SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

Agenda Item# 8.1c

Meeting Date: October 18, 2012

Subject: **SCUSD/SCTA Retiree Health Investment and Trust Plan Agreement**

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

Division: Administrative Services

Recommendation: Approve the SCUSD/SCTA Retiree Health Investment and Trust Plan Agreement.

Background/Rationale: On June 14, 2010, an agreement between the Sacramento City Teachers Association (SCTA) and the Sacramento City Unified School District (SCUSD) was signed. Part of the agreement was the establishment of a trust to administer and fund the SCTA retiree liability (GASB 45). Specific areas of savings were included in the letter of agreement. The attached plan document provides details that were the outcome of a committee comprised of SCUSD and SCTA representatives.

Financial Considerations: $3,050,568 identified as savings from the June 14, 2010 negotiated agreement with SCTA to be invested with the California Employer's Retiree Benefit Trust (CERBT) Program.

Documents Attached:

1. Executive Summary
2. SCUSD/SCTA Retiree Health Investment and Trust Plan Agreement
3. CERBT Plan Documents
4. June 14, 2010 Letter of Agreement

Estimated Time of Presentation: N/A
Submitted by: Patricia A. Hagemeyer, Chief Business Officer
Approved by: Jonathan P. Raymond, Superintendent

Board of Education Executive Summary

Administrative Services

SCUSD/SCTA Retiree Health Investment and Trust Plan Agreement

October 18, 2012

I. Overview/History:

On June 14, 2010, an agreement between the Sacramento City Teachers Association (SCTA) and the Sacramento City Unified School District (SCUSD) was signed and subsequently approved by the Board. Part of that agreement included the following language:

4. *Health Benefit Co-Pay changes and compensation shift. The Parties agree to amend the co-pays and program offerings in the following areas:*

   a) The Health Net prescription program will change to 5/15/35.

   b) The Health Net out-of-area 65+ retiree program will be reduced to approximately the amount of contribution to the in-area program by replacing the current program with an agreed upon broker recommended offering. To support the transition to a lower cost program, such retirees in the out-of-area programs will have the Medicare Part B lowest level paid provided that the total costs per retiree is approximately the same as the in-area costs.

   d) In the 2010-11 and 2011-12 school years, the savings from the changes listed in a) and b), not c), above will be applied to fund the District's GASB-45 liability. The Parties shall work together to create a Trust to administer and fund the GASB-45 liability.

In addition to the current brokers, the parties agree to utilize the Segal Company or other mutually agreeable consultant to review and analyze the changes and make additional recommendations over the contribution to support the retiree health benefit program.

7. *To reduce future costs for retiree health benefits, all qualifying retirees who receive health benefits may opt to decline the health coverage. The retiree will receive on an annual basis 50% of the average in area premium cost to purchase other insurance coverage(s) of their choice. The remainder of the savings will be applied to fund the District's GASB-45 liability.*

8. *In the 2010-11 school year, unit members shall contribute $15 per month for ten months to fund retiree benefits. Beginning with the 2011-12 school year, unit members shall contribute $20 per month for each of the ten months of each school*

> *year to fund retiree benefits. These funds shall be placed in a Trust to be created by SCTA and the District and jointly administered by the Parties.*

In order to create a trust that would administer the funds identified above, a contract with a representative from the Segal Company to act as facilitator was processed. A committee of SCUSD and SCTA participants met with this representative from the Segal Company four times over the course of four months. Committee members included four SCTA representatives and three District representatives. In between meetings, e-mail communications were sent between the committee members. As documents were discussed and finalized, legal counsel for both SCUSD and SCTA were involved and provided guidance.

Both parties expressed an interest in turning over the investment responsibilities to a third party. Several options were discussed and a representative from CalPERS attended one meeting, provided documents and answered committee member questions. It is the committee recommendation to participate in the California Employer's Retiree Benefit Trust (CERBT) Program.

The attached trust plan document is the result of the committee work as well as legal counsel recommendations.

