



**TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS OVERSIGHT
COMMITTEE AGENDA
DECEMBER 01, 2020
110 EAST MAIN STREET
LOS GATOS, CA**

*Marcia Jensen, Mayor
Barbara Spector, Vice Mayor
Rob Rennie, Council Member
Marico Sayoc, Council Member
Vacant, Council Member*

PARTICIPATION IN THE PUBLIC PROCESS

How to participate: The Town of Los Gatos strongly encourages your active participation in the public process, which is the cornerstone of democracy. If you wish to speak to an item on the agenda, please follow the participation instructions on page 2 of this agenda. If you wish to speak to an item NOT on the agenda, you may do so during the “Verbal Communications” period, by following the participation instructions on page 2 of this agenda. The time allocated to speakers may change to better facilitate the Town Council meeting.

Effective Proceedings: The purpose of the Town Council meeting is to conduct the business of the community in an effective and efficient manner. For the benefit of the community, the Town of Los Gatos asks that you follow the Town’s meeting guidelines while attending Town Council meetings and treat everyone with respect and dignity. This is done by following meeting guidelines set forth in State law and in the Town Code. Disruptive conduct is not tolerated, including but not limited to: addressing the Town Council without first being recognized; interrupting speakers, Town Council or Town staff; continuing to speak after the allotted time has expired; failing to relinquish the podium when directed to do so; and repetitiously addressing the same subject.

Deadlines for Public Comment and Presentations are as follows:

- Persons wishing to make an audio/visual presentation on any agenda item must submit the presentation electronically, either in person or via email, to the Clerk’s Office no later than 3:00 p.m. on the day of the Council meeting.
- Persons wishing to submit written comments to be included in the materials provided to Town Council must provide the comments as follows:
 - For inclusion in the regular packet: by 11:00 a.m. the Thursday before the Council meeting
 - For inclusion in any Addendum: by 11:00 a.m. the Monday before the Council meeting
 - For inclusion in any Desk Item: by 11:00 a.m. on the day of the Council Meeting

***Town Council Meetings Broadcast Live on KCAT, Channel 15 (on Comcast) on the 1st and 3rd Tuesdays at 7:00 p.m.
Rebroadcast of Town Council Meetings on the 2nd and 4th Mondays at 7:00 p.m.
Live & Archived Council Meetings can be viewed by going to:
www.LosGatosCA.gov/TownYouTube***

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT THE CLERK DEPARTMENT AT (408) 354-6834. NOTIFICATION 48 HOURS BEFORE THE MEETING WILL ENABLE THE TOWN TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING [28 CFR §35.102-35.104]

**TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS OVERSIGHT COMMITTEE
DECEMBER 1, 2020
6:15 P.M.**

**IMPORTANT NOTICE REGARDING THE DECEMBER 1, 2020
TOWN PENSION AND OPEB TRUSTS OVERSIGHT COMMITTEE MEETING**

This meeting is being conducted utilizing teleconferencing and electronic means consistent with State of California Executive Order N-29- 20 dated March 17, 2020, regarding the COVID- 19 pandemic. The live stream of the meeting may be viewed on television and/or online at www.losgatosca.gov/AgendasAndVideos. **In accordance with Executive Order N-29- 20, the public may only view the meeting on television and/or online and not in the Council Chamber.**

PARTICIPATION

If you are not interested in providing oral comments in real-time during the meeting, you can view the live stream of the meeting on television (Comcast Channel 15) and/or online at www.LosGatosCA.gov/TownYouTube.

If you are interested in providing oral comments real-time during the meeting, you must join the Zoom webinar:

- Join from a PC, Mac, iPad, iPhone or Android device: click this link <https://us02web.zoom.us/j/81773488081?pwd=QzUxOVQ1K1g0NS82NVA0bGJhL0NlZz09>. Password: 999905. You can also type in 81773488081 in the “Join a Meeting” page on the Zoom website at <https://zoom.us/join>.
- Join by telephone: (636) 651-0008 US Toll or (877) 336-1839 US Toll-free. Conference code: 969184

During the meeting:

- When the Chair announces the item for which you wish to speak, click the “raise hand” feature in Zoom. If you are participating by phone on the Zoom app, press *9 on your telephone keypad to raise your hand. If you are participating by calling in, press #2 on your telephone keypad to raise your hand.
- When called to speak, please limit your comments to three (3) minutes, or such other time as the Chair may decide, consistent with the time limit for speakers at a Council meeting.

