

City of San Leandro  
**City OPEB and Pension Funding Policy**

**Purpose of Policy**

The OPEB and Pension Funding Policy of the City of San Leandro establishes the foundation designating support for unfunded other post-employment benefits (OPEB) and pension obligations, meeting the City Council's goal of insuring fiscal stability and the sustainability of operations. Establishing designated OPEB and pension funding is an important step in shaping the City's long-term financial plan.

OPEB refers to health benefits for employees having retired from the City. The City provides former employees with a retiree health care plan that is relatively modest in scope that has limited the long-term financial liability associated with this benefit. Pension liabilities refer to the City employees' pension plan with the California Public Employees Retirement System.

**OPEB and Pension Funding Guidelines**

This Policy establishes guidelines for setting City contributions to the OPEB and Pension Trusts:

- The City will make contributions toward the unfunded liabilities annually.
- The Plans' respective actuaries shall conduct actuarial evaluations biennially.
- Coordination of funding and investments earnings will attempt to minimize volatility of each trust's Actuarial Determined Contribution (ADC).

**OPEB and Pension Funding Policy**

The OPEB and Pension Funding Policy outlines fully funding the OPEB ADC using a 12-year amortization schedule. ADC includes normal cost for benefits earned during the same fiscal year and unfunded liability payments (funding shortfalls) that occurred over years. Funding OPEB liability based on ADC will result in a fully funded plan over time, as measured by actuaries. Current assets plus future assets from annual investment earnings will eliminate the OPEB unfunded liability.

Annual investment earnings in the OPEB Trust are substantially expected to cover the projected ADC. Targeting the 100% funding goal may periodically impact the City's General Fund. Extraordinary market volatility may require City Council periodic action supplementing earnings to match the ADC.

As the City funds its OPEB ADC with investment earnings rather than General Fund allocations, funds should be directed toward the Pension Trust in amounts greater than the Pension ADC. Any funds currently set aside for an OPEB or pension liability purpose should be moved to the Pension Trust. Funding pension liability with contributions greater than ADC will result in greater progress toward a fully funded plan over time.

**Policy Transparency and Reporting**

Funding the City's OPEB and Pension Trusts shall be transparent to all parties including

employees, City retirees, and City employee organizations. To maintain transparency, the following information shall be regularly made available:

- The biennial actuarial valuation for the City's OPEB and Pension Plans.
- Quarterly OPEB Trust and Pension Trust investment reports shall be presented to the Finance Committee.
- The City's investment strategy shall be presented annually to the City Council.

### **Review of Funding Policy**

The City Council may review and modify this OPEB and Pension Funding Policy. This OPEB and Pension Funding Policy shall be reviewed annually to ensure its overall objectives and review of target funding levels. Modifying amendments shall only be approved by the City Council.