



ESTABLISHMENT OF A SECTION 115 PENSION TRUST FUND

Finance Department

Finance Committee
April 10, 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 2



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IRREVOCABLE SUPPLEMENTAL §115 PENSION TRUST

1. 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
2. Funding strategies typically focus on
 - A. Reducing the unfunded liability
3. Stabilizing contribution rates
 - A. Mitigate expected contribution rates to better manage budget
4. 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 Finance Committee:

1. Receive and provide input on a Section 115 Pension Trust Fund to help mitigate the City's Long-Term Fiscal Management of the California Public Employees Retirement System liability; and
2. Recommend that the City Council approve the proposed 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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