

Staff Report
Ordinance 19-15
“Pooled OBEB Trust Fund”

As part of the GASB requirements addressing the City’s obligations regarding Other Post Employment Benefits, OPEB; it is necessary to establish a trust. This trust is similar to a pension trust. Establishment of the OPEB trust is important because without it an assumed investment rate of return cannot be used when calculating the liability which effectively causes a significant increase in the City’s outstanding OBEP obligation.

To date, the City has not finalized establishing the OPEB trust while it has appropriated funds to make annual contributions; therefore, the City is able to make an initial contribution to the trust approximating \$3 million. Through the efforts of Davenport, the City’s Financial Advisors, and the Maryland Association of Counties, a trust is now available in which the City can participate as a member. By joining the pooled trust the City will become compliant with GASB requirements.

There are several benefits in joining the trust at this time.

- The City’s Finance Director will be a Trustee of the pooled trust thereby allowing the City to be part of the decision making process.
- The City can exit the trust at any time.
- The City’s investment risk is diversified because it is part of a larger investment pool.
- The City’s investment costs are reduced for the same reason- a larger pool.
- As noted, the City becomes compliant with GASB requirements and starts benefiting from an investment return assumption.

City staff from Finance has attended two meetings to date and are satisfied with the structure and operations of the pooled trust. Most recently, on March 23, 2015, the Board met and as part of the agenda the Board discussed the trust’s asset allocation model. The Board was very deliberative in making their recommendations and employed a very thorough analysis which was presented by Wells Fargo Advisors. Additionally, the trust is using Wilmington Trust as the Custodian and is in process of issuing an RFP for external auditing services. In summary, the Trust is establishing an appropriate governance model.

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