



Camarillo City Council

AGENDA REPORT

Date: November 13, 2024

To: Honorable Mayor and City Councilmembers

From: Greg Ramirez, City Manager

Submitted by: Mark Uribe, Finance Director

Subject: Annual Review of Policy 3.16 Pension Rate Stabilization Program (PRSP) Trust Investment

BACKGROUND

The City of Camarillo Pension Rate Stabilization Program (PRSP) Trust Investment Policy was originally adopted on June 13, 2018. Section E of the Policy states that the Policy will be reviewed annually by the Investment Committee and the City Council. The Investment Committee met on October 21, 2024 to review the Policy and recommendation. The committee agreed to forward the Policy to the City Council for approval.

DISCUSSION

Plan Design

The City participates in the CalPERS 2%@55 Public Agency Miscellaneous Employees pension plan. In an effort to address rising pension costs and the unfunded pension liability, City Council directed staff to implement a Pension Rate Stabilization Program (PRSP) Trust. The PRSP Trust will provide a mechanism for accumulating funds that may be used to offset pension costs.

On July 11, 2018, the City Council adopted Resolution No. 2018-76 which created the PARS Public Agencies Post-Employment Benefits Trust (Plan), a combined trust for the purpose of pre-funding both pension (PRSP) obligations and OPEB obligations. The combined trust clearly separates the funds intended for each obligation. IRS Section 115 Trusts may be used by local governments towards pre-funding pension obligations. The monies placed in a PRSP Trust are irrevocable, meaning they cannot be withdrawn to use for any other purpose.

The City Council also selected PARS as the PRSP Plan Administrator, and the Moderate Investment Strategy Guideline was selected for the investment of funds placed within the PRSP trust.

The goal of the PRSP trust, as stated in the Policy, is to attain and maintain a fully funded pension status by Fiscal Year 2036/37. The PRSP Trust Investment Policy outlines

parameters for the investment of funds to maximize return over the long-term horizon, subject to risk and quality constraints set for in the Policy. This differs from the City's Investment Policy primary objectives of safeguarding principal and ensuring liquidity to meet cash flow needs.

Contributions to the Plan are based on an Actuarial Valuation which takes the cost of future pension benefits as calculated by CalPERS and estimates any additional contributions to the Trust necessary to meet the total pension obligation. The results of the most recent Actuarial Valuation indicate that there are no additional contributions necessary in the current fiscal year to meet the Policy goal.

Policy Discussion

Section D of the Policy states that the Investment Manager shall advise staff of any recommended changes to the policy as needed. For the 2024 annual policy review, there are recommended changes for clarification of Investment Manager, Return Objective and Asset Allocation Strategy.

Plan Performance

The balance of the trust has grown from the initial contribution of \$5,000,000 on September 2018, to end June 30, 2024, with \$7,158,156. The Funded Ratio (Actuarial Value of Plan Assets/AAL), at June 30, 2024, was 73.2% based on assets held by CalPERS. When factoring in the PRSP Trust balance, the Funded Ratio is 78.2%.

The anticipated rate of return for the PARS Diversified "Moderate" Portfolio is 6.3% over a 30-year time horizon and is factored into the most recent Actuarial Valuation update. For Fiscal Year 2023/24, the annualized investment return was 11.68%. The annualized investment return since inception is 6.71%.

FISCAL IMPACT

There is no budget impact as a result of this action. The monies held in the Trust will continue to offset the City's Pension Obligation.

RECOMMENDATION

Approve the amendments made to City Council Policy 3.16 Pension Rate Stabilization Program (PRSP) Trust Investment.

ATTACHMENTS

1. Policy 3.16 Pension Rate Stabilization Program (PRSP) Trust Investment (Redline)

REFERENCE MATERIALS – AVAILABLE FOR REVIEW AT CITY HALL

None