

AGENDA ITEM 1 I
Consent Item

MEMORANDUM

DATE: June 3, 2021

TO: El Dorado County Transit Authority

FROM: Julie Petersen, Finance Manager

SUBJECT: Consider participation in California Employers' Pension Prefund Trust (CEPPT) fund

REQUESTED ACTION:

BY MOTION,

- 1. Approve participation in California Employers' Pension Prefund Trust (CEPPT) fund**
- 2. Adopt Resolution No. 21-15 authorizing the Executive Director, Board Chair and Board Vice-Chair to execute all documents necessary for the participation in the CEPPT**
- 3. Authorize the initial contribution amount of \$200,000**

BACKGROUND

In September of 2018, the California State Legislature passed Senate Bill 1413 (SB 1413) which created the California Employers' Pension Prefunding Trust (CEPPT). The CEPPT is a special irrevocable trust fund, in the California State Treasury, that allows State and local public agencies that provide a defined benefit pension plan to their employees to prefund their pension contributions. A defined benefit plan is prefunded when it is a trust fund for the purpose of investing employer payments toward future required pension contributions. Required pension contributions include any pension liabilities, ongoing payroll contributions and administrative costs.

DISCUSSION

Under SB 1413, CalPERS has implemented a new CEPPT trust fund that allows public employers to prefund their future pension costs. The new program provides the state and public agencies an additional investment vehicle to accumulate assets over time to help manage long-term costs. Establishing a CEPPT trust fund provides an opportunity for El Dorado County Transit Authority (El Dorado Transit) to address its pension costs and liabilities.

Some of the benefits of the CalPERS CEPPT Trust:

- Assets in the trust can be used to manage growing pension liabilities, including future normal costs and UAL payments.

- Contributions to the Trust, from both a funding and timing perspective, are controlled by El Dorado Transit and are voluntary.
- Promotes fiscal responsibility and accountability for El Dorado Transit to deal with long term pension liabilities and costs.
- El Dorado Transit can select an asset allocation strategy that matches its tolerance for risk, given the investment time horizon.
- Assets held in trust allow for greater investment flexibility and risk diversification compared to El Dorado Transit's general investments.
- Assets can be used to stabilize rates – to offset unexpected contribution rate increases or be used as a rainy-day fund when revenues are impaired based on economic or other conditions.
- The Trust is used to reimburse El Dorado Transit for CalPERS contributions or for making direct payments to CalPERS.
- Provides effective cost management, low administrative fees, investment management, GASB compliant financial reporting, streamlined transfers, and an established working relationship with CalPERS.

FISCAL IMPACT

With the requested action, staff recommends El Dorado Transit participate in the California Employers' Pension Prefund Trust (CEPPT) fund with an initial contribution amount of \$200,000 in FY 2021/22.

The financial position of El Dorado Transit will be reviewed each year in the fourth quarter to advise the Board if funding is available and warranted for additional contributions on an annual basis.

**EL DORADO COUNTY TRANSIT AUTHORITY
RESOLUTION NO. 21-15**

RESOLUTION OF THE BOARD OF DIRECTORS OF THE EL DORADO COUNTY
TRANSIT AUTHORITY AUTHORIZING PARTICIPATION IN THE CALIFORNIA PUBLIC
EMPLOYEES' RETIREMENT SYSTEM, CALIFORNIA EMPLOYERS' PENSION
REFUNDING TRUST

WHEREAS, the El Dorado County Transit Authority (El Dorado Transit) was established as a Joint Powers Agreement (JPA) to provide transit services on the Western Slope of El Dorado County; and

WHEREAS, in 1994 El Dorado Transit adopted resolution 94-10 establishing participation in the California Public Employees' Retirement System (CalPERS); and

WHEREAS, in 2019, CalPERS opened for participation the California Employers' Pension Prefund Trust (CEPPT) fund. It is a Section 115 Employer Pension Contribution prefunding trust that allows state and local public agencies that participate in defined benefit public pension system to voluntarily prefund employer contributions; and

WHEREAS, El Dorado Transit has deemed it to be in the financial interest to open a CEPPT to pre-fund the pension un-funded liability and Future Normal Cost associated with required pension contributions; and

NOW THEREFORE, BE IT RESOLVED, that the El Dorado Transit hereby approves and directs staff to join the California Employers' Pension Prefund Trust; and

NOW THEREFORE, BE IT RESOLVED, that the El Dorado County Transit Authority hereby authorizes the Executive Director and the Board Chair to execute required documentation for participation in the in the California Employers' Pension Prefund Trust;

NOW THEREFORE, BE IT RESOLVED, that the El Dorado County Transit Authority delegates authority to request disbursements to the Executive Director, Chair and Vice-Chair; and

NOW THEREFORE, BE IT RESOLVED, that the El Dorado Transit hereby approves and directs staff to pre-fund the trust with \$200,000; and

PASSED AND ADOPTED BY THE GOVERNING BOARD OF THE EL DORADO COUNTY TRANSIT AUTHORITY at a regular meeting of said Board held on the 3rd day of June 2021 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Kara Taylor, Chairperson

ATTEST:

Megan Wilcher, Secretary to the Board