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EMPLOYEE RELATIONS COMMITTEE MEETING

Tuesday, June 11, 2013
Back of Council Chambers

PRESENT: Alds. Causier, Berdan, Wilson – 3

EXCUSED: Alds. Organ, Hanson

ALSO PRESENT: J. Archambo, City Admin.; A. Kesner, City Atty.; B. Aldana, HR Director/Asst. City Atty.

Ald. Causier as Chair called the meeting to order at 7:15 p.m.

Biennial Other Post-Employment Benefit (OPEB) actuarial report

The committee reviewed a memo from the Asst. City Atty./HR Director reporting on the results of the 2012 GASB 45 actuarial valuation.

Federal law requires the City to have prepared on its behalf an actuarial valuation of the City's current retiree health benefit program. This is required by of the Governmental Accounting Standards Board and is commonly called "GASB 45". This report is required every two years. It is important to note that the requirement is only that of an actuarial valuation and the City is not required by law to pre-fund the liability. It is also important to mention, however, that there is a bill being considered by the state legislature that would require any municipality providing health care benefits for use upon retirement to an employee hired on or after January 1, 2015, to fund the cost of the benefit in a segregated account.

Ms. Aldana said that this exercise is to identify what the City will be liable for in regards to retiree benefits. When GASB 45 liability is referred to they are usually referring to a report calculation called Unfunded Actuarial Accrued Liability. This represents the amount of liability to pay for retirement health benefits for all current employees and retirees. She explained that this is not what the City owes in any year, but it represents the projected liability. This is liability to pay for the entire retirement benefit from a stated date until all active employees and retirees are off of the plan. This group is considered a "closed group" analysis, it does not include future hires.

The Unfunded Actuarial Accrued Liability for the City is calculated to be $62,372,743 as of January 1, 2013. This number was $60,589.025 on January 1, 2013. The previous years' liability was $52,325,127 in 2011, and in 2010 it was $50,278,204. Every year has a different number and goes up with inflation. Ms. Aldana noted that the last two years expense has exceeded the income received.

Ms. Aldana introduced the Milliman Group, here to discuss their findings. William Hogan explained that given the results, they will be taking a closer look at strategies for the post 65 age group and look at better options. He said the City's plan is expensive. He explained that the City used to have a lot more people stay on the plan and pay their share before going on to Medicare D. The City's plan is priced higher than a lot of places on the market. People stay with what they are familiar with and although it is a good plan, it is an expensive plan. Mr. Hogan said they will also be looking at early retiree benefits to the extent they can and take a strategic look at what the City can offer. It is helpful for employees to be aware that a change may be coming so they can plan ahead. Mr. Hogan explained that he wants to take a proactive approach to this and didn't know if the plan changes would be small or significant at this time.

Further explaining the GASB 45 Mr. Hogan said some assumptions are made when looking at the current medical program trying to figure out how many will continue to be employed and stay with the plan. This will vary age dependent. He said that the GASB report requires retiree ages to be looked at and cost that age group which is generally more costly than for a younger person.

The consultant discussed the cost of benefits for someone retiring today compared to 20 years from now. He said there is a need to expense the cost of the benefits to the employee while they are working for the City. The accounting profession would like to see the expense match the provision of the service. He discussed the amortization schedule with the committee.

Ms. Aldana said discussion for significant changes would be to the employee group hired after January 1, 2008. Mr. Archambo said that changes to the plan are a possibility much like what happened in 2008.

Mr. Ruggini explained the challenges to be made to the balance sheet as the City phases in these benefits and the City will see net assets drop. He had some concerns in how rating agencies will react to this, particularly since the City will be raising the debt for infrastructure projects. Strategies need to be looked at.

Mr. Ruggini suggested that legislation at the state level needs to address the police and fire departments paying their share of benefits. This is a negotiated item with these departments and without their fair share paid, could put the City in a real disadvantage.

Meeting adjourned at 7:58 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

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