

2018 MAY 17 PM 2:51

OAKLAND CITY COUNCIL
RESOLUTION NO. 87208 C.M.S.

A RESOLUTION DIRECTING THE CITY ADMINISTRATOR TO BRING A RECOMMENDED FUNDING POLICY FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB) DEVELOPED IN CONJUNCTION WITH INDUSTRY EXPERTS AND STAKEHOLDERS TO CITY COUNCIL NO LATER THAN JANUARY 2019

WHEREAS, the City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment meeting certain requirements relating to age and service pursuant to labor agreements between the City and local unions and in City resolutions; and

WHEREAS, in August 2004, GASB issued Statement No. 45 (“*GASB 45*”), “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions” (“*OPEB*”), which addresses how state and local governments should account for and report the annual cost; and

WHEREAS, in 2014, the City began to partially pre-fund the annual required contribution (ARC) to the California Employer’s Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS and CERBT is an Internal Revenue Code (IRC) Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and OPEB costs; and

WHEREAS, the City’s OPEB Actuarial Accrued Liability (the “AAL”) which is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date was \$862.89 million and the Unfunded Actuarial Accrued Liability (the “UAAL”), which is the AAL less actuarial value of assets, was \$859.99 million as of July 1, 2015; and

WHEREAS, as of June 30, 2017, the City’s projected net OPEB obligation (defined, in terms of balance sheet liability, as the cumulative difference between the annual OPEB cost and the City’s contribution to plan since 2008) was \$359.98 million after a pay-as-you-go amount of approximately \$20.42 million for Fiscal Year 2016-17.

WHEREAS, beginning in the fiscal year ending June 30, 2018, the City must recognize the OPEB unfunded liabilities as an expense on the City’s balance sheets due to the implementation of GASB 74 and 75 which replace GASB 45, which will impact the City’s net position; and

WHEREAS, after further research, staff has determined Pay-As-You-Go is an unsustainable option, in addition to the pre-funding option, the City should explore cost containment strategies in order bring the OPEB obligations to a manageable level long-term; and

WHEREAS, the Mid-Cycle Budget Fiscal Year 2018-19 allocates an amount of \$150,000 for consulting services related to OPEB fund policy and funding options; now, therefore be it

RESOLVED, that the City Council finds and determines that the foregoing recitals are true and correct; and be it

FURTHER RESOLVED, that the City Council hereby direct the City Administrator to bring a recommended funding policy for other post-employment benefits (OPEB) developed in conjunction with industry experts and stakeholders no later than January 2019.

IN COUNCIL, OAKLAND, CALIFORNIA, **MAY 29 2018**

PASSED BY THE FOLLOWING VOTE:


AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON MCELHANEY, GUILLEN, KALB, KAPLAN,
~~AND PRESIDENT~~ - 7

NOES - 0

ABSENT - 0

ABSTENTION - 0

Excused - Reed

ATTEST: 

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California