



## Legislation Text

File #: 2017-164, Version: 1

### Report to Mayor and City Council

Tuesday, March 21, 2017

Consent

#### **SUBJECT:**

**DELEGATION OF AUTHORITY TO REQUEST DISBURSEMENTS FROM CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST FUND (CITY COUNCIL)**

#### **I. SUMMARY**

To subsidize retiree health costs incurred during FY16-17, City Council directed staff to use one year of interest earnings from the Trust account established to prefund retiree health costs. Staff requests the City Council delegate authority to request disbursements from the Trust.

#### **II. RECOMMENDATION**

ADOPT Resolution No. 17-029, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL DELEGATING AUTHORITY TO REQUEST DISBURSEMENTS FROM THE CALIFORNIA EMPLOYERS' RETIREMENT BENEFIT TRUST FUND.

#### **III. ALTERNATIVES**

TAKE another action deemed appropriate by City Council.

#### **IV. BACKGROUND**

In FY11-12, the City established an Internal Revenue Code Section 115 Trust account, to prefund future retiree health costs. Once money is contributed to the Trust, it cannot be used for any other purpose than retiree health costs. The City's Trust account is on deposit with the California Employers' Retirement Benefit Trust (CERBT) fund, which is managed by the California Public Employees Retirement System (CalPERS).

Over 5 years, the City contributed a total of \$14.2 million to the Trust and earned interest of \$2.9 million. With the budget deficits of FY15-16 and FY16-17, contributions were limited to \$0.3 million from special revenue funds (no General Fund money). The December 31,

2016 balance of the Trust was \$17,026,711. A snapshot of Trust activity since inception follows.

	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17
Beginning Balance	-	3,501,711	7,287,033	13,683,963	16,112,035	16,592,181
Contributions	3,384,670	3,404,725	4,601,115	2,504,691	318,044	
Investment Earnings	117,310	388,230	1,809,239	(62,797)	175,417	441,784
Administrative & Investment Expense	(269)	(7,628)	(13,430)	(13,822)	(13,316)	(7,254)
<b>Ending Balance</b>	<b>\$3,501,711</b>	<b>\$7,287,033</b>	<b>\$13,683,963</b>	<b>\$16,112,035</b>	<b>\$16,592,181</b>	<b>\$17,026,711</b>

Retiree health insurance is an "Other Post Employment Benefit" or OPEB. The most recent actuarial valuation of the City's OPEB has calculated a liability of \$55.2 million at June 30, 2015. The balance of the Trust partially offsets the liability on the financial statements.

Pursuant to City Council direction during the 2016 budget process, staff expects to request a disbursement of \$983,796 from the Trust to pay approximately half of retiree health insurance costs for FY16-17.

Estimated FY16-17 Retiree Health Insurance Cost	\$2,019,648
Less budgeted contribution from General Fund	(1,035,852)
<b>Amount to draw from Trust</b>	<b>\$ 983,796</b>

To request the disbursement, CalPERS requires the City Council to delegate authority to request disbursements. Two officers of the City with the delegated authority must sign the request. The Delegation of Authority on file with CalPERS authorizes by title the City Manager, the Administrative Services General Manager, and Finance Officer to request disbursements. The latter two titles are no longer employed positions. Therefore, CalPERS requires the City to update its delegation of authority. Staff recommends delegating authority to the City Manager and Director of Finance.

If the City Council adopts the proposed resolution, staff will immediately proceed with a request for disbursement in the amount of \$983,796; and the balance of the Trust will be reduced to approximately \$16 million.

## V. FISCAL IMPACT

The FY16-17 budget includes use of the Trust for retiree health insurance costs. The fiscal impact related to the proposed resolution is a reduction of the Trust balance, as noted above.

## VI. EXHIBITS

Resolution No. 17-029, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL DELEGATING AUTHORITY TO REQUEST DISBURSEMENTS FROM THE CALIFORNIA

EMPLOYERS' RETIREMENT BENEFIT TRUST FUND (pages 4-7)

A - Delegation of Authority to Request Disbursements currently on file with CalPERS (page 8)

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