

GOVERNING BOARD
CONTRA COSTA COMMUNITY COLLEGE DISTRICT
OF
CONTRA COSTA COUNTY
MARTINEZ, CALIFORNIA

REPORT NO. 5-C

DATE July 30, 2008

PURPOSE Resolution to Establish a Trust to Be Used for the Purposes of: Investment and Disbursement of Funds Irrevocably Designated by Employer for the Payment of its Obligations to Eligible Employees (and Former Employees) of Employer and Their Eligible Dependents and Beneficiaries for Health Insurance and Other Similar Benefits – ROLL CALL VOTE REQUIRED

TO MEMBERS OF THE GOVERNING BOARD

RECOMMENDATION

It is recommended that the attached Resolution to Establish a Trust to Be Used for the Purposes of: Investment and Disbursement of Funds Irrevocably Designated by Employer for the Payment of its Obligations to Eligible Employees (and Former Employees) of Employer and Their Eligible Dependents and Beneficiaries for Health Insurance and Other Similar Benefits be approved.

FUNDING SOURCE

The fee expenses of this program are netted from the interest rate of return earnings from the investment of fund assets that are currently reserved for the payment of Other Post Employment Benefits (OPEB), not pension benefits.

BACKGROUND

On July 26, 2006, the Governing Board took action to move forward with efforts to comply with Governmental Accounting Standards Board (GASB) pronouncements 43 and 45 and the associated implications for the District. The next step the District took was to hire a consultant, Chuck Thompson of RPM Consultant Group, to assist the District with a request for proposals (RFP) to assemble the team of experts needed to support the District in this compliance activity. This team consists of: 1) the plan sponsor (broker); 2) the trust company; and 3) the investment manager. Approximately a dozen RFPs were mailed out, with seven organizations submitting proposals. A five-member committee, consisting of representatives from Local One (Krista Ducharme), United Faculty (Michael Anker), Management Council (Nick Dimitri) and District administration (Gene Huff, Mark Zacovic), and supported expertly by Mr. Ben Cayabyab of the purchasing department, worked with Mr. Thompson to develop an evaluation matrix that took into consideration each firm's

background and experience, extent of services, certifications, financial condition, other community college clients, fees, and other relevant criteria. From the initial screening, the seven respondents were narrowed to four firms (CalPERS, California School Boards Association/PARS, PFM Asset Management, and Keenan Financial Services) with whom the committee conducted comprehensive, face-to-face interviews over a two-day period. These organizations each presented their three-member team in response to the RFP. As a result of this process, the committee unanimously recommends the District enter into an agreement with Keenan Financial Services to participate in its GASB 43 and 45 turnkey program named Futuris as the plan sponsor; with Benefit Trust Company acting as the trust company; and with Morgan Stanley as the investment manager. The approval of the attached Resolution allows this recommendation to be implemented by the Retirement Board of Authority (RBA). The committee felt the Keenan program provided the best option because: they had the lowest fees and highest total returns among actively managed options; they were the only organization with more than one community college client (10 at the time); and they were the only vendor that would provide all the required reporting and document preparation services, including Brown Act compliance.

For information, attached as back-up to this action are: 1) the Futuris Public Entity Investment Trust Agreement and 2) the Futuris Trust Administrative Services Agreement. District legal counsel has reviewed the documentation completely and supports the District entering into the agreements as presented. These agreements are for an initial three-year term and include comprehensive audit requirements in advance of any renewal decisions.

Once this resolution is adopted by the Governing Board, and the Governing Board appoints the RBA, the RBA will 1) enter into agreement with Keenan Financial Services for plan sponsorship, Benefit Trust Company (BTC) for trust administration and custodial services, and investment management services currently being provided at the selection of BTC by Morgan Stanley, one of the country's leading and successful asset investment managers; 2) develop an investment policy; and 3) work with the consultant to develop the "substantive plan" for full GASB 43 and 45 compliance. This multi-stage plan will include recommendations on investing the assets that the District currently has set aside to help satisfy its OPEB obligations, as well as develop a strategy with which to fully meet its OPEB obligations with GASB 43 and 45 compliance guidelines, which may include obtaining a pension obligation bond to fund the District's GASB 43 and 45 obligation. Any recommendation regarding a pension obligation bond will be brought to the Governing Board for its approval.

BEFORE THE GOVERNING BOARD OF THE
CONTRA COSTA COMMUNITY COLLEGE DISTRICT
CONTRA COSTA COUNTY, STATE OF CALIFORNIA

In the Matter of Establishing a Trust to Be)
Used for the Purposes of: Investment and)
Disbursement of Funds Irrevocably Designated)
by Employer for the Payment of Its Obligations)
to Eligible Employees (and Former Employees)) **Resolution No. 5-C**
of Employer and Their Eligible Dependents and)
Beneficiaries for Health Insurance and Other)
Similar Benefits)

WHEREAS, the Governing Board (the “**Board**”) of Contra Costa Community College District (“**Employer**”) desires to establish a trust to be used for the purposes of: investment and disbursement of funds irrevocably designated by Employer for the payment of its obligations to eligible employees (and former employees) of Employer and their eligible dependents and beneficiaries for health insurance and other similar benefits (sometimes referred to as “other post-employment benefits,” or “**OPEB**”), in compliance with Governmental Accounting Standards Board Statement Nos. 43 and 45;

