



**SPECIAL BOARD MEETING AGENDA  
TRABUCO CANYON WATER DISTRICT  
32003 DOVE CANYON DRIVE, TRABUCO CANYON, CALIFORNIA  
VIDEO/AUDIO BROADCAST MEETING  
MONDAY, MAY 24, 2021 AT 6:00 PM**

---

**NOTICE OF SPECIAL BOARD MEETING | BUDGET WORKSHOP**

*NOTICE IS HEREBY GIVEN PURSUANT TO GOVERNMENT CODE SECTION 54956 THAT A SPECIAL BOARD MEETING OF THE BOARD OF DIRECTORS OF THE TRABUCO CANYON WATER DISTRICT WILL BE HELD ON MONDAY, MAY 24, 2021, AT 6:00 P.M. BY VIDEO BROADCAST AND WILL BE AVAILABLE BY EITHER VIDEO CONFERENCE OR TELEPHONE AUDIO.*

---

**BOARD OF DIRECTORS**

Don Chadd, President  
Stephen Dopudja, Vice President  
Glenn Acosta, Director  
Edward Mandich, Director  
Michael Safranski, Director

**DISTRICT STAFF**

Fernando Paludi, General Manager  
Michael Perea, District Secretary  
Cindy Byerrum, District Treasurer  
Atkinson, Andelson, Loya, Ruud & Romo  
District General Legal Counsel

---

**AGENDA NOTE:**

*Due to the spread of COVID-19 and as authorized by the Governor's Executive Order, Trabuco Canyon Water District will be holding this Regular Board Meeting by video broadcast (**Zoom**), and will be available by either video conference or telephone audio as follows:*

**Video Conferencing:** *You can join the meeting from your computer, tablet, or smartphone by clicking on the following link: <https://zoom.us/j/99733643220>*

**Telephone Audio:** [1 669 900 6833](tel:16699006833) (Toll Free)  
**Access Code:** 997 3364 3220

*Persons desiring to monitor the Board meeting agenda items may download the Board meeting agenda and documents on the internet at [www.tcwd.ca.gov](http://www.tcwd.ca.gov).*

*You may submit public comments by email to the Board at [mperea@tcwd.ca.gov](mailto:mperea@tcwd.ca.gov). In order to be part of the record, emailed comments on meeting agenda items must be received by the District, at the referenced e-mail address, not later than 6:00 p.m. (PDT) on the day of the meeting.*

**CALL MEETING TO ORDER**

**PLEDGE OF ALLEGIANCE**

**VISITOR PARTICIPATION**

*Members of the public wishing to address the Board regarding a particular item on the agenda are requested to submit public comments by email to the Board at [mperea@tcwd.ca.gov](mailto:mperea@tcwd.ca.gov). The Board President will call on the visitor following the Board's discussion about the matter. Members of the public will be given the opportunity to speak prior to the Board taking action on that item. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.*

**TRABUCO CANYON WATER DISTRICT  
SPECIAL BOARD MEETING AGENDA | MAY 24, 2021**

**ORAL COMMUNICATION**

Members of the public who wish to make comment on matters not appearing on the agenda are requested to submit oral communication by email to the Board at [mperea@tcwd.ca.gov](mailto:mperea@tcwd.ca.gov). Under the requirements of State Law, Directors cannot take action on items not identified on the agenda and will not make decisions on such matters. The Board President may direct District Staff to follow up on issues as may be deemed appropriate. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.

**DIRECTORS' COMMENTS AND MEETING REPORTS**

**REPORT FROM THE GENERAL MANAGER**

**ACTION CALENDAR**

All matters under the Action Calendar have been reviewed by the General Manager and Staff prior to the Board's consideration.

**ADMINISTRATIVE MATTERS**

**ITEM 1: TRABUCO CANYON WATER DISTRICT FISCAL YEAR 2021/2022 BUDGET WORKSHOP**

**RECOMMENDED ACTION(S):**

Receive information and presentation at the time of the meeting and facility tour and take action(s) as deemed appropriate.

**ITEM 2: DISCUSSION AND POSSIBLE ACTION CONCERNING ESTABLISHING A SECTION 115 PENSION TRUST AND FUNDING POLICY**

**RECOMMENDED ACTION(S):**

That the Board of Directors:

- 1) Approve the California Employers' Pension Prefunding Trust Program Agreement with CalPERS.
- 2) Approve the Delegation of Authority, appointing the General Manager and Assistant General manager, to administer and request disbursements from the California Employer's Pension Prefunding Trust.
- 3) Approve the California Employers' Pension Prefunding Trust (CEPPT) Certification of Funding Policy.
- 4) Approve an initial funding investment of \$50,000 to develop the CEPPT account and evaluate future contributions in during the budget development process.
- 5) Approve an ADP in \$226,423 in FY 21/22 for the Classic plan to allow for a "Soft Fresh Start" to the 10-year amortization schedule to pay off the Classic plan's UAL.
- 6) Approve an ADP of \$12,978 in FY 21/22 for the PEPRA plan to entirely pay off the PEPRA plan's UAL.

