TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS OVERSIGHT COMMITTEE AGENDA
AUGUST 03, 2021
110 EAST MAIN STREET
LOS GATOS, CA

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 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 NOT on the agenda, you may do so during the "Verbal Communications" period. 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 2nd and 4th Mondays at 7:00 p.m.
Live & Archived Council Meetings can be viewed by going to:
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]

IMPORTANT NOTICE REGARDING THE AUGUST 3, 2021 MEETING

This meeting is being conducted utilizing teleconferencing and electronic means consistent with State of California Executive Order N-29- 20 dated March 17, 2020, regarding the COVID-19 pandemic. The live stream of the meeting may be viewed on television and/or online at www.losgatosca.gov/AgendasAndVideos. **In accordance with Executive Order N-29- 20, the public may only view the meeting on television and/or online and not in the Council Chamber.**

PARTICIPATION

If you are not interested in providing oral comments in real-time during the meeting, you can view the live stream of the meeting on television (Comcast Channel 15) and/or online at www.LosGatosCA.gov/TownYouTube.

If you would like to provide oral comments real-time during the meeting, you must join the Zoom webinar:

- Join from a PC, Mac, iPad, iPhone or Android device: click this link https://us02web.zoom.us/j/86053181155?pwd=YXM1ODZPdXVRY2lsNGhZREhVZnRMUT09. Password: 314529. You can also type in 860 5318 1155 in the "Join a Meeting" page on the Zoom website at https://zoom.us/join.
- Join by telephone: Dial: 877 336 1839. Conference code: 969184

During the meeting:

- When the Chair 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. If you are participating by calling in, press #2 on your telephone keypad to raise your hand.
- When called to speak, please limit your comments to three (3) minutes, or such other time as the Chair may decide, consistent with the time limit for speakers at a Council meeting.

If you are unable to participate in real-time, you may email to PublicComment@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.

TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS OVERSIGHT COMMITTEE AGENDA
AUGUST 03, 2021
6:15 PM

REMOTE LOCATION PARTICIPANTS

The following Council Members are listed to permit them to appear electronically or telephonically at the Town Council meeting: MAYOR MARICO SAYOC, VICE MAYOR ROB RENNIE, COUNCIL MEMBER MARY BADAME, COUNCIL MEMBER MATTHEW HUDES, and COUNCIL MEMBER MARIA RISTOW. All votes during the teleconferencing session will be conducted by roll call vote.

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 the Draft Minutes of the March 30, 2021 Town Pension and OPEB Trusts Oversight Committee Meeting.

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Town Council on any matter that is not listed on the agenda by following the Participation Instructions on page 2 of this 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 by following the Participation Instructions on page 2 of this agenda.)*

2. Receive CalPERS Preliminary Investment Return for FY 2020/21.
3. Receive OPEB Trust Account Summary Quarterly Report for the Period Ending March 31, 2021, CERBT Strategy 1 Performance Report as of May 31, 2021, and OPEB Account Update Report for the California Employers' Retiree Benefit Trust (CERBT).
4. Receive Update on the Town of Los Gatos IRS Section 115 Pension Trust.

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 review on the official Town of Los Gatos website.

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.

DRAFT
Minutes of the Pension and OPEB Trust Oversight Committee Meeting
March 30, 2021

The Pension and OPEB Trust Oversight Committee of the Town of Los Gatos conducted a regular meeting via Teleconference via COVID-19 Shelter in Place Guidelines on Tuesday, March 30, 2021, at 7:00 p.m.

MEETING CALLED TO ORDER AT 7:00 P.M.

ROLL CALL
Present: Mayor Marica Sayoc, Vice Mayor Rob Rennie, Council Member Mary Badame, Council Member Matthew Hudes, Council Member Maria Ristow.
Absent: None

CONSENT ITEMS
1. Approve Draft Minutes of the December 1, 2020 Town Pension and OPEB Trusts Oversight Committee Meeting.

MOTION: **Motion** by **Council Member Ristow** to approve the Consent Item. **Seconded** by **Council Member Hudes**.

VOTE: **Motion passed unanimously.**

VERBAL COMMUNICATIONS
No one spoke.

OTHER BUSINESS
2. Receive and Discuss the Town of Los Gatos IRS Section 115 Pension Trust and OPEB Investment Policy.

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

Opened Public Comment.

No one spoke.

