




Conor M. Baldwin
Chief Financial Officer

MEMORANDUM

TO: Thomas A. Golden, Jr., City Manager 

FROM: Conor Baldwin, Chief Financial Officer

CC: Mary Callery, HR Director

DATE: June 20, 2022

SUBJECT: MOTION RESPONSE: 6/14/2022 - C. Nuon - Req. City Mgr. Have CFO Provide A Report On Health Insurance Trust Fund.

On December 11, 2011, the Lowell City Council voted to file special legislation to alter the manner in which health insurance benefits were provided to employees, including those employees covered by Collective Bargaining Agreements. By entering into a three year agreement with the Public Employee Committee ('PEC'), the Council elected to change health insurance benefits pursuant to the three year acceptance of M.G.L. c. 32B, § 19 as amended by Chapter 69 of the Acts of 2011. By entering into the first PEC Agreement (2013-2015), the City transferred municipal subscribers from the city's previous model of offering health insurance, financed by a self-insured trust fund, to a premium-based model in the Group Insurance Commission ('GIC'). After migrating to the GIC in 2012, the remainder of the self-insured Health Benefits Trust (the 'HBT') was split between the City and the PEC in the same manner in which funding was contributed (i.e. 25% employee; and 75% city).

The City Council, in November of 2012, voted to accept the provisions of M.G.L. Chapter 32B, § 20 to establish a Trust fund to pay for Other Post-Employment Benefits ("OPEB") and in August of 2013, appropriated \$7.8 million into the fund, representing the city's 75% portion of the old HBT. The City Council has since adopted an OPEB funding policy and adhered to the policy requirement to appropriate 5% of each year's "free cash" certification into the OPEB Trust. The balance has nearly doubled and as the end of Q3 FY2022, the cash balance was \$14.8 million. This City Council made a significant investment to address OPEB with an appropriation in April of FY22 in the amount of \$889,026. The most recent actuarial valuation of the city's net OPEB liability, however, is \$883,214,496 as of June 20, 2021.

The remaining balance of the HBT, which previously funded all claims and premiums for employee and retiree health insurance was agreed upon in a Memorandum of Agreement ('MOA') between the City and the PEC. As part of the MOA, the total amount of the employee's share of all HBT monies and previous mitigation payment was agreed to be \$3.12 million. This employee-share can only be distributed pursuant to the provisions of state law for health insurance-related expenses. The PEC is required to submit a logistical plan to the City Manager for approval. As of this date, no such plan has been submitted. Until such time that a plan is submitted and accepted, the City Treasurer shall remain the custodian of the funds in the HBT.

**CITY OF LOWELL
 BALANCE SHEET FOR 2022 12**

FUND: 8416 HBT HEALTH BENEFIT TRUST			NET CHANGE FOR PERIOD	ACCOUNT BALANCE
ASSETS				
8416	104000	CASH UNRESTRICTED CHECKNG	.00	3,122,074.51
	TOTAL ASSETS		.00	3,122,074.51
FUND BALANCE				
8416	359000	UNDESIGNATED FUND BALANCE	.00	-3,122,074.51
8416	384000	BUD FB UNRESERVED	.00	-709,847,498.95
8416	388000	APPROPRIATIONS	.00	-22,662,168.06
8416	394000	ESTIMATED REVENUES	.00	732,509,667.01
	TOTAL FUND BALANCE		.00	-3,122,074.51
	TOTAL LIABILITIES + FUND BALANCE		.00	-3,122,074.51

** END OF REPORT - Generated by Conor Baldwin **