irrevocably committed to the specific government/district function - *Assets cannot be diverted*





# Why Use a Section 115 Trust?

## Uses of the Trust

- Prefund pension contribution liabilities
- Prefund OPEB benefit liabilities
- Used as a budget stabilization tool

## Benefits

- **Non-taxable:** Investment earnings are non-taxable
- **Flexible:** Investment restrictions applicable to the general fund do not apply - *Allows for use of relatively higher discount rate*
- **Investment Growth:** Allows for investment growth under the Town's chosen strategy
- **Liquidity & Budget Stability:** Assets can be accessed in years of budgetary stress to smooth contributions
- **Demonstrated Fiscal Discipline:** Considered a best practice by the Government Finance Officers Association (GFOA). IRS approval not required and no annual IRS filings.
- **Offset OPEB Liability:** For GASB 75 reporting, the OPEB liability is reported net of Trust assets. Pension 115 Trusts are reported as a fiduciary fund.



# Pension Prefunding: Section 115 Trust vs. Direct Paydown

Why use a 115 Trust instead of paying down the unfunded pension liability?

## Prefunding via 115 Trust

- Does not offset unfunded liability
- Long-term strategy to manage unfunded liability
- Keeps funds locally controlled
- Provides liquidity for budget stabilization
- Potential for investment growth
- Use funds when most beneficial (i.e. smooth contribution spikes or provide budgetary safety net)

## Paying CalPERS Directly

- Immediately reduces unfunded liability
- Locks up funds with CalPERS (no access)
- Savings are actuarial – spread over decades



# 115 Trust Components

- **Agency authorization to participate in the Trust and authorized signers**
- **Documents**
  - Trust Document and Adoption Agreement (for Multiple Employer Trusts)
  - Administrative Services Agreement
  - Investment Fiduciary Agreement
  - Investment Policy Statement
- **Investment Portfolio**
- **115 Trust Roles**
  - Administrator
  - Investment Advisor/Fiduciary
  - Directed Trustee
  - Custodian



# Financial Components

ITEM NO. 1.





## Institutional Portfolios – UC Universities\*

Campus	US Equity	Non-US Equity	Global Equity	US Fixed Income	Non-US Fixed Income	Absolute Return	Real Assets	Real Estate	Private Equity	Private Credit	Other	Cash Equiv.
Regents' GEP	13.3%	1.9%	32.4%	7.5%	0.0%	3.9%	2.6%	12.4%	21.1%	4.2%	0.0%	0.7%
Blue & Gold	86.0%	0.0%	14.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Berkeley	11.0%	12.3%	16.2%	3.4%	0.0%	17.2%	1.9%	3.8%	23.9%	0.0%	4.9%	5.4%
Davis	27.4%	7.6%	3.5%	6.1%	0.0%	3.2%	4.2%	11.3%	29.6%	4.0%	0.0%	3.1%
Irvine	18.4%	11.5%	18.1%	12.1%	0.0%	10.5%	6.0%	0.0%	19.0%	4.0%	0.0%	0.4%
Los Angeles	0.0%	0.0%	38.0%	4.7%	0.0%	20.6%	7.4%	6.6%	21.7%	0.0%	0.2%	0.8%
Merced	13.3%	1.9%	32.4%	7.5%	0.0%	3.9%	2.6%	12.4%	21.1%	4.2%	0.0%	0.7%
Riverside	13.3%	1.8%	32.0%	7.5%	0.0%	3.8%	2.6%	12.3%	21.6%	4.2%	0.0%	0.9%
San Diego	31.3%	0.0%	32.5%	5.2%	0.0%	2.7%	1.8%	8.7%	14.4%	2.9%	0.0%	0.5%
San Francisco	0.0%	0.0%	26.8%	0.0%	0.0%	20.6%	0.0%	3.0%	34.3%	5.4%	0.0%	9.9%
Santa Barbara	12.9%	1.8%	31.1%	7.3%	0.0%	3.7%	2.5%	11.9%	21.1%	4.0%	0.0%	3.6%
Santa Cruz	13.3%	1.9%	32.4%	7.5%	0.0%	3.9%	2.6%	12.4%	21.1%	4.2%	0.0%	0.7%

\* Based upon data publicly available. Data as of fiscal year end 6/30/2024.

# 3

## PORTFOLIO AND PERFORMANCE COMPARISON





# CalPERS Public Employees' Retirement Fund (PERF) Performance Over the Last Ten Fiscal Years

Fiscal Year Ending:	2016	2017	2018	2019	2020
CalPERS PERF	0.61%	11.20%	8.60%	6.70%	4.70%
70/30 Index	1.69%	11.21%	8.99%	6.60%	3.70%

Fiscal Year Ending:	2021	2022	2023	2024	2025	5-Year Annualized	10-Year Annualized
CalPERS PERF	21.30%	-6.10%	5.80%	9.30%	11.60%	8.01%	7.15%
70/30 Index	26.98%	-15.87%	11.10%	12.97%	14.31%	8.92%	7.64%

Note: Shuster Advisory Group, LLC ("Shuster"), is a Securities & Exchange Commission Registered Investment Advisor. This material has been prepared for informational and summary purposes only and is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Past performance is not a guarantee of future results. All data as of 6/30 of each calendar year. CalPERS PERF returns shown are as announced in the CalPERS News available online at <https://www.calpers.ca.gov/newsroom/calpers-news>. The 70/30% index shown is the Morningstar Balanced 70/30 GR USD which is a blended benchmark of 70% Morningstar DM GR USD and 40% Morningstar Gbl Trsy Bd TR USD rebalanced to target weights of 70% equity and 30% fixed income on a quarterly basis. The index does not incorporate Environmental, Social, or Governance (ESG) criteria. Any discrepancy is purely accidental.



