



LODI CITY COUNCIL

Carnegie Forum
305 West Pine Street, Lodi

"SHIRTSLEEVE" SESSION

Date: April 9, 2013

Time: 7:00 a.m.

For information regarding this Agenda please contact:

Randi Johl

City Clerk

Telephone: (209) 333-6702

NOTE: All staff reports or other written documentation relating to each item of business referred to on the agenda are on file in the Office of the City Clerk, located at 221 W. Pine Street, Lodi, and are available for public inspection. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. To make a request for disability-related modification or accommodation contact the City Clerk's Office as soon as possible and at least 24 hours prior to the meeting date.

Informal Informational Meeting

- A. Roll Call by City Clerk
- B. Topic(s)
 - B-1 Discuss Other Post Employment Benefits (CM)
- C. Comments by Public on Non-Agenda Items
- D. Adjournment

Pursuant to Section 54954.2(a) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day.

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Discuss Other Post Employment Benefits
MEETING DATE: April 9, 2013
PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Discuss Other Post Employment Benefits.

BACKGROUND INFORMATION: During the presentation of the Comprehensive Annual Financial Report (CAFR) for FY 2011/12, it was noted that our auditors made a recommendation that the City develop a plan to charge departments for Other Post Employment Benefits (OPEB) so as to reduce, and eventually eliminate, the deficit net assets position in the Benefits Fund. Staff indicated that the issue would be brought forward each budget cycle for Council consideration.

OPEB costs represent post-employment benefits payable to retirees and their beneficiaries. Costs generally fall into two categories: payment of health care premiums and statutory minimum required payment for all retirees/beneficiaries choosing health care through CalPERS. An actual valuation of the potential liability is performed every two years. This actuarial valuation determines the liability that the City must record and the annual OPEB cost. Historically, the City has recorded the actuarially-calculated liability and charged the departments for the actual cost paid during the year, which is an amount lower than the actuarially-calculated annual OPEB cost. As a result, the fund shows a growing deficit because the charges out to departments are less than the actuarially-calculated annual cost.

At June 30, 2012, the Benefits Fund reported a deficit net assets position of \$3.6 million, all due to OPEB. Staff will provide options for Council consideration to begin reducing this deficit.

FISCAL IMPACT: Dependant upon Council direction.

FUNDING AVAILABLE: Dependant upon Council direction.

Jordan Ayers
Deputy City Manager

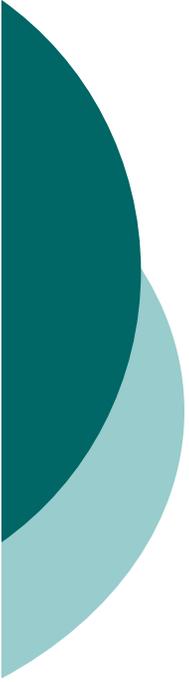
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APPROVED: _____
Konradt Bartlam, City Manager



Other Post Employment Benefits (OPEB)

City Council Shirtsleeve
April 9, 2013



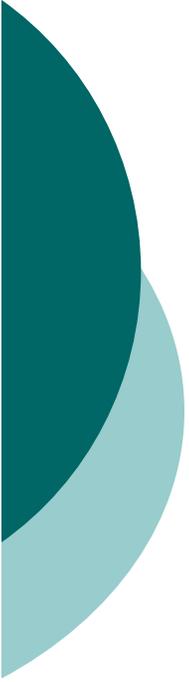
What is OPEB?

- Liability to the City for post-employment benefits payable to retirees and beneficiaries
 - Sick Leave Conversion
 - Limited to employees hired before July 1, 1994 or 1995, depending upon bargaining unit
 - Finite group getting smaller each year
 - City minimum required payment to PERS for each retiree/surviving spouse for medical premiums



