

OTHER POST-EMPLOYMENT BENEFITS REPORT
Finance and Engineering Workshop
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Introduction

In 2009, the Board passed a resolution authorizing participation in the California Employers' Retiree Benefit Trust (CERBT) to prefund Other Post-Employment Benefit (OPEB) costs. In the past decade, contributions and investment returns have grown the fund to slightly over \$1 million, putting the Agency in the position to be able to request reimbursement from the Trust for OPEB costs.

Definition

Other post-employment benefits (OPEB) are the benefits, other than pension distributions, that employees may begin to receive from their employer once they retire. Other post-employment benefits can include life insurance, health insurance, and deferred compensation. These benefits are also referred to as "other post-retirement benefits."

Most public Agencies and many private entities offer some form of OPEB.

Purpose

For the employee, this provides benefits beyond just the retirement pay they receive. For the Agency, this provides another important tool for recruitment and retention of employees.

The Agency

The Agency provides health care coverage for the retiree and spouse for their life upon retirement from the Agency. One additional employee also receives dental coverage for himself and his spouse.

An employee must work for the Agency in a full-time capacity for 5 years and retire from the Agency in order to be eligible for post-retirement health care coverage. This provision is part of the health care contract with CalPERS.

CERBT

The Agency has chosen to participate in the California Employers' Retiree Benefit Trust, which is managed by CalPERS. The Board authorized Agency participation in the CERBT in June, 2009. Since then, contributions and investment earnings have increased the value of the Agency's participation in the CERBT to over \$1 million. The report issued by the CERBT dated September 30, 2021 lists the funded status of the Agency at 98%.

Cost to the Agency

The goal of participation in CERBT is to prefund OPEB costs. The value of the trust is such that the Agency could request reimbursement from CERBT, thereby reducing or eliminating the current fiscal year's cost of OPEB to the Agency. In making the decision to request reimbursement, Staff takes into consideration a number of factors.

For FY 2021-22, the approved Budget plans for a reimbursement request from CERBT, which would eliminate the cost of OPEB to the Agency.

Future Considerations

The future cost of OPEB obligations will vary, depending on how many retirees are covered. As more employees retire, the cost will increase. As retirees age, and pass on, the cost will be reduced.

If it was decided not to ask for reimbursement from CERBT in the current fiscal year, the cost to the Agency would be about \$40,000, which would be divided between the General Fund and the Debt Service Fund. This represents about 1/10th of a percent of the overall budget of the Agency.

The future value of CERBT is expected to increase. While year-over-year investment earnings vary, the long-term rate that CalPERS uses in its calculations is 6.75%. Of course, past performance is not a reliable indication of future performance, but long-term, CalPERS does well at meeting performance goals. The goal of the Board is to use the CERBT to pay for future OPEB costs, and the Agency is very close to realizing this goal.

Conclusion

The Board decided in 2009 to enact a plan to prefund OPEB, and followed through on that plan. Considering the current value of the CERBT, the Agency is well positioned to minimize the impact of OPEB, not only to its budget, but to its financial statements as well. Whether the decision is to fully reimburse itself for OPEB costs, or just reimburse part of the costs, the future financial impact to the Agency will be minimal.