# 4

## MARKET REVIEW



# MARKET KALEIDOSCOPE

## 2025 YTD Index Returns

Best  
Indices

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Worst  
Indices

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD as of 9/26/2025	Indices Legend
Global REIT 22.81	Large Growth 5.67	Sm Value 31.74	Large Growth 30.21	Cash 1.87	Large Growth 36.39	Large Growth 38.49	Global REIT 32.50	Commodities 16.09	Large Growth 42.68	Large Growth 33.36	International 25.05	MSCI ACWI ex-US
Large Value 13.45	S&P 500 1.38	Large Value 17.34	International 27.19	Fixed Income 0.01	S&P 500 31.49	Sm Growth 34.63	S&P 500 28.71	Cash 1.46	S&P 500 26.29	S&P 500 26.90	Large Growth 15.73	Russell 1000 Growth
S&P 500 13.69	Global REIT 0.59	S&P 500 11.96	Sm Growth 22.17	Large Growth -1.51	Sm Growth 28.48	S&P 500 18.40	Sm Value 28.27	Large Value -7.54	Sm Growth 18.66	Sm Growth 15.15	S&P 500 14.05	S&P 500
Large Growth 13.05	Fixed Income 0.55	Commodities 11.77	S&P 500 21.83	S&P 500 -4.38	Large Value 26.54	Balanced Index 13.48	Large Growth 27.60	Fixed Income -13.01	Sm Value 14.65	Large Value 14.37	Balanced Index 12.86	40% Russell 3000, 40% Barclays U.S. Agg, 20% MSCI ACWI ex-US
Balanced Index 6.56	Cash 0.05	Sm Growth 11.32	Balanced Index 15.00	Balanced Index -4.70	Global REIT 24.49	International 10.65	Commodities 27.11	Sm Value -14.48	Balanced Index 12.60	Balanced Index 10.80	Sm Growth 10.81	Russell 2000 Growth
Fixed Income 5.97	Balanced Index -0.55	Large Growth 7.08	Large Value 13.66	Global REIT -4.77	Sm Value 22.39	Fixed Income 7.51	Large Value 25.16	Balanced Index -15.87	Large Value 11.46	Sm Value 8.05	Commodities 9.82	Bloomberg Commodities
Sm Growth 5.60	Sm Growth -1.38	Balanced Index 7.06	Global REIT 8.63	Large Value -8.27	International 21.51	Sm Value 4.63	Balanced Index 11.21	International -16.00	Fixed Income 5.53	International 5.53	Large Value 9.60	Russell 1000 Value
Sm Value 4.22	Large Value -3.83	Global REIT 6.90	Sm Value 7.84	Sm Growth -9.31	Balanced Index 20.02	Large Value 2.80	International 7.82	S&P 500 -18.11	Cash 5.03	Commodities 5.38	Sm Value 9.10	Russell 2000 Value
Cash 0.03	International -5.66	International 4.50	Fixed Income 3.54	Commodities -11.25	Fixed Income 8.72	Cash 0.74	Sm Growth 2.83	Global REIT -23.60	International 0.03	Cash 5.25	Global REIT 8.60	S&P Global REIT
International -3.87	Sm Value -7.47	Fixed Income 2.65	Commodities 1.70	Sm Value -12.86	Commodities 7.69	Commodities -3.12	Cash 0.08	Sm Growth -26.36	Global REIT 0.01	Global REIT 3.92	Fixed Income 5.90	Bloomberg Barclays Agg
Commodities -17.01	Commodities -24.66	Cash 0.33	Cash 0.86	International -14.20	Cash 2.28	Global REIT -8.11	Fixed Income -1.54	Large Growth -29.14	Commodities -7.91	Fixed Income 1.25	Cash 3.14	Merrill Lynch 3-Mo T-Bill

# MARKET KALEIDOSCOPE

## Index Information

- The S&P 500 Index measures the stock performance of the 500 largest companies listed on stock exchanges in the United States. The index is a common benchmark used to track the overall equities market.
- The Bloomberg Commodities Index tracks the price and the returns on an investment in a basket of commodities. It is a broadly diversified price index that represents different types of commodities including, but not limited to, crude oil, soybeans, wheat and copper.
- The MSCI ACWI ex-USA Index captures large and mid-cap equity representation across 22 of 23 developed markets countries (excluding the US) and 27 emerging markets countries. With over 2,300 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.
- The Russell 2000 Growth Index is a stock market index of the smallest 2,000 stocks by market capitalization in the United States that exhibit growth characteristics. A small cap stock is generally a company with a market capitalization between \$500 million and \$2 billion. Small cap stocks are typically more volatile and riskier investments relative to large cap stocks.
- The Russell 1000 Growth Index is a stock market index that tracks the largest 1,000 stocks by market capitalization in the United States that exhibit growth characteristics. The index maintains larger companies whose market capitalization typically exceeds \$10 billion.
- The Russell 2000 Value Index is a stock market index of the smallest 2,000 stocks in the United States that exhibit value characteristics. A small cap stock is generally a company with a market capitalization between \$500 million and \$2 billion. Small cap stocks are typically more volatile and riskier investments relative to large cap stocks.
- The Russell 1000 Value Index is a stock market index that tracks the largest 1,000 stocks by market capitalization in the United States that exhibit value characteristics. The index maintains larger companies whose market capitalization typically exceeds \$10 billion.
- The S&P Global REIT serves as a comprehensive benchmark of publicly traded equity REITs listed in both developed and emerging markets. A real estate investment trust (REIT) is a company that owns, operates, or finances income-generating real estate. This custom balanced index is an index that contains a broad US equities component, a broad US fixed income component, and an international equity component. The index is used to measure balanced portfolios that have a mix of the US equity and fixed income asset classes, as well as international equity and fixed income classes.
- The Bloomberg Barclays US Aggregate Bond Index is a broad-based, market capitalization-weighted bond market index representing intermediate term investment-grade bonds traded in the United States. This index is generally used to track core bond portfolios.
- The Merrill Lynch 3-Mo T-Bill Index is an index that measures returns of 3-Month Treasury Bills. The 3-Month Treasury bill is a short-term US government obligation with a constant maturity period of 3 months. This typically is considered free of default as it is backed by the US Treasury and is used as a proxy measure to cash.

# Quarterly Market Summary

Returns (USD), as of June 30, 2025

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
<b>Q2 2025</b>	10.99%	12.05%	11.99%	2.74%	1.21%	1.93%
						
<b>Since January 2001</b>						
Average Quarterly Return	2.5%	1.7%	2.6%	2.2%	0.9%	1.0%
Best Quarter	22.0%	25.9%	34.7%	32.3%	6.8%	5.4%
	<b>2020 Q2</b>	<b>2009 Q2</b>	<b>2009 Q2</b>	<b>2009 Q3</b>	<b>2023 Q4</b>	<b>2023 Q4</b>
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	<b>2008 Q4</b>	<b>2020 Q1</b>	<b>2008 Q4</b>	<b>2008 Q4</b>	<b>2022 Q1</b>	<b>2022 Q1</b>

