



**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 23, 2009

SUBJECT: Retiree Health Care Benefit Trust

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 retiree health care benefits. Those benefits include, for those employees who met certain provisions, to receive a supplemental benefit, which can be applied towards their retirement health care premiums.

With the adoption of GASB 45, the City must now identify its long-term liability for this benefit and recognize that liability 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 liability for the program 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 this 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) liability, the 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.

RECOMMENDATION:

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

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		