



Pension & OPEB Update

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Today's discussion

- Background
- OPEB update
- Pension liability
- Establish 115 Trust with Public Agency Retirement Systems (PARSO)
- Moving OPEB Trust funds from California Employers' Retiree Benefit Trust (CERBT) to PARS
- Napa County Policy for 115 Trust administration



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Background

- 2004 Governmental Accounting Standards Board established uniform financial reporting for OPEB costs, including the requirement for a biennial actuarial valuation.
- Napa County was required to begin using the new standards in FY 2007-08 Comprehensive Annual Financial Report (CAFR).
- 2015, GASB standards changed the reporting requirement for unfunded liability from a note to a liability.
- 2015-16 Grand Jury recommended the County establish a 115 Trust for Pension



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OPEB Update

- 115 Trust with CERBT established in 2007
 - Actuarial Accrued Liability \$88.3 M
 - Funded Ratio 0%
 - UAAL as a % of covered payroll 38.7%
- 2010 changed the amortization from 14 to 20 years



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OPEB Update

- June 30, 2018
 - Market Value of Assets \$68 M
- June 30, 2017 Actuarial valuation
 - Actuarial Accrued Liability \$93.7 M
 - Funded ratio 65.19%
 - UAAL as a % of covered payroll 26.6%



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Pension unfunded liability



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Report Date	UAL	Funding Ratio
6/30/2014	\$ 157,677,405	79.7%
6/30/2015	\$ 188,267,017	76.8%
6/30/2016	\$ 243,620,430	71.8%
6/30/2017	\$ 238,389,198	74.1%

Pension unfunded liability

- Rate (% of payroll) is expected in increase through 2030/2031 (misc) and 2031/32 (safety)
 - Miscellaneous (without cost share)
 - Current 21.088%
 - 2030/31 projection 28.3%
 - Safety (without cost share)
 - Current 39.6%
 - 2031/32 55.0%



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Establish 115 Trust

- Also referred to as a Pension Rate Stabilization Program.
- Allows more aggressive investment strategy than in treasury investment pool
- Will allow the County to slow the growth rate of future pension contributions.
- As a trust fund, assets can only be used for the established purpose (pension or OPEB).
- Provides the Board maximum flexibility for future budgets, while using current resources to address long-term liabilities.



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Establish a 115 Trust

- Staff is recommending establishing a combination 115 Trust with Public Agency Retirement Services
 - Based on experience and competitive fees
 - PARS will provide administration services
 - HighMark Capital as investment manager
 - U.S. Bank as trustee
 - 16 counties have a combination 115 Trust with PARS, including Solano and Lake
 - 10 additional counties have Pension 115 trusts with PARS.



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Establish a 115 Trust



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PARS Administration Fees

Asset Balance

\$0-10 M	0.25%
\$10-15 M	0.20%
\$15-50 M	0.15%
over \$50 M	0.10%

Trustee/Investment Management Fees

Asset Balance

\$0-5 M	0.35%
\$5-10 M	0.25%
\$10-15 M	0.20%
\$15-50 M	0.15%
over \$50 M	0.10%

Establish a 115 Trust

- Investment strategies
 - 5 actively managed by PARS
 - 4 passively managed
- Board has assigned \$4.271 million for future pension costs.
- Staff recommends investing this in the “Balanced-Actively Managed” portfolio.



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Moving OPEB funds from CERBT to PARS

- Allows the County to take advantage of lowest fee rates with PARS.
- Combination trust will track assets for Pension and OPEB separately.
- County can choose different investment strategies for Pension and OPEB funds.
- Staff would return with recommended investment strategy for OPEB.



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115 Trust Policy

- Formalizes roles and responsibilities as it relates to the management of these trusts
- Establishes the CEO as the Plan Administrator
- Establishes an oversight committee
 - CEO and Assistant CEO
 - Auditor-Controller
 - Treasurer-Tax Collector
 - Human Resources
 - County Counsel
- Requires an annual report to the Board on 115 Trust investments



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Requested Actions

1. Receive OPEB report
2. Receive update on pension unfunded liability
3. Adopt a resolution establishing a 115 trust administered by PARS, and appointing the CEO as plan administrator
4. Authorize the cancellation of the General Fund assignment-\$4.271 M
5. Approve a budget transfer to appropriate assigned funds-\$4.271 M
6. Direct staff to initiate process to move OPEB funds from CERBT to PARS
7. Adopt 115 Trust Administration policy



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- Questions?



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