

COUNTY OF SONOMA AGENDA ITEM SUMMARY REPORT			Clerk of the Board Use Only Meeting Date Held Until ____/____/____ ____/____/____	
			Agenda Item No: Agenda Item No: _____ _____	
Department: Human Resources			() 4/5 Vote Required	
Contact: Marcia Chadbourne	Phone: (707) 565-2473	Board Date: 06/02/09	Deadline for Board Action: 06/02/09	
Agenda Short Title: Annual Employer Supplemental Rate to Fund OPEB Costs				
Requested Board Action: Adopt the annual employer supplemental rate for funding of other post employment benefits (OPEB) cost for fiscal year 2009-2010. Adopt the Concurrent Resolution of the Board of Supervisors of the County of Sonoma, the Board of Directors of Sonoma County Water Agency, In-Home Support Services Authority, and Northern Sonoma County Air Pollution Control District; the Board of Commissioners of the Community Development Commission; Adopt the Resolution of the Board of Directors of the Sonoma County Agricultural Preservation and Open Space District.				
CURRENT FISCAL YEAR FINANCIAL IMPACT				
<u>Expenditures</u>			<u>Add'l Funds Requiring Board Approval</u>	
Estimated Cost \$			Contingencies \$ (Fund Name:)	
Amount Budgeted \$			Unanticipated Revenue \$ (Source:)	
Other Avail Approp \$ (Explain below)			Other Transfer(s) \$ (Source:)	
Additional Requested: \$ 0			Add'l Funds Requested: \$	
Explanation (if required): Medical Retiree Clearing Trust, Index No. 306514 Fund: 17-030-066; \$23 million dollars is already budgeted for FY 09-10.				
Prior Board Action(s): In prior years, the retiree medical employer contribution rate was submitted by Retirement (SCERA). The last BOS action was 6/17/08 Resolution No. 08-0560 for fiscal year 08-09.				
Alternatives – Results of Non-Approval: Auditor Payroll will not be authorized to collect from departments', via the County Payroll System, the FY 09-10 employer contributions for retiree medical costs.				

Background:

The Governmental Accounting Standards Board (GASB) Statements Nos. 43 and 45 requires employers to conduct biennial actuarial analysis to determine the total liability for employer costs associated with retiree benefits. The Other Post Employment Benefits (OPEB) 2008 valuation report (valued as of 6/30/07) was reviewed by the Board in June 2008, placed the unfunded liability of the County's costs for retiree medical at \$414 million with an Annual Required Contribution (ARC) of \$37 million or 12.92% of payroll. An addendum to that report provided the OPEB liability for converting to a maximum OPEB ARC of under 7.5% of payroll based upon the \$500 a month County contribution for retirees medical, the Medicare Part B reimbursement and the 5 year step down. An updated OPEB actuarial valuation will be conducted following the 6/30/09 fiscal year end close at the new benefit level, which will be presented to your Board later this year.

Since 1986, the Board of Supervisors has annually approved by resolution, a supplemental rate to the employer portion of the County Retirement contribution rate, to ensure a reasonable distribution of the "pay as you go" costs of retirement health insurance to all county departments, agencies and programs. This annual amount was previously determined by the Sonoma County Employees Retirement Association (SCERA). The current rate for FY 2008/09 is 7.50% was approved by the Board on June 10, 2008.

Following various actuary and other reports presented to the Board from 2006 through 2008 related to the County's analysis of its OPEB liability, the goal amount of 7.5% of payroll for retiree medical costs was established by the Board of Supervisors in early 2008, as a way to fulfill the intent of fiscal sustainability for a retiree medical program. With recent changes in retiree medical benefit contributions, an ARC payment of 7.5% or \$23 million dollars in fiscal year 09/10 converts the County's pay as you go system to a pre-funding of future retirement medical obligation. This contribution rate will cover the County's current estimates of the County's contribution for retiree medical during the 5 year phase-in of the new contribution methodology, and will fund the County's contribution towards Medicare Part B premium reimbursement costs. Any remaining contributions, will be transferred to the County's OPEB trust, managed by PARS, to go towards pre-funding the County's OPEB unfunded liability. All retiree medical contributions are paid into the Medical Retiree Clearing Trust, Index No. 306514 and Fund No. 17-030-066. Subsequently, funds are transferred to SCERA to pay retiree medical premiums for the County Health Plan, Kaiser, Pacificare and AARP-United Healthcare, as well as to reimburse for Medicare Part B premiums.

Recommendations:

Pursuant to prior Board direction, approve the annual supplemental retiree medical employer contribution rate of 7.5% of payroll for the funding of retiree medical costs.

Authorize the resolution and concurrent resolution.

Attachments: Resolutions

On File With Clerk:

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote:

