

MONTEREY PENINSULA REGIONAL PARK DISTRICT
BOARD OF DIRECTORS MEETING

DATE: April 26, 2022
TO: Board of Directors
FROM: Kelly McCullough, Finance Manager
REVIEWED BY: Rafael Payan, General Manager
SUBJECT: Consider Prefunding Employer Pension Contributions in the CalPERS California Employer's Pension Prefunding Trust (CEPPT)

RECOMMENDED ACTION

Staff respectfully requests that the Finance Committee review the California Employer's Pension Prefunding Trust (CEPPT) Program and make a recommendation to the full Board regarding joining the CEPPT Program.

FISCAL IMPACT:

Not applicable (N/A) at this time. Joining the Program does not require any contributions.

FUNDING SOURCE:

N/A

FUNDING BALANCE:

N/A

DISCUSSION:

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.

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. Even those not contracted with CalPERS are potentially eligible to participate.

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. 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 2**) for consideration and recommendation.

RECOMMENDATION:

Staff recommends that the Finance Committee support establishment of a CEPPT with CalPERS and recommend such to the Board at the May 4, 2022, Board meeting. In addition, staff recommends that we take out eligible disbursements from the CERBT and roll them into the CEPPT to start addressing future pension liabilities.

ATTACHMENTS:

1. [CalPERS CEPPT information sheet](#)
2. [CEPPT Strategies 1 and 2 information sheets](#)