

**PERALTA COMMUNITY COLLEGE DISTRICT
Board of Trustees Agenda Report
For the Trustee Meeting Date of July 16, 2013**

ITEM TITLE:

Approval of Retirement Board Resolution #13/14-12.

SPECIFIC BOARD ACTION REQUESTED:

Approval of Retirement Board resolution #13/14-12 appointing Retirement Board members and creating a new Board of Trustee alternate member.

ITEM SUMMARY:

At its March 29, 2011 meeting, the Board of Trustees approved resolution number 10/11-62 recognizing the obligations associated with other post-employment benefits (OPEB) and establishing a Retirement Board whose charge is to oversee the investment activities of the District's OPEB Trust. Included in this resolution, the Board appointed five members to serve on the Retirement Board. Resolution 13/14-12 reappoints the original five members and establishes an alternate member. The members include Mr. Bill Withrow, Mr. Cy Gulassa, Dr. William "Bill" Riley, Ms. Meredith Brown (alternate), Dr. Trudy Largent, and Mr. Ronald Gerhard.

BACKGROUND/ANALYSIS:

RESOLUTION OF THE GOVERNING BOARD OF THE PERATA COLLEGES ESTABLISHMENT OF A RETIREMENT BOARD TO HANDLE ALL FINANCIAL ASPECTS OF OTHER POST-EMPLOYMENT BENEFITS

Resolution 13/14-12

WHEREAS, the Governing Board recognizes the obligations associated with the contractual terms of the other post-employment benefits (OPEB), other than pensions, for current and future retirees of The Peralta Colleges; and

WHEREAS, it is further recognized that **GASB 45**, or Governmental Accounting Standards Board Statement Number 45, is an accounting and financial reporting provision requiring government employers to measure and report the liabilities associated with other post-employment benefits; and

WHEREAS, it is further recognized that reported OPEBs may include medical, pharmacy, dental, vision, life, long-term disability and long-term care

benefits that are not associated with a pension plan; and

WHEREAS, it is further recognized that education boards are included among the government employers required to comply with GASB 45; and

WHEREAS, it is further recognized that GASB 45 was instigated by the Governmental Accounting Standards Board in July 2004 because of the growing concern over the potential magnitude of government obligations for post-employment benefits and requires that effected employers (1) recognize the cost of OPEB in the period when services are received; (2) provide information about the actuarial liabilities for the promised benefits; (3) provide information useful in assessing potential demands on future cash flows; and

WHEREAS, it is further recognized that GASB 45 requires that financial statements disclose (1) a description and delineation of the benefits, who is eligible, the number of employees and retirees covered, etc.; (2) the bi-annually, actuarially determined liability for OPEB and the assets that are available to offset the liability, including the actuarial methods and assumptions that were used in calculating the liability; (3) the portion of the liability that must be reported as an annual accounting expense on the employer's financial statements, and a cumulative accounting of the extent to which the plan sponsor actually makes contributions to off-set its annual expense; and

WHEREAS, it is further recognized that an actuary with both pension and health experience must perform the calculations following generally accepted actuarial methods and that The Peralta Colleges has received figures for 2006, 2008,2010; and 2012; and

WHEREAS, it is further recognized that a Retirement Board was established by the Governing Board that consists of the four Trustees, three regular members and one alternate, that were assigned to the Board Audit and Finance Committee; and

WHEREAS, it is further recognized that a Post- Employment Benefit Trust (PEBT) was established, with Neuberger Berman Trust Company NA functioning as the fiduciary trustee and custodian of OPEB funds; and

WHEREAS, it is further recognized that Neuberger Berman Trust Company NA, currently manages the investments of OPEB funds that accrued from the sale of OPEB bonds which are still outstanding; and

WHEREAS, it is further recognized that there are SWAP agreements outstanding that the Administration entered into in an attempt to minimize the potential financial risk of variable interest rates that have moved substantially against the OPEB Trust Fund; and

