CITY OF LOS ALTOS
CITY COUNCIL MEETING
November 24, 2015

DISCUSSION ITEMS

Agenda Item # 9

SUBJECT: Authorize the Mayor to execute the California Employers' Retiree Benefit Trust (CERBT) Participating Agreement; adopt Resolution No. 2015-38, delegating authority to the City Manager and Administrative Services Director to request disbursements from CERBT; and allocate an additional $1.15 million in undesignated General Fund balance to OPEB to place a total of $2 million in a Section 115 Irrevocable Trust

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BACKGROUND

Other Post Employment Benefits (OPEB) are post-employment benefits other than pensions received by a government employee upon retirement, which generally includes health insurance, dental, vision, prescription, or other healthcare benefits.

The City provides healthcare benefits to eligible retirees and their dependents through the CalPERS healthcare program (PEMHCA). The City does not provide contributions for retiree dental, vision or life insurance benefits. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its non-represented employees and the unions representing City employees.

The City pays for retiree healthcare benefits on a pay-as-you go basis. In FY 2014/15, the City contributed $42,417 for current benefit payments. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer.

GASB Statement 45 is an accounting and financial reporting provision that requires government employers to measure and report their OPEB liabilities in their Comprehensive Annual Financial Report (CAFR). The City's Actuarial Accrued Liability (AAL) as of June 30, 2014 is $4.39 million, with a set aside of $850,000 in the General Fund to fund OPEB. While this set aside is intended for use against the City's OPEB liability, only funds placed in an Internal Revenue Code (IRC) Section 115 Irrevocable Trust count towards the liability according to accounting standards (GASB 45). For this reason, the City's OPEB reserve is not included in the City's actuarial report or in the Comprehensive Annual Financial Report as an asset set aside for OPEB.

EXISTING POLICY

City Financial Policies

PREVIOUS COUNCIL CONSIDERATION

None

DISCUSSION

The City's most recent OPEB actuarial report as of June 30, 2014 was completed by Bartel Associates in July 2015. Based on this report, the City's OPEB Actuarial Accrued Liability (AAL) as of June 30, 2014 is $4.39 million, which represents the amount of benefits earned by employees through prior service. To date, the City has paid the amounts required for retiree benefits in a given year, or on a pay-as-you-go basis. The pay-as-you-go amount totaled $42,417 in fiscal year 2014/15.

As noted earlier, the City's existing set aside of $850,000 in the General Fund cannot be counted as an asset towards the City's OPEB obligation since these funds are not held in an IRC Section 115 Irrevocable Trust. If the City were to establish an OPEB trust, the City's AAL would decrease to $2.78 million due to the higher discount rate that is factored into the analysis when OPEB is prefunded. Furthermore, establishing a Section 115 Trust would enable the City to invest the funds in a manner that would allow for a greater rate of return than currently earned in the City's investment portfolio.

The City's Financial Commission received the attached presentation on the most recent OPEB Actuarial Report from Bartel Associates at its September 21, 2015 meeting. At this meeting, the Commission formed a sub-committee to further evaluate pre-funding the City's OPEB liability. The sub-committee and staff evaluated: 1) if pre-funding OPEB was the desired course of action given other competing demands for City resources; and 2) if the City should establish an IRC Section 115 Irrevocable Trust with an investment firm.

After further review, the sub-committee and staff agreed that pre-funding the City's OPEB liability was the appropriate course of action as it demonstrates prudent fiscal management and will improve the City's balance sheet. In addition, by pre-funding the City's OPEB liability and placing these funds into an IRC Section 115 Irrevocable trust the City can take advantage of more competitive investment returns to offset future OPEB contributions.

The sub-committee also reviewed the different trust administrators offering OPEB Irrevocable Trust and Investment Services. In this review, the sub-committee looked at historical investment returns and investment management and administration fees charged by each of the trust administrators. In addition, the sub-committee also considered the results of recent Request for Proposals issued by other cities for OPEB trust administration. The sub-committee found that the California Employers' Retiree Benefit Trust (CERBT) administered by CalPERS stood out from the others with a significantly lower cost while also providing the City with options for asset allocation without requiring substantial management by staff. The CERBT currently serves 462 California agencies including Burlingame, Menlo Park, Los Altos Hills and Los Gatos and manages over $4.4 billion of assets. The CERBT offers three investment strategies that provide varying allocation strategies among the same public market asset classes (Attachment 4). While selection of an initial investment strategy is required, the City has the ability to change strategies at any time, if desired.

It is important to note that the City has the ability to change trust administrators at any time if it determines that the CERBT is not the best option for the City. However, once funds are placed in a Section 115 Irrevocable Trust, they cannot be removed and spent on any other purpose other than OPEB. For this reason, the City's actuary has recommended that the City limit pre-funding to an amount less than 80% of the AAL to ensure that the funds placed in the trust do not exceed the City's liability.

The sub-committee presented its findings to the full Commission on October 19, 2015. The Financial Commission made a motion to recommend the following to the City Council:

1. The City should set-aside a total of $2 million to pre-fund its OPEB obligation.
2. The City should establish an IRC Section 15 Irrevocable Trust to hold and invest the OPEB funds.
3. The City should pre-fund with the CERBT administered by CalPERS and invest funds in accordance with CERBT Investment Strategy 1.

Recommended Actions

It is recommended that the City Council approve the City's participation in the CERBT trust fund, which requires the following actions:

- Authorize the Mayor to execute the CERBT Participation Agreement (Attachment 2).
- Adopt a resolution delegating authority to request disbursements to the City Manager and Administrative Services Director (Attachment 3). The City Manager or designee will certify the City's funding policy and asset allocation strategy, which instructs CERBT staff regarding the City's allocation preference. The City's actuary will provide reports documenting that the City has OPEB liabilities which may be prefunded, listing valuation results required for GASB compliant reporting, and certifying that reports were prepared in compliance with actuarial and government accounting standards. Once documentation is complete, the City will initiate its first contribution of $2 million to the trust fund.

