

APPROVED MINUTES

REPORT OF THE BOARD OF EDUCATION OF BALTIMORE COUNTY RETREAT

Saturday, January 20, 2007

The Board of Education of Baltimore County, Maryland, met in open session for retreat on Saturday, January 20, 2007, at 9:02 a.m. at Greenwood. President Donald L. Arnold and the following Board members were in attendance: Ms. Frances A. S. Harris, Mr. John A. Hayden, III, Mr. Rodger C. Janssen, Ms. Ramona N. Johnson, Ms. JoAnn C. Murphy, Mr. Joseph J. Pallozzi, Mr. H. Edward Parker, Jr., and Mr. Peter Bacon. In addition, Dr. Joe A. Hairston, Superintendent of Schools; J. Robert Haines, Esq., Deputy Superintendent; Ms. Rita Fromm, Chief of Staff; Ms. Barbara Burnopp, Chief Financial Officer; Ms. Fran Parker; Chief Internal Auditor; Ms. Andrea Barr, Assistant Chief Auditor; Ms. Kara Calder, Chief Communications Officer; Margaret-Ann Howie, Esq., Legal Counsel to the Superintendent; P. Tyson Bennett, Esq., Counsel to the Board of Education; and Ms. Brenda Stiffler, Administrative Assistant to the Board were present.

Mr. Arnold opened the meeting with a welcome and reviewed the agenda.

IMPLEMENTATION OF STANDARD NO. 45

Mr. Arnold introduced the morning's presentation on "**O**ther **P**ost **E**mployment **B**enefits (OPEB) Reporting and Funding" to be led by Mr. Keith Novak, Partner, Clifton-Gunderson, LLP.

Mr. Novak explained OPEB and the inclusions and exclusions of the Plan as well as accounting background information on the Government Accounting Standards Board (GASB) Statements #43 and #45. Statement #43 deals with the Plan's reporting process. Statement #45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, requires employers to report post-employment obligations.

Mr. Novak then reviewed the measurement process. OPEB cost is the amount recognized as expense in accrual-basis financial statements and is measured by:

- The ARC (Annual Requirement Contribution)
- Plus interest on the net OPEB obligation
- Minus any ARC adjustments

Mr. Novak noted that compliance with GASB 45 Statement could affect the county's bond rating.

Mr. Novak reviewed the transition to the statement, disclosure requirements by government employers, defined contribution plans, and the testing/audit approach. Although Statement No. 45 does not require or advise a government to fund or budget for OPEB; however, a large liability may appear on financial statements.

In closing, Mr. Novak provided reasons to consider funding:

- Lower actuarial costs over time due to higher return on assets set aside in a trust compared to return on general operating funds
- Lower accounting liability and annual expense due to a higher discount rate in valuing OPEB liability
- More secure benefits for retirees

Mr. Hayden asked who would manage the funding. Mr. Novak responded the funding goes into investment markets or trust funds that cannot be accessed.

Mr. Arnold asked if Statement 45 specifies what timeframe BCPS could spread the unfunded amount over. Mr. Novak responded Statement 45 has time periods; however, there is some latitude with the timeframe.

Ms. O'Hare asked whether all school systems need to provide equity of benefits. Mr. Novak responded each jurisdiction would be required to record and measure its Plan; however, there is no rule that each jurisdiction has to offer the same benefits. Ms. O'Hare asked about a comparison of benefits by jurisdiction.

Mr. Arnold expressed concern that if monies are put aside now, funding for quality programs for students could be affected. He also expressed concern that Statement 45 may extend the time to have a lower bond rating. Mr. Novak stated that bond agencies and bond rating play a big role in this process.

Ms. O'Hare asked if this would impact employees' years of service and retirement. Mr. Novak responded that the Board would need to discuss this issue. Mr. Arnold stated the school system needs to make sure benefits for employees do not worsen. The Board needs to understand how it affects the entire school system.

Mr. Janssen asked if money could be floated from investments to bonds. Mr. Novak responded that while moving monies from investments to bonds could occur, this movement would not account for health care inflation and potential new employees.

EFFECTIVE BOARDS

Mr. Arnold introduced Ms. Kitty Blumsack, Director of Board Development, Maryland Association of Boards of Education. She discussed the components of an effective Board as well as Board challenges.

Board members worked in groups of three to discuss four scenarios and answer the following questions:

- What are the issues involved in this situation?
- What should the Board or Board member do?
- What strategies would be recommended to help the Board?

Ms. Shillman entered the room at 10:22 a.m.

Board members then reported on their conclusions. Blumsack presented sample Board mission statements. Ms. Blumsack encouraged the Board to consider its goals after its mission statement has been defined. Mr. Arnold asked Board members to email their suggestions for a Board mission statement to Ms. Murphy as soon as possible. A draft mission statement will be provided to the Board President and Vice-President for review and presented to the Board for approval.

Dr. Hairston reviewed the process by which Board member concerns are addressed.

Mr. Arnold thanked Ms. Blumsack for the presentation and then announced a working lunch.

Ms. Harris exited the room at 11:40 a.m.

Mr. Arnold reconvened at 11:55 a.m.

Mr. Arnold presented Board members with a summary of the Board's 2005-2006 self-evaluation and goals. Mr. Arnold, Mr. Janssen, Ms. O'Hare, and Ms. Stiffler will review and condense the focus areas to one or two points.

Board members commented on the length of the presentations to the Board. Dr. Hairston noted that an executive summary format would be presented during the Board meetings.

Mr. Arnold suggested that the Board have another retreat in March to discuss various topics including approval of the Board's mission statement and goals.

Pursuant to the Annotated Code of Maryland, State Government Article, §10-508(a)(7) and upon motion of Mr. Janssen, seconded by Mr. Pallozzi, the Board commenced its closed session at 1:00 p.m.

CLOSED SESSION

The Board of Education of Baltimore County, Maryland, met in closed session at 1:00 p.m. at Greenwood. President Donald L. Arnold and the following Board members were present: Mr. John A. Hayden, III, Mr. Rodger C. Janssen, Ms. JoAnn C. Murphy, Ms. Mary-Margaret O'Hare, Mr. Joseph J. Pallozzi, Mr. H. Edward Parker, Jr., Ms. Joy Shillman, and Mr. Peter Bacon. In addition, Dr. Joe A. Hairston, Superintendent of Schools, and the following staff members were present: J. Robert Haines, Esq., Deputy Superintendent; Ms. Rita Fromm, Chief of Staff; Margaret-Ann Howie, Esq., Legal Counsel to the Superintendent; P. Tyson Bennett, Esq., Counsel to the Board of Education; Rochelle S. Eisenberg, Esq., Hodes, Ulman, Pessin & Katz, P.A.; and Ms. Brenda Stiffler, Administrative Assistant to the Board.

Ms. Eisenberg provided legal advice to the Board concerning religious accommodations in schools.

Ms. Howie provided legal advice to the Board regarding Title I accountability measures.

At 2:37 p.m., Mr. Janssen moved to adjourn the closed session. The motion was seconded by Ms. Murphy and approved by the Board.

Respectfully submitted,

Joe A. Hairston
Secretary-Treasurer

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