



**Contra  
Costa  
County**

To: Board of Supervisors  
From: Monica Nino, County Administrator  
Date: February 1, 2022

Subject: Ordinance No. 2022-08 repealing Ordinance Code chapter 62-10, Allocation of Funds for Other Post-Employment Benefits

**RECOMMENDATION(S):**

ADOPT Ordinance No. 2022-08 repealing Ordinance Code chapter 62-10, Allocation of Funds for Other Post-Employment Benefits.

**FISCAL IMPACT:**

The financial impact of repealing Ordinance Code chapter 62-10, Other Post-Employment Benefits (OPEB) Funding, is approximately \$67.0 million, which will be redirected to employee wages.

**BACKGROUND:**

On May 16, 2006, the Board of Supervisors received an actuarial analysis of the County's liability for retiree healthcare and other post-employment benefits (OPEB), which identified a total (and growing) liability of \$2.6 billion. On June 26, 2007, as part of a strategic funding strategy, the Board of Supervisors adopted an OPEB funding target of 100% of the potential liability for the retiree population. The volatility of the health benefit environment ruled out targeting 100% of the entire potential future liability. Additionally, the Board's goal to ensure our service delivery balance also made funding 100% of the liability impossible. Conversely, long-term impact to the County and General Fund balance sheets

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY  
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD  
COMMITTEE

Action of Board On: **02/01/2022** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

**VOTE OF SUPERVISORS**

AYE: John Gioia, District I Supervisor  
Candace Andersen, District II Supervisor  
Diane Burgis, District III Supervisor  
Karen Mitchoff, District IV Supervisor  
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: February 1, 2022

Monica Nino, County Administrator and Clerk of the Board of Supervisors

Contact: Lisa Driscoll, County Finance Director (925) 665-2047

By: June McHuen, Deputy

ruled out continuing to pay only current costs (pay-go). After discussion, the Board adopted an OPEB pre-funding policy targeting the entire amount associated with the retiree population, which equated to approximately 40% of the total liability at that time (\$1.029 billion).

## BACKGROUND: (CONT'D)

The Board also adopted an allocation of specific future eligible resources to meet the requirements for OPEB funding. The following table lists those annual resources identified at that time (in millions):

Resource	Beginning FY	Amount
Redirect Workers Compensation	2008/09	\$10
Redirect UAAL Rate Adjustment	2009/10	\$10
Redirect POB Bond payments	2014/15	\$33
Redirect POB Bond payments	2022/23	<u>\$47</u>
Total Annual Future Resource Redirection	2024 - onward	\$100

On September 25, 2007 the Board of Supervisors approved the selection of an irrevocable trust structure (Internal Revenue Code Section 115) for OPEB funding for Contra Costa County. The purpose of the Trust is to hold assets to pay post employment health benefits and the purpose of the Plan is to provide post employment health benefits for certain retired employees and their spouses and dependents. The County began pre-funding benefits in the 2008/09 fiscal year. Due to budget constraint, in 2014, the allocation target was revised (by Ordinance) to (in millions):

Resource	Beginning FY	Amount
Redirect Workers Compensation	2008/09	\$10
Redirect UAAL Rate Adjustment	2009/10	\$10
Redirect POB Bond payments	2022/23	<u>\$47</u>
Total Annual Future Resource Redirection	2024 - onward	\$67

The most recent actuarial report (attached), as of June 30, 2021, identified the fiduciary net position as \$444.728 million, the current net position of the total OPEB liability as 50.6%, and the current percentage of retirees to actuals in the liability as 43.57%. The assets held in the OPEB Trust exceed the targeted funding level; therefore, on January 25, 2022, the County introduced an Ordinance to repeal Ordinance Code chapter 62-10 (attached), waived the reading, and fixed February 1, 2022 for adoption. It should be noted that, pursuant to the Ordinance, the allocation of future resources specified in this section can be changed only by a five-fifths vote of the Board of Supervisors.

## CONSEQUENCE OF NEGATIVE ACTION:

Delay in repealing the Ordinance on Other Post-Employment Benefits Funding, which impacts the allocation of resources in the annual budget.

## ATTACHMENTS

Ordinance No. 2022-08

Ordinance Chapter 62-10

OPEB Actuarial Report of October 6, 2021