WHEREAS, it is further recognized that the current value and the projected future value of cash flows to address the contractual liability for OPEB for The Peralta Colleges is projected to be approximately \$184 million as of October 31, 2012 and immediate actions must be taken to address this liability and the reduction of the liability over a specified period of time; and

WHEREAS, it is further recognized that the future quality of life of current employees and retirees is at substantial and unacceptable risk and that immediate and definitive action must be taken to mitigate the existing and future damage; and

NOW THEREFORE, IT IS HEREBY RESOLVED THAT:

SECTION 1. The Retirement Board shall serve at the pleasure of the Board of Trustees, which shall be appointed, terminated or replaced by the Board of Trustees at any time.

SECTION 2. The current Retirement Board shall be expanded from the current three Trustees to include two additional appointments by the Board of Trustees and one alternate Board member. The following persons shall be appointed as members of the Retirement Board, until such time as successors shall be appointed by the Board of Trustees:

Mr. Bill Withrow

Mr. Cy Gulassa

Dr. William "Bill" Riley

Ms. Meredith Brown (alternate)

Ms. Trudy Largent

Mr. Ronald Gerhard

SECTION 3. The Chancellor shall serve as the Executive Secretary and Chief Administrative Officer of the Retirement Board operations to include the day-to-day interactions with all agencies, contractors and advisors and to be the single point of contact and decision maker for all administrative matters within the scope provided by the Retirement Board.

SECTION 4. The members of the Retirement Board (RB) shall meet periodically, but not less than once per year, in the Board Room at 333 East 8th Street in Oakland as strictly the RB and with an RB public notice, agenda and minutes that is not to be comingled with the posting of the agenda and minutes of the Board of Trustees.

SECTION 5. The members of the Retirement Board will not be eligible for any additional compensation, but will be reimbursed for any costs associated with travel, conferences, etc.

SECTION 6. A financial advisor is to be placed on retainer by the Retirement Board, on the basis of a recommendation by the Retirement Board Chief Administrative Officer, who will interpret all information and recommendations by outside asset managers and investment bankers and put into layperson's language the important elements to be considered and the risks that are associated.

SECTION 7. A securities attorney is to be placed on retainer by the Retirement Board, on the basis of a recommendation by the Retirement Board Chief Administrative Officer, who will review all legal documents to ensure that all responsible parties are fully cognizant of all ramifications associated with each document.

DELIVERABLES AND SCOPE OF WORK:

Not Applicable

ANTICIPATED COMPLETION DATE:

N/A

ALTERNATIVES/OPTIONS:

N/A

EVALUATION AND RECOMMENDED ACTION:

Recommend approval of resolution number 13/14-12.

OTHER DEPARTMENTS IMPACTED BY THIS ACTION (E.G. INFORMATION TECHNOLOGY):

YES _____ NO _____

COMMENTS: NONE

WHO WILL BE PRESENTING THIS ITEM AT THE BOARD MEETING? RON GERHARD

(*****Board contract approval is subject to negotiation and execution by the Chancellor.)

DOCUMENT PREPARED BY:

Prepared by: *Ronald Gerhard*
Ron Gerhard, Chief Financial Officer

Date: 7/3/2013

DOCUMENT PRESENTED AND APPROVED BY:

Presented and approved by: *Ronald Gerhard*
Ron Gerhard, Chief Financial Officer

Date: 7/3/2013

FINANCE DEPARTMENT REVIEW

Finance review required Finance review *not* required

If Finance review is required, determination is: Approved Not Approved

If not approved, please give reason: _____

Signature: *Ronald Gerhard*
Ron Gerhard, Chief Financial Officer

Date: 7/3/2013

GENERAL COUNSEL (Legality and Format/adherence to Education Codes):

Legal review required Legal review *not* required

If Legal review is required, determination is: Approved Not Approved

Signature: _____
Thuy T. Nguyen, General Counsel

CHANCELLOR'S OFFICE APPROVAL

Approved, and Place on Agenda Not Approved, but Place on Agenda

Signature: _____
José M. Ortiz, Chancellor