

AGENDA ITEM

ITEM IV. A. MAY 2015

DATE: April 27, 2015
TO: Members, Planning and Budget Committee
FROM: Christine Wong, Director of Finance
SUBJECT: Post-Employment Benefits Plan Update

EXECUTIVE SUMMARY

This item presents an update on the status of the State Bar's post-retirement healthcare plan.

BACKGROUND

The Bar has provided post-retirement health and vision benefits to eligible Executive Staff since 1980. The accounting rules governing such programs – popularly called “OPEB” for “Other Post-Employment Benefits,” where “other” means “other than pensions” – are specified by the Governmental Accounting Standards Board (“GASB”). Under GASB Statement No. 45, which became applicable to the State Bar in 2008, assets set aside to fund OPEB liabilities must be placed in an irrevocable trust. In 2008, as authorized by the Board and required by GASB, the Bar created a Trust to provide for funding of the retiree healthcare obligation. Also, in 2008, the Board approved a governing plan administration document that established the governing terms of the plan, eligibility standards, and other administration standards, the State Bar of California Post-Retirement Welfare Benefits Plan For Executive Staff Employees (“Plan”). Both the Trust and the Plan create a Committee that has duties including investment decisions, authority to administer the plan generally, interpret the Plan's terms, and make eligibility determinations. The Plan provides that the Committee will be comprised of the State Bar President, the Treasurer, and the Executive Director/Secretary, or their designees.

Under the requirements of GASB 45, the Bar is required to obtain an independent actuarial valuation of the liability associated with the benefit program and of the annual required contribution (ARC) necessary for the Bar to make adequate progress toward fully funding that liability. This valuation must be updated every two years.

Also in 2008, the Committee directed staff to execute a service contract with CalPERS to participate in the California Employer's Retiree Benefit Trust Program (CERBT). CERBT is a CalPERS trust plan program dedicated to receiving employer contributions and to pre-funding public employer health and other post-employment benefit costs for retirees consistent with GASB requirements. CERBT is the largest multiple-public employer OPEB trust in the nation. The program is open exclusively to California government agencies, and it is governed by CalPERS Board of Administration. Beginning in 2012, based on the Board's authorization, staff

began a systematic transfer of funds from the Bar's OPEB Trust to the CalPERS CERBT. At that time, the Board also authorized that future OPEB ARC contributions be made to the CalPERS CERBT.

DISCUSSION

The systematic transfer of assets from the Bar's Trust to the CalPERS CERBT is now complete. The Bar's Trust will be maintained in a dormant state to allow flexibility if the Board were to decide in the future to transfer OPEB assets back to the Trust. Under the Plan, while the investment decisions formerly exercised by the Committee pursuant to the Trust have now been effectively transferred to the CalPERS CERBT, the Committee still has duties regarding administration of the plan generally, including interpretation of the Plan's terms, and making eligibility determinations. Pursuant to the requirements of the Plan, the Committee will periodically meet (at least once a year) to review the Plan's status and performance, for example, participants covered, performance of the CalPERS CERBT, liability, etc.