



**TO:** Chairman and Board Members  
**FROM:** Jeff Tissier, Chief Financial Officer, and Chairman of the TMWA Post-Retirement Medical Trust  
Jessica Atkinson, Human Resources Manager  
**DATE:** July 7, 2014  
**SUBJECT:** Discussion and possible action to establish a new Post-Retirement Medical Trust for transferred Washoe County employees.

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### **Recommendation**

Staff recommends that the TMWA Board direct staff to proceed with establishment of a new Post-Employment Medical Trust (PRMT) for employees transferred from Washoe County as a result of the water utility consolidation.

### **Background**

As a result of the water utility consolidation, twenty-eight Washoe County personnel were provided contingent offers of employment with TMWA with all affected personnel accepting these offers. Labor negotiations with Washoe County set forth the expectation that TMWA would offer at a minimum, same or similar benefits that affected Washoe County employees currently enjoy. One of these benefits is a post-employment medical subsidy to partially offset medical premiums when employees that are subject to transfer retire. The Washoe County Trust provides two tiers of benefits with two transferred personnel having no future benefits. Those personnel will be future beneficiaries of TMWA's Trust as if they were new hires.

After considerable discussions with the Chairmen and legal counsels of each respective trust as well as the management of both employers, the decision to establish a new post-employment trust for transferred employees was felt to be the best alternative for a variety of reasons.

Washoe County's Trust was formed under a different code section (Section 115) of the Internal Revenue Service (IRS) Code than TMWA's (Section 501c-9) which creates certain complications. Future subsidy benefits provided to Washoe County transferred employees are significantly different than subsidy benefits provided by TMWA's Trust to its existing and future beneficiaries. This situation would require significant amendments to TMWA's Trust document triggering IRS review and seeking another determination letter which is a complex, and lengthy undertaking with no guarantee of success. Establishing a new TMWA trust similar to Washoe County's would not have to go through the same process streamlining the administrative burden. Washoe County's trust is approximately 30% funded while TMWA's trust is over 100% funded.

This deferential funding level creates potential fiduciary issues for trustees of each respective employer's trust.

Due to the timeframe to complete the merger, complexities of amending TWMA's existing Trust document, the desire to provide the same benefits that Washoe County transferred employees enjoy, and to avoid potential fiduciary complications all point to the establishment of a new trust for most transferred employees. This trust would be a closed trust to provide subsidy benefits to eligible transferred employees for their lifetime.