



**TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS OVERSIGHT
COMMITTEE AGENDA
APRIL 21, 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 complete a “speaker’s card” located on the back of the chamber benches and return it to the Town Clerk. If you wish to speak to an item NOT on the agenda, you may do so during the “Verbal Communications” period. 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/Councilvideos***

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 AGENDA
APRIL 21, 2020
6:00 PM**

**IMPORTANT NOTICE REGARDING APRIL 21, 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 <https://meetings.municode.com/PublishPage/index?cid=LOSGATOS&ppid=4bc370fb-3064-458e-a11a-78e0c0e5d161&p=0>. **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.**

Submission of Public Comments in addition to the Town’s typical practice described on prior page: For those wishing to make public comments at the Council meeting, please submit your comments by email to be read aloud at the meeting using a time limit set by the Mayor consistent with Council Policy. **Email comments must be submitted to the Town Clerk at PublicComment@losgatosca.gov for all agenda items by 5:45 p.m. the day of the meeting.** This includes requests to pull an item from the Consent Calendar or to make a comment under Verbal Communications. All email comments shall be subject to the same rules as would otherwise govern speaker comments at the Council meeting. Electronic comments may only be submitted via email and comments via text and social media (Facebook, Twitter, etc.) are not accepted.

Consideration of Public Comments: All email comments submitted after 11 a.m. and before 5:45 p.m. on the day of the meeting shall be provided to the Council for its consideration, included in the record of the Council meeting, read at the meeting, and placed on the screen for viewing during the broadcast. The reading of each comment shall not exceed three (3) minutes, or such other time as the Mayor may decide, consistent with the time limit for speakers at a Council meeting.

REMOTE LOCATION PARTICIPANTS

VICE MAYOR BARBARA SPECTOR, COUNCIL MEMBER ROB RENNIE, COUNCIL MEMBER MARICO SAYOC. All votes during the teleconferencing session will be conducted by roll call vote.

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 sending an email with the reason(s) for the request to PublicComment@losgatosca.gov by 5:45 p.m. on the day of the meeting. If an item is pulled, the Chair has the sole discretion to determine when the item will be heard. Unless there are separate discussions and/or actions requested by the Committee, staff, or a member of the public, it is requested that items under the Consent Items be acted on simultaneously.*)

1. Approve the Minutes of the March 3, 2020 Pension and OPEB Trust Oversight Committee Meeting.

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 "submission of public comments" guidance 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 comment. In the event additional comments 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.*)

2. Provide Modified Direction to Staff Not to Make a Payment to CalPERS Prior to May 1, 2020 Given the CalPERS Methodology Explained in this Report and Instead, Direct Staff to Make a Payment After July 1, 2020 to Receive a Unique Market Exposure for the Additional Amortization Base Payment.

ADJOURNMENT

Writings related to an item on the meeting agenda distributed to members of the Committee within 72 hours of the meeting are available for public inspection on the official Town of Los Gatos website.

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: 04/21/2020

ITEM NO: 1

**DRAFT
Minutes of the Pension and OPEB Trust Oversight Committee Meeting
March 3, 2020**

The Pension and OPEB Trust Oversight Committee of the Town of Los Gatos conducted a regular Meeting on Tuesday, March 3, 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 Town Pension and OPEB Trusts Oversight Committee Meeting Minutes of December 3, 2019.

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

VOTE: Motion passed unanimously.

VERBAL COMMUNICATIONS

No one spoke.

OTHER BUSINESS

2. Adopt the Recommendation of the Council Finance Committee to Invest Additional Discretionary Payment Assets in the California Employers' Pension Prefunding Trust (CEPPT) Strategy 2 and Provide Direction on an Asset Transfer Methodology.

Arn Andrews, Assistant Town Manager, presented the staff report and suggested an additional recommendation.

Opened Public Comment.

PAGE 2 OF 2

SUBJECT: Draft Minutes of the March 3, 2020 Pension and OPEB Trust Oversight
Committee Meeting

DATE: April 13, 2020

Other Business Item #2 – continued

Terry Duryea

- Commented on the two recommendations made by the Council Finance Committee and suggested adding the following provision: *“The intended use of the CEPPT Strategy 2 is a temporary stop before transferring funds to CalPERS or another preferred fund, and no funds should be held in the CEPPT for more than one year.”*

Closed Public Comment.

