

**PLYMOUTH COUNTY  
OPEB TRUST  
PROGRAM (PCOT)**

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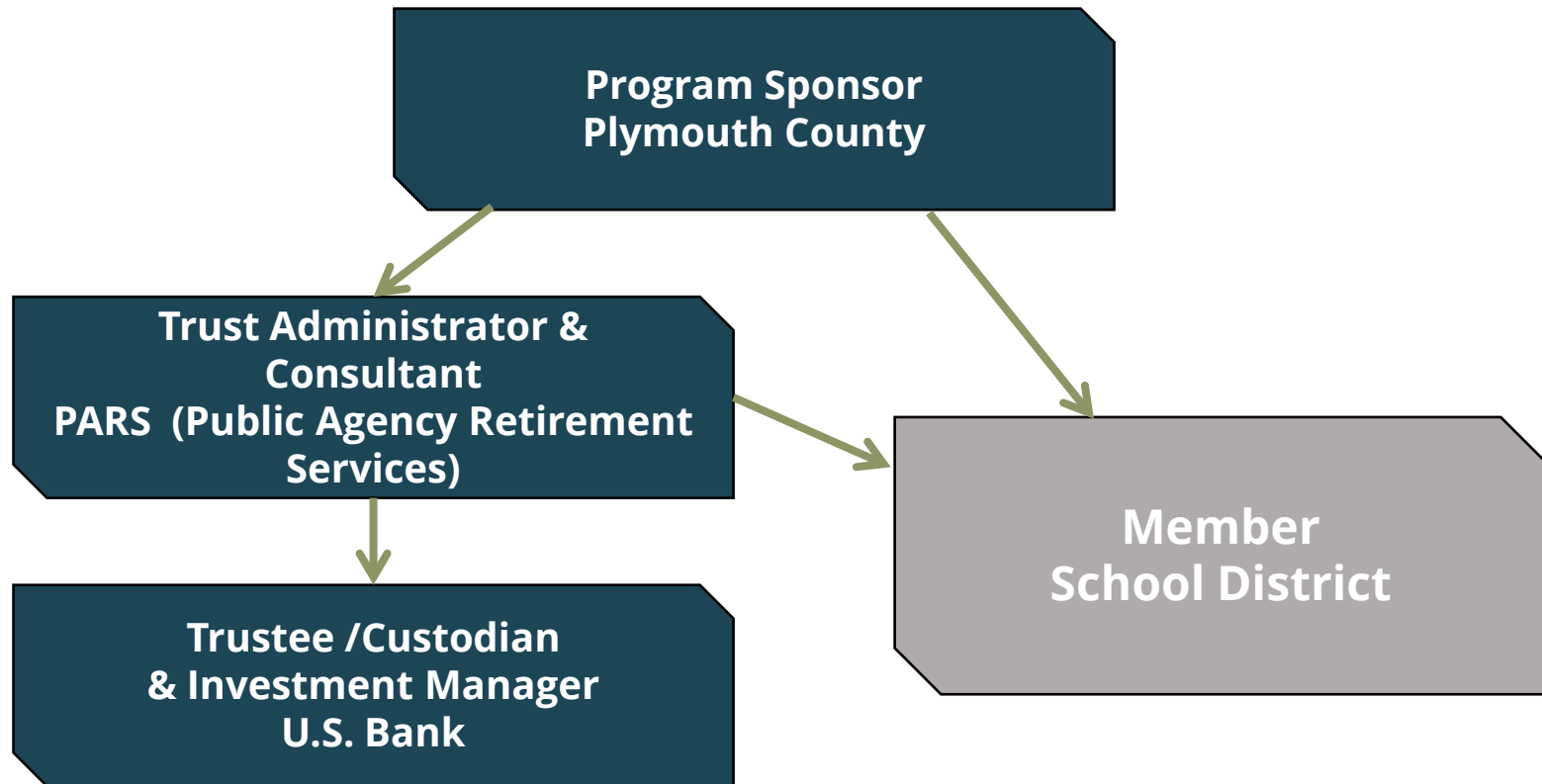


