

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MARCH 13, 2012**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 13, 2012, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Katzakian, Mayor Pro Tempore Nakanishi, and Mayor Mounce

Absent: Council Member Johnson

Also Present: City Manager Bartlam, Deputy City Attorney Magdich, and City Clerk Johl

B. Topic(s)

B-1 Discuss Other Post Employment Benefits (CM)

City Manager Bartlam introduced the subject matter of other post employment benefits (OPEB).

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding OPEB. Specific topics of discussion included what is OPEB, auditor's findings and recommendation, actuarial valuation, accounting requirements, disclosures, OPEB history, current process, other community comparisons, and options for consideration.

In response to Mayor Mounce and Mayor Pro Tempore Nakanishi, Mr. Ayers stated that, while the City does not pay for health care for employees after retirement, there is a Cobra-like option for certain employees depending upon their hire date whereby if selected the City will pay the CalPERS 112, which equates to approximately \$1,000 annually.

In response to Council Member Hansen, Mr. Bartlam stated the auditors have made the recommendation to collect OPEB funding from departments although staff has a different recommendation consistent with the pay-as-you-go option. Further, Mr. Ayers stated every two years a request for proposals is put out for an actuarial study to be performed by a licensed actuary independent of the auditors.

In response to Mayor Mounce, Mr. Ayers stated staff will provide City Council with copies of the 2012 actuarial study when it is received.

In response to Mayor Pro Tempore Nakanishi, Mr. Ayers stated the discount rate is anticipated earnings based on the City's assumptions for its actuarial.

In response to Mayor Mounce, Mr. Ayers stated the sick leave conversion benefit is transferable to a surviving spouse.

In response to Council Member Hansen, Mr. Ayers stated life expectancy rates are considered in the actuarial process through the use of mortality tables.

In response to Mayor Mounce, Mr. Ayers stated the fund balance after the June 30 close is approximately \$3 million.

In response to Council Member Hansen, Mr. Ayers stated the sick leave participation rates are calculated based upon an assumption of how many of the current 117 employees eligible for

the program will take the conversion option versus other options such as service credit or cash.

In response to Mayor Mounce, Mr. Bartlam stated the \$17 million number for Lodi is very different from the number in Stockton because it is considerably smaller, the program participant number is smaller, the program itself was capped in 1994/95, and there has been no program expansion.

In response to Council Member Hansen, Mr. Ayers stated with pension obligation bonds it is assumed that the annual debt service would be lower than what the ongoing pension payment is and the interest earnings would help offset the liability, although that is not what happened in Stockton with market conditions. Further, Mr. Ayers and Mr. Bartlam stated while the \$900,000 number will continue to grow for a period at some point that number will start to shrink because there will be less employees in the system and even fewer in this particular program.

In response to Council Member Hansen, Mr. Ayers stated the actual costs with the pay-as-you-go option are budgeted annually while the fluctuating liability number is not.

In response to Mayor Mounce, Mr. Ayers stated Elk Grove is a fairly new City and has a combination of a defined contribution plan, a trust, and a defined benefit program with a total unfunded liability of approximately \$1.5 million. In addition, Mr. Ayers and Mr. Bartlam stated the time frame of when the liability amount will start to decrease is unknown because the number of employees who are going to retire from the City are unknown and what option they will select at that time is unknown.

In response to Council Member Hansen, Mr. Ayers stated there is no stand-alone fund for employee retirements as it is all a part of the pay-as-you-go option with an unfunded liability amount. Mr. Bartlam stated staff is recommending that the City continue with the pay-as-you-go option as it is doing currently.

In response to Council Member Katzakian, Mr. Ayers stated the CalPers payment is set by statute and does have a Consumer Price Index type of increase and the 112 liability exists with all agencies that participate in CalPers. Mr. Ayers stated the worst case scenario deals with the number of people retiring at a given time and the option they select for sick leave conversion.

In response to Council Member Hansen, Mr. Bartlam stated staff will return to Council with details regarding the budget stresses that would result by funding the \$3 million and \$17 million figures of currently unfunded liability.

In response to Myrna Wetzel, Mr. Bartlam stated contracting with a third-party administrator would include hiring an investment firm to professionally manage the funds.

Mayor Mounce requested a list of exempt employees in the City who receive administrative pay.

C. Comments by Public on Non-Agenda Items - None

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:00 a.m.

ATTEST:

Randi Johl
City Clerk