



COUNTY OF NEVADA COUNTY EXECUTIVE OFFICE

Eric Rood Administrative Center
950 Maidu Avenue
Nevada City, CA 95959
(530) 265-7040
Fax 265-7042
E-MAIL: ceo@co.nevada.ca.us

June 8, 2017

Honorable Board of Supervisors
Eric Rood Administrative Center
950 Maidu Avenue
Nevada City, CA 95959

DATE OF MEETING: June 20, 2017

SUBJECT: Resolution appropriating \$3,200,000 from the Pension Contributions assignment of the General Fund to pre-fund pension contributions in the Post-Employment Benefits Trust Program (“Program”) Administered by Public Agency Retirement Services (PARS)

RECOMMENDATION: Approve the Resolution

FUNDING: Reduces the General Fund Pension Contributions assignment and increases the amount in the Pension Trust administered by PARS in the amount of \$3,200,000. The funds in the Pension Trust will be used to stabilize pension costs, to be used over the next four years as needed to coincide with the payoff of the Safety plan side fund pension liability, with periodic payments totaling approximately \$850,000 per year over the next four years. Annual Pension Trust withdrawals will be reviewed periodically by the ad hoc Debt Advisory Committee (County Counsel, Auditor-Controller, Treasurer-Tax Collector and Deputy County Executive Officer) to adjust annual contributions according to investment environment and budgetary considerations.

BACKGROUND:

In the Fiscal Year 2015-16 adopted budget the Board of Supervisors added \$3,600,000 to the General Fund Pension Contribution assignment, increasing the amount in that assignment to a total of \$7,187,000 to assist with the pre-funding and stabilization of pension contributions.

At the January 25th, 2017 Board of Supervisors Workshop, pension costs were again recognized as a continuing threat to the County’s financial stability, and discussion occurred such that establishing a Post-Employment Benefits trust fund for pre-funding pensions is a good next step in further mitigating that threat.

On May 9, 2017, the Board of Supervisors passed resolution 17-208 to adopt the PARS Public Agency Post-Employment Benefits Trust Program (Program), a tax-exempt trust program within the meaning of Section 115 of the Internal Revenue Code which allows for setting aside funds

the exclusive purpose of making future contributions of the County's required pension contributions and any additional employer contributions above the required contributions at the discretion of the County. At that meeting, the next steps were identified including:

1. Investment selection and agreement on investment guidelines (what will/won't be invested in, credit quality, etc...)
2. Make initial contribution to fund
3. Begin administration of trust

On Thursday, June 1, 2017, an investment selection meeting occurred including members of the County of Nevada Debt Advisory Committee (County Counsel, Auditor-Controller, Treasurer-Tax Collector and Deputy County Executive Officer), and Andrew Brown (CFA, Vice President, Senior Portfolio Manager of Pension Trust investment advisor Highmark Capital), and Mitch Barker (Executive Vice President of PARS). The participants reviewed the County investment objectives for the initial Pension Trust deposit and due to the one-time deposit and limited term of the investment, agreed that the appropriate investment strategy for Nevada County is the Conservative, passive investment strategy. The passive strategy invests in index funds for bonds and stocks, rather than in individual stocks and bonds. The passive conservative portfolio returns were 3.75% in the year ended 2016 and 3.53% over the past five years.

As requested by the Board of Supervisors in the May 9th meeting, the proposed Investment Guidelines Document for Nevada County is included in this board package as a draft in its substantial form.

The County Debt Advisory Committee recommends that the Board of Supervisors transfer \$3,200,000 of General Fund assigned for Pension Contributions, to the newly established Section 115 Pension Trust to begin the Program.

Once the Program is in operation, the County Executive Office will lead discussions for further actions including development of a long-term pension funding policy with guidance for potential future trust deposits and other pension rate stabilization measures, and will bring proposals to the Board of Supervisors in the next year.

Item Initiated by:
Item Approved by:

Martin Polt, Deputy County Executive Officer
Richard A. Haffey, County Executive Officer

Submittal Date: 6/8/2017