**END ACTION CALENDAR & ADJOURNMENT**



**TRABUCO CANYON WATER DISTRICT  
SPECIAL BOARD MEETING AGENDA | MAY 24, 2021**

**AVAILABILITY OF AGENDA MATERIALS**

*Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Trabuco Canyon Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the Trabuco Canyon Water District Administrative Facility, 32003 Dove Canyon Drive, Trabuco Canyon, California (District Administrative Facility) or will be posted online on the District's website located at [www.tcwd.ca.gov](http://www.tcwd.ca.gov). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available online at [www.tcwd.ca.gov](http://www.tcwd.ca.gov) at the same time as they are distributed to the Board Members, except that, if such writings are distributed immediately prior to or during the meeting, they will be posted online on the District's website located at [www.tcwd.ca.gov](http://www.tcwd.ca.gov).*

**COMPLIANCE WITH THE REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE SECTION 54954.2**

*In compliance with California law and the Americans with Disabilities Act, if you need special disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, or if you need the agenda provided in an alternative format, please contact the District Secretary at (949) 858-0277, at least 48 hours in advance of the scheduled Board meeting. Notification at least 48 hours prior to the meeting will assist the District in making reasonable arrangements to accommodate your request. The Board Meeting Room is wheelchair accessible.*

**June 16, 2021 | July 21, 2021 | August 18, 2021**

*The District may conduct future meetings electronically (via teleconferencing) during the current ongoing emergency situation.*



**TRABUCO CANYON WATER DISTRICT  
SPECIAL BOARD MEETING | MAY 24, 2021**

**FINANCIAL MATTERS**

**ITEM 1: TRABUCO CANYON WATER DISTRICT FISCAL YEAR 2021/2022 BUDGET WORKSHOP**

---

Staff will present the draft FY 2021-22 operating and capital budgets for review and input from the Board of Directors. The final proposed budget will be reviewed by the Finance and Audit Committee on June 9 for recommendation to the full Board at the Regular Board Meeting on June 16.

**RECOMMENDED ACTION(S):**

*Receive information and presentation at the time of the meeting and facility tour and take action(s) as deemed appropriate.*

**FUNDING SOURCE:**

General Fund

**FISCAL IMPACT:**

The draft FY 2021-22 Budget is subject to review by the Board.

**ENVIRONMENTAL COMPLIANCE:**

Not applicable.

**EXHIBITS:**

Each Director will be provided a “budget binder” with relevant materials prior to the meeting.

**CONTACTS (staff responsible): PALUDI/PEREA/WARNER/LAUSTEN**

**TRABUCO CANYON WATER DISTRICT  
SPECIAL BOARD MEETING | MAY 24, 2021**

**FINANCIAL MATTERS**

**ITEM 2: DISCUSSION AND POSSIBLE ACTION CONCERNING ESTABLISHING A SECTION 115 PENSION TRUST AND FUNDING POLICY**

---

**Section 115 Trust Background**

The Internal Revenue Service has determined that trusts established for the exclusive purpose of funding public agencies' employee benefit obligations are entitled to certain tax benefits, particularly exemption from income tax. These trusts (referred to as "Section 115 trusts") were historically used for funding other post-employment benefits (OPEB) obligations, but since 2015 have become popular vehicles to fund retirement benefit obligations, particularly in response to increased CalPERS required contributions.

Since 2013, Trabuco Canyon Water District (District) has participated in the CalPERS CERBT (California Employer's Retiree Benefit Trust or "OPEB Trust") in which the District has achieved significant investment gains. Since 2013, the District has taken advantage of and has been a leader funding its OPEB Unfunded Actuarial Liability (UAL) from 0% funded in 2013 to 82.28% funded as of the 6/30/19 valuation. This was an excellent long-term approach, potentially saving the District millions of dollars for its ratepayers.

Currently, the District's primary option for reducing the CalPERS pension UAL is to commit additional discretionary funds (ADPs) to CalPERS. By establishing a Section 115 California Employers' Pension Prefunding Trust (CEPPT) for pension liabilities, the District can reserve funds to help the District absorb future pension cost volatility generated from either market performance fluctuations or changes in actuarial assumptions. And like the OPEB trust, the CEPPT receives pre-funding contributions from employers and invests those assets into public market securities.

