



TO: Members of the Pension Board
FROM: David Lakefield, City Finance Director
DATE: June 13, 2023
SUBJECT: Pension and OPEB discount rates

I. RECOMMENDED ACTION

Recommend approval to City Council for the pension and OPEB (postemployment benefits other than pensions) to update the assumed investment return from 7.5% to 6.5% to better match the current market.

II. DEPARTMENT CONTACT PERSONS

David Lakefield, City Finance Director	857-4784
Melody Shelkey, City Treasurer	857-4771

III. DESCRIPTION

A. Background

The City is required by Governmental Accounting Standards Board (GASB) to include schedules of pension and OPEB liability and/or assets, that information requires certain inputs to calculate the necessary information. Currently, the City is using 7.5% for the investment rate of return, current market conditions do not support that rate. Gallagher Benefit Services, Inc., the City's actuarial services for the City's pension feel this is too high, the City is recommending the investment rate of return be reduced to 6.5%.

IV. IMPACT:

A. Strategic Impact:

Approval is needed so the City can utilize a more realistic approach to current market conditions.

B. Service/Delivery Impact:

N/A

C. Fiscal Impact:

This change will bring the liabilities and/or assets for pension and OPEB more in line with current market conditions, this can also affect the recommended pension contributions that will be needed from the employer and employee to maintain the plans.

V. CITY COUNCIL ASPIRATIONS

The City Council aspiration achieved through this is Resilient and Prepared. This allows the City to continue operations without service interruptions.

VI. ALTERNATIVES

The City could continue to use the current investment rate of return of 7.5%, but this isn't feasible based on current market conditions

VII. TIME CONSTRAINTS
N/A

VIII. LIST OF ATTACHMENTS
N/A