



OPEB

solutions program

The OPEB Solutions Program is a comprehensive, GASB-compliant, IRS-approved Section 115 trust program designed to meet the prefunding needs of California school districts.

This innovative and easy to use trust program allows districts to choose diversified investments with a higher potential rate of return than the general fund, with the additional advantage of funds in the trust counting as assets. **As a result, a school district may be able to reduce their OPEB liability by as much as 30-50 percent** — while maintaining local control of their assets. The program provides districts with flexibility and a broad array of investment choices to meet their unique risk tolerance, performance and budgeting goals. The California School Boards Association (CSBA), who has partnered with PARS for over 10 years to provide OPEB solutions to school districts, provides ongoing advisory services to the program.

Why prefund your OPEB obligations with the OPEB Solutions Program?

- » Diversification of trust assets can result in a *greater rate of return*, which in turn can *lower your school district's liability*.
- » Rule of thumb — For every 1% increase in investment returns, your school district's liability will be lowered about 10-12%.
- » *GASB 75 compliant* — GASB Statement 75 requires net OPEB liability to be placed directly on your school district's balance sheet similar to net pension liability as required by GASB 68.
- » Assets in the trust address your *school district's liability* on its financial statements.
- » Credit rating agencies may look more favorably on school districts that prefund into an OPEB trust.
- » School districts with a lower liability have a better chance to retain retiree medical benefits.
- » School districts can make contributions to the trust *at any time* and are not obligated to contribute regularly.
- » School districts *can access funds in the trust at any time* to pay current OPEB costs, including annual "Pay-Go" pay-as-you-go costs.
- » Prefunding into a compliant trust is *considered "best practice"* by the Government Finance Officers Association (GFOA).



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Additional features of the OPEB Solutions Program:

- » *PARS & CSBA make it easy* — Comprehensive, hands-on, turn-key services that include consulting, marketing, record-keeping, reporting, compliance, trustee/custodian services, design implementation, ongoing administration and coordination of investment management.
- » *Multiple-employer trust structure* that brings investment and administrative *economies of scale* of large provider with no risk sharing or set-up costs.
- » *Legally vetted program* with exclusive favorable *IRS Private Letter Ruling*.
- » *Full flexibility and local control* over investment options, including both discretionary and directed trustee approaches.
- » *Signature-ready documents* that enable a fast, streamlined implementation process.
- » *Hands-on, dedicated service* team support from PARS and U.S. Bank (one of the nation's largest OPEB trustees).
- » *Unique design* — The trust can also accommodate contributions to address pension liabilities under GASB 68, (sub-accounted for separately, saving the time and expense of a separate trust for pension obligation prefunding).

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