II. Driving Governance:

On September 22, 1975, then-Governor Jerry Brown signed CTA-sponsored Senate Bill 160 by state Senator Al Rodda, known as the Educational Employment Relations Act or the Rodda Act, to give California public school teachers collective bargaining rights. The legislation established an administrative body that became the Public Employment Relations Board (PERB). The Public Employment Relations Board (PERB) is a quasi-judicial agency which oversees public sector collective bargaining in California. PERB administers seven collective bargaining statutes, ensures their consistent implementation and application, and adjudicates disputes between the parties subject to them.

III. Budget:

Each section of the letter of agreement as listed above generated funds to be placed in the trust. As of June 30, 2012, a total of $3,050,568 is to be placed in the CERBT investment plan. The following information provides the detail of those funds:

Reference	Description	Amount
4a)	Health Net prescription program changes for 2010-11 and 2011-12	$ 1,130,688
4b)	Health Net out-of-area benefit program for 2010-11 and 2011-12	$ 982,383
7	Opt Out retiree benefit change for 2010-11 and 2011-12	$ 68,566
8	$15 and $20 contribution from each unit member for 2010-11 and 2011-12	$ 868,931
	Total for Investment Plan as of 6/30/2012	**$ 3,050,568**

IV. Goals, Objectives and Measures:

Provide a document that reflects the recommendations of the SCUSD/SCTA committee regarding the implementation of negotiated language.

V. Major Initiatives:

Use plan documents to ensure the intent of the agreed upon language is followed and progress is made towards funding the SCTA retiree benefit liability.

VI. Results:

The plan document provides guidance for future years.

VII. Lessons Learned/Next Steps:

- Continue communication and meetings with the Board of Trustees of the plan.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT/SACRAMENTO CITY TEACHERS ASSOCIATION
RETIREE HEALTH INVESTMENT AND TRUST PLAN AGREEMENT

PLAN TABLE OF CONTENTS

SCUSD/SCTA RETIREE HEALTH INVESTMENT AND TRUST PLAN AGREEMENT

This Plan Agreement is entered into between the Sacramento City Unified School District (SCUSD) and the Sacramento City Teachers Association (SCTA), effective upon signature by SCUSD and SCTA, as follows:

I. SCUSD/SCTA RETIREE HEALTH INVESTMENT PLAN

A. Name of Plan: This Plan Agreement, including the exhibits referenced herein, shall be known as the "SCUSD/SCTA Retiree Health Investment Plan" (collectively, the "Plan" or "Plan Agreement").

B. Investment of Assets: The assets of the Plan ("Plan assets") are to be held in the California Employer's Retiree Benefit Trust ("CERBT") administered by CalPERS until directed otherwise by the Board of Trustees of the Plan to another mutually agreed upon custodial/investment institution.

C. Plan Sponsors: The Plan is sponsored by the Sacramento City Unified School District Board of Education ("SCUSD") and the Sacramento City Teachers Association ("SCTA").

D. Purpose of Plan: The Plan is a health plan to be used to provide financial assistance for health (medical, prescription drug) benefits to eligible SCTA retirees in order to help fund the SCUSD/SCTA post-employment health benefit obligations.

E. Administration of the Plan: The Plan shall be administered by the Trustees collectively known as the "Board of Trustees of the Plan".

F. Name and Address of the Board of Trustees of the Plan:

Board of Trustees
SCUSD/SCTA Retiree Health Investment and Trust Plan
c/o Chief Business Officer of SCUSD
5735 47th Avenue
Sacramento, CA 95824

G. Name and Address for Service of Process: The agent for the purpose of accepting service of legal process on behalf of the Plan is:

c/o Chief Business Officer of SCUSD
5735 47th Avenue
Sacramento, CA 95824

H. Names of Initial Board of Trustees of the Plan and Alternates:

SCTA TRUSTEES	SCUSD TRUSTEES
Brett Williams (5 year term)	Gail Richardson (5 year term)

Dana Flaten (4 year term)
Katherine Gaffey-Lehman (3 year term)

