



# Multiple Employer Trusts and OPEB Pre-funding by CERBT Employers



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# Discussion Overview – Multiple Employer Trusts

- Well Known Providers
- Legal Basis
- Tax Form
- Some Important Questions
- Pre-funding by CERBT Employers



# Some California OPEB trust service providers

<u>Service Provider</u>	<u>Administrator</u>	<u>Other information</u>
California Employers Retiree Benefit Trust (CERBT )	CalPERS	Trust administration; investment mgmt; GASB 43 reporting.
California School Boards Authority (CSBA) GASB 45 Solutions	Public Agency Retirement Services	Trust administration; investment mgmt.
California Special Districts Association (CSDA) Trust Program	Public Agency Retirement Services	Trust administration; investment mgmt.
Keenan	Keenan Insurance Brokerage	Trust administration; investment mgmt.
Pacific Public Partners	San Bernardino County Employee Retirement System	Investment management
PARS GASB 45 Plan	Public Agency Retirement Services	Trust administration; investment mgmt.
PFM	Public Finance Management Group	Trust administration; investment mgmt.
Self Insured Schools of California (SISC) GASB 45 Trust	Wachovia	Trust administration; investment mgmt.

# Legal Basis

California multiple employer trust funds can be categorized by their legal basis

- Established in state law: CERBT (CalPERS) and Pacific Public Partners (SBCERS)
- Established in plan document: all others

# Likeliest Tax Form

No accident that the multiple employer OPEB liability trusts listed are all IRC 115(1) trusts

IRC Section 115(1) requires two compliance duties:

- Trust income derives from exercise of an essential governmental function
- Trust income accrues exclusively to a State or to its political subdivision

“Political subdivisions of the state” and “section 115 entities” may join the IRC 115(1) trust.

- Determining which agencies are “section 115 entities” is a tricky business.

# Some Important Questions for a Trust Service Provider

Who is responsible for investment policy, strategy, and management?

- Most (3/4+) want to delegate that responsibility
- Does the expected long term investment rate of return and volatility match the employer's financial requirements?

What administrative services does employer require?

