

STAFF REPORT

SUBJECT: Establish Guidelines for the California Employers' Pension prefunding trust account with CalPERS

FROM: Tamara Edwards, Director of Finance

DATE: September 28, 2021

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**Action Requested**

Staff requests that the Finance and Administration Committee recommend that the Board of Directors Approve Resolution 31-2021 establishing guidelines for the Section 115 Pension Trust.

**Background**

At the September Board meeting the Board elected to establish a California Employers' Pension Prefunding Trust (CEPPT) account with CalPERS. In the motion for this item staff was given direction to establish policy guidelines in regard to managing these funds, specifically when to withdraw funds from the trust.

**Discussion**

LAVTA staff has reviewed the policies of other agencies and tailored them to LAVTA's circumstances. With these established guidelines funds would only be withdrawn when the agency needed the funds to cover expenses when other revenues were not available, when the agencies reserve fund balance goes below the established threshold and when the funds would better serve the agency by being used to pay off specific pension liabilities. The guidelines also allow the withdrawal of funds from one investment strategy to be reinvested in the other strategy should that be deemed advantageous and will not negatively impact the principal balance.

**Recommendation**

Staff recommends that the Finance and Administration Committee recommend that the Board approve Resolution 31-2021 establishing guidelines for the Section 115 Pension Trust Fund.

Attachments:

1. Resolution 31-2021
2. Section 115 Pension Trust Fund – Policy Guidelines

**RESOLUTION NO. 31-2021**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
ADOPTING A POLICY TO ESTABLISH GUIDELINES FOR THE SECTION 115  
PENSION TRUST**

**WHEREAS**, at the September 13, 2021 Board of Director's meeting the Board elected to establish a Section 115 Pension Trust through the California Employers Pension Prefunding Trust (CEPPT); and

**WHEREAS**, LAVTA desires to have a policy establishing guidelines for the funds in the trust; and

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Livermore Amador Valley Transit Authority that the Section 115 Trust Fund Policy Guidelines be adopted.

**PASSED AND ADOPTED** this 4<sup>th</sup> day of October 2021.

BY \_\_\_\_\_  
Karla Brown, Chair

ATTEST \_\_\_\_\_  
Michael Tree, Executive Director

## **Section 115 Pension Trust Fund – Policy Guidelines**

### Policy Objectives:

1. Maintain a balance in the Section 115 Pension Trust Fund (Trust Fund) such that there are available monies to help the Authority make pension contributions when necessary. To help achieve that objective, the Authority may withdraw from the Trust Fund under the following conditions:
  - a. The Authority has a structural deficit that needs to be addressed (i.e. expenditures exceed revenues).
  - b. The Authority's reserves have been used and need to be replenished in order to maintain a reserve equal to 3-6 months of Operating expenses.
  - c. Paying off specific pension liabilities that will result in interest savings greater than interest earnings on the Trust Fund.
2. Increase the Authority's annual investment earnings while preserving the principal. To achieve this objective, the Authority's Trust Fund – may withdraw funds from one funding strategy to reinvest in the other strategy if it is deemed advantageous to do so without negatively impacting the principal balance.