Council discussed the matter.

MOTION: Motion by Council Member Sayoc to adopt the recommendation of the Council Finance Committee to invest additional discretionary payment (ADP) assets in the California Employers’ Pension Prefunding Trust (CEPPT) Strategy 2, implement the strategy outlined on page 4 of the staff report to move \$3.6M in April and the remaining in July, and move future assets from monthly to quarterly. **AMENDED:** to remove the movement of future allocations from the motion. **Seconded by Mayor Marcia Jensen.**

VOTE: Motion passed 3/1. Council Member Rennie voting no.

MOTION: Motion by Council Member Sayoc that the methodology for future allocations be referred to the Finance Committee for its recommendation and guidance. **Seconded by Vice Mayor Spector.**

VOTE: Motion passed unanimously.

ADJOURNMENT

The meeting adjourned at 6:39 p.m.

Respectfully Submitted:

Shelley Neis, Town Clerk



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

MEETING DATE: 04/21/2020

ITEM NO: 2

DATE: April 13, 2020
TO: Town Pension and OPEB Trusts Oversight Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Provide Modified Direction to Staff Not to Make a Payment to CalPERS Prior to May 1, 2020 Given the CalPERS Methodology Explained in this Report and Instead, Direct Staff to Make a Payment After July 1, 2020 to Receive a Unique Market Exposure for the Additional Amortization Base Payment

RECOMMENDATION:

Provide modified direction to staff not to make a payment to CalPERS prior to May 1, 2020 given the CalPERS methodology explained in this report and instead, direct staff to make a payment after July 1, 2020 to receive a unique market exposure for the additional amortization base payment.

BACKGROUND:

On September 3, 2019, the Town Pension and OPEB Trusts Oversight Committee (Pension/OPEB Committee) directed staff to utilize the funds held in the existing PARS IRS 115 pension account to make payments directly to CalPERS toward existing long-term amortization bases. Per the Pension/OPEB Committee direction, the first additional discretionary payment (ADP) of \$4,753,965 for the 2016 gain/loss amortization base was transferred to CalPERS from PARS on October 11, 2019. Under the same direction, the remaining PARS account balance in conjunction with committed Pension/OPEB fund balance was to be used for an ADP to pay the 2015 gain/loss amortization base of approximately \$3,660,342 prior to September 2020.

On March 3, 2020, the Pension/OPEB Committee reexamined the previous guidance on the timing for making the second direct payment towards the 2015 gain/loss amortization base. At the meeting the Pension/OPEB Committee received additional input from the Town Finance Committee regarding the adoption of some form of automatic payment methodology for monies identified, and reserved, for ADP's.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

BACKGROUND (continued):

In order to help facilitate the discussion staff provided the following table.

	April 2020	July 2020	October 2020	January 2021
Quarterly Payment Methodology	\$1,050,000	\$1,050,000	\$1,050,000	\$1,050,000
Prior Implementation Guidance (on or before September 30, 2020)	\$3,660,342	\$539,658		
Example based on \$4.2 million in reserve per the Mid-year budget report				

At the conclusion of the discussion, and with the concurrence of staff, the Pension/OPEB Committee voted three to one to make the second amortization base payoff in full and prior to the closing of the CalPERS actuarial reporting period on May 1, 2020. In addition, the Pension/OPEB Committee referred the development of a future ADP payment methodology back to the Finance Committee.

DISCUSSION:

After extensive recent discussions with CalPERS representatives, staff has determined that any additional discretionary payments provided to CalPERS in the current fiscal year will not be treated as an additional unique market exposure. Staff’s prior concurrence to make an additional payment in the April timeframe was predicated on the understanding that additional monies would receive market exposure based on the value of the CalPERS portfolio at time of payment. Instead CalPERS has further explained that in practice the methodology attributes a prorated proportional share of whatever the investment returns are for FY 2019/20 to additional payments.

This methodology could create a scenario where if the CalPERS portfolio were to perform better after payment of an additional amortization base but remain below the expected rate of return for the year, the Town’s ADP would be allocated a proportionate investment loss as opposed to an investment gain since deposit.

