

BOARD REPORT NO. 09-7-100B

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Kathryn Blackwood, Chief Financial Officer, 358-6869

ADOPTION OF RESOLUTION 09-8 ESTABLISHING A TRUST FUND FOR POST-RETIREMENT BENEFITS AND A RETIREMENT BOARD OF AUTHORITY

During the past several years, the Board of Trustees has received periodic updates concerning the requirement for public entities to comply with new accounting standards requiring full disclosure and funding of benefits for retirees. Governmental Accounting Standards Board (GASB) Circulars 43, the reporting of the District's GASB liability and 45, the requirements of funding of the District's GASB liability, outline the requirements for public entities to address the issue of retiree health benefits that have not been pre-funded.

The GASB standards have become effective for all national public entities on a phased in basis. Phase II public entities, which San Mateo County Community College District falls under, are to be in compliance with the GASB guidelines as of June 30th of this current fiscal year.

The Governmental Accounting Standards Board (GASB) currently requires public employers to disclose the existence and/or cost of retiree health benefits. Establishing a "plan" is the next step in the GASB compliance guidelines through an irrevocable trust or other arrangement that is exclusively for retiree health benefits and the assets of which are protected from creditors. Establishing an irrevocable trust allows the District to invest the funds in more long-term and more lucrative investments and also to allow the retirement reserve to actually reduce the District's liability for post-retirement benefits. Establishing the trust and the agreements does not obligate the District to place funds in the trust, and funds may be disbursed from the trust for any current retiree benefit expense. This tends to lessen the negative aspects of the trust and continues to allow the District cash management flexibility.

Prefunding by a Public Entity of the current and future financial liabilities for Other Pension Employee Benefits (OPEB) program creates the need to establish a Retirement Board of Authority (RBOA) to oversee the District's compliance with the GASB 43 & 45 compliance guidelines.

RECOMMENDATION

It is recommended that the Board of Trustees adopt Resolution No. 09-8 establishing the trust fund for post-retirement benefits and the Retirement Board of Authority.

**RESOLUTION NO. 09-8
BY THE GOVERNING BOARD OF
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATE OF CALIFORNIA**

**RESOLUTION ESTABLISHING A TRUST FUND FOR POST-RETIREMENT BENEFITS
AND A RETIREMENT BOARD OF AUTHORITY**

WHEREAS, the Board of Trustees (the “**Board**”) of San Mateo County Community College District (“**Employer**”) desires to establish a trust (the “**Trust**”) to be used for the purposes of: (i) investment and disbursement of funds irrevocably designated by Employer for the payment of its obligations to eligible employees (and former employees) of Employer and their eligible dependents and beneficiaries for life, sick, hospitalization, major medical, accident, disability, dental and other similar benefits (sometimes referred to as “other post-employment benefits,” or “**OPEB**”), in compliance with Governmental Accounting Statement Nos. 43 and 45; and (ii) investment and disbursement of excess funds held by Employer for future use in connection with any lawful purpose of Employer, as further described herein; and

WHEREAS, the Board has the authority and desire to establish a five (5) member Retirement Board of Authority for the Trust (the “**Retirement Board of Authority**”), which shall be appointed, terminated or replaced by the Employer at any time to serve at the pleasure of the Board, to have the authority to engage other necessary providers of services in connection with the Program, including the adoption of the Trust, the appointment of a fiduciary trustee and custodian, as well as to make any and all other decisions in the name of an on behalf of the Employer with regard to the Trust and other applicable agreements;

NOW, THEREFORE, BE IT RESOLVED, that the Trust shall be established for the purposes described above, and that the Retirement Board of Authority shall be established to serve at the pleasure of the Employer, with authority to make decisions on behalf of and in the name of the Employer with regard to the implementation of the Trust and other corresponding agreements and the following persons shall be appointed as the members of the Retirement Board of Authority, until such time as their successors shall be appointed by the Employer:

Chief Financial Officer
Controller
Vice Chancellor of Human Resources
Classified Employee appointed by CSEA
Faculty Employee appointed by AFT

BE IT FURTHER RESOLVED that the Retirement Board of Authority is hereby authorized and directed to execute the Adoption Agreement to implement the Trust; it is authorized and directed to

execute the Futuris Program Services Agreement; and it is authorized to execute any other necessary agreements and take other action as is necessary to appoint the Trustee and any investment manager, as well as appoint any other "Authorized Representatives" who may act on behalf of the Employer in accordance with the terms of the Trust; and

BE IT FURTHER RESOLVED that decisions of the Retirement Board of Authority shall require an affirmative vote of at least a majority of the members of the Retirement Board of Authority and that the decisions of the Retirement Board of Authority may be made in accordance with Government Code §§ 54950 et seq. (the "Brown Act"); and

BE IT FURTHER RESOLVED that the members of the Retirement Board of Authority shall meet periodically, for regular or special meetings to be held at any place which has been designated from time to time by resolution of the Retirement Board of Authority, on such date as they shall determine but not less than every twelve (12) months, with the notice of such time and place of each meeting being provided with no less than seventy-two (72) hours notice that is delivered personally or electronically by telephone, facsimile or other electronic means, to review the investments held in the Trust and to transact such other business and make such other decisions as are required to be made by the Retirement Board of Authority; and

BE IT FURTHER RESOLVED that any meeting, regular or special, may be held in any manner consistent with the Brown Act; and

BE IT FURTHER RESOLVED that the members of the Retirement Board of Authority shall receive no compensation for serving as members of the Retirement Board of Authority; and

BE IT FURTHER RESOLVED that the members of the Retirement Board of Authority are hereby authorized and directed to take any and all other actions as they deem necessary and appropriate to carry out the purposes of these resolutions, including the execution of any and all applicable agreements to implement the Trust and to carry out the purposes of the Program as otherwise described therein; and

BE IT FURTHER RESOLVED that the members of the Retirement Board of Authority are hereby authorized to review and approve an Investment Policy Statement developed by the Trustee through consultation with the investment manager selected by the Trustee, which shall provide the guidelines for investment of funds and assets contributed by the Employer to the Trust, and that the Retirement Board of Authority are further authorized to amend the Investment Policy Statement from time to time as they shall determine appropriate based upon consultation and advice received from the Trustee and the investment manager; and

BE IT FURTHER RESOLVED that the Trustee shall have the authority to cause any or all of the assets of the Trust to be commingled, if the investment and the issuance of such investment thereof would be exempt under the provisions of Sections 2(a)(36), 3(b)(1) or 3(c)(11) of the Investment Company Act of 1940 or Section 3(a)(2) of the Securities Act of 1933, with the assets of trusts created by others, causing such money to be invested as part of a common and/or collective trust fund; and

BE IT FURTHER RESOLVED that the Retirement Board of Authority shall provide information and copies of investment statements and other similar reports regarding the Trust and its applicable investment performance to the Board on a not-less-than quarterly basis.

REGULARLY PASSED AND ADOPTED THIS 22ND DAY OF JULY, 2009.

Ayes:

Noes:

Abstentions:

Attest: _____
Patricia Miljanich, Vice President-Clerk
Board of Trustees