

Other Post Employment Benefits (OPEB)



What is the difference between PERS & OPEB?

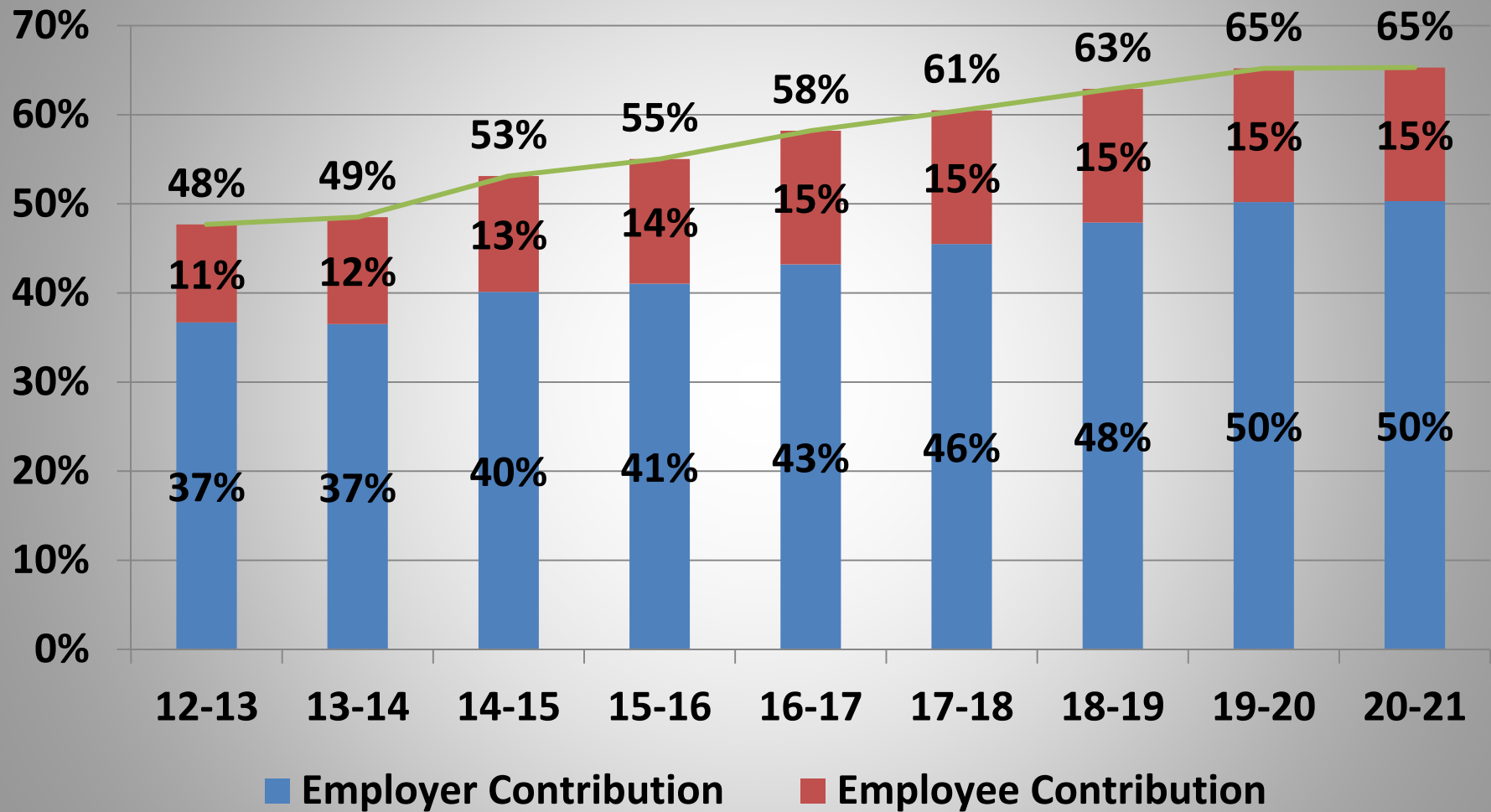
- Public Employment Retirement System (PERS)
- Pensions once an employee retires
 - 3% @ 50 Classic Public Safety Employees
(Ex. 25 years of service x factor (3) = 75% of salary at 50 years of age)
 - 2 % @ 55 Classic Miscellaneous¹ Employees
(Ex. 25 years of service x factor (2) = 50% of salary at 55 years of age)