Closed Public Comment.

Council received Investment Policy.

3. Receive Monthly Performance and Account Summary Reports for the Town of Los Gatos IRS Section 115 Pension Trust for the Period Ending December 31, 2020.

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

Opened Public Comment.

No one spoke,

Closed Public Comment.

Council received the Monthly Performance and Account Summary Reports.

4. Receive Market Value Summary Quarterly Report and Performance Report for the California Employers' Retiree Benefit Trust (CERBT) for the Period Ending December 31, 2020.

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

Opened Public Comment.

No one spoke.

Closed Public Comment.

Council received the Market Value Summary Quarterly Report and Performance Report.

5. Receive CalPERS Actuarial Review and Presentation by Bartel and Associates.

Arn Andrews, Assistant Town Manager, and Joseph D'Onofrio, Bartel and Associates, presented the staff report.

Opened Public Comment.

No one spoke.

Closed Public Comment.

Council received the CalPERS Actuarial review.

6. Direct the Available Balance in the California Employers' Pension Prefunding Trust (CEPPT) ($708,807.33), $952,135 from the Town's Pension/OPEB Reserve, and the General Fund Policy $390,000 scheduled payment to shorten the amortization period from 30 to 20 years as an Additional Discretionary Payment to CalPERS toward the 2013 Investment Loss Amortization Base.

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

Opened Public Comment.

No one spoke.

Closed Public Comment.

Council discussed the matter.

MOTION: **Motion** by **Council Member Badame** to direct the available balance in the California Employers' Pension Prefunding Trust (CEPPT) ($708,807.33), $952,135 from the Town's Pension/OPEB Reserve, and the General Fund Policy $390,000 scheduled payment to shorten the amortization period from 30 to 20 years as an Additional Discretionary Payment to CalPERS toward the 2013 investment loss amortization base. **Seconded** by **Council Member Hudes.**

VOTE: **Motion passed unanimously.**

ADJOURNMENT
The meeting adjourned at 8:10 p.m.

Attest:

____
Shelley Neis, Town Clerk

TOWN OF LOS GATOS

TOWN PENSION AND OPEB TRUSTS OVERSIGHT COMMITTEE REPORT

MEETING DATE: 08/03/2021

ITEM NO: 2

DATE:	July 14, 2021
TO:	Town Pension and OPEB Trusts Oversight Committee
FROM:	Laurel Prevetti, Town Manager
SUBJECT:	Receive CalPERS Preliminary Investment Return for FY 2020/21

RECOMMENDATION:

Receive CalPERS Preliminary Investment Return for FY 2020/21.

DISCUSSION:

Attachment 1 contains the CalPERS press release announcing a preliminary 21.3% investment return for FY 2020/21 and subsequent reduction of the discount rate from 7.0% to 6.8% per the Funding Risk Mitigation Policy.

Attachments:

1. CalPERS Press Release

PREPARED BY: Arn Andrews
Assistant Town Manager

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

CalPERS Reports Preliminary 21.3% Investment Returns for Fiscal Year 2020-21; Strong Returns Trigger Reduction in Discount Rate to 6.8%

July 12, 2021

Communications & Stakeholder Relations
Contact: Megan White, Information Officer
(916) 795-3991 - newsroom@calpers.ca.gov

Sacramento, Calif. – CalPERS today reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. CalPERS assets at the end of the fiscal year stood at more than $469 billion. The preliminary 21.3% return lagged behind the fiscal year total fund benchmark of 21.7%.

Under the Funding Risk Mitigation Policy (PDF), approved by the CalPERS Board of Administration in 2015, the double-digit return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

The Funding Risk Mitigation Policy lowers the discount rate in years of good investment returns. This is the first time it has been triggered.

The 21.3% 2020-21 fiscal year return for the Public Employees' Retirement Fund (PERF) were driven by Private Equity and Public Equity, with net returns of 43.8% and 36.3%, respectively.

Based on these preliminary fiscal year returns, the funded status of the overall PERF is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term.

ATTACHMENT 1

The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

“Our investment team has done an outstanding job of capturing strong returns in this very dynamic investment environment,” said Theresa Taylor, chair of the CalPERS Investment Committee. “These results prove that we have the right investment strategy in place to take full advantage of what the markets have to offer."

