


Other Post Employment Benefit (OPEB)

Unfunded Liability

City Council Presentation

May 18, 2022





OPEB - Basics

- City pays \$149 per month for all City retirees who choose to remain on the CalPERS medical insurance plans.
- The City pays an additional \$763 per month for management/council retirees.

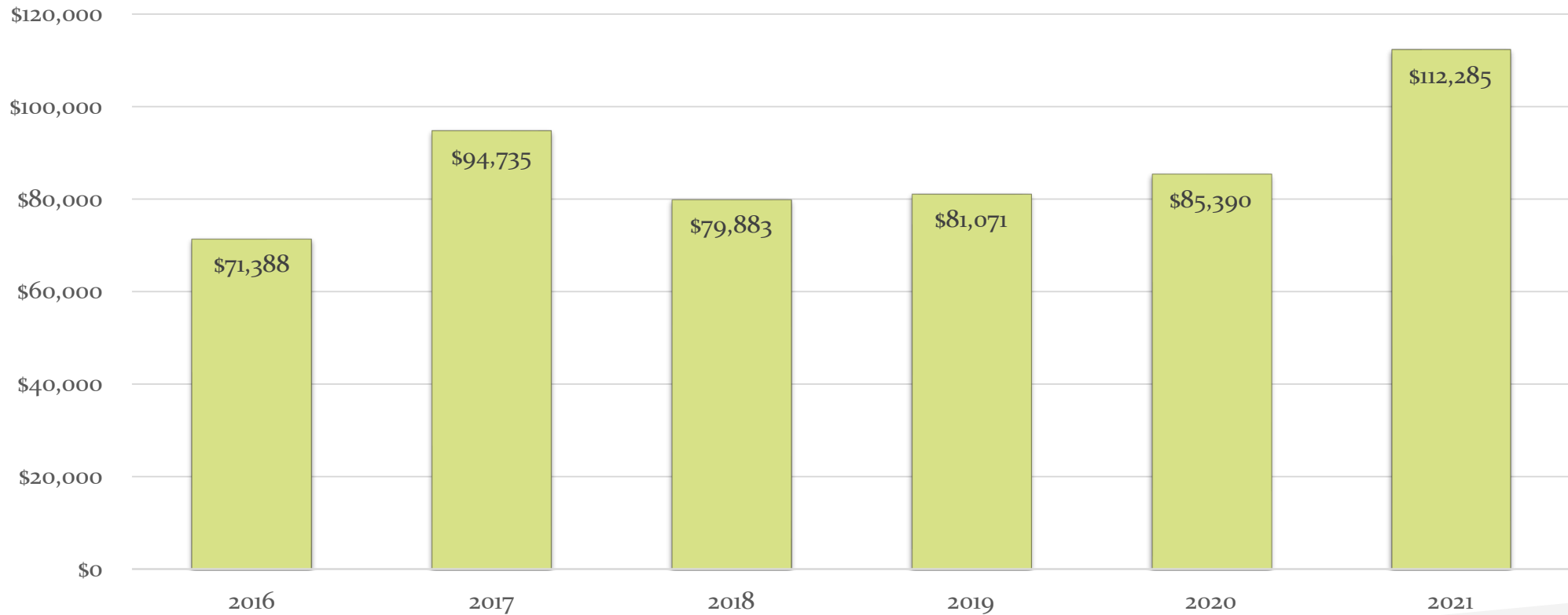


OPEB – Annual Costs

- In 2021 the City paid approximately \$112,000 from the General Fund for retiree medical costs.
- OPEB costs to the City will continue to increase as insurance premiums and as the number City employees retire.



OPEB – Historical Costs {General Fund}





OPEB – Unfunded Liability

- The City’s unfunded OPEB liability is the difference between the City’s OPEB Assets (\$ zero) and OPEB Liabilities (\$ 8.8 million).
 - Factored into this is the number of potential retirees and future medical costs.

Total OPEB Unfunded Liability	\$ 8,756,453
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City of Calabasas – OPEB Recommendation

Budget Subcommittee Recommendation:

- Establish an Internal Revenue Code Section 115 Trust
- Invest \$250,000 into the Section 115 Trust for OPEB



OPEB – Internal Revenue Code 115 Trust

The advantages of using an IRC 115 Trust:

- City retains oversight and control of the assets
- City selects the investment strategy of the assets (stocks, bonds, cash)
- Assets can earn a much higher rate of return versus City's Investment Policy
- Rating agencies view these accounts favorably
- Reduces "OPEB Liability" on the City's financial report
- City can decide to not withdraw money and let the assets grow indefinitely



OPEB – Internal Revenue Code 115 Trust

The disadvantages of using an IRC 115 Trust:

- Assets invested in stocks and bonds which can fluctuate negatively in value
- Assets are in an “Irrevocable Trust”
- Assets must be used for OPEB costs ONLY
- Assets cannot be used for other purposes (i.e. Balance the General Fund)



OPEB – Internal Revenue Code 115 Trust

- Questions
- Discussion