A combination of ADPs and setting up a Section 115 Pension Trust is an effective way to manage past and future pension liabilities.

- 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 the District and are voluntary.
- Promotes fiscal responsibility and accountability for the District to deal with long term pension liabilities and costs.
- The District 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 the District'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.
- Potentially, favorable bond ratings if the District ever needed to take on any debt that requires a credit rating
- The District has the flexibility to access trust assets any time if used to pay employer pension costs.
- The Trust is used to reimburse the District 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.

**TRABUCO CANYON WATER DISTRICT  
SPECIAL BOARD MEETING | MAY 24, 2021**

**Trust Funding Options**

The District has a CalPERS Classic member Unfunded Accrued Liability (UAL) of \$3.4 million (June 30, 2019). The UAL is calculated as the District’s total pension obligation for current employees, less the amount of District assets invested in the CalPERS risk pool. The District pension obligation is currently 74.1% funded. The District has the following options to reduce the CalPERS pension Unfunded Accrued Liability (UAL):

- Option 1: In order to fund the UAL, CalPERS is amortizing the \$3.4 million liability over the next 24 years, with payments increasing until the year 2031 and decreasing thereafter. Like outstanding debt, the UAL incurs a 7% cost of interest and will take 24 years to pay off under the minimum required funding plan. The \$3.4M UAL will cost the District an estimated \$2.7M in interest over the 24-year period.
- Option 2: The District has the option to commit to shortening the amortization period to 15 years, with payments of \$368,223 each year, saving the District \$696,025 in interest. The District also has the option to shorten that amortization period to 10 years, with payments of \$477,498 each year, saving the District \$1,444,393 in interest. These two options are called a “Hard Fresh Start”. While these options offer significant savings, they are irrevocable once made, which could strain future cash flow if the required minimum payments are not feasible.
- Option 3: The District can send ADPs to CalPERS. It is a widely used practice to use a combination of ADPs and Pension Trust funding to reduce the District’s UAL. The District could make an ADP each year of the difference between the 10-year amortization schedule and the current 24-year schedule, for a projected savings of \$1.4 million in interest over the 10 years. This is a call a “Soft Fresh Start” since the District is not committed to the ADP in the event its financial situation doesn’t allow for it. **See Appendix A.**

Estimated savings with the 10-year amortization schedule is \$1,444,393. Estimated savings with the 15-year amortization schedule is \$696,025. An ADP to bring the District in line with the 10-year amortization would require an additional \$226,423 in ADPs to CalPERS:

<b>CalPERS Classic</b>		<b>Year 1 FY 21/22</b>
<b>Normal</b>		\$ 259,713
<b>Prepayment Discount</b>	<b>-3.3%</b>	\$ 251,074
<b>10 Year Amortization (Total Contribution)</b>		\$ 477,497
<b>Additional Discretionary Payment (ADP)</b>		<b>\$ 226,423</b>

**FUNDING SOURCE:**

General Fund

**FISCAL IMPACT:**

Additional contributions to CalPERS of \$226,423 and the CEPPT of \$50,000 to be split among the Water, Wastewater, Recycled and Reclaimed funds based on their proportionate payroll costs.

**ENVIRONMENTAL COMPLIANCE:**

Not applicable.

**TRABUCO CANYON WATER DISTRICT  
SPECIAL BOARD MEETING | MAY 24, 2021**

**RECOMMENDED ACTION(S):**

*That the Board of Directors:*

- 1) *Approve the California Employers' Pension Prefunding Trust Program Agreement with CalPERS.*
- 2) *Approve the Delegation of Authority, appointing the General Manager and Assistant General manager, to administer and request disbursements from the California Employer's Pension Prefunding Trust.*
- 3) *Approve the California Employers' Pension Prefunding Trust (CEPPT) Certification of Funding Policy.*
- 4) *Approve an initial funding investment of \$50,000 to develop the CEPPT account and evaluate future contributions in during the budget development process.*
- 5) *Approve an ADP in \$226,423 in FY 21/22 for the Classic plan to allow for a "Soft Fresh Start" to the 10-year amortization schedule to pay off the Classic plan's UAL.*
- 6) *Approve an ADP of \$12,978 in FY 21/22 for the PEPR plan to entirely pay off the PEPR plan's UAL.*

**EXHIBITS:**

1. CEPPT Agreement with CalPERS
2. CEPPT Delegation of Authority to Request Disbursements
3. CalPERS Certification of Funding Policy
4. Appendix A - CalPERS Actuarial Valuation, June 30, 2019

**CONTACTS (staff responsible): PALUDI/BYERRUM**

**CALIFORNIA EMPLOYERS' PENSION PREFUNDING TRUST PROGRAM**

**AGREEMENT AND ELECTION  
OF**

---

(NAME OF EMPLOYER)