If you are unable to participate in real-time, you may email to PublicComment@losgatosca.gov with the subject line “Public Comment Item #__” (insert the item number relevant to your comment) or “Verbal Communications – Non Agenda Item.” Comments will be reviewed and distributed before the meeting if received by 4:15 p.m. on the day of the meeting. All comments received will become part of the record. The Mayor has the option to modify this action on items based on comments received.

MEETING CALLED TO ORDER

ROLL CALL

CONSENT ITEMS *(Items appearing on the Consent Items are considered routine and may be approved by one motion. Any member of the Committee or public may request to have an item removed from the Consent Items for comment and action. A member of the public may request to pull an item from Consent by following the Participation Instructions contained on Page 2 of this agenda. If an item is pulled, the Mayor has the sole discretion to determine when the item will be heard. Unless there are separate discussions and/or actions requested by Committee, staff, or a member of the public, it is requested that items under the Consent Items be acted on simultaneously.)*

1. Approve the August 4, 2020 Town Pension and OPEB Trusts Oversight Committee Minutes.

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Town Council on any matter that is not listed on the agenda consistent with the Participation Instructions contained on Page 2 of this agenda. To ensure all agenda items are heard and unless additional time is authorized by the Mayor, this portion of the agenda is limited to 30 minutes and no more than three (3) minutes per speaker. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment.)*

OTHER BUSINESS *(Up to three minutes may be allotted to each speaker on any of the following items by following the participation instructions on page 2 of this agenda.)*

2. Receive Market Value Summary Quarterly Reports for the Period Ending June 30, 2020, the Period Ending September 30, 2020, and the September 30, 2020, Performance Report for the California Employers' Retiree Benefit Trust (CERBT).
3. Receive Monthly Performance and Account Summary Reports for the Town of Los Gatos IRS Section 115 Pension Trust for the Period Ending September 30, 2020.

ADJOURNMENT

Writings related to an item on the Town Council meeting agenda distributed to members of the Council within 72 hours of the meeting are available for public inspection at the front desk of the Los Gatos Town Library, located at 100 Villa Avenue, and are also available for review on the official Town of Los Gatos website. Copies of desk items distributed to members of the Council at the meeting are available for review in the Town Council Chambers

Note: The Town of Los Gatos has adopted the provisions of Code of Civil Procedure §1094.6; litigation challenging a decision of the Town Council must be brought within 90 days after the decision is announced unless a shorter time is required by State or Federal law.



**TOWN OF LOS GATOS
PENSION AND OPEB TRUST
OVERSIGHT COMMITTEE
REPORT**

MEETING DATE: 12/01/2020

ITEM NO: 1

**DRAFT
Minutes of the Pension and OPEB Trust Oversight Committee Meeting
August 4, 2020**

The Pension and OPEB Trust Oversight Committee of the Town of Los Gatos conducted a regular meeting via Teleconference, due to COVID-19 Shelter in Place guidelines on Tuesday, August 4, 2020, at 6:00 p.m.

MEETING CALLED TO ORDER AT 6:04 P.M.

ROLL CALL

Present: Mayor Marcia Jensen, Vice Mayor Barbara Spector, Council Member Rob Rennie, Council Member Marico Sayoc.

Absent: None

CONSENT ITEMS (TO BE ACTED UPON BY A SINGLE MOTION)

1. Approve the Minutes of the April 21, 2020, Town Pension and OPEB Trusts Oversight Committee Meeting.
2. Receive Final Account Summary Reports for the Town of Los Gatos PARS IRS Section 115 Pension Trust for the Periods Ending November 30, 2019 through June 30, 2020.
3. Receive Market Value Summary Quarterly Reports for the Period Ending December 31, 2019, the Period Ending March 31, 2020, and the June 30, 2020, Performance Report for the California Employers' Retiree Benefit Trust (CERBT).