- Mostly contributions, disbursements, statements

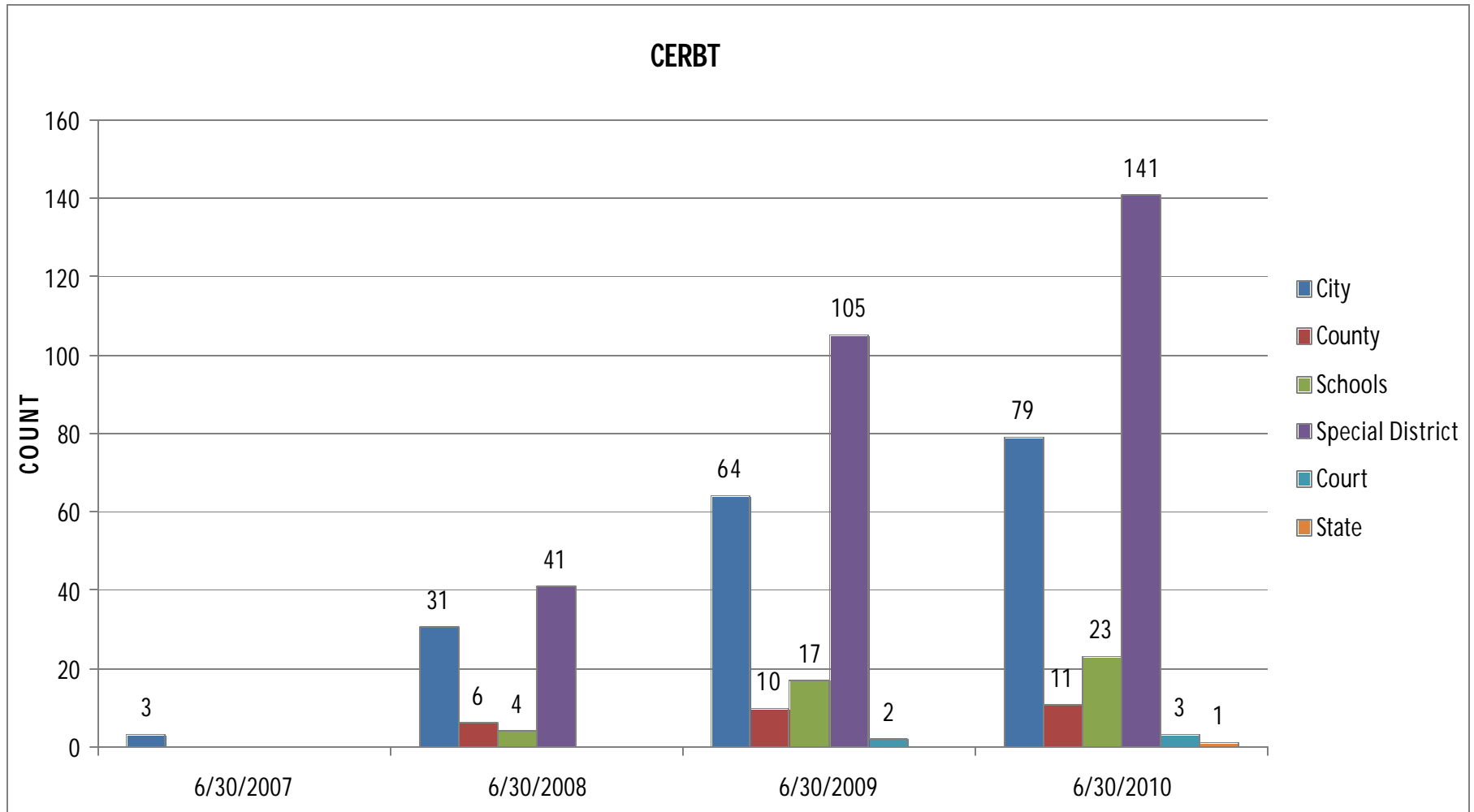
How much does the program service cost?

Who reports compliantly for the OPEB plan?

# Some Important Caveats About Following Data

- “Member” means active employee, retiree, or vested terminated employee
- “Courts” include miscellaneous category employees but not judges
- These results are adjusted, using actuarial methods, to align to the CAFR date on which we reported them
- The number of participating employers changed each year; smaller employers tended to join later
- Three years does not make a trend or lead to a conclusion, but the results are interesting

