



CITY OF GARDEN GROVE

(714) 741-5100

September 23, 2015

Honorable Glenda Sanders, Presiding Judge
Orange County Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Bao Nguyen
Mayor

Steven R. Jones
Mayor Pro Tem

Christopher V. Phan
Council Member

Phat Bui
Council Member

Kris Beard
Council Member

RE: Response to Orange County Grand Jury Report, *Unfunded Retiree Healthcare Obligations-A Problem for Public Agencies?*

Dear Judge Sanders:

I have reviewed the Orange County Grand Jury Report, *Unfunded Retiree Healthcare Obligations-A Problem for Public Agencies?* On behalf of the City of Garden Grove, I am providing responses to Findings F2, F3 and F4 and Recommendations R2, R3 and R4, as requested by the Grand Jury.

Response to Findings

F2: *Twenty one out of the 32 agencies that provided June 30, 2013, data to the Grand Jury had not put aside funds in an irrevocable trust to help pay for the accrued actuarial liability of retiree healthcare costs in the future. This is an imprudent level of contribution.*

We disagree partially with this finding. The City of Garden Grove does not provide employees with retiree medical coverage per se. However, the City participates in the PERS retiree health benefit that mandates a city contribution/subsidy of \$119.00 per month per retiree as of June 30, 2014. The City funds this contribution on a pay-as-you-go basis annually. In addition, the City set aside \$1.00 million in an assigned contingency fund for this obligation beginning in FY2009.

F3: *Anaheim, Buena Park, County of Orange, Huntington Beach, Lake Forest, and Stanton were in compliance with the requirement to contribute a full 100% or more of their Annual Required Contribution in the FY 2012-13. The remaining 26 agencies were not in compliance.*

We disagree partially with this finding. (See response to F2 above.) Moreover, Governmental Accounting Standards Board (GASB) 45 does not mandate agencies to contribute 100% of the Annual Required Contribution.

F4: *All agencies surveyed (except Anaheim) do not disclose retiree health benefits as part of employee compensation per GAAP standards.*

We disagree wholly with this finding. (See F2 response above.) Employees become eligible to receive this benefit if they retire from the City of Garden Grove and are eligible for PERS pension, and enrolled in CalPERS health plan.

Response to Recommendations

R2: *The 21 agencies that have not contributed into an irrevocable trust fund to finance their retiree health obligations should begin to put aside monies to fund this obligation and reduce their unfunded public liabilities. (F.2.)*

The recommendation will not be implemented because it is not warranted. (See F2 response above.) The City funds this contribution on a pay-as-you-go basis annually. In addition, the City set aside \$1.00 million in an assigned contingency fund (not irrevocable trust) for this obligation beginning in FY2009.

R3: *The 26 agencies that are not recognizing the full amount of their Annual Required Contribution as expense in the current period and should comply with the requirement to do so. (F.3.)*

The recommendation has been implemented. The City complies with this recommendation consistent with GASB 45 implemented since FY2008

R4: *All agencies surveyed should recognize retiree health care benefits in employee compensation in conformity with GAAP. (F.4.)*

The recommendation will not be implemented because it is not warranted. (See F2 response above.) Employees become eligible to receive this benefit if they retire from the City of Garden Grove and are eligible for PERS pension, and enrolled in CalPERS health plan.

Sincerely,



BAO NGUYEN
Mayor

C: Orange County Grand Jury