



STATE OF TENNESSEE  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
BENEFITS ADMINISTRATION

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Laurie Lee  
EXECUTIVE DIRECTOR

February 24, 2020

MEMO TO: Local Government Plan Agency Directors and Fiscal Officers  
FROM: Laurie Lee   
RE: OPEB: **Local Government Agency--Retiree Coverage**

As you know from last year, rules adopted by the Governmental Accounting Standards Board (GASB – and similarly FASB) require public agencies to *report certain Other Postemployment Benefits (OPEB) liabilities on their balance sheets if they have retirees in the State Insurance Plan and/or if active employees are eligible to continue coverage as retirees.*

Many participating local government agencies indicated that they do not want to incur this OPEB liability, as they do not have retirees on the Plan and do not want to make retiree coverage available to their members in the future. On the other hand, many agencies want to offer the retiree health option in order to recruit and retain employees. At its January 17, 2019 meeting, the Local Government Insurance Committee approved final Plan Document language to permit current and new agencies to either opt in or opt out of the Plan's pre-65 retiree health insurance coverage for their eligible members as outlined below.

1. opt in to retiree coverage, or
2. opt out of retiree coverage, or
3. opt out relative to active employees only, while continuing to offer retiree coverage to those retirees on the Plan as of the effective date of the opt out.

In 2019, your agency chose option 3, to opt out relative to active employees only, while continuing to offer retiree coverage to those retirees on the Plan as of June 1, 2019.

**If your agency chooses to change to retiree coverage option two (2) above, you must inform Benefits Administration of your decision as outlined in the attached Local Government Agency Retiree Coverage Election Form no later than March 31, 2020. Option one (1) is no longer available because of your agency's previous opt out election.**

- If you are continuing to choose option 3, you do not need to return the election form, Your agency will be treated as continuing to select option 3. Your agency can opt out later by timely submitting an election form in a subsequent plan year.

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- Once opted out, however, your agency cannot opt back in for retiree health insurance later.

Please note that If your agency continues to select option 3, your agency will have an OPEB obligation associated with those existing retirees who continue in the Plan.

**Please carefully review the attached information and the key points below:**

**If you do not submit the Election Form by March 31, 2020, your agency will be treated as having chosen to continue to offer retiree coverage to retirees on the plan as of the June 1, 2019 date specified in the original limited opt-out election while continuing to opt out relative to active employees.**

**If your agency chooses to change to retiree coverage option two (2):**

- Your agency is responsible for securing any necessary board, commission, governing body or other authorization, if needed, prior to submitting the Election Form. Your agency is also responsible for communicating all decisions regarding retiree coverage to your employees and retirees.
- The Election Form must identify the local government agency, be signed by the local government agency head and fiscal officer and clearly designate an election of one of the three available options.
- The completed and signed form should be returned by email to [Benefits.Administration@tn.gov](mailto:Benefits.Administration@tn.gov) by March 31, 2020 if you are choosing to change your option 3 election.

If you have questions, please contact us at [Benefits.Administration@tn.gov](mailto:Benefits.Administration@tn.gov).

Thank you.

CC: Agency Director, Fiscal Officer, Agency Benefits Coordinator

Attachment: **Local Government Agency--Retiree Coverage Election Form**