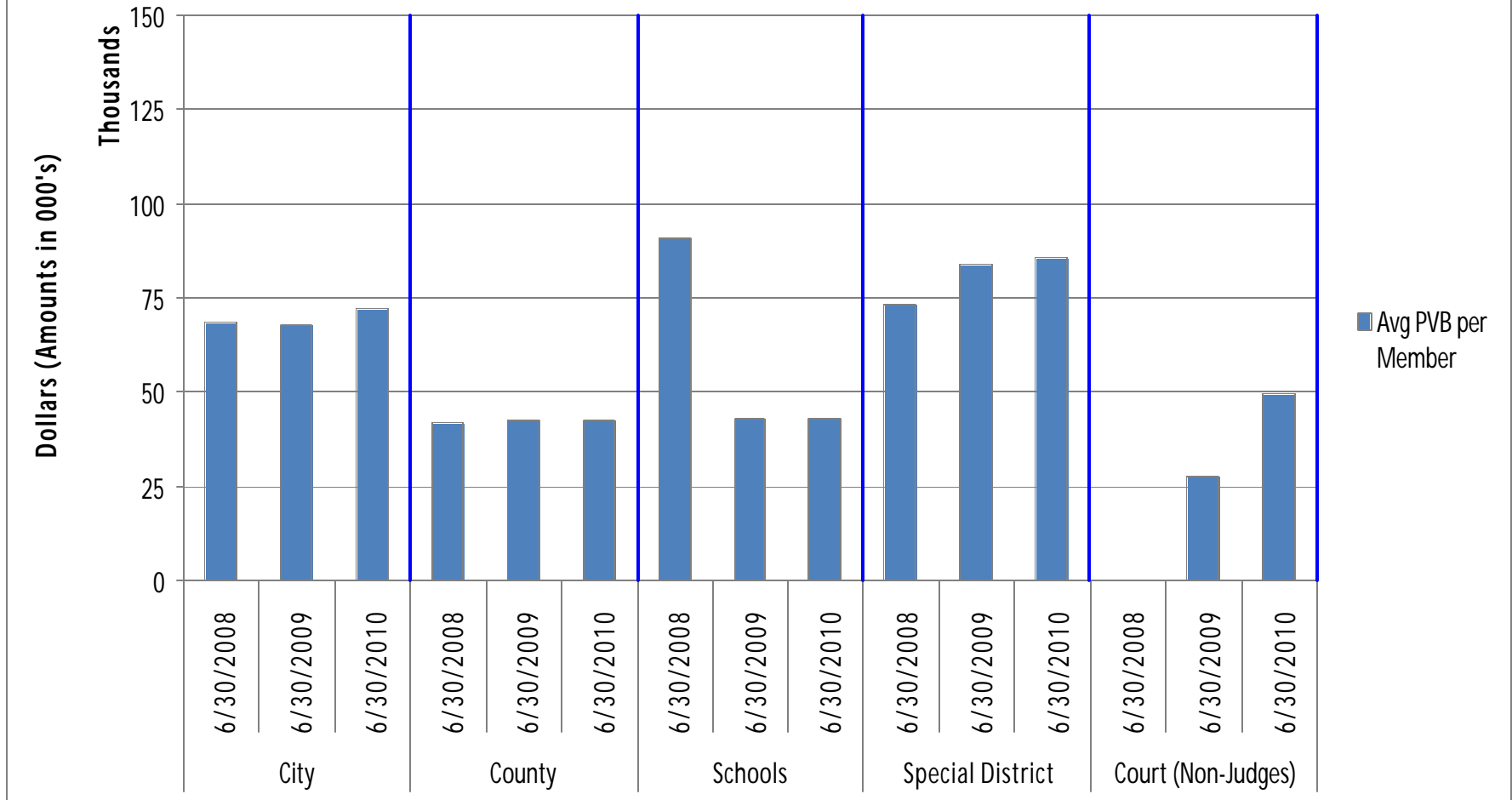
# CERBT Employer Counts by Reporting Year