**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2025, all rights reserved. Bloomberg data provided by Bloomberg.

# Long-Term Market Summary

Returns (USD), as of June 30, 2025

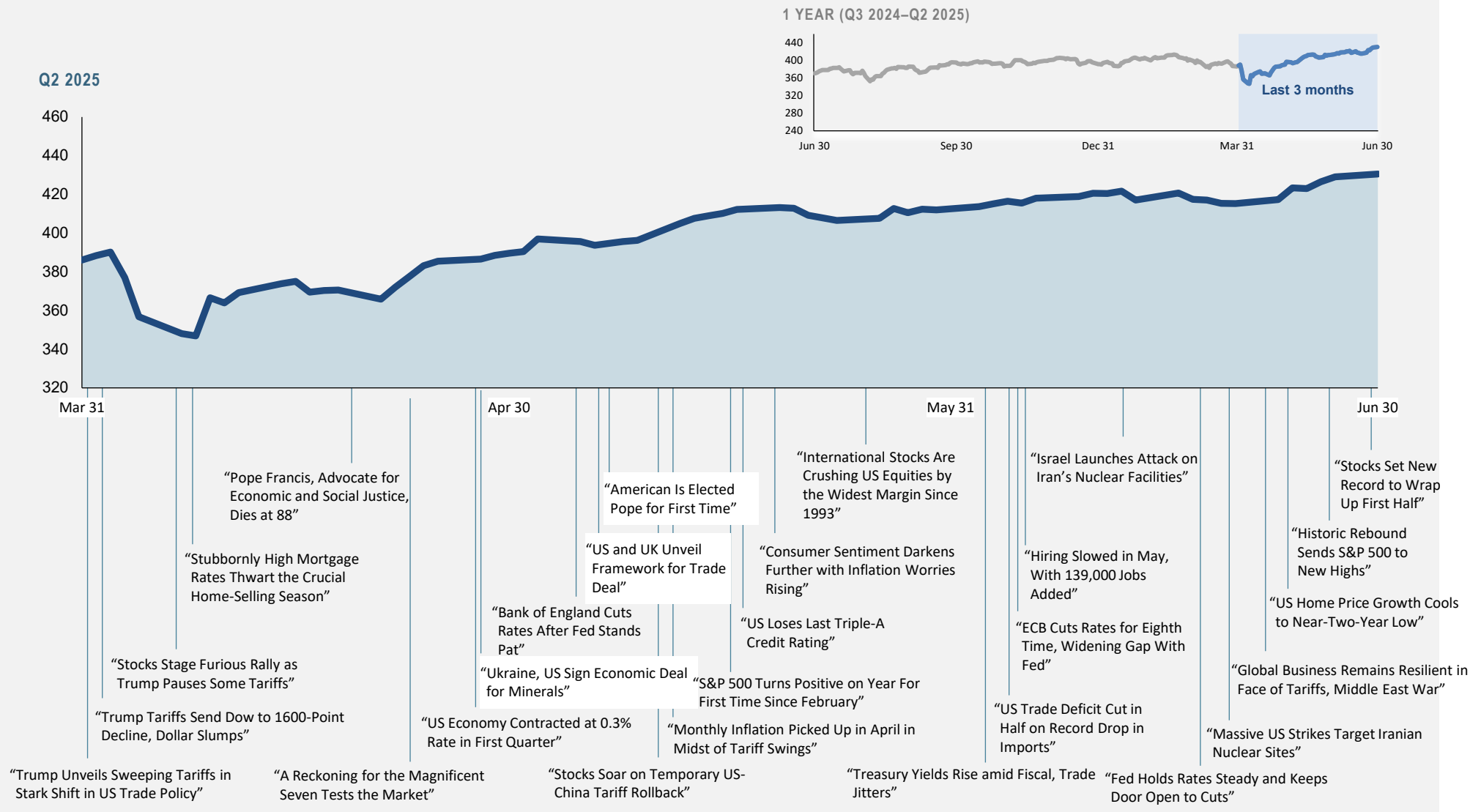
	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	15.30% 	18.70% 	15.29% 	9.96% 	6.08% 	6.09% 
5 Years	15.96% 	11.51% 	6.81% 	6.20% 	-0.73% 	0.91% 
10 Years	12.96% 	6.65% 	4.81% 	3.88% 	1.76% 	2.68% 
15 Years	14.46% 	7.42% 	4.44% 	6.71% 	2.29% 	3.09% 
20 Years	10.53% 	5.90% 	6.45% 	4.37% 	3.09% 	3.41% 

**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2025, all rights reserved. Bloomberg data provided by Bloomberg.

# World Stock Market Performance

ITEM NO. 1.

MSCI All Country World Index with selected headlines from Q2 2025



**These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.**

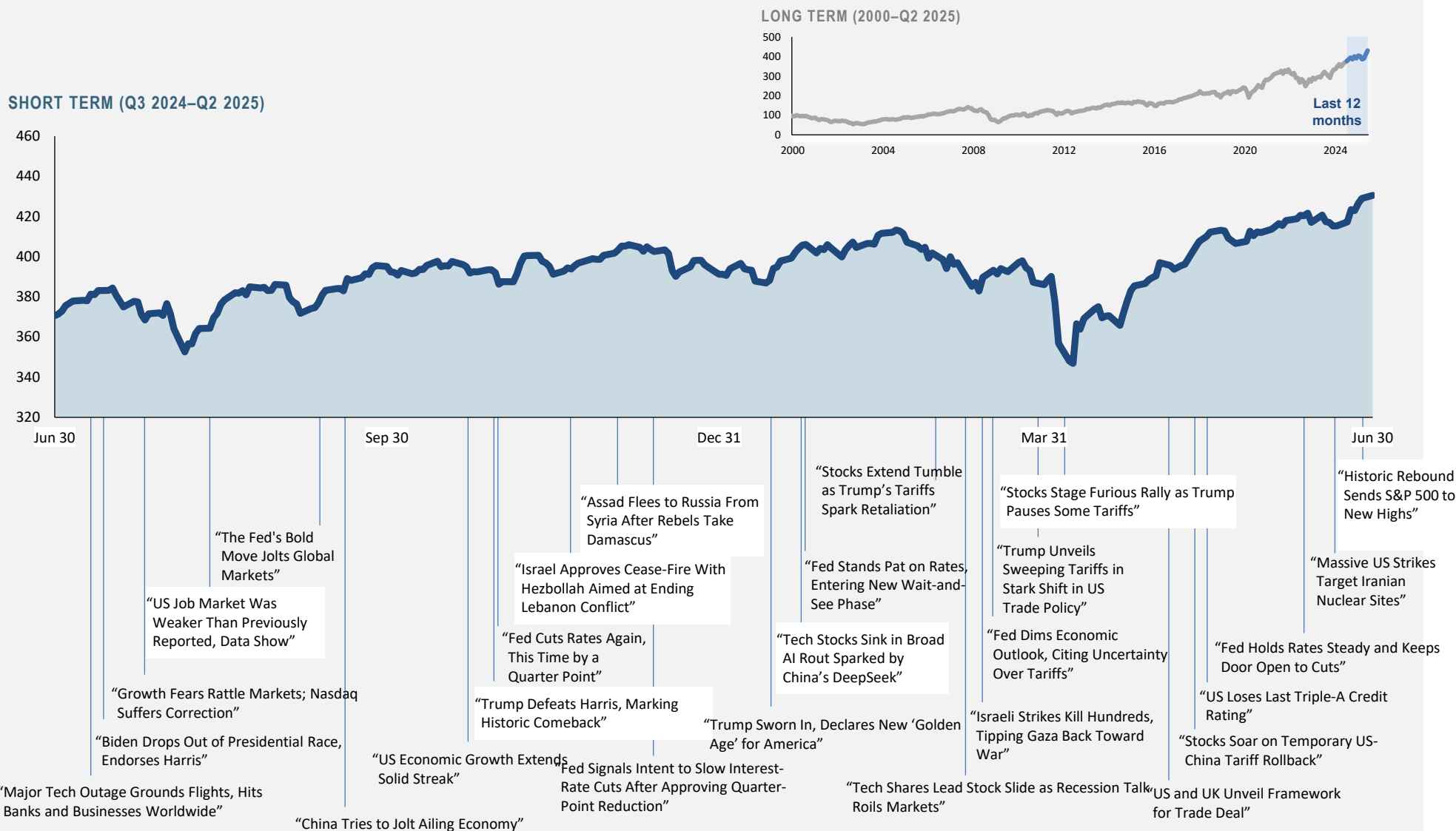
Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2025, all rights reserved. Index level based at 100 starting January 2000.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

# World Stock Market Performance

ITEM NO. 1.

MSCI All Country World Index with selected headlines from past 12 months



**These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.**

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2025, all rights reserved. Index level based at 100 starting January 2000.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.



