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Title: Approve Scope of Work for Request for Proposals from Qualified Firms Who Offer Internal Revenue Service (IRS) Code Section 115 Trust Services

Sponsors:

Indexes:

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Attachments: 1. RFP- Section 115 Trust

Date	Ver.	Action By	Action	Result
3/28/2022	1	City Council	approved	Pass

Approve Scope of Work for Request for Proposals from Qualified Firms Who Offer Internal Revenue Service (IRS) Code Section 115 Trust Services

For several years the City has been discussing and exploring ways to reduce the City’s unfunded accrued liability (UAL) or pension liability. In November 2021, the City issued Lease Revenue Bonds to restructure the City’s Pension Debt of \$11.4M at 3.5% relative to the 7% discount rate that CalPERS charges the City on outstanding UAL and adopted a Pension Funding Policy which sets the City’s goal to achieve and maintain a 90% to 100% funded status and provide a more robust funding plan.

Previously, the City’s only option for reducing the unfunded actuarial accrued liability was to commit additional funds to CalPERS. Unfortunately, these funds would be subject to the same market volatility as the CalPERS investment policy, and the funds are not accessible to the City for other pension expenses. In the last couple of years, a private letter ruling was received from the IRS that establishes that under Section 115 of the Internal Revenue Code, public agencies or municipalities could create a separate trust to “pre-fund” its CalPERS unfunded liability. This will provide an alternative to sending the funds to CalPERS and provide greater local control over the assets and investment portfolio management. Establishing and funding a local Section 115 Trust Fund can help offset unanticipated spikes in employer contributions or increases in UAL.

The attached RFP seeks proposals from qualified professional firms who offer Internal Revenue Service Code Section 115 Retirement Trust services. The Scope of Work begins on Page 2.