FOOTHILL-DE ANZA
Community College District

Date: August 15, 2008

To: Andy Dunn

From: Hector Quinonez

Subject: GASB 45 OPEB Funding Options

At the June 16, 2008 Board of Trustees Meeting, the Board approved the staff's recommendation that the Internal Retirement Board, which is comprised of the Audit & Finance Committee Chair, the Vice Chancellor of Business Services, and the Controller, review and compare the OPEB trust program offered by the Public Employees Retirement System (PERS) with the plan sponsored by the Community College League of California (CCLC).

GASB 45 is relatively new, and a number of new programs have been developed over the past few years to assist governmental agencies in addressing the Other Post Employment Benefit (OPEB) requirements. It would be helpful to have a better understanding of these other programs before we decide to limit our comparison only between the CCLC program and the PERS program.

A current listing of vendors that offer alternative programs includes:

1. CALGOVEBA Trust Administrator/Manager
2. CalPERS "CERBT"
3. Community College League of California
4. CSBA/PARS Public Agency Retirement Services
5. Financial Counselors, Inc. GASB 43 & 45 Plan
6. Keenan Financial Services "Futuris"
7. Orange County Teachers Federated Credit Union GASB 45 Plan
8. PFM Asset Management LLC GASB 45 Plan
9. SISC GASB 45 Trust
10. Wells Fargo Institutional Trust Services

Since the CCLC plan has been in effect since March 2006, no member district of the CCLC program has elected to withdraw from the program. The agreement with the CCLC indicates that there are two ways a participating party may withdraw from the program.

The first cause of termination or withdrawal from the CCLC GASB 45 compliance plan would be a “Voluntary Termination” and the second cause of termination or withdrawal from the CCLC GASB 45 compliance would be an “Involuntary Termination”.

The focus of the District’s brief review of the cause of termination will be the first cause of termination or withdrawal the “Voluntary Termination” Agreements clause:

- A Three Fiscal Years’ Consecutive Participation by the “party” without withdrawal from the program
- The “party” seeking to withdraw shall serve notice upon the “Board” as specified at Article XIV.
- If notice is made and received by close of business on December 31, the effective date of withdrawal shall be the last day of the program’s fiscal year.
- If notice is made and received after December 31, the effective date of withdrawal shall be the last day of the program’s fiscal year following the fiscal year in which the notice was given.
- The “Board” must receive a “party’s” governing body resolution adopting withdrawal effective July 1 of that year or following year.
- The withdrawal “party” shall have a continuing obligation of up to five years after termination for claims incurred during the ‘parties” participation period.
- The distribution of “shares of equity” (if any) shall not be made to the “party” for up to five years after termination.

As is evident from this language, the voluntary termination process is not clear-cut and is subject to interpretation. As a result, we will obtain legal counsel review to help clarify the points listed above.

Since this is a fairly complicated and evolving issue, I recommend that we work with a consultant, in coordination with our actuary and legal counsel to prepare an analysis of the various program offerings noted above in order to form a basis for comparison with our current CCLC program.