



**City of Rochester Hills  
AGENDA SUMMARY  
NON-FINANCIAL ITEMS**

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**Legislative File No:** 2009-0240

**TO: Mayor and City Council Members**

**FROM: Keith Sawdon, Director of Finance, Ext 2535**

**DATE: June 12, 2009**

**SUBJECT: Retiree Health Care Benefit Trust**

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**REQUEST:**

We are requesting City Council approve the creation of a Retiree Health Care Benefit Trust and insert said Trust into the City's Code of Ordinances.

**BACKGROUND:**

The City over time has negotiated several retiree health care benefits. Those benefits include the ability for a retired employee to purchase the City's health care insurance at the City's blended rate and for those employees who met certain provisions, to receive a supplemental benefit, which can be applied towards their retirement health care premiums.

Both of these programs have been in place for a number of years and the City has funded them on a pay as you go basis. With the adoption of GASB 45, the City must now identify its long-term liability for these two programs and recognize those liabilities in its financial statements.

The City Council has already taken several steps in recognizing this liability. In February of 2008, City Council received the Actuarial report that identified the liabilities for these programs based on current city policy and certain actuarial assumptions (used within that profession). Based on that report, the City Council designated part of its Fund Balances to provide a funding source for some of this liability, namely the Supplemental Benefit portion of the liability.

For the City to be recognized (by the accounting profession (Audit Firm, GASB, etc.) and City Creditors (bond holders, future bond holders and rating agencies)) for addressing its Other Post Employment Benefits (OPEB) liabilities, those funds need to be placed in a trust, thus segregating them away from other City assets and therefore making those funds only available for this purpose.

To help in writing a Trust document that would receive IRS approval, the City solicited proposals from firms that had the required knowledge and experience in creating OPEB trusts. After a careful review of the proposals received by the City, Cynthia Billings from the firm of Sullivan, Ward was selected to write the Trust Document for the City. Cynthia is available to answer any questions you may have related to the Section 115 Trust.

**RECOMMENDATION:**

It is our recommendation that City Council adopt, for first reading, the Trust document that will create the Retiree Health Care Benefit Trust, which will be incorporated into the City's Code of Ordinances.