

MINNETONKA PUBLIC SCHOOLS

POLICY #723: OPEB Trust Fund Asset Withdrawal Policy

I. PURPOSE

The Other Post Employment Benefits Revocable Trust contains assets that are invested to accrue earnings to assist in paying the Other Post Employment Benefit obligation of the District. From time to time the investment earnings may exceed the amount necessary to fund the Other Post Employment Benefit obligations of the District. When that occurs, Minnesota Statutes allow for School Board discretion in the utilization of excess assets. This policy is intended to provide guidelines for the School Board decision making process in those circumstances.

II. GENERAL STATEMENT OF POLICY

Minnesota Statutes 471.6175 Subd. 7 (a) requires that the Trust Assets must be used to pay legally enforceable postemployment benefits to former officers and employees unless one of the following conditions exist:

1. There has been a change in state or federal law affecting that political subdivision's or public entity's liabilities for postemployment benefits
2. There has been a change in the demographic composition of that political subdivision's or public entity's employees eligible for postemployment benefits
3. There has been a change in the provisions or terms of the postemployment benefits in that political subdivision or public entity including, but not limited to, the portion of the costs eligible employees must pay to receive benefits
4. Other factors exist that have a material effect on that political subdivision's or public entity's actuarially determined liabilities for post employment benefits, in which event any amount in excess of 100 percent of that political subdivision's or public entity's actuarially determined liabilities for postemployment benefits, as determined under standards of the Governmental Accounting Standards Board, may be withdrawn and used for any purpose.

Given the fact that the OPEB Trust Assets are invested in the same types of securities as the State Teachers Retirement Association and the Public Employee Retirement Association, the value of the Trust Assets will be influenced by both gains and losses in market valuations.

Furthermore, the valuation of covenanted liabilities will also be influenced by health insurance premium rates for retirees, with the liability decreasing when future premium rates are lower than actuarially projected, and with the liability increasing when future premium increases are higher than actuarially projected.

As our fiduciary duty to the retirees is to always ensure 100% of covenanted liabilities are covered by Trust Assets, it is prudent to maintain at all times assets above 100% of covenanted liabilities to allow for those times when the Trust Assets may be reduced by market forces.

Therefore, the Minnetonka OPEB Revocable Trust Fund should maintain a balance of assets of 115% of covenanted liabilities as determined by annual actuarial calculations. Withdrawals of assets should be limited to that portion of assets over 115% of the actuarially determined amount of covenanted liabilities.

Withdrawal of assets below 115% may be completed upon approval by the School Board. To be in compliance with Minnesota Statutes, at no time should withdrawals be made that would bring the asset level below 100% of the actuarially-determined liabilities.

Legal References: Minnesota Statutes 471.6175 Subd. 7 (a)

Reviewed: December 16, 2010

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