Before the Board of Supervisors
County of Placer, State of California

In the matter of: A Resolution to adopt the Pension and updated combined Pension and Other Post-Employment Benefits Funding Policy

Resolution No.: 2019-193

The following Resolution was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held September 24, 2019, by the following vote on roll call:

Ayes: GORE, HOLMES, GUSTAFSON, UHLER

Noes: NONE

Absent: WEYGANDT

Signed and approved by me after its passage.

Chair, Board of Supervisors

Attest:

Clerk of said Board

WHEREAS, Promote fiscal responsibility and long-term planning efforts by adhering to a policy that will assist the County in addressing pension and other post-employment benefit (OPEB) funding requirements.

WHEREAS, allowing flexibility to respond to actuarial analyses and variable returns on investments due to market volatility..

BE IT RESOLVED, by the Board of Supervisors, County of Placer, State of California,

Exhibit A: Combined Pension and Other Post-Employment Benefits Funding Policy

Exhibit A

PLACER COUNTY

PENSION AND OTHER POST-EMPLOYMENT BENEFITS FUNDING POLICY

1.0 PURPOSE

To promote fiscal responsibility and long-term planning efforts by adhering to a policy that will assist the County in addressing pension and other post-employment benefit (OPEB) funding requirements while allowing flexibility to respond to actuarial analyses and variable returns on investments due to market volatility.

2.0 PENSION POLICY

2.1 County Budget

2.1.1 With each budget cycle, at a minimum, fully fund the Actuarially Determined Contributions (ADC) from the California Public Employees Retirement System (CalPERS) for both the Miscellaneous and Safety Pension Plans which serve as the basis for the employee[1], employer normal cost, and unfunded liability contributions.

As part of the actuarial Analysis, CalPERS will be using acceptable actuarial cost methods, asset smoothing methods and amortization periods consistent with provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions.*

A. All components of the ADC will be collected through Payroll on a bi-weekly basis.

B. Pension funding in excess of the ADC may or may not be collected through Payroll based on financial considerations and contingent on the funding source identified by the County Executive Office (CEO).

C. There are two options to pay CalPERS:

2.1.1.C.1 Deduct the Employee Contribution and multiply the Normal Cost and Unfunded Liability rates by eligible costs for each employee and send to CalPERS bi-weekly.

2.1.1.C.2 Pay the annual contribution for the Unfunded Liability as a lump sum. Should the county choose to pursue this option, the General Fund will pay the lump sum, and Payroll will continue to deduct the Employee Contribution and multiply the Normal Cost and Unfunded Liability rates by eligible costs. However, instead of sending the Unfunded Liability portion to CalPERS, Payroll will reimburse the General Fund up to the lump sum amount sent to CalPERS. Payroll will continue to send Employee and Normal Cost contributions to CalPERS bi-weekly.

D. At mid-year, CEO will reconcile the amounts sent to CalPERS with the minimum ADC amount required and, if necessary, adjust the amount collected through Payroll for the remainder of the year.

E. The County Executive Office will report back annually to the Board of Supervisors (BOS) on the progress the County is making toward funding promised benefits.

2.2 Internal Revenue Code Section 115 Irrevocable Trust

2.2.1 In an effort to offset underperformance by the Pension Fund and/or future discount rate assumption adjustments, the County will set up and maintain an Internal Revenue Code (IRC) Section 115 Irrevocable Trust.

A. Any funding above and beyond the ADC (i.e. additional one-time lump-sum payments) that is approved by the BOS should be held in the Trust if not designated for immediate payment to CalPERS.

B. Any savings obtained by pre-paying the annual required contribution towards CalPERS pension obligations will be transferred to the Trust.

C. All transactions in and out of the Trust will be administered by the Finance Committee with approval from the BOS.

D. The Finance Committee will determine the investment objective and risk tolerance.

E. On an ongoing basis, the Finance Committee will evaluate the investment performance, fees, service levels, and alternative options. In the event that the Finance Committee determines it is advantageous to make a change in the investment strategy or move funds to another qualified IRC Section 115 Irrevocable Trust, the Committee will make a recommendation to the BOS for approval.

F. Periodic pension fund reviews or updates that come before the BOS should include the funds held by the Trust.

G. Although the cash held in trust cannot be counted against the Net Pension Liability (NPL), the year-end balance should be reflected as a restricted asset and properly disclosed in the Comprehensive Annual Financial Report (CAFR).

3.0 OTHER POST-EMPLOYMENT BENEFITS POLICY

3.1 IRREVOCABLE TRUST FUND

Transfer all OPEB plan assets to Placer County's California Employers' Retiree Benefit Trust (CERBT), an irrevocable trust, in order to maximize the investment's long-term rate of return.

3.2 COUNTY BUDGET

3.2.1 Annually, conduct an actuarial valuation for the retiree healthcare plan.

3.2.2 With each budget cycle, at a minimum, fully fund the net actuarially determined contribution (ADC) for that year.

a. OPEB funding will be collected through payroll and remitted to the CERBT.
b. Retiree health and dental premiums will be paid by the County and reimbursed by the CERBT or will be paid directly by the CERBT.
c. Using this figure, calculate the average cost per filled allocation that must be collected that fiscal year through payroll. Collect these funds every payroll cycle and transfer them to the CERBT at least monthly.
d. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, prepare the County's OPEB Actuarial Report using a planned funding period of 15 years beginning in FY 2015-16 as a means to update the ADC and unfunded liability amounts.
e. Reconcile the payroll amount collected at mid-year with the minimum ADC amount required and, if necessary, adjust the amount being collected through payroll.

4.0 ADVANCE FUND POST-EMPLOYMENT LIABILITIES

Direct additional funding to the IRC Section 115 Irrevocable Trust or CERBT through official Board actions during the year-end close process, the budget process, or when additional, unexpected or one-time funding materializes during the fiscal year.

5.0 LEGISLATION

Continue to monitor and / or introduce legislation that would maximize the County's flexibility to manage / administer benefits and minimize the growth of future liabilities.

Note(s):

[1] The county pays the employee contribution for those employees eligible for the Employer Paid Member Contribution (EPMC) benefit. Payroll will deduct the employee contributions based on the rates set forth in the actuarial on a bi-weekly basis for employees who are not eligible for EPMC.