



Date: August 12, 2021
To: Board of Directors
From: Katherine Korsak, Finance Director
Subject: CalPERS 457 Plan

Recommendation:

Approve a Resolution adopting the attached CalPERS 457 Plan for District employees.

Rationale for Recommendation:

The CalPERS 457 Plan would allow District employees to contribute pre-tax dollars into this retirement Plan. It would also allow employees to borrow from the Plan and establish a 457 Roth option. This Plan is particularly efficient and useful for CalPERS employees (e.g., sworn employees) who may wish to manage their overall retirement portfolio with one agency (e.g., CalPERS) and have already established CalPERS 457 Plans from prior employment with other CalPERS agencies.

Background:

The district currently has a 457b plan with Nationwide Financial. This plan is offered to all District employees and has no minimum level of contribution. While staff recommends continuing to maintain the Nationwide 457 Plan, it is also recommended that the District add the CalPERS 457 Plan as an additional option for District employees to contribute to their retirement or borrow from it.

Discussion and Analysis:

By adding the CalPERS 457 Plan to the District's available benefits, employees who have established CalPERS 457 Plans from prior employment with other CalPERS agencies will be able to continue contributing to their pre-existing Plan. In addition, new hires will also have the same option.

There are Federal contribution limits that have been set by the Internal Revenue Service. For instance, the current aggregate limit in 2021 for a 457 plan contribution is \$19,500. Employees over the age of 50 may contribute an additional \$6,500 of "catch up" monies allowing them to contribute a total maximum of \$26,000. These contribution limits may change annually; and employees of the district may only contribute up to the maximum limit for all combined plans.

The CalPERS plan offers other participant provisions, including the ability to borrow from the participant's account and to establish a Roth Plan (e.g., participant may choose to contribute post tax dollars). The combined aggregate of all participating plans must comply with Federal contribution limits.

Fiscal Impact:

There is no fiscal impact to the district. However, this may assist with employee retention, because some District employees already have established CalPERS 457 Plans. It will also be an additional benefit to new hires that the District did not previously offer.

Attachment:

1. Resolution No. 2021-14 : A Resolution Of The Board Of Directors Of The Kensington Police Protection And Community Services District Approving Adoption of CalPERS 457 Plan.
2. Employer Adoption Agreement from CalPERS
3. CalPERS 457 Performance Report as of June 30, 2021.

RESOLUTION NO. 2021-14

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
KENSINGTON POLICE PROTECTION AND COMMUNITY
SERVICES DISTRICT APPROVING ADOPTION OF CALPERS 457
PLAN**

The Board of Directors of the Kensington Police Protection and Community Services District (hereafter referred to as the “District” and the “Board of Directors”) does find as follows:

WHEREAS, the District; desires to establish an additional deferred compensation plan for the benefit of its employees; and

WHEREAS, the Board of Directors; of the California Public Employees’ Retirement System (“CalPERS”) has established the CalPERS 457 Plan (the “CalPERS 457 Plan”) which may be adopted by a governmental employer the employees of which are public employees; and

WHEREAS, the District believes that the CalPERS 457 Plan and the investment options available thereunder will provide valuable benefits to its employees; and

WHEREAS, the Board has appointed Voya Financial® (the Plan Record-keeper) to perform recordkeeping and administrative service under the CalPERS 457 Plan and to act as the Board’s agent in all matters relating to the administration of the CalPERS 457 Plan;

NOW, THEREFORE, THE BOARD OF DIRECTORS DOES RESOLVE AS FOLLOWS:

The District adopts the CalPERS 457 Plan for the benefit of its employees and authorizes and directs, the General Manager to execute the attached adoption agreement on behalf of the District and to provide CalPERS or any successor agent duly appointed by the Board with such information and cooperation as may be needed on an ongoing basis in the administration of the CalPERS 457 Plan. A copy of this resolution, the agreement, and any attachments thereto shall be on file in the District office at 217 Arlington Ave., Kensington, CA 94707.

