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| |  |  | | --- | --- | | |  | | --- | | Professional Standards Committee Highlights **QUICK HITS VIDEO – THE ROAD AHEAD FOR**  **MANAGING RISING PENSION COSTS** | |  |  |  | | --- | --- | | |  | | --- | |  | |  |  |  |  | | --- | --- | --- | | |  |  | | --- | --- | | |  | | --- | | In order to ensure that the long-term cost associated with pension benefits is funded in a sustainable manner, resources must be set-aside for future benefit payments in a systematic and disciplined manner. In 2015, Public Agency Retirement Services (PARS) received the first IRS Private Letter Ruling on a multiple employer Section 115 trust, which created a new tool for prefunding pension benefits.  The following are a few examples of the benefits to prefunding pension obligations using a Section 115 trust:   * **Stabilize Pension Costs**: Pension Trust fund assets can be used to reimburse your agency for pension-related expenses or can be transferred to the pension system to pay down the agency’s unfunded accrued liability (UAL), thereby stabilizing contributions, which are significantly impacted by investment return volatility. * **Diversification**: The Pension Trust is designed to mitigate against investment return volatility through diversification where assets are managed in a customized investment strategy that balances risk and return. * **Potential for Greater Return**: Pension Trust fund allows for investment in portfolios with varying allocations to equity, allowing the agency the potential for a greater rate of return in comparison to General Fund investments. * **Local Control**: The local agency maintains autonomy over assets, contributions, disbursements, timing and investment risk tolerance.   Click [here to watch](https://vimeo.com/653796514) a “quick hits” video presented by Charles Francis, Former Finance Director and Rachel Sanders, Senior Manager for PARS, which addresses the following issues on this topic:   * What are Section 115 Pension Prefunding Trusts? * How Can a 115 Trust Be Structured? * Why Prefund Pension Obligations? * Sample Portfolio Returns * Investment Selection Choice * Sample Funding Policies   You can also find Committee Highlights on other topics at <https://www.csmfo.org/professional-standards-committee-highlights/>.  If you have questions regarding this topic, contact Jason Al-Imam, Chair of the Professional Standards Committee at [standards.chair@csmfo.org](mailto:standards.chair@csmfo.org).  The Professional Standards Committee operates as a technical resource to CSMFO members. The Committee is comprised of municipal and commercial members whose mission is to keep members informed of emerging issues and best practices. | | |  |  | | --- | |  | |