WEST BASIN HAS STRONG FINANCIAL YEAR THAT ALLOWS BOARD OF DIRECTORS TO ELIMINATE ITS UNFUNDED OBLIGATION TOWARD THE DISTRICT’S POST-EMPLOYMENT BENEFITS

CARSON, Calif. – On May 28, 2014, the West Basin Municipal Water District (West Basin) Board of Directors allocated more than $3.7 million to eliminate the West Basin’s financial obligation to fund “Other Post-Employment Benefits” (OPEB) for retirement, health and dental benefits. The funds are being placed into a trust with the California Employer’s Retiree Benefit Trust and are expected to earn interest at a discount rate of approximately 7.50%.

Typically, public agencies have paid for actual retiree health benefits as they have occurred. Due to its commitment to financial stability, West Basin has fully funded its past commitment to ensure funds are available in future years. This financial commitment is rarely done; however, it is a positive business decision if the funds are available to do it. West Basin had a strong financial year due to controlling expenses and bringing in higher than expected water sales.

“We are strongly committed to meeting our obligations to our employees past and present. Paying down our post-employment employee benefits obligation shows this commitment and, financially the smart thing to do,” said Board President Donald L. Dear.

Setting aside funds towards an agency’s OPEB obligation early has several benefits. This action ensures that funding for its employees’ retirement benefits will be safe; it lowers the amount of funds needed for future obligations; favorable interest rates can be achieved through the trust; and it is viewed positively by rating agencies.

Employees of state and local governments may be compensated in a variety of forms in exchange for their services. In addition to a salary, many employees earn benefits over their years of service that will not be received until after their retirement. The most common type of these post-employment benefits is a pension, and may also include other post-retirement benefits in the form of health insurance and other healthcare benefits. OPEB expenses are a part of the compensation that employees earn each year, even though these benefits are not received until after employment has ended. Therefore, the cost of these future benefits is a part of the cost of providing public services today.

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West Basin Municipal Water District is a wholesale water district that serves nearly a million people in 17 cities and unincorporated areas throughout its 185-square mile service area. West Basin is reducing its dependence on imported water through its Water Reliability 2020 program that will double conservation, double recycled water production and add desalted ocean water to its portfolio by the year 2020. Visit www.westbasin.org to learn more.