

**RESOLUTION NO. 23-4714**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MURRIETA, CALIFORNIA, APPROVING THE ADOPTION OF THE OTHER POST EMPLOYMENT BENEFITS (“OPEB”) FUNDING POLICY**

**WHEREAS**, the City of Murrieta (“City”) provides retirement benefits to its employees by contracting with the California Public Employees Retirement System (“CalPERS”); and

**WHEREAS**, beginning in the fiscal year ending June 30, 2018, the City must recognize the Other Post Employment Benefits (“OPEB”) unfunded liabilities in its Comprehensive Annual Financial Report due to the implementation of Governmental Accounting Standards Board Statement No. 74 and 75; and

**WHEREAS**, the City’s current pay-as-you-go (“pay-go”) funding approach for OPEB is not financially sustainable over the long-term; and

**WHEREAS**, public agencies have the option to address OPEB costs through a Section 115 Public Agency Trust; and

**WHEREAS**, on June 2, 2009, the City’s City Council authorized participation in the California Employers’ Retiree Benefit Trust (CERBT) Fund, which is a Section 115 irrevocable trust fund dedicated to prefunding OPEB; and

**WHEREAS**, assets held in a Section 115 Irrevocable Trust can be diversely invested in a prudent fashion per Government Code Sections 53620 through 53622; and

**WHEREAS**, an OPEB Funding Policy establishes a methodology and a process for funding current and future costs associated with the City’s contractual obligations to provide retirement benefits as set forth in the City’s labor agreements.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MURRIETA, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1.** That the City Council hereby adopts the Other Post Employment Benefits Funding Policy, attached hereto as Exhibit A.

**PASSED AND ADOPTED** this 7<sup>th</sup> day of November 2023.

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Lisa DeForest, Mayor

ATTEST:

\_\_\_\_\_  
Cristal McDonald, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Tiffany J. Israel, City Attorney

STATE OF CALIFORNIA    )  
COUNTY OF RIVERSIDE   )§  
CITY OF MURRIETA        )

I, Cristal McDonald, City Clerk of the City of Murrieta, California, do hereby certify that the foregoing Resolution No. 23-4714 was duly passed and adopted by the City Council of the City of Murrieta at the regular meeting thereof, held on the 7th day of November 2023, and was signed by the Mayor of the said City, and that the same was passed and adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Cristal McDonald, City Clerk

**CITY OF MURRIETA  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
FUNDING POLICY**

***I - INTRODUCTION***

The City of Murrieta (“City”) provides a healthcare benefit for all eligible employees. The healthcare plan pays all, or a portion of, health insurance premiums for qualified retirees and their survivors and dependents. Healthcare benefits are also referred to as Other Post-Employment Benefits or “OPEB”.

***II – PURPOSE***

To ensure that the City’s OPEB program is financially sustainable, the program should accumulate adequate resources in a systematic and disciplined manner over the active service life of benefitting employees. The City’s OPEB Funding Policy documents the method the City will use to determine its Actuarially Determined Contributions (“ADC”) to fund the long-term cost of benefits to City employees and retirees. The policy also:

- Demonstrates prudent financial management practices; and
- Promotes long-term planning and strategic planning; and
- Provides guidance in making annual budget decisions; and
- Demonstrates to employees and the public how OPEB will be funded to ensure adequate funding for negotiated benefits.

***III – BACKGROUND***

**1. Obligations**

The City sponsors a single-employer defined benefit OPEB plan that provides medical and prescription drug coverage at retirement. Employees may continue health coverage with the City at retirement for themselves, their spouses, and dependents for life once they meet certain eligibility requirements and as long as required contributions are made. The City contribution for retirees differs depending on the retirement date from City employment and hire date, as described below.

Members of all groups who retired from the City prior to July 1, 2007, receive a monthly contribution of \$695.

The Murrieta General Employees Association (“MGEA”) and Murrieta Supervisors Association (“MSA”) groups and employees covered by the Management and Confidential Compensation (M&C) Plan hired prior to January 1, 2008, who choose to continue their CalPERS health insurance upon retirement, are eligible to receive a monthly contribution to a Retirement Health Savings (“RHS”) Plan in the amount of \$833. Those hired after January 1, 2008, but before July 14, 2014, and retire

with 10 years of City service can receive \$360 per month until Medicare age and then will receive the minimum mandated amount for employer contributions to participate in Public Employees Medical and Hospital Care Act (“PEMHCA”) as determined by CalPERS (commonly referred to as the PEMHCA minimum contribution). Those hired after January 1, 2008, but before July 14, 2014, and who retire with less than 10 years of City service and those hired after July 15, 2014, and who retire from the City, will receive the PEMHCA minimum contribution.