WHEREAS, Keenan & Associates (“**Keenan**”) has presented the “Futuris Public Entity Investment Trust Program” (the “**Program**”) as an alternative for accomplishing the above objectives and the Board desires to engage Keenan and other necessary parties to assist in the process of establishing a trust (the “**Trust**”) for these approved objectives;

WHEREAS, the Board has the authority and desire to establish a seven-member Retirement Board of Authority for the Trust (the “**Retirement Board of Authority**”), which shall be appointed, terminated or replaced by the Board at any time, to have the authority to engage other necessary providers of services in connection with the Program, including the adoption of the Trust, the appointment of a fiduciary trustee and custodian, as well as to make any and all other decisions in the name of and on behalf of the Employer with regard to the Trust and other applicable agreements;

NOW THEREFORE, be it:

RESOLVED, that the Retirement Board of Authority shall be established to serve at the pleasure of the Board, with authority to make decisions on behalf of and in the name of the Employer with regard to the implementation of the Trust and other corresponding agreements and that persons selected from the following categories shall be appointed as the members of the Retirement Board of Authority, until such time as their successors shall be appointed by the Board.

College President
Vice Chancellor Districtwide Administrative Services, ex officio
Associate Vice Chancellor/Chief Human Resources Officer, ex officio
College Business Director
United Faculty Representative
Local 1 Representative
Management Council Representative

RESOLVED FURTHER, that the Retirement Board of Authority is hereby authorized and directed to execute the Adoption Agreement to implement the Trust; it is authorized and directed to execute the Futuris Program Services Agreement; and it is authorized to execute any other necessary agreements and take other action as is necessary to appoint the Trustee and any investment manager, as well as appoint any other "Authorized Representatives" who may act on behalf of the Employer in accordance with the terms of the Trust;

RESOLVED FURTHER, that decisions of the Retirement Board of Authority shall require an affirmative vote of at least a majority of the members of the Retirement Board of Authority and that the decisions of the Retirement Board of Authority will be made in accordance with Government Code §§ 54950 et seq. (the "Brown Act").

RESOLVED FURTHER, that the members of the Retirement Board of Authority shall meet periodically, for regular or special meetings to be held at any place which has been designated from time to time by resolution of the Retirement Board of Authority, on such date as they shall determine but not less than every twelve (12) months, with the notice of such time and place of each meeting being provided with no less than seventy-two (72) hours notice to review the investments held in the Trust and to transact such other business and make such other decisions as are required to be made by the Retirement Board of Authority;

RESOLVED FURTHER, that any meeting, regular or special, will be held in a manner consistent with the Brown Act.

RESOLVED FURTHER, that the members of the Retirement Board of Authority shall receive no compensation for serving as members of the Retirement Board of Authority;

RESOLVED FURTHER, that the Retirement Board of Authority is hereby authorized and directed to take any and all other actions as deemed necessary and appropriate to carry out the purposes of these resolutions, including the execution of any and all applicable agreements to implement the Trust and to carry out the purposes of the Program as otherwise described therein.

RESOLVED FURTHER, that the Retirement Board of Authority is hereby authorized to review and approve an Investment Policy Statement developed by the Trustee through consultation with the investment manager selected by the

Trustee, which shall provide the guidelines for investment of funds and assets contributed by the Employer to the Trust, and that the Retirement Board of Authority is further authorized to amend the Investment Policy Statement from time to time as determined appropriate based upon consultation and advice received from the Trustee and the investment manager.

RESOLVED FURTHER, that the Trustee shall have the authority to cause any or all of the assets of the Trust to be commingled, if the investment and the issuance of such investment thereof would be exempt under the provisions of Sections 2(a)(36), 3(b)(1) or 3(c)(11) of the Investment Company Act of 1940 or Section 3(a)(2) of the Securities Act of 1933, with the assets of trusts created by others, causing such money to be invested as part of a common and/or collective trust fund.

RESOLVED FURTHER, that the Retirement Board of Authority shall provide information and copies of investment statements and other similar reports regarding the Trust and its applicable investment performance to the Board on a not-less-than quarterly basis.

RESOLVED FURTHER, that the Retirement Board of Authority shall provide an audit, at least once every two years, to (1) assess the performance of the Retirement Board of Authority and the service providers in the Program, to ensure that each party's duties have been performed in accordance with the written agreements governing the Program, and (2) to advise the Retirement Board of Authority whether the Trust's financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), as is prudent for such an organization.

I DO HEREBY CERTIFY that I am the Secretary of the Governing Board of the Contra Costa Community College District, and that the foregoing is a true and correct copy of the resolutions duly adopted and approved at an official and public meeting which was called and held in accordance with all applicable provisions of law and the bylaws of the Board, on July 30, 2008, by the following vote:

AYES: _____
NOES: _____
ABSENT: _____
ABSTAIN: _____

I FURTHER CERTIFY that the above resolutions, approved July 30, 2008, are presently in full force and effect and have not been amended or revoked.

IN WITNESS WHEREOF, this resolution has been executed on July 30, 2008.

John T. Nejedly, Secretary, Governing Board
Contra Costa Community College District