# **MASC Presentation**

*November 2016*

# WHAT IS PCOT?

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# PCOT CLIENTS

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PCOT CURRENTLY PROVIDES OPEB TRUST SERVICES TO 19 LOCAL GOVERNMENT ENTITIES IN SOUTHEASTERN MASSACHUSETTS, WITH MORE ON THE WAY:

- *Plymouth County*
- *City of Attleboro*
- *Town of Carver*
- *Town of Eastham*
- *Town of Hanson*
- *Town of Plainville*
- *Town of Plympton*
- *Town of Wareham*
- *Town of Whitman*
- *Cape Cod Regional THSD*
- *Dighton Rehoboth RSD*
- *Dennis-Yarmouth RSD*
- *Monomoy RSD*
- *Quincy College*
- *Upper Cape Cod RTVSD*
- *Whitman Hanson RSD*
- *Cotuit Fire District*
- *Wareham Fire District*
- *West Barnstable Fire District*



# COMPREHENSIVE PCOT PROGRAM

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- Custodian Services
- Trustee Services
- Funding & Contribution Processing
- Consulting
- Actuarial Coordination
- Document Preparation
- Distribution Processing
- Investment Management
- Ongoing compliance monitoring
- Investment Fiduciary



# COMPLIANT TRUST STRUCTURE

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## PCOT IS FULLY COMPLIANT WITH THE FOLLOWING:

### GASB 45

In accordance with GASB 45, the trust is:  
a. irrevocable  
b. for retiree healthcare benefits only  
c. Not accessible by creditors

### IRS REGULATIONS

The trust program has a favorable Private Letter Ruling on from the IRS. This means participating members can be assured the income earned on the trust is exempt from federal income taxes.

### STATE/ FEDERAL LAW

The trust satisfies the requirements of M.G.L. Section 32B 20 and has been vetted by Massachusetts attorney's Murphy, Hesse, Toomey & Lehane.

### DOCUMENTS

The signature-ready program documents were completed over a 2 year period and allow the program to be easily implemented. They have been reviewed by numerous attorneys nationwide.



# WHO IS THE PCOT TRUST ADMINISTRATOR?

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## PARS (PUBLIC AGENCY RETIREMENT SERVICES)

- ***30 years experience*** specializing exclusively in governmental retirement plan consulting and administration
- **Focus and *experience with all types of local governments*:** cities, Districts, counties, school districts, and special districts
- **Developed *first multiple employer Section 115 OPEB trust program*** for use in multiple states -- currently 145 clients and almost \$1 billion in assets
- **Administers 6 large scale post-retirement health care trust programs** and over ***1,400*** retirement plans across ***9 different states***
- **More than 850 client agencies** with over ***375,000*** plan participants
- ***Serves as OPEB trust administrator for PCOT***, a multiple employer OPEB trust in the Commonwealth of Massachusetts
- ***Approved as OPEB trust administrator for RI Interlocal Risk Management Trust***-- available to all public entities in RI



# WHO IS THE PCOT TRUSTEE?

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## U.S. BANK

- District Treasurer delegates to PCOT custodial and trustee services for its OPEB assets, per M.G.L. 32b 20
- Trustee ensures that trust is administered in accordance with trust agreement
- Trustee must ensure trust operates for the exclusive benefit of retirees, employees, and beneficiaries (much like with pension trust)
- U.S. Bank is a discretionary trustee which serves as investment fiduciary and manages investment pool
- U.S. Bank, fifth largest commercial bank in country and one of the highest rated, most stable in country
- Largest trustee of OPEB assets in nation
- Trustee and paying agent for bond proceeds for 80% of MA municipalities