MOTION: Motion by Council Member Sayoc to approve the Consent Items. Seconded by Council Member Rennie.

VOTE: Motion passed unanimously.

VERBAL COMMUNICATIONS

No one spoke.

OTHER BUSINESS

4. Review and Approve the Town of Los Gatos Retiree Healthcare Plan June 30, 2019 Actuarial Valuation and its Assumptions as Prepared and Recommended by Bartel Associates, LLC.

PAGE 2 OF 3

SUBJECT: Draft Minutes of the August 4, 2020 Pension and OPEB Trust Oversight
Committee Meeting

DATE: November 18, 2020

Arn Andrews, Assistant Town Manager, introduced the item and Joe D’Onofrio of Bartel Associates. Mr. D’Onofrio provided a presentation to the Committee of plan participant information, actuarial valuation assumptions, contribution recommendations, and other actuarial valuation findings from the Town of Los Gatos Retiree Healthcare Plan June 30, 2019 Actuarial Valuation.

Opened Public Comment.

No one spoke.

Closed Public Comment.

The Committee discussed the matter.

MOTION: Motion by Council Member Sayoc to approve the Actuarial Valuation and assumptions. **Seconded by Council Member Rennie.**

VOTE: Motion passed unanimously.

5. Consider Finance Committee Recommendation Regarding a Methodology for Additional Discretionary Payments to CalPERS.

Arn Andrews, Assistant Town Manager, introduced the item and shared input provided from the Finance Committee.

Opened Public Comment.

Mr. Rick Tinsley provided comments regarding the timing of prior Additional Discretionary Payments.

Closed Public Comment.

The Committee discussed the matter.

MOTION: Motion by Council Member Rennie to accept the recommendation of the Finance Committee to invest ADPs directly with CalPERS in a timely manner typically near the beginning of the Fiscal Year. Friendly amendment by the Mayor to ensure that any additional monies identified outside of the budget cycle would not be disbursed

PAGE 3 OF 3

SUBJECT: Draft Minutes of the August 4, 2020 Pension and OPEB Trust Oversight
Committee Meeting

DATE: November 18, 2020

without prior knowledge of the Finance Committee and Pension/OPEB Oversight
Committee. **Seconded by Vice Mayor Spector.**

VOTE: Motion passed unanimously.

ADJOURNMENT

The meeting adjourned at 6:56 p.m.

Respectfully Submitted:

Arn Andrews, Assistant Town Manager



TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS
OVERSIGHT COMMITTEE REPORT

MEETING DATE: 12/01/2020

ITEM NO: 2

DATE: November 18, 2020
TO: Town Pension and OPEB Trusts Oversight Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Market Value Summary Quarterly Reports for the Period Ending June 30, 2020, the Period Ending September 30, 2020, and the September 30, 2020, Performance Report for the California Employers' Retiree Benefit Trust (CERBT).

RECOMMENDATION:

Receive Market Value Summary Quarterly Reports for the Period Ending June 30, 2020, the Period Ending September 30, 2020, and the September 30, 2020, Performance Report for the California Employers' Retiree Benefit Trust (CERBT).

BACKGROUND:

In 2009, the Council approved participating in the California Employer's Retiree Benefit Trust Fund. The CERBT Fund is an IRS Section 115 trust fund dedicated to the prefunding of other post-employment benefits ("OPEB"). The CERBT Strategy 1 is the single investment vehicle for the Town's OPEB Plan ("OPEB Plan").

DISCUSSION:

As of September 30, 2020, the CERBT Strategy 1 fund returned -2.27% net of fees for the month and 5.48% net of fees fiscal year to date. The ending account balance as of June 30, 2020 was \$20,124,350.96 and \$21,227,600.10 as of September 30, 2020.