"But as pleased as we are with these great returns, let me emphasize that we don’t count on this kind of investing environment every year. We know markets go up and down. As a long-term investor, our job is to make sure we have a carefully considered plan to strengthen our fund no matter the economic climate so that we can pay the benefits our members have earned.”

The 2020-21 fiscal year returns brings total fund performance to 10.3% for the five-year period, 8.5% for the 10-year period, and 6.9% for the 20-year period. Over the past 30 years, the PERF returned an annualized return of 8.4%.

Today's announcement includes 12-month asset class performance as follows:

Asset Class	Net Rate of Return
Total Fund	21.3%
Public Equity	36.3%
Private Equity	43.8%
Fixed Income	-0.1%
Real Assets	2.6%
Liquidity	0.1%

The official total fund performance numbers go through multiple layers of review and oversight. View the Total Fund and Benchmark Performance Calculation – Wilshire Associates (PDF) for more information.

Returns for real assets and private equity reflect market values through March 31, 2021. Private Equity has been CalPERS’ highest returning asset class over longer periods, with 10-year annualized return of 12.0% and 20-year annualized return of 10.1%.

"I'm proud of our investment office and of our ability to execute on our strategy to achieve strong returns in these unprecedented times," said Dan Bienvenue, CalPERS interim chief investment officer. "But I'm also mindful that we're in the middle of determining our asset mix and discount rate for the future. As a long-term investor we're focused on ensuring that our analysis captures realistic projections about the investment outlook over many years and even decades."

CalPERS' 2020-21 final fiscal year investment performance will be calculated based on audited figures and will be reflected in contribution levels for the State of California and school districts in fiscal year 2022-23, and for contracting cities, counties, and special districts in fiscal year 2023-24.

The ending value of the PERF is based on several factors and not investment performance alone. Contributions made to CalPERS from employers and employees, monthly payments made to retirees, investment fees and the performance of its investments, among other factors, all influence the ending total value of the PERF.

About CalPERS

For more than eight decades, CalPERS has built retirement and health security for state, school, and public agency members who invest their lifework in public service. Our pension fund serves more than 2 million members in the CalPERS retirement system and administers benefits for more than 1.5 million members and their families in our health program, making us the largest defined-benefit public pension in the U.S. CalPERS' total fund market value currently stands at approximately $472 billion. For more information, visit www.calpers.ca.gov.

DATE: July 15, 2021

TO: Town Pension and OPEB Trusts Oversight Committee

FROM: Laurel Prevetti, Town Manager

SUBJECT: Receive OPEB Trust Account Summary Quarterly Report for the Period Ending March 31, 2021, CERBT Strategy 1 Performance Report as of May 31, 2021, and OPEB Account Update Report for the California Employers' Retiree Benefit Trust (CERBT).

RECOMMENDATION:

Receive OPEB Trust Account Summary Quarterly Report for the Period Ending March 31, 2021 (Attachment 1), CERBT Strategy 1 Performance Report as of May 31, 2021 (Attachment 2), and OPEB Account Update Report (Attachment 3) for the California Employers' Retiree Benefit Trust (CERBT).

BACKGROUND:

In 2009, the Council approved participating in the California Employer's Retiree Benefit Trust (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:

As of May 31, 2021, the CERBT Strategy 1 fund returned 1.25% net of fees for the month and 25.62% net of fees fiscal year to date. The ending account balance as of December 31, 2020 was $24,064,162.63.

Attachments:
1. CERBT 115 Trust Account Summary as of March 31, 2021
2. CERBT 115 Trust Strategy 1 Performance Report as of May 31,2021
3. CERBT Account Update

PREPARED BY: Arn Andrews
Assistant Town Manager

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

Town of Los Gatos
CERBT Strategy 1
Entity #: SKB0-4589482285
Quarter Ended March 31, 2021

CalPERS

Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	$23,560,833.39	$20,124,350.96
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	508,965.19	3,954,721.94
Administrative Expenses	(2,895.46)	(8,252.75)
Investment Expense	(2,740.49)	(6,657.52)
Other	0.00	0.00
Ending Balance	$24,064,162.63	$24,064,162.63
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	$24,064,162.63	$24,064,162.63

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	1,154,205.292	1,154,205.292
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	1,154,205.292	1,154,205.292
Period Beginning Unit Value	20.413035	17.435677
Period Ending Unit Value	20.849118	20.849118

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.