**to Prefund Employer Contributions to a Defined Benefit  
Pension Plan**

WHEREAS (1) Government Code (GC) Section 21711(a) establishes in the State Treasury the California Employers' Pension Prefunding Trust Fund (CEPPT), a special trust fund for the purpose of allowing eligible employers to prefund their required pension contributions to a defined benefit pension plan (each an Employer Pension Plan) by receiving and holding in the CEPPT amounts that are intended to be contributed to an Employer Pension Plan at a later date; and

WHEREAS (2) GC Section 21711(b) provides that the California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control of the administration and investment of the CEPPT, the purposes of which include, but are not limited to (i) receiving contributions from participating employers; (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds; and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the CEPPT and to deposit employer contributions into Employer Pension Plans in accordance with their terms; and

WHEREAS (3) \_\_\_\_\_  
(NAME OF EMPLOYER)

(Employer) desires to participate in the CEPPT upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the CEPPT upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Employer Contributions to a Defined Benefit Pension Plan (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The CEPPT is a trust fund that is intended to perform an essential governmental function (that is, the investment of funds by a State, political subdivision or 115 entity) within the meaning of Internal Revenue Code (Code) Section 115 and Internal Revenue Service Revenue Ruling 77-261, and as an Investment Trust Fund, as defined in Governmental Accounting Standards Board (GASB) Statement No. 84, Paragraph 16, for accounting and financial reporting of fiduciary activities from the



external portion of investment pools and individual investment accounts that are held in a trust that meets the criteria in Paragraph 11c(1).

WHEREAS (6) The CEPPT is not a Code Section 401(a) qualified trust and the assets held in the CEPPT are not assets of any Employer Pension Plan or any plan qualified under Code Section 401(a).

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Employer Representation and Warranty

Employer hereby represents and warrants that it is the State of California or a political subdivision thereof, or an entity whose income is excluded from gross income under Code Section 115(1).

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the CEPPT by adopting this Agreement and filing with the Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to: CalPERS  
CEPPT  
P.O. Box 1494  
Sacramento, CA 95812-1494

Filing in person, deliver to: CalPERS Mailroom  
CEPPT  
400 Q Street  
Sacramento, CA 95811

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement. Employer shall provide the Board such other documents as the Board may request, including, but not limited to a certified copy of the resolution(s) of the governing body of Employer authorizing the adoption of the Agreement and documentation naming Employer's successor entity in the event that Employer ceases to exist prior to termination of this Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both the Board and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the CEPPT, to carry out the purposes of this Agreement, and to maintain the tax-exempt status of the CEPPT. Employer agrees to follow such procedures and processes.

#### C. Employer Reports Provided for the Board's Use in Trust Administration and Financial Reporting and Employer Contributions

(1) Employer shall provide to the Board a defined benefit pension plan cost report on the basis of the actuarial assumptions and methods prescribed by Actuarial Standards of Practice (ASOP) or prescribed by GASB. Such report shall be for the Board's use in trust administration and financial reporting and shall be prepared at least as often as the minimum frequency required by applicable GASB Standards. This defined benefit pension plan cost report may be prepared as an actuarial valuation report or as a GASB compliant financial report. Such report shall be:

- 1) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;
- 2) prepared in accordance with ASOP or with GASB; and
- 3) provided to the Board prior to the Board's acceptance of contributions for the reporting period or as otherwise required by the Board.

(2) In the event that the Board determines, in its sole discretion, that Employer's cost report is not suitable for the Board's purposes and use or if Employer fails to provide a required report, the Board may obtain, at Employer's expense, a report that meets the Board's trust administration and financial reporting needs. At the Board's option, the Board may recover the costs of obtaining the report either by billing and collecting such amount from Employer or through a deduction from Employer's Prefunding Account (as defined in Paragraph D(2) below).

(3) Employer shall notify the Board in writing of the amount and timing of contributions to the CEPPT, which contributions shall be made in the manner established by the Board and in accordance with the terms of this Agreement and any procedures adopted by the Board.

(4) The Board may limit Employer's contributions to the CEPPT to the amount necessary to fully fund the actuarial present value of total projected benefit payments not otherwise prefunded through the applicable Employer Pension Plan (Unfunded PVFB), as set forth in Employer's cost report for the applicable period. If Employer's contribution would cause the assets in Employer's Prefunding Account to exceed the Unfunded PVFB, the Board may refuse to accept the contribution. If Employer's cost report for the applicable period does not set forth the Unfunded PVFB, the Board may

refuse to accept a contribution from Employer if the contribution would cause the assets in Employer's Prefunding Account to exceed Employer's total pension liability, as set forth in Employer's cost report.