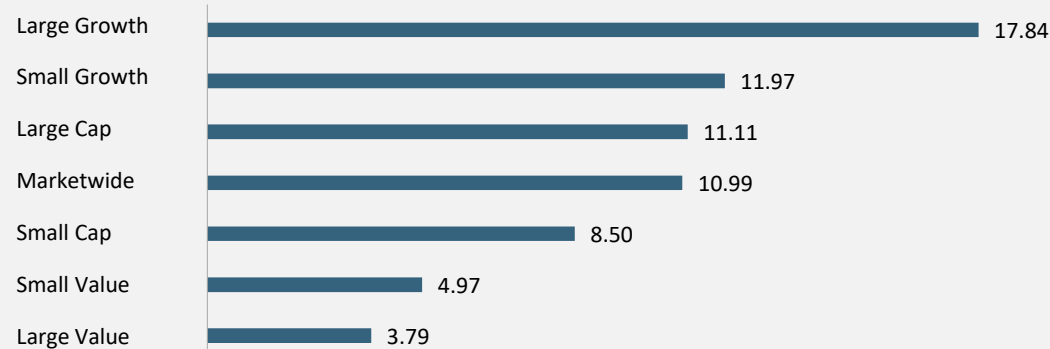
# US Stocks

## Returns (USD), 2nd Quarter 2025

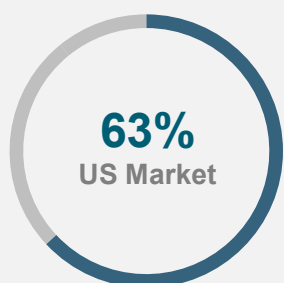
ITEM NO. 1.

- The US equity market posted positive returns for the quarter and underperformed both non-US developed and emerging markets.
- Value underperformed growth.
- Small caps underperformed large caps.
- REIT indices underperformed equity market indices.

### Ranked Returns (%)



### World Market Capitalization



US Market  
\$59.7 trillion

### Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Large Growth	17.84	6.09	17.22	25.76	18.15	17.01	17.54	12.99
Small Growth	11.97	-0.48	9.73	12.38	7.42	7.14	11.06	8.49
Large Cap	11.11	6.12	15.66	19.59	16.30	13.35	14.74	10.71
Marketwide	10.99	5.75	15.30	19.08	15.96	12.96	14.46	10.53
Small Cap	8.50	-1.79	7.68	10.00	10.04	7.12	10.35	7.76
Small Value	4.97	-3.16	5.54	7.45	12.47	6.72	9.35	6.80
Large Value	3.79	6.00	13.70	12.76	13.93	9.19	11.57	8.11

**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. MSCI data © MSCI 2025. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

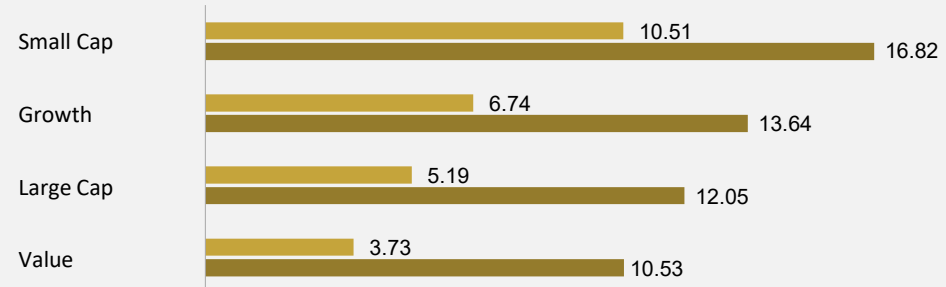
# International Developed Stocks

Returns (USD), 2nd Quarter 2025

- Developed markets outside of the US posted positive returns for the quarter and outperformed both US and emerging markets.
- Value underperformed growth.
- Small caps outperformed large caps.

## Ranked Returns (%)

Local currency US currency



## World Market Capitalization



**International Developed Market**

\$24.7 trillion

## Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Small Cap	16.82	20.79	22.92	13.40	9.82	6.64	8.11	6.47
Growth	13.64	16.02	12.63	13.72	8.11	6.69	7.61	6.23
Large Cap	12.05	18.99	18.70	15.73	11.51	6.65	7.42	5.90
Value	10.53	21.90	24.96	17.76	14.76	6.34	7.03	5.41

**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index is used as the proxy for the International Developed market. MSCI data © MSCI 2025, all rights reserved. Frank Russell Company is the source and owner of trademarks, service marks, and copyrights related to the Russell Indexes.

# Emerging Markets Stocks

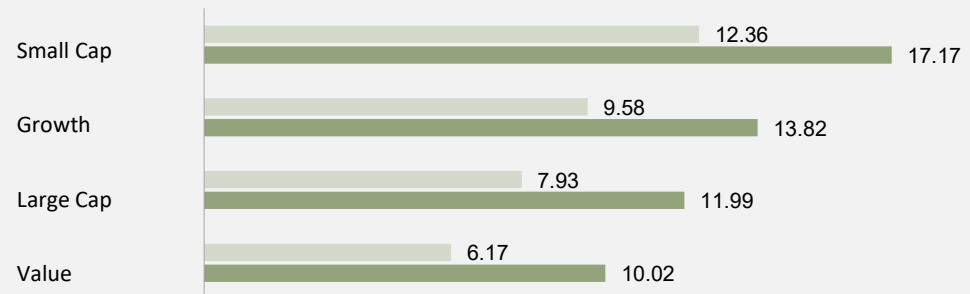
ITEM NO. 1.

Returns (USD), 2nd Quarter 2025

- Emerging markets posted positive returns for the quarter and outperformed the US market, but underperformed non-US developed markets.
- Value underperformed growth.
- Small caps outperformed large caps.

