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CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: MAY 11, 2022

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: KINDON MEIK, CITY MANAGER
RON AHLERS, CHIEF FINANCIAL OFFICER *RA*

SUBJECT: CONSIDER INTERNAL REVENUE CODE SECTION 115 TRUST

MEETING DATE: MAY 18, 2022

SUMMARY RECOMMENDATION:

Staff is requesting the City Council consider and provide direction regarding establishing an Internal Revenue Code Section 115 Trust {IRC 115 Trust}.

BACKGROUND:

The City can establish an IRC 115 Trust to set-aside monies for future pension costs and also to set-aside monies for Other Post-Employment Benefits (OPEB) which are retiree medical costs.

DISCUSSION/ANALYSIS:

Staff has requested the Public Agency Retirement Services (PARS) agency to attend this evening's meeting and present an overview of their IRC 115 Trust and PARS' products: OPEB funding and Pension Rate Stabilization Program.

The advantages of using an IRC 115 Trust:

- City retains oversight and control of the assets
- City selects the investment strategy of the assets (stocks, bonds, cash)
- Assets can earn a much higher rate of return versus City's Investment Policy

- Assets can be used to offset unexpected increases in PERS contributions
- Rating agencies view these accounts favorably
- Reduces “Net Pension Liability” on the City’s financial report
- Reduces “Net OPEB Liability” on the City’s financial report
- City can decide to not withdraw money and let the assets grow indefinitely

Disadvantages of using an IRC 115 Trust:

- Assets invested in stocks and bonds which can fluctuate negatively in value
- Assets are in an “Irrevocable Trust”
- Assets must be used for pension or OPEB costs ONLY
- Assets cannot be used for other purposes (i.e. Balance the General Fund)

FISCAL IMPACT/SOURCE OF FUNDING:

None

REQUESTED ACTION:

Provide direction to staff regarding establishing an IRC 115 Trust with PARS.

ATTACHMENTS:

1. Presentation by PARS, “PARS 115 TRUST – OPEB Prefunding Program & Pension Rate Stabilization Program (PRSP)”