



Other Postemployment Benefits

Mission

To accumulate sufficient financial resources that will be able to provide Other Postemployment Benefits (OPEB), that is, benefits other than pension, to eligible City retirees and eligible dependents.

Goals

To accurately account for all the financial resources of the Retiree Health/Life Insurance Plan (hereinafter referred to as the Plan), whether earned through investments or contributed by the City and its retirees, so as to ensure that funds will be available for the payment of benefits as they become due and to maintain the actuarial soundness of the Plan.

Objectives

To provide accurate, timely, and efficient accounting of the activities related to the Plan.

To invest the assets of the Plan in accordance with the Investment Policy as adopted by the Board of Trustees.

To correctly pay benefits other than pension benefits in accordance with stated policy.

Major Functions and Activities

The Other Postemployment Benefits Fund was established as a result of the Governmental Accounting Standards Board (GASB) Statements number 43 and 45, issued in 2004. These standards call for governments to account for other postemployment benefits, those other than pensions, in a similar manner as pension plans. Governmental entities, including the City, previously accounted for these benefits on a pay-as-you-go basis.

The City created a retiree health and life insurance program as adopted by Ordinance. Coverage of health and life insurance is provided to all regular, full-time, permanent general, charter school, Early Development Center and utility employees of the City and to its certified firefighters and police officer employees, including dependents, for those hired before October 1, 1991. For those employees hired on or after October 1, 1991, the City provides for the employees (retirees) only.

The retiree life insurance benefit is equal to 100% of the employee's final salary at retirement up to a maximum of \$100,000. This benefit amount is reduced by 50% at age 65.

City employees are eligible to participate upon normal retirement in the City's pension plan of which the employee is a member. If the employee does not participate in a City pension plan, that employee upon termination must have completed 10 years of continuous service and upon attaining age 55 would be eligible for coverage.

For employees hired after March 2005, health insurance for retirees is no longer being provided at the City's expense. A retiree may elect to continue health insurance in the City Plan if they pay the blended rate for employees and retirees as provided by state law.

Effective July 1, 2010, all general employees who are bargaining unit eligible will pay the full blended insured equivalent rate if they choose to continue the City's insurance at retirement.

Budget Highlights

The City will contribute \$9.4 million to the OPEB Trust Fund, the same amount as for fiscal year 2012-13.

The fiscal year 2013-14 OPEB expenditure budget increased by \$0.8 million as a result of an anticipated increase in retirees' health claims.

Accomplishments

On March 31, 2013, the OPEB Trust Fund was valued at \$40.4 million.

The ROR for the twelve months ended March 31, 2013, was 8.6%.

Effective January 1, 2013, the OPEB Trust retained the services of DAHAB Associates Inc. as the Investment Consultant to oversee the investment portfolio of the Trust, and to make recommended changes to the investment managers and the Investment Policy.

As recommended by DAHAB, the OPEB Trust will enter into contracts with seven individual investment managers in an effort to increase the investment performance of the fund. Additionally, to facilitate this process, Fiduciary Trust International of the South will be used as the third-party custodian.

The Trust will also revise its Investment Policy to include specific target allocations to these investment managers, as well as individual Investment Guidelines tailored to those managers.

Other Postemployment Benefits Performance Measures

Indicator	2010-11		2011-12		2012-13	2013-14
	Actual	Goal	Actual	Goal	Goal	Goal
Outputs						
Retired participants receiving benefits	393	376	449	393	423	450
Retiree health claim benefits paid	\$4.8M	\$6.1M	\$5.4M	\$7.0M	\$7.7M	\$8.0M
Effectiveness						
Return on investments**	-2.7%	8.0%	15.4%	8.0%	8.0%	8.0%
City's ARC as a % of City payroll	9.1%	9.3%	9.8%	9.6%	9.5%	9.5%
Efficiency						
City's actual contribution as a % of the ARC	100.7%	100.0%	98.0%	100.5%	100.0%	100.0%
Administrative costs as a % of total fund assets	1.5%	4.0%	1.01%	3.0%	1.0%	1.25%

** The goal for Return on Investments is based on the actuarial assumption of 8%, which represents the average long-term expected rate of return.

Other Postemployment Benefits - Budget Summary

Revenue Category	2010-11 Actual	2011-12 Actual	2012-13 Budget	2013-14 Budget
Investment Income	-637,227	4,431,389	3,712,065	3,710,000
Other Miscellaneous Revenues	1,211,275	1,206,492	768,523	240,000
Pension Fund Contributions	11,003,647	9,168,787	9,356,207	9,352,000
Beginning Surplus	-	-	-5,766,825	-4,403,533
Total	11,577,695	14,806,668	8,069,970	8,898,467

Expenditure Category	2010-11 Actual	2011-12 Actual	2012-13 Budget	2013-14 Budget
Personnel				
Benefits	1,813	2,150	2,000	2,200
Personnel Subtotal	1,813	2,150	2,000	2,200
Operating				
Other Contractual Services	18,500	13,000	15,000	15,000
Insurance	5,205,022	6,238,594	8,052,970	8,881,267
Operating Subtotal	5,223,522	6,251,594	8,067,970	8,896,267
Total	5,225,335	6,253,745	8,069,970	8,898,467