



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 10.3

**Meeting Date:** March 16, 2017

**Subject:** Approve Resolution No. 2924: Approve the Closing of the Retiree Fund

- ☐ Information Item Only
- ☐ Approval on Consent Agenda
- ☐ Conference (for discussion only)
- ☐ Conference/First Reading (Action Anticipated: \_\_\_\_\_)
- ☐ Conference/Action
- ☒ Action
- ☐ Public Hearing

**Division:** Business Services

**Recommendation:** Adopt Resolution No. 2924, Close the Retiree Fund (Fund 71), Effective January 31, 2017.

**Background/Rationale:** During the course of the 2015-16 audit, the auditors in conformity with the requirements of Governmental Accounting Standards Board Statements 43 and 45, recommended that SCUSD close Retiree Fund (Fund 71). Under new clarifying guidelines these funds will no longer be included in the District financial statements. The clarification relates to the plan structure and the manner in which assets are held, invested, and disbursed be compatible with (a) holding and managing plan assets, not as assets of the employer, but in trust for the exclusive benefit of plan members and their beneficiaries and (b) the specific criteria of irrevocability of contributions, dedication of the plan assets (including income from the investment of plan assets) to paying benefits in accordance with the substantive plan, and legal protection of the plan assets from creditors stated in paragraph 4 of Statement 43.

The Retiree Fund (Fund 71) has been in existence for several decades and it was used to keep track of revenues and expenditures associated with retirees funds. Under clarification guidelines, these funds can only be used to pay retiree health benefits and are no longer part of the District's financial statements. The District will still monitor these funds that are in the CalPERS Trust, but it will not report the funds in financial statements. This new practice is consistent state wide with other LEAs.

**Financial Considerations:** The funds invested in the CalPERS trust will earn a higher return than if they were invested in the county treasury. However, there is also a risk of loss since these funds are invested on the public market.

**LCAP Goal(s):** Family and Community Empowerment; Operational Excellence

**Documents Attached:**

1. Executive Summary
2. Resolution No. 2924, Close the Retiree Fund (Fund 71)

**Estimated Time:** 3 Minutes

**Submitted by:** Gerardo Castillo, CPA, Chief Business Officer

**Approved by:** José L. Banda, Superintendent

# Board of Education Executive Summary

## Business Services

Resolution No. 2924: Approve the Closing of the Retiree Fund

March 16, 2017

### I. OVERVIEW/HISTORY:

The District currently has had a Retiree Fund (Fund 71) with money deposited in CalPERS Trust and inside of the county treasury.

During the course of the 2015-16 audit, the auditors in conformity with the requirements of Governmental Accounting Standards Board Statements 43 and 45, recommended that SCUSD close Retiree Fund (Fund 71). Under new clarifying guidelines these funds will no longer be included in the District financial statements. The clarification relates to the plan structure and the manner in which assets are held, invested, and disbursed be compatible with (a) holding and managing plan assets, not as assets of the employer, but in trust for the exclusive benefit of plan members and their beneficiaries and (b) the specific criteria of irrevocability of contributions, dedication of the plan assets (including income from the investment of plan assets) to paying benefits in accordance with the substantive plan, and legal protection of the plan assets from creditors stated in paragraph 4 of Statement 43.

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### II. Driving Governance:

- Accounting guidance is provided by the California School Accounting Manual and interpretation of Governmental Accounting Standards Board Statements
- Interpretation Governmental Accounting Standards Board Statements 43 and 45 authorizes the closing of Retiree Fund (Fund 71) so that money is maintained separately on a Trust.

### III. Budget:

No impact on the budget. The funds invested in the CalPERS trust will earn a higher return than if they were invested in the county treasury. However, there is also a risk of loss since these funds are invested on the public market.

# **Board of Education Executive Summary**

## **Business Services**

Resolution No. 2924: Approve the Closing of the Retiree Fund

March 16, 2017

### **IV. Goals, Objectives and Measures:**

Comply with the recommendations provided by the auditors and improve the District's financial reporting.

### **V. Major Initiatives:**

Streamline financial accounting and reporting within the District.

### **VI. Results:**

Closing the Retiree Fund (Fund 71) will align with the new standard practice to keep track of retiree funds.

### **VII. Lessons Learned/Next Steps:**

- Close Retiree Fund (Fund 71) within the county treasury and update our finance system.
- Update procedures for the closing of Retiree Fund (Fund 71) and processing of transactions.
- Continue to review all funds and processes for efficiencies and improvements.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT  
BOARD OF EDUCATION**

**RESOLUTION NO. 2624**

**Close the Retiree Fund (Fund 71)**

**WHEREAS**, Education Code Section 41002 authorizes a general fund of the Sacramento City Unified School District (“District”) and other funds legally created or established in law; and

**WHEREAS**, Auditors, in conformity with the requirements of Governmental Accounting Standards Board Statements 43 and 45, recommended that SCUSD close Retiree Fund (Fund 71). Under new clarifying guidelines these funds will no longer be included in the District financial statements; and

**WHEREAS**, the California School Accounting Manual provides a school district the accounts needed to track revenues and expenditures; and

**WHEREAS**, the District currently has OPEB Trust with account with money deposited outside of the county treasury;

**NOW, THEREFORE, BE IT RESOLVED** that the Sacramento City Unified School District Board of Education, that the Superintendent of the District or designee is hereby authorized and directed to close Retiree Fund (Fund 71) and to deposit the funds into the CalPERS OPEB Trust. This resolution shall take effect from and after its adoption with the change in funds effective, January 1, 2017 to align with the 2<sup>nd</sup> Interim report.

**PASSED AND ADOPTED** by the Sacramento City Unified School District Board of Education on this 16<sup>th</sup> day of March 2017 by the following vote:

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

ABSENT: \_\_\_\_\_

\_\_\_\_\_  
Jay Hansen  
President of the Board of Education

ATTESTED TO:

\_\_\_\_\_  
José L. Banda  
Secretary of the Board of Education