Employees of the Murrieta Police Officers Association (“MPOA”) and Murrieta Police Management Association (“MPMA”) groups hired prior to July 1, 2007, who choose to continue their CalPERS health insurance upon retirement are eligible to receive a monthly contribution to an RHS Plan in the amount of \$833. Those hired after July 1, 2007, who retire with 10 years of City service can receive \$360 per month until Medicare age and then will receive the PEMCHA minimum contribution. Those hired after July 1, 2007, who retire with less than 10 years of City service will receive the PEMCHA minimum contribution.

Employees of the Murrieta Firefighters Association (“MFA”) and Murrieta Fire Management Association (“MFMA”) groups hired prior to January 1, 2010, who choose to continue their CalPERS health insurance upon retirement are eligible to receive a monthly contribution to an RHS in the amount of \$833. Those hired after January 1, 2010, who retire with 10 years of City service can receive \$360 per month until Medicare age and then will receive the PEMCHA minimum contribution. Those hired after January 1, 2010, who retire with less than 10 years of City service will receive the PEMCHA minimum contribution.

## **2. Contributions**

The City shall endeavor to contribute 100% of the ADC. The ADC is the recommended contribution that, if paid on an ongoing basis, is expected to provide sufficient resources to fund (a) future normal cost (cost for new service) and (b) the amortized unfunded liability (cost for past service).

### **A. OPEB Actuarially Determined Contribution (ADC)**

The City will engage an OPEB actuary to determine the City’s ADC based on biennial actuarial valuations. The ADC will include the normal cost for current service and amortization of the unfunded OPEB liability over a closed-end period not to exceed 20 years. The normal cost will be calculated using the entry-age normal cost method using appropriate economic and non-economic assumptions.

The City will review the actuarial valuations to validate the completeness and accuracy of the employee census data and the reasonableness of the actuarial assumptions. Actuarial valuations involve estimates and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

#### ***IV – POLICY***

It is the policy of the City to fulfill its obligation to maintain fiscally responsible management practices and to ensure that promised pension benefits are funded. To that end, the City will meet its pension funding obligations as follows:

##### **1. OPEB Prefunding Trust (Trust)**

As a well-known best practice, the City endeavors to appropriate 100% of the ADC each year during the annual budget process and contribute an equal amount to the OPEB Prefunding Trust (“Trust”). Optionally, to avoid potential investment risk, the City may contribute to the Trust an amount equal to the ADC but net of the current-year estimated retiree benefit payments and implied subsidy to the Trust. At its discretion, the City may reimburse itself from the Trust for all benefits paid to retirees and beneficiaries as well as any implied subsidy contributed to the Trust.

##### **2. Pay-Go Funding**

From time to time, budgetary hurdles may hinder the City’s ability to contribute the full ADC to the Trust. However, at a minimum, the City is fully committed to fully fund its ongoing promised benefit to eligible retirees and their beneficiaries on a Pay-Go basis.

##### **3) Surplus Proceeds**

Nothing in this policy shall preclude the City from making additional discretionary contributions to the Trust to increase the funded status of the long-term OPEB obligation.

#### ***V – REPORTING and TRANSPARENCY***

Funding of the City’s OPEB liability should be transparent to all parties, including City employees, retirees, the City Council, and Murrieta residents. To achieve this level of transparency, the following information shall be available:

- a. Copies of the biennial actuarial valuations for the City’s OPEB plan shall be made available to the City Council.
- b. The City’s Annual Comprehensive Financial Report shall be published on its website. This report includes information on the City’s OPEB plan, contributions to the OPEB Trust, and the funded status of the plan.
- c. The City’s biennial operating budget shall include each year, appropriations for ADC contributions to the OPEB Trust or pay-go costs, at a minimum, to fund promised retiree benefits. These appropriations will be updated each year during the City’s mid-year budget review process that will be provided to the City Council for approval.
- d. City staff will provide an updated funded status update to the City Council at least annually.

***VI - POLICY REVIEW***

To ensure that adequate resources are being accumulated to meet the City's OPEB goals, the City will review this policy biennially in conjunction with the completion of its OPEB actuarial valuations.