

FINANCE COMMITTEE

14-074-0

ORDINANCE NO. _____

AN ORDINANCE ESTABLISHING A FUNDING FRAMEWORK THAT USES BOTH ANNUAL APPROPRIATIONS AND THE OPEB TRUST FUND TO PAY THE COST OF OTHER POST-EMPLOYMENT BENEFITS.

CITY PROPOSAL:

The city of Duluth does ordain:

Section 1. That Chapter 20 of the Duluth City Code 1959, as amended, is hereby amended by adding a new Article IV thereto which reads as follows:

Article IV. Funding Retiree Healthcare Costs.

Sec. 20-36. Policy and purpose.

Minnesota Statutes, Section 353.95, provides for the establishment of an irrevocable other post-employment benefits ("OPEB") trust fund to finance payments owed by the city on behalf of retired employees for health insurance costs. Since the establishment of the city's OPEB trust fund in 2007, the city has accumulated significant assets from the investment of annual contributions made into the fund.

In order to provide budgetary certainty, predictability and stability, while ensuring the viability and sustainability of the retiree healthcare benefits, the city is seeking to provide a long term funding framework.

Sec. 20-37. Definitions.

(a) OPEB trust fund. An irrevocable trust fund established pursuant to Minn. Stat. Sec. 353.95 to fund and pay for post-employment benefits;

(b) Pooled portfolio. All city cash balances that are pooled and invested to maximize investment income. The pooled portfolio excludes special purpose portfolios such as the community investment trust fund.

Sec. 20-38. Payment of retiree healthcare costs.

The city shall pay the lesser of the city's total retiree healthcare costs or \$9,000,000 of the city's annual retiree healthcare costs through its appropriation process. The city's annual retiree healthcare costs that exceeds \$9,000,000, if any, may be paid from the OPEB trust fund.

Sec. 20-39. Investment of funds.

In order to maintain the financial sustainability of the OPEB trust fund and ensure adequate funding for retiree healthcare costs, the city shall transfer all earning from the city's investments in the pooled portfolio to the OPEB trust fund with the following exceptions:

(a) Investment income from deposits made by the Duluth airport authority, the Spirit Mountain authority, the Duluth transit authority, the Duluth entertainment and convention center authority, and the Duluth economic development authority;

(b) Investment income from the deposit of bond proceeds; and

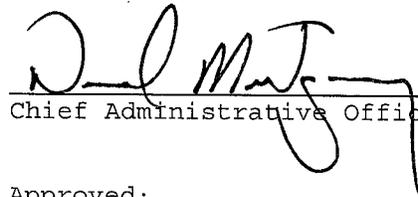
(c) Investment income legally restricted for other purposes.

Section 2. That this ordinance shall take effect on January 1, 2015, or 30 days after its passage and publication, whichever is later.

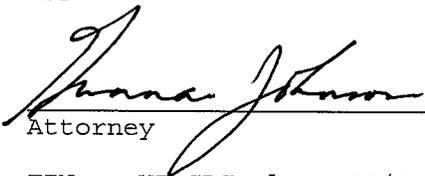
Approved:


Department Director

Approved for presentation to council:


Chief Administrative Officer

Approved as to form:


Attorney

Approved:


Auditor

FIN WF:GBJ:sl 10/31/2014

STATEMENT OF PURPOSE: The purpose of this ordinance is to provide budgetary certainty and stability while also ensuring the long term sustainability of retiree healthcare benefits by allocating funds to the OPEB trust fund and to use both annual appropriations and funds from the OPEB trust fund to pay the cost of other post-employment benefits.