ATTACHMENT 1

Statement of Transaction Detail for the Quarter Ending 03/31/2021

Town of Los Gatos

Entity #: SKB0-4589482285

Date	Description	Amount	Unit Value	Units	Check/Wire	Notes

Client Contact:
CERBT4U@CalPERS.ca.gov

If you have any questions or comments regarding the new statement format please contact CERBT4U@CalPERS.ca.gov

California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 1

May 31, 2021

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
$12,718,933,819	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[1]	Target Range	Benchmark
Global Equity	59%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	25%	± 5%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg Barclays US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	8%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Commodities	3%	± 3%	S&P GSCI Total Return Index
Cash	-	+ 2%	91-Day Treasury Bill

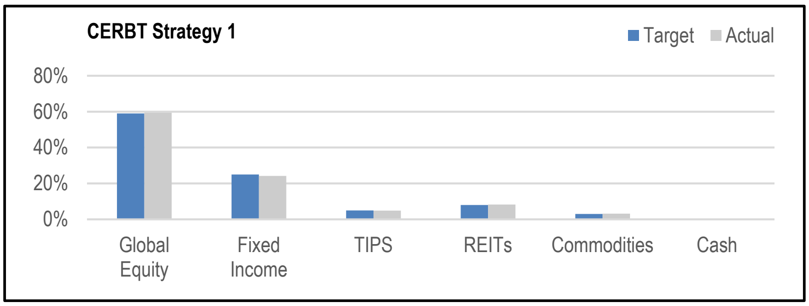
[1] Allocations were approved by the Board at the May 2018 Investment Committee meeting.

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 May 31, 2021								
	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (June 1, 2007)
oss Return[1,3]	1.26%	6.24%	25.72%	28.95%	11.35%	10.75%	8.11%	6.22%
t Return[2,3]	1.25%	6.22%	25.62%	28.84%	11.26%	10.66%	8.00%	6.14%
nchmark Returns	1.28%	6.23%	25.55%	28.72%	11.07%	10.36%	7.83%	5.79%
andard Deviation[4]	-	-	-	-	12.91%	10.41%	10.07%	12.78%

turns for periods greater than one year are annualized.

oss returns are net of SSGA operating expenses.

t r[...]f SSGA operating expenses, investment management, administrative and recordkeeping fees.

pe[...]ibed in more detail on page 2 of this document.

andard deviation is based on gross returns and is reported for periods greater than 3 years.

ATTACHMENT 2

California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 1

May 31, 2021

General Information

Information Accessibility

he CERBT Strategy 1 portfolio consists of assets managed internally by alPERS and/or by external advisors. Since it is not a mutual fund, a rospectus is not available and daily holdings are not published. alPERS provides a quarterly statement of the employer's account and ther information about the CERBT. For total market value, detailed sset allocation, investment policy and current performance information, ease visit our website at: **www.calpers.ca.gov.**

Portfolio Manager Information

he CalPERS Board, through its Investment Committee, directs the ERBT investment strategy based on policies approved by the Board of dministration. State Street Global Advisors (SSGA) manages all nderlying investments for CERBT, which include: Global Equity, Fixed come, Real Estate Investment Trusts, Treasury Inflation-Protected ecurities, and Commodities.[1]

Custodian and Record Keeper

tate Street Bank serves as custodian for the CERBT. Northeast etirement Services serves as recordkeeper.

Expenses

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

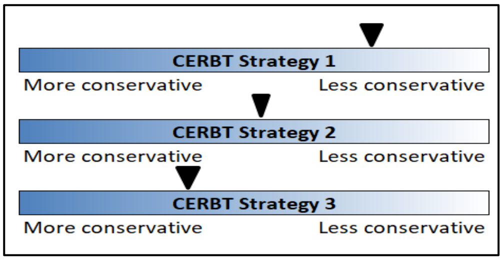
Fund Performance

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** 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 sset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations	Strategy 1	Strategy 2	Strategy 3
Global Equity	59%	40%	22%
Fixed Income	25%	43%	49%
Treasury Inflation-Protected Securites	5%	5%	16%
Real Estate Investment Trusts	8%	8%	8%
Commodities	3%	4%	5%



Si SSGA has passively managed all CERBT asset classes. Previously Fixed Income, TIPS and Commodity asset classes were managed internally by CalPERS.

