Establish an Other Post-Employment Benefit Trust Fund

Board of Directors

March 14, 2023

Recommendation

Open account

1. Adopt the attached resolution and approve the agreement with CalPERS authorizing the establishment of a trust to prefund the Other Post-Employment Benefit (OPEB) obligation through the California Employers' Retiree Benefit Trust (CERBT).

2. Authorize the President to sign such agreement.

Provide funding strategy

3. Authorize a transfer of $131,500 into the CERBT.

4. Authorize the transfer of unused labor appropriations, before GASB 68 and 75 adjustments, into the trust going forward each year.

5. Authorize the transfer of unappropriated interest revenue into the trust going forward each year.

Agenda

1. Background:
    - What is an OPEB plan?
    - How does Ramona's OPEB plan work?
2. Problem
3. Solution / Recommendation:
    - Trust
    - Strategy to fund Trust

Background: Ramona's OPEB Plan

- OPEB plan = reimbursement for medical insurance in retirement
- Maximum benefit = least expensive medical plan offered to staff
- Benefits terminate when the retiree becomes eligible for Medicare

Background: Ramona's OPEB Plan

- Eligibility requirements to receive any benefit:

General Information about the OPEB Plan

Plan Description and Benefits Provided

To be eligible for retiree health benefits, an employee must retire from the District on or after age 50 according to the following tiers:

- Tier 1 (Hire prior to January 1, 2005) – five (5) years of full time District employment/50 years ofage;
- Tier 2 (Hire on/after January 1, 2005) – ten (10) years of full-time employment/50 years of age;
- Tier 3 (Hired after January 1, 2008) – 10 years of full-time service/50 years of age/sum of age and service with the District equals to 65.

Employees hired after January 1, 2014 are no longer eligible for the retiree health benefit.

- Maximum benefit requires 25 years of consecutive service

Background: Ramona's OPEB Plan

- Ramona obligated to provide benefit to legacy employees & retirees
- Benefit has been phased out

Problem

Actuarial Study of District's Plan (6/30/2022):

Current obligation	($1,922,450)
Anticipated future obligations	(2,664,871)
Total Obligation	($4,587,321)

Hypothetical

Fully funded OPEB plan

Current obligation	($1,922,450)
Hypothetical contribution	1,490,000
Savings	$ 432,450
Remaining Obligation	$ -

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Why establish a trust?

I. Pays down the liability
II. Gives the District the opportunity to invest
III. Captures savings
IV. Will assist with stabilizing the budget

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Why use the CalPERS managed CERBT?

I. Already have a trusted relationship with CalPERS
II. Lowest cost option: 0.10% management fee
III. Utilized by City of San Diego, SD County Water Authority and 14 of the Water Authority's 23 other Member Agencies

Recommendation

3) Authorize a transfer of $131,500 into the CERBT.

Why?

I. OPEB is a labor related cost

II. Labor related appropriations left unused from FY 2022

Recommendation

4) Authorize the transfer of unused labor appropriations before, GASB 68 and 75, adjustments into the trust going forward each year.

Why?

I. OPEB is a labor related cost

II. Fully utilize labor related appropriations, if any, going forward to pay down existing labor debt

Note: GASB 68 & 75 are non-cash adjustments affecting the labor accounts for financial reporting purposes.

Recommendation

5) Authorize the transfer of unappropriated interest revenue into the trust going forward each year.

Why?

I. Fully utilize excess revenues, if any, to pay down existing debts

Looking Forward

- OPEB commitments and trust fund performance & activity will be reported out regularly
- Next actuarial assessment 6/30/2024 (biennial)
- Anticipate being more actively engaged in addressing our OPEB commitment

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