



TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS
OVERSIGHT COMMITTEE REPORT

MEETING DATE: 12/03/2019

ITEM NO: 5

DATE: November 21, 2019
TO: Town Pension and OPEB Trusts Oversight Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Bartel Associates, LLC OPEB Accounting Information Report as of the June 30, 2018

RECOMMENDATION:

Receive Bartel OPEB Accounting Information Reports as of the June 30, 2018 measurement date.

BACKGROUND:

The Town's healthcare plan pays all, or a portion of, health insurance premiums for qualified retirees and their survivors and dependents. Healthcare benefits are also referred to as Other Post-Employment Benefits or OPEB. The Town's healthcare plan is an Internal Revenue Code Section 115 Trust which is administered by the Town Pension and OPEB Trusts Oversight Committee. The Oversight Committee is responsible for the management and control of the healthcare assets. The healthcare assets are maintained at CalPERS and invested in the CalPERS managed California Employers' Retiree Benefit Trust (CERBT) Strategy 1.

For the healthcare plan, the Town Pension and OPEB Trusts Oversight Committee retain the services of Bartel and Associates to analyze the respective assets and liabilities of the Healthcare Plan. In order for the Town to understand the value of future healthcare benefit payments, an actuarial valuation is performed every other year for the healthcare plan with the next valuation scheduled for next year. Annually, Bartel and Associates provides the Town with accounting information necessary for the development of the Comprehensive Annual Financial Report. While not a complete actuarial valuation, the Accounting Information Report provides useful information regarding the Town's OPEB Trusts.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

SUBJECT: Receive Bartel Associates, LLC OPEB Accounting Information Report as of the June 30, 2018.

DATE: November 21, 2019

DISCUSSION:

Staff has received Accounting Information Report from the Town’s actuary, Bartel and Associates. The measurement date as set forth by GASB 75 is as of June 30, 2018. The report utilizes the June 30, 2017 OPEB actuarial valuation with a 6.75% discount rate which is updated and rolled forward to serve as the valuation for the June 30, 2018 measurement date.

The total OPEB liability increased from \$24.8 million to \$26.3 million as of June 30, 2018. However, the Net OPEB liability decreased from approximately \$11.2 million as of June 30, 2017 to \$10.1 M as of the June 30, 2018 as a result of an increase in the Fiduciary Net Position from the prior year. The net result is an increase in the funded status for the OPEB plan as of June 30, 2018 to 61.8% from 54.9%. The 61.8% funding level brings the Town in the top 20% of funded plans based on a recent survey by Bartel and Associates with the average of the survey being 24% funded. A similar survey of 88 California cities completed by the Town’s auditor, Badawi and Associates indicated an average funded status of approximately 22% for their OPEB plans.

	June 30, 2018	June 30, 2019
Total OPEB Liability	\$24,773,000	\$26,321,184
Fiduciary Net Position	13,608,000	16,265,716
Net OPEB Liability	11,165,000	10,055,468
Funded Status	54.9%	61.8%

It should be noted that the elimination of retiree healthcare benefits prospectively for future employees does not impact the 6/30/17 valuation or the 6/30/19 disclosure. In addition, the pre-funding payment of approximately \$1,100,000 made in FY 2018/19 will be reflected in next year’s valuation.

COORDINATION:

This report was coordinated with the Town Manager and Director of Finance.

Attachment:

1. Bartel Associates, LLC OPEB Accounting Information Report as of June 30, 2018 Measurement Date