



AGENDA REPORT

TO: FRED BLACKWELL
CITY ADMINISTRATOR

FROM: Katano Kasaine
Osborn K. Solitei

SUBJECT: California Employer's Retiree
Benefit Trust (CERBT)

DATE: May 5, 2014

City Administrator

Date

Approval

5/12/14

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council adopt a resolution authorizing the City Administrator or his designee to allocate payments to the City received pursuant to the recognized obligation payment schedule ("ROPS") and the \$534,500 set-aside fund as follows:

- 1) To allocate all ROPS payments received by the City to address pension obligations to California Public Employees Retirement System (CalPERS) to CalPERS; and
- 2) To allocate all ROPS payments received by the City to address other post employment benefits (OPEB) unfunded obligations to the City's CalPERS California Employers' Retiree Benefit Trust (CERBT) Fund, and authorizing the City Administrator or his designee to execute the required delegation of authority to request disbursement form; and
- 3) To allocate Council approved \$534,500 set aside funds for payment of long-term unfunded liabilities to City's CERBT Fund.

EXECUTIVE SUMMARY

Pursuant to Assembly Bill x1 26 ("ABx1 26"), the state legislation dissolving redevelopment agencies, the City as successor agency to the Redevelopment Agency prepares a Recognized Obligation Payment Schedule ("ROPS") of all enforceable obligations of the former Redevelopment Agency for approval by the California Department of Finance ("DOF") for payment. The City secured approximately \$41.7 million in connection with agency employees OPEB unfunded obligations and CalPERS pension obligations to be paid through the ROPS; \$27.7 million to pay its pension liabilities and approximately \$14.0 million to pay unfunded Other Post-Employment Benefits (OPEB) liabilities through 2022.

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To date, the City has received approximately \$1,366,264 and \$2,705,132 for OPEB and pension obligations, respectively from the ROPS. The City anticipates receiving approximately \$332,808 for OPEB obligations and \$658,942 for pension obligation in June 2014 ROPS. Annually, the City will receive approximately \$600,000 and \$1,200,000 for OPEB and pension obligations, respectively until June 30, 2022. These payments are to go towards paying the OPEB unfunded obligations and pension obligations. If the City does not deposit these amounts to CalPERS and/or OPEB trust fund (CERBT), DOF might claw back these payments. Therefore, it is in the best interest of the City to allocate the money received through the ROPS as follows:

- All ROPS payments received by the City to address OPEB unfunded obligations be deposited into a CERBT Fund with CalPERS and the City Administrator or his designee to execute the required Delegation of Authority to Request Disbursement form.
- All ROPS payments received by the City to address pension obligations be deposited to CalPERS

In addition, pursuant to Resolution No. 84466 C.M.S, ten percent (10%) of the excess Real Estate Transfer Tax (RETT) is set aside for payment of long-term liabilities for the amount of \$534,500. Staff recommends depositing \$534,500 to the CERBT trust fund for OPEB.

The City has already established a CERBT account per Resolution No. 81093 C.M.S. in March 2008 to allow the Port of Oakland to create a sub-account to pre-fund their OPEB obligations. By approving the proposed resolution will allow the City to create another sub-account for the City to deposit the money received through the ROPS to the CERBT account to pre-fund OPEB unfunded liabilities and to CalPERS for the pension obligations. This will have a positive impact on the City:

- Higher discount rate used for valuation
- Lowers liabilities and annual required contributions
- Demonstrate prudent financial management (bond ratings)
- Asset on hand that can be "counted" towards GASB 45 actuarial report (lower liabilities on balance sheet)

OUTCOME

Approval of this recommendation will result in approving the deposit of monies received by the City through the ROPS payments to CERBT trust fund and CalPERS for OPEB unfunded obligations and pension obligations. To date, the City has received approximately \$1,366,264 and \$2,705,132 for OPEB and pension obligations, respectively. In June 2014, the City anticipates receiving approximately \$332,808 for OPEB obligations and \$658,942 for pension obligation from the ROPS. In addition, the City annually will receive approximately \$600,000

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and \$1,200,000 for OPEB and pension obligations, respectively until June 30, 2022. The City will also, deposit \$534,500 that has been set aside to pay down long-term unfunded liabilities to CERBT trust fund. These payments will be deposited into CERBT trust fund and CalPERS to address the OPEB unfunded obligations and pension obligations.

