


W13a

**AGENDA COVER MEMO**

**AGENDA DATE:** May 7, 2003

**TO:** Lane County Board of Commissioners

**PRESENTED BY:** Teresa J. Wilson, County Counsel 

**AGENDA ITEM TITLE:** Ordinance 4-03/In the Matter of Amending Chapter 2 of Lane Code to Dedicate a Retiree Medical Benefit Trust Fund (LC 2.500)

**I. MOTION**

May 7: I MOVE TO SET A SECOND READING AND PUBLIC HEARING ON ORDINANCE 4-03 FOR MAY 21, 2003 AT 1:30 P.M.

May 21: I MOVE THAT LANE CODE CHAPTER 2 BE AMENDED TO DEDICATE A RETIREE MEDICAL BENEFIT TRUST FUND.

**II. ISSUE OR PROBLEM:**

The County has an obligation to pay for medical benefits for certain retired employees. This is a limited obligation in that no employees hired after 1997 are eligible to receive it. Creation of a Trust Fund will insure compliance with government accounting rules by providing for dedicated funding of this defined liability for the duration of its existence.

**III. DISCUSSION**

A. Background. In the past, Lane County promised that upon retirement, permanent employees who were hired before specific dates and who had worked for the County for a predetermined amount of time would be eligible to receive County-paid retiree medical insurance. The eligibility requirements are as follows:

1. Non-represented permanent employees: must have been hired on or before March 5, 1991, with ten continuous years of service;

2. AFSCME-General Unit and Nurses Contract, LC Public Works Association Local 626, Admin-Pro of LC Public Works and Lane County Prosecuting Attorneys: must have been hired on or before July 1, 1987, with ten years of continuous service prior to age 70. Employees hired after July 1, 1987, but before July 1, 1997, with twenty years of continuous service before age 70, were also eligible; and

3. LCPOA: must have been hired on or before July 1, 1987, with ten continuous years of service before age 70. Employees hired after July 1, 1987 but before July 1, 1993, with twenty years of continuous service before to age 70, were also eligible.

B. Analysis. The new GASB 34 governmental accounting requirements require that the County place the funds necessary to fulfill the obligation created by the previously promised

County-paid medical benefits for qualified retirees in a trust fund. Staff is proposing that this be accomplished through the creation, by ordinance, of a dedicated Retiree Medical Benefit Trust Fund. Then, through the budget process, monies will be routinely budgeted and placed in this Trust Fund so as to meet this obligation in an actuarially sound manner. After the entire outstanding liability has been fully funded as determined by an independent actuary, any excess monies in the Trust Fund could then be transferred to another County fund used for providing employee benefits.

C. Alternatives/Options. Do not create the dedicated Trust Fund and continue to pay for retiree medical benefits through the General Fund. This would not be consistent with GASB 34.

D. Recommendation. I recommend the Board enact the changes to Lane Code and create a dedicated Retiree Medical Benefit Trust Fund.

#### IV. ATTACHMENTS

Board Ordinance w/attached Lane Code 2.500

IN THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDINANCE NO. 4-03

IN THE MATTER OF AMENDING CHAPTER 2 OF  
LANE CODE TO DEDICATE A RETIREE MEDICAL  
BENEFIT TRUST FUND (LC 2.500)

The Board of County Commissioners of Lane County ordains as follows:

Chapter 2 of Lane Code is hereby amended by removing, substituting and adding new section as follows:

**REMOVE THIS SECTION**

NONE

**INSERT THIS SECTION**

2.500  
located on page 2-9 through 2-10  
(a total of 1 page)

Said section is attached hereto and incorporated herein by reference. The purpose of this substitution and addition is to create a Retiree Medical Benefit Trust Fund.

ENACTED this \_\_\_\_\_ day of \_\_\_\_\_ 2003.

\_\_\_\_\_  
Peter Sorenson, Chair  
Lane County Board of Commissioners

\_\_\_\_\_  
Recording Secretary for this Meeting of the Board

APPROVED AS TO FORM

Date 4/29/03 Lane County

  
\_\_\_\_\_  
OFFICE OF LEGAL COUNSEL

of claims or lawsuits shall be made in conformity with state law and Lane Manual provisions.

(f) Any other insurance or self-insurance-related expenditures as deemed appropriate by the County Administrator within standard budgetary procedures.

(3) The Self-Insurance Fund shall not be charged for the expenses of:

(a) Condemnation actions.

(b) Litigation commenced by Lane County for Code enforcement purposes.

(c) Representing the Assessor on tax appeals.

(d) Representing Lane County on land use appeals, unless monetary damages, which could include attorney fees, are sought against Lane County.

(4) The County Administrator will ensure that the Self-Insurance Fund shall be maintained at an appropriate level with consideration for County needs, exposures, reported losses and the reported loss experience of each department.