PUBLIC CONTACT

The Financial Commission discussed this item at its meetings on September 21, 2015 and October 19, 2015.

Posting of the meeting agenda serves as notice to the general public.

FISCAL/RESOURCE IMPACT

The recommendation to pre-fund the City's OPEB liability with $2 million of City funds will require an additional $1.15 million in undesignated General Fund balance being allocated to OPEB. By allocating these funds to the City's OPEB liability, the City is reducing future financial contributions for OPEB. The annual fees charged by CalPERS for trust administration and investment services is equivalent to ten basis points ($1,000 per $1 million invested in the trust), so the City's annual fee payment will be approximately $2,000.

ENVIRONMENTAL REVIEW

Not applicable

RECOMMENDATION

1. Authorize the Mayor to execute the California Employers' Retiree Benefit Trust (CERBT) Participating Agreement

2. Adopt Resolution No. 2015-38, delegating authority to the City Manager and Administrative Services Director to request disbursements from CERBT
3. Allocate an additional $1.15 million in undesignated General Fund balance to OPEB to place a total of $2 million in a Section 115 Irrevocable Trust

ALTERNATIVES

1. Direct staff to issue a Request for Proposals for OPEB Trust and Investment Services
2. Direct staff to place a different amount in the OPEB Trust Fund
3. Do not establish an OPEB Irrevocable Trust

Prepared by: Kim Juran-Karageorgiou, Administrative Services Director
Approved by: Marcia Somers, City Manager

ATTACHMENTS:

1. Summary Presentation by Bartel Associates of GASB 45 Actuarial Valuation as of June 30, 2014
2. CERBT Contract Agreement
3. Resolution No. 2015-38
4. CERBT Investment Strategy Summary

BARTEL ASSOCIATES, LLC

CITY OF LOS ALTOS
RETIREE HEALTHCARE PLAN

June 30, 2014 GASB 45 Actuarial Valuation

Presented by **Doug Pryor, Vice President**
Prepared by Katherine Moore, Associate Actuary
Michelle Shen, Actuarial Analyst
Bartel Associates, LLC

September 21, 2015

ATTACHMENT 1

BENEFIT SUMMARY

■ Eligibility	■ Retire directly from the City under CalPERS (age 50[1] and 5 years of service or disability)
■ Medical	■ PEMHCA Minimum Unequal Method for retirees (AB 2544) • 5% of active contribution times years in PEMHCA • Joined PEMHCA in 2001 ■ Projected amounts (actual amounts through 2016):

Year	Actives	Retirees
2014	$ 119.00	$ 77.35
2015	122.00	85.40
2016	125.00	93.75
:	:	:
2021	155.77	155.77

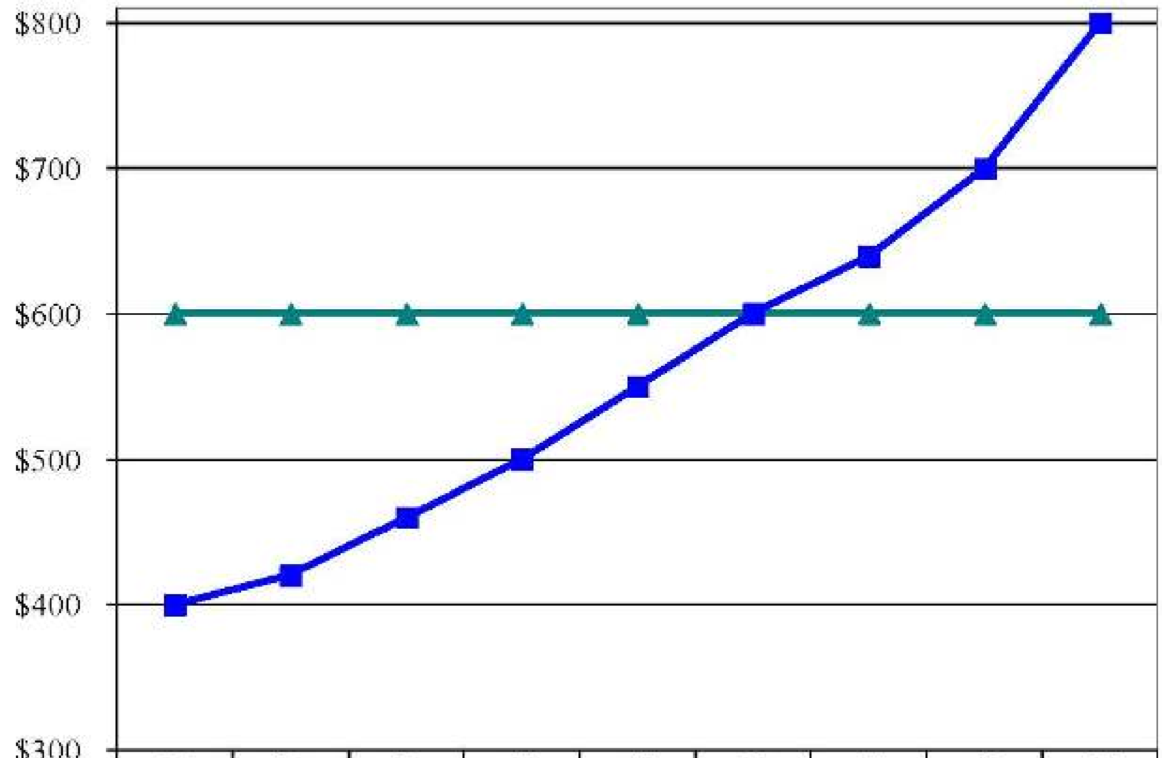
[1] 52 for Miscellaneous PEPRA members

Benefit Summary

■ Pay-As-You-Go Costs (000's)[2]	■ FY 2014/15	$ 42,417
	■ FY 2013/14	37,344
	■ FY 2012/13	33,511
	■ FY 2011/12	30,578
	■ FY 2010/11	24,460
	■ FY 2009/10	19,505
	■ FY 2008/09	16,527
	■ FY 2007/08	10,955