In effect, the pre-funding will positively impact the City's finances over the long-term. As the assets grow, the City's unfunded liability as well as the annual amount required (ARC) to be paid will continue to decrease.

BACKGROUND/LEGISLATIVE HISTORY

The California Supreme Court's upholding of Assembly Bill x1 26 ("ABx1 26") on December 29, 2011 resulted in the deliberate statutory demise of all redevelopment agencies active in the State of California. This legislation enabled the formation of the Oakland Redevelopment Successor Agencies ("ORSA"), which have the responsibility to wind down outstanding obligations and affairs, including fulfilling the legally enforceable obligations of the Original Agency. Therefore, every six months ORSA submit a Recognized Obligation Payment Schedule (ROPS) listing the remaining enforceable obligations of ORSA for approval and payment to DOF. ORSA was able to include payments required in connection with agency employees for OPEB unfunded obligations and pension obligation to be paid through the ROPS. The table below details the amount received by City and anticipates receiving through the ROPS. These payments are to go towards paying the OPEB unfunded obligations and pension obligations.

	OPEB Unfunded Obligations	Pension Obligations
Amount Received to Date	\$1,366,264	\$2,705,132
June 2014 ROPS	\$332,808	\$658,942

Annually, the City will receive approximately \$600,000 and \$1,200,000 for OPEB and pension obligations, respectively until June 30, 2022.

Currently, the City has an existing CERBT trust account with CalPERS. Since the City is the contracting agency with CalPERS, in March 2008, the City executed an agreement with CalPERS to establish a CERBT account to enable the Port of Oakland create a sub-account to pre-fund its OPEB liability (Resolution No. 81093 C.M.S.). The City would create its own sub-account within the CERBT trust account to pre-fund separately from Port of Oakland.

CalPERS has managed public agency retirement benefit trusts for nearly 80 years. These benefit trusts provide pre-funding of pension, health, OPEB, long term care, and supplemental income benefits. CERBT Fund program is an investment vehicle that can be used by all California public employers to pre-fund future OPEB costs, in the same manner that employers pre-fund pension

benefits through the CalPERS Public Employees Retirement Fund (PERF). CERBT Fund is a Section 115 Trust - set up for the purpose of receiving employer contributions that will prefund health and other post-employment benefit costs for retirees and their beneficiaries. By joining this trust fund, California public employers can help finance future costs in large part from the investment earnings provided by CalPERS. The CERBT program received its first employer contribution in June 2007 and has grown remarkably since then. CERBT program has the largest contracting employers with a total of 403 participants as shown in the table below.

Type of Employer	Number Contracted
Cities	103
Counties	13
Court	8
School & County Offices	34
Special Districts	244
State of California	1
TOTAL	403

In addition, on June 27, 2013 Council passed Resolution No. 84466 C.M.S which allocated \$534,500 to pay down long-term unfunded liabilities in fiscal year 2013-2015. This allocation was based on appropriating ten percent (10%) of excess RETT.

ANALYSIS

The City has received monies from the ROPS for OPEB unfunded obligations and pension obligations that needs to be deposited into a trust fund. If the City does not deposit these monies for the purpose of the original request in the ROPS, these ROPS payments are at risk of being clawed back by the State. The table below summarizes the ROPS payments:

	OPEB Unfunded Obligations	Pension Obligations
Amount Received to Date	\$1,366,264	\$2,705,132
June 2014 ROPS	\$332,808	\$658,942
Projected Annually ROPS*	\$600,000	\$1,200,000

* Annually, the City anticipates receiving amounts until June 30, 2022.

