

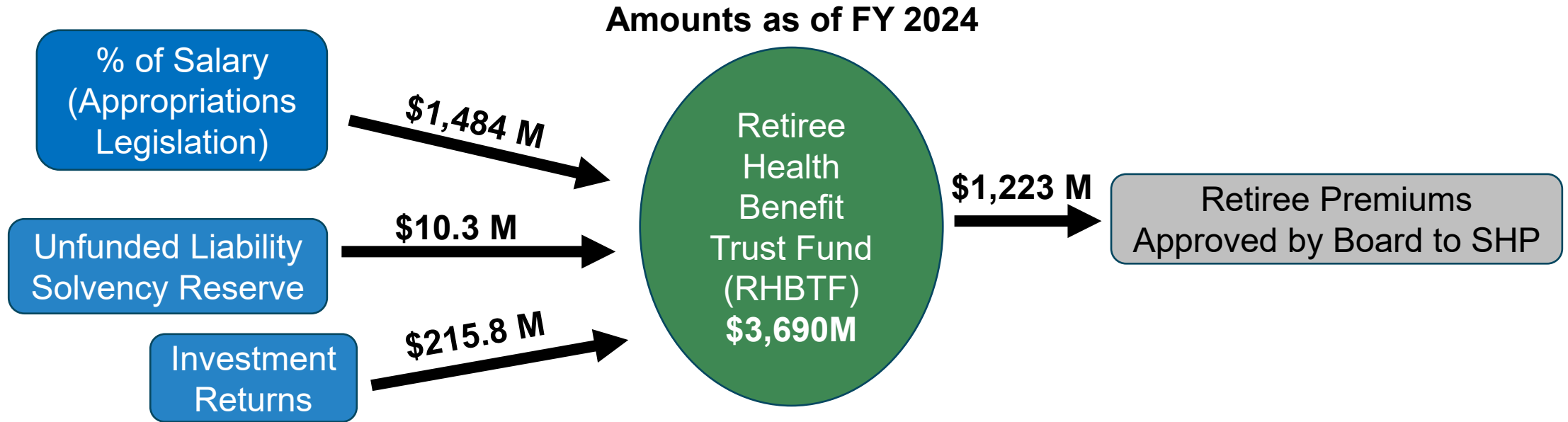
# Other Post Employment Benefits Report (OPEB)

Board of Trustees Meeting  
October 24, 2024

# OPEB Overview

- OPEB - **O**ther **P**ost-**E**mployment **B**enefits (other than Pension payments)
- OPEB Liability is a calculation of present value of current and future RETIREE health costs. Claims incurred by Active members are not included in Liability.
  - Membership includes:
    - Current retirees and dependents
    - Active employees from eligible units hired PRIOR to 1/1/2021
    - Terminated employees with vesting (5 years of service)
- Costs include Medical claims, Pharmacy claims, Medicare Advantage Premiums, Administrative fees (attributed to retirees).
  - Claims and premiums are assumed to increase every year.
- Liability is offset by member contributions for coverage and assets in the Retiree Health Benefit Trust Fund (RHBTF).

# Retiree Health Benefit Trust Fund Overview



- RHBTF is defined by GS 135-7(f) to be responsible for retiree health.
- RHBTF is funded by a % of salary (6.99% for FY 25) from SL 2023-134.
  - If money is available in Unfunded Liability Solvency Reserve, it is transferred to RHBTF.
- The Board of Trustees approves of Retiree Premiums to be paid to the Public Employee Health Benefits Fund (guided by Appropriation Legislation).
- Appropriation Legislation sets % of Salary and Retiree Premium ceiling such that income is slightly higher than expense (Pay as You Go).

# OPEB Terminology

- Total OPEB Liability (TOL) – Present Value of future claims costs less member contributions.
- Fiduciary Net Position (FNP) – Assets dedicated to pay Retiree Health Costs (Retiree Health Benefit Trust Fund).
- Net OPEB Liability (NOL) – a.k.a. “Unfunded Liability”; Amount of Total Liability in excess of Fiduciary Net Position.
- Funding Ratio – The ratio of Assets to Total OPEB Liability.

Year	2023 OPEB	2024 OPEB	Change
TOL	\$29.8 B	\$37.7 B	(\$7.9) B
FNP (RHBTF)	\$3.2 B	\$3.7 B	+ \$0.5 B
NOL (Unfunded)	\$26.6 B	\$34.0 B	(\$7.4) B
Ratio	10.7%	9.8%	(0.9%)

# OPEB 2024 Liability Changes

<b>6/30/2023 Unfunded Liability</b>	<b>\$26.6 B</b>	
MA Premium	(8.8) B	Expected increase as seen in marketplace
GLP-1 Change	+ 1.4 B	Removed coverage 4/1/2024
Discount Rate	+ 1.7 B	From 3.65% → 3.93%
Other Assumption Changes	(1.7) B	Passage of Time, Trends, Plan Election
<b>6/30/2024 Unfunded Liability</b>	<b>\$34.0 B</b>	

MA Base Premium Assumptions		
Year	2023 OPEB	2024 OPEB
2025	\$0	\$33
2026	\$57	\$114
2027	5.00% Trend	\$159
2028+	5.00% Trend	6.17% → 5.00% trend

- Discount Rate is prescribed by Government Accounting Standards Board (GASB) Rule 74 as the 20 Year Government Obligation Bond.
  - If RHBTF has consistent source of funding, it's possible to use a higher discount rate (decreasing liability).