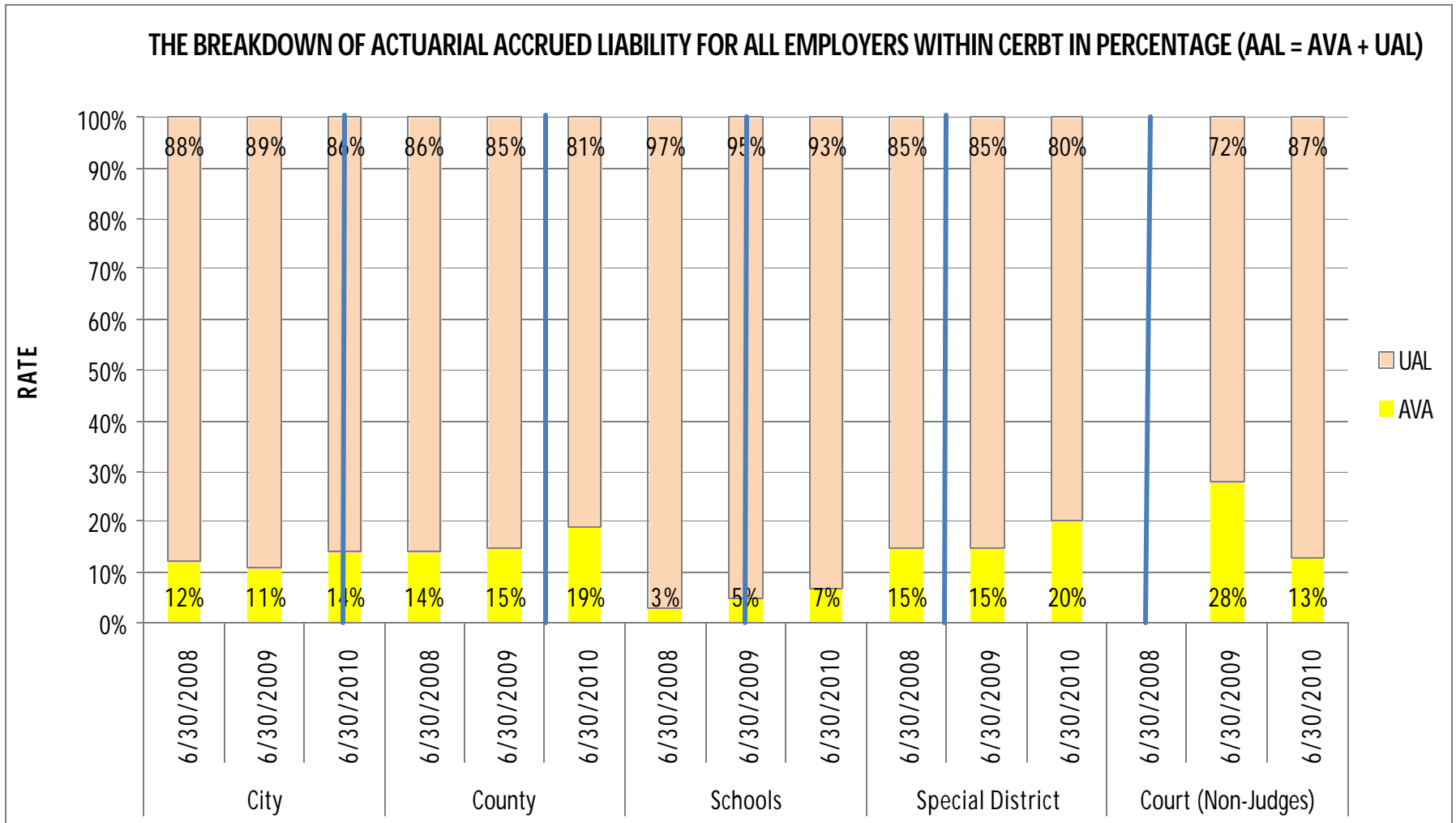
# CERBT Employer Present Value of Benefits

