



## PARS OPEB TRUST PROGRAM (OPEB)

PARS (Public Agency Retirement Services) has established an IRS-approved Section 115 trust structure to meet the prefunding obligations of public agencies. An irrevocable trust helps agencies address their OPEB liabilities by choosing diversified investments with the potential for a higher rate of return than the general fund. The PARS OPEB Trust Program provides agencies with flexibility and a broad array of investment opportunities to meet risk tolerance, budgeting requirements and agency investment policies. PARS provides a cost-effective means of measuring, managing and funding a benefit that will only continue to grow in liabilities and importance with the retirement of the Baby Boom generation.

### WHY PREFUND YOUR RETIREE HEALTHCARE WITH THE PARS OPEB TRUST?

- **Diversify your investments:** Your employees will work for many years to earn OPEB benefits so your funds should be working hard to pay for those benefits. *An irrevocable trust allows for diversification of investments and a greater potential for a long-term rate of return.*

- **Address your liability:** Contributions into the Trust are considered assets which address liabilities on financial statements. Prefunding allows your actuary to use a higher investment rate when calculating the OPEB liability. *Rule of thumb: a 1% increase in the discount rate can lower liabilities 10% to 12%.*
- **GASB 75:** GASB Statement 75 requires OPEB liabilities to be on your balance sheet. NOW is the time to start addressing them.
- **Anticipate rising costs:** Prefunding will hedge against healthcare inflation, longer life expectancies for retirees, the Baby Boom retirement surge and budget downturns.
- **Improve your credit rating:** OPEB prefunding is seen as a positive factor for credit rating services. Some agencies have had their rating go up after prefunding which equates to lower borrowing costs.
- **Be fair to the future:** Prefunding now means future taxpayers and employees will not bear a disproportionate burden of the costs.
- **Rainy day fund:** In tough budget years, your trust assets will be there to pay your OPEB expenses.

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## ADDITIONAL FEATURES OF THIS PROGRAM INCLUDE:

- **Significant savings** from economies of scale of a large trust
- **A low cost approach** with no upfront costs and low investment fees
- **No minimum annual** contributions or funding requirements or minimum fees
- **IRS-approved Section 115 Trust structure** that ensures your plan's tax exempt status
- **Fast implementation process** that allows funding to begin in days, not months
- **Local control** of your trust account without any cross-sharing of assets or liabilities
- **Flexible** investment options created specifically for OPEB prefunding
- **Security** from U.S. Bank, one of the nation's largest OPEB trustee and 5th largest commercial bank
- **Experience** of PARS, an administrator with a 20 year track record in Section 115 Trusts and over 300 clients
- **Compliant** with state and federal laws
- **Unique Combination Trust** that also includes Pension prefunding (Pension Rate Stabilization) with separate sub-accounting for Pension (GASB 68) and OPEB (GASB 75). Assets combine for lower fees
- **Hands-on support** from PARS and investment management partner service teams including a dedicated portfolio manager who takes on fiduciary responsibility, provides onsite reviews, and is available to you at anytime via cell phone access.
- **GFOA** recommends prefunding and considers it best practice.

## FOR MORE INFORMATION, PLEASE CONTACT ONE OF OUR EXPERIENCED CONSULTANTS:

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## ABOUT PARS

*For over 35 years, PARS has designed and administered retirement plan and trust solutions exclusively for public agencies. As a specialist in program design, analysis, administration, record-keeping, compliance, consulting and marketing, PARS administers more than 1,500 plans for over 900 clients and has served more than 500,000 public employees. The California-based company is a leading provider of retirement programs for public agencies and is one of the largest private providers of multiple employer Section 115 trusts in the nation.*



**TRUSTED SOLUTIONS. LASTING RESULTS.**

Contact PARS at (800) 540-6369 ext. 127  
or visit us online at [www.pars.org](http://www.pars.org)