[2] Cash payments only

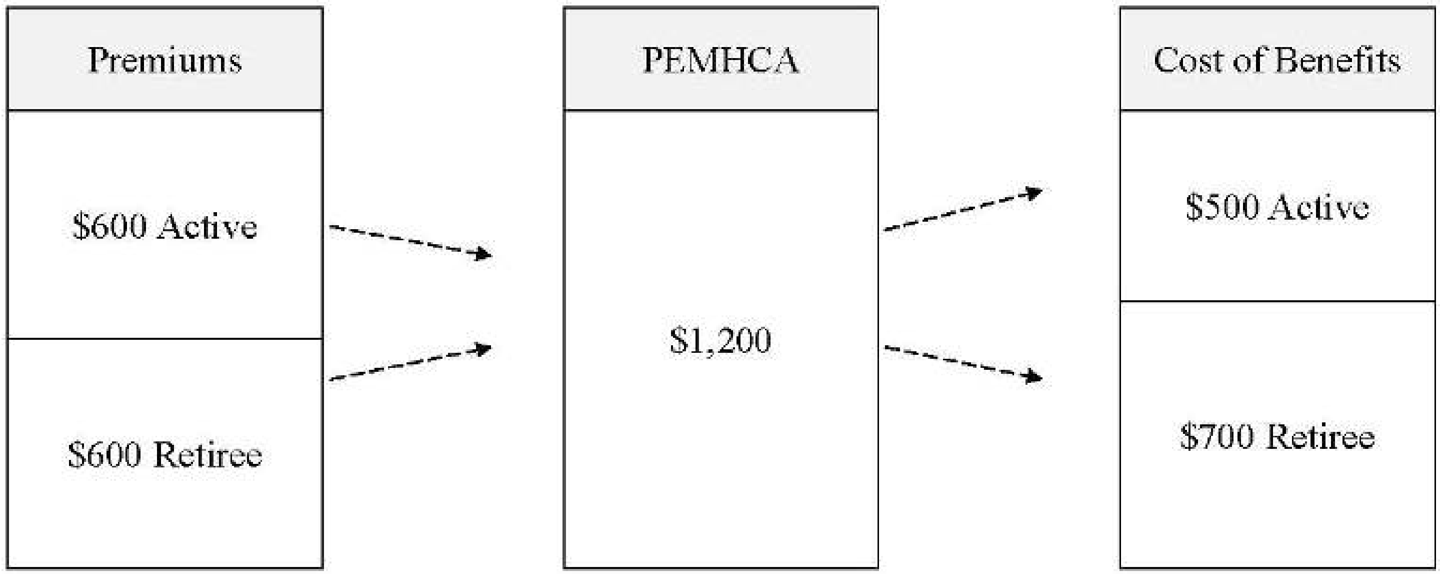
- For PEMHCA, employer cost for allowing retirees to participate at active rates.
  - General trend:



	25	30	35	40	45	50	55	60	64
Blended Premium	600	600	600	600	600	600	600	600	600
Cost by Age	400	420	460	500	550	600	640	700	800

Implied Subsidy

- Sample active age 40, retire age 60:



Participant Statistics

Actives

	1/1/09	6/30/11	6/30/14
■ Count	125	117	111
■ Average			
• Age	42.9	41.6	44.1
• Service	6.9	7.2	9.4

