POLICY ON PENSION AND OPEB (Other Post Employment Benefit) LIABILITIES
Amended 12-17-19

Purpose:

The purpose of this policy is to ensure an adequate and appropriate approach to the monitoring and payment of the Pension (CalPERS) unfunded liabilities and OPEB (Other Post Employment Benefits) unfunded liabilities of the City of Winters. These procedures and guidelines are designed to provide an approach to the payment of pension liabilities and OPEB unfunded liabilities to maintain the City of Winters CalPERs retirement and health care plans for current and former employees.

Policy:

It is the policy of the City of Winters that the payment of pension and OPEB unfunded liabilities is a priority for the City of Winters and that a proactive approach to funding these liabilities is a prudent financial practice.

Policy related the payment of CalPERS Pension liabilities are as follows:

1. The City of Winters shall remit to CalPERS the required amounts per the Annual Valuation Report issued by CalPERS each year and each pay period as required by CalPERS.
2. Beginning Fiscal Year 2019-2020, the City of Winters will pay the "Employer payment of unfunded liability" each year in one lump sum payment in July of each year in order to maximize the savings in interest charged by CalPERS, thereby, minimizing the required payment each year.

3. Beginning in Fiscal Year 2019-2020 the City of Winters will include in the annual budget and remit to CalPERS, yearly, an additional amount for the Tier 2 Police Safety Plan, the Fire Safety Plan, the Miscellaneous PEPRA Plan, the Police Safety PEPRA Plan and the Fire Safety PEPRA plan, to pay the entire amount of the unfunded Accrued Liability (UAL) as shown on the most recently dated Annual Valuation Report (the amount on the report dated typically 2 years prior to the beginning of the fiscal year (example July 30, 2017 for Fiscal Year 2019-2020)

4. In Fiscal Year 2020-2021 The City of Winters will include in the annual budget, and remit to CalPERS, $100,000 for an additional discretionary payment for the Miscellaneous Classic ($50,000) and Police Safety Classic ($50,000) Plans .

5. In Fiscal Year 2021-2022 The City of Winters will include in the annual budget, and remit to CalPERS, $150,000 for an additional discretionary for the Miscellaneous Classic ($75,000) and the Police Safety Classic ($75,000) Plans.

6. In Fiscal Year 2022-2023 and succeeding years thereafter, until the unfunded actuarial valuation each year is less than $100,000 per Classic plan, The City of Winters will include in the annual budget, and remit to CalPERS, $200,000 for an additional discretionary payment the Miscellaneous Classic ($100,000) and Police Safety Classic ($100,000) Plans.

7. Once the unfunded actuarial valuation has fallen below $100,000 per Classic plan, the City of Winters will include in the annual budget and remit to CalPERS, yearly, an additional amount for the Miscellaneous Classic and the Police Safety Classic Plan, to pay the entire amount of the unfunded accrued liability (UAL) as shown on the most recently dated Annual Valuation Report. (see item #4 above)

8. In addition to the above stated policies, it shall be the policy of the City of Winters to review the extent of revenues in excess of expenditures for the General Fund each year and remit 25% of the revenues in excess of expenditures to additional discretionary payments to CalPERS for application to the unfunded liabilities for Miscellaneous Classic Plan and the Police Safety Plan until such time as the unfunded liability has reached -0-.

9. In addition to the above stated policies, it shall be the policy of the City of Winters to review the extent of net revenues in excess of required bond covenants for the Water fund each year and remit 25% of the net revenues in excess of bond covenants to additional discretionary payments to CalPERS for application to the unfunded liabilities for Miscellaneous Classic Plan until such time as the unfunded liability has reached -0-.

Policy related to the payment of OPEB unfunded liabilities are as follows:

1. Other post-employment benefits (OPEB) for the City of Winters refers "only" to the employer share of retired employee health insurance premiums.

2. The rates for the employer share of retired employee health insurance premiums are set by CalPERs only.
3. The City of Winters shall remit to CalPERS on a monthly basis as billed, the full amount due for all health insurance premiums, including the premiums for the employer share of retired employee health insurance benefits.
4. The City of Winters shall enter into an agreement with an appropriately selected provider of Section 115 Trust (A trust set up by local governments to fund essential governmental functions such as retiree healthcare, or pensions) for pre funding OPEB liabilities.
5. Beginning 2020-2021 the City will include in the annual City Budget, and remit to the CERBT, the amount equal of $66,000. This contribution amount will remain in effect until such time that the total Funds in the CERBT equal the amount of the OPEB liability.
6. Once the CERBT amount is less than the OPEB liability by less than $66,000, then the annual contribution to be remitted to the CERBT will be equal to the difference between the OPEB Liability and the CERBT.
7. In addition to the above stated policies, it shall be the policy of the City of Winters to review the extent of revenues in excess of expenditures for the General Fund each year and remit 25% of the revenues in excess of expenditures to additional discretionary payments to CERBT for application to the OPEB liabilities for until such time as the unfunded liability has reached -0-.
8. In addition to the above stated policies, it shall be the policy of the City of Winters to review the extent of net revenues in excess of required bond covenants for the Water and Sewer fund each year and remit 25% of the net revenues in excess of bond covenants to additional discretionary payments to CERBT for application to the unfunded OPEB liabilities until such time as the unfunded liability has reached -0-.