



TOWN OF CHAPEL HILL

Town Hall
405 Martin Luther King Jr.
Boulevard
Chapel Hill, NC 27514

Legislation Details (With Text)

File #: [20-0459] **Version:** 1 **Name:**

Type: Consent **Status:** Passed

File created: 4/24/2020 **In control:** Town Council

On agenda: 6/24/2020 **Final action:** 6/24/2020

Title: Authorize the Town of Chapel Hill to Participate in the North Carolina Ancillary Governmental Participant Investment Program (AGPIP).

Sponsors:

Indexes:

Code sections:

Attachments: 1. Council Questions with Staff Response, 2. A RESOLUTION TO AUTHORIZE THE TOWN OF CHAPEL HILL TO PARTICIPATE IN THE ANCILLARY GOVERNMENTAL PARTICIPANT INVESTMENT PROGRAM ("PROGRAM") (2020-06-24/R-4)

Date	Ver.	Action By	Action	Result
6/24/2020	1	Town Council	adopted	Pass

Authorize the Town of Chapel Hill to Participate in the North Carolina Ancillary Governmental Participant Investment Program (AGPIP).

Staff:

Amy Oland, Director

Department:

Business Management

Overview: In 2016, Council [adopted a resolution <https://chapelhill.granicus.com/MetaViewer.php?view_id=21&clip_id=2805&meta_id=134051>](https://chapelhill.granicus.com/MetaViewer.php?view_id=21&clip_id=2805&meta_id=134051) creating an Other Post-Employment Benefits (OPEB) trust pursuant to North Carolina General Statute 159-31.1. The purpose of the trust is to accumulate assets to help pay future costs for providing medical insurance coverage to retirees. The Town would like to expand the investment options for its Other Post-Employment Benefit Trust to maximize the long-term growth of these funds.



Recommendation(s):

That the Council adopt the attached resolution authorizing the Town of Chapel Hill to participate in the Ancillary Governmental Participant Investment Program for the Town's Other Post Employment Trust (OPEB) benefits.

Additional Background:

In 2016, Council adopted a resolution creating an Other Post-Employment Benefits (OPEB) trust pursuant to North Carolina General Statute 159-31.1. The purpose of the trust is to accumulate assets to help pay future costs for providing medical insurance coverage to retirees. By creating an irrevocable trust, the Town ensured that the accumulated OPEB pre-funding assets can only be used to pay for OPEB benefits and related costs. The creation of the trust also allows these assets to "count" toward the actuarial calculation of the Town's OPEB liability, thereby reducing the amount of the liability.

The Town has been putting aside funds on a regular basis to offset these future costs. Funds in the trust currently exceed \$6 million and they are placed in very conservative, low risk investments allowed under North Carolina General Statute 159-30, Investment of Idle Funds. While these investments are

appropriate for Town operating and capital funds that require a high degree of liquidity and no risk of loss, OPEB pre-funding assets are like pension funds and a long-term investment strategy is more appropriate.

The Trust is a long-term investment to help pay future costs that are expected to grow with the rate of medical inflation. For the trust funds to grow at a rate can keep pace with inflation, the trust needs to invest in assets that provide a higher average rate of return than is possible under G.S. 159-30.

To expand investment authority for the OPEB prefunding assets, the Town requested local legislation through the Town's Legislative Delegation and in February 2019 submitted Senate Bill 49 to receive this expanded authority. Several other North Carolina cities have previously received expanded investment authority for OPEB funds through local legislation, including Charlotte, Raleigh, Greensboro, Fayetteville and Durham. The Town is still waiting for movement on this bill.

The North Carolina Department of State Treasurer maintains an Ancillary Governmental Participant Investment Program (AGPIP) in which the Treasurer is authorized to invest monies for governmental entities that are outside the North Carolina Retirement System. As part of the program, the Treasurer has established several investment pools as authorized by North Carolina law, for investment by participants in the AGPIP to help ensure these investments benefit from low cost professional management. The Town would like to participate in the AGPIP program for the Town's OPEB benefits to help realize a higher yield to help grow these funds. If there is future movement on the local bill the Town could then consider the option to self-manage these funds.



Attachments:

- AGPIP Resolution

A RESOLUTION TO AUTHORIZE THE TOWN OF CHAPEL HILL TO PARTICIPATE IN THE ANCILLARY GOVERNMENTAL PARTICIPANT INVESTMENT PROGRAM ("PROGRAM") (2020-06-24/R-4)

WHEREAS, the Local Government Other Post-Employment Benefits Trust (the OPEB Trust) established pursuant to North Carolina General Statutes (NCGS) Section 147-69.2 consists of contributions made by local governments, public authorities and other entities authorized to make contributions to the Program, which contributions are irrevocable; and

WHEREAS, the assets of the Program are not subject to the claims of creditors of any Participants and may only be withdrawn by a Participant to provide benefits to individuals, who are former employees, or beneficiaries of former employees of the Participant, and who are entitled to benefits payable by the Participant within the meaning of NCGS Section 147.69.2; and

WHEREAS, the Council of the Town of Chapel Hill has determined that it is advisable and in the best interests of the Town of Chapel Hill to make contributions to the Program, as provided in that certain Deposit Agreement between the Town of Chapel Hill and the Treasurer.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council hereby acknowledges and approves an initial contribution of \$6 million to the Program (the "Contribution"), and future annually budgeted contributions, pursuant to the terms and conditions of the Deposit Agreement between the Town of Chapel Hill and the Treasurer in the form presented to the Council.

BE IT FURTHER RESOLVED that the Town Manager and the Finance Officer of the Town of Chapel Hill (the "Authorized Representatives") are hereby authorized and directed to execute and deliver the Deposit Agreement, to take any other actions deemed necessary or appropriate to consummate the transactions provided for therein, and to cause the Contribution to be made.

BE IT FURTHER RESOLVED that all actions heretofore taken the Authorized Representatives of the Town of Chapel Hill acting on behalf of the Town of Chapel Hill in furtherance of the foregoing resolutions are hereby ratified, adopted, approved and confirmed in all respects.

BE IT FURTHER RESOLVED that the Authorized Representatives of the Town of Chapel Hill shall act on behalf of the Town of Chapel Hill and are hereby authorized to take all such other actions as they may deem necessary or appropriate to give effect to the foregoing resolutions.

This the 24th day of June, 2020.

The Agenda will reflect the text below and/or the motion text will be used during the meeting.

By adopting the resolution, the Council authorizes the Town of Chapel Hill to participate in the Ancillary Government Participant Investment Program for the Town's Other Post Employment Benefit program to maximize the long-term growth of these funds.