In addition, the City has allocated \$534,500 to pay down long-term unfunded liabilities in fiscal year 2013-15.

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Deposit to CERBT Trust Fund (OPEB Unfunded Obligations):

Staff evaluated the different trust providers: California Public Employees Retirement Benefit Trust Fund (CERBT); 2) Public Agency Retirement Services (PAS); and 3) PFM Asset Management (PFMAM) who offer basic trust mechanism that can be utilized for funding OPEB obligations. A comparison of the different trust providers is summarized in the table below.

	CERBT	PARS	PFMAM
Number of Clients	403	120	40
Total Assets	\$3.5B	\$900M	\$1.4B
Plan Inceptions Date	2007	1996	2007
Years of Retirement Investing	80	30	20
Total Fees (basis points)	0.14%	0.56 %	0.45%

Staff is recommending the City deposit the monies received from the ROPS and the \$534,500 that has been set-aside for OPEB unfunded obligations and in a CERBT's trust fund based on the following factors:

- City has an existing CERBT account;
- CalPERS offer the largest trust program in the State with 403 members with \$3.5 billion in assets deposited;
- CalPERS has been administering public pension plans for the past 80 years. They have proven experience in administering employer-sponsored plans, a history of risk-adjusted investment performance, and low administrative fees;
- Lowest cost; and
- No need to establish a separate a trust account with another bank or financial institution.

By establishing a trust fund, the City will realize the following benefits:

- Higher discount rate used for valuation (lowers liabilities and annual required contributions);
- Demonstrate prudent financial management (bond ratings);
- Asset on hand that can be "counted" towards GASB 45 actuarial report (lower liabilities on balance sheet); and
- In addition, there are long-term benefits which will be realized over the life of the OPEB amortization period. As the trust assets grow, the City's unfunded liability as well as the annual amount required to be paid will continue to decrease.

Deposit to CalPERS (Pension Obligations):

The City receives money from the ROPS that needs to be deposited to CalPERS for the intended purpose of addressing the pension obligations. If the City does not deposit the money to CalPERS, the State may claw back these payments. In addition, by paying down the unfunded liabilities will increase the asset thus reducing the unfunded liabilities and contributions amount. Therefore, staff recommends depositing the ROPS payments received to CalPERS.

PUBLIC OUTREACH/INTEREST

This item did not require any additional public outreach other than the required posting on the City's website.

COORDINATION

This report has been prepared by the Treasury Division, in coordination with Controller's Office, City Attorney's Office and Budget Office.

COST SUMMARY/IMPLICATIONS

The money received by the City through the ROPS that is being deposited to the CERBT trust fund and CalPERS does not have any impact on the general fund. Also, the 10% excess RETT (\$534,500) has been budgeted for fiscal year 2013-15.

SUSTAINABLE OPPORTUNITIES

Economic: Pre-funding will result in a positive impact on the City's finances, which will benefit Oakland's economy at large.

Environmental: There are no environmental opportunities associated with this report.

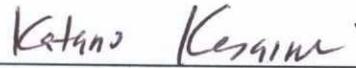
Social Equity: There is no social equity opportunities associated with this report.

CEQA

This report is not a project under CEQA.

For questions regarding this report, please contact Katano Kasaine, Treasurer at (510) 238-2989.

Respectfully submitted,



KATANO KASAINÉ

Treasurer, Treasury Bureau



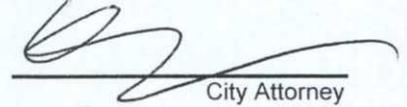
OSBORN K. SOLITEI

Finance Director/Controller, Controller Bureau

Prepared by:
Dawn Hort, Financial Analyst
Treasury Division

FILED
OFFICE OF THE CITY CLERK
OAKLAND

OAKLAND CITY COUNCIL


City Attorney

RESOLUTION No. _____ C.M.S.
2014 MAY 14 AM 9:59
Introduced by Councilmember _____