Patricia A. Hagemeyer or Chief Business Officer (4 year term)
Jess Serna or Chief Human Resource Officer (3 year term)

SCTA ALTERNATE TRUSTEES
1st – To Be Determined
2nd - To Be Determined

SCUSD ALTERNATE TRUSTEES
1st – Amari Watkins
2nd – Cancy McArn

I. Use of Accumulated Assets of the Plan: The contributions from the SCUSD as required by any collective bargaining agreement and/or memorandum of understanding between the SCUSD and SCTA, are to be held in the CERBT pending the payment of retiree health benefits and administrative expenses as directed by the Board of Trustees of the Plan. The SCUSD Board of Education shall ratify and execute an "Agreement and Election To Prefund Other Post-Employment Benefits Through CalPERS" with CERBT (a copy is attached hereto and incorporated herein by this reference as Exhibit A). The SCUSD Board of Education will implement the decisions of the Board of Trustees of the Plan in regard to (1) investment selection of portfolio strategies and (2) the timing and amount of distributions from the Plan.

J. Use of Assets upon Termination of Plan: In the event this Plan is terminated, any remaining Plan assets, after payment of expenses, shall be used for the continuation of the benefits provided by the Plan or similar benefits, until such monies and assets have been exhausted. Notwithstanding termination of the Plan, in compliance with GASB Statement No. 45, the Plan assets shall remain irrevocably dedicated to providing benefits to eligible SCTA retirees pursuant to the agreements.

II. AUTHORITY OF THE BOARD OF TRUSTEES OF THE PLAN

A. Investment of Funds in CERBT: The Board of Trustees of the Plan has the authority to select the investment strategy option within CERBT or any successor custodial/investment institution selected by the Board of Trustees. The initial strategy adopted by the Board of Trustees of the Plan shall be Strategy 1 of the "Certification of OPEB Funding Policy" for CERBT, which is set forth in Exhibit B attached hereto and incorporated herein by this reference. Future investment strategies may be selected as determined by the Board of Trustees of the Plan. The SCUSD Board of Education will direct the investment of funds pursuant to the decisions of the Board of Trustees of the Plan.

B. Advice on Sources of Contribution: The Board of Trustees of the Plan agrees to advise and consult with the Plan Sponsors on the source of potential contributions to the Plan.

C. Use of Funds in CERBT: To the extent authorized by CERBT and applicable law, the Board of Trustees of the Plan has the authority to direct the use of monies from the CERBT for the payment of retiree health benefits and Plan administrative costs, which may include reasonable Trustee training expenses. Monies may be directed by the Board of Trustees of the Plan to pay benefits at the earlier of (1) 5 years from July 1, 2012 or (2) when invested assets equal or exceed 5% of the Actuarial Accrued Liability of the SCTA's postretirement benefits as negotiated between the SCUSD and the SCTA. The SCUSD Board of Education will direct the use of funds pursuant to the decisions of the Board of Trustees of the Plan.

D. Benefit Levels for Retirees of the Plan: The Board of Trustees of the Plan shall have no authority to modify or change the level of benefits for retirees.

E. Review of Funds of the Plan: At each scheduled meeting the Trustees of the Plan will review the status of contributions to the Plan and CERBT investment performance.

III. GENERAL PROVISIONS

A. Interpretation of the Trust Agreement and The Plan

The Board of Trustees of the Plan shall possess full authority and discretion to interpret the terms of this Agreement.

B. Limitations of Liability

Neither the establishment of the Plan, nor participation in CERBT, any related agreements or modifications thereto, nor the payment of any benefits shall be construed as giving any person any legal or equitable right of action or recourse against the Trustees, the Board of Trustees of the Plan, or the Plan Sponsors, and their officers, agents, representatives, employees or assigns.

The Plan Sponsors shall defend, indemnify and hold harmless their respective Trustee and Alternate Trustee appointments and their respective participation on the Board of Trustees of the Plan from any and all claims, liabilities and costs, for any damages including payment of reasonable attorney's fees, from any cause whatsoever, arising directly or indirectly from or connected to the SCUSD/SCTA Retiree Health Investment Plan.