## Ranked Returns (%)

Local currency US currency



## World Market Capitalization

Emerging Markets  
\$10.2 trillion



## Periodic Returns (%)

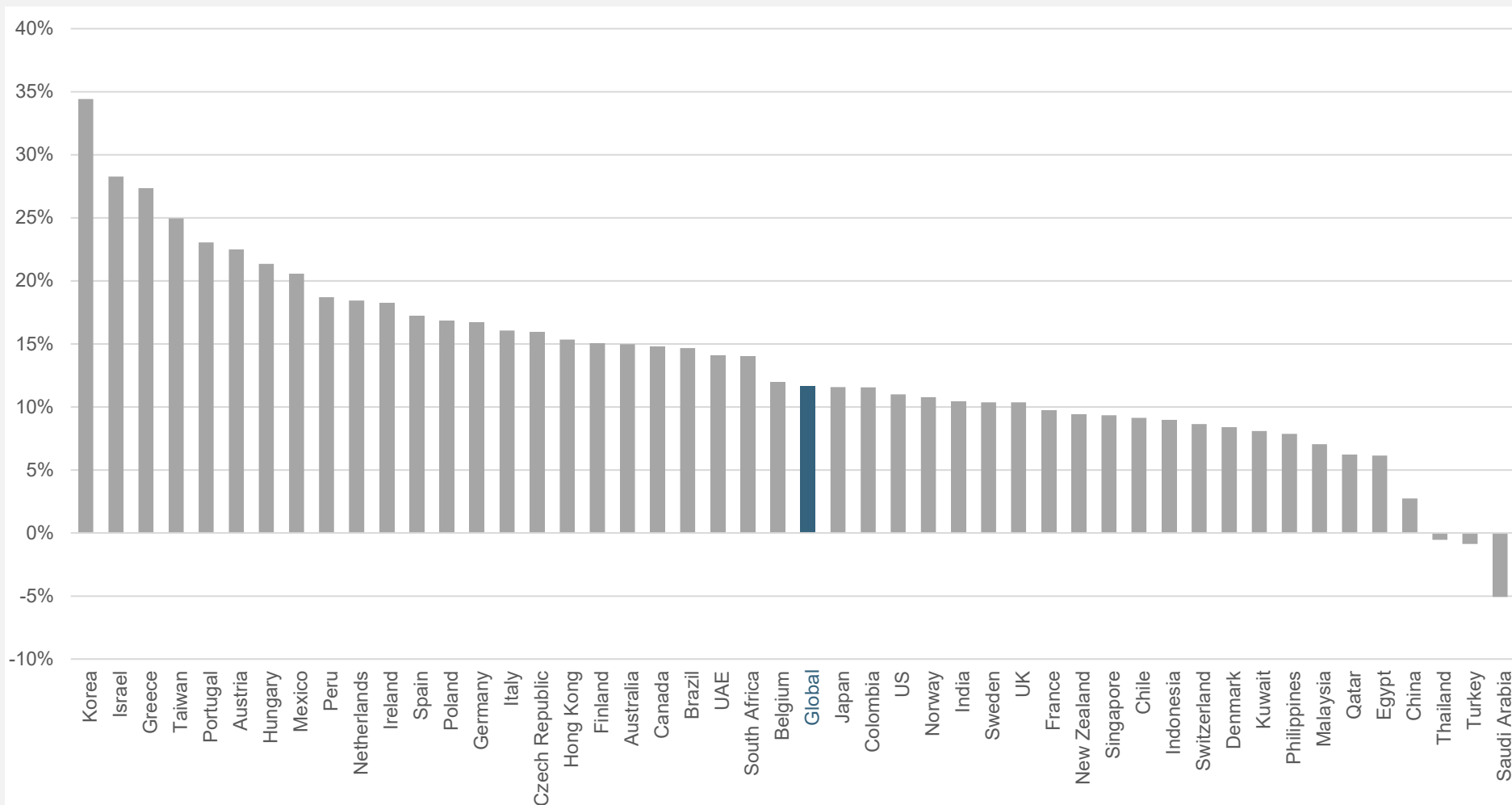
Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Small Cap	17.17	10.74	8.40	13.81	13.86	5.97	5.66	7.95
Growth	13.82	15.72	17.69	9.18	4.64	5.49	5.39	6.74
Large Cap	11.99	15.27	15.29	9.70	6.81	4.81	4.44	6.45
Value	10.02	14.77	12.66	10.22	9.07	4.01	3.39	6.07

**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2025, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

# Country Returns

ITEM NO. 1.

Returns (USD), 2nd Quarter 2025



**Past performance is no guarantee of future results.**

Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. MSCI data © MSCI 2025, all rights reserved.

# Fixed Income

## Returns (USD), 2nd Quarter 2025

ITEM NO. 1.

During the quarter, short- to intermediate-term interest rates decreased, and long-term interest rates increased within the US Treasury market.

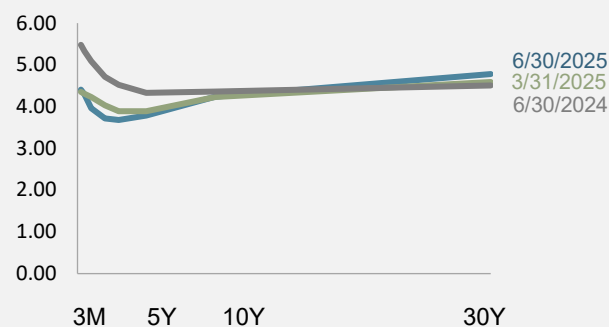
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 10 basis points (bps) to 4.28%, while the 1-Year US Treasury Bill yield decreased 7 bps to 3.96%. The yield on the 2-Year US Treasury Note decreased 17 bps to 3.72%.

The yield on the 5-Year US Treasury Note decreased 17 bps to 3.79%. The yield on the 10-Year US Treasury Note increased 1 bp to 4.24%. The yield on the 30-Year US Treasury Bond increased 19 bps to 4.78%.

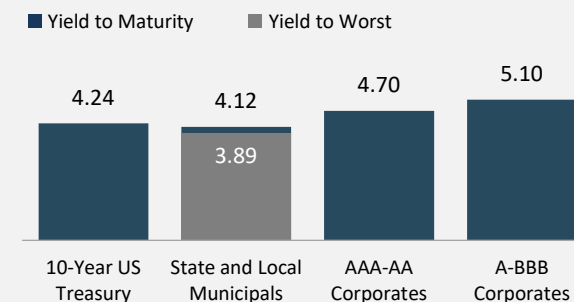
In terms of total returns, short-term US treasury bonds returned +1.67% while intermediate-term US treasury bonds returned +1.46%. Short-term corporate bonds returned +1.80% and intermediate-term corporate bonds returned +2.12%.<sup>1</sup>

The total returns for short- and intermediate-term municipal bonds were +1.06% and +1.21%, respectively. Within the municipal fixed income market, general obligation bonds returned 0.00% while revenue bonds returned -0.20%.<sup>2</sup>

### US Treasury Yield Curve (%)



### Bond Yield Across Issuers (%)



### Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
FTSE World Government Bond Index 1-5 Years	4.17	7.03	8.67	3.54	0.42	1.05	0.55	1.63
Bloomberg U.S. High Yield Corporate Bond Index	3.53	4.57	10.29	9.93	5.97	5.38	6.44	6.62
FTSE World Government Bond Index 1-5 Years (hedged to USD)	1.52	2.97	6.20	3.74	1.46	1.92	1.79	2.42
Bloomberg U.S. Aggregate Bond Index	1.21	4.02	6.08	2.55	-0.73	1.76	2.29	3.09
ICE BofA US 3-Month Treasury Bill Index	1.04	2.07	4.68	4.56	2.76	1.98	1.34	1.69
ICE BofA 1-Year US Treasury Note Index	0.90	1.96	4.76	3.90	2.07	1.81	1.32	1.86
Bloomberg U.S. TIPS Index	0.48	4.67	5.84	2.34	1.61	2.67	2.88	3.40
Bloomberg Municipal Bond Index	-0.12	-0.35	1.11	2.50	0.51	2.20	2.96	3.32
Bloomberg U.S. Government Bond Index Long	-1.51	3.08	1.58	-3.66	-8.16	0.15	2.14	3.09

1. Bloomberg US Treasury and US Corporate Bond Indices.

2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2025 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2025 ICE Data Indices, LLC. S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

# Is Gold a Safe Haven?

ITEM NO. 1.