CONCLUSION:

Based on the CalPERS methodology of proportioning a prorated amount of any Investment gain/loss to an additional payment of amortization bases, staff no longer recommends payment prior to May 1, 2020. Given the CalPERS methodology, staff recommends making payment

PAGE 3 OF 3

SUBJECT: Modified Recommendation for Payment of CalPERS Amortization Base

DATE: April 14, 2020

CONCLUSION (continued):

after July 1, 2020 in order to receive a unique market exposure for the additional amortization base payment.

It should also be noted, that this methodology may determine that any additional payments to CalPERS should only occur once per fiscal year. Based on previous guidance from the Pension/OPEB Committee, the Finance Committee is scheduled to review and recommend an ADP methodology for future ADPs.

COORDINATION:

This staff report was coordinated with the Town Manager and Director of Finance.

FISCAL IMPACT:

The funds to make the additional discretionary payment were previously budgeted resulting in no fiscal impact.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.



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

MEETING DATE: 04/21/2020

ITEM NO: 2
ADDENDUM

DATE: April 20, 2020
TO: Town Pension and OPEB Trusts Oversight Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Provide Modified Direction to Staff Not to Make a Payment to CalPERS Prior to May 1, 2020 Given the CalPERS Methodology Explained in this Report and Instead, Direct Staff to Make a Payment After July 1, 2020 to Receive a Unique Market Exposure for the Additional Amortization Base Payment

REMARKS:

Attachment 1 contains public comment received 11:01 a.m. April 17, 2020 to 11:00 a.m. April 20, 2020.

Attachment received with Addendum:

1. Public Comment received 11:01 a.m. April 17, 2020 to 11:00 a.m. April 20, 2020.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

From: jvannada

Date: Monday, April 20, 2020 at 10:32 AM

To: Laurel Prevetti <LPrevetti@losgatosca.gov>, Arn Andrews <aandrews@losgatosca.gov>, Stephen Conway <sconway@losgatosca.gov>, Robert Schultz <RSchultz@losgatosca.gov>

Subject: TOWN PENSION AND OPEB TRUSTS OVERSIGHT COMMITTEE MEETING 4-21-20 -

TOWN PENSION AND OPEB TRUSTS OVERSIGHT COMMITTEE MEETING 4-21-20
ITEM 2

Dear Councilmember,

The Staff memo does not discuss the impact on CalPERS calculation of the mandatory UAL payment for FY 2021, should the \$3.66M payment be delayed until July 1, 2020. This was one of the major reasons to make the payment by the end of April 2020. Based on our discussions with David Clement from CalPERS last year, we believe May 1 is the cut-off date for CalPERS to include any ADP into the FY 2021 mandatory UAL computations.

By making the \$3.66M payment now, the Town will pay off the entire June 30, 2015 loss base. If this does not happen, CalPERS will include approximately \$280,000 in the FY 21 mandatory UAL payment since the loss base will still be outstanding at June 30, 2020. That mandatory payment will have to come from the town's General Fund during FY 2021. And to make matters even worse, we believe without a quick and major economic turnaround, the next fiscal year is going to be very difficult for the Town. We project sales and TOT tax revenues will be materially down as a result of Covid 19. There is an opportunity to get "budget" relief from CalPERS to the tune of \$280,000 if we make the payment by April 30th.

Why would we choose to delay the payment until July 1? The staff and FC agreed that it is nearly impossible to "time" the investment. Who can possibly predict how the market will react between now and July 1? And even if the scenario discussed by the Staff were to occur, what would be the amount of the "proportionate investment loss" and how will that impact the amount of the unfunded pension liability as of June 30, 2020? Wouldn't the unfunded pension liability as of June 30, 2020 be lower, regardless of the market performance between now and June 30, by making the payment now as opposed to waiting until the next fiscal year?

To take a quote from the 3/3/20 OPEB meeting, "Staff anticipated paying the second amortization base off approximately six months after the first payment which would be in the April timeframe. In addition, a payment prior to May 1, 2020 would be acknowledged by CalPERS in development of the next actuarial valuation".

We're not clear as to what has changed since that 3/3/20 meeting to risk \$280,000. Therefore, we highly recommend paying the \$3,660,342 before By April 30, 2020.

Save the \$280,000 cost to our town.

Phil Koen
Jak VanNada
Los Gatos Community Alliance