



Legislation Text

File #: 18-661, **Version:** 1

MEMORANDUM

TO: Board of Supervisors

FROM: Carol J. Huchingson, County Administrative Officer

DATE: August 14, 2018

SUBJECT: Adopt Resolution Transferring the Current Balance in the Other Post-Employment Benefits Fund (645) to the Recently Authorized Section 115 Post-Employment Benefits Trust and Authorizing Initial Investment Portfolio Option

EXECUTIVE SUMMARY:

In order to begin addressing escalating pension costs and the challenge of ensuring that pensions are sufficiently funded, your Board recently supported the pre-funding of pension obligations by authorizing the transfer of \$3 million from the Pension Stabilization Reserve to an irrevocable trust which is commonly known as "Section 115" Trust. The primary advantage of placing funds into such a Trust rather than holding them in a County fund is that in a well-managed Trust has the potential of yielding a much higher rate of return than those funds held in the County's treasury investment pool or funds held by CalPERS.

In addition to addressing rising pension costs, the Governmental Accounting Standards Board recommends that public agencies also set aside funding to support the projected cost of what is commonly referred to as "Other Post-Employment Benefits" (OPEB). The reference pertains to benefits other than standard retirement pension benefits. In Lake County, OPEB currently applies to retiree health benefits.

In recognition that these retiree health benefits may require an increasing share of County resources in years to come, in FY 2010-11 your Board directed all county departments to set aside OPEB funding. Since then, this funding has earned interest at the County treasury pool rate which has averaged less than $\frac{3}{4}$ of 1 percent. Those OPEB contributions, with interest, now total approximately \$2 million.

As with the recent transfer of pension monies referenced above, the transfer of the OPEB funding to a well-managed irrevocable trust holds the potential of yielding a much higher rate of return than those funds held in the County's treasury investment pool.

FISCAL IMPACT: ___ None X Budgeted ___ Non-Budgeted

Estimated Cost:

Amount Budgeted:

Additional Requested:

Annual Cost (if planned for future years): None

FISCAL IMPACT (Narrative):

Use of the recently adopted Section 115 will help the County begin addressing its long-term OPEB obligations. Subsequent contributions can be funded in several ways including annually earmarking a portion of one-time monies from fund balance carryover (General Fund) and/or charging departmental budgets an additional surcharge. Whatever option is utilized will impact the amount of funding remaining available for other needs.

STAFFING IMPACT (if applicable): None

RECOMMENDED ACTION:

It is recommended that you're Board take the following actions:

Adopt Resolution Transferring the Current Balance Other Post-Employment Benefits Fund (645) to the Recently Authorized Section 115 Post-Employment Benefits Trust and Authorizing Initial Investment Portfolio Option.

ATTACHMENTS:

- Attachment A - Summary of Section 115 Trust Benefits