The Plan Sponsors will review the need to consider the purchase of any appropriate or necessary insurance for this purpose.

C. Trustee Decision Making; Mediation; Arbitration

Decisions regarding the Plan will be made by the Board of Trustees of the Plan by majority vote. References to mutual consent or mutual agreement shall mean action by majority vote of the Board of Trustees of the Plan. When a majority vote cannot be reached by the Board of Trustees of the Plan, mediation may be requested by either Plan Sponsor. The mediator shall be selected by the mutual consent of the SCTA Trustees and the SCUSD Trustees. If mediation is not requested or does not result in a resolution by consensus or majority vote, either

Plan Sponsor may request binding arbitration which shall then be determined by the American Arbitration Association ("AAA") or a similar organization as agreed to by a majority vote of the Board of Trustees of the Plan. Costs of any mediation or arbitration shall be equally shared by the Plan Sponsors.

A quorum of three members of SCTA Trustees and three members of SCUSD Trustees is required for any votes for decision making.

Trustee meetings will be held twice yearly on or about the first Mondays of October and March of each school year unless otherwise agreed to by the Trustees.

D. <u>Appointment of Trustees</u>

i. The Plan Sponsors shall possess full authority and discretion to appoint the Trustees and Alternate Trustees. The SCUSD shall appoint three SCUSD Trustees plus two Alternate SCUSD Trustees. The SCTA shall appoint three SCTA Trustees plus two Alternate SCTA Trustees.

ii. Trustees and Alternate Trustees shall be appointed for terms of up to five-years and maybe appointed to no more than two consecutive terms. The terms will be staggered for the Trustees in a manner decided by each Sponsor.

iii. SCUSD Trustees and Alternate Trustees shall be current employees of SCUSD.

iv. SCTA Trustees and Alternate Trustees shall be SCTA members and employees or former employees who retired from SCUSD and are eligible recipients for retiree health benefits and/or retiree opt out benefits.

E. <u>Binding Effect</u>

The Plan is binding on the successors and assigns of the Plan Sponsors until the Plan is terminated.

F. <u>Severability</u>

If any provision hereto is void or superseded by applicable law that does not grandfather any provision of the Plan, any such provision shall be severed from the Plan and the remaining provisions of the Plan shall remain in full force and effect.

G. <u>Amendments; Termination</u>

The Plan Sponsors by mutual consent may at any time amend or modify, including terminating, this Plan Agreement. When mutual consent cannot be reached by the Plan Sponsors, mediation may be requested by either Plan Sponsor. The mediator shall be selected by the mutual consent of the Plan Sponsors. If mediation is not requested or does not result in a resolution, either

Plan Sponsor may request binding arbitration which shall then be determined by the American Arbitration Association ("AAA") or a similar organization as agreed to by the Plan Sponsors. Costs of any mediation or arbitration shall be equally shared by the Sponsors.

H. Complete Agreement

The Plan and the relevant sections of collective bargaining agreements and/or memorandums of understanding between the SCUSD and SCTA represent the complete agreement of the Plan.

I. Ratification and Signature in Counterparts

For the Plan to be effective, each Plan Sponsor shall sign the Plan Agreement, including SCUSD's ratification of the "Agreement and Election to Prefund Other Post-Employment Benefits through CalPERS" (Exhibit A), and each Sponsor may sign on separate signature pages (counterparts). Copies of signatures shall have the same force and effect as original signatures.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By:
Its:

Signature Date

SACRAMENTO CITY TEACHERS ASSOCIATION

By:
Its:

Signature Date

Exhibit A

CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST PROGRAM ("CERBT")

AGREEMENT AND ELECTION OF Sacramento City Unified School District

(NAME OF EMPLOYER)

TO PREFUND OTHER POST EMPLOYMENT BENEFITS THROUGH CalPERS

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) Sacramento City Unified School District
(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to:

CalPERS
Affiliate Program Services Division
CERBT (OPEB)
P.O. Box 1494
Sacramento, CA 95812-1494

Filing in person, deliver to:

CalPERS Mailroom
Affiliate Program Services Division
CERBT (OPEB)
400 Q Street
Sacramento, CA 95811

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

C. Other Post Employment Benefits (OPEB) Cost Reports and Employer Contributions

(1) Employer shall provide to the Board an OPEB cost report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43. This OPEB cost report may be prepared as an actuarial valuation report or, if the employer is qualified under GASB 45 and 57, may be prepared as an Alternative Measurement Method (AMM) report.

