




**EAST BAY REGIONAL PARK DISTRICT
BOARD FINANCE COMMITTEE
AGENDA STAFF REPORT**

DATE	September 25, 2024
TITLE	Recommendation to the Board of Directors to Approve Other Post-Employment Benefits (OPEB) Funding Policy
DIVISION	Finance and Management Services
FROM	Deborah Spaulding, Assistant General Manager of Finance and Management Services
APPROVED	Sabrina Landreth, General Manager 

RECOMMENDATION

Staff requests that the Board Finance Committee review, discuss and direct staff to submit the Other Post-Employment Benefits (OPEB) Funding Policy to the Board of Directors for approval.

BACKGROUND

The East Bay Regional Park District (Park District) provides post-retirement healthcare benefits to its retirees in accordance with labor agreements and the Personnel Administrative Manual. Beginning in September 2012, the Park District has contributed to the California Employers' Retiree Benefits Trust (CERBT), an agent multiple employer plan, administered by CalPERS and managed by an appointed board not under the control of the Park District.

CalPERS offers three investment strategies (Strategies 1, 2 and 3) based on yield, risk tolerance, and time horizon. Strategy 1 has the highest long-term expected rate of return & return volatility while Strategy 3 has the lowest long-term expected rate of return & return volatility. The Park District's OPEB portfolio is currently invested in Strategy 1 and has a funded status of 111% based on market value of assets.

The Government Finance Officers Association (GFOA) recommends that every state and local government that offers defined benefit pensions and/or OPEB formally adopt a funding policy that provides reasonable assurance that the cost of those benefits will be funded in an equitable and sustainable manner.

The purpose of this OPEB Funding Policy is to ensure the OPEB plan (Plan) is financially sustainable by accumulating adequate resources in a systematic and disciplined manner over the active service life of benefitting employees. It is anticipated that current assets plus future assets from employer contributions, employee contributions, and investment earnings should be sufficient to fund the long-term costs of benefits to Park District employees and retirees.

This OPEB Funding Policy is intended to demonstrate prudent financial management practices, promote long-term planning, provide guidance in making annual budget decisions and demonstrate to employees and the public how the Plan will be funded to ensure adequate funding for promised benefits.

ANALYSIS

The Park District's actuary prepares a biennial actuarial funding valuation report to determine the Actuarially Determined Contribution (ADC) and to evaluate the funded status of the Plan. The ADC is intended to fund new OPEB liabilities as they are earned each year (the normal cost) plus an amortization of the existing Unfunded Actuarial Accrued Liability (UAAL) for past services.

If the Plan is less than 100% funded then the UAAL amortization policy is to establish an initial unfunded liability amortization base on the valuation date. This initial UAAL amount will be amortized over a closed period not to exceed fifteen (15) years as part of the ADC using a level dollar amortization basis. Separate amortization bases/layers (each not to exceed fifteen (15) years) will be established at each subsequent actuarial valuation.

If the actuarial funding valuation shows that the OPEB plan has a funded status above 100%, then the Park District will consult with their actuary about how this may affect the ADC calculations. Depending on the surplus magnitude and projected future OPEB costs, the Park District may:

- a) eliminate all existing amortization bases and amortize the plan's entire surplus as a level dollar amount over an open twenty-five (25) year period (a "fresh start" base); or
- b) Keep the existing amortization layers and ADC calculation methods.

In all cases, the Park District will consider whether and to what extent any surplus amortization is allowed to offset the Normal Cost and administrative expense portions of the ADC.

It is the Park District's policy to fund 100% of the recommended ADC into the OPEB trust. Ongoing contributions to the plan are made as a percentage of payroll. The contribution percentage is based on service costs, expected expenses paid from the trust, plus amortization of the UAAL.

The Park District's OPEB trust is currently at 111% funded status and is invested in CERBT's Strategy 1, which has the highest expected rate of return and volatility. The OPEB Funding Policy states that when the the OPEB trust reaches 120% funded status, the Park District will move investments from Strategy 1 to Strategy 2, which is a more conservative and less volatile strategy. When the 120% threshold is again reached in Strategy 2, the Park District will move to Strategy 3, which is the most stable and conservative.

Funding of the Park District's OPEB plan should be transparent to all parties including the Board of Directors, employees, and retirees. To achieve this transparency, copies of the biennial actuarial valuations for the Park District's OPEB plan shall be made available to the Board and the Park District's Annual Comprehensive Financial Report shall be published on its website, which includes information on the Park District's OPEB plan, contributions to the OPEB Trust, and the funded status of the plan.

Funding OPEB requires a long-term plan. The CFO shall direct staff and participate in the review of this policy at a minimum biennially, coincident with preparation of the actuarial valuations, to determine if changes to this policy are necessary to ensure adequate resources are being accumulated to fund OPEB benefits.

FISCAL IMPACT

There is no revenue/cost impact associated with the acceptance of the report.

ATTACHMENTS

A. Other Post-Employment Benefits (OPEB) Funding Policy