(5) The Self-Insurance Fund shall be maintained at a level to pay all claims, premiums, administration expenditures, reserves and future reserves for incurred, but not reported, claims. Amounts shall not be transferred from the Self-Insurance Fund unless a program defined by LC 2.410(2) is discontinued without further financial obligation and/or it is determined by a qualified independent actuary based upon the standard for reserving against potential liability that the fund level may be adjusted. *(Revised by Ordinance No. 3-85, Effective 7.1.85; 8-87, 6.24.87).*

#### **2.415 Delegation.**

The County Administrator shall promulgate administrative procedures and budget instructions as are necessary to implement, maintain and perform the duties mandated by LC 2.400 to 2.410. *(Revised by Ordinance No. 3-85, Effective 7.1.85)*

### **RETIREE MEDICAL BENEFIT TRUST FUND**

#### **2.500 Dedication of the Retiree Medical Benefit Trust Fund.**

(1) Non-represented employees. Lane County has promised that, upon retirement, all employees employed in permanent positions on or before March 5, 1991, and who worked 10 continuous years of service would be eligible for County-paid retiree medical insurance. Employees hired after March 6, 1991, would not be eligible for that benefit. This promise applies to employees who are not members of a collective bargaining group.

(2) Represented employees. Lane County has made similar promises to employees who are members of collective bargaining units. Those promises are as follows:

(a) AFSCME-General Unit and Nurses Contract, Lane County Public Works Association Local 626, Administrative-Professional Association of Lane County Public Works, Inc, and Lane County Prosecuting Attorneys' Association. Upon retirement, all employees hired on or before July 1, 1987, and who worked ten (10) full, continuous years of service prior to age seventy (70) would be eligible for County-paid retiree medical insurance. Upon retirement, all employees hired after July 1, 1987, and before July 1, 1997, and who worked twenty (20) full, continuous years of service prior to age seventy (70) would be eligible for County-paid retiree medical insurance.

(b) Lane County Peace Officers' Association. Upon retirement, all employees hired on or before July 1, 1987, and who worked ten (10) full, continuous years of service prior to age seventy (70) would be eligible for County-paid retiree medical insurance. Upon retirement, all employees hired after July 1, 1987, and before

July 1, 1993, and who worked twenty (20) full, continuous years of service prior to age seventy (70) would be eligible for County-paid retiree medical insurance.

(3) These agreements or promises should be consulted to determine qualifications for retirement.

(4) The retiree medical benefit is a benefit that is limited in scope in that there are no new employees who will become eligible to receive it. As such, it is also a defined and limited liability for Lane County.

(5) The Board of County Commissioners has determined it is in the best interests of Lane County to provide a separate and dedicated trust fund for the purpose of paying for this defined liability. By virtue of the Ordinance creating this Lane Code provision, the Board hereby creates a Retiree Medical Trust Fund and dedicates all monies deposited in the Retiree Medical Trust Fund, now or hereafter, for the purposes enumerated below:

(a) To make payments in fulfillment of the promises of the County-paid retiree medical insurance as described in LC 2.500(1) and (2).

(b) To pay necessary and reasonable administrative and actuarial expenses, including but not limited to routine County indirect expenses, to manage and maintain the fund in a prudent manner in accordance with the normal fiduciary responsibilities associated with a trust fund.

(c) All earnings from investments of monies in the Retiree Medical Trust Fund shall accrue to the Trust Fund and are dedicated for the same purposes as the other Trust Fund monies.

(6) As part of the annual budget process, the Lane County Commissioners shall consider appropriations from the various funds of the County to transfer into the Retiree Medical Trust Fund to be used to prudently fund the outstanding liability for the retiree medical insurance benefit. Once transferred into the Retiree Medical Trust Fund, such monies are thereafter dedicated to the purposes described in LC 2.500(5) and shall be used for no other so long as there is an outstanding un-funded liability.

(7) Amounts shall not be transferred from the Retiree Medical Trust Fund unless and until it is determined by a qualified independent actuary based upon the standard for reserving for such outstanding liability that the Fund is fully funded. At that point, monies residing in the Trust Fund can be transferred to another County fund used for the purpose of providing employee benefits, but only to the extent that the transferred Trust Fund monies are equal to or less than the amount determined excess by the independent actuarial report.

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2.4152-415 Lane Code

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2.500-2.500

of claims or lawsuits shall be made in conformity with state law and Lane Manual provisions.

- (f) Any other insurance or self-insurance-related expenditures as deemed appropriate by the County Administrator within standard budgetary procedures.
- (3) The Self-Insurance Fund shall not be charged for the expenses of:
  - (a) Condemnation actions.
  - (b) Litigation commenced by Lane County for Code enforcement purposes.
  - (c) Representing the Assessor on tax appeals.
  - (d) Representing Lane County on land use appeals, unless monetary damages, which could include attorney fees, are sought against Lane County.
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(b) **Lane County Peace Officers' Association.** Upon retirement, all employees hired on or before July 1, 1987, and who worked ten (10) full, continuous years of service prior to age seventy (70) would be eligible for County-paid retiree

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