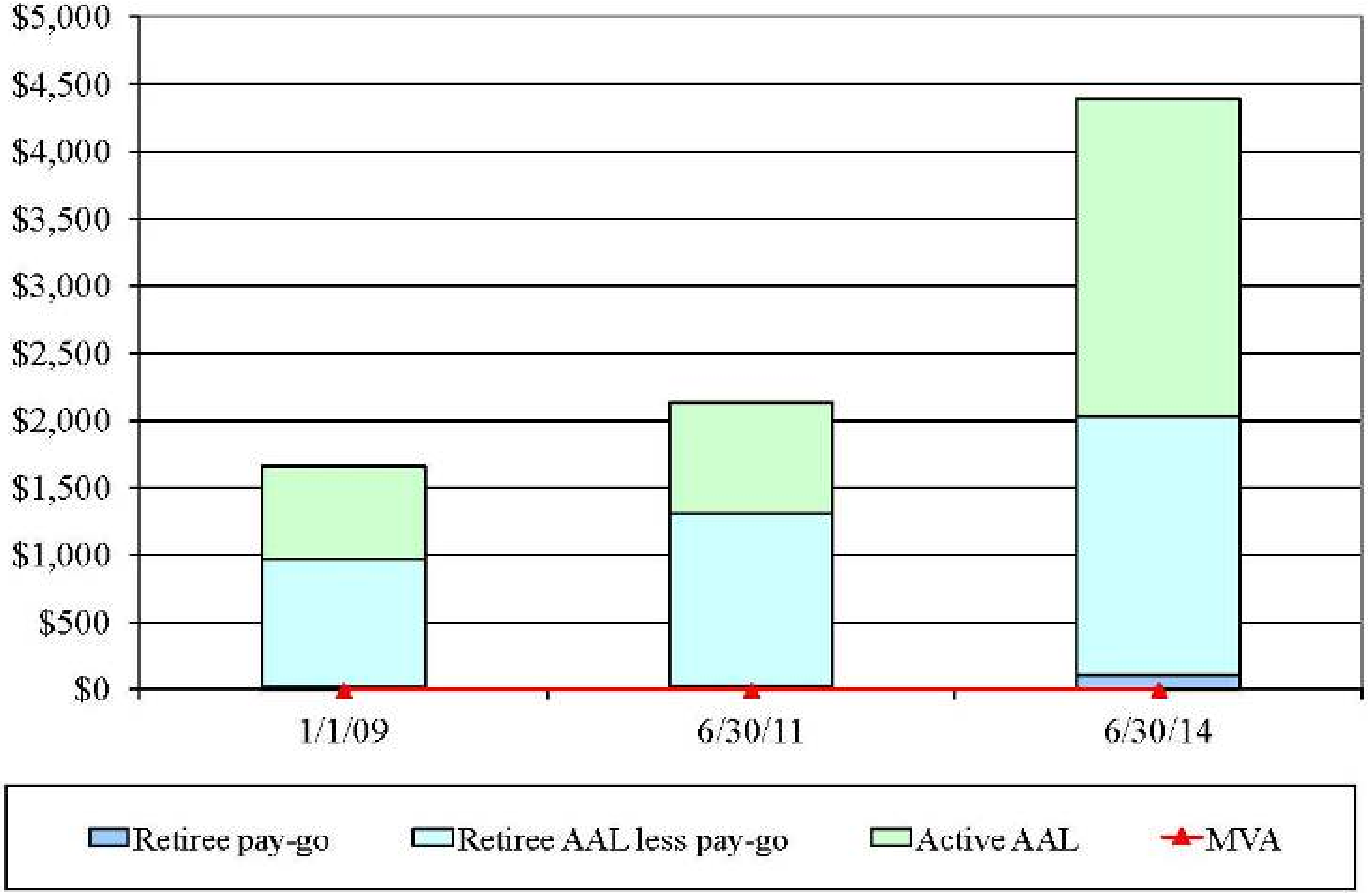
Retirees

	1/1/09	6/30/11	6/30/14
■ Count			
• Benefitting	39	42	43
• Waived[3]	12	23	69
• Total	51	65	112
■ Average Age	63.1	63.6	68.4

3 20% of waived retirees under 65 (9 as of 1/1/09,17 as of 6/30/11, 20 as of 6/30/14) assumed to elect coverage at 65

Historical Funded Status

(Amounts in 000's)



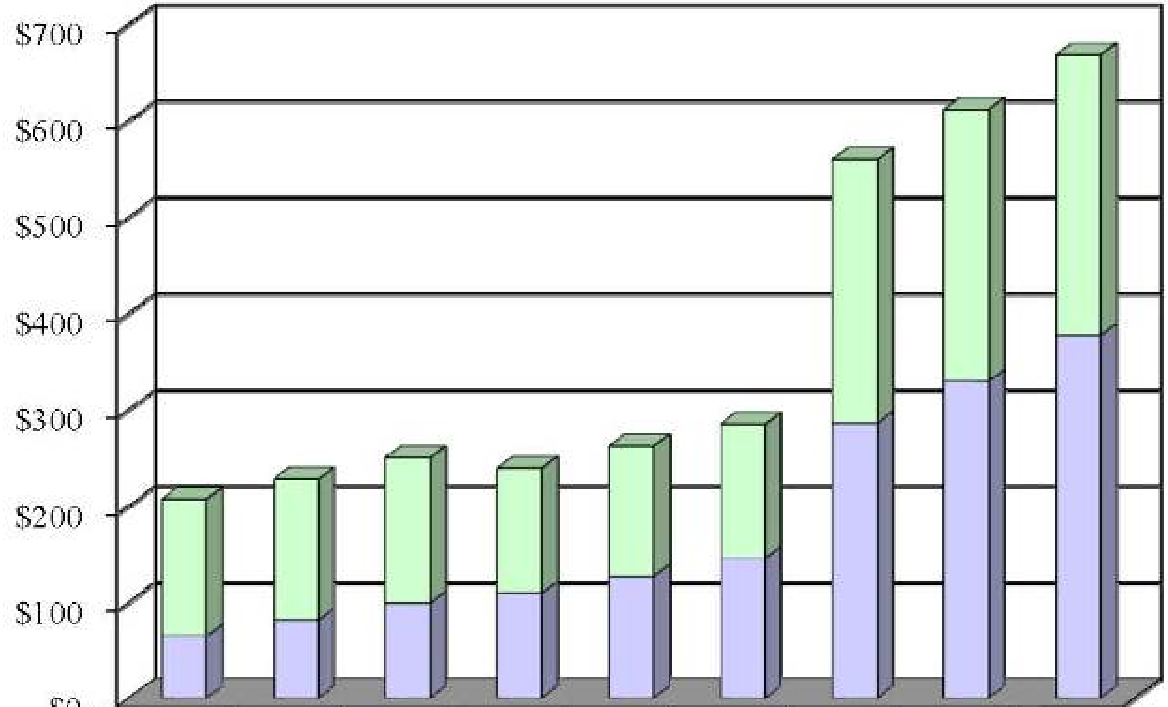
Actuarial Accrued Liability Gain/Loss

(Amounts in 000's)

	AAL
■ **Actual 6/30/11**	$ 2,136
■ **Expected 6/30/14**	2,733
■ **Changes**	
• PEMHCA minimum < expected	(100)
• CalPERS experience study	46
• Mortality improvement (MP-2014)	186
• Discount rate	139
• Implied subsidy	1,461
• Demographic/other	(71)
■ **Total**	1,661
■ **Actual 6/30/14**	4,394

Annual Required Contribution (ARC)

(Amounts in 000's)



	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Normal Cost	142	147	151	130	135	139	274	282	292
Amortization	65	81	99	109	127	146	286	329	377
ARC	207	228	250	239	262	285	560	612	668

Estimated Net OPEB Obligation (NOO)

(Amounts in 000's)

	2014/15	Estimated 2015/16	Estimated 2016/17
▪ **Beginning of Year NOO**	$ 1,205	$ 1,606	$ 2,019
▪ **Annual OPEB Cost**			
• ARC	560	612	668
• Interest on NOO	48	64	81
• Adjustment for NOO	(97)	(134)	(175)
• Annual OPEB Cost	511	542	574
▪ **Benefit Payements**			
• Cash[4]	42	51	60
• Implied Subsidy	67	77	84
• Total	109	129	144
▪ **End of Year NOO**	1,606	2,019	2,448

4 Estimated benefit payments for 2015/16 and 2016/17.

Projection[5]

(Amounts in 000's)

Fiscal Year	Beginning of Year Net OPEB Obligation	Contribution: Benefit Pmts	Contribution: Pre-Fund	Contribution: Total Contrib	Annual OPEB Cost (AOC)	Payroll	Contribution as % of Payroll
2014/15	$ 1,205	$ 109	$ -	$ 109	$ 511	$ 10,874	1.0%
2015/16	1,606	129	-	129	542	11,228	1.1%
2016/17	2,019	144	-	144	574	11,593	1.2%
2017/18	2,448	157	-	157	n/a	11,969	1.3%
2018/19	n/a	171	-	171	n/a	12,358	1.4%
2019/20	n/a	171	-	171	n/a	12,760	1.3%
2020/21	n/a	192	-	192	n/a	13,175	1.5%
2021/22	n/a	206	-	206	n/a	13,603	1.5%
2022/23	n/a	210	-	210	n/a	14,045	1.5%
2023/24	n/a	235	-	235	n/a	14,501	1.6%

[5] Accounting to be determined under GASB 75 2017/18+.

