



Other Postemployment Benefits

Mission

To accumulate sufficient financial resources that will be able to provide Other Postemployment Benefits (OPEB), benefits other than pension.

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 City's Retiree Health/Life Insurance Plan.

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

To correctly pay pension benefits in accordance with stated policy.

Major Functions and Activities

The Other Postemployment Benefits Fund was established as a result of the new Governmental Accounting Standards Board (GASB) Statements number 43 and 45. These new standards call for governments to account for other postemployment benefits, 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, 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 single coverage only.

A life insurance benefit is also available to retirees. The amount of the benefit is equal to 100% of final salary at retirement up to a maximum of \$100,000. The 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 belong to a City's pension plan, that employee upon termination must have completed 10 years of continuous service and upon attaining age 55 would be eligible.

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 (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 \$9.2 million to the OPEB Trust Fund, the actuarially determined annual OPEB cost for fiscal year 2011-12. This is little changed from the \$9.1 million contributed last year.

2010-11 Accomplishments

In December 2010, the City contributed an additional \$5.0 million over and above the Annual OPEB Cost of \$8.8 million. This additional \$5.0 million decreased the Net OPEB Obligation from \$7.3 million to \$2.3 million. The \$7.3 million was a result of the City not funding 100% of the ARC in prior years (\$4.7 million in FY2007-08 and \$2.6 million to FY 2008-09).

The weighted average rate of return of the OPEB Trust Fund was approximately 7.50% for the fiscal year ended September 30, 2010. The City maintains an allocation of 60% equities and 40% fixed income.

Other Postemployment Benefits Performance Measures

Indicator	2008-09		2009-10		2010-11	2011-12
	Actual	Goal	Actual	Goal	Goal	Goal
Outputs						
Retired participants, receiving benefits	246	266	376	337	376	393
Retiree health claim benefits paid	\$4.7M	\$4.1M	\$3.7M	\$4.8M	\$6.1M	\$7.0M
Effectiveness						
Return on investments	0.9%	8.0% **	7.5%	8.0% **	8.0%	8.0%
City's ARC as a % of payroll	13.6%	13.7%	9.4%	14.0%	9.3%	9.6%
Efficiency						
City's actual contribution as a % of the ARC	79.7%	80.0%	160.0%	80.0%	100.0%	100.5%
Administrative costs as a % of total assets	2.5%	5.0%	1.5%	4.0%	4.0%	3.0%

** The actuarial assumption of 8% represents the average long term expected rate of return.

Other Postemployment Benefits - Budget Summary

Revenue Category	2008-09 Actual	2009-10 Actual	2010-11 Budget	2011-12 Budget
Investment Income	332,346	923,921	1,034,000	1,007,300
Other Miscellaneous Revenues	814,391	608,588	411,580	466,580
Pension Fund Contributions	9,636,677	13,834,000	9,138,000	9,168,787
Beginning Surplus	-	-	-4,212,693	-3,266,240
Total	10,783,413	15,366,510	6,370,887	7,376,427

Expenditure Category	2008-09 Actual	2009-10 Actual	2010-11 Budget	2011-12 Budget
Personnel Services				
Benefits	890	1,483	1,690	-
Personnel Services Subtotal	890	1,483	1,690	-
Operating Expenses				
Other Contractual Services	15,300	26,690	15,000	15,000
Insurance	4,909,508	3,942,417	6,354,197	7,361,427
Operating Expenses Subtotal	4,924,808	3,969,107	6,369,197	7,376,427
Total	4,925,698	3,970,589	6,370,887	7,376,427