CERBT Account Update

Town of Los Gatos

as of March 31, 2021

CalPERS

ATTACHMENT 3

OPEB Valuation Report Summary

OPEB Actuarial Valuation Report by Bartel Associates, LLC	
Valuation Date	6/30/2017
Total OPEB Liability (TOL)	$24,773,000
Valuation Assets	$13,605,000
Net OPEB Liability (NOL)	$11,168,000
Funded Status	55%
Actuarially Determined Contribution (ADC)	$2,108,000
CERBT Asset Allocation Strategy	Strategy 1
Discount Rate	6.75%

CERBT Account Summary

As of March 31, 2021	Strategy 1
Initial contribution (06/29/2009)	$400,000
Additional contributions	$14,160,000
Disbursements	$0
CERBT expenses	($96,870)
Investment earnings	$9,601,033
Total assets	$24,064,163
Annualized net rate of return (06/29/2009-03/31/2021 = 11.76 years)	9.26%

Cash Flow Summary by Fiscal Year

Fiscal Year	Contributions	Disbursements	Cumulative Investment Gains (Losses)	Cumulative Fees	Cumulative Ending Assets
2006-07	$0	$0	$0	$0	$0
2007-08	$0	$0	$0	$0	$0
2008-09	$400,000	$0	($28)	($2)	$399,971
2009-10	$550,000	$0	$60,907	($462)	$1,010,445
2010-11	$0	$0	$312,877	($1,958)	$1,260,919
2011-12	$1,910,000	$0	$416,755	($4,373)	$3,272,382
2012-13	$1,200,000	$0	$815,342	($9,740)	$4,865,602
2013-14	$1,300,000	$0	$1,717,930	($17,124)	$7,060,806
2014-15	$1,300,000	$0	$1,709,948	($24,242)	$8,345,705
2015-16	$1,500,000	$0	$1,828,698	($31,133)	$9,957,565
2016-17	$2,600,000	$0	$2,881,199	($39,994)	$13,601,205
2017-18	$1,600,000	$0	$3,968,811	($52,247)	$16,276,565
2018-19	$1,100,000	$0	$4,985,901	($66,129)	$18,379,772
2019-20	$1,100,000	$0	$5,646,311	($81,960)	$20,124,351
as of 3/31/2021	$0	$0	$9,601,033	($96,870)	$24,064,163

CERBT/ CEPPT Investment Returns Outperform Benchmarks

Periods ended February 28, 2021

Fund	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CERBT Strategy 1 (Inception June 1, 2007)	$11,797,094,997	1.44%	4.61%	18.33%	20.42%	9.40%	11.03%	7.70%	5.87%
Benchmark		1.43%	4.56%	18.19%	20.01%	9.12%	10.60%	7.42%	5.44%
CERBT Strategy 2 (Inception October 1, 2011)	$1,705,837,808	0.55%	2.58%	12.68%	14.64%	8.72%	9.36%	-	8.06%
Benchmark		0.54%	2.53%	12.55%	14.34%	8.50%	8.95%	-	7.76%
CERBT Strategy 3 (Inception January 1, 2012)	$797,491,056	-0.17%	1.14%	8.23%	9.75%	7.78%	7.58%	-	6.28%
Benchmark		-0.17%	1.10%	8.14%	9.50%	7.62%	7.22%	-	5.97%
CERBT Total	**$14,300,423,861**								
CEPPT Strategy 1 (Inception October 1, 2019)	$19,364,172	0.47%	2.58%	12.15%	14.29%	-	-	-	10.94%
Benchmark		0.60%	2.64%	12.05%	14.41%	-	-	-	11.05%
CEPPT Strategy 2 (Inception January 1, 2020)	$10,034,968	-0.52%	0.21%	4.87%	6.62%	-	-	-	6.61%
Benchmark		-0.46%	0.13%	4.69%	6.45%	-	-	-	6.44%
CEPPT Total	**$29,399,140**								

CERBT Expected Rates of Return & Risk

Portfolios	CERBT Strategy 1	CERBT Strategy 2	CERBT Strategy 3
Expected Return	7.59%	7.01%	6.22%
Risk	11.83%	9.24%	7.28%

