

Resolution No. 17-08

RESOLUTION:

To establish the Retiree Benefit Trust of the City of Rockville; to appoint members of the Retirement Board as Plan Administrators for the Trust and to provide that the Retirement Board may employ an investment manager and investment consultant to the Trust and designate a Trustee or Trustees of the Trust

WHEREAS, the City of Rockville (the "City") provides post-retirement health and welfare benefit coverage for retirees of the City who have satisfied certain age, service and other requirements; and

WHEREAS, the age, service and other requirements for coverage are included with the City's pension plan document; and

WHEREAS, the payment of health and welfare benefit coverage for retirees is currently funded by the City on a "pay-as-you-go" basis; and

WHEREAS, the City desires to arrange for the funding of both the current payment of health benefits for retirees and the future liabilities by "prefunding" the costs; and

WHEREAS, the City is a political subdivision of the State of Maryland whose income is exempt from federal income tax pursuant to Section 115(1) of the Internal Revenue Code of 1986, as amended (the "Code") as long as said income is derived from the exercise of an essential governmental function; and

WHEREAS, pursuant to Article 95, Section 22F of the Annotated Code of Maryland, revenues held as part of an "other post-employment benefits fund" ("OPEB FUND") are not "public funds" subject to the investment restrictions on such funds; and

WHEREAS, pursuant to Article 95, Section 22(b)(2) of the Annotated Code of Maryland, the trustee of an OPEB Fund of any political subdivision may invest, redeem, sell, invest and reinvest monies under their custody or control as provided by the law; and

WHEREAS, pursuant to Article 95, Section 22(b)(2) of the Annotated Code of Maryland, the trustee of an OPEB Fund of any political subdivision shall comply with fiduciary standards that at least meet the standards set forth in Title 21, Subtitle 2 of the State Personnel and Pensions Article of the Annotated Code of Maryland; and

WHEREAS, neither the establishment of this Trust nor the prefunding mechanism to pay retiree health benefits shall be construed as creating or evidencing an obligation on the City's part to maintain or continue its practice of providing post-retirement health and welfare benefits to retirees; rather the City expressly reserves the right to alter, amend,

modify, or terminate its practice of providing health and welfare benefits to retirees and their dependents, as well as the right to require retirees to make greater contributions to the funding of their health and welfare benefits; and

WHEREAS, the City intends that contributions to the trust will qualify as "contributions in relation to the actuarial required contribution" within the meaning of Governmental Accounting Standards Board Statement Number 455 and that this TRUST will qualify as a "trust or equivalent arrangement" within the meaning of Governmental Accounting Standards Board Statement Numbers 43 and 45; and

WHEREAS, the City intends that the income of this Trust shall be excludible from federal income taxation under Section 115(1) of the Code; and

WHEREAS, Section 15-82 of the City Code created a City Retirement Board, and it is the desire of the Mayor and Council that the members of the Retirement Board serve in the capacity as Plan Administrator for the City's Retiree Benefit Trust; and

WHEREAS, Section 15-87 of the City Code provides the Retirement Board with the Powers and Duties to administer the Trust including hiring investment managers and investment consultants and designating Trustees; and

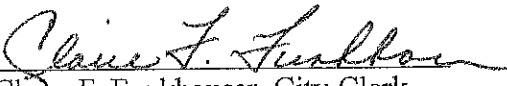
WHEREAS, the Mayor and Council believes it would be in the best interest of the City to allow the Retirement Board to employ an investment manager and investment consultants to the Trust and to designate a Trustee or Trustees of the Trust:

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council of Rockville, that the City will establish a Trust in accordance with Section 115 of the Internal Revenue Code, the final form to be established in a form acceptable to the City Attorney; and it is further,

RESOLVED that the members of the City's Retirement Board shall serve as the Plan Administrator under the Trust; and it is further,

RESOLVED that the City's Retirement Board, as Plan Administrator under the Trust, may employ an investment manager and investment consultant to the Trust and designate a Trustee or Trustees of the Trust.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the Mayor and Council at its meeting of November 24, 2008.


Claire F. Funkhouser, City Clerk