

# Financial Update

Other Post Employment Benefits (OPEB)  
October 22, 2019





## What is OPEB?

Other post-employment benefits (OPEB) refers to the benefits, other than pensions, that a state or local government employee receives as part of their package of retirement benefits. Typically retiree medical insurance is the most significant OPEB offering, though other benefits such as life insurance are also covered by this umbrella term.



## **What is an OPEB Liability?**

The total OPEB liability is the portion of actuarial present value of the total projected benefit payments that are attributable to employees' service at the time the actuarial study is conducted.

Pay-as-you-go cost is the cost of benefits for current retirees. We currently are operating as pay-as-you-go for our OPEB payments. The total expense for OPEB last year was \$105K.



# How is the OPEB Liability Determined?

Several factors are considered when determining our full OPEB liability:

- The current cost of retiree health benefits
- The trend rate at which retiree health benefits are expected to increase over time
- Mortality rates varying by age and gender
- Employment termination rates
- The current service requirement to reflect years of service required to earn full or partial retiree benefits
- The trend for retirement rates of employees at certain ages
- Participation rates to determine what proportion of retirees are expected to elect retiree health benefits



## What is Our Total OPEB Liability?

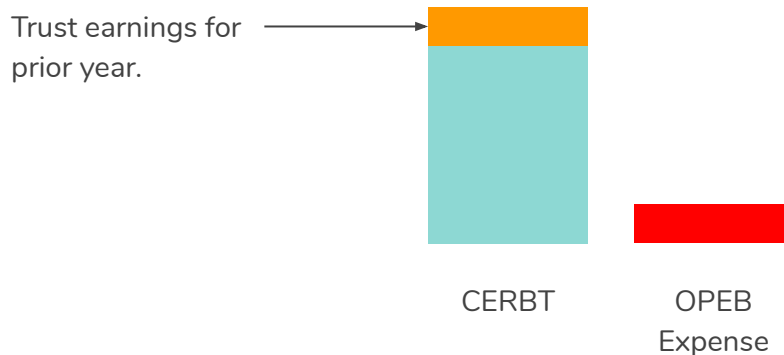
An actuarial study was completed for our district last year by Total Compensation Systems. They found that our total OPEB liability was **\$3,103,600** for the year ending June 30, 2018.

In order to address our OPEB liability, on October 27, 2015, the Board approved a resolution to establish a trust with CalPERS to prefund the liability. The California Employers Retirement Benefit Trust (CERBT) provides a mechanism outside the general fund that we can eventually take disbursements from to pay for expenses related to OPEB. As of June 30, 2019 the value of the CERBT was **\$3,328,985**.



# When Will We Start Taking Disbursements?

Even though our CERBT currently exceeds total OPEB liability by roughly \$225K, we would like to continue to fund the trust (via earnings growth reinvestment) so that when disbursements are taken in the future, they will only be based on earnings of the trust and the principal not be lowered.



**Thank you.**