



## CITY COUNCIL REPORT

January 22, 2008

TO: Phillip L. Nelson, City Manager

FROM: John M. Lamerato, Assistant City Manager/Finance & Administration

SUBJECT: Actuarial Valuation – Other Postemployment Benefits (OPEB)

### Background:

- The City of Troy has received the first actuarial valuation using the methods and requirements to determine our accrued liability for other postemployment benefits contained in Statements No. 43 and No. 45 of the Governmental Accounting Standards Board (GASB).
- The City has pre-funded retiree healthcare for several years and has accumulated \$43,982,534 in assets to apply towards the actuarial accrued liability (attributable to service accrued by plan members as of December 31, 2006) of \$78,900,597.
- The annual required contribution as a percentage of projected payrolls for all employee groups is 11.42%. This rate compares to the rates contained in the 2007/08 budget of 8.18% for the general employee group and 5.32% for public safety employees. Our funded ratio went from 85.4% to 55.7% after applying the new rules and cost methods of GASB Statements No. 43 and 45.
- While this is quite a drop in our funded ratio, according to our actuaries who perform studies for most municipalities in the state, there are only two or three cities that are in a better funded position than we are.

### Financial Considerations:

- We implemented the contribution rate contained in the actuarial study for the current fiscal year and will budget accordingly for next fiscal year. The new contribution rate will cause departments to review their budgets to account for increase in cost for retirement benefits.

### Legal Considerations:

- By making the required contribution, we will be in compliance with GASB Statements No. 43 and 45.

### Policy Considerations:

- Complying with GASB Statements No. 43 and 45 relates to Council Goal II, "Minimize the cost and increase the efficiency and effectiveness of City government". By pre-funding retiree healthcare the cost will be accounted for during the period of time that services are performed and so will not be a burden to future taxpayers.

### Options:

- It is recommended that we implement the required contribution rate contained in the actuarial study.

City of Troy Other Postemployment Benefits  
Actuarial Valuation Report  
December 31, 2006  
is included with Council's agenda packets  
and available for public viewing at the  
City Clerk's Office and the Troy Public Library