PASSED AND ADOPTED by the Board of Directors of the Kensington Police Protection and Community Services District upon motion by Director _____, seconded by Director _____, on Thursday, the 12th day of August, 2021, by the following vote to wit:

AYES:

NOES:

ABSENT:

ABSTAINED:

Sylvia Hacaj
President, Board of Directors

HEREBY CERTIFY the foregoing resolution was duly and regularly adopted by the Board of Directors of the Kensington Police Protection and Community Services District at the regular meeting of said Board held on Thursday, the 12th day of August, 2021.

Lynelle M. Lewis
District Clerk of the Board

General Manger

Employer Adoption Agreement

The employer identified below (the “Employer”) adopts the CalPERS 457 Plan (the “CalPERS 457 Plan” or the “Plan”) for the benefit of its employees and agrees to be bound by and subject to the terms of the Plan, as it may be amended from time to time.

The Employer further agrees and represents as follows:

1. The Employer is a political subdivision of the State of California and is eligible to adopt the Plan.
2. The Employer has duly adopted a resolution (copy attached) or taken such other official action as required for its lawful adoption and implementation of the Plan and has authorized the undersigned to execute this Agreement on its behalf.
3. The Employer has received and has had the opportunity to review the following documents and information:
 - The Plan document;
 - A description of the optional provisions of the Plan;
 - A description of the investment options available to Plan participants and historical performance data for those investment options;
 - A complete description of fees and expenses that will or may be charged to Plan participants including, but not limited to, investment fees and administrative expenses; and
 - The Enrollment Kit for eligible employees, which includes forms and information for employees to participate in the Plan.

Contributions

4. The Employer understands that its employees will have the opportunity to defer their own compensation by designating an amount or percentage to be withheld from each paycheck and contributed to the Plan on the employee’s behalf.
5. The Employer understands that the Plan must be made available to all employees and agrees to offer all employees the opportunity to participate in the Plan.
6. The Employer understands that the Plan cannot be made available to individuals who are not the Employer’s common law employees and agrees not to offer such individuals the opportunity to participate in the Plan.
7. The Employer understands that each employee’s deferrals under the Plan and any other eligible deferred compensation plan maintained by the Employer are subject to certain limits imposed by the Plan and the federal tax code. The Employer agrees to limit employees’ deferrals under all plans maintained by the Employer to amounts that do not exceed applicable limitations.
8. The Employer agrees to deduct deferral amounts from employees’ salaries and wages in accordance with the employees’ elections, to remit all amounts deducted to the Plan as soon as reasonably practicable after such amounts are withheld, and to accurately report the amounts remitted.
9. The Employer understands and agrees that all amounts deferred under the Plan shall be 100% vested and shall be deposited in the Public Employees’ Deferred Compensation Fund (the “Fund”), a trust established to hold such amounts, for the exclusive benefit of participants and their beneficiaries. The Employer shall have no right to Fund assets or to sell, redeem, or otherwise liquidate Fund assets, except as provided Plan section 10.6.

Investments

10. The Employer understands and agrees that employees who defer compensation under the Plan will have the right to direct the investment of their individual Plan accounts by choosing among the investment options selected by the CalPERS Board of Administration (the "Board") and offered under the Plan. The Employer further understands and agrees that any employee who does not provide timely directions for investing his or her account will be deemed to have selected the Plan's default investment. The Plan's default investment is currently the CalPERS Target Retirement Fund designated for an employee, based on his or her expected retirement date. The Employer understands and agrees that the Board, in its sole discretion, may add, eliminate, or consolidate investment options offered under the Plan, including the Plan's default investment option.
11. The Employer further understands and agrees that certain fees are charged to Plan participants for investment and administration expenses, and that such fees will be offset against investment returns or deducted from participants' Plan accounts periodically.

