Staff Report: Consideration of Certain Other Post Employment Benefit (OPEB) Changes

TO: Honorable Mayor and Members of the City Council

ATTENTION: Thaddeus McCormack, City Manager

FROM: Jose Gomez, Director of Finance and Administrative Services

Introduction

As part of the City Manager's annual evaluation last year (2025), the City Council directed staff to review the City's retiree medical benefits – commonly referred to as Other Post Employment Benefits (OPEB) – for the Executive Management Team (inclusive of the City Manager) as part of the City's broader Executive Management recruitment and retention strategy, and created an Ad Hoc Committee comprising two Council Members to develop potential recommendations for OPEB changes. In response, staff examined OPEB benefits offered by comparable agencies in the region, engaged the services of an actuarial to study various options, and met on two occasions with the Ad Hoc Committee to refine a potential OPEB program for Executive Management employees. The Ad Hoc Committee agreed on a proposed program and recommended presentation to the City Council as a whole. The item was presented to the City Council at its Special Meeting of the City Council on October 13, 2026, for discussion and direction, wherein the City Council directed staff to bring the item back for consideration of approval in the form of a Resolution, in accordance with State law.

Statement of Facts

The City currently provides OPEB benefits to eligible full-time employees who meet established eligibility requirements through one of the two following manners:

- Reaching age 55 with at least 20 years of full-time service with the City; or
- Reaching age 60 with at least 15 years of full-time service with the City.

For eligible retirees, the City pays 100% of the premium for Kaiser single-person coverage, which is currently $969.05 per month for a period equivalent to the retiree's total number of months of full-time service with the City. The benefit amount is significantly reduced when the retiree becomes eligible for Medicare.

While the existing benefit provides a meaningful retirement benefit to long-term employees, the vesting requirements and benefit levels present challenges in recruiting and retaining qualified candidates for Executive Management positions, many of whom did not begin their careers with the City and therefore may not achieve the tenure necessary to qualify for the OPEB benefit.

The City does develop and hire Executive Management employees from within when feasible but often looks to the broader municipal pool of talent to bring in qualified executive-level managers when appropriate. In those instances, the City is disadvantaged to the extent that some potential experienced candidates have more favorable OPEB benefits through their current employer or only apply for positions with agencies that have more favorable OPEB benefits. As a result, the proposed OPEB changes were developed to restore the City's competitive position in executive-level recruitment and retention.

To assist the City in presenting potential options, Molly McGee of Actuarial Retirement Consulting has prepared related cost information and will present it at the City Council Meeting pursuant to California Government Code 7507.

Fiscal Impact

The City has an irrevocable trust account with Public Agency Retirement Services (PARS) for prefunding OPEB liabilities. Utilizing a 6% discount rate and based on the assumptions of the latest actuarial study, the trust is funded at 101% as of June 30, 2025. If the City Council adopts OPEB modifications as included in the Resolution, the new funding level would be 99%.

Recommendation

It is recommended that the City Council adopt Resolution No. 2026-52 – A Resolution amending the eligibility requirements for participation by the City's Executive Management Officers in the City's Health Reimbursement Arrangement for retirees.

ATTACHMENTS

Resolution No. 2026-52