2nd Quarter 2025

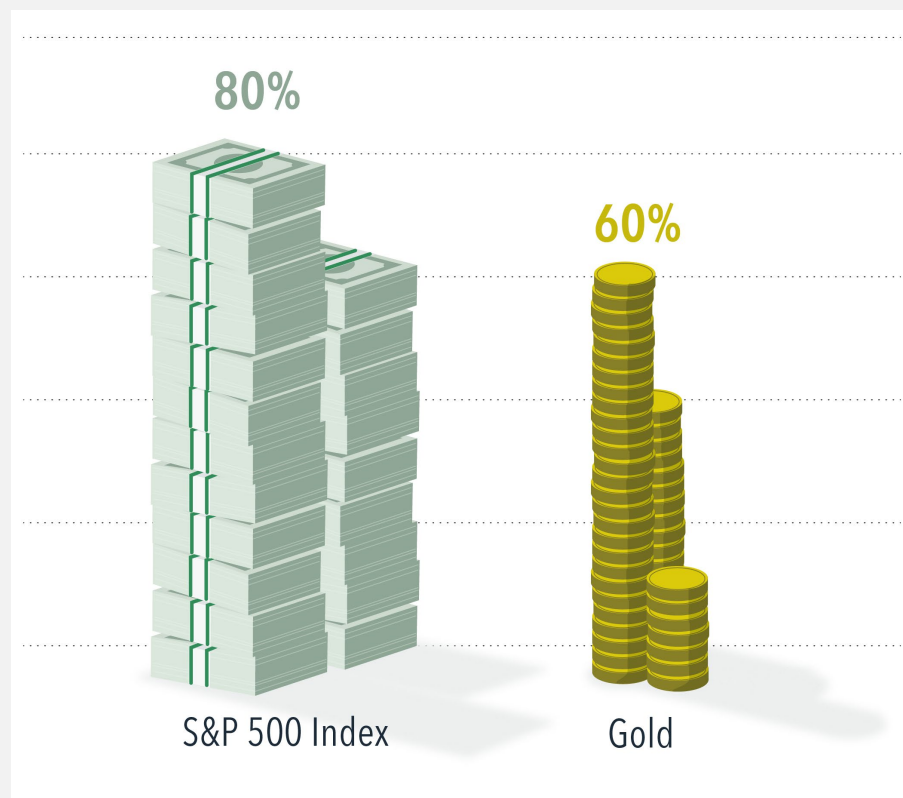
Wes Crill, PhD, Senior Client Solutions Director and Vice President, Dimensional Fund Advisors

Not since the release of the third Austin Powers movie have I heard so much talk about gold. Stellar recent returns account for some of that—gold was up 25% year-to-date as of April 30. But another reason is the belief among some market participants that gold represents a safe haven, an asset to stabilize the portfolio when equity markets are choppy.

The problem with that story is that gold has been far from immune to drawdowns. In fact, since 1970, gold has been positive in just 60% of calendar years, while the S&P 500 Index has been positive in 80%. Investors hoping for a safe haven may not find it with gold.

## FREQUENCY OF POSITIVE CALENDAR-YEAR RETURNS

1970–2024



See following page for important disclosure.

# Is Gold a Safe Haven?

(continued from page 15)

**Past performance is no guarantee of future results.**

## Disclosures

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## RISKS

**Investments involve risks. The investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Past performance is not a guarantee of future results. There is no guarantee strategies will be successful.**

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.

Investment products: • Not FDIC Insured • Not Bank Guaranteed • May Lose Value

Dimensional Fund Advisors does not have any bank affiliates.

# MORNINGSTAR DISCLOSURE

No system or strategy can by itself be used to consistently determine which securities to buy or sell or when to buy or sell them. The Shuster Advisory Group Strategies were developed using historical data that might not be indicative of future events. The performance presentation shown represents hypothetical past performance of the Shuster Advisory Group Strategies. The performance results represent the results of actual trading by Shuster Advisory Group using client assets from the time trading began with clients, combined with the retroactive application of a back-tested model prior to the time clients were engaged that was designed with the benefit of hindsight. During the period prior to client engagement, Shuster Advisory Group was not managing money according to the strategies depicted. Future securities market conditions may be affected by factors that cannot be accounted for using historical modeling techniques.

Past performance is no guarantee of future results. Performance data of the investments was provided by Morningstar, and Morningstar obtains their information directly from the investment companies. Monthly total returns for each of the Shuster Advisory Group Strategies were calculated by applying the ending period holding weightings to each of the Shuster Advisory Group Strategies investments' monthly returns. Monthly performance was determined using each individual investment's Internal Rate of Return for each month. Interest, dividends, and capital gains distributions are included at the end of the month. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. The Shuster Advisory Group Strategies' portfolio returns thus assume monthly rebalancing.

Risk is measured and presented above as the Standard Deviation of monthly investment performance for the full five (5) year period shown. Standard Deviation is a measure of how spread out numbers are, which is determined by the square root of the variance of the monthly returns.



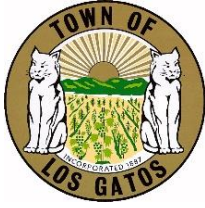
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**TOWN OF LOS GATOS  
TOWN PENSION AND OPEB TRUSTS OVERSIGHT  
COMMITTEE AGENDA  
SEPTEMBER 02, 2025  
110 EAST MAIN STREET AND TELECONFERENCE  
TOWN COUNCIL CHAMBERS  
6:15 PM**

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

**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 Zoom Webinar (log-in information provided below). You may watch the Council meeting without providing public comment on Comcast cable channel 15 or at [www.LosGatosCA.gov/TownYouTube](http://www.LosGatosCA.gov/TownYouTube). Members of the public may provide public comments for agenda items in-person or virtually by following the instructions listed at the end of the agenda.

**To watch and participate via Zoom, please go to:**

<https://losgatosca-gov.zoom.us/j/85411386935?pwd=awrZm7EN2dTJD3FOqHwCEw6jmQbNff.1>

Enter passcode: 801018

**CALL MEETING TO ORDER**

**ROLL CALL**

**CONSENT ITEMS** (*Consent Items are considered routine Town business and may be approved by one motion. Any member of the Committee may remove an item 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 at the end of this agenda. If an item is removed, the Mayor has the sole discretion to determine when the item will be heard.*)

- 1. Approve the Minutes of the June 3, 2025, Town Pension and OPEB Trusts Oversight Committee Meeting.**

RECOMMENDATION: Approve the Minutes of the June 3, 2025, Town Pension and OPEB Trusts Oversight Committee Meeting.

- 2. Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2025, and the Performance Report as of June 30, 2025.**

RECOMMENDATION: Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2025, and the Performance Report as of June 30, 2025.

**3. Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending June 30, 2025, and Performance as of June 30, 2025.**

**RECOMMENDATION:** Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending June 30, 2025, and performance as of June 30, 2025.

**VERBAL COMMUNICATIONS** *(Members of the public are welcome to address the Committee only on matters listed on the agenda. To ensure all agenda items are heard, this portion of the agenda is limited to 30 minutes. Each speaker is limited to no more than three (3) minutes or such time as authorized by the Mayor.)*

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

**4. Town Pension and OPEB Trusts Oversight Committee Report.**

**RECOMMENDATION:** Receive the CalPERS Actuarial Valuation Reports as of June 30, 2024.

**ADJOURNMENT**

**ADA NOTICE** - In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk's Office at (408) 354-6834. Notification at least two (2) business days prior to the meeting date will enable the Town to make reasonable arrangements to ensure accessibility to this meeting [28 CFR §35.102-35.104].

