

9. ACTION ITEMS

Subject	9.3 Consider Approval of Resolution No. 19/20-44 Accepting the OPEB June 2019 GASB Actuarial Report, July 2019 OPEB Supplemental Actuarial Report and the June 2019 Investment Performance Update and Adopting the OPEB Trust 1 Surplus Determination and Disbursement Procedures. Presenter: Chancellor Stanback Stroud
Meeting	Apr 7, 2020 - REGULAR MEETING OF THE BOARD OF TRUSTEES
Access	Public
Type	Action
Preferred Date	Apr 07, 2020
Absolute Date	Apr 07, 2020
Recommended Action	Approve Resolution No. 19/20-44 Accepting the OPEB June 2019 GASB Actuarial Report, July 2019 OPEB Supplemental Actuarial Report and the June 2019 Investment Performance Update and Adopting the OPEB Trust 1 Surplus Determination and Disbursement Procedures.

TO: Peralta Board of Trustees

FROM: Dr. Regina Stanback Stroud, Chancellor

PREPARED BY: Dr. Regina Stanback Stroud, Chancellor

Background/Analysis:

This Resolution is being presented to this meeting for a second reading of the Board and its approval is now being requested. The version attached to this Agenda varies from the version provided for the Board's March 24, 2020 meeting. See Discussion of Changes herein below.

In 2005, the District issued and sold its Taxable 2005 Limited Obligation Other Post-Employment Benefits Bonds (the "OPEB Bonds"), pursuant and subject to an Indenture of Trust, dated as of December 1, 2005, to provide certain health care benefits for retired District employees who were hired as of or before 2004 and certain of their dependents. The proceeds from the sale of the OPEB Bonds were transferred to a separate fund known as the Retiree Health Benefit Program Fund or OPEB Trust 1 to be held in trust and invested, subject to the terms of the Indenture of Trust.

The Indenture authorized the District to transfer amounts held in the Retiree Health Benefit Program Fund to a custodial trustee and to delegate investment authority for such amounts pursuant to Section 53621 of the California Government Code, and consistent therewith the District delegated investment authority of Trust 1 to the Retirement Board which has entered into an agreement with Neuberger Berman Trust Company to serve as custodial trustee for, and to invest, the OPEB Trust 1 funds.

Pursuant to the Indenture of Trust for the OPEB Bonds, in addition to paying or reimbursing the cost of retiree health benefits, moneys in the Trust 1 may also be used to pay principal on the OPEB Bonds if "the District determines that any or all of the amounts held in [Trust 1] are or will not be required for payment of current or future Retiree Health Benefit Costs" (a "Surplus"). The District has determined by this Resolution to establish, and have the Board adopt, procedures for determining whether Trust 1 has a Surplus for the purpose of making a payment on the OPEB Bonds and for providing notice of any disbursements from Trust 1 for such purpose to the Retirement Board. The procedures rely on information to be obtained from three reports – a GASB Actuarial Valuation, a Supplemental Actuarial Study and an Investment Performance Update.

In compliance with Governmental Accounting Standards Board Rule No. 74/75, the District annually receives from its actuary an Actuarial Study of Retiree Health Liabilities for the Pre-2004 Employees, which provides an actuarial valuation of retiree health liabilities. Consistent with the recommendation of the Fiscal Crisis and Management Assistance Team ("FCMAT") of the California School Information Services in its Financial Review and Fiscal Health Risk Analysis dated June

28, 2019 (a/k/a the “2019 FCMAT Report”), the District now, and will annually receive, from its actuary a Supplemental Actuarial Study of Retiree Health Liabilities for the Pre-2004 Employees utilizing a higher discount rate for purposes of obtaining a retiree health benefit funding valuation using the estimated rate of return on Trust 1 investments, rather than the long-term return applicable for the GASB Actuarial Valuation, in order to provide the District with a more realistic valuation of its health benefit liability for the retirees. Under the recent GASB Rule 74/75 rule changes, a compressed discount rate of 3.5% is currently used in the GASB Actuarial Valuation. This GASB rule change significantly inflates the actuarial liability (i.e., the District’s retiree health benefit liability), solely because Trust Fund 1 is not viewed under GASB as an irrevocable trust. The Supplemental Actuarial Study uses a 6.3% discount rate which is closer to the GASB Rule 74/75’s discount rate prior to the change (it used 6.75% for its June 30 2018 study) and is such discount rate is more conservative than that of other relevant discount rate benchmarks (e.g. CalPERS, CalSTRS). The custodial trustee provides to the Retirement Board monthly investment performance updates of the funds in Trust 1, including an unaudited market value of funds in Trust 1.

Deliverables and Scope of Work:

N/A

Anticipated Completion Date:

N/A

RESOLUTION CHANGES SINCE MARCH 24, 2020

A couple revisions have been made to the Resolution following the March 24th Board meeting, in hopes of providing additional clarity as to the definition of discount rate and the District’s overall OPEB Bond planning goals. A clean copy of the updated resolution as well as a copy showing the changes are provided.

Evaluation and Recommended Action:

The Chancellor recommends approval of this Resolution.

File Attachments

Peralta CCD Reso re Trust 1 Process and OPEB Reports v9 (202004002) v2 CLEAN.pdf (146 KB)