Administration

12. The Employer understands and agrees that, except as specifically set forth in the Plan, the administration of the Plan and Fund is subject to the exclusive control of the Board and that the Board has the authority to retain third parties to provide investment services, record keeping, accounting, or other services for the Plan.
13. The Employer agrees to assist and cooperate in providing Plan information to employees and to follow administrative procedures established by the Board or its designee(s) from time to time.
14. The Employer has completed the attached New Employer Data Sheet, which is incorporated by reference. The Employer hereby certifies that all information provided in connection with its adoption of the Plan is true and accurate.
15. The Employer understands and agrees that the Board has retained the power and authority to amend the Plan from time to time, subject to limitations set forth in the California Government Code and the Plan. The Employer may not amend the Plan.
16. The Employer understands and agrees that its participation in the Plan may be terminated by the Employer or by the Board upon sixty (60) days advance written notice. Upon termination, all amounts held for participants will continue to be held in the Fund for the exclusive benefit of participants and their beneficiaries, except for distributions or transfers permitted under the Plan terms.

Name of Employer: _____

By: _____

Title: _____

Date: _____

Accepted by CalPERS (or an agent duly appointed by the Board) on behalf of the Board of Administration of the California Public Employees' Retirement System

Name of Employer: _____

By: _____

Title: _____

Date: _____

CalPERS 457 Plan

June 30, 2021

This document includes important information to help you compare the investment options under your retirement plan. If you want additional information about your investment options, you can go to <https://calpers.voya.com>.

A free paper copy of the information available on the website can be obtained by contacting:

Voya Financial
Attn: CalPERS 457 Plan
P.O. Box 55772
Boston, MA 02205-5772
(800) 260-0659

Document Summary

This document has two parts. Part I consists of performance information for the plan investment options. This part shows you how well the investments have performed in the past. Part I also shows the total annual operating expenses of each investment option.

Part II provides additional information concerning Plan administrative fees that may be charged to your individual account.

CalPERS 457 PLAN

Part I. Performance Information For Periods Ended June 30, 2021

<https://calpers.voya.com>

Table 1 focuses on the performance of investment options that do not have a fixed or stated rate of return. Table 1 shows how these options have performed over time and allows you to compare them with an appropriate benchmark for the same time periods¹. Past performance does not guarantee how the investment option will perform in the future. Your investment in these options could lose money. Information about an investment option's principal risks is available on the website listed above.

Table 1 also shows the Total Annual Operating Expenses of each investment option. Total Annual Operating Expenses are expenses that reduce the rate of return of the investment option². The cumulative effect of fees and expenses can substantially reduce the growth of your retirement savings. Visit the U.S. Department of Labor's website for an example showing the long-term fees and expenses at <http://www.dol.gov/ebsa>. Fees and expenses are only one of many factors to consider when you decide to invest in an option. You may also want to think about whether an investment in a particular option, along with your other investments, will help you achieve your financial goals.