(5) No contributions are required. Contributions can be made at any time following the effective date of this Agreement if Employer has first complied with the requirements of this Agreement, including Paragraph C.

(6) Employer acknowledges and agrees that assets held in the CEPPT are not assets of any Employer Pension Plan or any plan qualified under Code Section 401(a), and will not become assets of such a plan unless and until such time as they are distributed from the CEPPT and deposited into an Employer Pension Plan.

#### D. Administration of Accounts; Investments; Allocation of Income

(1) The Board has established the CEPPT as a trust fund consisting of an aggregation of separate single-employer accounts, with pooled administrative and investment functions.

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the CEPPT (Employer's Prefunding Account). Assets in Employer's Prefunding Account will be held for the exclusive purpose of funding Employer's contributions to its Employer Pension Plan(s) and defraying the administrative expenses of the CEPPT.

(3) The assets in Employer's Prefunding Account may be aggregated with the assets of other participating employers and may be co-invested by the Board in any asset classes appropriate for a Code Section 115 trust, subject to any additional requirements set forth in applicable law, including, but not limited to, subdivision (d) of GC Section 21711. Employer shall select between available investment strategies in accordance with applicable Board procedures.

(4) The Board may deduct the costs of administration of the CEPPT from the investment income of the CEPPT or from Employer's Prefunding Account in a manner determined by the Board.

(5) Investment income earned shall be allocated among participating employers and posted to Employer's Prefunding Account daily Monday through Friday, except on holidays, when the allocation will be posted the following business day.

(6) If, at the Board's sole discretion and in compliance with accounting and legal requirements applicable to an Investment Trust Fund and to a Code Section 115 compliant trust, the Board determines to its satisfaction that all obligations to pay defined benefit pension plan benefits in accordance with the applicable Employer Pension Plan terms have been satisfied by payment or by defeasance with no remaining risk regarding the amounts to be paid or the value of assets held in the

CEPPT, then the residual Employer assets held in Employer's Prefunding Account may be returned to Employer.

#### E. Reports and Statements

- (1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.
- (2) The Board, at its discretion but at least annually, shall prepare and provide a statement of Employer's Prefunding Account reflecting the balance in Employer's Prefunding Account, contributions made during the period covered by the statement, investment income allocated during such period, and such other information as the Board may determine.

#### F. Disbursements

- (1) Employer may receive disbursements from the CEPPT not to exceed, on an annual basis, the amount of the total annual Employer contributions to Employer's Pension Plan for such year.
- (2) Employer shall notify the Board in writing in the manner specified by the Board of the persons authorized to request disbursements from the CEPPT on behalf of Employer.
- (3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board, and the Board may rely conclusively upon such writing. The Board may, but is not required to, require that Employer certify or otherwise demonstrate that amounts disbursed from Employer's Prefunding Account will be used solely for the purposes of the CEPPT. However, in no event shall the Board have any responsibility regarding the application of distributions from Employer's Prefunding Account.
- (4) No disbursement shall be made from the CEPPT which exceeds the balance in Employer's Prefunding Account.
- (5) Requests for disbursements that satisfy the above requirements will be processed on at least a monthly basis.
- (6) The Board shall not be liable for amounts disbursed in error if it has acted upon the written instruction of an individual authorized by Employer to request disbursements, and is under no duty to make any investigation or inquiry about the correctness of such instruction. In the event of any other erroneous disbursement, the extent of the Board's liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

## G. Costs of Administration

Employer shall pay its share of the costs of administration of the CEPPT, as determined by the Board and in accordance with Paragraph D.

## H. Termination of Employer's Participation in the CEPPT

(1) The Board may terminate Employer's participation in the CEPPT if:

- (a) Employer's governing body gives written notice to the Board of its election to terminate; or
- (b) The Board determines, in its sole discretion, that Employer has failed to satisfy the terms and conditions of applicable law, this Agreement or the Board's rules, regulations or procedures.

(2) If Employer's participation in the CEPPT terminates for either of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the CEPPT, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D, and Employer shall remain subject to the terms of this Agreement with respect to such assets.

(3) After Employer's participation in the CEPPT terminates, Employer may not make further contributions to the CEPPT.

(4) After Employer's participation in the CEPPT terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After Employer's participation in the CEPPT terminates, the governing body of Employer may request either:

- (a) A trustee to trustee transfer of the assets in Employer's Prefunding Account to a trust dedicated to prefunding Employer's required pension contributions; provided that the Board shall have no obligation to make such transfer unless the Board determines that the transfer will satisfy applicable requirements of the Code, other law and accounting standards, and the Board's fiduciary duties. If the Board determines that the transfer will satisfy these requirements, the Board shall then have one hundred fifty (150) days from the date of such determination to effect the transfer. The amount to be transferred shall be the amount in Employer's Prefunding Account as of the date of the transfer (the "transfer date") and shall include investment earnings up to an investment earnings allocation date preceding the transfer date. In no event shall the investment earnings allocation date precede the transfer date by more than 150 days.

