

BOARD OF TRUSTEES, WASHOE COUNTY, NEVADA OPEB TRUST FUND

THURSDAY, JANUARY 29, 2015, 9:00 A.M.

Present:

John Sherman, Chairman
Darrell Craig, Trustee
Paul McArthur, Trustee

Staff:

Mary Solorzano, Accounting Manager
Sandra McGarva, Secretary
Paul A. Lipparelli, Legal Counsel

1. The Board convenes in regular session at approximately 9:01 a.m. at the Central Conference Room, Building C, of the Washoe County Administrative Complex, 1001 East Ninth Street, Reno, Nevada. Roll is called, all Trustees are present.
2. There is no **Public Comment**.
3. **Discussion and possible action: in accordance with the Closing Memorandum To Interlocal Agreement Governing the Merger of the Washoe County Department of Water Resources Into the Truckee Meadows Water Authority dated December 31, 2014, approve the transfer of \$546,873 from the Washoe County, Nevada OPEB Trust Fund to the Truckee Meadows Water Authority OPEB Trust Fund, which has been established exclusively for former Washoe County water utility employees now employed by the Truckee Meadows Water Authority pursuant to the water utility merger.**

Chairman Sherman begins the meeting with explaining that the purpose of this meeting concerns the proposed transfer of \$546,873 from the Washoe County, Nevada OPEB Trust Fund to the Truckee Meadows Water Authority (TMWA) OPEB Trust Fund. He explains there are key pages in the Agenda packet that support or provide information regarding this item. As a point of disclosure, he states he was involved in the merger process of the Department of Water Resources water/utility and TMWA, and had discussed this issue with the District Attorney's office. He adds it seems prudent to formally disclose that fact, and that it doesn't restrict him from discussing nor voting on it as a Trustee of this Board, if it comes to a vote.

Part of the Merger Agreement was to create a retiree health benefit plan that closely mirrors Washoe County's Plan, and TMWA agreed and has created a Trust that has a benefit plan in it that describes both the health benefits structure and the health benefits premium configuration that closely mirrors that. And in addition to those negotiations, the County agreed to transfer a proportionate share of the OPEB Trust assets that represent the proportionate share of the transferred employees' assets.

He addresses Page 5 in the Agenda Packet, and asks everyone to go to Section 8, Retiree Health Benefits, and notes that this is the section of the final Agreement of the Merger where the parties agreed to transfer the \$546, 873 from the County Trust to the TMWA Trust. Further, on Page 151, the calculation detail is displayed, demonstrating where that number came from. Included is a list of 28 employees, names omitted, which is a table from the actuary who did the analysis to determine what the liability of the transferred employees was. Three of the employee numbers on that list, totaling \$180,000 of the actuarial accrued liability, have been removed from because those employees did not transfer, indicating a net of 25 employees transferred. So, the total actuarial accrued liability is \$1,268,000; the agreement was to take a proportionate share of the assets in the County OPEB Trust that those employees have. The Countywide

OPEB analysis, as of July 1, 2014, shows the AAL is approximately \$340 million; total assets at that time were approximately \$146 million, for a ratio of 43%; in other words, 43% of the Countywide liability is in assets. The math was, multiply the 43% by the net AAL for the transferred employees for the total of \$546,873, which accurately represents the proportionate share of the assets based on the total liability.

He asks if anyone has any questions on the calculations. There are none.

Chairman Sherman continues, in order to back up the other numbers, go to Page 152 where the actuarial analysis done by the County's actuary of the transferred employees is included. It identifies the Actuarial Accrued Liability of \$1,448,000, which agrees with the detail on the other page of that total liability. Also, on Page 172, is the actuary's analysis of the Countywide OPEB, which includes all employees of the County. It is noted in the July 1, 2014 column on that page that the actuarial accrued liability of \$339,643,000, is the same as shown on the detail calculation page. And the asset value at that time was \$146,484,000, which also agrees to the detail on Page 151.