(a) Unless qualified under GASB 45 and 57 to provide an AMM report, Employer shall provide to the Board an actuarial valuation report. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:

1) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;

2) prepared in accordance with generally accepted actuarial practice and GASB 43, 45 and 57; and,

3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(b) If qualified under GASB 45 and 57, Employer may provide to the Board an AMM report. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:

1) affirmed by Employer's external auditor, or by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board, to be consistent with the AMM process described in GASB 45;

2) prepared in accordance with GASB 43, 45, and 57; and,

3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any OPEB cost report submitted to it, but shall not unreasonably do so. In the event that the Board determines, in its sole discretion, that the OPEB cost report is not suitable for use in the Board's financial statements or if Employer fails to provide a required OPEB cost report, the Board may obtain, at

Employer's expense, an OPEB cost report that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such OPEB cost report by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the OPEB cost report acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB Statement No. 45. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) The minimum Employer contribution will be at least $5000 or be equal to Employer's Annual Required Contribution, whichever is less, as that term is defined in GASB Statement No. 45. Contributions can be made at any time following the seventh day after the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

D. Administration of Accounts, Investments, Allocation of Income

(1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Employer's assets will provide benefits only under employer's plan.

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).

(3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.

(4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.

(5) Investment income shall be allocated among employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.

(6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.

E. Reports and Statements

(1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.

(2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

F. Disbursements

(1) Employer may receive disbursements not to exceed the annual premium and other costs of post employment healthcare benefits and other post employment benefits as defined in GASB 43.

(2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.

(3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.

(4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) that are received on or after the first of a month will be processed by the 15^{th} of the following month. (For example, a disbursement request received on or between March 1st and March 31st will be processed by April 15th; and a disbursement request received on or between April 1st and April 30th will be processed by May 15th.)

(5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the written instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

(6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

H. Termination of Employer Participation in Prefunding Plan

(1) The Board may terminate Employer's participation in the Prefunding Plan if:

(a) Employer gives written notice to the Board of its election to terminate;

(b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After thirty-six (36) months have elapsed from the effective date of this Agreement or at such earlier date as may be approved by the Board in its sole discretion:

(a) Employer may request a trustee to trustee transfer of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that the transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, then the Board shall effect the transfer within one hundred twenty (120) days. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the transfer by more than 120 days.

(b) Employer may request a disbursement of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that all of Employer's obligations for payment of post employment health care benefits and other post employment benefits and reasonable administrative costs of the Board have been satisfied, then the Board shall effect the disbursement within one hundred twenty (120) days. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement by more than 120 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as defined in GASB 43), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

I. General Provisions

(1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

(2) Audit.

(a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.

(b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

(a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:

1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.

2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.

3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.

4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.

5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.

6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

(b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.

(c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.

(d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

(4) Modification

This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged.

(5) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

(6) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(7) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.A majority vote of Employer's Governing Body at a public meeting held on the 18th day of the month of October in the year 2012, authorized entering into this Agreement.