Discount Rate Sensitivity
June 30, 2014
(Amounts in 000's)

	No Pre-Funding 4.00%	Pre-Funding 7.25%	
		No Initial Assets	$1.2 Million Initial Assets
■ **Present Value of Benefits**	$ 7,210	$ 3,848	$ 3,848
■ **Funded Status**			
• Actuarial Accrued Liability	4,394	2,776	2,776
• Assets	-	-	1,200
• Unfunded Liability	4,394	2,776	1,576
■ **2014/15 ARC**			
• Normal Cost	274	138	138
• UAAL Amortization[6]	286	233	132
• Total ARC	560	373	271
• ARC % of pay	5.1%	3.4%	2.5%

6 UAAL amortized over average period of 17 years.

Full Pre-Funding Projection
With $1.2 Million Initial Assets[7]

(Amounts in 000's)

Fiscal Year	Beginning of Year Net OPEB Obligation	Contribution Benefit Pmts	Contribution Pre-Fund	Contribution Total Contrib	Annual OPEB Cost (AOC)	Payroll	Contribution as % of Payroll
2014/15	$ 1,205	$ 109	$ 161	$ 271	$ 257	$ 10,874	2.5%
2015/16	1,191	129	151	280	261	11,228	2.5%
2016/17	1,172	144	144	289	266	11,593	2.5%
2017/18	1,150	157	141	298	n/a	11,969	2.5%
2018/19	n/a	171	137	308	n/a	12,358	2.5%
2019/20	n/a	171	147	318	n/a	12,760	2.5%
2020/21	n/a	192	136	328	n/a	13,175	2.5%
2021/22	n/a	206	132	339	n/a	13,603	2.5%
2022/23	n/a	210	139	350	n/a	14,045	2.5%
2023/24	n/a	235	126	361	n/a	14,501	2.5%

7 Accounting to be determined under GASB 75 2017/18+.

CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST PROGRAM ("CERBT")

AGREEMENT AND ELECTION
OF

____

(NAME OF EMPLOYER)

TO PREFUND OTHER POST EMPLOYMENT BENEFITS THROUGH CalPERS

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (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 Prefunding Plan and to pay for health care costs or other post employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) ____

(NAME OF EMPLOYER)

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

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

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. Representation and Warranty

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

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

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

Filing by mail, send to:
CalPERS
Affiliate Program Services Division
CERBT (OPEB)
P.O. Box 1494
Sacramento, CA 95812-1494

Filing in person, deliver to:
CalPERS Mailroom
Affiliate Program Services Division
CERBT (OPEB)
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.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS 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 Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

C. Other Post Employment Benefits (OPEB) Cost Reports and Employer Contributions

(1) Employer shall provide to the Board an OPEB cost report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43. This OPEB cost report may be prepared as an actuarial valuation report or, if the employer is qualified under GASB 45 and 57, may be prepared as an Alternative Measurement Method (AMM) report.

(a) Unless qualified under GASB 45 and 57 to provide an AMM report, Employer shall provide to the Board an actuarial valuation report. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and 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 generally accepted actuarial practice and GASB 43, 45 and 57; and,

3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(b) If qualified under GASB 45 and 57, Employer may provide to the Board an AMM report. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:

1) affirmed by Employer's external auditor, or 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, to be consistent with the AMM process described in GASB 45;

2) prepared in accordance with GASB 43, 45, and 57; and,

3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any OPEB cost report submitted to it, but shall not unreasonably do so. In the event that the Board determines, in its sole discretion, that the OPEB cost report is not suitable for use in the Board's financial statements or if Employer fails to provide a required OPEB cost report, the Board may obtain, at

Employer's expense, an OPEB cost report that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such OPEB cost report by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the OPEB cost report acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB Statement No. 45. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) No contributions are required. If an employer elects to contribute then the contribution amount should not be less than $5000 or the employer's annual required contribution (ARC), whichever amount is lower. Contributions can be made at any time following the seventh day after the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

D. Administration of Accounts, Investments, Allocation of Income

(1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Employer's assets will provide benefits only under employer's plan.

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).

(3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.

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

(5) Investment income shall be allocated among employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.

(6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess 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 shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

F. Disbursements

(1) Employer may receive disbursements not to exceed the annual premium and other costs of post employment healthcare benefits and other post employment benefits as defined in GASB 43.

(2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan 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. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.

(4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) will be processed monthly.

(5) CalPERS 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. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

(6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

H. Termination of Employer Participation in Prefunding Plan

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

(a) Employer gives written notice to the Board of its election to terminate;

(b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer’s participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer’s Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer’s participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer’s participation in the Prefunding Plan 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 the Employer’s participation in the Prefunding Plan terminates, the governing body of the Employer may request either:

(a) A trustee to trustee transfer of the assets in Employer’s Prefunding Account; 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 Internal Revenue 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 the 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 Internal Revenue Code, other law and accounting standards, and the Board’s fiduciary duties, all of Employer's obligations for payment of post-employment health care benefits and other post-employment 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 the 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 Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as defined in GASB 43), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach 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 Prefunding Plan.

I. General Provisions

(1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

(2) Audit.

(a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.

(b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

(a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:

1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.

2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.

3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.

4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.

5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.

6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to

the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

(b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.

(c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.

(d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

(4) Modification

This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged.