Attachments:

1. CERBT 115 Trust Account Summaries as of June 30, 2020 and September 30, 2020
2. CERBT 115 Trust Strategy 1 Performance Report as of September 30, 2020

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager, Town Attorney, and Finance Director



Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$16,673,731.03	\$18,379,772.40
Contribution	1,100,000.00	1,100,000.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	2,354,446.89	660,409.69
Administrative Expenses	(2,210.63)	(9,144.82)
Investment Expense	(1,616.33)	(6,686.31)
Other	0.00	0.00
Ending Balance	\$20,124,350.96	\$20,124,350.96
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$20,124,350.96	\$20,124,350.96

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	1,090,918.002	1,090,918.002
Unit Purchases from Contributions	63,287.290	63,287.290
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	1,154,205.292	1,154,205.292
Period Beginning Unit Value	15.284129	16.847987
Period Ending Unit Value	17.435677	17.435677

Please note the Grand Total is your actual fund account balance at the end of the period, including all contributions per GASB 74 paragraph 22 and accrued disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 06/30/2020

Town of Los Gatos

Entity #: SKB0-4589482285



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
06/25/2020	Contribution	\$1,100,000.00	\$17.381057	63,287.290	WIRE 2020062500300 140	

Client Contact:
CERBT4U@CalPERS.ca.gov



Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$20,124,350.96	\$20,124,350.96
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	1,107,759.31	1,107,759.31
Administrative Expenses	(2,605.30)	(2,605.30)
Investment Expense	(1,904.87)	(1,904.87)
Other	0.00	0.00
Ending Balance	\$21,227,600.10	\$21,227,600.10
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$21,227,600.10	\$21,227,600.10

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	1,154,205.292	1,154,205.292
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	1,154,205.292	1,154,205.292
Period Beginning Unit Value	17.435677	17.435677
Period Ending Unit Value	18.391529	18.391529

Please note the Grand Total is your actual fund account balance at the end of the period, including all contributions per GASB 74 paragraph 22 and accrued disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 09/30/2020

Town of Los Gatos

Entity #: SKB0-4589482285



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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Client Contact:
CERBT4U@CalPERS.ca.gov



September 30, 2020

Objective

The CERBT Strategy 1 portfolio seeks to provide capital appreciation and income consistent with its strategic asset allocation. There is no guarantee that the portfolio will achieve its investment objective.

Strategy

The CERBT Strategy 1 portfolio is invested in various asset classes. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CERBT Strategy 2 and Strategy 3, this portfolio has a higher allocation to equities than bonds and other assets. Historically, equities have displayed greater price volatility and, therefore, this portfolio may experience greater fluctuation of value. Employers that seek higher investment returns, and are able to accept greater risk and tolerate more fluctuation in returns, may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes in composition as well as targeted allocation percentages and ranges at any time.

Assets Under Management

As of the specified reporting month-end:

CERBT Strategy 1	Annual Operating Ratio
\$10,292,511,983	0.10%

Composition

Asset Class Allocations and Benchmarks

The CERBT Strategy 1 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Target Allocation ¹	Target Range	Benchmark
Global Equity	59%	± 5%	MSCI All Country World Index IMI (net)
Fixed Income	25%	± 5%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg Barclays US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	8%	± 5%	FTSE EPRA/NAREIT Developed Index (net)
Commodities	3%	± 3%	S&P GSCI Total Return Index
Cash	-	+ 2%	91 Day Treasury Bill

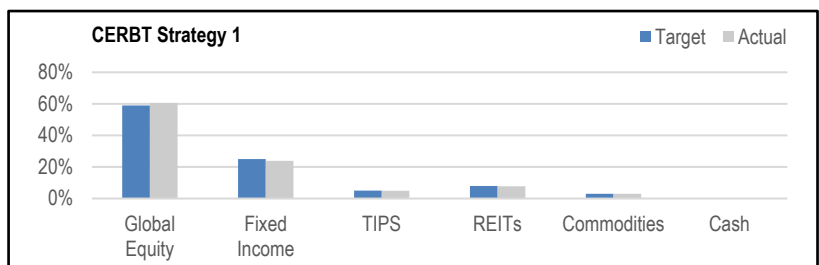
¹ Allocations were approved by the Board at the May 2018 Investment Committee meeting.