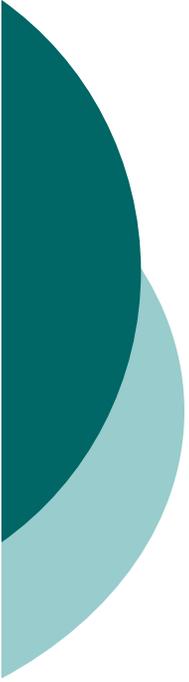
Auditor's Finding & Recommendation

- Finding: City isn't recovering expenses of its Benefits Fund
- Recommendation: City should develop a plan to begin charging departments their share of Benefit Fund expenses



Actuarial Valuation

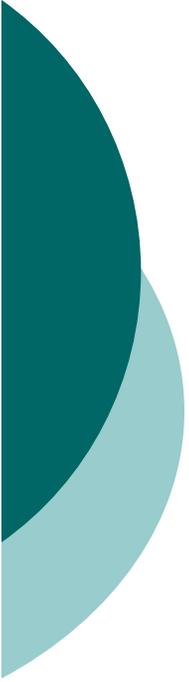
- Every other year
 - Last done as of January 2012
- Multiple Assumptions
 - Discount Rate
 - Payroll Growth
 - Health Care Costs
 - Duration
 - 30-year amortization-closed period



Accounting Requirements

- Book net OPEB liability on face of statements
 - City uses Benefits Fund
- Footnote disclosure
- Required Supplemental Information

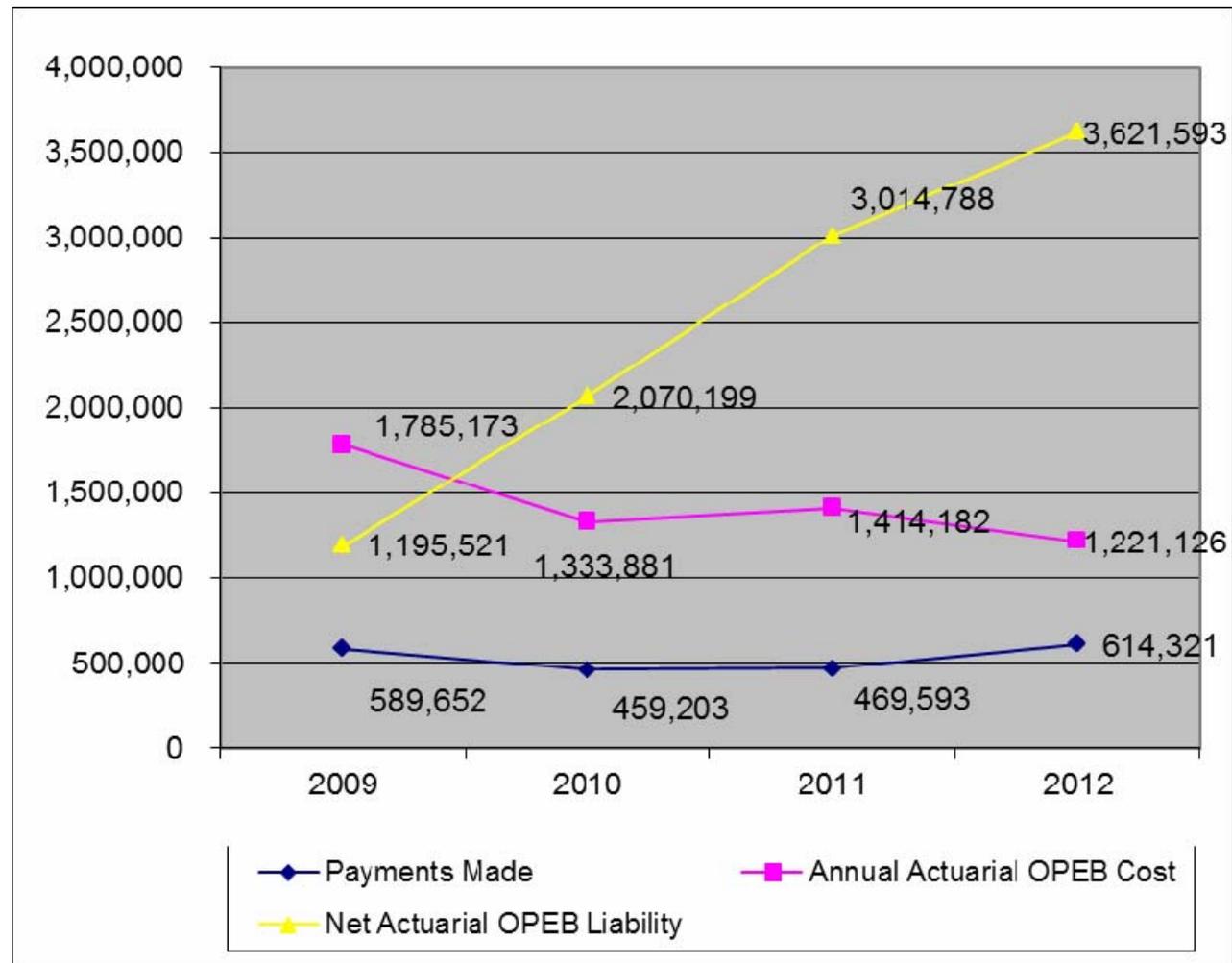
- Note: GASB requires calculation and recording of the liability
 - GASB does not require funding of the liability

