

REDWOODS COMMUNITY COLLEGE DISTRICT

*Committed to maximizing the success of each student
Committed to enriching the economic vitality of the community
—CR Mission Statement*

SPECIAL MEETING OF THE BOARD OF TRUSTEES

College of the Redwoods, Del Norte (Library)
883 West Washington Blvd., Crescent City, CA

A G E N D A
Sunday, April 5, 2009
10:00 a.m.

Board of Trustees

George Truett, President

Bruce Emad, Vice President

Dr. Colleen Mullery, Clerk

Rick Bennett, Sally Biggin, Tracy Coppini

Richard Dorn, Tom Ross, Will Smith

Roxanne Estela, Student Representative

Dr. Jeff Marsee, President/Superintendent, Secretary to the Board

The Board of Trustees welcomes you to its meetings. Most regular meetings are scheduled on the first Tuesday of each month. For the most current information, please check this year's meeting calendar, agendas, and supporting documents at www.redwoods.edu/district/board/. You can call (707) 476-4170 to arrange for agendas or agenda packets to be mailed to you.

IT IS EASY TO MAKE A PUBLIC COMMENT Comments are usually limited to no more than three minutes. If you intend to submit a document at the meeting, please bring a minimum of 15 copies for distribution, if possible.

Beginning with agenda item 1, your public comments are invited during this special meeting after any staff report on the item and trustee questions regarding the staff report and before the start of board discussion of the item.

The Speaker's Request Card contains additional board guidelines for those who want to comment. Also see board policies BP 2345, BP 2350, and BP 2355 and Administrative Procedure AP 2345 at www.redwoods.edu/district/board/new/chapter2/index.asp or contact the President's Office at (707) 476-4170.

10:00 a.m. **OPEN SESSION** Call to Order, College of the Redwoods, Del Norte (Library)
883 West Washington Blvd., Crescent City, CA

Flag Salute

- 10:05 a.m. **1. Arcata and McKinleyville Proposed Sites**
Jeff Marsee, President/Superintendent
- 10:45 a.m. **2. GASB 45 – Fund Transfer Strategy**
*Jeff Marsee, President/Superintendent and
Ruth Bettenhausen Vice President, Administrative Services
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- 11:15 a.m. **3. CR Foundation – Recommendations from Auditors**
Ruth Bettenhausen, Vice President, Administrative Services
- 11:45 a.m. **4. CR Foundation – Bookstore/Cafeteria**
Jeff Marsee, President/Superintendent
- 12:00 p.m. ***Lunch***
- 12:30 p.m. **5. Program Review**
Keith Snow-Flamer, Vice President Learning and Student Development
- 1:30 p.m. ***Recess***
- 1:45 p.m. **6. Facilities Master Plan**
Jeff Marsee, President/Superintendent
- 2:45 p.m. **7. Faculty Senate Brief**
Jeff Marsee, President/Superintendent
- 3:00 p.m. **8. Board Self-Evaluation**
Rick Bennett, Trustee
- 3:30 p.m. **9. Board Minutes – Review of BP 2360 ”Minutes”**
Jeff Marsee, President/Superintendent

OVERVIEW – Government Accounting Standards Board Statement #45

GASB Statement 45, is an [accounting](#) and [financial reporting](#) provision requiring [government](#) employers to measure and report the [liabilities](#) associated with other (than pension) postemployment benefits (or [OPEB](#)). Reported OPEBs may include post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan. Government employers required to comply with GASB 45 include all states, towns, education boards, water districts, mosquito districts, public schools and all other government entities that offer OPEB and report under GASB.

GASB 45 was instigated by the [Governmental Accounting Standards Board](#) (GASB) in July 2004 because of the growing concern over the potential magnitude of government employer obligations for post-employment benefits. GASB 45 will:

1. Recognize the cost of OPEB benefits in the period when services are received.
2. Provide information about the actuarial liabilities for the promised benefits.
3. Provide information useful in assessing potential demands on future [cash flows](#).

GASB 45 applies to the [financial statements](#) issued by government employers that offer OPEB and that are subject to GASB accounting standards. GASB 45 does not apply to private employers or trusts that are established in order to pre-fund OPEB benefits and for trusts that are used as conduits to pay OPEB benefits.

GASB 45 requirements

GASB 45 requires the following disclosures on financial statements:

1. Information about the OPEBs: what are the benefits, who is eligible for the benefits, how many employees and retirees are covered, and so forth.
2. The actuarially determined liability for OPEB benefits and the assets (if any) that are available to offset the liability; also information about the actuarial methods and assumptions that were used to calculate the liability.
3. The portion of the liability that must be reported as an annual accounting expense on the employer's financial statements, and a cumulative accounting of the extent to which the plan sponsor actually makes contributions to offset its annual expense.