(5) 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 their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

(6) 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.

(7) 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.

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_______________________________________
JOHN SWEDENSKY
AFFILIATE PROGRAM SERVICES DIVISION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS

The effective date of this Agreement is: ___________________________

RESOLUTION NO. 2015-38

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS DELEGATING AUTHORITY TO THE CITY MANAGER AND ADMINISTRATIVE SERVICES DIRECTOR TO REQUEST DISBURSEMENTS FROM THE CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby delegates to the incumbents in the positions of City Manager and/or Administrative Services Director authority to request on behalf of the Employer disbursements from the Other Post Employment Prefunding Plan and to certify as to the purpose for which the disbursed funds will be used.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the ___day of____, 2015 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Janis C. Pepper, MAYOR

Attest:

____
Jon Maginot, CMC, CITY CLERK

ATTACHMENT 3

California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 1

CalPERS

July 31, 2015

Objective

The objective of the CERBT Strategy 1 portfolio is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. There is no guarantee that the portfolio will achieve its investment objective.

Strategy

The CERBT Strategy 1 portfolio is invested in various asset classes in percentages approved by the CalPERS Board. The specific percentages of portfolio assets allocated to each asset class are shown under "Composition". Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CERBT Strategy 2 and Strategy 3, this portfolio consists of a higher percentage of equities than bonds and other assets. Historically, equities have displayed greater price volatility and therefore this portfolio may experience greater fluctuation of value. Employers that seek higher investment returns, and are able to accept greater risk and tolerate more fluctuation in returns, may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes, in composition as well as targeted allocation percentages and ranges at any time.

Assets Under Management

As of the specifed reporting month-end, the aggregate total of assets under management for all CERBT Strategies was

$4,599,955,543.

Composition

Asset Class Allocations and Benchmarks

The CERBT Strategy 1 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Target Allocation[1]	Target Range	Benchmark
Global Equity	57%	± 2%	MSCI All Country World Index IMI (net)
Fixed Income	27%	±2%	Barclays Capital Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 2%	Barclays Capital Global: US TIPS Index
Real Estate Investment Trusts ("REITs")	8%	± 2%	FTSE EPRA/NAREIT Developed Liquid Index (net)
Commodities	3%	± 2%	S&P GSCI Total Return Index

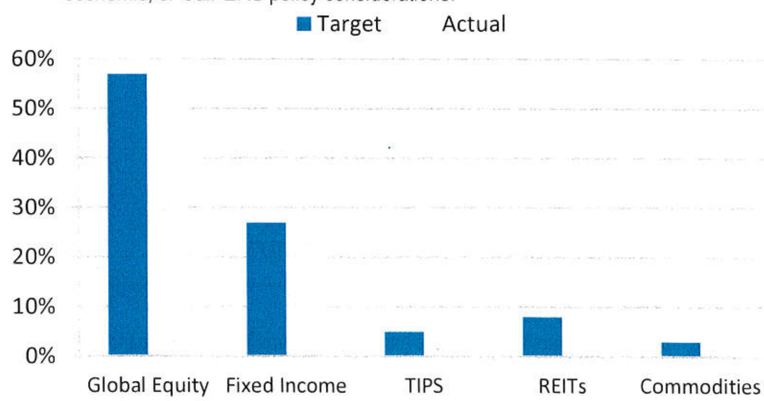
[1] Allocations approved by the Board at the October 2014 Investment Committee meeting

Portfolio Benchmark

The CERBT Strategy 1 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may overweight or underweight an allocation to a particular asset class based on market, economic, or CalPERS policy considerations.



CERBT Strategy 1 Performance as of July 31, 2015							
	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	Since Inception* (June 1, 2007)
Returns before expenses[1]	0.55%	-1.93%	0.55%	1.55%	9.32%	9.38%	4.22%
Benchmark returns	0.56%	-2.05%	0.56%	1.15%	8.95%	9.19%	3.77%

*Returns for periods greater than one year are annualized.

[1] See the Expense section of this document.

ATTACHMENT 4

California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 1

July 31, 2015

General Information

Information Accessibility

The CERBT Strategy 1 portfolio consists of assets managed internally by CalPERS and/or external advisors. Since it is not a mutual fund, a prospectus is not available nor is information available from a newspaper source. This summary is designed to provide descriptive information. CalPERS provides a quarterly statement of the employer's account and other information about the CERBT. For total market value, detailed asset allocation, investment policy and current performance information, including performance to the most recent month-end, please visit our website at: **www.calpers.ca.gov**.

Portfolio Manager Information

The CalPERS Investment Committee and Board of Administration directs the investment strategy and investments of the CERBT. Under that direction, CalPERS Investment staff manages fixed income, treasuery inflation-protected securities and commodities assets; and State Street Global Advisors (SSgA) manages the global equity and real estate investment trust assets.

Custodian and Record Keeper

State Street Bank serves as custodian for the CERBT. Northeast Retirement Services serves as record keeper.

Expenses

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the fee, the greater the reduction of investment return. Currently, CERBT expenses are 0.10% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSgA to manage the global equity and real estate trust assets, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per share. CERBT's actual expenses may differ from the amount currently being accrued due to factors such as changes in average fund assets or market conditions. The expense accrual rate may change without notice in order to reflect changes in average portfolio assets or in expense amounts. The CalPERS Board annually reviews the operating expenses and changes may be made as appropriate. Even if the portfolio loses money during a period, the fee is still charged.

What Employers Own

Each employer choosing CERBT Strategy 1 owns a percentage of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Price

The value of the portfolio changes daily, based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

Principal Risks of the Portfolio

The CalPERS CERBT Fund provides California government employers with a trust through which they may prefund retiree medical costs and other post-employment benefits. CERBT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives nor provide sufficient funding to meet these employer obligations. Further, CalPERS will not make up the difference between actual health care premiums for payment of future benefits provided to retirees should CERBT assets not be sufficient to cover future obligations.

An investment in the portfolio is not a bank deposit, and it is not insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CERBT Principal Investment Risks" located at **www.calpers.ca.gov**.