Portfolio Benchmark

The CERBT Strategy 1 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may temporarily deviate from the target allocation to a particular asset class based on market, economic, or other considerations.



CERBT Strategy 1 Performance as of September 30, 2020

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (June 1, 2007)
Gross Return ^{1,3}	-2.26%	5.51%	5.51%	7.91%	6.50%	8.27%	7.60%	5.15%
Net Return ^{2,3}	-2.27%	5.48%	5.48%	7.82%	6.41%	8.18%	7.50%	5.07%
Benchmark Returns	-2.27%	5.46%	5.46%	7.51%	6.19%	7.85%	7.29%	4.71%
Standard Deviation ⁴	-	-	-	-	11.87%	10.12%	9.80%	12.79%

Performance quoted represents past performance, which is no guarantee of future results that may be achieved by the fund.

Returns for periods greater than one year are annualized.

Gross performance figures are provided net of SSGA operating expenses.

Net performance figures deduct all expenses to the fund, including investment management, administrative and recordkeeping fees.

Standard Deviation is based on gross returns.



September 30, 2020

General Information

Information Accessibility

The CERBT Strategy 1 portfolio consists of assets managed internally by CalPERS and/or by external advisors. Since it is not a mutual fund, a prospectus is not available and daily holdings are not published. CalPERS provides a quarterly statement of the employer's account and other information about the CERBT. For total market value, detailed asset allocation, investment policy and current performance information, please visit our website at: www.calpers.ca.gov.

Portfolio Manager Information

The CalPERS Board, through its Investment Committee, directs the CERBT investment strategy based on policies approved by the Board of Administration. State Street Global Advisors (SSGA) manages all underlying investments for CERBT, which includes: Global Equity, Fixed Income, Real Estate Investment Trusts, Treasury Inflation-Protected Securities, and Commodities.¹

Custodian and Record Keeper

State Street Bank serves as custodian for the CERBT. Northeast Retirement Services serves as recordkeeper.

Expenses

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater the reduction of investment return. Currently, CERBT expenses are 0.10% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSGA to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

What Employers Own

Each employer invested in CERBT Strategy 1 owns units of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Price

The value of the portfolio changes daily based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

Principal Risks of the Portfolio

The CalPERS CERBT Fund provides California government employers with a trust through which they may prefund retiree medical costs and other post-employment benefits (OPEB). CERBT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives or provide sufficient funding to meet employer obligations. Further, CalPERS will not make up the difference between an employer's CERBT assets and the actual cost of OPEB provided to an employer's plan members.

An investment in the portfolio is not a bank deposit, nor is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CERBT Principal Investment Risks" located at www.calpers.ca.gov.

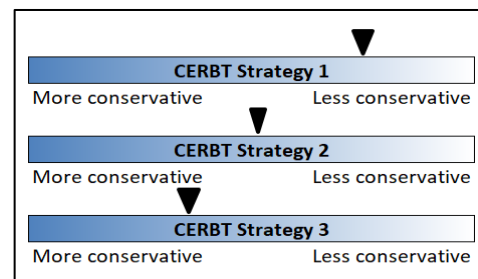
Fund Performance

Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit www.calpers.ca.gov and follow the links to California Employers' Retiree Benefit Trust.

CERBT Strategy Risk Levels

CalPERS offers employers the choice of one of three investment strategies. Projected risk levels among strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations ¹	Strategy 1	Strategy 2	Strategy 3
Global Equity	59%	40%	22%
Fixed Income	25%	43%	49%
Treasury Inflation-Protected Securities	5%	5%	16%
Real Estate Investment Trusts	8%	8%	8%
Commodities	3%	4%	5%



¹SSGA has passively managed all CERBT asset classes. Previously Fixed Income, TIPS and Commodity asset classes were managed internally by CalPERS.



TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS
OVERSIGHT COMMITTEE REPORT

MEETING DATE: 12/01/2020

ITEM NO: 3

DATE: November 18, 2020
TO: Town Pension and OPEB Trusts Oversight Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Monthly Performance and Account Summary Reports for the Town of Los Gatos IRS Section 115 Pension Trust for the Period Ending September 30, 2020.

RECOMMENDATION:

Receive Monthly Performance (Attachment 1) and Account Summary (Attachment 2) Reports for the Town of Los Gatos IRS Section 115 Pension Trust for the Period Ending September 30, 2020.

BACKGROUND:

On November 5, 2019, the Town Council voted to utilize the CalPERS California Employers' Pension Prefunding Trust (CEPPT) Program as the Town's IRS Section 115 Pension Trust.

DISCUSSION:

As of September 30, 2020, the CEPPT Strategy 2 fund returned -0.75% net of fees for the month and 1.92% net of fees fiscal year to date. The ending account balance as of September 30, 2020 was \$682,844.62. The initial account balance is the result of approximately \$300,000 in remaining PARS assets after Additional Discretionary Payments (ADPs) to CalPERS and deposit of the annual General Fund Policy addition of \$390,000. Per previous Oversight Committee direction, the current account balance will be presented to the Finance and Pension/OPEB Committees for further direction.

Attachments:

1. CEPPT 115 Pension Trust Fund Performance Summary as of September 30, 2020
2. CEPPT 115 Pension Trust Account Summary as of September 30, 2020

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager, Town Attorney, and Finance Director

CEPPT Strategy 2



September 30, 2020

Objective

The CEPPT Strategy 2 portfolio seeks to provide capital appreciation and income consistent with its strategic asset allocation. There is no guarantee that the portfolio will achieve its investment objective.

Strategy

The CEPPT Strategy 2 portfolio is invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CEPPT Strategy 1, this portfolio has a lower allocation to equities and a higher allocation to bonds.

Historically, funds with a lower percentage of equities have displayed less price volatility and, therefore, this portfolio may experience comparatively less fluctuation of value. Employers that seek greater stability of value, in exchange for possible lower investment returns, may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes or composition as well as targeted allocation percentages and ranges at any time.

Assets Under Management

As of the specified reporting month-end:

CEPPT Strategy 2	Annual Expense Ratio
2,587,364	0.25%

Composition

Asset Class Allocations and Benchmarks

The CEPPT Strategy 2 portfolio consists of the following asset classes and corresponding benchmarks:

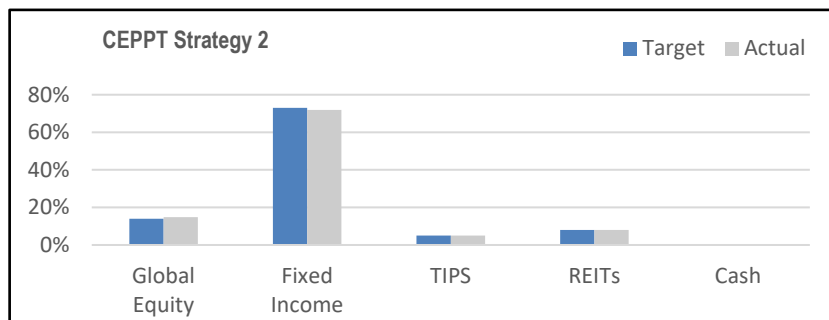
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	14%	± 5%	MSCI All Country World Index IMI (net)
Fixed Income	73%	± 5%	Bloomberg Barclays U.S. Aggregate Bond Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg Barclays U.S. TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	8%	± 5%	FTSE EPRA/NAREIT Developed Index (net)
Cash	-	+ 2%	91 Day Treasury Bill

Portfolio Benchmark

The CEPPT Strategy 2 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may temporarily deviate from the target allocation for a particular asset class based on market, economic, or other considerations.



