City Response to VPOA Questions on 6/13/13

Questions related to the Proposed FY 2013-14 Budget (assumptions on page J-27)

1a. What percentage of the retiree health allocation $48,377 will be actually set aside as cash to fund OPEB during FY 2013-14.

Based on current benefit levels, the average per capita OPEB cost of $48,377 is $18,800 Normal Cost and $29,577 Unfunded Accrued Actuarial Liability (UAAL). City-wide the FY 2013-14 Proposed Budget includes $3,566,000 budgeted for Normal Cost and $5,254,400 budgeted for the UAAL. From these two budgeted amounts we expect to pay $3.6 million for the "pay as you go" portion of the benefits to current retirees. The remaining funds will be deposited into the Retiree Health Benefits Fund at the end of fiscal year or it will be deposited into a Retiree Medical Trust Fund which is expected to be in place by the end of the fiscal year.

1b. How much has the City set aside to date to fund VPOA OPEB?

OPEB has not been set-aside and funded by bargaining group. As of June 30, 2011, the City currently has $3,030,963 in funds set-aside in Restricted General Fund reserves for the development of a Retiree Medical Trust Fund. We expect the FY 2011-12 CAFR to be completed by June 30, 2013. At that time FY 2011-12 funds of $4,037,936 that have been deposited into the Retiree Health Benefits Fund will be added to the existing $3,030,963. The City intends to set up an irrevocable trust fund for these future benefits using the $7,068,899 in funds set aside for this purpose.

1c. Where are the funds placed and where are they reflected on a financial document?

During FY 2010-11 the funds set aside for OPEB are held as Restricted General Fund reserves. During FY 2011-12 the funds set aside for OPEB are held in a specific Retiree Health Benefits Fund in the City's General Ledger. At the end of the FY 2012-13 audit, all audited funds set aside for OPEB will be used to set up and fund a Retiree Medical Trust Fund.

1d. Does the City intend to set up a trust with these funds for VPOA OPEB?

OPEB is not set-aside and funded by bargaining group. During FY 2013-14 the City intends to set up an irrevocable OPEB Trust Fund. All funds set aside for OPEB would be transferred to this irrevocable OPEB Trust Fund. Future deposits made by the City and payments made to retirees would flow from that irrevocable OPEB Trust Fund.

1e. If the City intends to set up a trust for these funds when will that happen?

During FY 2013-14 the City intends to solicit proposals from administrators of irrevocable OPEB Trust Funds, select an administrator, and recommend to the City Council a preferred administrator. Upon City Council approval of a preferred administrator, the City would then enter into a contract with the administrator and transfer funds to that administrator.

2a. What is the assumed PERS Employer rate for the 2.7 @ 57 benefit?

Note: Except where otherwise noted, answers assume no change in current benefit structures. This document is intended solely as an explanation of current and proposed benefits and does not create any promise or guarantee of future benefits.

PERS does not provide separate rates to the City for tiered benefits within the retirement plan. PERS provided the City a FY 2013-14 Employer Public Safety Rate of 49.325%. This rate covered all employees and all tiers within the safety retirement plan and was used in the Proposed Budget. Staff received a modified rate of 48.124% to account for the City opting out of the two year smoothing and its supplemental payment of $4,146,415. This new rate was received from PERs on June 20, 2013.

2b. What is the assumed PERS Employee rate for the 2.7 @ 57 benefit?

PERS December 19, 2012 letter specified the member rate for new members would be 12%.

2c. With approximately 20 new VPOA employees has the City assumed some will be new PERS members and calculated a savings from those lower rates?

PERS does not provide separate rates to the City for tiered benefits within the retirement plan. Should PERS continue to provide rates in the manner it has in the past, the City will receive its rates for FY 2014-15 in the Fall 2013, based on the City's employee profile as of June 30, 2012 (e.g. no new members). Accordingly there will be no impact on City rates for new members until the 2015/16 fiscal year.

3. Why is the Retiree Medical VPOA rate in the budget document (40.4%) different than Footnote 6 in the 6/10/13 costing (41.40%)?

The OPEB rate for 2012/13 is 40.4% and the rate for 2013/14 is 41.4%. A final benefits study was completed by Bartel Associates LLC on June 27, 2013. A copy of this report is provided.

4a. What number of General Fund sworn officers are assumed in FY 2013-14 budget?

The FY 2013-14 Proposed Budget that was adopted by the City Council on June 25, 2013 includes 106 sworn Police Department personnel.

4b. What number of Measure B sworn officers are assumed in FY 2013-14 budget?

The FY 2013-14 Proposed Budget that was adopted by the City Council June 25, 2013 includes 13 sworn Police Department personnel funded with Measure B.

5. Given vacancies of sworn officers during FY 2012-13, why are expenditures proposed to exactly equal to the Approved FY 2012-13 budget?

Police services during FY 2012-13 included additional overtime. Staff did not project any FY 2012-13 non Measure B savings from vacant positions compared to the approved FY 2012-13 budget.

<u>OPEB related questions related to the 6/10 costing</u>

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6a. Describe the assumptions that were used (attach any background documents from Bartel) to cost the VPOA 3/8/13 Medical retiree annuitants cost ($998,000)?

Staff used the current contracts to project salary and benefits costs in the FY 2013-14 Proposed Budget. The OPEB rate for the current contract is 41.4%. This rate was reduced to 32.32% (80% of the current benefit OPEB rate) to account for the changes detailed in the VPOA 3/8/13 proposal. The difference between the employees at the current benefit OPEB rate versus the VPOA proposed reduced benefit estimated OPEB rate equated to a savings to the City of $998,000. After receipt of the final benefits study from Bartel Associates LLC dated June 27, 2013, the 3/8/13 proposal was re-costed to include a determined rate of 35.6% for this benefit. That generates a savings of $723,000.

6b. Did the costing factor in that new employees would receive the 1.5% VEBA contribution?

The attached updated costing factors includes the proposed 1.5 % VEBA for new employees.

6c. Can a new costing be done that factors in that 20 of the officers will received the 1.5% VEBA contribution instead of the current benefit?

The attached Bartel Report includes the estimated staffing levels and future hiring as estimated by staff showing 17 vacant VPOA positions at June 30, 2013. See page 7 of the Bartel report.

7. Footnote 6 - Explain why the 80% of Kaiser rate is so different from the 75% of Kaiser rate and why there is not much difference between the 75% of Kaiser and 50% of Kaiser rates?

The rates are based on the attached actuarial report prepared by Bartel.

Other non OPEB questions regarding the 6/10 costing

8a. Footnote 4 - Please provide background documents used to make this calculation.

Copy of Worker's Compensation calculation is attached.

8b. Why is the FY Workers Compensation FY 12/13 rate different on the 5/3 costing (16.2%) and the 6/10 costing (16.9%)?

The City received an updated report from its consultant on May 10' 2013 which provided an updated breakdown for the FY 2013-14 rates.

9. Please provide the background worksheets (similar to the 9/12 costing) for non OPEB items in the 6/10 costing.

Attached.

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