- (b) A disbursement of the assets in Employer's Prefunding Account; provided that the Board shall have no obligation to make such disbursement unless the Board determines that, in compliance with the Code, other law and accounting standards, and the Board's fiduciary duties, all of Employer's obligations for payment of defined benefit pension plan benefits and reasonable administrative costs of the Board have been satisfied. If the Board determines that the disbursement will satisfy these requirements, the Board shall then have one hundred fifty (150) days from the date of such determination to effect the disbursement. The amount to be disbursed shall be the amount in Employer's Prefunding Account as of the date of the disbursement (the "disbursement date") and shall include investment earnings up to an investment earnings allocation date preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement date by more than 150 days.

(6) After Employer's participation in the CEPPT terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate. To the extent that assets remain in Employer's Prefunding Account, this Agreement shall remain in full force and effect.

(7) If, for any reason, the Board terminates the CEPPT, the assets in Employer's Prefunding Account shall be paid to Employer to the extent permitted by law and Code Section 115 after retention of (i) an amount sufficient to pay the Unfunded PVFB as set forth in a current defined benefit pension plan(s) cost report prepared in compliance with ASOP and the requirements of Paragraph C(1), and (ii) amounts sufficient to pay reasonable administrative costs of the Board. Amounts retained by the Board to pay the Unfunded PVFB shall be transferred to (i) another Code Section 115 trust dedicated to prefunding Employer's required pension contributions, subject to the Board's determination that such transfer will satisfy applicable requirements of the Code, other law and accounting standards, and the Board's fiduciary duties or (ii) Employer's Pension Plan, subject to acceptance by Employer's Pension Plan.

(8) If Employer ceases to exist but Employer's Prefunding Account continues to exist, and if no provision has been made to the Board's satisfaction by Employer with respect to Employer's Prefunding Account, the Board shall be permitted to identify and appoint a successor to Employer under this Agreement, provided that the Board first determines, in its sole discretion, that there is a reasonable basis upon which to identify and appoint such a successor and provided further that such successor agrees in writing to be bound by the terms of this Agreement. If the Board is unable to identify or appoint a successor as provided in the preceding sentence, then the Board is authorized to appoint a third-party administrator or other successor to act on behalf of Employer under this Agreement and to otherwise carry out the intent of this Agreement with respect to Employer's Prefunding Account. Any and all costs associated with such appointment shall be paid from the assets attributable to Employer's Prefunding Account. At the Board's option, and subject to acceptance by Employer's Pension Plan,

the Board may instead transfer the assets in Employer's Prefunding Account to Employer's Pension Plan and terminate this Agreement.

(9) If the Board determines, in its sole discretion, that Employer has breached the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the CEPPT.

I. Indemnification

Employer shall indemnify, defend, and hold harmless CalPERS, the Board, the CEPPT, and all of the officers, trustees, agents and employees of the foregoing from and against any loss, liability, claims, causes of action, suits, or expense (including reasonable attorneys' fees and defense costs, lien fees, judgments, fines, penalties, expert witness fees, appeals, and claims for damages of any nature whatsoever) not charged to the CEPPT and imposed as a result of, arising out of, related to or in connection with (1) the performance of the Board's duties or responsibilities under this Agreement, except to the extent that such loss, liability, suit or expense results or arises from the Board's own gross negligence, willful misconduct or material breach of this Agreement, or (2) without limiting the scope of Paragraph F(6) of this Agreement, any acts taken or transactions effected in accordance with written directions from Employer or any of its authorized representatives or any failure of the Board to act in the absence of such written directions to the extent the Board is authorized to act only at the direction of Employer.

J. General Provisions

(1) Books and Records

Employer shall keep accurate books and records connected with the performance of this Agreement. Such books and records shall be kept in a secure location at Employer's office(s) and shall be available for inspection and copying by the Board and its representatives.

(2) Notice

(a) Any notice or other written communication pursuant to this Agreement will be deemed effective immediately upon personal delivery, or if mailed, three (3) days after the date of mailing, or if delivered by express mail or e-mail, immediately upon the date of confirmed delivery, to the following:

For the Board:

Filing by mail, send to:  
CalPERS  
CEPPT  
P.O. Box 1494  
Sacramento, CA 95812-1494

Filing in person, deliver to:  
CalPERS Mailroom  
CEPPT  
400 Q Street  
Sacramento, CA 95811

For Employer:

(b) Either party to this Agreement may, from time to time by notice in writing served upon the other, designate a different mailing address to which, or a different person to whom, all such notices thereafter are to be addressed.

