

**COUNTY OF SONOMA
AGENDA ITEM
SUMMARY REPORT**

Clerk of the Board Use Only

Meeting Date

Held Until

___/___/___

___/___/___

Agenda Item No: _____

Agenda Item No: _____

Department: Human Resources

(X) **4/5 Vote Required**

Contact:
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Phone:
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Board Date:
June 23, 2009

Deadline for Board Action:
June 23, 2009

AGENDA SHORT TITLE:

Authorize disbursement of funds to Other Post Employment Benefits (OPEB) trust with Public Agency Retirement System (PARS).

REQUESTED BOARD ACTION:

Adopt Concurrent Resolution and Resolution authorizing the County Administrator and Auditor-Controller, Treasurer Tax Collector to initiate those financial and budgetary transactions necessary, to make deposits with PARS (the trustee) materially consistent with the assumptions as noted in the 2007 actuarial report on OPEB liabilities.

CURRENT FISCAL YEAR FINANCIAL IMPACT

EXPENDITURES

ADD'L FUNDS REQUIRING BOARD APPROVAL

Estimated Cost

Contingencies
(Fund Name:)

Amount Budgeted

Unanticipated Revenue
(Source:)

Other Avail Approp
(Explain below)

Other Transfer(s)
(Source:)

Additional Requested:

Add'l Funds Requested:

Explanation (if required): Trustee fees paid from investment earnings.

Prior Board Action(s):

Received 2005 actuarial report estimating Sonoma County's OPEB liability.
6-17-08: Received 2007 actuarial report determining Sonoma County's OPEB liability.
6-17-08: Established PARS Trust, transfer of funds

Alternatives – Results of Non-Approval: Do not disburse funds to trust. Not recommended as unfunded OPEB liabilities and will continue to grow and County may be precluded from using current and most advantageous actuarial assumptions.

BACKGROUND:

This report seeks Board authorization for the County Administrator and County Auditor-Controller, Treasurer-Tax Collector (ACTTC) to facilitate financial and budgetary transactions necessary to transfer funds into the County's Other Post Employment Benefits (OPEB) trust administered through the Public Agency Retirement System (PARS) trust, for the fiscal year ending June 30, 2009.

By Resolution No. 08-0559, a copy of which is attached for reference, the Board of Supervisors authorized the County's participation in the Public Agency Retirement System Post Retirement Health Care Plan Trust, designated the County Administrator as the Plan Administrator, and authorized him to take the actions necessary to execute the Plan Document. This action also authorized the County Administrator and the County Auditor-Controller to initiate financial and budgetary transactions necessary to deposit funds into the trust, consistent with the 2007 OPEB actuarial analysis. The County began pre-funding the OPEB trust on June 30, 2008 with an initial transfer of over \$7million.

These funds are being placed into trust for the benefit of the County of Sonoma, the Sonoma County Water Agency, the Community Development Commission, the Northern Sonoma County Air Pollution Control District, Sonoma County In-Home Support Services Public Authority, and the Sonoma County Agricultural Preservation and Open Space District.

In order to take advantage of the more favorable discount rate permitted for future actuarial evaluations of the County's OPEB obligations, the County established this irrevocable trust and began funding the trust in 2008. This irrevocable trust has the added benefit of meeting the requirements of Internal Revenue code Section 115, which allows the income generated by the trust to be tax-exempt. Also, by establishing a trust and adhering to the underlying assumptions contained in the 2007 OPEB actuarial analysis, the County reduces the risk that our independent auditors and actuaries may require us to use different, less favorable assumptions in future reports.

Following your Board's direction last year, the County Administrator executed the plan documents to establish a Post Retirement Health Care Plan Trust through PARS, and the County Administrator and the County Auditor-Controller, Treasurer-Tax Collector also facilitated the transfer of \$7,560,000 into the PARS trust effective June 30, 2008. This amount consisted of a \$7,000,000 contribution as designated by the 6/30/07 actuarial analysis and also included 8% imputed interest of \$560,000. This amount was also recognized in the County's 2007-2008 Comprehensive Annual Financial Report (CAFR), located at <http://www.sonoma-county.org/auditor/pdf/08cafr.pdf>.

Attachments: Resolution no. 08-0559, proposed Concurrent Resolution, Resolution

On File With Clerk: none

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote:

BACKGROUND:**BACKGROUND:** (continued)

Note 13 at page 69 of the CAFR documents the County's OPEB Costs and Net OPEB Obligations for the year ending June 30, 2008. The amount of the actuarial assumptions and funding methodology is also documented in the CAFR, too. As the County is obligated to conduct biennial OPEB actuarial evaluations, staff is working with the County's OPEB actuarial consultants to complete an updated actuarial analysis for fiscal year ending June 30, 2009. Upon completion of that report, it will be presented to your Board for review and further funding direction.

Concurrent with the establishment of the PARS Trust, the County also established a internal trust fund, the Medical Retiree Clearing Trust-Index 306514, which is used to collect the 7.5% of payroll revenue and facilitates payments to SCERA to reimburse for costs associated with retiree medical and Medicare Part B premiums, and to pay administrative costs to SCERA for administration of retiree medical (collection of retiree contributions and payments to vendors). It is projected that approximately \$3,000,000 will be available at June 30, 2009 to be transferred to the PARS Other Post Retirement Health Care Plan Trust. With this estimated contribution, the total amount of the Trust will be approximately \$10,000,000 as of June 30, 2009, and this amount will be used by the actuary in its updated actuarial evaluation.

As reported to your Board last June, and to provide additional background, PARS established a multi-employer irrevocable trust in compliance with the requirements of Section 115 of the Internal Revenue Code. The design of the trust was done in conjunction with O'Melveny & Myers, one of the nation's largest and most prestigious law firms. PARS obtained a private letter ruling from the Internal Revenue Service that provides assurance of the trust's legality and protects participants from adverse tax consequences. While it is a multi-employer trust, each employer's contributions benefit only its own employees. There is no sharing of either liability or investment earnings, and separate employer accounts are maintained.

PARS serves as the administrator for the trust and contributions made to the program are held and invested by Union Bank of California. Union Bank has one of the largest and most respected trust departments in the country. As trustee, its duties include: 1) safeguarding assets for the benefit of retirees; 2) preparing an investment policy based on the parameters set by the County; 3) managing investments; 4) preparing monthly investment reports; and 5) disbursing funds to pay for healthcare premiums.

REQUESTED ACTION:

Adopt the Resolution Authorizing the County Administrator and Auditor-Controller, Treasurer-Tax Collector to initiate financial and budgetary transactions necessary from the County's Medical Retiree Clearing Trust-Index 306514, to make deposits with the PARS Post Retirement Health Care Plan Trust, which are materially consistent with the assumptions as noted in the 2007 actuarial report on OPEB liabilities, for fiscal year ending June 30, 2009.