



Consent

Agenda Item 4e

October 20, 2015

ITEM NAME: California Employers' Retiree Benefit Trust Update

PROGRAM: California Employers' Retiree Benefit Trust

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

The California Employers' Retiree Benefit Trust (CERBT) program continues to grow and deliver valuable service to contracted employers in every region of the State.

STRATEGIC PLAN

This agenda item supports the California Public Employees' Retirement System (CalPERS) Strategic Plan Goal A of improving long-term pension and health benefit sustainability.

BACKGROUND

The CERBT is a CalPERS' administered program which allows employers to prefund their Other Post-Employment Benefits (OPEB) such as medical, dental and vision care insurance for retirees. If employers don't prefund retiree health care costs, premiums must be paid out of their operating expenses. CERBT participants contribute funds on a voluntary schedule which are invested by CalPERS so that returns can be used to pay premiums in the future, hence lowering costs for employers.

1. Excellent investment management.
2. Simple and focused administrative procedures.
3. Financial reporting compliant with governmental accounting standards.
4. Outstanding customer service.
5. Lowest service cost.

It is the concurrent delivery of all five of these advantages that differentiates CERBT from its competitors.

ANALYSIS

CERBT's marketing and retention efforts to employers continues to be delivered through various channels. Beginning in September 2015, CERBT staff members are conducting workshops around the state. These workshops are hosted at CalPERS Regional Offices and allow employers to learn about the CERBT program, its services and about the benefits of pre-funding OPEB. Workshops run through October 2015.

The following chart includes data from the workshops conducted in Spring 2015 and reported to the Pension & Health Benefits Committee in March:

	Total	CERBT	Prospective
Agencies Registered	151	54	97
Agencies Attended	106	48	58
Attendees Registered	215	82	133
Attendees Attended	158	76	82

From the Spring workshops, 36 qualified leads were generated that are moving through the process from considering the CERBT to staff recommends status, to governing body approval.

CERBT staff has established a year-round communication and outreach process intended to retain contracted employers. CERBT staff communicates program developments, improvements, results, and employer account information to participating employers. These annual update reports are provided through meetings, webinars, emails and teleconferences. In turn, employer staffs use these annual reports to inform their governing bodies. Employers have reported that this communication effort is a useful and valuable service to them.

The CERBT trust fund continues to grow. During the one year period ending June 30, 2015, the number of contracted employers increased 8.2 percent, from 427 to 462. During the same period, cumulative employer net contributions increased 21.7 percent, from \$2.83 billion to \$3.44 billion. The CERBT assets under management increased 15.6 percent, from \$3.88 billion to \$4.49 billion and total covered lives increased 4.0 percent, from 371,666 to 386,586. There were no terminations thus the retention rate was 100 percent.

INFORMATION

In June 2015, the Government Accounting Standard Board (GASB) issued two new OPEB accounting standards (GASB Statement No. 74 and No. 75) which provide significant improvements to financial reporting by state and local governments of other post-employment benefits. The main objective of the new accounting standards is to improve accountability and the transparency of financial reporting related to OPEB. The standards provide changes to OPEB accounting and reporting that essentially mirror those contained in the new pensions standards (GASB 67 and 68), by requiring the Net OPEB Liability to be reflected on employer balance sheets and changing the expense recognition from the Annual Required Contribution so that it will reflect the annual change in Net OPEB Liability (with some items being amortized). This information has been shared with all participating CERBT employers and is discussed with prospective customers as well.

BUDGET AND FISCAL IMPACTS

Not Applicable

BENEFITS/RISK

Not Applicable

ATTACHMENTS

Attachment 1 – Performance Statistics

MICHAEL BOWMAN, Chief
Special Programs and Marketing Division

DOUG P. McKEEVER
Deputy Executive Officer
Benefit Programs Policy and Planning