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR OR HIS DESIGNEE TO ALLOCATE PAYMENTS TO THE CITY RECEIVED PURSUANT TO THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE ("ROPS") AS FOLLOWS:

- (1) TO ALLOCATE ALL ROPS PAYMENTS RECEIVED BY THE CITY TO ADDRESS PENSION OBLIGATIONS TO THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS) TO CALPERS; AND
- (2) TO ALLOCATE ALL ROPS PAYMENTS RECEIVED BY THE CITY TO ADDRESS OTHER POST EMPLOYMENT BENEFITS (OPEB) UNFUNDED OBLIGATIONS TO THE CITY'S CALPERS CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST (CERBT) FUND, AND AUTHORIZING THE CITY ADMINISTRATOR OR HIS DESIGNEE TO EXECUTE THE REQUIRED DELEGATION OF AUTHORITY TO REQUEST DISBURSEMENT FORM; AND
- (3) TO ALLOCATE \$534,500 SET ASIDE FUNDS FOR PAYMENT OF LONG-TERM UNFUNDED LIABILITIES TO CITY'S CERBT FUND.

WHEREAS, the City of Oakland, acting in its capacity as successor agency to the Redevelopment Agency of the City of Oakland, receives payments to address approved obligations listed in the Recognized Obligation Payment Schedule ("ROPS"); and

WHEREAS, the City of Oakland has received payments totaling \$2,705,132 pursuant to the ROPS to address obligations to The California Public Employees Retirement System (CalPERS); and

WHEREAS, the City of Oakland has received payments totaling \$1,366,264 pursuant to the ROPS to address unfunded Other Post Employment Benefit (OPEB) obligations; and

WHEREAS, pursuant to Resolution No. 84466 C.M.S., \$534,500 (10% of the excess Real Estate Transfer Tax) is set aside for payment of long-term liabilities including OPEB and CalPERS, with exact amounts allocated to be proposed by the City Administrator and approved by the Council; and

WHEREAS, the California Employers' Retiree Benefit Trust (CERBT) Fund was established March 1, 2007 for public employers to prefund their retiree health and other post-employment benefit obligations; and

WHEREAS, the City of Oakland is the employer and sole agency authorized to contract with CalPERS and CERBT for all City of Oakland pension and OPEB obligations, including the Port Department of the City of Oakland; and

WHEREAS, on March 4, 2008, the City enrolled in CERBT pursuant to Resolution 81093 C.M.S. authorizing entry into an agreement between CalPERS and the City of Oakland, as contracting employer agency with CalPERS, to allow the Port Department of the City to prefund its OPEB obligations; and

WHEREAS, the City Administrator recommends that the City Council approves allocation of \$534,500 the set aside for payment of long-term liabilities including OPEB and CalPERS, with exact amounts allocated to be proposed by the City Administrator and approved by the Council; and therefore be it

RESOLVED: that the City Council authorizes the City Administrator or his designee to allocate all currently held and future ROPS payments received by the City to address CalPERS pension obligations to CalPERS without returning to Council; and be it

FURTHER RESOLVED: that the City Council authorizes the City Administrator or his designee to allocate all currently held and future ROPS payments received by the City to address unfunded OPEB obligations to the City's CERBT Fund without returning to Council; and be it

FURTHER RESOLVED: that the City Council authorizes the City Administrator or his designee to execute the required Delegation of Authority to Request Disbursement form authorizing the City Administrator or his designee to request disbursement from the City's CERBT Fund without returning to Council; and be it

FURTHER RESOLVED: that the City Council authorizes the City Administrator or his designee allocate \$534,500 from the set aside for payment of long-term liabilities to the City's CERBT Fund; and be it

FURTHER RESOLVED: this Resolution shall take effect immediately upon passage.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2014

PASSED BY THE FOLLOWING VOTE:

AYES – BROOKS, KALB, GALLO, KAPLAN, REID, GIBSON MCELHANEY, SCHAAF and PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION –

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California