Table 1 - Variable Net Return Investments								
Name of Fund / Name of Benchmark	Performance		Annualized Performance				Total Annual Operating Expenses ³	
	3 Month	1 Year	5 Years	10 Years	Since Inception	Inception Date	As a %	Per \$1000
Equity Funds								
State Street Russell All Cap Index Fund - Class I	8.18	43.83	17.46	-	14.47	10/07/13	0.31%	\$3.10
<i>Russell 3000 Index</i>	8.24	44.16	17.89	-	14.87			
State Street Global All Cap Equity ex-US Index Fund - Class I	5.60	36.56	10.89	-	6.17	10/07/13	0.32%	\$3.20
<i>MSCI ACWI ex-USA IMI Index (net)</i>	5.60	37.18	11.20	-	6.38			
Fixed Income								
State Street US ShortTerm Gov't/Credit Bond Index Fund - Class I	-0.04	0.08	1.43	-	1.16	10/07/13	0.32%	\$3.20
<i>Bloomberg Barclays US 1-3 yr Gov't/Credit Bond Index</i>	0.04	0.44	1.88	-	1.63			
State Street US Bond Fund Index - Class I	1.77	-0.66	2.69	-	3.16	10/07/13	0.31%	\$3.10
<i>Bloomberg Barclays US Aggregate Bond Index</i>	1.83	-0.33	3.03	-	3.47			
Real Assets								
State Street Real Asset Fund - Class A	6.74	30.51	5.88	-	3.14	10/08/13	0.44%	\$4.40
<i>State Street Custom Benchmark⁴</i>	6.86	31.16	6.22	-	3.51			
Cash (Cash Equivalents)								
State Street STIF	-0.05	-0.14	0.98	-	0.68	09/02/14	0.33%	\$3.30
<i>BofA ML 3-month US T-Bill</i>	0.00	0.09	1.17	-	0.89			
Target Retirement Date Funds⁵								
CalPERS Target Income Fund	3.52	12.22	5.99	4.80	5.96	12/01/08	0.32%	\$3.20
<i>SIP Income Policy Benchmark⁶</i>	3.57	12.59	6.22	5.11	6.49			
CalPERS Target Retirement 2015	3.62	13.19	6.06	5.11	7.05	12/01/08	0.32%	\$3.20
<i>SIP 2015 Policy Benchmark⁶</i>	3.67	13.57	6.28	5.51	7.59			
CalPERS Target Retirement 2020	4.28	18.09	7.08	5.75	7.82	12/01/08	0.32%	\$3.20
<i>SIP 2020 Policy Benchmark⁶</i>	4.33	18.48	7.31	6.16	8.34			
CalPERS Target Retirement 2025	4.92	23.09	8.62	6.60	8.76	12/01/08	0.32%	\$3.20
<i>SIP 2025 Policy Benchmark⁶</i>	4.97	23.51	8.85	7.04	9.26			
CalPERS Target Retirement 2030	5.58	28.26	9.73	7.33	9.67	12/01/08	0.32%	\$3.20
<i>SIP 2030 Policy Benchmark⁶</i>	5.63	28.69	10.04	7.81	10.17			
CalPERS Target Retirement 2035	6.26	33.67	11.02	8.05	10.46	12/01/08	0.32%	\$3.20
<i>SIP 2035 Policy Benchmark⁶</i>	6.29	34.12	11.32	8.55	11.02			
CalPERS Target Retirement 2040	6.79	37.98	12.22	8.69	11.04	12/01/08	0.32%	\$3.20
<i>SIP 2040 Policy Benchmark⁶</i>	6.82	38.44	12.56	9.21	11.57			
CalPERS Target Retirement 2045	6.79	37.98	12.83	8.98	11.23	12/01/08	0.32%	\$3.20
<i>SIP 2045 Policy Benchmark⁶</i>	6.82	38.44	13.18	9.49	11.80			
CalPERS Target Retirement 2050	6.79	37.98	12.83	8.98	11.31	12/01/08	0.32%	\$3.20
<i>SIP 2050 Policy Benchmark⁶</i>	6.82	38.44	13.18	9.49	11.80			
CalPERS Target Retirement 2055	6.79	37.98	12.83	-	9.13	10/07/13	0.32%	\$3.20
<i>SIP 2055 Policy Benchmark⁶</i>	6.82	38.44	13.18	-	9.48			
CalPERS Target Retirement 2060	6.79	37.98	-	-	17.29	11/01/18	0.32%	\$3.20
<i>SIP 2060 Policy Benchmark⁶</i>	6.82	38.44	-	-	17.58			
Broad-Based Benchmarks⁷								
<i>Russell 3000 Index</i>	8.24	44.16	17.89	14.70	-	-	-	-
<i>MSCI ACWI ex-USA IMI Index (net)</i>	5.60	37.18	11.20	5.65	-	-	-	-
<i>Bloomberg Barclays US Aggregate Bond Index</i>	1.83	-0.33	3.03	3.39	-	-	-	-

Part II. Explanation of CalPERS 457 Plan Expenses June 30, 2021

<https://calpers.voya.com>

Table 2 provides information concerning Plan administrative fees and expenses that may be charged to your individual account if you take advantage of certain features of the Plan. In addition to the fees and expenses described in Table 2 below, some of the Plan's administrative expenses are paid from the Total Annual Operating Expenses of the Plan's investment options.