¹ Miscellaneous Employees = Non-public Safety

What is the difference between PERS & OPEB? (cont'd)

- Public Employees Pension Reform Act (PEPRA) 2013
aka – “Pension Reform”
 - 2.7% @ 57 Public Safety Employees
 - 2% @ 62 Miscellaneous Employees
- City can control OPEB but not PERS

Projected Public Safety PERS Rates through FY 2020-21



What is OPEB?

Health Benefits After Retirement

- Miscellaneous Employees = \$122/month
- Public Safety Employees
 - Based on Hire Date
 - Full Medical, Dental Health Care into Retirement
 - Hired prior to June 2011 = Employee + Spouse
 - Hired after June 2011 = Employee Only

How are costs determined & What do we pay?

in millions

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Normal Cost ¹	\$ 3,625	\$ 3,677	\$ 3,732	\$ 3,786	\$ 3,842	\$ 3,898	\$ 3,949
UAAL ² Amortization	4,848	5,409	6,028	6,700	7,430	8,223	9,088
ARC ³	8,473	9,086	9,760	10,486	11,272	12,121	13,038
Pay as you Go	2,651	2,763	3,006	3,283	3,593	3,897	4,208
Under Funding	5,822	6,323	6,754	7,203	7,679	8,224	8,830

¹ Normal Cost is the cost of all benefits earned for active employees

(i.e. what we should be contributing now for active employees for their retirement benefit earned this year)

² Unfunded Actuarial Accrued Liability Amortization (cost to amortize earned benefits that have not yet been funded)

³ Annual Required Contribution

Definitions

Normal Cost

The cost of all benefits earned for
current/active employees

In other words - what we should be contributing
now for active employees for their retirement
benefit earned this year

Definitions

Unfunded Actuarial Accrued Liability (UAAL)

Amortization

The cost to amortize benefits that have been earned but have not been funded

Definitions

Annual Required Contribution

The combination of Normal Cost and the UAAL

OR

The amount we should be setting aside annually
to pay for both previously earned and future
benefits

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Assumptions

- 8% increase in the cost of Health Care (vs. 3% experience last year)
- All numbers based on 100% funding though not everyone agrees that 100% is best practice (75-80%)

What if We Funded 75% of Benefit?

FY 15-16 in millions		
	100% Funding	75% Funding
Normal Cost ¹	\$ 3,732	\$ 2,799
UAAL ² Amortization	6,028	4,521
ARC ³	9,760	7,320
Pay as you Go	3,006	3,006
Under Funding	6,754	4,314

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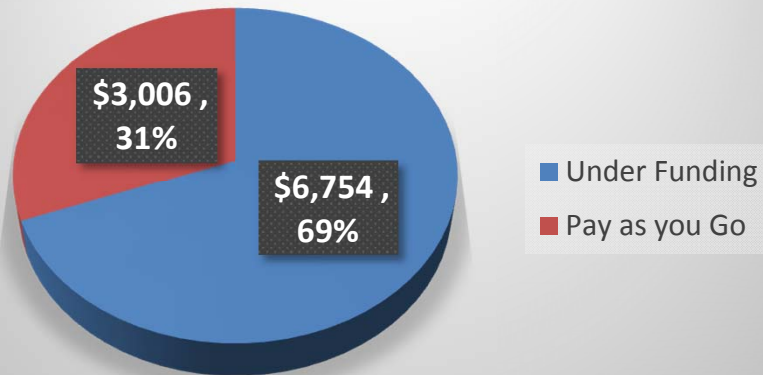
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³ Annual Required Contribution

