



Agenda Item No. 13f.

Staff Report

Date: April 9, 2015

To: Mayor Elizabeth Brekhus and Councilmembers

From: Dianne Thompson, Interim Town Manager

Prepared by: Rob Braulik, Town Manager

Subject: Adopt Resolution approving the staff payment of additional One hundred and fifty thousand (\$150,000) to the California Public Employees' Retirement System before June 30, 2015 for prefunding of retiree health benefits through participation in the California Employers' Retiree Benefit Trust Program (CERBT).

Recommendation

Council approve Resolution No. 1895 approving staff payment of an additional One Hundred and Fifty Thousand (\$150,000) to the California Public Employees Retirement System (CalPERS) before June 30, 2015, for prefunding of retiree health benefits through participation in the California Employer Retiree Benefit Trust Program (CERBT).

Background and discussion

In order to comply with Governmental Accounting Standards Board Statement 45 (GASB 45), the Town is required to report its Other Post-Employment Benefits (OPEB) obligations on the financial statements. While GASB 45 does not require the Town to fund OPEB, good financial management requires that; it does highlight the potential costs and unfunded liabilities which arise from this type of benefit.

CalPERS developed CERBT to provide public agencies a trust mechanism which meets both Internal Revenue Service (IRS) criteria for tax-exempt status and GASB 45 criteria for irrevocability mechanisms. The CERBT has been established for investment of funds, not for the determination of each agency's individual benefit. Given the ability of CalPERS to provide professional investment management, both the financial investment return and the overall cost to the Town is less than it would be if the Town was to manage its own investment for this program.

The Town joined the CERBT program with Council approval May 9th, 2013 and the Town uses CERBT as its investment vehicle. CalPERS invests the balance in a manner similar to the techniques used for the pension trust with the income allocated to each individual agency. While the management of the funds is similar to the management used for the pension fund, these two programs are completely separate. The Town funds CERBT based on its own actuarial study.; In February 2014, Bartel Associates LLC

completed the actuarial study valuation for the Town as of June 30, 2013. This report is required to be done every two years with the next valuation date being June 30, 2015. The June 30, 2013 actuarial report shows an unfunded liability of approximately \$317,000 using the CERBT discount rate of 7.25%. The same report estimates the liability as of June 30, 2015 to be \$314,000, however, this figure does not reflect the accelerated payments made to CERBT in FYE14 and 15

To date the Town has deposited \$101K into CERBT (\$26K FYE14 and \$75K FYE15). The current CERBT trust account balance as of 3/10/2015 is \$103,238.

The Finance Committee (FC) met March 9th and discussed the preliminary FY16 budget. Among items discussed was payoff of the full unfunded OPEB liability. Staff has since spoken to Bartel & Associates (actuary). The actuary is scheduled to complete a new valuation report as of June 30, 2015 which will be ready next fall. Since payments after June 30, 2015 won't show up until the next report with a valuation date of June 30, 2017 and since the current year is projected to have a surplus in the operating fund, staff recommends the payment of an additional One hundred and fifty thousand (\$150,000) now and the balance paid off next fiscal year once the actuarial report is done and the Town has a more accurate figure for the remaining payoff.

Fiscal, resource and timeline impacts

Staff is forecasting revenues will exceed FY15 budget estimates to enable the Town to fund the One hundred and fifty thousand (\$150,000) payment from General Operating Funds before June 30, 2015.

Environmental review (if applicable)

N/A

Attachments

- Resolution No. 1895

TOWN OF ROSS

RESOLUTION NO. 1895

RESOLUTION OF THE TOWN OF ROSS AUTHORIZING STAFF TO MAKE A ONE HUNDRED AND FIFTY THOUSAND (\$150,000) PAYMENT TO PREFUND OTHER POST EMPLOYMENT BENEFITS THROUGH CALPERS BEFORE JUNE 30, 2015

WHEREAS, the California Public Employees Retirement System (CalPERS) has established the California Employers Benefit Trust Fund (CERBT) for California Public Agencies to use to prefund retiree health and other post employment benefit costs; and

WHEREAS, the Town of Ross joined the CERBT program May 9, 2013 and participates in the CERBT program; and

WHEREAS, the Finance Committee met March 9, 2015, and asked staff to pay off the current Other Post Employment Obligation Liability (OPEB) liability in full before June 30, 2016; and

WHEREAS, staff is recommending the Council approve payment of an additional One Hundred and Fifty Thousand (\$150,000) payment prior to June 30, 2015, to pay down the current unfunded liability until such time as the Town's actuary completes an actuarial report for the year ended June 30, 2015.

NOW THEREFORE BE IT RESOLVED, the Town Council of the Town of Ross hereby authorizes staff to make an additional One Hundred and Fifty Thousand (\$150,000) payment prior to June 30, 2015, to the Town of Ross CERBT Trust Account from Town General Operating Funds.

The foregoing resolution was duly and regularly adopted by the Ross Town Council at its regular meeting held on the 9th day of April 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Elizabeth Brekhus , Mayor

ATTEST:

Linda Lopez, Town Clerk