Table 2 - Fees and Expenses				
Individual Expenses ⁸				
Service	Fee Amount	Frequency	Who do you pay this fee to?	Description
Loan Origination Fee	\$50	Per loan application	Voya	The charge covers the processing of your loan and applies each time you request a loan from your retirement account. This fee is deducted from your Plan account.
Maintenance Fee (For loans taken on or after April 1, 2020)	\$35 (\$8.75 assessed quarterly)	Annual	Voya	The charge covers the maintenance costs of your loan and applies on a quarterly basis. This fee is deducted from your Plan account.
Self-Managed Account (SMA) Maintenance Fee	\$50	Annual fee deducted monthly on a pro-rata basis	Voya	Schwab Personal Choice Retirement Account is available to you if your Employer has elected it as an option. This fee is deducted pro rata on a monthly basis from your core fund investments ⁹ in your CalPERS 457 account. For more information about SMAs, including a complete list of fees charged by Schwab for different types of investment transactions, please contact Schwab at (888) 393-PCRA (7272). Fees may also be incurred as a result of actual brokerage account trades. Before purchasing or selling any investment through the SMA, you should contact Schwab at (888) 393-PCRA (7272) to inquire about any fees, including any undisclosed fees, associated with the purchase or sale of such investment.
Self-Managed Account (SMA) Plan Administrative Fee	0.29% (\$2.90 per \$1,000)	Annual fee deducted monthly on a pro-rata basis	Voya	The SMA Plan Administrative fee pays for recordkeeping costs for assets in your SMA account. This fee is deducted pro rata on a monthly basis from your core fund investments in your CalPERS 457 account. The SMA Plan Administrative Fee is subject to change based on total Plan assets.

Footnotes for Table 1 and Table 2:

¹ Fund returns shown are net of investment management and administrative expenses and fees unless otherwise noted. Benchmark performance returns do not reflect any management fees, transaction costs or expenses. Benchmarks are unmanaged. You cannot invest directly in a benchmark.

² Historical annual operating expenses are not available. Reported annual operating expenses are estimated based on SSGA investment management, Voya recordkeeping, and SSGA capped operating expenses.

³ Total annual operating expenses are comprised of investment management and administrative expenses and fees incurred by the funds.

⁴ State Street Real Asset Fund has a custom benchmark comprised of 25% Bloomberg Roll Select Commodity Index, 25% S&P® Global Large MidCap Commodity and Resources Index, 10% Dow Jones U.S. Select REIT Index, 20% Bloomberg Barclays U.S. Government Inflation-Linked 1-10 Year Bond Index, and 20% S&P Global Infrastructure Index.

⁵ If the ending market value (EMV) falls to zero in any one month, the inception date resets to the next month with an EMV. Performance is then calculated from the new inception date.

⁶ The benchmark for each Target Retirement Date Fund is a composite of asset class benchmarks that are weighted according to each Fund's policy target weights. The asset class benchmarks are Russell 3000 Index, MSCI ACWI ex-USA IMI Index (net), Bloomberg Barclays US Aggregate Bond Index, the SSGA customized benchmark for Real Assets (see footnote 4), and BofA ML 3-month US T-Bill.

⁷ Broad-based benchmarks grouped here provide comparative performance standards for domestic equity, international equity and fixed income.

⁸ The CalPERS Board of Administration periodically reviews the plan administrative fees and adjusts fees to reflect expenses incurred by the Plan. Participant fees are charged to reimburse CalPERS for actual administrative fees of the Plan.

⁹ Core fund investments are listed in Table 1 above the Target Retirement Date funds. Core funds include: State Street Russell All Cap Index Fund (Class I), State Street Global All Cap Equity ex-US Index Fund (Class I), State Street US Short Term Government/Credit Bond Index Fund (Class I), State Street US Bond Fund Index (Class I), State Street Real Asset Fund (Class A), and State Street Short Term Investment Fund ("STIF").