Attachment C-2

**POLICY TITLE:** **Funding Post-Employment Benefits**

**NUMBER:** **5080**

## 5080 Purpose

The District provides certain post-employment benefits to employees. These include a retirement pension provided through the Marin County Employees' Retirement Association (MCERA) and, under certain circumstances, post-retirement medical insurance benefits. These two benefits, which are described in detail in the District's annual financial statements, create long-term funding obligations for the District. These obligations are quantified periodically through actuarial analyses.

It shall be the policy of the District to set aside funds needed to fully or partially fund the long-term obligations created by these post-employment benefits, as described in this policy. These reserves ensure that the District will have sufficient funds available to provide the benefits when required; allow the District to plan ahead for costs, minimizing the impact on General Fund resources needed for operations; and ensure a prudent investment return on the District's investment.

### Section 115 Trust

As described in this policy, it is the District's policy invest these post-employment benefit reserves in Section 115 Trusts, as defined in the Internal Revenue Code. Once funds are invested in a Section 115 Trust, the funds cannot be used for any purpose other than qualified benefit expenses. The District cannot withdraw funds for any other purpose. The District will participate in the California Employers' Pension Prefunding Trust (CEPPT) and the California Employers' Retiree Benefit Trust (CERBT), both managed by the California Public Employees' Retirement System (CalPERS). CalPERS offers varied investment strategies for these funds; the Board will direct staff regarding the appropriate investment strategy for each account as needed.

## 5080.10 Funding Post-Employment Benefits

A. MCERA Retirement Benefits

The District shall maintain a balance in the CEPPT sufficient to fund the next one to three years total annual employer contributions required by MCERA. MCERA determines this amount annually in their actuarial analyses, and this reserve policy will remain regardless of the program funding status as determined by MCERA. If MCERA determines that the District does not have an Unfunded Actuarial Accrued Liability, future payments required for "normal costs" will be set aside in the CEPPT, as described above. Annually, the

District will make deposits and withdrawals as needed to fund the program, maintain this required reserve and maximize investment earnings.

When the balance in the CEPPT is not sufficient to fund the next year total MCERA contribution, the District will develop a plan to bring balances in line with this policy. When the balance exceeds the amount needed to fund the next two years' total MCERA contribution, the District will draw down funds as reimbursement for qualifying expenses during the fiscal year until the balance reaches the two year requirement.

B. Post-Employment Medical Benefits

The District shall maintain a balance in the CERBT account between 90% and 100% of the District's total actuarial accrued liability for these benefits as determined by the District's Actuary every two years. Annually, the District will make deposits and withdrawals required to fund the program consistent with the actuarial analysis, maintain this required reserve, and maximize investment earnings.

**Committee review:**

**Legal review:**

**Board Approval:**