

CITY OF VACAVILLE
OTHER POST-EMPLOYMENT BENEFITS (OPEB) FUNDING
POLICY



CITY OF VACAVILLE
HUMAN RESOURCES DEPARTMENT
650 MERCHANT STREET
VACAVILLE, CA 95688

Adopted: November 10, 2015
Amendment: November 12, 2019

Other Post Retirement Benefits (OPEB) Funding Policy

Adopted:

November 10, 2015 Resolution No. 2015-106; Resolution Adopting a City Council Policy for Funding Other Post-Employment Benefits (OPEB) Related to Retiree Healthcare

Amendments:

November 12, 2019 Resolution No. 2019-124; Resolution to Change the Policy Title from “Other Post Retirement Benefits Funding Policy” to “Other Post-Employment Benefits Funding Policy” and to Incorporate Other Grand Jury Recommendations

RESOLUTION NO. 2019-124

RESOLUTION TO CHANGE THE POLICY TITLE FROM "OTHER POST RETIREMENT BENEFITS FUNDING POLICY" TO "OTHER POST-EMPLOYMENT BENEFITS FUNDING POLICY" AND TO INCORPORATE OTHER GRAND JURY RECOMMENDATIONS

WHEREAS, the Other Post Retirement Benefits Funding Policy was adopted by Council on November 10, 2015; and

WHEREAS, a Grand Jury report was issued on OPEB on June 25, 2019, recommending corrections be made to the policy; and

WHEREAS, staff agrees with the implementation of these specific recommendations and updating the policy.

NOW, THEREFORE, BE IT RESOLVED that the City Council approves the Amendment of the Other Post Retirement Benefits Funding Policy as outlined in Attachment B.


I HEREBY CERTIFY that the foregoing resolution was introduced and passed at a regular meeting of the City Council of the City of Vacaville held on the 12th day of November 2019, by the following vote:

AYES: Council members Beaty, Mashburn, Sullivan, and Mayor Rowlett

NOES: None

ABSENT: Vice Mayor Harris

ATTEST:


Michelle A. Thornbrugh, City Clerk

ATTACHMENT B

Other Post-Employment Benefits Funding Policy

PURPOSE The City offers Other Post-Employment Benefits (OPEB) to its employees in the form of retiree health care. In the past, the City has chosen to pay the cost of the benefit each year as the premiums were due. In 2009, the City created a CalPERS Employee Retiree Benefit Trust (CERBT) to begin setting funds aside to fund future retiree health care costs. In order to ensure financial stability and recognize the benefit cost when it is earned by the employee, the City is changing its funding policy to reflect a goal of funding actuarially determined contributions (ADC) to begin moving the CERBT towards being more fully funded.

FUNDING GOALS

Beginning with the 2015-16 fiscal year, the City will establish a goal of funding a percentage of the ADC in each successive year until full ADC funding is reached. The funding goals will be as follows:

FISCAL YEAR	PERCENTAGE
2015-16	60%
2016-17	70%
2017-18	80%
2018-19	90%
2019-20	100%

HARDSHIP EXEMPTION

If at any time the General Fund Reserve is projected to reach a level below 10%, the ADC funding goal will be suspended and an appropriate contribution amount will be reviewed and recommended by the City Council to the City Manager. Once General Fund Reserve levels meet or exceed the Council's Fund Reserve Policy, the funding percentage will begin again towards reaching the 100% goal.

ONE TIME CERBT CONTRIBUTIONS

Recognizing a goal to get the funded status of the CERBT trust to a level in excess of 70% (as of 6/30/17 it was 21.9%), when a fiscal year is closed out and budgeted revenues have exceeded budget expenditures, the City Council will direct 25% of that excess towards a one-time payment to the CERBT. Such one-time payments will cease at any time the funding level exceeds 70%.

RESOLUTION NO. 2015-106

RESOLUTION ADOPTING A CITY COUNCIL POLICY FOR FUNDING OTHER POST RETIREMENT BENEFITS (OPEB) RELATED TO RETIREE HEALTHCARE

WHEREAS, the City offers OPEB benefits in the form of retiree healthcare; and

WHEREAS, the City Council desires to develop a policy for making its OPEB obligations fiscally sustainable; and

WHEREAS, the City has established a CalPERS Employee Retiree Benefit Trust to reserve funds to finance future retiree healthcare obligations; and

WHEREAS, the City has contracted for and received an actuarial valuation to determine an annual required contribution to move the City towards funding its retiree healthcare obligations; and

WHEREAS, the City Council wishes to adopt a formal policy to achieve funding of the annual required contribution in each fiscal year.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Vacaville does hereby adopt the Other Post Retirement Benefits Funding Policy as outlined in Exhibit A attached hereto.

I HEREBY CERTIFY that the foregoing resolution was introduced and passed at a regular meeting of the City Council of the City of Vacaville, held on the 10th day of November, 2015, by the following vote:

AYES: Councilmembers Harris, Mashburn, Rowlett, Vice Mayor Hunt, Mayor Augustine

NOES: None

ABSENT: None

ATTEST:

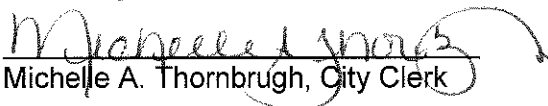

Michelle A. Thornbrugh, City Clerk

EXHIBIT A

Other Post Retirement Benefits Funding Policy

PURPOSE The City offers Other Post Retirement Benefits (OPEB) to its employees in the form of retiree health care. In the past, the City has chosen to pay the cost of the benefit each year as the premiums were due. In 2009, the City created a CalPERS Employee Retiree Benefit Trust (CERBT) to begin setting funds aside to fund future retiree health care costs. In order to ensure financial stability and recognize the benefit cost when it is earned by the employee, the City is changing its funding policy to reflect a goal of funding actuarially determined annual required contributions (ARC) to begin moving the CERBT towards being more fully funded.

FUNDING GOALS

Beginning with the 2015-16 fiscal year, the City will establish a goal of funding a percentage of the ARC in each successive year until full ARC funding is reached. The funding goals will be as follows:

FISCAL YEAR	PERCENTAGE
2015-16	60%
2016-17	70%
2017-18	80%
2018-19	90%
2019-20	100%

HARDSHIP EXEMPTION

If at any time the General Fund Reserve is projected to reach a level below 10%, the ARC funding goal will be suspended and an appropriate contribution amount will be reviewed and recommended by the City Council. Once General Fund Reserve levels meet or exceed the Council's Fund Reserve Policy, the funding percentage will begin again towards reaching the 100% goal.

ONE TIME CERBT CONTRIBUTIONS

Recognizing a goal to get the funded status of the CERBT trust to a level in excess of 70% (as of 7/1/14 it was 11.2%), when a fiscal year is closed out and budgeted revenues have exceeded budget expenditures, the City Council will direct 25% of that excess towards a one-time payment to the CERBT. Such one-time payments will cease at any time the funding level exceeds 70%.