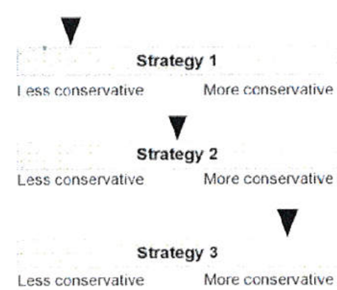
Fund Performance

Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit **www.calpers.ca.gov** and follow the links to California Employer Retirees' Benefit Trust.

CERBT Strategy Risk Levels

CalPERS offers employers the choice of one of three investment strategies. Risk levels among strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations	Strategy 1	Strategy 2	Strategy 3
Global Equity	57%	40%	24%
Fixed Income	27%	39%	39%
Treasury Inflation-Protected Securities	5%	10%	26%
Real Estate Investment Trusts	8%	8%	8%
Commodities	3%	3%	3%



California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 2

July 31, 2015

Objective

The objective of the CERBT Strategy 2 portfolio is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. There is no guarantee that the portfolio will achieve its investment objective.

Strategy

The CERBT Strategy 2 portfolio is invested in various asset classes in percentages approved by the CalPERS Board. The specific percentages of portfolio assets allocated to each asset class are shown under "Composition". Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CERBT Strategy 1 and Strategy 3, this portfolio consists of a moderate allocation of equities, bonds, and other assets. Historically, equities have displayed greater price volatility and therefore, this portfolio may experience comparatively less fluctuation of value compared to CERBT Strategy 1 but more fluctuation of value compared to CERBT Strategy 3. Employers that seek a moderate approach to investing may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes, in composition as well as targeted allocation percentages and ranges at any time.

Assets Under Management

As of the specified reporting month-end, the aggregate total of assets under management for all CERBT Strategies was

$4,599,955,543.

Composition

Asset Class Allocations and Benchmarks

The CERBT Strategy 2 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Target Allocation[1]	Target Range	Benchmark
Global Equity	40%	± 2%	MSCI All Country World Index IMI (net)
Fixed Income	39%	± 2%	Barclays Capital Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	10%	± 2%	Barclays Capital Global: US TIPS Index
Real Estate Investment Trusts ("REITs")	8%	± 2%	FTSE EPRA/NAREIT Developed Liquid Index (net)
Commodities	3%	± 2%	S&P GSCI Total Return Index

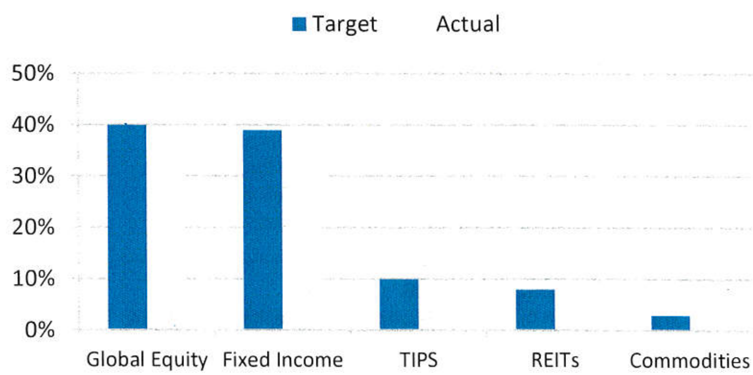
[1] Allocations approved by the Board at the October 2014 Investment Committee meeting

Portfolio Benchmark

The CERBT Strategy 2 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may overweight or underweight an allocation to a particular asset class based on market, economic, or CalPERS policy considerations.



CERBT Strategy 2 Performance as of July 31, 2015							
	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	Since Inception* (October 1, 2011)
Returns before expenses[1]	0.58%	-1.99%	0.58%	1.11%	7.34%	-	9.13%
Benchmark returns	0.62%	-2.06%	0.62%	0.80%	6.96%	-	8.91%

*Returns for periods greater than one year are annualized.

[1] See the Expense section of this document.

California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 2

July 31, 2015

General Information

Information Accessibility

The CERBT Strategy 2 portfolio consists of assets managed internally by CalPERS and/or external advisors. Since it is not a mutual fund, a prospectus is not available nor is information available from a newspaper source. This summary is designed to provide descriptive information. CalPERS provides a quarterly statement of the employer's account and other information about the CERBT. For total market value, detailed asset allocation, investment policy and current performance information, including performance to the most recent month-end, please visit our website at: **www.calpers.ca.gov**.

Portfolio Manager Information

The CalPERS Investment Committee and Board of Administration directs the investment strategy and investments of the CERBT. Under that direction, CalPERS Investment staff manages fixed income, treasury inflation-protected securities and commodities assets; and State Street Global Advisors (SSgA) manages the global equity and real estate investment trust assets.

Custodian and Record Keeper

State Street Bank serves as custodian for the CERBT. Northeast Retirement Services serves as record keeper.

Expenses

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the fee, the greater the reduction of investment return. Currently, CERBT expenses are 0.10% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSgA to manage the global equity and real estate trust assets, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per share. CERBT's actual expenses may differ from the amount currently being accrued due to factors such as changes in average fund assets or market conditions. The expense accrual rate may change without notice in order to reflect changes in average portfolio assets or in expense amounts. The CalPERS Board annually reviews the operating expenses and changes may be made as appropriate. Even if the portfolio loses money during a period, the fee is still charged.

What Employers Own

Each employer choosing CERBT Strategy 2 owns a percentage of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Price

The value of the portfolio changes daily, based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

Principal Risks of the Portfolio

The CalPERS CERBT Fund provides California government employers with a trust through which they may prefund retiree medical costs and other post-employment benefits. CERBT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives nor provide sufficient funding to meet these employer obligations. Further, CalPERS will not make up the difference between actual health care premiums for payment of future benefits provided to retirees should CERBT assets not be sufficient to cover future obligations.

An investment in the portfolio is not a bank deposit, and it is not insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CERBT Principal Investment Risks" located at **www.calpers.ca.gov**.