Implementation

GASB has implemented the reporting of OPEB in three phases. The phase that applies to a plan sponsor for GASB 43 and GASB 45 implementation is identical to the phase that applied to that plan sponsor for GASB 34 implementation and is based on annual revenue reported in the first fiscal year ending after June 15, 1999. The implementation schedule for GASB 45 is:

1. Phase 1 implementation—for employers with annual revenues greater than \$100 million—is for fiscal years beginning after December 15, 2006.

2. Phase 2 implementation—for employers with annual revenues between \$10 million and \$100 million—is for fiscal years beginning after December 15, 2007.
3. Phase 3 implementation—for employers with annual revenues less than \$10 million—is for fiscal years beginning after December 15, 2008.

OPEB liability calculations

Typically an [actuary](#) (or actuaries) with both [pension](#) and [health experience](#) must perform the calculations following generally accepted actuarial methods. For small plans covering fewer than 100 plan members, the plan sponsor can elect to use the alternative measurement method, a streamlined method to calculate the OPEB liability. This approach is typically less expensive and was developed by the Governmental Accounting Standards Board.

Unfunded liability

There are three basic ways of treating unfunded liabilities:

- establish and fund an irrevocable trust
- pay-as-you-go
- setting aside a dedicated reserve



Summaries / Status

Summary of Statement No. 45 ***Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*** (Issued 6/04)

In addition to pensions, many state and local governmental employers provide *other postemployment benefits* (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes *postemployment healthcare*, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with modifications to reflect differences between pension benefits and OPEB. Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses financial statement and disclosure requirements for reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

How This Statement Improves Financial Reporting

Postemployment benefits (OPEB as well as pensions) are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active-employee healthcare, are taken while the employees are in active service, whereas other benefits, including postemployment healthcare and other OPEB, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services.

From an accrual accounting perspective, the cost of OPEB, like the cost of pension benefits, generally should be associated with the periods in which the exchange occurs, rather than with the periods (often many years later) when benefits are paid or provided. However, in current practice, most OPEB plans are financed on a pay-as-you-go basis, and financial statements generally do not report the financial effects of OPEB until the promised benefits are paid. As a result, current financial reporting generally fails to:

- Recognize the *cost* of benefits in periods when the related services are received by the employer
- Provide information about the *actuarial accrued liabilities* for promised benefits associated with past services and whether and to what extent those benefits have been funded
- Provide information useful in assessing potential demands on the employer's future cash flows.

This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

Summary of Standards

Measurement (the Parameters)

Employers that participate in *single-employer* or *agent multiple-employer defined benefit* OPEB plans (sole and agent employers) are required to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting. Annual OPEB cost is equal to the employer's annual required contribution to the plan (ARC), with certain adjustments if the employer has a net OPEB obligation for past under- or over contributions.

The ARC is defined as the employer's required contributions for the year, calculated in accordance with certain parameters, and includes (a) the normal cost for the year and (b) a component for amortization of the total unfunded actuarial accrued liabilities (or funding excess) of the plan over a period not to exceed thirty years. The parameters include requirements for the frequency and timing of actuarial valuations as well as for the actuarial methods and assumptions that are acceptable for financial reporting. If the methods and assumptions used in determining a plan's funding requirements meet the parameters, the same methods and assumptions are required for financial reporting by both a plan and its participating employer(s). However, if a plan's method of financing does not meet the parameters (for example, the plan is financed on a pay-as-you-go basis), the parameters nevertheless apply for financial reporting purposes.

For financial reporting purposes, an actuarial valuation is required at least biennially for OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) of 200 or more, or at least triennially for plans with a total membership of fewer than 200. The projection of benefits should include all benefits covered by the current *substantive plan* (the plan as understood by the employer and plan members) at the time of each valuation and should take into consideration the pattern of sharing of benefit costs between the employer and plan members to that point, as well as certain legal or contractual caps on benefits to be provided. The parameters require that the selection of actuarial assumptions, including the *healthcare cost trend rate* for postemployment healthcare plans, be guided by applicable actuarial standards.

