



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.

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, 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 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 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 \$9.3 million to the OPEB Trust Fund, the actuarially determined annual OPEB cost for fiscal year 2012-13. This represents a \$0.2 million increase over the \$9.1 million that will be contributed in fiscal year 2011-12.

The FY2012-13 OPEB expenditure budget increased by \$0.7 million as a result of an anticipated increase in health claims for retirees.

Accomplishments

In November 2011, the City contributed an additional \$2.3 million over and above the Annual OPEB Cost of \$8.7 million. This additional contribution eliminated the Net OPEB Obligation of \$2.3 million. This amount was accrued as a receivable in fiscal year 2010-11.

The OPEB Trust hired an investment consultant, Dahab Associates Inc. to review the overall investment strategy of the OPEB Trust Fund and to make recommendations to improve the investment performance. The Trust currently maintains an allocation of 60% equities and 40% fixed income, which is in keeping with the City's pension funds that have a similar time horizon.

The OPEB Board of Trustees was able to secure and purchase fiduciary liability insurance with coverage of \$1.0 million.

Other Postemployment Benefits Performance Measures

Indicator	2009-10		2010-11		2011-12	2012-13
	Actual	Goal	Actual	Goal	Goal	Goal
Outputs						
Retired participants receiving benefits	376	337	393	376	393	423
Retiree health claim benefits paid	\$3.7M	\$4.8M	\$4.8M	\$6.1M	\$7.0M	\$7.7M
Effectiveness						
Return on investments	7.5%	8.0% **	-2.7%	8.0%	8.0%	8.0%
City's ARC as a % of City payroll	9.4%	14.0%	9.1%	9.3%	9.6%	9.5%
Efficiency						
City's actual contribution as a % of the ARC	160.0%	80.0%	100.7%	100.0%	100.5%	100.0%
Administrative costs as a % of total fund assets	1.5%	4.0%	1.5%	4.0%	3.0%	1.0%

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

Other Postemployment Benefits - Budget Summary

Revenue Category	2009-10 Actual	2010-11 Actual	2011-12 Budget	2012-13 Budget
Investment Income	923,921	-637,227	1,007,300	3,712,000
Other Miscellaneous Revenues	608,588	1,211,275	466,580	768,523
Pension Fund Contributions	13,834,000	11,003,647	9,168,787	9,356,272
Beginning Surplus	-	-	-3,266,240	-5,766,825
Total	15,366,510	11,577,695	7,376,427	8,069,970

Expenditure Category	2009-10 Actual	2010-11 Actual	2011-12 Budget	2012-13 Budget
Personnel				
Benefits	1,483	1,813	2,500	2,000
Personnel Subtotal	1,483	1,813	2,500	2,000
Operating				
Other Contractual Services	26,690	18,500	15,000	15,000
Insurance	3,942,417	5,205,022	7,358,927	8,052,970
Operating Subtotal	3,969,107	5,223,522	7,373,927	8,067,970
Total	3,970,589	5,225,335	7,376,427	8,069,970