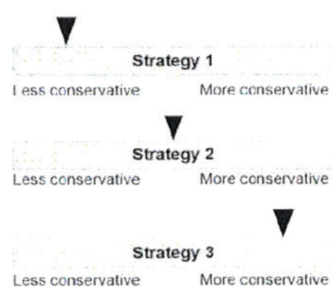
Fund Performance

Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit **www.calpers.ca.gov** and follow the links to California Employer Retirees' Benefit Trust.

CERBT Strategy Risk Levels

CalPERS offers employers the choice of one of three investment strategies. Risk levels among strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations	Strategy 1	Strategy 2	Strategy 3
Global Equity	57%	40%	24%
Fixed Income	27%	39%	39%
Treasury Inflation-Protected Securities	5%	10%	26%
Real Estate Investment Trusts	8%	8%	8%
Commodities	3%	3%	3%



California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 3

July 31, 2015

Objective

The objective of the CERBT Strategy 3 portfolio is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. There is no guarantee that the portfolio will achieve its investment objective.

Strategy

The CERBT Strategy 3 portfolio is invested in various asset classes in percentages approved by the CalPERS Board. The specific percentages of portfolio assets allocated to each asset class are shown under "Composition". Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CERBT Strategy 1 and Strategy 2, this portfolio consists of a lower percentage of equities than bonds, and other assets. Historically, funds with a lower percentage of equities have displayed less price volatility and therefore, this portfolio may experience less fluctuation of value. Employers that seek greater stability of value, in exchange for possible lower investement returns, may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes, in composition as well as targeted allocation percentages and ranges at any time.

Assets Under Management

As of the specified reporting month-end, the aggregate total of assets under management for all CERBT Strategies was

$4,599,955,543.

Composition

Asset Class Allocations and Benchmarks

The CERBT Strategy 3 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Target Allocation[1]	Target Range	Benchmark
Global Equity	24%	± 2%	MSCI All Country World Index IMI (net)
Fixed Income	39%	± 2%	Barclays Capital Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	26%	± 2%	Barclays Capital Global: US TIPS Index
Real Estate Investment Trusts ("REITs")	8%	± 2%	FTSE EPRA/NAREIT Developed Liquid Index (net)
Commodities	3%	± 2%	S&P GSCI Total Return Index

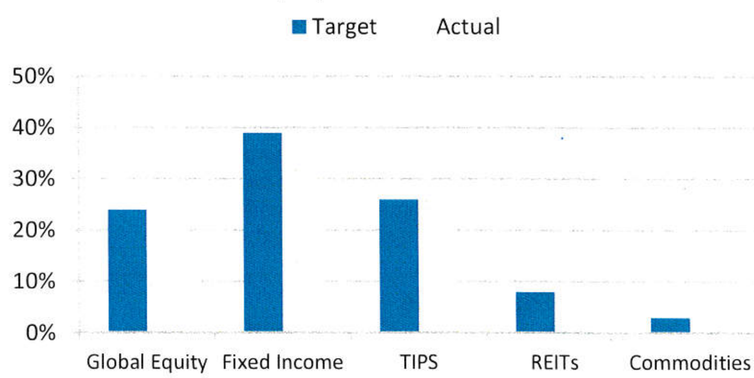
[1] Allocations approved by the Board at the October 2014 Investment Committee meeting

Portfolio Benchmark

The CERBT Strategy 3 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may overweight or underweight an allocation to a particular asset class based on market, economic, or CalPERS policy considerations.



CERBT Strategy 3 Performance as of July 31, 2015							
	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	Since Inception* January 1, 2012)
Returns before expenses[1]	0.52%	-2.00%	0.52%	1.03%	5.30%	-	6.49%
Benchmark returns	0.56%	-2.06%	0.56%	0.65%	4.77%	-	6.14%

*Returns for periods greater than one year are annualized.

[1] See the Expense section of this document.

California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 3

July 31, 2015

General Information

Information Accessibility

The CERBT Strategy 3 portfolio consists of assets managed internally by CalPERS and/or external advisors. Since it is not a mutual fund, a prospectus is not available nor is information available from a newspaper source. This summary is designed to provide descriptive information. CalPERS provides a quarterly statement of the employer's account and other information about the CERBT. For total market value, detailed asset allocation, investment policy and current performance information, including performance to the most recent month-end, please visit our website at: **www.calpers.ca.gov**.

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Custodian and Record Keeper

State Street Bank serves as custodian for the CERBT. Northeast Retirement Services serves as record keeper.

Expenses

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the fee, the greater the reduction of investment return. Currently, CERBT expenses are 0.10% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSgA to manage the global equity and real estate trust assets, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per share. CERBT's actual expenses may differ from the amount currently being accrued due to factors such as changes in average fund assets or market conditions. The expense accrual rate may change without notice in order to reflect changes in average portfolio assets or in expense amounts. The CalPERS Board annually reviews the operating expenses and changes may be made as appropriate. Even if the portfolio loses money during a period, the fee is still charged.

What Employers Own

Each employer choosing CERBT Strategy 3 owns a percentage of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Price

The value of the portfolio changes daily, based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

Principal Risks of the Portfolio

The CalPERS CERBT Fund provides California government employers with a trust through which they may prefund retiree medical costs and other post-employment benefits. CERBT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives nor provide sufficient funding to meet these employer obligations. Further, CalPERS will not make up the difference between actual health care premiums for payment of future benefits provided to retirees should CERBT assets not be sufficient to cover future obligations.

An investment in the portfolio is not a bank deposit, and it is not insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CERBT Principal Investment Risks" located at **www.calpers.ca.gov**.

Fund Performance

Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit **www.calpers.ca.gov** and follow the links to California Employer Retirees' Benefit Trust.

CERBT Strategy Risk Levels

CalPERS offers employers the choice of one of three investment strategies. Risk levels among strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations	Strategy 1	Strategy 2	Strategy 3
Global Equity	57%	40%	24%
Fixed Income	27%	39%	39%
Treasury Inflation-Protected Securities	5%	10%	26%
Real Estate Investment Trusts	8%	8%	8%
Commodities	3%	3%	3%