

To: Administration and Finance Committee

Date: March 28, 2013

From: Kathy Casenave, Director of Finance

Reviewed by:

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### **SUBJECT: Establishment of Retiree Medical Accounts**

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**Summary of Issues:** In March 2010 the Board approved establishing an OPEB trust for retiree medical benefits. The funds in this trust will help offset the cost of providing the Authority's PERS medical premiums for retired Administration, Teamsters and ATU employees.

In addition to prefunding retiree benefits, the Authority also took steps to minimize the cost of retiree medical benefits by freezing the portion that is paid by the Authority and establishing a cafeteria plan for active employees.

There was also discussion at the time of setting up a separate trust or retirement medical account for the benefit of employees who have been in the PERS medical program since the inception in September 1989. There are 10 active employees who meet that criterion. (The ATU joined the program in 2001).

There has been a significant savings to the Authority because of the above two actions. *For Administrative staff*, the prior actuarial report required an annual contribution of \$294,602; the most recent report of January 2012 required an annual contribution of \$162,923.

**Recommendation:** Staff recommends that medical retirement accounts be funded for the 10 active employees at \$10,000 each, for a total of \$100,000.

**Financial Implications:** The cost will be \$100,000 taken out of the FY 2013 operating budget. The projected estimated actual FY 2013 will be well below the approved budget.

Options:

- 1) Approve recommendation
- 2) Decline recommendation
- 3) Other