CERBT Portfolio Details

Asset Classification	Benchmark	CERBT Strategy 1	CERBT Strategy 2	CERBT Strategy 3
Global Equity	MSCI All Country World Index	59% ±5%	40% ±5%	22% ±5%
Fixed Income	Barclays Capital Long Liability Index (CERBT)	25% ±5%	43% ±5%	49% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8% ±5%	8% ±5%	8% ±5%
Treasury Inflation Protected Securities (TIPS)	Barclays Capital Global Real: US TIPS Index	5% ±3%	5% ±3%	16% ±3%
Commodities	S&P GSCI Total Return Index	3% ±3%	4% ±3%	5% ±3%
Cash	3-Month Treasury Bill	0% +2%	0% +2%	0% +2%

Total Participation Cost Fee Rate

- Total all-inclusive cost of participation
  - Combines administrative, custodial, and investment fees
  - Separate trust funds
  - Self-funded, fee rate may change in the future
  - Fee is applied daily to assets under management
    - 10 basis points - CERBT
    - 25 basis points - CEPPT

CERBT/CEPPT Consistently Low Fee Rate History

Fiscal Year	CERBT	CEPPT
2007-2008	2.00 basis points	-
2008-2009	6.00 basis points	-
2009-2010	9.00 basis points	-
2010-2011	12.00 basis points	-
2011-2012	12.00 basis points	-
2012-2013	15.00 basis points	-
2013-2014	14.00 basis points	-
2014-2015	10.00 basis points	-
2015-2016	10.00 basis points	-
2016-2017	10.00 basis points	-
2017-2018	10.00 basis points	-
2018-2019	10.00 basis points	-
2019-2020	10.00 basis points	25.00 basis points
2020-2021	10.00 basis points	25.00 basis points

586 Prefunding Program Employers

580 CERBT and 30 CEPPT

- State of California
- 151 Cities or Towns
- 12 Counties
- 73 School Employers
- 31 Courts
- 319 Special Districts and other Public Agencies
  - (97 Water, 34 Sanitation, 33 Fire, 24 Transportation)

Financial Reporting

- CERBT is the Plan
  - Provides audited and compliant GASB 74 report in a Schedule of Changes in Fiduciary Net Position (FNP)
  - Published in February each year

FNP Fiscal Year	Availability
2015-16	Available at https://www.calpers.ca.gov/cerbt
2016-17	
2017-18	
2018-19	
2019-20	

Questions? Where to Get Trust Fund Information?

Name	Title	E-mail	Desk	Mobile
Matt Goss	Outreach & Support Program Manager	Matthew.Goss@calpers.ca.gov	(916) 795-9071	(916) 382-6487
Karen Lookingbill	Outreach & Support Manager	Karen.Lookingbill@calpers.ca.gov	(916) 795-1387	(916) 501-2219
Jasper Jacobs	Outreach & Support Analyst	Jasper.Jacobs@calpers.ca.gov	(916) 795-0432	(916) 717-3886
Jean MacDonald	Outreach & Support Analyst	Jean.MacDonald@calpers.ca.gov	(916) 795-0675	(916) 291-1325
Colleen Cain-Herrback	Administration & Reporting Program Manager	Colleen.Cain-Herrback@calpers.ca.gov	(916) 795-2474	(916) 505-2506
Robert Sharp	Assistant Division Chief	Robert.Sharp@calpers.ca.gov	(916) 795-3878	(916) 397-0756

Program E-mail Addresses	Prefunding Programs Webpages
CERBT4U@calpers.ca.gov – Questions & Document Submittal	www.calpers.ca.gov/CERBT
CEPPT4U@calpers.ca.gov – Questions & Document Submittal	www.calpers.ca.gov/CEPPT
CERBTACCOUNT@calpers.ca.gov – Online Record Keeping System	

DATE: July 15, 2021

TO: Town Pension and OPEB Trusts Oversight Committee

FROM: Laurel Prevetti, Town Manager

SUBJECT: Receive Update on the Town of Los Gatos IRS Section 115 Pension Trust

RECOMMENDATION:

Receive on the Town of Los Gatos IRS Section 115 Pension Trust.

BACKGROUND:

On November 5, 2019, the Town Council authorized the Town Manager to enter into an agreement with CalPERS for participation in the 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 of approximately $700,000 was liquidated for inclusion in a $2,050,942 additional discretionary payment toward the June 30, 2013 gain/loss amortization base. The CEPPT account remains open with no assets at no cost.

PREPARED BY: Arn Andrews
Assistant Town manager

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