



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
www.rochesterhills.org

Legislative File No: 2023-0238

TO: Mayor and City Council Members
FROM: Joe Snyder, Chief Financial Officer, x2534
DATE: May 22, 2023
SUBJECT: Other Post Employment Benefit (OPEB) Trust Funding Policy Update

REQUEST:

The Retiree Healthcare Board of Trustees requests the Rochester Hills City Council to formally adopt a proposed update to the City's current Other Post Employment Benefit (OPEB) Trust Funding Policy.

BACKGROUND:

In FY 2019, the Retiree Healthcare Board of Trustees recommended, and the Rochester Hills City Council adopted, the City's current OPEB Funding Policy [2019-0308]. Prior to FY 2019, the City had no formal OPEB Funding Policy in place.

By adopting the initial OPEB Funding Policy and by adhering to that Policy's funding recommendations, the City's OPEB Liability has been reduced from 77.9% funded as of 12/31/2018 to 118.3% funded [overfunded] as of 12/31/2021. However, due to poor market performance in both the stock and bond markets in FY 2022, the City's OPEB Liability as of 12/31/2022 now stands at 94.5% funded. The City's Actuary (Lauterbach & Amen) commends the City on its aggressive and successful efforts to reduce its unfunded liability.

After compiling the most recent 12/31/2022 OPEB Liability Report, Lauterbach & Amen recommended the City consider updating the existing OPEB Funding Policy, as the existing Policy was designed to aggressively catch-up and reduce the level of Unfunded OPEB Liability over a period of 5-years. As that aggressive catch-up phase has been achieved, Lauterbach & Amen now recommends a more 'maintenance-style' OPEB Funding Policy moving forward. The City's Actuary utilizes the OPEB Funding Policy to determine a level of funding which is recommended to be placed into the OPEB Trust on an annual basis to comply with the Funding Policy's terms.

The updated OPEB Policy proposes to maintain a target corridor of the OPEB Trust within a corridor of 80% funded to 120% funded. Any level of Underfunding below 100% will be amortized (spread) over a period of 15-years. Any level of Overfunding above 100% will be amortized (spread) over a period of 25-years. Unexpected Gains / (Losses) due to Market Value will continue to be amortized (spread) over a 5-year period. Lauterbach & Amen worked with City staff to develop these parameters with a long-term conservative perspective.

Lauterbach & Amen, the Retiree Healthcare Board of Trustees, and City staff recommend this updated OPEB Funding Policy as it is intended to produce a more consistent funding level to the OPEB Trust on an annual basis moving forward long-term.

RECOMMENDATION:

The Retiree Healthcare Board of Trustees recommends the Rochester Hills City Council to formally adopt a proposed update to the City's current Other Post Employment Benefit (OPEB) Trust Funding Policy.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Clerk		

Contract Reviewed by City Attorney Yes N/A