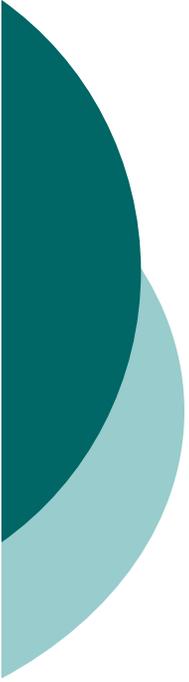


June 30, 2012 Disclosures

- Annual actuarial OPEB cost
 - \$1,221,126
- Payment made
 - \$614,321
 - SLC \$452,611
 - PERS Medical \$161,710
- Net actuarial OPEB Liability
 - \$3,621,593
- Unfunded actuarial accrued liability
 - \$17,011,467
 - SLC \$8,068,819
 - PERS Medical \$8,942,648

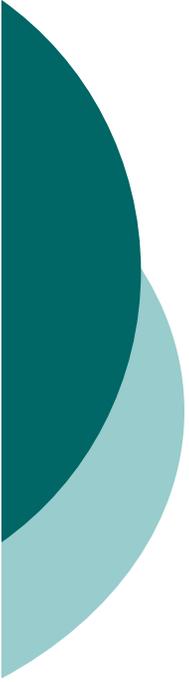
OPEB History





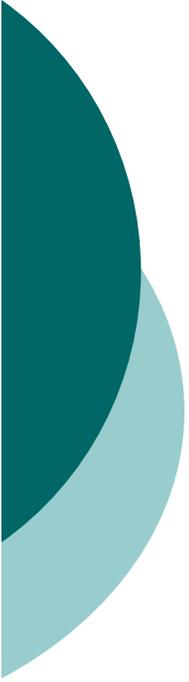
Current Process

- City charges departments for current year cost
 - \$614,321 for FY 2011/12
- Referred to as “Pay-as-you-go”
- Results in an increasing unfunded liability
 - Actual annual cost is covered
 - Liability is highly variable due to underlying actuarial assumptions



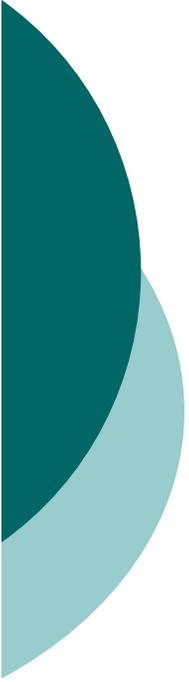
Options

- Continue pay-as-you-go processes
 - Advantages
 - Simplicity
 - Covers current year costs
 - Disadvantages
 - Actuarial liability likely to increase



Options

- Increase charges to departments to set aside funds to cover actuarial liability
 - Advantages
 - Reduces actuarial liability
 - Disadvantages
 - Budgetary stresses



Options

- Establish a trust with a third party and fund the actuarial liability
 - Advantages
 - Reduces unfunded actuarial liability
 - Professionally managed funds
 - Disadvantages
 - Budget stresses



Questions?
