



CITY OF NEW BEDFORD

JONATHAN F. MITCHELL, MAYOR

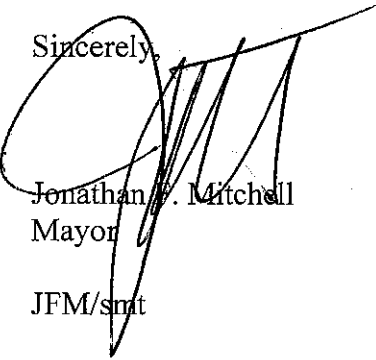
November 15, 2016

City Council President Linda Morad
Honorable Members of the City Council
133 William Street
New Bedford, MA 02740

Dear Council President Morad and Honorable Members of the City Council:

I am submitting for your approval an ORDER that the City Council and Mayor hereby approve the policy entitled "Other Post Employment Benefits Trust Fund" for the purpose of establishing guidelines for the management of the City's OPEB liability, as presented to the City Council on November 22, 2016

Sincerely,



Jonathan F. Mitchell
Mayor

JFM/smt



OFFICE OF THE CFO

ARI J. SKY
CHIEF FINANCIAL OFFICER

CITY OF NEW BEDFORD

JONATHAN F. MITCHELL, MAYOR

November 15, 2016

TO: Mayor Jonathan F. Mitchell
FROM: Ari J. Sky, Chief Financial Officer
SUBJECT: Proposed OPEB Trust Fund Policy

As you know, we have made the development and implementation of financial policies a priority as part of the ongoing professionalization of the City's financial management processes. New Bedford has received a great deal of credit from the rating agencies and the State for the adoption of policies that govern the management of fund balance, debt issuance and investments.

In 2015, the City established the Other Post Employment Benefits (OPEB) Trust Fund, which allows for the segregation of funds to address the City's OPEB liability. Attached is a draft policy for management of the fund, which includes strategies for investment and withdrawals. Specifically, the policy designates 10% of certified General Fund Free Cash, along with a proportional deposit from the City's enterprise funds, as a minimal annual target. In addition, the policy prohibits any withdrawals until the Trust Fund balance is sufficient to maintain a two year reserve for retiree medical claims costs.

Thank you for your consideration. I respectfully request the inclusion of the proposed policy in the Mayor's Papers for the City Council's November 22, 2016, meeting.

cc. City Treasurer

Attachment



CITY OF NEW BEDFORD

CITY COUNCIL

November 22, 2016

ORDERED: That the City Council and Mayor hereby approve the policy entitled "Other Post Employment Benefits Trust Fund" for the purpose of establishing guidelines for the management of the City's OPEB liability, as presented to the City Council on November 22, 2016.

CITY OF NEW BEDFORD, MASSACHUSETTS

Policy Title: Other Post Employment Benefits Trust Fund

Effective Date:

I. INTRODUCTION

The purpose of this policy is to establish guidelines for the management of the impact of the City's Other Post Employment Benefits (OPEB) liability on the overall budget and credit rating, within the context of the City's long-term obligations to its retirees. The Other Post-Employment Benefits (OPEB) Liability Trust Fund was initially established in 2015, with the acceptance of Chapter 32B, Section 20, of the Massachusetts General Laws, which requires the segregation of funds to address the City's actuarial liability.

The custodian of the OPEB Trust Fund is the City Treasurer. The City of New Bedford utilizes the State Retiree Benefits Trust Fund to invest funds that are designated for addressing the City's OPEB liability. Transfers into, and withdrawals from, the OPEB Trust Fund require an appropriation by the City Council, upon recommendation by the Mayor.

II. FUNDING SOURCES

The OPEB Trust Fund may be supported by transfers from multiple funding sources, potentially including taxation, enterprise fund revenue and/or Free Cash. At minimum, the City will seek to designate an amount equivalent to at least 10% of certified General Fund Free Cash for deposit into the OPEB Trust Fund on an annual basis. In addition, funding will be designated from the individual enterprise funds to offset the funds' overall share of assigned liabilities as determined by the most recent actuarial study. All interest proceeds generated by the accumulated deposits shall accrue to the Trust Fund.

III. MANAGEMENT OF OPEB LIABILITY TRUST FUND

The City's management team, working with union representatives and health care providers, will continue to make every effort to manage the OPEB liability by identifying revisions to benefit delivery and cost assignment that will reduce out year costs. Management of the Trust Fund is subject to the following parameters:

- A. Current retiree health obligations will be funded on a pay-as-you-go basis.
- B. Withdrawals under any circumstances will not occur unless the Trust Fund balance is sufficient to maintain at minimum a two year reserve for the City's share of retiree claims costs.
- C. The City may only draw upon the Trust Fund to offset the impact of unexpected increases in retiree benefit costs once the reserve benchmark has been attained, and only if such increases will stabilize annual expenditures.
- D. The City will evaluate, adopt and implement policies and strategies to limit future OPEB liabilities as legislatively allowed and appropriate.
- E. The City may, as available funds provide, opt to set aside more than the amount required to achieve and maintain the benchmark reserve.