



OPEB and Pension Funding Policy

Finance Committee
November 28, 2023



Objectives

- Review a formal funding policy for OPEB and pension liabilities
- Key Elements:
 - PULL Program
 - OPEB Trust
 - Pension Trust



Liabilities

- OPEB
 - Health benefits
 - Trust established in 2009
 - Unfunded liability: \$4.5 M
- Pension
 - Retirement pension through CalPERS
 - Trust established in 2021
 - Unfunded Liability: \$141.2 M



Prioritizing Unfunded Liabilities Liquidation (PULL)

- Enacted in 2015
- 5-Year goal of allocating additional \$5 M toward unfunded liabilities
- 50% of General Fund carryover funds
- 50% of General Fund land sales



Comparison of OPEB and Pension Liabilities and Trusts

	OPEB	Pension
Net Liability	\$4.7 M	\$240.9 M
Percent Funded	82%	65%
Amount in Trust	\$19.4 M	\$17.9 M



Actuarial Terms in Policy

- Normal Cost: the costs of benefits for current employees
- Actuarial Determined Contribution (ADC): a payment to cover Normal Cost plus an unfunded liability amount
- Pay-As-You-Go (Pay-Go): the cost of benefits for current retirees

The background image is a collage of financial documents. It includes a line graph with three data series (green triangles, brown squares, blue diamonds) plotted against months from February to November. A black pen with a silver tip lies diagonally across the middle. Below the pen is a table with numerical data. To the right, a pie chart with several colored segments is partially visible. Further right, a horizontal bar chart with green and blue bars is shown. The overall theme is financial analysis and reporting.

OPEB and Pension Funding Policy

- OPEB Trust: investment returns to fully fund by 2035
 - Investment earnings will likely cover Actuarial Determined Contribution (ADC)
 - City will pay annual Pay-Go costs
 - Once liability is fully funded:
 - City pays only Normal Cost (if investment earnings are not sufficient to pay it)
 - Pay-Go costs would be paid from trust
- Pension Trust: continued greater focus on funding pension liability since PULL contributions are no longer needed for OPEB



Comments & Questions