



## ESTABLISHMENT OF A SECTION 115 PENSION TRUST FUND FOR MANAGEMENT OF THE CALPERS LONG-TERM LIABILITY

Finance Department

City Council  
May 21, 2019

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### IRREVOCABLE SUPPLEMENTAL §115 PENSION TRUST

1. Can only be used to:
  - A. Reimburse City for CalPERS contributions
  - B. Make payments directly to CalPERS
2. Investments significantly less restricted than City investment funds
  - A. Fiduciary rules govern Trust investments
  - B. Usually, designed for long term returns
3. Over 100 trusts established, mostly since 2015
  - A. Trust providers: PARS, PFM, Keenan
  - B. California Employers' Pension Prefunding Trust (CEPPT) is coming

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## **IRREVOCABLE SUPPLEMENTAL §115 PENSION TRUST**

4. More flexibility than paying CalPERS directly
  - A. City decides if and when and how much money to put into Trust
  - B. City decides if and when and how much to withdraw to pay CalPERS or reimburse Agency
5. Funding strategies typically focus on
  - A. Reducing the unfunded liability
6. Stabilizing contribution rates
  - A. Mitigate expected contribution rates to better manage budget
7. Combination
  - A. Use funds for rate stabilization/budget predictability
  - B. Target increasing fund balance to pay off UAL sooner



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## **RECOMMENDATIONS**

That the City Council approve the establishment of a Section 115 Pension Trust Fund to help mitigate the City's Long-Term Fiscal Management of the California Public Employees Retirement System liability.



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