**NOTE:** The ADA access ramp to the Town Council Chambers is currently under construction and will be inaccessible until further notice. Individuals who require the use of that ramp to attend meetings should contact the Clerk's Office at least two (2) business days in advance to arrange for alternative accommodations.

**NOTICE REGARDING SUPPLEMENTAL MATERIALS** - Materials related to an item on this agenda submitted to the Town Council after initial distribution of the agenda packets are available for public inspection in the Clerk's Office at Town Hall, 110 E. Main Street, Los Gatos and on the Town's website at [www.losgatosca.gov](http://www.losgatosca.gov). Town Council agendas and related materials can be viewed online at <https://losgatos-ca.municodemeetings.com/>.

**HOW TO PARTICIPATE**

The public is welcome to provide oral comments in real-time during the meeting in three ways:

- **Zoom Webinar (Online):** Join from a PC, Mac, iPad, iPhone or Android device. Please click this URL to join: <https://losgatosca.gov.zoom.us/j/85411386935?pwd=awrZm7EN2dTJD3FOqHwCEw6jmQbNff.1>  
Passcode: 801018. You can also type in 854 1138 6935 in the "Join a Meeting" page on the Zoom website at [zoom.us](https://zoom.us) and use passcode 801018.

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.

- **Telephone:** Please dial 1 (855) 758-1310 for US Toll-free or 1 (408) 961-3928 for US Toll. (Meeting ID: 854 1138 6935). If you are participating by calling in, press \*9 on your telephone keypad to raise your hand.
- **In-Person:** Please complete a “speaker’s card” located on the back of the chamber benches and return it to the Town Clerk before the meeting or when the Mayor announces the item for which you wish to speak.

**NOTES:** Comments will be limited to three (3) minutes or less at the Mayor’s discretion.

If you are unable to participate in real-time, you may email [Clerk@losgatosca.gov](mailto:Clerk@losgatosca.gov) with the subject line “Public Comment Item #\_\_” (insert the item number relevant to your comment).

Deadlines to submit public comments are:

- 11:00 a.m. the business day before the Committee meeting for inclusion in an addendum.
- 11:00 a.m. on the day of the Committee meeting for inclusion in a desk item.



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

ITEM NO. 1.

MEETING DATE: 09/02/2025

ITEM NO: 1

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**DRAFT**

**Minutes of the Town Pension and OPEB Trust Oversight Committee Special Meeting  
June 3, 2025  
8:30 P.M. (or immediately following the regular Town Council Meeting)**

The Pension and OPEB Trusts Oversight Committee of the Town of Los Gatos conducted a meeting in person and via teleconference.

**MEETING CALLED TO ORDER AT 9:46 P.M.**

**ROLL CALL**

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

Absent: None.

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

1. Approve the Minutes of the March 18, 2025, Town Pension and OPEB Trusts Oversight Committee Meeting.

Mayor Hudes opened public comment.

No one spoke.

Mayor Hudes closed public comment.

**MOTION:**      **Motion by Council Member Ristow to approve the consent item. Seconded by Vice Mayor Moore.**

**VOTE:**          **Motion passed unanimously.**

**VERBAL COMMUNICATIONS**

No one spoke.

**OTHER BUSINESS**

2. Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending March 31, 2025, and Performance as of March 31, 2025.

Gitta Ungvari, Finance Director, presented the staff report.

SUBJECT: Draft Minutes of the Pension and OPEB Trusts Oversight Committee Meeting of  
June 3, 2025

DATE: August 5, 2025

Mayor Hudes opened public comment.

No one spoke.

Mayor Hudes closed public comment.

The Committee received the report.

3. Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending March 31, 2025, and the Performance Report as of March 31, 2025.

Gitta Ungvari, Finance Director, presented the staff report.

Mayor Hudes opened public comment.

No one spoke.

Mayor Hudes closed public comment.

The Committee discussed the item and received the report.

## **ADJOURNMENT**

The meeting adjourned at 9:51 p.m.

Attest:

---

Keara Johnson, Deputy Town Clerk



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

MEETING DATE: 09/02/2025

ITEM NO. 1.

ITEM NO: 2

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DATE: August 14, 2025  
TO: Mayor and Town Council  
FROM: Chris Constantin, Town Manager  
SUBJECT: **Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2025, and the Performance Report as of June 30, 2025**

**RECOMMENDATION:** Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2025, and the Performance Report as of June 30, 2025.

**FISCAL IMPACT:**

There is no fiscal impact related to receiving this report.

**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 March 31, 2025, was \$30,284,763.02 compared to \$28,308,357.69 as of March 31, 2025 (Attachment 1). As of June 30, 2025, the CERBT Strategy 1 fund had a net return of 3.16% for the month and 12.27% as of Fiscal Year to Date (Attachment 2).

The Town Finance Commission will receive this information at its September 8, 2025, meeting.

**PREPARED BY:** Gitta Ungvari  
Finance Director

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Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

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PAGE 2 OF 2

SUBJECT: Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1  
Market Value Summary Report for the Period Ending June 30, 2025, and the  
Performance Report as of June 30, 2025

DATE: September 2, 2025

Attachments:

1. OPEB 115 Trust Market Value Summary Report as of June 30, 2025
2. CERBT Strategy 1 Performance Report June 30, 2025



### Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$28,308,357.69	\$26,976,205.35
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	1,981,420.50	3,329,558.32
Administrative Expenses	(1,934.42)	(9,237.62)
Investment Expense	(3,080.75)	(11,763.03)
Other	0.00	0.00
Ending Balance	\$30,284,763.02	\$30,284,763.02
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$30,284,763.02	\$30,284,763.02

### 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	1,188,552.988	1,188,552.988
Period Beginning Unit Value	23.817498	22.696679
Period Ending Unit Value	25.480364	25.480364

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 06/30/2025

Town of Los Gatos

Entity #: SKB0-4589482285



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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# CERBT Strategy 1



June 30, 2025

## 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
\$22,009,428,766	0.085%

## Composition

### Asset Class Allocations and Benchmarks

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

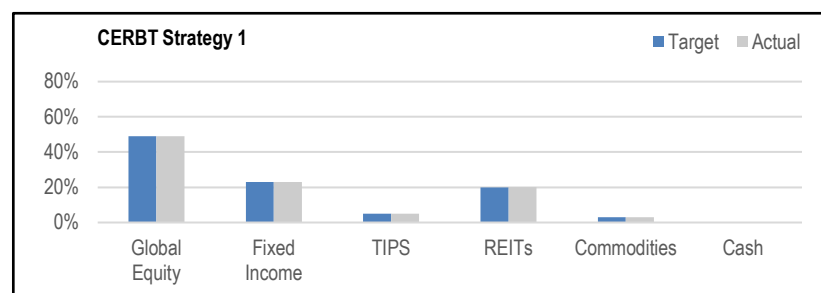
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	49%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	23%	± 5%	Bloomberg Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	20%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

## 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 June 30, 2025

	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>	3.17%	7.00%	12.35%	12.35%	9.92%	7.97%	6.90%	5.68%
Net Return <sup>2,3</sup>	3.16%	6.98%	12.27%	12.27%	9.83%	7.88%	6.81%	5.60%
Benchmark Returns	3.13%	6.87%	11.97%	11.97%	9.65%	7.73%	6.57%	5.30%
Standard Deviation <sup>4</sup>	-	-	-	-	13.15%	12.83%	11.52%	12.80%

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

<sup>1</sup> Gross returns are net of State Street Investment Management operating expenses.

