

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Virginia Government Finance Officers Association

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NEW FINANCIAL REPORTING REQUIREMENTS

- GASB 43 applies to financial reports prepared by health insurance or other OPEB plans
- GASB 45 applies to state and local governments



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OPEB APPLIES TO HEALTH-RELATED BENEFITS

- Health insurance
- Disability insurance
- Life insurance
- Long-term care insurance



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LIABILITY WILL INCLUDE IMPLICIT RATE SUBSIDIES

- Benefit provided to retirees who
 - Participate in the employer's group plan
 - Pay their own premiums
 - Benefit from group rate that applies to current (younger and healthier) employees



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MECHANICS OF COMPLIANCE

- Actuarial Analysis
- Unfunded Actuarial Accrued Liability (UAAL)
- Annual Required Contribution (ARC)
- Net OPEB Liability (NO-PEBO)
 - Annual OPEB Cost



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INCENTIVE FOR COMPLIANCE

- Higher assumed discount rate allowed for plans with trust for OPEB obligations
- Resulting in lower present value actuarial liability
- Cautionary notes
 - Not all states allow trusts
 - Not all states allow higher-yielding investments
 - Moody's may see funding of trusts with transfers from General Fund as reducing financial flexibility



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FREQUENCY OF ACTUARIAL VALUATIONS

- Biennially for governments with 200 or more benefit plan participants
- Smaller governments
 - Every three years
 - Alternative method not requiring actuary



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GASBs 43 and 45 TO BE PHASED IN

Phase	Annual Revenues	Applies to FYs beginning after 12/15:	
		GASB 43	GASB 45
I	\$100 million or more	2005	2006
II	\$10 - \$100 million	2006	2007
III	Under \$10 million	2007	2008



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