Signature of the Presiding Officer: ______________________________

Printed Name of the Presiding Officer: Diana Rodriguez

Name of Governing Body: Board of Education

Name of Employer: Sacramento City Unified School District

Date: October 18, 2012

BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY______________________________
RAND ANDERSON
AFFILIATE PROGRAM SERVICES DIVISION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS The effective date of this Agreement is: ______________________

Exhibit B

CERTIFICATION OF OPEB FUNDING POLICY & GASB 43/45 REPORTING COMPLIANCE

SECTION I: Asset Allocation Strategy and Discount Rate Selection

I certify that

1. My agency chooses the following asset allocation strategy
   Select one Asset Allocation Strategy and the corresponding Discount Rate

Asset Allocation Strategy	**Discount Rate with NO MFAD adjustment**
X Strategy 1	7.61%
☐ Strategy 2	7.06%
☐ Strategy 3	6.39%

2. My agency elects to use a Margin for Adverse Deviation (MFAD)

X No	☐ Yes

* If "Yes", then identify that MFAD percentage here: 0.______%

3. The discount rate net of MFAD is ______%

SECTION II: ARC Funding

As the employer, I certify that our funding policy is to contribute consistently an amount that is equal to (select one):

(Valuation date should correspond with Item No. 1.0 in Summary of Actuarial Information)

Full ARC Funding:

☐ 100 % of the ARC as determined in our OPEB valuation (or AMM) dated ________, 20____, which used an average actuarial Discount Rate of ____._____%

Partial ARC Funding:

☐ ____________% of the ARC as determined in our OPEB valuation (or AMM if it applies) dated _________, 20___ which used a blended actuarial Discount Rate of _ % where the base short-term investment Discount Rate is _______%

CERTIFICATION OF OPEB FUNDING POLICY & GASB 43/45 REPORTING COMPLIANCE

☐ We will contribute to the trust using an approach not directly related to the ARC (*In the space provided below, please describe your funding approach and how the approach relates to the average discount rate assumption made by your actuary in the OPEB valuation (or AMM if it applies) dated __________, 20__ which used a blended actuarial Discount Rate of _____% where the base short-term investment Discount Rate is _____%*):

____

____

____

____

SECTION III: ARC Contribution Method

We plan to contribute toward the ARC in the following manner (select one):

☐ Contribute our full ARC payments to the trust and seek reimbursements for Pay-go costs

☐ Contribute our ARC payments to the trust net of Pay-go costs and not seek reimbursements (ARC minus Pay-go = Trust Contribution)

☐ Other (Please describe):

____

____

____

SECTION IV: Years of ARC Coverage

This OPEB valuation provides ARC amounts for the following periods:

(ARC dates should correspond with Item No. 10.0 in Summary of Actuarial Information)

First Year:	From	___________, 20______	through	___________, 20______.
Second Year:	From	___________, 20______	through	___________, 20______.

The California Employers' Retiree Benefit Trust (CERBT) fund plan includes more than 200 members. We understand that, under GASB 43, paragraph 33, as an employer participating in the CalPERS CERBT, we must obtain an actuarial valuation (or AMM if it applies) on at least a **biennial** basis.

Exhibit B

CERTIFICATION OF OPEB FUNDING POLICY & GASB 43/45 REPORTING COMPLIANCE

We understand that we will be asked to provide accounting information to CalPERS as required in order to facilitate CalPERS compliance with GASB 43 reporting requirements, and we agree to make any information requested available to CalPERS on a timely basis. Our contact information is noted below.

We understand that CalPERS will provide us with our Statement of Plan Net Assets and our Statement of Changes in Plan Net Assets, which can be used to prepare our GASB 45 reporting. CalPERS will report aggregated GASB 43 information pertaining to the Funded Status and Funding Progress.

____
Date of OPEB Valuation (or AMM if it applies)

Sacramento City Unified School District
Name of Employer

____
Printed Name and Title of Person Signing the Form

____
Signature Date

____
Designated Employer Contact Name for GASB Reporting

____
Phone # Email Address

Instructions to complete the form

Exhibit B CERTIFICATION OF OPEB FUNDING POLICY & GASB 43/45 REPORTING COMPLIANCE

SECTION I: Asset allocation Strategy and Discount Rate Selection

Check the box next to the Asset Allocation Strategy on which you have based your OPEB actuarial valuation or Alternative Measurement Method (AMM) cost report. Each strategy has a different assumed Discount Rate and risk profile. Your CERBT assets will be invested using the Asset Allocation Strategy indicated here.