Alternative Measurement Method

A sole employer in a plan with fewer than one hundred total plan members (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retirees and beneficiaries currently receiving benefits) has the option to apply a simplified *alternative measurement method* instead of obtaining actuarial valuations. The option also is available to an agent employer with fewer than one hundred plan members, in circumstances in which the employer's use of the alternative measurement method would not conflict with a requirement that the *agent multiple-employer plan* obtain an actuarial valuation for plan reporting purposes. Those circumstances are:

- The plan issues a financial report prepared in conformity with the requirements of Statement 43 but is not required to obtain an actuarial valuation because (a) the plan has fewer than one hundred total plan members (all employers) and is eligible to use the alternative measurement method, or (b) the plan is not administered as a qualifying trust, or equivalent arrangement, for which Statement 43 requires the presentation of actuarial information.

- The plan does not issue a financial report prepared in conformity with the requirements of Statement 43.

This alternative method includes the same broad measurement steps as an actuarial valuation (projecting future cash outlays for benefits, discounting projected benefits to present value, and allocating the present value of benefits to periods using an actuarial cost method). However, it permits simplification of certain assumptions to make the method potentially usable by nonspecialists.

Net OPEB Obligation—Measurement

An employer's net OPEB obligation is defined as the cumulative difference between annual OPEB cost and the employer's contributions to a plan, including the OPEB liability or asset at transition, if any. (Because retroactive application of the measurement requirements of this Statement is not required, for most employers the OPEB liability at the beginning of the transition year will be zero.) An employer with a net OPEB obligation is required to measure annual OPEB cost equal to (a) the ARC, (b) one year's interest on the net OPEB obligation, and (c) an adjustment to the ARC to offset the effect of actuarial amortization of past under- or over contributions.

Financial Statement Recognition and Disclosure

Sole and agent employers should recognize OPEB expense in an amount equal to annual OPEB cost in government-wide financial statements and in the financial statements of proprietary funds and fiduciary funds from which OPEB contributions are made. OPEB expenditures should be recognized on a modified accrual basis in governmental fund financial statements. Net OPEB obligations, if any, including amounts associated with under- or over contributions from governmental funds, should be displayed as liabilities (or assets) in government-wide financial statements. Similarly, net OPEB obligations associated with proprietary or fiduciary funds from which contributions are made should be displayed as liabilities (or assets) in the financial statements of those funds.

Employers are required to disclose descriptive information about each defined benefit OPEB plan in which they participate, including the funding policy followed. In addition, sole and agent employers are required to disclose information about contributions made in comparison to annual OPEB cost, changes in the net OPEB obligation, the funded status of each plan as of the most recent actuarial valuation date, and the nature of the actuarial valuation process and significant methods and assumptions used. Sole and agent employers also are required to present as *RSI* a schedule of funding progress for the most recent valuation and the two preceding valuations, accompanied by notes regarding factors that significantly affect the identification of trends in the amounts reported.

Cost-Sharing Employers

Employers participating in *cost-sharing multiple-employer* plans that are administered as trusts, or equivalent arrangements, in which (a) employer contributions to the plan are irrevocable, (b) plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan, and (c) plan assets are legally protected from creditors of the employers or plan administrator, should report as cost-sharing employers. Employers participating in multiple-employer plans that do not meet those criteria instead are required to apply the requirements of this Statement that are applicable to agent employers.

Cost-sharing employers are required to recognize OPEB expense/expenditures for their *contractually required contributions* to the plan on the accrual or modified accrual basis, as applicable. Required disclosures include identification of the way that the contractually required contribution rate is determined (for example, by statute or contract or on an actuarially determined basis). Employers participating in a cost-sharing plan are required to present as *RSI* schedules of funding progress and employer contributions for the plan as a whole if a plan financial report, prepared in accordance with

Statement 43, is not issued and made publicly available and the plan is not included in the financial report of a public employee retirement system or another entity.

Other Guidance

Employers that participate in *defined contribution* OPEB plans are required to recognize OPEB expense/expenditures for their required contributions to the plan and a liability for unpaid required contributions on the accrual or modified accrual basis, as applicable.

This Statement also includes guidance for employers that finance OPEB as insured benefits (as defined by this Statement) and for special funding situations.

Effective Dates and Transition

This Statement generally provides for prospective implementation—that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Implementation is required in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. The definitions and cutoff points for that purpose are the same as those in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This Statement is effective for periods beginning after December 15, 2006, for *phase 1 governments* (those with total annual revenues of \$100 million or more); after December 15, 2007, for *phase 2 governments* (those with total annual revenues of \$10 million or more but less than \$100 million); and after December 15, 2008, for *phase 3 governments* (those with total annual revenues of less than \$10 million). Earlier implementation is encouraged.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraphs 4 and 6 discuss the applicability of this Statement.
