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WESTERN MASS OPEB TRUST

Frequently Asked Questions

1. What is Western Mass OPEB Trust?

The only full-service trust program available to local governments in Western Massachusetts, for pre-funding retiree healthcare or Other Post Employment Benefit (OPEB) obligations. The IRS, GASB, MA-compliant multiple employer trust is available exclusively to any public entities in Berkshire, Franklin, Hampden, Hampshire and Worcester counties. The trust program offers collective investment, legal, and administrative economies of scale to participating members and is lower cost and easier to administer than setting up an individual trust.

2. Who administers Western Mass OPEB Trust?

HCG has partnered with Public Agency Retirement Services (PARS), a national leader in OPEB trust administration as the Trust Administrator and provides recordkeeping, reporting, administration, compliance monitoring, and consulting. U.S. Bank, the largest trustee of OPEB assets in the nation, is the trustee/custodian, and Vanguard, one of the world's leading money managers serves as investment advisor/manager.

3. How are Western Mass OPEB Trust assets invested?

Vanguard Institutional Advisory Services manages investment pools comprised of institutional class, index-based, mutual funds with low investment expenses.

- Fixed Income
- Conservative
- Balanced
- Growth

Each member has its own separate trust account. Assets are pooled only for investment purposes. There is no cross sharing of earnings or liabilities. Investment management fees are based on total assets in all pools, not individual members' assets for economies of scale advantages.

4. How do we join Western Mass OPEB Trust?

The process to join Western Mass OPEB Trust is simple. A governing board will vote to join Western Mass OPEB Trust, and designates the Treasurer to sign our signature ready documents. Once all documents have been received, U.S. Bank, as custodian, will then open the trust account and funds can be contributed thereafter. Please note for some public agencies, per Massachusetts state law, contributions cannot be made until 90 days after the governing board vote/declaration of trust has been filed with the treasurer's office. We help determine whether this 90-day requirement applies to an agency.

5. Are there minimum contributions or funding requirements?

There are no minimum required contribution amounts or funding requirements with Western Mass OPEB Trust. We understand that the budgetary and fiscal circumstances of each municipality or district changes, and therefore, contribution amounts and timing are determined by the needs at any given time. Contributions can be made one year and not the next.

6. Are there start-up costs or penalties to leave the trust?

There are no start-up costs or termination fees for leaving the trust program. Western Mass OPEB Trust simply requires a 30-day notice period for funds to be transferred into a like Section 115 trust to comply with GASB and IRS standards.

7. Why use Western Mass OPEB Trust documents?

PARS, the Trust Administrator, has already created legally compliant trust documents, so no additional time or legal fees will be spent on developing them. Not only are the trust documents specially IRS-approved to validate that income earned on the trust is non-taxable, they are also GASB 45/75 (irrevocable, dedicated to OPEB, protected from creditors) and MGL Section 32-B 20 compliant (dedicated solely to OPEB, protected from creditors). Furthermore, PARS provides ongoing document management to comply with state and federal laws.

8. What will be our responsibilities?

After signing program documents, the primary ongoing responsibilities are to:

1. contribute funds to the OPEB trust
2. submit disbursement requests
3. monitor your account and investment activity

9. Why use an outside trustee/custodian?

It reduces the risk and liability of the treasurer, staff, and governing board. A corporate trustee (federally chartered bank) such as U.S. Bank is highly regulated and must adhere to the trust agreement and ensure the trust is managed for the exclusive benefit of employees, retirees, and beneficiaries. U.S. Bank is the largest trustee and custodian of OPEB trust assets in the country. A treasurer and its municipality or district might not have the professional expertise nor want the responsibility of ensuring this level of trust compliance.

10. Is it worth participating in Western Mass OPEB Trust if we can't contribute significantly?

When it comes to planning and prefunding an OPEB obligation, setting aside something is always better than nothing. Even investing a small amount can yield positive returns and result in higher discount rates on your actuarial valuation, thus reducing your overall liability. Additionally, under GASB 45/75, any assets you have in the trust will offset the OPEB liability on your financial statements. And this is a positive for credit rating agencies who look more favorably on public entities that adopt an irrevocable trust and pre-fund their OPEB liability. Our Vanguard pool structure means your assets are fully diversified regardless of contribution amounts and fees are not based on your assets, but total assets in the pools.

11. What if we are not comfortable placing funds in an irrevocable trust because we may experience a financial down turn.

An important thing to remember about GASB-compliant OPEB trusts is that funds are revocable for retiree health care expenses but irrevocable for anything else. This means that at any time, the funds in the trust account can be used for reimbursement for current and/or past retiree healthcare costs.

12. How can I take a disbursement from the trust?

With Western Mass OPEB Trust, the authorized signer simply submits a disbursement request form to PARS with documentation that the funds are to be used for OPEB. Disbursements can reimburse

current or past OPEB costs, pay healthcare providers or premiums directly, and/or reimburse/pay eligible retirees.

13. Who can I call with questions about Western Mass OPEB Trust?

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