



STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
BENEFITS ADMINISTRATION

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Laurie Lee
EXECUTIVE DIRECTOR

January 18, 2019

MEMO TO: Local Government Plan Agency Directors and Fiscal Officers

FROM: Laurie Lee 

RE: OPEB: **Local Government Agency--Retiree Coverage Election Form**

As you know from my prior emails, new 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 have 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. Therefore, 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 for their eligible members as outlined below.

The Plan Document changes now permit agencies to either:

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.

Going forward, **each agency must select one of the three retiree health options above and inform Benefits Administration of its decision as outlined in the attached Local Government Agency Retiree Coverage Election Form no later than March 31, 2019.**

- If opting in now, your agency can opt out at a later date.
- Once opted out, however, your agency cannot opt back in for retiree health insurance later.

If your agency does not notify Benefits Administration of your decision on the attached form by March 31, 2019, your eligible employees can continue to enroll in the State's pre-65 retiree health insurance program until the selection time next year. Please note that if your agency selects option 1 (or does not notify Benefits Administration of your selection), your agency will have an OPEB liability associated with your existing retirees in the Plan and for your active employees eligible for future retiree coverage. If your agency selects 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:

- **An agency which has not submitted the Election Form by March 31, 2019, will be treated as having chosen option number one (1), which is the election to “opt in” to continue to offer retiree health insurance to all eligible active employees and current retirees.**
- 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.
- An opt-in election will be effective for the OPEB liability determination for the entire upcoming state fiscal year ending June 30 and an agency will not be permitted to change its retiree coverage status until the selection time for the next fiscal year.
- The completed and signed form should be returned by email to Benefits.Administration@tn.gov by March 31, 2019.

For your information, here are links to the current **2019 Local Government Plan Document** (the section that pertains to the eligibility of service retirees is 4.06) and the current **Guide to Continuing Insurance at Retirement for Local Government**.

- <https://www.tn.gov/content/dam/tn/finance/fa-benefits/documents/lqpd2019.pdf>
- https://www.tn.gov/content/dam/tn/finance/fa-benefits/documents/retirement_guide_lg_2019.pdf

If you have questions, please contact us at Benefits.Administration@tn.gov.

Thank you.

CC: Agency Director, Fiscal Officer, Agency Benefits Coordinator

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