Chairman Sherman continues with a couple of points for reference, stating that the Trust Agreement for Truckee Meadows Water Authority OPEB Trust Fund begins on page 194 of the Packets, and it was approved by their Board of Directors; the parties got together with their respective trust attorneys. It was noted that Kathy Odle worked with us, to determine what path to go and assisted with drafting this trust agreement. It was TMWA's attorney who ultimately drafted this document, with some input from the Merger team. This trust agreement closely mirrors the County's trust agreement with some differences that mostly have to do with circumstances, i.e., this is TMWA, this is a closed Plan only for transferred employees, but for the most part the details are there. This document also includes, on Page 208, Exhibit A, Benefit Plans Funded Through Trust, which mirrors what the County's health benefit plan is. He notes the life insurance provisions in this is a little richer than the County's plan. On Page 211, Exhibit D, Trust Benefits to be Paid to Participants, is the insurance premium structure, which mirrors the County's Plan. He recaps the information on that page with respect to the Tiers. He confirms that tenure in the first Tier includes both employment with the County and with TMWA. He notes that employees who were hired by the County after July 1, 2010, did not get the retiree health insurance benefit, but those employees – a handful of them – will now be covered under the benefit plan of TMWA, so they will have some opportunity for retiree health benefits; however, it is under TMWA's Plan, not tied to the County's Plan.

He continues, indicating Page 222, noting this is a key provision for which we had the trust attorneys look at our Trust document and in discussions. We wanted to make sure of a couple of things – 1), do the Trustees have the legal base to transfer assets to another trust for employees that are going away from Washoe County into another trust. He notes that this particular Section, 5.3, does grant that authority. They also wanted to make sure that TMWA's Trust document and this particular transaction would not impair the tax exempt nature of the County's OPEB Trust, and we did get that verbal assurance from Washoe County Trust Attorney Kathy Odle.

Chairman Sherman concludes his accounting of the background of this Item and asks if anyone has any questions.

He introduces Mr. Jeff Tissier from the audience as a representative of TMWA; Mr. Tissier moves to the center table and states his name, indicates his title is Chief Financial Officer of Truckee Meadows Water Authority, and he thanks the Board for their work and cooperation on the Agreement between Washoe County and TMWA; he adds that they did appoint four trustees to the new 115 Trust, stating the new

Board is comprised of himself, one of his senior accountants, and then two of the transferred employees – one, George Gainor, is represented by Local 1245, International Brotherhood of Electrical Workers, and the other will be one of their management individuals, Chuck Atkinson. He remembered that that was an issue with WCEA.

Chairman Sherman states that, to round out the discussion, he did have the opportunity to speak with the County Treasurer on this transfer, and he suggests that TMWA touch base with her to formalize the potentially (we haven't taken the vote yet) over \$500,000 transfer of Trust money. It is important to make sure that there is sufficient liquidity on the County's Trust side, and the cash balances that we keep in the Pool versus the retirement benefit Trust. We have up until the end of March to get these things done. He further adds that TMWA has at least two other things to finish out the transfer, and if they are done by now he doesn't know, but to formalize the creation of their Trust 1) they need their tax identification number, and 2) they need to get a formal letter from their attorney indicating that their Trust meets the constitutionality test required to form this Trust; secondarily, after that is the creation of an agreement with the Retirement Benefit Investment Board to, if that is their desire, place monies for this Trust in the RBIF.

Mr. Tissier states they are applying for the EIN right now, and will open up a bank account to receive the funds, will provide the wire instructions for the Treasurer's office, and that they must still file the document with the Department of Taxation. They will get with the RBIF Board and will invest the funds according to statute.

Chairman Sherman states that we just want to make sure that when we're ready to go, TMWA is ready to go, assuming we get through this agenda item.

It is confirmed that Paul McArthur will be the contact on this for TMWA.

Chairman Sherman states he did speak with the auditor about this merger and this transaction did come up; it was duly noted, however, that it was a post-fiscal year transaction; the audit for the current fiscal year will have its appropriate disclosures.

