

MONTEREY PENINSULA REGIONAL PARK DISTRICT
BOARD OF DIRECTORS MEETING

DATE: June 1, 2022
TO: Board of Directors
FROM: Kelly McCullough, Finance Manager
REVIEWED BY: Rafael Payan, General Manager
SUBJECT: Consider and Approve Establishment of a California Employers' Pension Prefunding Trust (CEPPT) Account with CalPERS for the Purpose of Prefunding MPRPD Required Pension Contributions

RECOMMENDED ACTION

Staff respectfully requests that the Board:

1. Review the CEPPT Program information attached (**ATTACHMENT 1**);
2. Approve the CEPPT Participation Agreement (**ATTACHMENT 2**);
3. Approve the CEPPT Delegation of Authority to administer and request disbursements (**ATTACHMENT 3**);
4. Approve the CEPPT Certification of Funding Policy (**ATTACHMENT 4**);
5. Approve an initial disbursement from the California Employer's Retirement Benefit Trust (CERBT) to the CEPPT.

FISCAL IMPACT:

Transfer of approximately \$65,714 from CERBT to CEPPT

FUNDING SOURCE:

California Employer's Retirement Benefit Trust (CERBT)

FUNDING BALANCE:

\$3,342,813.51 as of the March 31, 2022, Quarterly Statement

DISCUSSION:

Staff evaluated two primary administrators of Section 115 Irrevocable Trusts: 1.) the California Public Employees Retirement System (CalPERS) and 2.) Public Agency Retirement Services (PARS). These administrators were evaluated and staff found CalPERS to be the most cost effective and provided the best value.

On April 26, 2022 the District Finance Committee, which consists of President Potter and Director Sorenson, met with staff to discuss the CEPPT Program and to determine their interest in a recommendation to the Board, regarding participation in the CEPPT Program.

The [California Employers' Retiree Benefit Trust](#) (CERBT) fund program is an Other Post Employment Benefit (OPEB) trust for California government employers which opened in 2007 and is now the largest of its kind in the country. The Board authorized participation in the CERBT, and the District joined in March of 2013. OPEB expenses are now estimated to be 147% funded as of March 31, 2022, based on a current actuarial valuation.

Similarly, the [California Employers' Pension Prefunding Trust](#) (CEPPT) fund program is an employer pension contribution prefunding trust that allows state and local public agencies that participate in defined benefit public pension systems to voluntarily prefund employer contributions made to these systems.

The California Employers' Pension Prefunding Trust (CEPPT) Fund is a Section 115 trust fund dedicated to prefunding employer contributions to defined benefit pension systems for eligible California public agencies.

By joining this trust fund California public agencies can help finance pension contributions in part from investment earnings provided by CalPERS.

Prefunding allows you to enjoy the following benefits (**ATTACHMENT 1**):

- Generate investment income from employer-controlled contributions to pay for required pension contributions
- Reduce future employer cash flow requirements and budget dependency with investment income
- May help employers during lean financial times to offset pension cost

Employers pay the actual cost of trust operation. CalPERS is a state agency and does not retain profit from trust operation. CEPPT staff establish a fee rate (basis point), currently .25 basis points, which is charged daily to the account of the participating employers to cover the costs of the CEPPT annual program budget approved by the CalPERS Board of Administration. The fee rate is likely to vary over time and may be higher or lower in the future.

Establishing the trust does not require any contributions now or in the future. However, since the District is currently over funded for future OPEB expenses in the CERBT, we could consider requesting a disbursement or transfer of this years allowed OPEB expenses and invest those disbursements in the CEPPT. This is one way of not getting our funds “locked” in the CERBT account.

The CEPPT offers two investment strategies (**ATTACHMENT 5**) for consideration and recommendation.

After discussion and consideration, the Finance Committee recommended establishing the CEPPT Program for the District and transferring the allowable OPEB disbursements from the CERBT to the CEPPT. Future transfers or deposits to the CEPPT would be determined on an annual basis by staff, based on the funding levels and investment performance of the CERBT and CEPPT.

RECOMMENDATION:

Staff recommends that the Board:

1. Approve the CEPPT Participation Agreement (**ATTACHMENT 2**);

2. Approve the CEPPT Delegation of Authority to administer and request disbursements (**ATTACHMENT 3**);
3. Approve the CEPPT Certification of Funding Policy (**ATTACHMENT 4**);
4. Approve an initial disbursement from the California Employer's Retirement Benefit Trust (CERBT) of approximately \$65,714 for deposit to the CEPPT, and authorize staff to determine on an annual basis the benefit of transfers or deposits, and authorize staff to make said transfers, disbursements and deposits, based on the funding levels and investment performance of the CERBT and CEPPT

ATTACHMENTS:

1. [CalPERS CEPPT information sheet](#)
2. [CalPERS CEPPT Participation Agreement](#)
3. [CEPPT Delegation of Authority](#)
4. [CEPPT Certification of Funding Policy](#)
5. [CEPPT Strategies 1 and 2 information sheets](#)