# STAFF REPORT

| | |
|---|---|
| **MEETING DATE:** | **October 20, 2020** |
| **SUBJECT:** | **Approve Establishment of a California Employers' Pension Trust Account with CalPERS for Prefunding the Agency's Required Pension Contributions** |
| **AGENDA ITEM:** | **5-9** |
| **STAFF CONTACT:** | **Jessica Carlson, Chief Fiscal Officer** |

**STAFF RECOMMENDATION:**

It is recommended that the board of directors:

1. Authorize the executive director to sign the California Employers' Pension Prefunding Trust Program Agreement with CalPERS and approve all administrative edits; and
2. Approve Resolution 20-11 (attached) to delegate authority to the executive director and chief fiscal officer to administer and request disbursements from the California Employer's Pension Prefunding Trust.

**DISCUSSION:**

The California Employers' Pension Prefunding Trust (CEPPT) is a special irrevocable trust fund that allows public agencies to prefund required pension contributions. Required pension contributions include any pension liabilities, on-going payroll contributions and administrative costs. Similarly, SRTA currently has a California Employers' Retiree Benefit Trust (CERBT) account to address the agency's retiree health benefit liabilities and makes discretionary payments towards its CERBT account. With the new CEPPT program, SRTA could prefund its pension liability, avoiding an unmanageable debt, and continue its responsible approach towards protecting future retirement benefits.

Funds held in trust allow for investment flexibility and risk diversification. Trust fund investments can be used to stabilize rates, or when revenues are impaired based on economic or other conditions. The CEPPT Program has two diversified strategic asset allocations with low and moderate risk levels that are expected to have a net rate of investment return of four and five percent.

The Fiscal Committee has reviewed this item and concurs with the staff recommendation.

**ALTERNATIVES:**

The board of directors may choose to not open a CEPPT account. SRTA would need to pay pension liabilities as they occur, which may accrue a high unfunded liability.

**FISCAL IMPACT:**

SRTA's projected unfunded accrued liability for fiscal year 2021/22 is $13,803 and $14,300 for fiscal year 2022/23. Contributions to the CEPPT account, from both a funding and timing perspective, are controlled by SRTA. Funds can be reimbursed back to SRTA, up to the amount contributed in that fiscal year. The CEPPT offers low investment management fees with an annual fee of 0.25% of assets. These costs can be recouped by SRTA through the indirect cost allocation plan.

Dan Little

**Daniel S. Little, AICP, Executive Director**

**Attachment:** Resolution 20-11 to delegate authority to executive director

# RESOLUTION

| | |
|---|---|
| **RESOLUTION NUMBER:** | **20-11** |
| **SUBJECT:** | **Delegate Authority to the Executive Director and the Chief Fiscal Officer to Administer the Agency's California Employers' Pension Prefunding Trust Account** |

**WHEREAS,** the Shasta Regional Transportation Agency ("SRTA") is a public agency that provides a defined benefit pension plan to their employees to prefund the Agency's pension contributions; and

**WHEREAS,** the California State Legislature passed Senate Bill 1413 (SB 1413) which created the California Employers' Pension Prefunding Trust in September of 2018; and

**WHEREAS,** SRTA is a contracting agency of the California Public Employees' Retirement System ("CalPERS"); and

**WHEREAS,** SRTA voluntarily elects to participate in the CalPERS California Employers' Pension Prefunding Trust; and

**WHEREAS,** CalPERS requires that a contracting agency delegates authority to perform all actions necessary to request, on behalf of the agency, disbursements from the trust and to certify as to the purpose for which the disbursed funds will be used;

**NOW, THEREFORE, BE IT RESOLVED** that the Shasta Regional Transportation Agency:

1. Delegates authority to the executive director and the chief fiscal officer to perform any actions necessary for the administration of the Pension Prefunding Trust; and
2. Delegates authority to the executive director and the chief fiscal officer to request disbursements from the Pension Prefunding Trust.

**PASSED AND ADOPTED** this 20th day of October 2020, by the Shasta Regional Transportation Agency.

________________________________

**Leonard Moty, Chair**
Shasta Regional Transportation Agency