### (3) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of this Agreement shall survive the termination of this Agreement.

### (4) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

### (5) Necessary Acts; Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

### (6) Incorporation of Amendments to Applicable Laws and Accounting Standards

Any references to sections of federal or state statutes or regulations or accounting standards shall be deemed to include a reference to any amendments thereof and any successor provisions thereto.



(7) Days

Wherever in this Agreement a set number of days is stated or allowed for a particular event to occur, the days are understood to include all calendar days, including weekends and holidays, unless otherwise stated.

(8) No Third Party Beneficiaries

Except as expressly provided herein, this Agreement is for the sole benefit of the parties hereto and their permitted successors and assignees, and nothing herein, expressed or implied, will give or be construed to give any other person any legal or equitable rights hereunder. Notwithstanding the foregoing, CalPERS, the CEPPT, and all of the officers, trustees, agents and employees of CalPERS, the CEPPT and the Board shall be considered third party beneficiaries of this Agreement with respect to Paragraph I above.

(9) Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

A majority vote of Employer's Governing Body at a public meeting held on the \_\_\_\_\_ day of the month of \_\_\_\_\_ in the year \_\_\_\_\_, authorized entering into this Agreement.

Signature of the Presiding Officer: \_\_\_\_\_

Printed Name of the Presiding Officer: \_\_\_\_\_

Name of Governing Body: \_\_\_\_\_

Name of Employer: \_\_\_\_\_

Date: \_\_\_\_\_

BOARD OF ADMINISTRATION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY \_\_\_\_\_

ARNITA PAIGE  
DIVISION CHIEF, PENSION CONTRACT AND PREFUNDING PROGRAMS  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS
The effective date of this Agreement is: _____



California Public Employees' Retirement System  
 California Employers' Pension Prefunding Trust (CEPPT)  
 400 Q Street, Sacramento, CA 95811  
 www.calpers.ca.gov

## Delegation of Authority to Request Disbursements California Employers' Pension Prefunding Trust (CEPPT)

### RESOLUTION OF THE

\_\_\_\_\_  
 (GOVERNING BODY)

### OF THE

\_\_\_\_\_  
 (NAME OF EMPLOYER)

The \_\_\_\_\_ delegates to the incumbents  
 (GOVERNING BODY)

in the positions of \_\_\_\_\_ and  
 (TITLE)

\_\_\_\_\_, and/or  
 (TITLE)

\_\_\_\_\_ authority to request on behalf of the  
 (TITLE)

Employer disbursements from the Pension Prefunding Trust and to certify as to the purpose for which the disbursed funds will be used.

By \_\_\_\_\_

Title \_\_\_\_\_

Witness \_\_\_\_\_

Date \_\_\_\_\_



California Public Employees' Retirement System  
 California Employers' Pension Prefunding Trust (CEPPT)  
 400 Q Street, Sacramento, CA 95811  
 www.calpers.ca.gov

## California Employers' Pension Prefunding Trust (CEPPT) CERTIFICATION OF FUNDING POLICY

**EMPLOYER NAME:** \_\_\_\_\_

**SECTION I: CEPPT Asset Allocation Strategy Selection**

As the employer, I certify that my agency chooses the following CEPPT asset allocation strategy (select one):

CEPPT Asset Allocation Strategy	10 Year Expected Rate of Return	Expected Volatility (Standard Deviation)
<b>Strategy 1</b>	5.0%	8.2%
<b>Strategy 2</b>	4.0%	5.2%
<b>Concurrent Enrollment</b>	-	-

**SECTION II: Contributions and Reimbursements**

As the employer, I certify that we intend to make CEPPT contributions and request eligible reimbursements in the following manner:

**Contributions:**

We intend to make an initial contribution of \$ \_\_\_\_\_ on or around \_\_\_\_\_.  
(MM/YYYY)

For fiscal year ending June 30, \_\_\_\_\_ we intend to contribute the estimated following amount(s) in:  
(YYYY)

Strategy 1: \$ \_\_\_\_\_ and/or

Strategy 2: \$ \_\_\_\_\_

For fiscal year ending June 30, \_\_\_\_\_ we intend to contribute the estimated following amount(s) in:  
(YYYY)

Strategy 1: \$ \_\_\_\_\_ and/or

Strategy 2: \$ \_\_\_\_\_



California Public Employees' Retirement System  
California Employers' Pension Prefunding Trust (CEPPT)  
400 Q Street, Sacramento, CA 95811  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

---

## California Employers' Pension Prefunding Trust (CEPPT) CERTIFICATION OF FUNDING POLICY

### Reimbursements:

During the two years period identified above, do you intend to seek a reimbursement?

