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City Council

Approval of an Ordinance Creating a Trust Fund to Pay LEOFF 1 (Law Enforcement Officers and Fire Fighters) Medical Benefits

Agenda Date: 3/31/2015
Agenda Item Number: 4.N
File Number: 15-0257

Type: ordinance **Version:** 2 **Status:** Passed

Title

Approval of an Ordinance Creating a Trust Fund to Pay LEOFF 1 (Law Enforcement Officers and Fire Fighters) Medical Benefits

Recommended Action

Committee Recommendation:

Move to approve an ordinance on second reading to create a trust fund to pay LEOFF 1 medical benefits.

City Manager Recommendation:

Move to approve the attached ordinance on second reading.

Report

Issue:

Should a Trust Fund be established to pay LEOFF 1 Other Post-Employment Benefits (OPEB) costs?

Staff Contact:

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Presenter(s):

Dean Walz, Fiscal Services Director

Background and Analysis:

The Finance Committee at its February 27 meeting recommended the creation of a Trust Fund to pay LEOFF 1 OPEB.

The City is obligated to pay medical benefits for LEOFF 1, Plan 1 retirees. Plan 1 is for firefighter and police officers hired prior to October 1, 1977. There are currently 71 City of Olympia retirees and two current employees who are members of the LEOFF 1, Plan 1 system.

Police retirees' OPEB costs are paid from the General Fund and Fire retirees are paid from the Firemen's Pension Fund. Additionally, a special account was established to pay required long-term care costs. The special account currently has balance of \$823,500. The 2015 General Fund is

budgeted at \$652,000 for Police OPEB and \$752,060 of 2015 property tax is dedicated to the Firemen's Pension Fund for Fire OPEB. The funds put into the Firemen's Pension Fund remain in that fund for both pension and OPEB. Any unexpended General Fund budget lapses at year's end, and without action by the Council the unused budget would revert to the General Fund balance. In 2014 there was \$108,680 budgeted for Police OPEB, which was not used. The Finance Committee has recommended that the unused funds budgeted for 2014 be transferred to the new fund if created.

The proposal is to create a trust fund for LEOFF 1 OPEB. Funds put into this trust fund would remain there until used. The funds could not be used or transferred for any other purpose until there are no more LEOFF 1 retirees living. Once the trust fund is created the funds dedicated to OPEB for 2015 and the balance in the Long-Term Care account would be transferred to the trust fund for a total of \$2,227,560 (\$2,336,240 if the \$108,680 is approved to be transferred). Action to approve that transfer is included as a separate action in the agenda for tonight's meeting. Interest earnings of the trust fund would remain in there. In 2014 \$1,001,237 was spent on OPEB medical costs and there were no long-term care expenses. Actuarially, benefit obligations are projected to continue into the 2060's.

Neighborhood/Community Interests (if known):

None.

Options:

- 1) Create a LEOFF 1 OPEB Trust Fund for LEOFF 1 benefits.
- 2) Do not create the Fund. The City would continue to pay OPEB from the General Fund, LEOFF 1 long-term care account and the Firemen's Pension Fund.

Financial Impact:

No additional financial obligations. See also background and analysis.