

Agenda Item VIII.B.1.

Recommendation to Approve Other Post- Employment Benefits (OPEB) Funding Policy



OPEB Trust Overview

- OPEB benefits are the non-pension related benefits provided to retirees, per labor agreements and the Personnel Admin Manual (PAM).
 - ✓ Amounts vary depending on hire date, bargaining unit, years of service, etc.
 - ✓ Summary of benefits provided can be found in Annual Comprehensive Financial Report on Park District website.
- Contributions to OPEB Trust are made via payroll and are managed by the California Employers' Retiree Benefit Trust (CERBT).
- These contributions, plus investment earnings, should be sufficient to fund long-term costs.

Overall Goals of OPEB Trust Policy

- Provide transparency for the Park District's employees, retirees and Board of Directors.
- Ensure that the current strong financial practices supporting the OPEB Trust are well documented.
- Clarify expectations for when the Trust reaches critical funded status thresholds.
- OPEB funding policy should demonstrate prudent financial management practices and encourage long-term planning.

Best Practices for an OPEB Policy

- Government Finance Officers Association (GFOA) recommends that the funding policy provides reasonable assurance that the cost of retiree benefits will be funded in an equitable and sustainable manner.
- Current assets plus future contributions and investment earnings should be sufficient to fund the long-term costs of benefits to retirees.

Proposed OPEB Funding Policy Highlights:

- Park District's actuary provides recommended Actuarially Determined Contributions (ADC) for funding based on biennial actuarial valuations
 - ✓ policy is to fund 100% of recommended ADC into OPEB trust
- If OPEB Plan less than 100% funded, liabilities for past services will be amortized and added to future contributions
- If OPEB Plan greater than 100% funded, to consult with actuary on future ADC calculations.

OPEB Funded Status example

□ 111% funded as of latest valuation

| | <u>6/30/2023</u> |
|---|------------------|
| A. Plan participant data¹ | |
| 1. Active employees | 741 |
| 2. Covered retirees and beneficiaries | 484 |
| 3. Total | <u>1,225</u> |
| B. Actuarial accrued liability | \$ 70,674,335 |
| C. Value of plan assets | |
| 1. Actuarial value of assets (AVA) | \$ 82,957,183 |
| 2. Market value of assets (MVA) | 78,417,589 |
| 3. AVA as a percent of MVA (1. / 2.) | 105.8% |
| D. Funded status | |
| 1. Unfunded AAL, on AVA basis (B. - C.1.) | \$ (12,282,848) |
| 2. Funded status, AVA basis (C.1. / B.) | 117.4% |
| 3. Funded status, MVA basis (C.2. / B.) | 111.0% |



OPEB Investment Strategy

- CERBT offers 3 investment strategies based on yield, risk and time horizon:
 - / Park District is invested in Strategy 1 – highest long-term expected rate of return & return volatility.
- Upon reaching 120% funded status, investments will be moved to next *lower risk strategy* to reduce funded status volatility:
 - / i.e. move from Strategy 1 to Strategy 2
- CFO to review policy and investment strategies at least biennially in conjunction with actuarial valuations.

Other Policy Highlights:

- Confirms that information regarding the OPEB Trust funded status will be publicly available.
- Requires the CFO to review the OPEB Funding policy every other year, when actuarial valuations are done.

Recommendation

- Approve the Other Post Employment Benefits (OPEB) Funding Policy



Approval of OPEB Funding Policy

- Questions / Comments