<sup>2</sup> Net returns are net of State Street Investment Management 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.

# CERBT Strategy 1

June 30, 2025



## 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 Investment Management 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 0.085% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to State Street Investment Management 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).

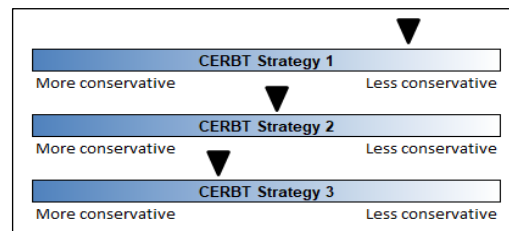
## Fund Performance

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 <sup>1</sup>	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, State Street Investment Management 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**

ITEM NO. 1.

MEETING DATE: 09/02/2025

ITEM NO: 3

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DATE: August 14, 2025  
TO: Mayor and Town Council  
FROM: Chris Constantin, Town Manager  
SUBJECT: **Receive the California Employer's Pension Prefunding Trust (CEPPT)  
Strategy Market Value Summary Report for the Period Ending June 30,  
2025, and Performance as of June 30, 2025**

**RECOMMENDATION:** Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending June 30, 2025, and performance as of June 30, 2025.

**FISCAL IMPACT:**

There is no fiscal impact associated with receiving this report.

**BACKGROUND:**

On November 5, 2019, the Town Council authorized the Town Manager to enter into an agreement with CalPERS for participation in the California Employers' Pension Prefunding Trust (CEPPT) program.

The CEPPT Fund is a Section 115 trust fund dedicated to prefunding employer contributions to defined benefit pension systems for eligible California public agencies. On March 3, 2020, the Town Pension and OPEB Trusts Oversight Committee adopted CEPPT Strategy 2 as the asset allocation for the Town's Section 115 Trust pension assets.

**DISCUSSION:**

Effective Fiscal Year (FY) 2015-16, Council determined that if sufficient General Fund year-end savings are available and targeted reserve levels for the Catastrophic Reserve and Budget Stabilization Reserve have been met, upon the final close of the fiscal year, a minimum of

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Finance Director

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Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

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SUBJECT: CEPPT Update

DATE: September 2, 2025

\$300,000 annually shall be deposited into the Pension/OPEB Reserve Fund. In 2018, the Council updated the General Fund Reserve Policy to provide for additional discretionary payments Strategy 2 (ADPs) of \$390,000 per year to address the unfunded pension liability. Under the updated Policy, a 20-year amortization equivalence will be achieved.

The ending CEPPT 115 Trust account balance as of June 30, 2025, was \$3,090,730.98 (Attachment 1). As of June 30, 2025, the CEPPT Strategy 2 fund had a net return of 2.09% for the month and 8.63% for the Fiscal Year to Date (FYTD) (Attachment 2). Staff transferred \$690,000 to the CEPPT Trust during this quarter. According to the March 2024 Pension/OPEB Oversight Committee action, the Town will keep the funds in the CEPPT Trust. It will continuously monitor and evaluate whether an additional discretionary payment should be made directly to CalPERS.

The Town Finance Commission will receive this report at its September 8, 2025, regular meeting.

The Commission reiterated its prior recommendation to the Oversight Committee on March 10, 2025, to transfer the balance of the Pension IRS 115 Trust to CalPERS and pay off the Longest Base in the Safety Plan to maximize the interest savings. According to the actuarial analysis, paying an ADP of \$2.18 million to the Safety Plan would have yielded approximately \$2,259,000 in interest savings at the time of the former recommendation. The Finance Commission also recommended that the Town move from Strategy 2 to Strategy 1.

Staff plans to set up a joint Study Session between the Town Pension and OPEB Trust Oversight Committee and the Finance Commission to discuss the pension and OPEB Trusts. Staff recommends waiting until the study session to decide on transferring the money to CalPERS. In the meantime, if the Council wishes to take a higher risk in the CEPPT Trust investment, the portfolio can be moved from Strategy 2 to Strategy 1. Taking higher risks can potentially increase the growth as well as the loss in the current portfolio.

Attachments:

1. CEPPT Market Value Summary Report as of June 30, 2025
2. CEPPT Strategy 2 Performance as of June 30, 2025

### Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$2,983,246.45	\$2,188,658.95
Contribution	0.00	690,000.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	109,145.05	217,687.93
Administrative Expenses	(1,095.19)	(3,704.01)
Investment Expense	(565.33)	(1,911.89)
Other	0.00	0.00
Ending Balance	\$3,090,730.98	\$3,090,730.98
FY End Contribution Accrual	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$3,090,730.98	\$3,090,730.98

### Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	266,043.432	204,653.336
Unit Purchases from Contributions	0.000	61,390.096
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	266,043.432	266,043.432
Period Beginning Unit Value	11.213381	10.694469
Period Ending Unit Value	11.617392	11.617392

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 06/30/2025

Town of Los Gatos

Entity #: SKHE-4589482285-501P



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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# CEPPT Strategy 2



June 30, 2025

## 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.

## 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%	ICE BofA US 3-Month Treasury Bill Index

### 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.

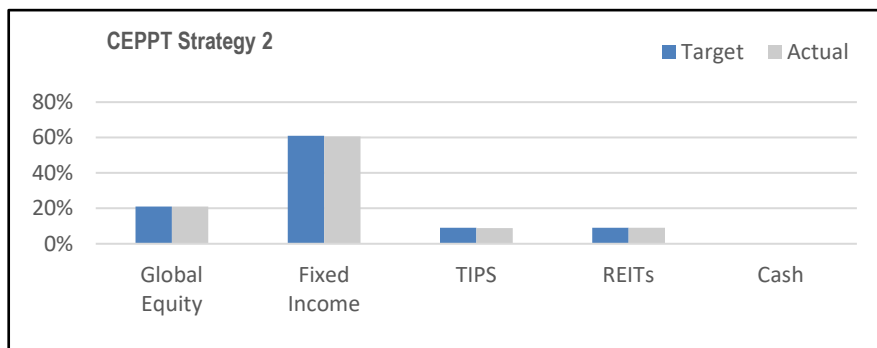
### Target vs. Actual Asset Class Allocations

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.

## Assets Under Management

As of the specified reporting month-end:

CEPPT Strategy 2	Annual Expense Ratio
\$77,118,114	0.25%



### CEPPT Strategy 2 Performance as of June 30, 2025

	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>	2.11%	3.66%	8.88%	8.88%	5.78%	2.63%	-	2.89%
Net Return <sup>2,3</sup>	2.09%	3.60%	8.63%	8.63%	5.54%	2.40%	-	2.66%
Benchmark Return	2.09%	3.62%	8.68%	8.68%	5.68%	2.50%	-	2.77%
Standard Deviation <sup>4</sup>	-	-	-	-	9.05%	8.04%	-	8.05%

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

<sup>1</sup> Gross returns are net of State Street Investment Management operating expenses.

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

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

Page 61 | Information is based on gross returns and is reported for periods greater than 3 years.

# CEPPT Strategy 2



June 30, 2025

## 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 Investment Management 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 State Street Investment Management 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%
State Investment Trusts	14%	9%

