



OLYMPIC VALLEY PUBLIC SERVICE DISTRICT BOARD REPORT



SUBJECT: Pension 115 Trust Fund Annual Report and Policy Review

EXHIBIT: F-6, 4 Pages

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MEETING DATE: October 27, 2026

RECOMMENDED ACTION: Staff recommends retaining the Pension 115 Trust Funding Policy as is and requesting a reimbursement of \$30,148.22 and \$32,509.50 from the CEPPT.

DISCUSSION:

GASB 68 overview: The Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions," went into effect for financial reporting periods beginning after June 15, 2014. GASB 68 improves transparency by requiring the recognition of the net pension liability on financial statements, reflecting the difference between the total pension liability and assets set aside in pension plans. This ensures stakeholders have a clearer understanding of the long-term financial health and sustainability of state and local governments.

OVPD's Pension Liability: As of June 2026, the District's Unfunded Accrued Pension Liability (UAL) is \$3,497,741:

- Fire Department: \$2,854,969 (funding status = 84.4%)
- Utility & Admin Department: \$642,772 (funding status = 91.5%)

Required minimum payments made towards UALs

- FY 2024-25: \$322,609
- FY 2025-26: \$423,425
- FY 2026-27: \$504,974

CalPERS projects a payment for FY 2027-28 of \$538,744. This payment is based on investment returns of 11.6% in June 2025. The target for CalPERS is 6.8%.

115 Trust (CEPPT): In June 2022, the District opened a Pension 115 Trust with CalPERS, called a California Employers' Pension Prefunding Trust (CEPPT), and contributed \$250,000 for the Utility/Admin Department and \$100 for the Fire Department. An additional \$200,000 was contributed to the Fire Department trust in June 2023.

The CEPPT is a special irrevocable trust fund that allows State and local public agencies in California that provide a defined benefit pension plan to their employees to pre-fund 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. The CEPPT program receives pre-fund contributions from the District and invests those assets into public market securities. The contributions and the investment returns are held in a trust fund dedicated exclusively to paying pension benefits owed by the District to its employees.

Pension contributions eligible for reimbursement from the CEPPT include normal cost contributions, required minimum unfunded accrued liability (UAL) payments, and additional discretionary payments (ADPs).

Staff conducted an annual review of the Pension 115 Trust Fund and attached the Funding Policy for Board consideration. The Policy mandates annual reviews and specifies actions for contributions or reimbursements when trust fund balances exceed \$250,000.

Trust Fund Performance and Status:

- FY 2026 earnings (net of administration fees)
 - Fire Department: \$30,148.22
 - Utility Department: \$32,509.50
- Trust Fund Balances (as of FY 2026)
 - Fire Department: \$271,080.93. (policy requires action)
 - Utility Trust: \$274,263.92. (policy requires action)

For the Fire Trust, staff recommends:

1. Allocating \$30,148.22 as an additional discretionary payment to the UAL to bring it over an 85% funded level. The payment will come directly from the Trust.

For the Utility Trust, staff recommends:

1. Requesting a reimbursement from the trust of \$32,509.50 to offset earlier UAL payments.

FISCAL/RESOURCE IMPACTS: Keeping roughly \$250,000 invested in the CEPPT will earn approximately \$17,625 in investment earnings over a year. Investment management fees are considered low, with an annual fee of 0.25 percent of assets (e.g. \$250 for \$100,000 managed)

STRATEGIC PLAN ALIGNMENT:

Focus Area: Finance | **Goal:** Maintain excellence in financial management and reporting.

ATTACHMENTS: Pension 115 Trust Funding Policy (2 pages)

DATE PREPARED: October 12, 2026

Policy 2040 Pension 115 Trust

The Pension 115 Trust Funding Policy of the District is reviewed by staff on a continual basis and submitted annually (with suggested changes, if appropriate) to the Board of Directors for approval.

PURPOSE

The purpose of the Trust is to achieve long-term growth of Trust assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the District's stated objectives for the Trust to fund the District's Pension Obligations.

The purpose of this Policy Statement is to establish clear guidelines on how the corpus of the Trust and the returns achieved from the investment of the Trust assets will be applied.

The District has separately established an investment policy that meets its current investment goals. Refer to the most current Investment Policy for more detailed information regarding investment standards.

SCOPE

This Policy Statement applies exclusively to the Trust.

POLICY

This policy is applicable for all Trust funds in excess of \$250,000. It is the District's intent and determination that the corpus of the trust shall remain intact unless the UAL has a funded ratio of less than 90% after any additional payments are made from the operating budget, or otherwise determined by the District's Board of Directors. Such intent is for the purpose of ensuring that the District has the necessary funds to meet its pension obligations irrespective of the economic conditions at any given time.

Annual earnings achieved from the investment of the Trust's assets, and the corpus of the Trust if necessary, determined as of June 30 of each fiscal year, shall be allocated in accordance with the following guidelines as determined by the District:

- 1. Make ADP to Pay Down UAL to 90% Funded Level**

Funds from the Trust will be paid directly to CalPERS as an Additional Discretionary Payment (ADP) of the District's Unfunded Accrued Liability (UAL) to achieve a 90% funded ratio of the District's CalPERS pension plan.

Only the annual earnings achieved from the investment of the Trust's assets, determined as of June 30 of each fiscal year, shall be allocated in accordance with the following guidelines as determined by the District:

- 1. Pay Annual Minimum Required Employer Contribution to UAL**

Any remaining funds from the Trust's annual earnings will be paid directly to CalPERS as part, or all, of the District's Annual Minimum Required Employer Contribution to its UAL.

- 2. Pay Biweekly Employer Contributions of the Normal Cost**

Any remaining funds from the Trust's annual earnings will be used to reimburse part, or all, of the District's Employer Contributions to the Pension Plan's Normal Cost from the prior year.

3. Reinvest into to the Trust's Corpus

Any remaining funds from the Trust's annual earnings will be added to the Trust's corpus.

For the purpose of applying this policy, the most recently available actuarial study, or other more recent District specific communication from CalPERS, shall be the basis for determining the status of the District's funded ratio on its pension plan and the amount of District's Minimum Required Employer Contribution to the UAL.

Additional Discretionary Payments (ADPs) may be made from time to time with either budgeted or one-time resources, with the objective of increasing the plan's funded status. The actual dollar amount of available one-time funds will be presented to the Board of Directors with a recommendation as to how much shall be contributed to either CalPERS or the Pension 115 Trust. This recommendation will be based on the dollars available, other competing priorities, and input from the Board of Directors.

TRANSPARENCY AND REPORTING

Funding and funded status of the District's pension plan should be transparent to interested parties, including plan participants, the Board of Directors, and the District's customers. To achieve this transparency, the following information shall be available:

1. Copies of the annual actuarial valuations for the District's pension plan shall be made available to the Board of Directors.
2. The District's independently audited Annual Comprehensive Financial Report shall be published on its website. This report includes information on the District's annual contributions to CalPERS and the Pension funding and the funded status of the pension plan.
3. The District's annual operating budget shall include the District's required contributions to CalPERS, and any additional budgeted contributions available to be made toward the Pension 115 Trust.
4. The District shall periodically, but no less than annually, report to the Board of Directors on the long-term UAL trend showing progress toward a fully-funded status.

(Adopted 02-22-2022, Revised 05-30-2023, Reviewed 10-31-23, Reviewed 01-28-25, Reviewed 09-30-2025)