



To: Michael Wood, Superintendent
From: George King, Assistant Superintendent
Subject: Establishment of an OPEB Trust
Date: November 17, 2014

Superintendent
Michael L. Wood

Last June to School Committee voted to encumber \$150,000 from the FY 14 health insurance appropriation for the purpose of establishing an Other Post -Employment Benefits (OPEB) trust. This vote was contingent upon the Board agreeing at a later date to take formal action to set up such a trust.

Assistant Superintendent
George P. King, Jr.

To formally establish the trust, the School Committee must accept the provisions of Massachusetts General Law, Chapter 32B, Section 20. I have attached the wording of this section. Voting to accept this section will establish the trust and allow the District Treasurer to deposit the money into the trust with the committee's approval.

Director of Human Resources
Monica Visco

The primary issue to keep in mind is that once the money is deposited into the trust it is irrevocable. In other words the money cannot be withdrawn and spent on anything except the cost of retiree health insurance. Although this is critical to keep in mind, given the relatively low amount of money being deposited presently, the restriction is not significant at this time. Our current budget has over \$500,000 per year in retiree benefits. The trust money could in fact be used to offset this cost. So although our goal would not be to use the money in such a manner, until the trust significantly outgrows our annual costs, the restriction is not cumbersome.

Director of Special Education
Tracy Conte

The other consideration that we can make in the future is how to invest the money. As it grows we can decide to invest in stocks and bond and other securities through the Health Care Security Trust which is a state program set up for this purpose. This discussion does not have to occur at this time but should be considered as our investment grows.

Director of Athletics
Tania Rich

I would ask the committee that if they desire to go forward with this trust that it be moved to:

Adopt the provisions of Massachusetts General Law, Chapter 32B, Section 20 to establish an OPEB trust, and to further move to deposit the \$150,000 encumbered from the FY 2014 health insurance line item for said purpose to be deposited into the trust.

Please let me know if there are any questions.

PART I ADMINISTRATION OF THE GOVERNMENT**TITLE IV** CIVIL SERVICE, RETIREMENTS AND PENSIONS**CHAPTER 32B** CONTRIBUTORY GROUP GENERAL OR BLANKET INSURANCE FOR PERSONS IN THE SERVICE OF COUNTIES, CITIES, TOWNS AND DISTRICTS, AND THEIR DEPENDENTS**Section 20** Other Post-Employment Benefits Liability Trust Fund

Section 20. (a) A city, town, district, county or municipal lighting plant that accepts this section may establish an Other Post-Employment Benefits Liability Trust Fund, and may appropriate amounts to be credited to the fund. Any interest or other income generated by the fund shall be added to and become part of the fund. Amounts that a governmental unit receives as a sponsor of a qualified retiree prescription drug plan under 42 U.S.C. section 1395w-132 may be added to and become part of the fund. All monies held in the fund shall be segregated from other funds and shall not be subject to the claims of any general creditor of the city, town, district, county or municipal lighting plant.

(b) The custodian of the fund shall be (i) a designee appointed by the board of a municipal lighting plant; (ii) the treasurer of any other governmental unit; or (iii) if designated by the city, town, district, county or municipal lighting plant in the same manner as acceptance prescribed in this section, the Health Care Security Trust board of trustees established in section 4 of chapter 29D, provided that the board of trustees accepts the designation. The custodian may employ an outside custodial service to hold the monies in the fund. Monies in the fund shall be invested and reinvested by the custodian consistent with the prudent investor rule established in chapter 203C and may, with the approval of the Health Care Security Trust board of trustees, be invested in the State Retiree Benefits Trust Fund established in section 24 of chapter 32A.

(c) This section may be accepted in a city having a Plan D or Plan E charter, by vote of the city council; in any other city, by vote of the city council and approval of the mayor; in a town, by vote of the town at a town meeting; in a district, by vote of the governing board; in a municipal lighting plant, by vote of the board; and in a county, by vote of the county commissioners.

(d) Every city, town, district, county and municipal lighting plant shall annually submit to the public employee retirement administration commission, on or before December 31, a summary of its other post-employment benefits cost and obligations and all related information required under Government Accounting Standards Board standard 45, in this subsection called "GASB 45", covering the last fiscal or calendar year for which this information is available. On or before June 30 of the following year, the public employee retirement administration commission shall notify any entity submitting this summary of any concerns that the commission may have or any areas in which the summary does not conform to the requirements of GASB 45 or other standards that the commission may establish. The public employee retirement administration

commission shall file a summary report of the information received under this subsection with the chairs of the house and senate committees on ways and means, the secretary of administration and finance and the board of trustees of the Health Care Security Trust.