



City of
CHARLOTTE

MEMORANDUM

TO: Mayor Lewis and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: City Manager Report

DATE: March 22, 2019

Pension and OPEB Waiver. I believe I previously reported to Council that we are now in non-compliance with the Protecting Local Government Retirement and Benefits Act (PA 202 of 2017). This act established certain minimum criteria that are used to judge the financial soundness of these plans. For example, there is a minimum funding level for pension plans of 60%. In 2018, the City fell to 59%. As we expected, the state gave notice that we do not comply with the standards in the act. We were provided an opportunity to request a waiver. We had expected to qualify for a waiver given the steps that we have taken, such as closing defined benefit pensions to new hires in favor of hybrid plans with specific employer caps and closing the retiree health insurance to new participants. The waiver process, however, requires a certification that the steps such as this will be successful in achieving a 60% funding ratio for pensions and 40% for OPEB at a specific future date, a certification that must be backed up by appropriate documentation. We do not have this. In the case of the retiree health insurance program, we have always managed this on a pay-as-you-go basis which has never been an issue.

I have decided, then, that we cannot apply for the waivers. This will require the submission of an action plan within 180 days. I will be seeking clarification from the Department of Treasury as to what specific studies will need to be performed. It is likely that we will need to contract for some assistance in providing the necessary reports. If we are eligible to sell bonds to fund our pension liability, it is likely that the analysis necessary for that purpose will suffice, whether or not the bonds are sold.