|  |  |  |
| --- | --- | --- |
|

|  |  |
| --- | --- |
|

|  |
| --- |
| https://gallery.mailchimp.com/930bb0fab56bfc2a1e3383126/images/b3d23eea-c2ed-427c-a336-f976d60acf30.png |

 |

 |
|

|  |  |
| --- | --- |
|

|  |
| --- |
| Professional StandardsCommittee 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. 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. |

  |

 |

|  |
| --- |
|  |

 |