Check the box to show whether your actuary applied a Margin for Adverse Deviation the expected assumed discount rate for your portfolio. If reducing the expected rate of return for a Margin for Adverse Deviation please indicate the percentage adjustment for the Margin for Adverse Deviation in the location indicated and then indicate the appropriate net rate of return resulting when the full rate of return has been reduced by a selected by your consulting actuary.

The choices you check off on this form should match those used by your actuary in the OPEB valuation.

SECTION II: ARC Funding

- If you are fully funding, check the first box indicating the 100% funding, the applicable Discount Rate, and the valuation date.
- If you are funding at less than 100%, check the second box to indicate the percentage of funding [trust contributions plus paygo (and Implicit Rate Subsidy if applicable) divided by ARC], the valuation date, the Discount Rate, and the Base rate used to blend.
- If you are funding at less than 100% and your contributions are not tied specifically to the ARC, then indicate how you expect to contribute. For example, if you intend to make unreimbursed pay-go payments plus a fixed dollar amount to the trust, then describe this in the space provided.

SECTION III: ARC Contribution Method

Here we ask you to indicate how you expect to make contributions to the trust: Full ARC with reimbursements, ARC net of paygo, or something else (please describe).

SECTION IV: Years of ARC Coverage

Generally, your OPEB valuation will provide two years of ARC coverage. Please identify the specific periods to which the ARC applies.

DELEGATION OF AUTHORITY
TO REQUEST DISBURSEMENTS

RESOLUTION
OF THE

Board of Education
(GOVERNING BODY)

OF THE

Sacramento City Unified School District
(NAME OF EMPLOYER)

The Board of Education (GOVERNING BODY) delegates to the incumbents in

the positions of Superintendent (TITLE) and

SCUSD/SCTA Retiree Health Investment and Trust Plan Trustee (TITLE) authority to request on

Behalf of the Employer disbursements from the Other Post Employment Prefunding

Plan and to certify as to the purpose for which the disbursed funds will be used.

By ______________________________

Title ______________________________

Witness ______________________________

Date ____________________

LETTER OF AGREEMENT
SACRAMENTO CITY TEACHERS ASSOCIATION
AND
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

The Sacramento city Teachers Association (hereinafter referred to as "Association") and the Sacramento City Unified School District (hereinafter referred to as "District") agree to the following:

Preamble

The overall purpose of this Letter of Agreement is to set forth certain understandings between the parties even though the Association believes there is no obligation to enter into negotiations. In order to provide fiscal stability to the District and to retain as many teachers as possible during this fiscal crisis, the parties are agreeing to make the changes set forth below.

1. SCTA unit members shall contribute the equivalent of three (3) days of salaries in each of the two years 2010-11 and 2011-12 only. It is estimated that this has a value between $2.1 million and $2.4 million of unrestricted dollars in each year. This contribution shall be made through monthly employee payroll deductions in a flat dollar amount of $95 per month for 10 months from each employee for each of the two years. The Parties will explore a pass through or donation mechanism. The savings the District derives from this contribution shall be applied to restoring K-3 class size reduction (CSR) with a goal of achieving a ratio of 1:25 for the two year period. With the restoration of K-3 CSR employees, preparation time shall be provided with existing staff at no additional cost to the District.

2. In the event that State or Federal legislation is passed to fund K-3 CSR, the parties shall meet to discuss the impact of the legislation.

3. Common Planning Time (CPT) Amendment. The Parties agree to amend the current contract language so that each K-12 teacher in the unit will be able to perform 20 hours of common planning time each year either before or after the regular school day. These hours shall be applied towards the hours required for professional development. Participation in additional common planning time shall be on a voluntary basis. CPT shall be planned by the site administrator in collaboration with the site staff. All savings from current funds used for CPT shall be used to restore bargaining unit positions including counseling positions.