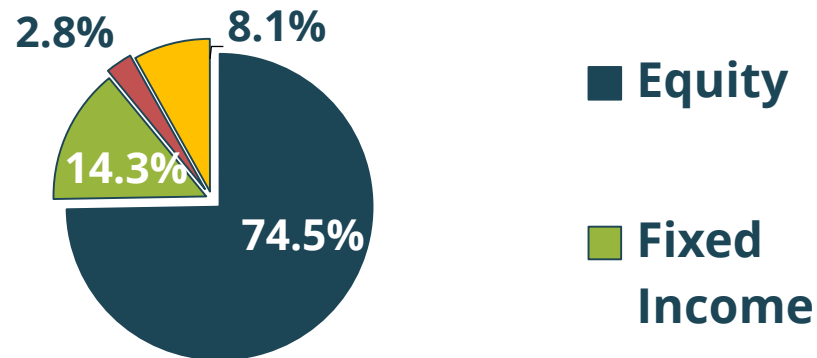


# HOW ARE FUNDS INVESTED?

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Member agencies invest their assets in the customized PCOT investment pool which has been designed specifically for OPEB Trust funding:

- U.S. Bank provides active investment management services with low fees
- Designed in conjunction with PCOT's investment policy statement (*target equity: 72%, equity range: 60-80%*)



- PCOT's Investment Committee works directly with Senior Portfolio Manager from U.S. Bank to select and monitor investment pool
- Assets are pooled for economies of scale but there is no cross sharing of earning or liabilities





# PCOT PROGRAM ADVANTAGES

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## KEY FEATURES OF PCOT INCLUDE:

- ***“Turn-key” comprehensive approach***
- ***Efficient, low-cost model with *economies of scale****
- ***Simple diversified investment approach specific for OPEB prefunding***
- ***Personalized service provided to each individual member***
- ***Fast, simple implementation process with signature ready documents***
- ***No start-up fees, minimum fees or contribution requirements***
- ***No IRS application process and legal fees***
- ***Local control***
- ***Additional oversight from Investment Board and Plymouth County***
- ***Ongoing compliance costs reduced***
- ***Fees that decrease as assets grow***



# STEPS TO IMPLEMENTATION

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## STEP 1

Trust documents are provided to District for review

## STEP 2

School Committee formally approves joining the Trust

## STEP 3

Signature-ready documents are sent to the District

## STEP 4

Plan Administrator appointed by governing board signs the required documents

## STEP 5

District's account is set up within a week. Once ready District can begin funding into the Trust



# DISTRICT'S ROLE

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ONCE PLAN DOCUMENTS HAVE BEEN SIGNED, THE DISTRICT'S MAIN RESPONSIBILITIES ARE TO:

- 1 | **Contribute funds into the trust**
- 2 | **Submit disbursement requests**
- 3 | **Monitor reports on account and investment activity**



# IMPACT OF PRE-FUNDING

## SAMPLE REGIONAL SCHOOL DISTRICT: ACTUARIAL RESULTS

Valuation Date: June 30, 2014	Pay-As-You-Go Discount Rate: 4.50%	% Change	Pre-funding Discount Rate 7.50%
Actuarial Accrued Liability	\$33,618,848	↓ 38.21%	\$20,774,565
Actuarial Value of Assets	\$0	-	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$33,618,848	↓ 38.21%	\$20,774,565
Annual Required Contribution (ARC)	\$3,325,710	↓ 31.02%	\$2,293,966



# PROGRAM FEES

## U.S. BANK DISCRETIONARY APPROACH

PROVIDER	PROVIDER	ONGOING
Trust Administration & Consulting	PARS	0.20% for assets \$0-10 million 0.16% for assets \$10-15 million 0.12% for assets \$15-50 million 0.08% for assets over \$50 million
Trustee/ Investment management	U.S. Bank	0.315% for assets under \$5 million 0.225% for assets \$5-10 million 0.18% for assets \$10-15 million 0.135% for assets \$15-50 million 0.09% for assets over \$50 million

- PARS does not receive any compensation from the investments or any commissions, back-end loads, or any other forms of compensation



# CONTACT US

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