

PERS OPEB FUNDING

Discussion Points

- Update on the OPEB Funds
 - Prior Board Direction
 - OPEB Fund Balances
 - OPEB Liability
 - Direct Transfers
 - Indirect Transfers
- Future Funding Direction

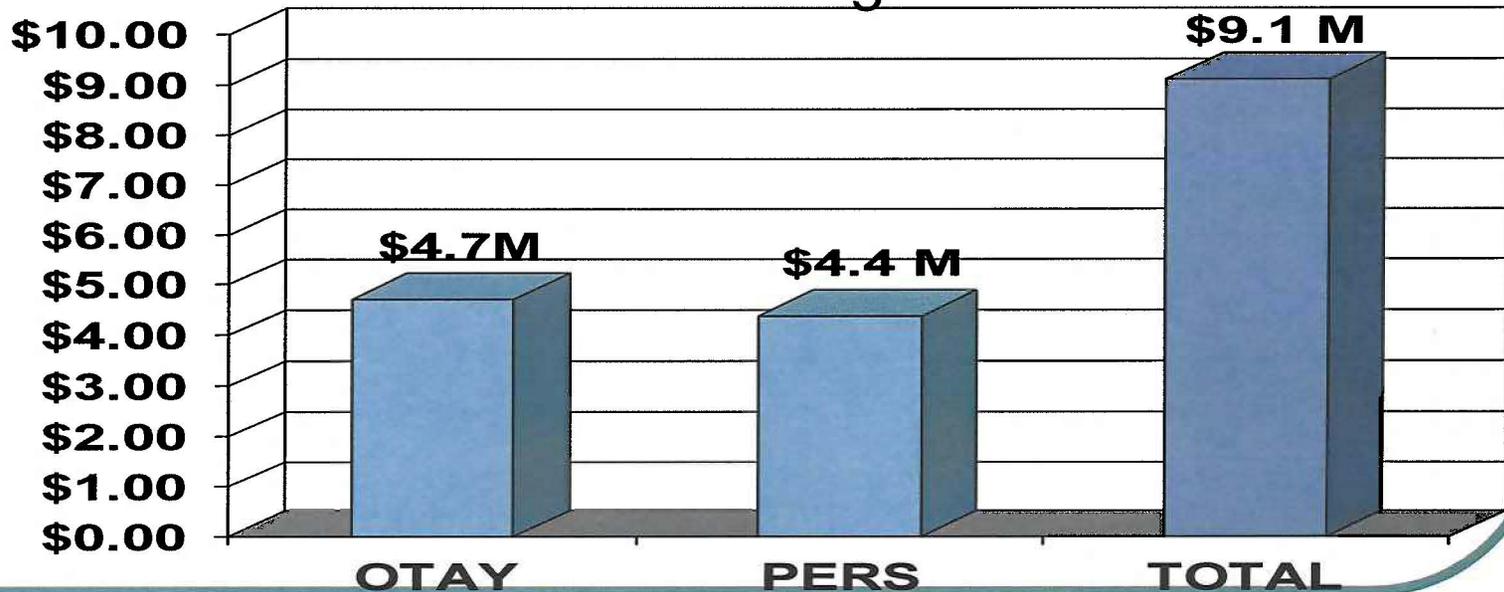
Prior Board Direction

- Establish a PERS trust
- Fund \$5 million
- Fund the ARC on an ongoing basis
 - The ARC (annual required contribution) is the annual amount needed to fully fund the trust over a 30-year period.