CEPPT Strategy 2 Performance as of September 30, 2020

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception (January 1, 2020)
Gross Return ^{1,3}	-0.73%	1.98%	1.98%	-	-	-	-	4.75%
Net Return ^{2,3}	-0.75%	1.92%	1.92%	-	-	-	-	4.57%
Benchmark returns	-0.78%	1.91%	1.91%	-	-	-	-	4.66%
Standard Deviation ⁴	-	-	-	-	-	-	-	-

Performance quoted represents past performance, which is no guarantee of future results that may be achieved by the fund.

Returns for periods greater than one year are annualized.

Gross performance figures are provided net of SSGA operating expenses.

Net performance figures deduct all expenses to the fund, including investment management, administrative and recordkeeping fees.

Standard deviation is based on gross returns.

CEPPT Strategy 2



September 30, 2020

General Information

Information Accessibility

The CEPPT Strategy 2 portfolio consists of assets managed internally by CalPERS and/or by external managers. Since it is not a mutual fund, a prospectus is not available and daily holdings are not published. CalPERS provides a quarterly statement of the employer's account and other information about the CEPPT. For total market value, detailed asset allocation, investment policy and performance information, please visit our website at www.calpers.ca.gov.

Portfolio Manager Information

The CalPERS Board, through its Investment Committee, directs the CEPPT investment strategy based on policies approved by the Board of Administration. State Street Global Advisors (SSGA) manages all underlying investments for CEPPT, which includes: Global Equity, Fixed Income, Real Estate Investment Trusts, and Treasury Inflation-Protected Securities.

Custodian and Record Keeper

State Street Bank serves as custodian for the CEPPT. Northeast Retirement Services serves as recordkeeper.

Expenses

CEPPT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater reduction of investment return. Currently, CEPPT expense ratios are 0.25%. This equates to \$2.50 per \$1,000 invested. The expenses consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSGA to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

What Employers Own

Each employer invested in CEPPT Strategy 2 owns units of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Price

The value of the portfolio changes daily based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

Principal Risks of the Portfolio

The CEPPT fund is a trust fund dedicated to prefunding employer contributions to defined benefit pension plans for eligible state and local agencies. CEPPT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives or provide sufficient funding to meet employer obligations.

An investment in the portfolio is not a bank deposit, nor is it insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CEPPT Principal Investment Risks" located at www.calpers.ca.gov.

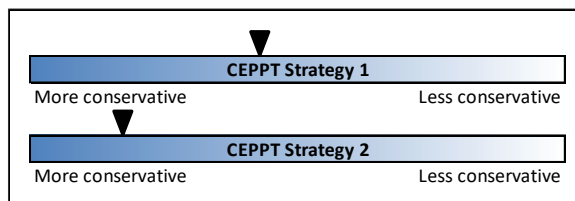
Fund Performance

Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit www.calpers.ca.gov and follow the links to California Employers' Pension Prefunding Trust.

CEPPT Strategy Risk Levels

CalPERS offers employers the choice of one of two investment strategies. Projected risk levels among risk strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations	Strategy 1	Strategy 2
Global Equity	40%	14%
Fixed Income	47%	73%
Treasury-Inflation Protected Securities	5%	5%
Real Estate Investment Trusts	8%	8%





Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$669,978.13	\$669,978.13
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	13,260.74	13,260.74
Administrative Expenses	(260.04)	(260.04)
Investment Expense	(134.21)	(134.21)
Other	0.00	0.00
Ending Balance	\$682,844.62	\$682,844.62
FY End Contribution Accrual	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$682,844.62	\$682,844.62

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	64,895.742	64,895.742
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	64,895.742	64,895.742
Period Beginning Unit Value	10.323915	10.323915
Period Ending Unit Value	10.522179	10.522179

Please note the Grand Total is your actual fund account balance at the end of the period, including accrued contribution and disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CEPPT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 09/30/2020

Town of Los Gatos

Entity #: SKHE-4589482285-501P



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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Client Contact:
CEPPT4U@CalPERS.ca.gov