



MEMORANDUM

September 19, 2011

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Russ Truell, ACA/CFO

SUBJECT: Establishment and activation of a Trust for OPEB (Other Post Employment Benefits)

Purpose

The purpose of this item is to revisit the City's plans to establish a trust for retiree health benefits and any other post-employment benefits.

Background

The Board of Mayor and Aldermen (BOMA) approved a resolution in 2006 to establish a trust for post-employment benefits other than the City pension plan. Such a trust required approval by the State Comptroller's office. Because the State had not approved a model trust document, the City planned to use an integral remainder trust document provided by ICMA-RC, our defined contribution plan provider. That document had been adopted by a neighboring city to satisfy the OPEB accounting rules.

Before staff could submit the document to the State Comptroller for approval, staff learned of some document changes that were being made by our neighboring city at the request of the Comptroller. It was also learned that the State planned to produce a "model trust" document for Tennessee cities to use as the basis of their trust.

By the time the model document became available, national health care became a major issue. Another consideration was the City's health insurance offerings for early retirees, which had a sunset provision in June, 2011 (later revised to September 30, 2011). Staff was keenly aware that substantial changes in the retiree health plan or adoption of sweeping national health insurance could dramatically affect the need for, and design of, an OPEB trust. For these reasons, not to mention the upheaval in financial markets beginning in 2008, staff was reluctant to push forward with final adoption of an irrevocable trust without better knowledge of the ultimate financial requirements.

Options

The Board of Mayor & Aldermen can continue to reserve funds for retiree health insurance in its General Fund, or follow through on the adoption of an OPEB trust.

Recommendation

It is the recommendation of City staff that BOMA approve adoption of the model trust document and instruct staff to submit the document to the Comptroller for approval.