



# GREATER VALLEJO RECREATION DISTRICT

Board of Directors  
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Robert Briseño  
Adjoa McDonald  
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General Manager  
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In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact the District Office at 707-648-4604 or fax 707-648-4616. Requests must be made as soon as possible and at least three (3) full business days before the start of the meeting.

## **Budget and Finance Committee Directors: Aliga and McDonald**

### **Agenda**

**Monday, April 18, 2022**

**6:30 p.m.**

**Administrative Office – Board Room  
395 Amador Street**

- 1. Other Post Employment Benefits (OPEB)**
- 2. CalPERS Unfunded Accrued Liability refinance update**
- 3. Review of the District's funds/revenue sources**

**Next Meeting: May 16, 2022**

### **Mission Statement:**

*Building community and enhancing quality of life through people, parks, and programs.*

Website: [www.gvrd.org](http://www.gvrd.org)

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**OTHER POST-EMPLOYMENT BENEFITS  
LIABILITY MANAGEMENT POLICY**

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**Greater Vallejo Recreation District**

**Adopted by the Board of Directors of the  
Greater Vallejo Recreation District**

**Pursuant to Resolution No. \_\_\_\_\_**

**\_\_\_\_\_, 2021**

# **GREATER VALLEJO RECREATION DISTRICT OTHER POST-EMPLOYMENT BENEFITS LIABILITY MANAGEMENT POLICY**

## **Section 1. Purpose**

The purpose of this Other Post-Employment Benefits Liability Management Policy (the “Policy”) is to set forth the District’s overall Other Post-Employment Benefits (OPEB) investment and funding goals, strategies, methods and assumptions that will be used to satisfy the District’s obligation (the “OPEB Obligation”) to provide OPEB to its employees who are entitled (the “Eligible Employees”) to post-employment benefits pursuant to the District’s adopted qualified governmental post-employment health care plan (the “OPEB Plan”).

The District is committed to fiscal sustainability by employing long-term financial planning efforts, maintaining appropriate reserve levels, and employing prudent practices in governance, management, budget administration, and financial reporting.

The Policy is intended to reflect a reasonable and conservative approach to managing the OPEB costs. This Policy recognizes that the funding of OPEB is subject to market volatility and that actual economic and demographic experience of the OPEB Plan will differ from the actuarial assumptions. Accordingly, it is intended to allow for adaptive responses to changing circumstances, providing flexibility to address such volatility in a reasonable, systematic, and financially sound manner.

## **Section 2. Policy Goals and Objectives**

The overarching goals and objectives of this Policy are as follows:

- Establish, attain, and maintain targeted OPEB funding levels
- Provide sufficient assets to permit the payment of all benefits under the OPEB Plan
- Seek to manage and minimize future contribution volatility to the extent reasonably possible
- Strive to make Annual Discretionary Payments towards the OPEB Plan
- Maintain the District’s sound financial position and creditworthiness
- Provide guidance in making annual budget decisions
- Create sustainable and fiscally sound future budgets
- Demonstrate prudent financial management practices
- Ensure that funding decisions protect both current and future stakeholders
- Create transparency as to how and why OPEB is funded

## **Section 3. Background and Discussion**

In the past, the District the District has chosen to pay the cost of OPEB each year on a pay as you go basis. These annual “pay-as-you-go” benefit expenses have increased over the past five or so years, and are expected to continue growing at that pace as more active employees retire and as healthcare costs increase. Payment of OPEB expenses as they come due, rather than as they are earned, results in the accumulation of unfunded liability for the future benefit.

## GREATER VALLEJO RECREATION DISTRICT OTHER POST-EMPLOYMENT BENEFITS LIABILITY MANAGEMENT POLICY

To help address the problem of growing unfunded liabilities, in 2021, the District created an dedicated OPEB trust (the “Trust”) evidenced by a trust agreement (the “Trust Agreement”). The District’s separate portion of the Trust dedicated to funding its OPEB Obligation and defraying the reasonable expenses associated with the same is referred to as the District’s “OPEB Account.” Capitalized terms that are not defined herein shall have the meaning attributed to such terms in the Trust Agreement.

The Trust was established with the intention that it qualify as a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Internal Revenue Code of 1986, as amended (the “Code”). It is intended that contributions to the District’s OPEB Account shall qualify as “plan assets” within the meaning of GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions). At any time prior to the satisfaction of all liabilities with respect to Eligible Employees under an Employer’s OPEB Account, the OPEB Account assets shall not be used for, or diverted to, any purpose other than funding the Employer’s OPEB Obligation and defraying the reasonable expenses associated with the same.

Distributions of benefits are neither general nor special obligations of the District, but are payable solely from the Assets held in the District’ OPEB Account, as more fully described in the Trust Agreement.

In order to assure its financial soundness and sustainability, the OPEB Plan should accumulate adequate resources in a systematic and disciplined manner to ensure sufficient resources are available to meet employee benefit requirements. This Policy outlines the practices the District will utilize to address its actuarially determined contributions to fund the long-term costs associated with the OPEB Plan.