OPEB Funds

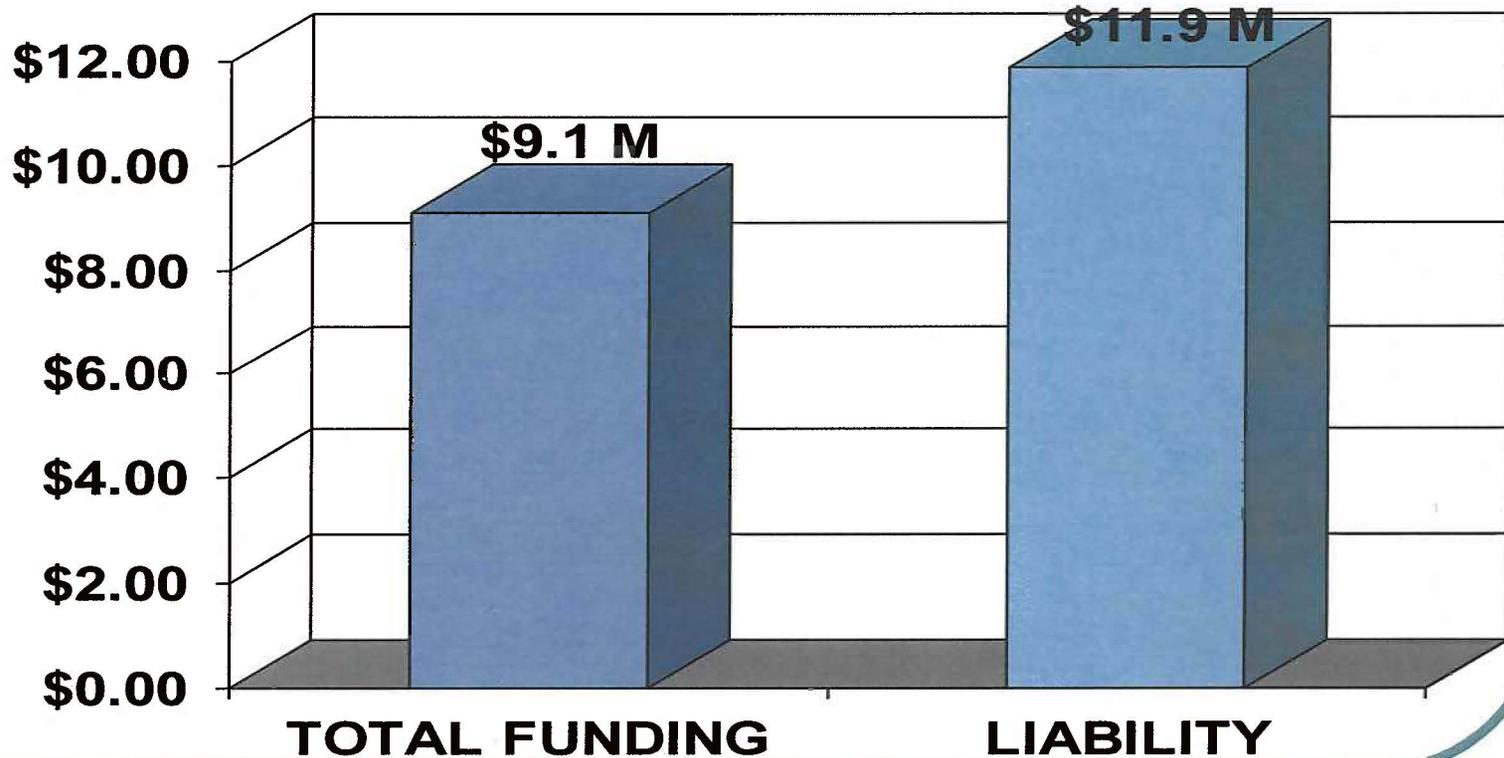
As of December 31, 2008

- Otay's Designated Fund - \$4,716,540
- PERS trust- \$4,394,883
- That the District has had the foresight to set aside these funds is exceptional and has had a positive impact on the District's credit ratings.



OPEB Liability As of 12-31-08

- Total OPEB Funds- \$9,111,423
- OPEB Liability (Est.) - \$11,869,242



Direct Transfers

- Initial PERS funding - \$5.0 million
- Annual PERS funding – Annual Required Contribution (ARC)
 - 2008 “Normal costs” – \$135,000
 - 2008 “Amortization of unfunded liability” - \$711,000
 - Increasing at approximately 3% from 2008 to 2009

Indirect Transfers

Annual payments made by the District for retiree benefits can be reimbursed to the District from the assets in the PERS trust.

The District has paid retiree benefits from its own OPEB Fund in the amount of:

