MEMORANDUM

To: Members of the Board of Education

From: Patricia O’Neill, Chair, Board of Education Policy Management Committee

Subject: Tentative Action, Policy GIH, *Funding Other Post-Employment Benefits*

Montgomery County Board of Education (Board) Policy GIH, *Funding Other Post-Employment Benefits*, sets forth the priorities of the Board regarding funding of post-employment health benefits for eligible retirees, also known as Other Post-Employment Benefits (OPEB). The Board Policy Management Committee considered non-substantive changes to Policy GIH on February 18, 2014.

As a result of subsequent action on the part of the Montgomery County Council, the Policy Management Committee, in consultation with staff members, revised and reviewed changes to Policy GIH on July 22, 2014. Proposed amendments to Policy GIH, *Funding Other Post-Employment Benefits*, align with actions taken by the County Council related to Montgomery County Public Schools’ trust to fund the current retiree OPEB and contributing money to the countywide trust.

Members of the Policy Management Committee discussed draft Policy GIH, *Funding Other Post-Employment Benefits*, on February 18, 2014, and July 22, 2014. A draft of the policy is attached.

The following resolution is provided for your consideration:

WHEREAS, Policy GIH, *Funding Other Post-Employment Benefits*, sets forth the priorities of the Montgomery County Board of Education regarding funding of Other Post-Employment Benefits; and

WHEREAS, Policy GIH, *Funding Other Post-Employment Benefits*, has been updated to address the concerns of the Policy Management Committee; and

WHEREAS, The Policy Management Committee has considered and recommended revisions to Policy GIH, *Funding Other Post-Employment Benefits*; now therefore be it
Resolved, That the Montgomery County Board of Education takes tentative action on Policy GIH, *Funding Other Post-Employment Benefits*; and be it further

Resolved, That Policy GIH, *Funding Other Post-Employment Benefits*, be sent out for public comment.

PO:hp

Attachment
Related Entries: GIG

Responsible Office: Chief Operating Officer

Funding Other Post-employment Benefits

A. PURPOSE

To set forth the priorities of the Montgomery County Public Schools (MCPS) Board of Education (Board) regarding funding of Other Post-employment Benefits (OPEB) Trust.

B. ISSUE

The MCPS OPEB Trust will Board provides post-employment health benefits for eligible employees and retirees and requests funding of these benefits by the County Council.

C. POSITION

1. In 2007, the Board of Education created a Board of Investment Trustees to oversee the investment of other post-retirement assets, based on an Investment Policy approved by the Board of Investment Trustees.

2. The Board of Investment Trustees shall review the Investment Policy annually and update as necessary to reflect prudent investment practice.
1. In 2011, the Montgomery County Council created the Consolidated Other Post-Employment Benefits Trust and directed that all future contributions on behalf of county agencies including the Board and Montgomery College be made into this trust on behalf of the employees of the Board.

2. The results of an actuarial study conducted by a credentialed actuary at least biannually will be made available to establish funding requirements for the County Executive’s next annual operating budget request based on the actuarial unit cost method. Assumptions used in developing the actuarial valuation are determined by the Board of Education and will be kept current and adjusted as economic and demographic conditions change.

3. The study also will contain a funding amount known as the “annual required contribution” that will be an amount sufficient to liquidate the remaining liabilities. Actuarial gains and losses will cause the “annual required contribution” to be adjusted to amortize any changes to the accrued liability over a period of no less than 15 years from the date of the actuarial valuation reducing such gain or loss.

4. The study also will determine the Actuarial Accrued Liability that will estimate the amount of the liability for future post-employment benefits for current employees and retirees.
6. During an initial phase-in period that began with Fiscal Year 2008, MCPS will include “phase-in” OPEB contribution amounts in the fixed charges category of the superintendent of schools’ annual recommended operating budget. After the phase-in period, full OPEB contribution amounts will be included in the superintendent of schools’ annual recommended operating budget.

7. The Board will request each year sufficient funds to be contributed on behalf of Montgomery County Public Schools (MCPS) employees and retirees to improve will have as a funding goal each year the improvement of the asset to accrued liability ratio toward the 100 percent funded level by the end of the amortization period.

8. Any modifications to plan benefits will be announced in a timely manner prior to Board of Education action allowing opportunities to receive input from active/retired employees, and all employee organizations.

D. DESIRED OUTCOME

The MCPS OPEB Trust and the funds held on behalf of MCPS employees and retirees in the county consolidated trust are intended to maintain a plan of post-employment health benefits for eligible employees and retirees that is adequately funded and will ensure eligible employees access to medical coverage during their retirement years.
E. IMPLEMENTATION STRATEGIES

1. Every three to five years a credentialed actuarial firm will be contracted to evaluate the plan in terms of goals and objectives and this report will be made available to the Board of Education’s Fiscal Management Committee.

2. Staff will meet with the Fiscal Management Committee to review the actuarial report on the actuarial valuation of the OPEB plan from the actuary, plan assumptions, and rate of return, and budget recommendations for the coming fiscal years.

F. REVIEW AND REPORTING

This policy will be reviewed in accordance with the Board of Education policy review process.

Policy History: New policy adopted by Resolution No. 450-09, October 26, 2009; amended .