Legal Counsel Paul Lipparelli confirms for the record that Mr. Sherman did, indeed, as he indicated earlier, review the State ethics laws with respect to the contract under which he provided services to the County related to the Merger; they found no basis for an ethical problem with his role as a contractor and then as Chairman of this Board; the two matters do not amount to a conflict.

There is no further public comment.

Chairman Sherman calls for a motion for approval of the transfer of \$546,873 from the Washoe County, Nevada OPEB Trust Fund to the Truckee Meadows Water Authority OPEB Trust Fund, which has been established exclusively for former Washoe County water utility employees now employed by the Truckee Meadows Water Authority pursuant to the water utility merger of the Washoe County Department of Water Resources into the Truckee Meadows Water Authority interlocal agreement dated December 31, 2014.

Trustee McArthur moves to so approve; Legal Counsel Paul A. Lipparelli seconds the motion.

All are in favor; the motion carries.

Chairman Sherman states, just for a side-note, that this is a fairly significant event: it is rare to have an OPEB Trust in this country, and even more unique are Trust to Trust transactions – with which our own Trust attorneys stated they have never been involved.

4. Discussion and acknowledge receipt of the Washoe County, Nevada OPEB Trust Fund Annual Financial Report for the Fiscal Year Ended June 30, 2014.

Ms. Solorzano states there are no changes since the financials were discussed as of 6/30/2014 at the last Board of Trustees' meeting; this just finalizes them and shows that the auditors have indeed looked at them and agreed that they are in appropriate order and our internal controls are in good order.

It is confirmed that no motion is needed, but for the record, receipt of the Audit is acknowledged. There is brief discussion. It is noted our asset balance continues to grow in proportion to the liability, even though recognizing that the OPEB liability date was in 2012. Subsequent audited financial statements will include an update to that OPEB analysis (2015).

There is no public comment.

5. Public Comments. Comments heard under this item will be limited to two minutes per person and may pertain to matters both on and off the Board of Trustee's agenda. The Board will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Board as a whole.

Chairman Sherman states he had a discussion with Ms. Solorzano before the meeting that the Trustees' next quarterly meeting should be sufficient to take care of Trustees' business, so there is no need to call an out-of-sequence meeting; he states he is primarily concerned about the funding of the County's insurance premium costs and Health Benefit Fund.

Ms. Solorzano states the Health Benefits Fund is liquid – they received a \$2.8 million transfer from the General Fund to make them whole, for previous borrowings from the Fund, so they will do quite well until the next meeting.

Chairman Sherman states that during the course of the water merger discussion on the OPEB, he had the opportunity to read the exposure drafts for GASB Standards that will replace No. 43 and No. 45. These will be in effect in 2016. He feels it would be prudent for this Board's path to have Staff, when they are comfortable, brief the Trustees on the high-level detail of those two exposure drafts. One will clearly impact the County, but the other one will impact the Trust as GASB 43 did, and we would like to be brought up to speed on the content of those exposure drafts and whatever formal name that they are called when they're done. He does not know if they've been formally approved yet, but to the extent at which it they do, it would be helpful for whatever impact there is on the County's financial reporting requirements and recording liabilities.

Ms. Solorzano states she expects significant changes for the pension, but no significant impact to the OPEB Trust.

It is noted the next OPEB quarterly meeting is April 23. There is discussion on if it would be good to move the quarterly meetings to the last Thursday of the quarterly month. There is concern for timing with respect to the Budget process.

Trustee McArthur references the earlier discussion regarding disclosure changes in GASB Standards, and states the changes are not monetary in nature; many footnotes within our financial statements have addressed this unfunded liability; the subject matter of GASBs No. 43 and No. 45 is to help the reader of the financials realize that governmental accounting does have unfunded liabilities, and it is to help the financial reader and the investor and the stakeholders of these financial statements to better understand these unfunded liabilities.

There is discussion. It is noted that the details of the new Standard(s) can be sorted out at a future meeting, when Staff can get it all figured out. He adds he believes it would be helpful to the Trustees, particularly our responsibility as to our financial reporting, both in the financial statements and the Note disclosure as required.

There are no other comments or discussion. Meeting is adjourned at 9:35.