Yes

No

If you answered yes:

For fiscal year ending June 30, \_\_\_\_\_ we intend to seek an approximate reimbursement of \$ \_\_\_\_\_.  
(YYYY)

For fiscal year ending June 30, \_\_\_\_\_ we intend to seek an approximate reimbursement of \$ \_\_\_\_\_.  
(YYYY)

### COMMENTS:

---



California Public Employees' Retirement System  
California Employers' Pension Prefunding Trust  
(CEPPT)  
400 Q Street, Sacramento, CA 95811  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

---

## California Employers' Pension Prefunding Trust (CEPPT) CERTIFICATION OF FUNDING POLICY

We understand we will be asked to provide information to CalPERS as required to facilitate compliance with Governmental Accounting Standards Board (GASB) reporting requirements and we agree to provide this information to CalPERS on a timely basis.

We understand that CEPPT will be reported in aggregate as a fiduciary fund for CalPERS reporting. CEPPT assets will not be reported under GASB 67/68.

We understand that the cash flow information provided in Section II are estimated amounts and is being used for CEPPT asset management purposes. There is no implied commitment to contribute or reimburse.

---

Employer Name

---

Printed Name of Person Signing the Form

---

Title of Person Signing the Form

---

Signature

Date

---

Designated Employer Contact Name

---

Title of Designated Employer Contact

---

Phone #

Email Address



California Public Employees' Retirement System  
California Employers' Pension Prefunding Trust  
(CEPPT)  
400 Q Street, Sacramento, CA 95811  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

---

## California Employers' Pension Prefunding Trust (CEPPT) CERTIFICATION OF FUNDING POLICY

**This page provides instructions to complete each section of the Certification of Pension Funding Policy.**

### **SECTION I: CEPPT Asset Allocation Strategy Selection**

Your CEPPT assets will be invested using the asset allocation strategy checked here. Each strategy has a different assumed 10 year expected rate of return and risk profile.

### **SECTION II: Contributions and Reimbursements**

Here we ask you to indicate how you expect to make contributions to, and seek reimbursement from, the trust. All contributions are voluntary and never required. This section is for informational purpose. There is no implied commitment to contribute or reimburse. Information provided is intended for investment forecast and asset management purposes.

## Amortization Schedule and Alternatives

Date	<u>Current Amortization Schedule</u>		<u>Alternate Schedules</u>			
	Balance	Payment	15 Year Amortization		10 Year Amortization	
			Balance	Payment	Balance	Payment
6/30/2021	3,469,137	259,713	3,469,137	368,223	3,469,137	477,497
6/30/2022	3,443,327	287,501	3,331,084	368,223	3,218,050	477,497
6/30/2023	3,386,966	304,611	3,183,367	368,223	2,949,387	477,497
6/30/2024	3,308,962	322,651	3,025,310	368,223	2,661,917	477,498
6/30/2025	3,206,837	332,449	2,856,189	368,223	2,354,323	477,497
6/30/2026	3,087,429	341,280	2,675,229	368,223	2,025,199	477,497
6/30/2027	2,950,527	350,356	2,481,602	368,223	1,673,036	477,498
6/30/2028	2,794,654	359,680	2,274,421	368,222	1,296,221	477,497
6/30/2029	2,618,224	369,258	2,052,739	368,223	893,030	477,498
6/30/2030	2,419,535	379,100	1,815,538	368,222	461,614	477,497
6/30/2031	2,196,758	389,216	1,561,734	368,223		
6/30/2032	1,947,922	386,836	1,290,163	368,223		
6/30/2033	1,684,130	384,040	999,582	368,223		
6/30/2034	1,404,764	375,391	688,660	368,222		
6/30/2035	1,114,791	359,668	355,974	368,222		
6/30/2036	820,782	191,890				
6/30/2037	679,744	170,913				
6/30/2038	550,531	148,650				
6/30/2039	435,304	131,239				
6/30/2040	330,020	120,001				
6/30/2041	228,992	85,826				
6/30/2042	156,243	79,784				
6/30/2043	84,650	62,560				
6/30/2044	25,863	26,753				
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
6/30/2050						
<b>Total</b>		<b>6,219,366</b>		<b>5,523,341</b>		<b>4,774,973</b>
<b>Interest Paid</b>		<b>2,750,229</b>		<b>2,054,204</b>		<b>1,305,836</b>
<b>Estimated Savings</b>				<b>696,025</b>		<b>1,444,393</b>