

To: Administration and Finance Committee

Date: August 19, 2013

From: Kathy Casenave, Director of Finance

Reviewed by:

SUBJECT: PARS OPEB TRUST AND OPEB LIABILITY

Summary of Issues:

Staff recently received the PARS Annual Account Report for the period 7/1/2012 to 6/30/2013.

The transactions for FY 2013 were:

July 1, 2012 Beginning Balance	\$891,590
Earnings	49,336
Expenses	-7,095
FY 2013 contribution	<u>232,000</u>
June 30, 2012 Ending Balance	<u>\$1,165,831</u>

The A&F Committee selected the Moderately Conservative Index PLUS investment option. The dual goals of this strategy are current income and moderate capital appreciation. The major portion of the assets is committed to income-producing securities. The allocation for this option is 20-40% equity, 50-80% fixed income and 0-20% cash.

The investment rate of return for FY 2013 was 5.62%. FY 2012 it was 4.55%; for FY 2011, the first full year of the trust, it was 8.77%. The 3 year annualized return is 6.30%.

The current actuarial valuation report, dated January 4, 2012, uses a 5.5% discount rate and is the basis for reporting OPEB liabilities for the FY 2012 and FY 2013 financial statements. The Annual Required Contribution is \$344,127, which consists of the actual amount paid for retiree medical premiums during the fiscal year and the accrued expense to fund future years. Although there is no requirement to actually fund the ARC, it has been Board policy to do so. The FY 2013 amounts:

Medical Premiums Paid for Retirees	\$128,264
Contribution to PARS trust	<u>232,000</u>
Total Retiree Medical Costs paid	360,264
ARC	344,127
Overpayment for FY 2013	16,137
OPEB Liability as of June 30, 2012	<u>3,209</u>
Overpayment Carryover to FY 2014	<u>\$12,928</u>

A new actuarial valuation will be prepared by January 2014 and the ARC calculated in that report will be used for the FY 2014 and FY 2015 financial statements.

RECOMMENDATION:

Staff requests that the Committee discuss whether to retain the current investment rate of return of 5.5% for the upcoming actuarial valuation. Andrew Brown, the PARS investment manager, can meet with the committee at a future date to discuss this, as well as discuss in greater detail the current investment portfolio.

OPTIONS:

- 1.) Retain the 5.5% investment rate of return
- 2.) Change the investment rate of return
- 3.) Consult with investment manager or actuary at a later time before making a decision.