THE AVERAGE TOTAL PRESENT VALUE BENEFIT PER MEMBER WITHIN CERBT



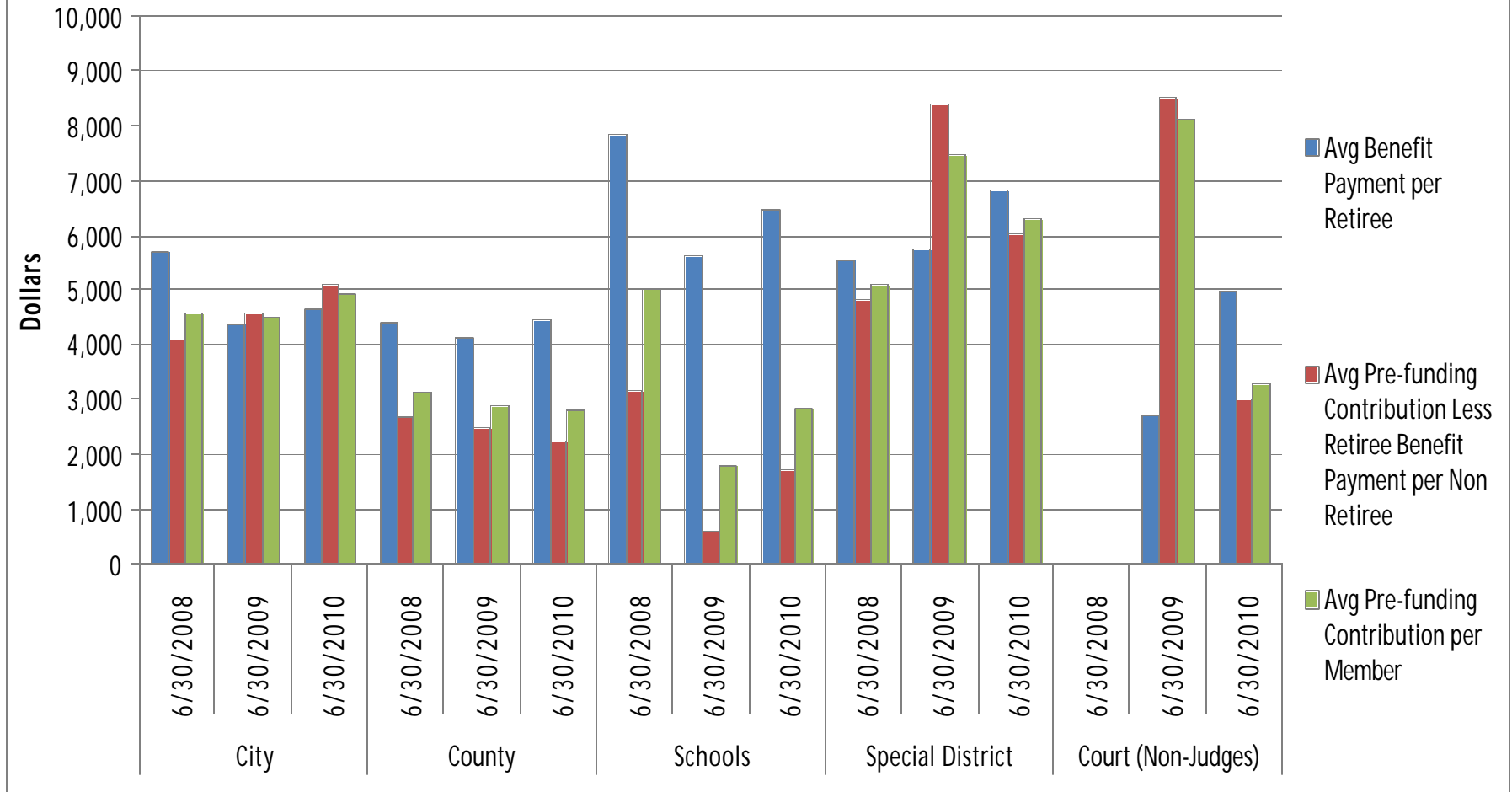
# CERBT Employer OPEB Pre-Funding Progress

THE BREAKDOWN OF ACTUARIAL ACCRUED LIABILITY FOR ALL EMPLOYERS WITHIN CERBT IN PERCENTAGE (AAL = AVA + UAL)