\$649,007 – 2008 Fiscal Year

\$138,367 – 2009 Fiscal Year to date through Sept. 30th

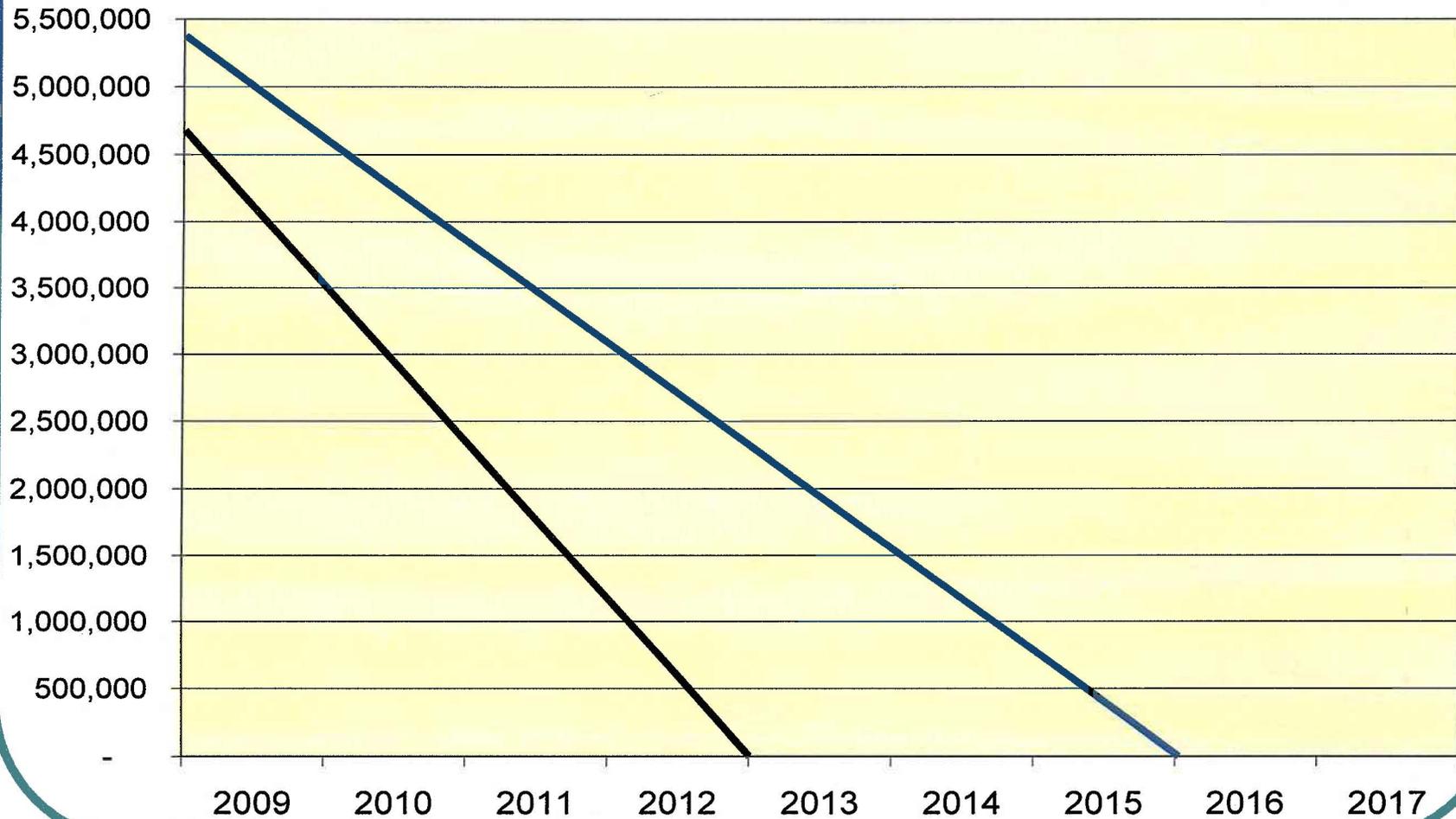
If these are not reimbursed, it is considered an additional contribution to the PERS trust even though the trust would not receive the funding.

Future Funding

- **Medical Reimbursements**

- With annual requests for reimbursement of medical costs from the PERS trust the District's OPEB fund has sufficient money to make the ARC payments into the 2016 fiscal year, approximately 7 years.
- Without annual reimbursements the District's OPEB fund only has approximately 4 years of funds.
- Requesting reimbursements will maintain a higher Otay reserve balance for a longer period of time, delaying the upward pressure on rates.

Otay Fund Balance Scenarios



Balance W/O Reimbursement Balance With Reimbursement

Future Funding

- Continuing to fund the ARC has two positive impacts:
 - The credit rating is impacted by the District's continued payment of the ARC. This is viewed as a significant positive as it shows the credit markets that the District has a plan to fund the OPEB liability and that it has the financial where-with-all and discipline to follow through with this plan.
 - With continued ARC payments the actuaries will use the higher CalPERS rate of return to determine a lower District OPEB liability. This in turn lowers the District's ARC payment.

Request for Direction

- Board's direction on the annual medical cost reimbursement request from the PERS trust.
- Board's direction on the funding of the Annual Required Contribution.