



STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
BENEFITS ADMINISTRATION

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December 17, 2018

MEMO TO: Local Government Plan Agency Directors and Fiscal Officers
FROM: Laurie Lee *LL*
RE: LG Insurance Committee Actions – Retiree Health/OPEB UPDATE

As you know from my previous emails and our recent Local Government Agency OPEB Obligation Webinars, the Local Government Plan Document currently states that your employees are eligible to continue coverage in the Local Government health insurance plan as pre-65 retirees if they meet the eligibility requirements.

A new rule adopted by the Governmental Accounting Standards Board (GASB) requires public agencies to report certain OPEB liabilities on their balance sheets if there is a possibility that their employees will be provided retiree health insurance coverage. The Financial Accounting Standards Board (FASB) has requirements for OPEB liability reporting for private non-profit agencies as well.

Because our current Plan Document permits pre-65 retiree health coverage for agencies and their members, this new GASB rule creates a financial liability for all of our participating agencies, regardless of whether or not they offer retiree health coverage because **eligible** members have the option to take retiree coverage.

Based on our staff recommendations, plus your input through conversations and a survey sent to all agency and fiscal directors who participated in the four webinars, Benefits Administration made this recommendation to the Local Government Insurance Committee at its December 17th meeting: to permit agencies to either opt-in to retiree coverage, opt-out of retiree coverage or opt-out with existing retirees remaining in the Plan until eligible for Medicare, as long as the agency continues to participate in the health insurance plan for their active employees.

After a full discussion of the issues, the Local Government Insurance Committee unanimously approved the following change to the Plan Document: agencies may either opt-in or opt-out of the Plan's pre-65 retiree health coverage as outlined below.

- **Permit agencies to either**
 - **opt-in to retiree coverage, or**

- **opt-out of retiree coverage, or**
- **opt-out as to active employees only, while continuing to offer retiree coverage to retirees on the Plan as of the effective date of the opt-out**
- **Going forward, the agency must select one of the three retiree health options above**
- **If opting in now, the agency can opt-out at a later date**
- **Once opted out, however, the agency cannot opt back in for retiree health insurance later**

Benefits Administration will send detailed instructions regarding the opt-in/opt-out process to Local Government Agencies in January, 2019.

I have previously emailed to you a copy of the Local Government OPEB Liability Webinar PowerPoint and answers to all of the questions that were asked. Following 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**. These documents will be updated the first week of January to reflect the Committee's decisions.

<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.pdf

If you have any questions about this information please send them to: benefits.info@tn.gov

Thank you.