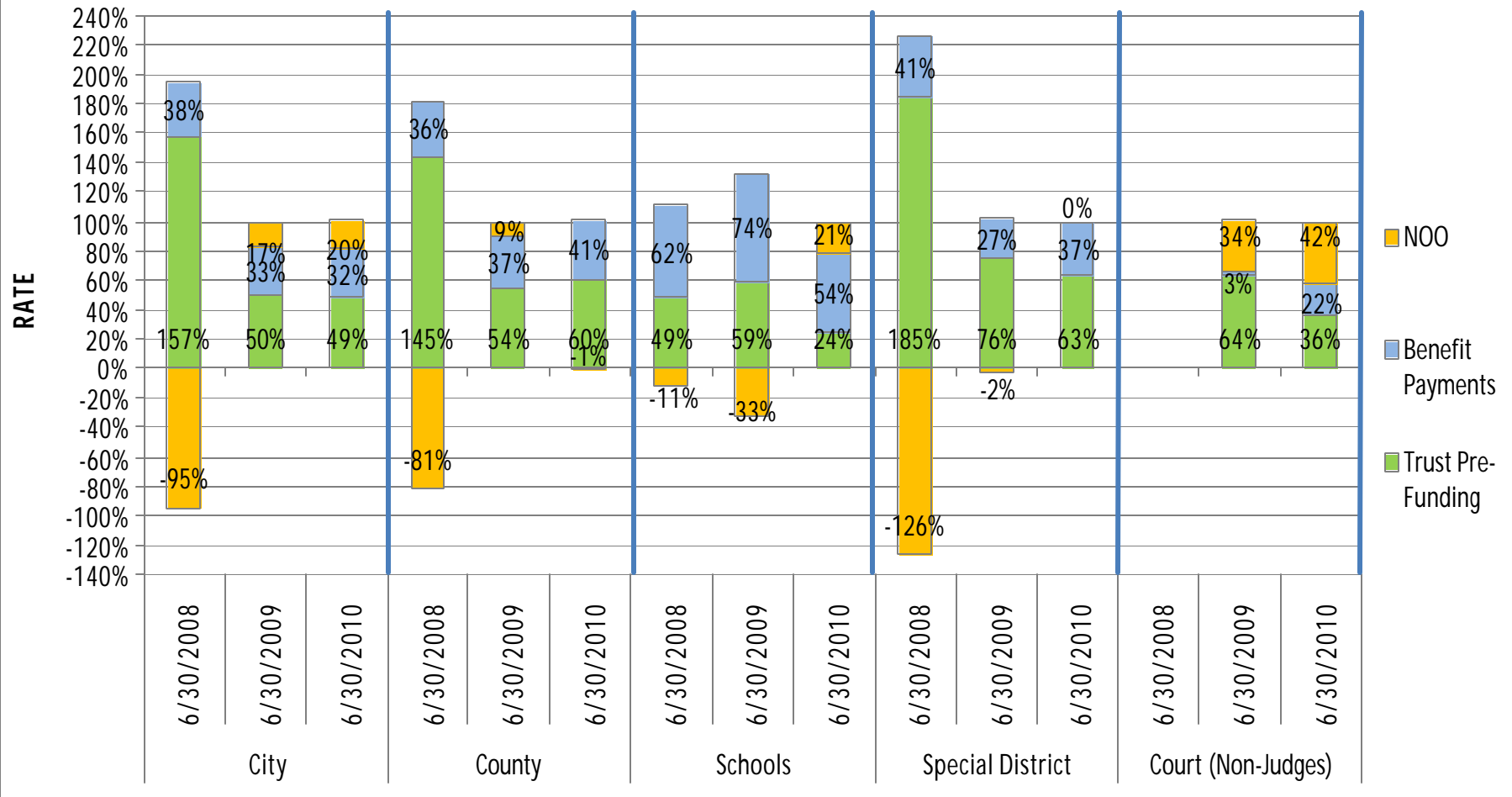
# CERBT Employer Contributions

THE AVERAGE ANNUAL CONTRIBUTION TOWARD ARC OF CERBT EMPLOYERS



# CERBT Employer ARC Components

BREAKDOWN OF ANNUAL REQUIRED CONTRIBUTION IN PERCENTAGE BY GROUP



# Questions? Where to get Information?



- CERBT E-mail
  - [CORE4U@calpers.ca.gov](mailto:CORE4U@calpers.ca.gov)
- CalPERS Website
  - [www.calpers.ca.gov/cerbt](http://www.calpers.ca.gov/cerbt)
- Employer Contact Center
  - (888) CalPERS (225-7377)