



STAFF REPORT

AGENDA NO: 7a

MEETING DATE: January 20, 2026

To: Honorable Mayor and City Council

Date: January 20, 2026

From: Helen Yu-Scott, Finance Director – (650) 558-7222

Subject: Review of the City's Other Post-Employment Benefits – Retiree Healthcare Plan (OPEB) Liabilities

RECOMMENDATION

This report is for informational purposes only; no action is required.

BACKGROUND

The City provides post-employment healthcare benefits to eligible employees who retired directly from the City under CalPERS. The program allows retirees to continue participation in the medical insurance program after retirement. Under the Plan, the City pays retiree healthcare benefits up to a cap for eligible retirees and dependents based on bargaining unit and hire date.

In response to the prospect of alarmingly high future employer contribution rates, the City modified the Plan through negotiations with bargaining units throughout the years. The City currently has three tiers of retiree medical benefits. Employees hired on after January 1, 2012 (or an earlier date as defined in the MOUs), are members of Tier 3 and only eligible to receive a City contribution equal to the Public Employees' Medical & Hospital Care Act (PEMHCA) minimum upon retirement from the City.

On September 16, 2013, the City Council approved a trust agreement with the California Employers' Retiree Benefit Trust Program (CERBT) to prefund retiree medical benefits. As of September 30, 2025, the balance in the City's CERBT account was about \$36.5 million. To comply with Governmental Accounting Standards Board reporting requirements, the City must prepare and submit its actuarial valuations to the CERBT every two years.

Staff worked with Rael & Letson Actuaries and Consultants to prepare the attached Retiree Healthcare Plan June 30, 2025, Actuarial Valuation report and update the Council on the funding status of the City's OPEB obligations. Doug Pryor from Rael & Letson will provide the City Council with a summarized version of the presentation at the Council meeting on January 20, 2026.

FISCAL IMPACT:

There is no fiscal impact associated with this agenda item.

Exhibit:

- Retiree Healthcare Plan June 30, 2025 Actuarial Valuation