



2021
ABC Virtual Training
Other Post-Employment Benefits

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Topics to Cover

- What is OPEB?
- Changes in governmental accounting rules
- Purpose of Statements 74 and 75 of the Government Accounting Standards Board, or GASB
- Who is impacted?
- What does this mean to my agency?
- How does a local government agency opt-out?
- OPEB and The Tennessee Plan
- Agency responsibilities

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What is OPEB?

- Benefits other than pension benefits that state and local governments offer, contribute toward premiums or provide fully at no cost to retired employees and eligible dependents.
- Changes in governmental accounting rules now require entities to report the estimated amount (computed by an actuarial firm) needed to pay for these future benefits. This is referred to as **OPEB liability**.

i For agencies on the state group insurance plan, this is specific to health insurance premiums.

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Changes in Governmental Accounting Rules

- In June 2015, the Governmental Accounting Standards Board, or GASB, approved two new statements designed to improve the usefulness of information about OPEB.

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans addresses financial reporting by plans that administer OPEB benefits on behalf of governments.

Statement No 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions addresses accounting and financial reporting by government employers.



Purpose of GASB Statements 74 and 75

- The OPEB standards are designed to:
 - **Improve information** reported on OPEB for decision-making and accountability purposes
 - **Provide comparability** across government entities
 - **Increase transparency**
 - **Give** a more complete financial picture of the entity
 - **Offer guidelines** for measuring OPEB long-term obligations and annual costs
 - **Improve recognition** of net OPEB liability presented in the balance sheet of the financial statements
 - **Expand** note disclosures and related schedules



The Impact

1 All agencies that provide retiree health coverage (both pre- and post-65) must report OPEB liability annually in their financial reports.

2 The liability is based on your agency's insurance premium contributions.

3 Every year, we survey local education and local government agencies to find out how much premium support you provide.

4 All agency information is compiled and sent to the state's actuarial consultants to complete the valuation.



What Does This Mean to My Agency?

1. The state will provide your financial officer(s) with the information necessary for proper GASB financial statement reporting for these plans.



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What Does This Mean to My Agency?

2. All agency reports will be uploaded on the Division of Accounts website. An email will be sent to the agency contact when the reports are available. Agencies will then be able to access and download their report.



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What Does This Mean to My Agency?

3. BA will only provide valuations for products sponsored by the state.
- Your agency is responsible for valuations for non-state sponsored retiree insurance products.

<https://www.tn.gov/finance/rd-doa/opeb22121.html>



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What Does This Mean to My Agency?

4. The valuation supplied to your agency is for accounting purposes only. Your agency is not required to pay this amount to the state or BA.



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Local Education Agencies

Your agency will have an OPEB liability, even if your agency doesn't contribute to retiree coverage.

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Local Government Agencies

Local government agencies are given the ability to **opt out** of pre-65 health insurance for retirees.

If your agency opts out, you will not have an OPEB liability for pre-65 retiree coverage. You may still have a liability for post-65 coverage if you subsidize The Tennessee Plan.

If your agency opts in, even if you don't contribute to retiree premiums, you will have an OPEB liability. This is because active employees and retirees have the same premium. The active population is subsidizing the retiree population, causing an implicit subsidy under OPEB valuation requirements.

If your agency has the limited opt-out, then you will have an OPEB liability only for the retirees that are currently on coverage.

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How Does a Local Gov Agency Opt Out?

BA will send an email in January or early February to all agencies that have opted in or selected the limited opt out.

You will have the option to send in a signed statement opting out beginning with the next fiscal year.

The signed form is due March 31st of each year.

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How Does a Local Gov Agency Opt Out?

Once you opt-out, you will no longer receive the communication. You are not permitted to opt back in for retiree health once you have opted out.

If you want to keep your current option, you do not need to respond to the email.

For more background information, go to the ABC website and expand the Local Government Plan section. OPEB information is included at the bottom of the section.



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OPEB and The Tennessee Plan

- The Tennessee Plan is the state's post-65 supplemental medical coverage to Medicare for retirees.
- BA will only provide post-65 valuations for The Tennessee Plan. If you offer another Medicare Supplemental or Medicare Advantage product for retirees, your agency is responsible for any required actuarial valuations.
- Retirees must be hired with a qualifying employer prior to July 1, 2015 to be eligible for coverage, and they must also be receiving a monthly TCRS pension.

i Individual agencies shall not determine eligibility in a way that conflicts with the eligibility guidelines in the Plan Document.

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OPEB and The Tennessee Plan

- Local ed agencies will not have any OPEB liability for The Tennessee Plan if the agency doesn't contribute to their retiree's premiums.
- Local government agencies **cannot opt out** of The Tennessee Plan but will have no OPEB liability (for Post-65) if they do not contribute to the retiree's premium.
- If the agency provides any employer support toward the premium, including through a Resolution 31, the agency will have an OPEB liability for The Tennessee Plan.
- The state carries liability for teachers on The Tennessee Plan since the premium support for teachers is state-funded. If the agency provides any additional support, the agency will have an OPEB liability.

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Agency Responsibilities

- It is imperative the information submitted on the annual survey is accurate because it is used to determine the financial impact of OPEB liability to your agency and could open your agency to the possibility of audit findings if information was misrepresented.

1

All agencies that provide retiree health coverage (both pre- and post-65) must report OPEB liability annually in their financial reports.

2

Return both the pre- and post-65 contribution forms by the requested deadline.

3

Forms should be completed by individuals knowledgeable about your agency's contribution policy and service requirements.

4

Forms must be accurate and complete prior to submission.





Any Questions?
