

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
MEMORANDUM  
4/3/2023

TO: FRAQMD BOARD OF DIRECTORS

FROM: Christopher D. Brown AICP, APCO

SUBJECT: Approve Resolution 2023-04 and authorize the District's participation in the PARS Pension Trust and PARS OPEB Trust and appoint the APCO as the Plan Administrator

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RECOMMENDATION:

Adopt attached resolution approving the District's participation in the Public Agencies Post-Employment Benefits Trust (PARS), prefunding the District's Pension and Other Post-Employment Benefits and appointing the APCO as the Plan Administrator.

ALTERNATIVES:

Provide direction to staff

BACKGROUND:

In 2012, the Government Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 requires that governmental employers that sponsor Defined Benefit plans (i.e., CalPERS) must recognize a Net Pension Liability on their balance sheet, which is the difference between the District's total pension liability (actuarial accrued liability) and actual plan assets. GASB 68 (which replaces the requirements of GASB 27) became effective for fiscal years starting after June 15, 2014.

In 2015, the Government Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 requires the District to report costs and obligations for post-employment healthcare and other post-employment benefits (called "OPEBs") much like the current accounting requirement to report pension obligations. Similar to GASB 68, the District must also report its net OPEB liability (difference between the total OPEB liability and assets accumulated in an irrevocable trust) on its Financial Statements. GASB 75 (which replaces the requirements of GASB 45) became effective for fiscal years beginning after June 15, 2017.

In an effort to help public agencies address and manage their GASB 68 and 75 liabilities, PARS has sought and received approval from the IRS in the form of a Private Letter Ruling on its newly developed Post-Employment Benefits Trust Program. PARS has assembled leading professionals to provide the District with the necessary services required under one program to pre-fund both pension and retiree health care liabilities.

This would provide the District with an alternative to CalPERS that will allow for greater local control over assets, investment by a professional fund management team selected and monitored by the District, with contributions and distributions from the trust determined at the discretion of the District.

The program has been established as a multiple employer trust so that public agencies regardless of size can join the program to receive the necessary economies of scale to keep administrative fees low and avoid any setup costs. To properly offset liabilities, funds must be set aside in an exclusive benefit, irrevocable trust that cannot be accessed by creditors in order to be accounted for as assets to reduce the liabilities on the District's financial statements. The trust permits the District, under federal and state law, to invest in a more diversified array of investments to maximize investment returns long term and reduce the District's liabilities.

To date, more than 500 public agencies have adopted programs through PARS to reduce their liabilities including local agencies such as Yolo-Solano AQMD, Sutter County, Yuba City, and Yuba County.

Expected benefits offered by the PARS Post-Employment Benefits Trust Program to the District include:

- Contributions placed in an exclusive benefit trust can offset unfunded liabilities, which will lower the District's Net OPEB Liability and address its Net Pension Liability.
- Investment flexibility with Section 115 Trust compared to restrictions on general fund investments
- Increased risk diversification of plan assets through different asset management
- Oversight and control of fund management selection, monitoring of performance and ability to replace fund management based on performance criteria
- Increased flexibility on use of trust assets (i.e., trust assets can be accessed at anytime as long as the assets are used to fund the District's pension and OPEB obligations and defray reasonable expenses associated therewith)
- Potential for positive rating agency and investor consideration.

PARS has partnered with US Bank to serve as trustee and its sub-adviser HighMark Capital Management, Inc., to provide investment management services for the program.

Approval of the Resolution will not in itself transfer any funds into the Trusts. District Staff will be returning to the Board with a separate Budget Adjustment to provide funding to the Trust Accounts.

**FISCAL IMPACTS:**

None at this time, any funding into the Trusts would be approved at a future Board Meeting.

There is no cost to set up the Section 115 Trust. The District's contribution will be developed as part of the annual budget process, or as a separate budget adjustment each fiscal year. Costs to implement the Section 115 Trust are minimal. Ongoing fees with PARS (Trust Administration/Consulting Fees) range from 0.25% down to 0.10% for assets \$0-50 million. The fees with US Bank/HighMark Capital Management (Discretionary Trustee/Investment Management Fees) range from 0.35%-0.10%, for assets \$0-\$50 million. It is likely we will stay within the \$0-\$10 million range at 0.25%/0.35%, respectively.

**ATTACHMENTS:**

A: Resolution #2023-04

**Attachment A: Resolution #2023-04**

**RESOLUTION NO. 2023-04**

**RESOLUTION OF THE GOVERNING BOARD OF DIRECTORS  
OF THE FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
APPROVING THE ADOPTION OF THE  
PUBLIC AGENCIES POST-EMPLOYMENT BENEFITS TRUST  
ADMINISTERED BY PUBLIC AGENCY RETIREMENT SERVICES (PARS)**

**WHEREAS**, PARS has made available the PARS Public Agencies Post-Employment Benefits Trust (the "Program") for the purpose of pre-funding pension obligations and/or OPEB obligations; and

**WHEREAS**, the Feather River Air Quality Management District ("District") is eligible to participate in the Program, a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Internal Revenue Code, as amended, and the Regulations issued there under, and is a tax-exempt trust under the relevant statutory provisions of the State of California; and

**WHEREAS**, the District's adoption and operation of the Program has no effect on any current or former employee's entitlement to post-employment benefits; and

**WHEREAS**, the terms and conditions of post-employment benefit entitlement, if any, are governed by contracts separate from and independent of the Program; and

**WHEREAS**, the District's funding of the Program does not, and is not intended to, create any new vested right to any benefit nor strengthen any existing vested right; and

**WHEREAS**, the District reserves the right to make contributions, if any, to the Program.

**NOW THEREFORE, BE IT RESOLVED THAT:**

1. The Feather River Air Quality Management District Board of Directors hereby adopts the PARS Public Agencies Post-Employment Benefits Trust, effective April 3, 2023; and
2. The Governing Board hereby appoints the *Air Pollution Control Officer*, or his/her successor or his/her designee as the District's Plan Administrator for the Program; and
3. The District's Plan Administrator is hereby authorized to execute the PARS legal and administrative documents on behalf of the District and to take whatever additional actions are necessary to maintain the District's participation in the Program and to maintain compliance of any relevant regulation issued or as may be issued; therefore, authorizing him/her to take whatever additional actions are required to administer the District's Program.

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

STATE OF CALIFORNIA  
COUNTY OF SUTTER

Shelley Channel, the Clerk of the Governing Board of Directors of the Feather River Air Quality Management District, State of California, hereby certifies that the above foregoing resolution was duly and regularly adopted by said District at a regular meeting thereof held on the 3<sup>rd</sup> of April 2023 and passed by a \_\_\_\_\_ vote of said Board.

IN WITNESS WHEREOF I have hereunto set my hand and seal this \_\_\_\_\_, 2023.

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Clerk of the Feather River Air Quality Management District Board