### Section 4. Policy

**A. Minimum Funding Level Objective.** It is the District’s policy to strive to achieve and maintain a OPEB “Funded Ratio” (being the ratio by which the Assets in the OPEB Account compare to the Actuarial Accrued Liability (AAL)) of at least █% (the “Minimum Funding Level Objective”).

In order to achieve this Minimum Funding Level Objective, while also maintaining healthy reserves and provide sufficient funding for ongoing operations, this objective needs to be achieved over a period of time, and therefore the following Incremental Funding Level Objectives are established.

#### **Incremental Funding Level Objectives**

By year 2027 – 75% but not below 65%

By year 2032 – 85% but not below 75%

By year 2037 and beyond – █% but not below 85%

Achieving and maintaining the █% Minimum Funding Level Objective ensures that the ongoing contributions of the District and its employees, and therefore the taxpayer funds, are properly and adequately funding the OPEB benefits of retirees and today’s workers. This concept is commonly referred to as the intergenerational equity. Falling short of this funded level forces future taxpayers to pay the costs of the poor planning and execution of today’s OPEB Plan.

**GREATER VALLEJO RECREATION DISTRICT  
OTHER POST-EMPLOYMENT BENEFITS LIABILITY MANAGEMENT POLICY**

**Guidance:** To achieve the Minimum Funding Level Objective, this Policy provides the following guidance:

1. **Biennial Actuarial Valuations.** The OPEB Plan’s actuary shall conduct an actuarial valuation biennially, based on actual OPEB Plan data, to determine funding progress as well as District contributions for the following two fiscal years (the “Actuarial Valuation Report”).
2. **Actuarially Determined Contribution Rate.**
  - a. The Actuarial Valuation Report shall include calculation of a recommended Actuarially Determined Contribution (ADC) rate. The ADC is intended to fund new OPEB liabilities as they are earned each year (being the Normal Cost component) plus an amortization of the existing Unfunded Actuarial Accrued Liability (UAAL).
  - b. The UAAL amortization component shall consist of:
    - i. The initial UAAL amortized as a level dollar amount over a fixed 20-year period.
    - ii. Future unexpected changes in plan liabilities or assets at each valuation date shall each be amortized in “layers” as level dollar amounts over separate, fixed 20-year periods.
  - c. The ADC shall be reduced by the expected employee contributions to arrive at a net Actuarially Determined Employer Contribution (ADEC) rate. This target contribution rate may be expressed as a dollar amount or as a percent of payroll.
  - d. The ADEC shall be further reduced by the amount of annual retiree benefits payments (Implicit Subsidy and/or Explicit Subsidy payments) which are paid from the District’s general assets but not reimbursed by the Trust.
3. **Funding Policy Contribution Rate.** The District will strive to meet the Incremental Funding Level Objectives in the following manner:
  - a. By placing into Trust     % of any available (i) surplus reserves (i.e., any available reserve balance above stated policy level objectives), (ii) one-time revenues and (iii) fund surpluses. Each supplemental contribution reduces the UAAL balance, the ADC for future years, and the total interest costs associated with the UAAL. Therefore, during each budget cycle, the District staff shall review all available reserves, one-time revenues and fund surpluses to determine whether any such funds could be used to make a contribution to the Trust, keeping in mind budgetary constraints and the prudence of maintaining adequate reserves
  - b. The District will place     % of any year-end surplus into the Trust.
  - c. The District will seek to contribute the Actuarially Determined Contribution rate annually, though it maintains the flexibility to reduce contributions when fiscally necessary.
4. **Annual Review of the Actuarial Valuation Reports and Associated Tasks.** The District staff shall review or cause to be reviewed the Actuarial Valuation Reports within 30 days of their release by the actuary. The review should focus on identifying the annual changes to each of the

**GREATER VALLEJO RECREATION DISTRICT  
OTHER POST-EMPLOYMENT BENEFITS LIABILITY MANAGEMENT POLICY**

OPEB Plan, and quantifying the associated cost implications and the corresponding impact on the Funded Ratio. In making ADPs, the District staff shall determine or cause to be determined the optimal funding adjustments required to achieve Minimum Funding Level Objective as well as desired budgetary outcomes.

**B. Transparency and Reporting.** Funding of the OPEB Plan should be transparent to all stakeholders, including District employees, retirees, recognized employee organizations, the Board of Directors, and District residents. To achieve this transparency, copies of the Actuarial Valuation Reports shall be made available to the Board, and shall be posted on the District's website. The District's audited financial statements shall also be posted on the District's because they include, among other things, information on the District's current and future annual OPEB Plan contributions as well as the funded status of the OPEB Plan.

**C. Annual Budget to Contain Policy Directed Information.** The District's annual operating budget shall consider the items specified in this Policy for inclusion in each such annual budget, including appropriations for contributions to the Trust and pay-go costs.

**D. Review of Policy.** Funding OPEB requires a long-term horizon planning approach. This Policy is intended to provide general objectives and guidelines, which will require periodic review and constant update to consider changes in the District's financial position and OPEB Plan funded status over time. As such, District staff will review the Policy for implementation of new best practices and will provide to Board for adoption on an as needed basis, not to exceed 5 years.