

**OPEB TRUST COMMITTEE**  
City Conference Room  
250 Constitution Plaza, 4<sup>th</sup> Floor  
Friday, October 28, 2016  
9:00 a.m.

<b>MINUTES</b>
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**OPEB TRUST**

MEMBERS PRESENT: Peter Stevens, Chairman; Frank Lord; Gene Goldman; Nicholas Trigila, Employee Representative; Adam Cloud, Secretary; Mayor's Designee, Darrell Hill; Superintendent's Designee, John Griffin.

STAFF PRESENT: Donna Parker, Plan Administrator; Wendy Bond, Assistant Plan Administrator; Lisa Silvestri, Assistant Corporation Counsel; Gary Draghi, Director of Investments; P. Wayne Moore, Assistant Director of Investments; Carmen Sierra, Assistant City Treasurer; J. Sean Antoine, Principal Administrative Analyst; Terry Williams, Senior Administrative Assistant

OTHERS PRESENT: Richard Pokorski, Employee Benefits; Tim Ryor, Hooker and Holcombe; Mayor Luke Bronin

**Chairman Peter Stevens called the meeting to order at 9:05 a.m.**

**I. Minutes of the Meeting of September 27, 2016**

There were no changes or corrections to the minutes as presented.

**A motion was made, seconded and unanimously adopted to accept the minutes of the September 27, 2016 meeting.**

## II. July 1, 2015 OPEB Valuation Report

Chairman Stevens introduced the item. Tim Ryor, Senior Vice President and Consulting Actuary from Hooker and Holcombe (H&H), presented and distributed a draft of the July 1, 2015 OPEB valuation to the Pension Commission. Mr. Ryor highlighted that the July 1, 2015 Unfunded Actuarial Accrued Liability (UAAL) was \$327 million using a 4.5% discount rate. He stated that in the valuation report a discount rate of 4.5% was acceptable under the current GASB 45 but moving forward under the new GASB 75 rules in 2018 the discount rate would more than likely be reduced to a municipal bond rate, which was currently 2.6%.

Mr. Ryor further explained that the next exhibit reflected the funding by the Board of Education (BOE) and the discount rate for the BOE, only, was increased to 7.5%. He explained under this scenario the UAAL decreased to \$295 million and the Annual Required Contribution (ARC) was \$21.8 million for the City and \$1.9 million for the BOE, prior to any reduction for benefit payments. He stated that Hooker and Holcombe (H&H) could reduce the ARC by the estimated benefit payments, or the City and BOE could use the actual benefit payments to reduce the ARC and then fund the difference. Commissioner Frank Lord asked Mr. Ryor why assets of \$17.86 million were used for the BOE used rather than the \$19.2 million contribution. Mr. Ryor explained that \$19.2 million was contributed at the end of the 2015/2016 fiscal year and was discounted back at 7.5% to July 1, 2015, and confirmed that he would make a notation on the final report explaining this adjustment. Mr. Ryor also clarified that the benefits payments were paid outside of the OPEB Trust and the actual 2015/2016 benefits payments were higher than the model had predicted.

Discussion continued about the discount rate and the funding of the OPEB benefit payments. Commissioner Gene Goldman commented that the City would not know the actual benefit payments until after the end of the fiscal year. He asked that if the OPEB Trust was over funded based upon estimated projections of the benefit payments, whether the overage could be used to offset future benefit payments. Mr. Ryor stated it would be unlikely that the plan would be over funded and would depend on the interpretation of the OPEB ordinance.

Further discussion ensued regarding the funding of the OPEB liability based upon the current OPEB ordinance. Secretary Cloud referred to the memo that that was provided by the Plan Administrator Donna Parker referencing Sec 2-494 of the OPEB ordinance and the last line in the ordinance which stated "*Fifty (50) percent of the actuarially determined amount.*" Secretary Cloud explained that the last line in the ordinance needed more clarity and that he looked to Assistant Corporation Counsel Lisa Silvestri for guidance.

Finance Director Darrell Hill explained the intent of the City was to create a trust and to utilize the pay as you go methodology. He explained at the time the trust was created, the unfunded actuarial liability was lower and the metrics for the City supported the pay as you go method, which was then more than 50% of the ARC. Mr. Hill stated that under the City's current financial situation, the City was going to continue with the pay as you go method. He furthered clarified that the City Council thought the OPEB Trust was to receive and disburse the benefit payments and that any excess funds would remain in the Trust. Mr. Hill asked if there was a percentage of the ARC that the City could fund to justify a higher discount rate. Mr. Ryor stated that there would need to be a depletion analysis done to determine if the Trust was accumulating enough to cover the benefit payments, in order to justify a higher discount rate.