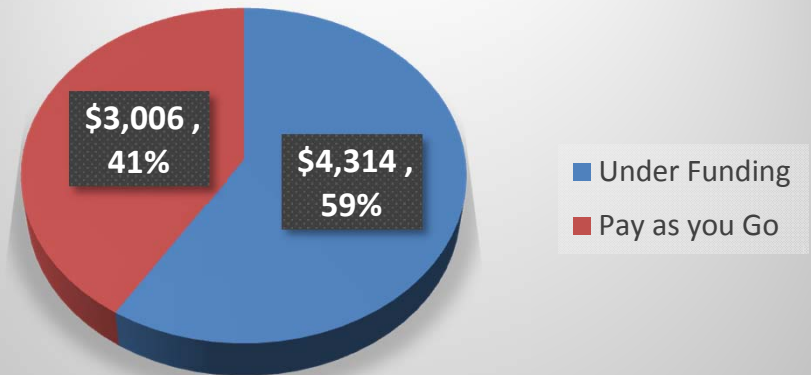
100% Funding vs. 75% Funding

In millions

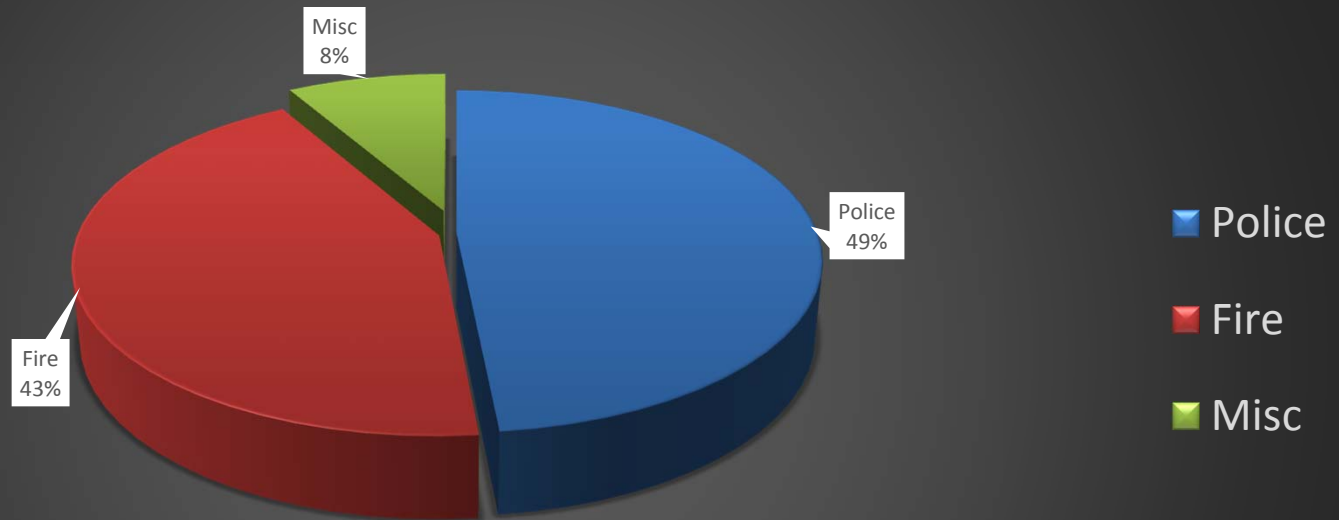
100% Funding



75% Funding



Obligation By Group



Police	Fire	Miscellaneous	Unfunded Liability
\$ 44,138,000	\$ 39,413,000	\$7,620,000	\$91,171,000

Actions to Date to Address the Issue

- January 2014 – created OPEB Trust
 - Current Balance - \$2 million
 - Deposited \$300,000 last year
- No Spousal Coverage as of June 2011
- In negotiations with Safety Groups to cost share

How Does This Affect the Budget?

- Pay-Go is charged to Each Department's Budget (found in personnel numbers)
- Any Excess Funds at the end of the Fiscal Year could be deposited in existing Trust

Questions

