



KENSINGTON FIRE PROTECTION DISTRICT

DATE: February 19, 2025
TO: Board of Directors
RE: Introduction by title only of new Board *Policy 1175 OPEB Funding, Use, and Reporting*
SUBMITTED BY: Mary A. Morris-Mayorga, General Manager

Recommended Action

Following introduction by title only, staff recommends the Board consider approving new *Policy 1175 OPEB Funding, Use, and Reporting* and waive the first reading.

Background

Dmitry Semenov, Ridgeline, recommended an Other Post-Employment Benefits (OPEB) policy as a component of the KFPD Fiscal Analysis. Staff has developed a draft policy for the Board to review and consider approval for proceeding to a second reading.

The new *Policy 1175 OPEB Funding, Use, and Reporting*, documents the District's OPEB and CERBT funding, utilization, and participation:

- the District provides post-retirement health benefits (medical, dental and vision) to and pays 100% of the premiums for a closed group of former employees (plus surviving spouses) who retired from the District;
- the District elected to participate in the California Employers' Retiree Benefit Trust (CERBT) in 2008 and contributed \$1,165,000 to CalPERS (CERBT's administrator);
- CERBT is an irrevocable trust fund organized under Section 115 of the Internal Revenue Code (IRC) that allows public employers to prefund future costs of OPEB;
- OPEB Liability is currently fully funded so no additional contributions are needed;
- CERBT and the IRC allows disbursement of OPEB costs (insurance premiums) which the District requests/receives each year;
- there is no ability to withdraw overfunding until all participants have passed; and
- the District is required to complete OPEB cost reports using actuarial assumptions and methods that comply with Actuarial Standards of Practice and with Governmental Accounting Standards.

If the new policy is approved to proceed with, next steps are:

- second reading and policy adoption on March 19, 2025; and
- new *Policy 1175 OPEB Funding, Use, and Reporting* becomes effective on April 18, 2025.

Fiscal Impact

There is no fiscal impact from this policy.

Attachments: Policy 1175 OPEB Funding Use, and Reporting



KENSINGTON FIRE PROTECTION DISTRICT POLICY MANUAL

Policy Number	1175
Policy Title	OPEB Funding and Reporting
Last Revision Date	/ /202

1175.00 Policy: The District provides post-retirement health benefits (medical, dental and vision) to a closed group of former employees (plus surviving spouses) who retired from the District and pays 100% of the premiums. This Policy documents the funding and reporting.

1175.10 Funding: In 2008, the District elected to participate in the California Employers' Retiree Benefit Trust (CERBT) to assure sustainability and contributed \$1,165,000 to CalPERS, the CERBT's administrator. CERBT is an irrevocable trust fund organized under Section 115 of the Internal Revenue Code (IRC) that allows public employers to prefund the future cost of their retiree health insurance benefits and other post-employment benefits (OPEB) for covered retirees. The Total OPEB Liability is currently fully funded so no additional contributions are needed.

1175.20 Use of Funds: The District will request reimbursement from CERBT for the OPEB costs paid each year for health, dental, and vision.

1175.30 Reporting: As a CERBT participating agency, the District is required to complete and provide periodic OPEB cost reports using actuarial assumptions and methods that comply with Actuarial Standards of Practice and with Governmental Accounting Standards. The District engages an actuarial for this work which is also needed for the annually audited financial statements. Every two years, a full valuation is required while a roll-forward valuation is required between valuations (provided the plan does not experience significant changes that would substantially alter the comparison between years). These valuations are used to prepare audit adjusting entries and for financial statement notes.

1175.40 Overfunding: When the actuarial valuation reflects that OPEB is fully funded (greater than 100%) any options the District has will be in accordance with the IRC and CERBT. Currently, there is no option for distribution of funds aside from disbursements for the annual OPEB costs which is done annually. Once all covered participants have passed and there is no remaining OPEB liability, the District could request for return of those funds.