Commissioner Goldman inquired about how the Trust assets would be used. Mr. Ryor replied that the earnings on the \$19.2 million would keep the BOE funding level. Commissioner Nicholas Trigila asked how the BOE budgeted the \$19.2 million contribution. A discussion ensued about how the BOE allocated \$19.2 million to the Trust.

Secretary Cloud welcomed and then briefed Mayor Luke Bronin on the OPEB funding and actual costs in addition to the OPEB ordinance language. Next Mr. Ryor raised an additional issue noting that there was a liability for a Fire VEBA included in the OPEB calculations. Secretary Cloud explained that the Fire VEBA had never been implemented by the City. Mayor Bronin clarified that, while the City agreed to set up a VEBA in 2008, it was never established, and as a result the City must fund the City's contribution in addition to the employees' contribution plus 8% interest. Mayor Bronin confirmed that the language of the OPEB ordinance would be addressed after the completion of the upcoming budget process.

Mr. Ryor briefed Mayor Bronin on the July 1, 2015 OPEB valuation draft analysis. Mr. Ryor explained that a discount rate of 4.5% was used for the City with a pay as you go policy and a 7.5% discount rate was used for the BOE with a 100% funding policy. Mr. Ryor, referring to the analysis, stated that using these discount rates the ARC for the 2016/2017 fiscal year for the City was \$21.8 million and the BOE ARC was \$1.9 million prior to reductions for benefit payments. Mr. Ryor continued to explain that 80% of the BOE liability was due to pre '86 non Medicare eligible retirees. He stated the liability could be reduced if the BOE asked these retirees to join the State Medicare supplemental plan, if this plan was available to them. He also stated that from 2013 to 2015 there were more pre '86 retirees than expected which increased the BOE benefit payments.

Mayor Bronin asked why the BOE liability was significantly lower than the City's liability and Mr. Griffin stated that the BOE charged the full health premium to those retirees over the age of 65. Commissioner Goldman added that the BOE had also used a higher discount rate. Mr. Ryor stated that the City's liability included Police and Fire employees who retire at a much earlier age. Commissioner Goldman said that Police and

Fire employees retire in their 40's versus the average retiree in other groupings who retire in their 60's. Further discussion ensued over the discount rates and a viable funding method for the OPEB.

Secretary Cloud concluded that there should be a coordinated effort between the City and Corporation Counsel to clarify the language in the ordinance regarding the funding policy. Secretary Cloud stated that Mr. Ryor would need further direction regarding the funding policy of the OPEB Trust in order to complete the valuation work. Mayor Bronin stated the ordinance and the OPEB payment method would be part of the larger scope of the budget discussions.

**The Commission received the report for advice and placed it on file.**

### **III. OPEB Funding Policy**

Chairman Stevens introduced the item. Secretary Cloud stated that the OPEB Plan needed a funding policy under the new GASB 74/75 Statements in order to use a higher discount rate and the new statement would require demonstration of a valid funding plan and a blended rate must be used if the fund would be depleted by benefit payments.

Secretary Cloud explained that in the previous item the Commission discussed the last phrase of the ordinance, Section 2-494 "*Fifty (50) percent of the actuarially determined amount*". Secretary Cloud stated that the Corporation Counsel and the administration would need to address the funding policy and the ordinance wording.

Mayor Bronin stated that there would be no revisions to the ordinance until after the budget for the year was processed and the overall City budget issues considered. Mayor Bronin stated for the foreseeable future the City would use the pay as you go method. Secretary Cloud asked Mr. Ryor if there was any documentation needed from his perspective and Mr. Ryor responded that he would need documentation if the City was to change from the pay as you go methodology.

**The Commission received the report for advice and placed it on file.**

**IV. Other Business**

Chairman Stevens introduced the item. There was no Other Business to come before the Commission at this meeting.

There being no further business, Chairman Stevens adjourned the OPEB Trust portion of the meeting at 10:20 a.m.

Attest:

  
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Adam M. Cloud, Secretary