

Management Committee

Meeting date: May 28, 2014

For the Metropolitan Council meeting of June 11, 2014

Subject: Policy Revision: Funding Other Post Employment Benefits (OPEB)

District(s), Member(s): All

Policy/Legal Reference: Policy 3-1-3 / Funding Post Employment Benefits / M.S. 471.61

Staff Prepared/Presented: Mary Bogie, Chief Financial Officer, 651-602-1359

Division/Department: Regional Administration/Finance

Proposed Action

That the Metropolitan Council approves the attached revised policy titled "Funding Other Post Employment Benefits (OPEB)".

Background

The Council has agreements with some employee bargaining units to provide Council-paid OPEB benefits for eligible staff and retirees and their dependents.

Other Post Employment Benefits (OPEB) are employee benefits (other than pensions) that are earned by employees during employment at the Council, but are not paid by the Council until after the eligible employees' retirement.

Retiree health insurance benefits that result in OPEB liability have been sunset (2004 or earlier) for new hires in all bargaining agreements.

The Council's funding policy requires annual funding of the explicit (i.e. liability from language in bargaining agreements) future costs associated with eligible active employees (normal costs) and current costs associated with retirees (pay-as-go).

Rationale

Proposed policy revisions do not change the Council's funding methodology. The revised policy defines a "fully funded" status of a division's OPEB liability and clarifies the framework for disbursement of reserve fund balances. In addition, the revised policy formalizes the role of the Investment Review Committee to provide oversight of the investment strategy for OPEB reserves and Management Committee review of funding progress and actuarial valuation results.

Funding

The Council's funding policy requires annual funding of the present value of expected future costs associated with eligible active employees (normal cost) and current costs associated with retirees (pay-as-go) within division operating budgets until fully-funded.

Known Support / Opposition

None