4. Health Benefit Co-Pay changes and compensation shift. The Parties agree to amend the co-pays and program offerings in the following areas:

a) The Health Net prescription program will change to 5/15/35.

b) The Health Net out-of-area 65+ retiree program will be reduced to approximately the amount of contribution to the in-area program by replacing the current program with an agreed upon broker recommended offering. To support the transition to a lower cost program, such retirees in the out-of-area programs will have the Medicare Part B lowest level paid provided that the total costs per retiree is approximately the same as the in-area costs.

c) The Kaiser Prescription rebate program will end effective July 1, 2010. The savings, if sufficient, will be applied to the Kaiser plan to include chiropractic coverage first, then if funds remain to laser and multi-focal surgery if there are sufficient savings to fund these benefits. There shall be no additional cost to the District.

d) In the 2010-11 and 2011-12 school years, the savings from the changes listed in a) and b), not c), above will be applied to fund the District's GASB-45 liability. The Parties shall work together to create a Trust to administer and fund the GASB-45 liability. On July 1, 2012, the savings shall be applied to the SCTA salary schedule as a flat dollar amount on each cell. Some of the savings shall be applied to certain cells of the salary schedule as the Parties may agree for the 2011-12 school year.

5. The Parties shall explore creating a retirement incentive for unit members retiring on June 30, 2012.

6. Professional Development. The District and SCTA agree to collaborate to focus the current Professional Development Program on desired outcomes.

7. Retiree Vesting. In order to reduce future costs and based on the parties' broker and third party Independent Consultant's advice, the parties agree to amend the current vesting period of 10 years in Article 13 of the collective bargaining agreement. Unit members with less than 15 years of service to the District as of July 1, 2010 will have three years from that date to qualify for the current 10 year rule. After July 1, 2013, as the Parties agree all teachers in order to be eligible for retiree health benefit will need to have the following:

- at age 55 at least 20 consecutive years of service to the District in the SCTA bargaining unit
- at age 56 at least 19 consecutive years of service to the District in the SCTA bargaining unit
- at age 57 at least 18 years of consecutive service to the District in the SCTA bargaining unit
- at age 58 at least 17 consecutive years of service to the District in the SCTA bargaining unit
- at age 59 at least 16 years of consecutive service to the District in the SCTA bargaining unit
- at age 60 at least 15 years of consecutive service to the District in the SCTA bargaining unit

In addition to the current brokers, the parties agree to utilize the Segal Company or other mutually agreeable consultant to review and analyze the changes and make additional recommendations over the contributions to support the retiree health benefit program.

To reduce future costs for retiree health benefits, all qualifying retirees who receive health benefits may opt to decline the health coverage. The retiree will receive on an annual basis 50% of the average in area premium cost to purchase other insurance coverage(s) of their choice. The remainder of the savings will be applied to fund the District's GASB-45 liability.

8. In the 2010-11 school year, unit members shall contribute $15 per month for ten months to fund retiree benefits. Beginning with the 2011-12 school year, unit members shall contribute $20 per month for each of the ten months of each school year to fund retiree benefits. These funds shall be placed in a Trust to be created by SCTA and the District and jointly administered by the Parties.

9. Follow up clarifications. The parties agree to clarify the language of the amendments identified in this Agreement in order to import them into the contract as soon as possible.

10. Parcel Tax Effort. The parties agree to work together to seek a parcel tax as soon as possible. The intent of the parcel tax shall include supporting K-3 CSR, additional class size reduction and other efforts to support educational programs agreeable to the parties and the public.

11. School Calendar Modifications. The parties agree to modify the K-12 calendar by starting after Labor Day and taking Thanksgiving week off. The work year for teachers shall be 181 plus 3 staff development days. The Parties shall meet to establish a 2010-11 and 2011-12 calendars as soon as possible.

12. The current term of the collective bargaining agreement shall be extended to June 30, 2012. However, in the event that the District receives a negative certification of its budget from the Sacramento County Office of Education, the Parties agree to reopen negotiations on compensation. This Letter Agreement is subject to ratification by the governing board of the District and the SCTA membership.

June 14, 2010

SCTA

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT