

FACTS At-a-Glance

Ohio Public Employees Retirement System • 277 East Town Street • Columbus, Ohio 43215

Questions or comments?

Contact Employer
Outreach at
1-888-400-0965

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Other Post-employment Benefits (OPEB)

GASB standards detailing how pension systems and employers must report on other post-employment benefits (OPEB) become effective in 2006 for OPERS and will become incrementally effective for all public employers over the next few years.

Because the standards can be somewhat confusing, OPERS has prepared this *OPEB At-a-Glance* fact sheet for you. Our goal was to give you a convenient overview of the OPEB information we think you want—and may need for future preparation of financial documents and when talking to your employees.

This fact sheet was prepared by the OPERS Finance Division to help employers:

- Understand GASB 43 and 45, the new guidelines for reporting other post-employment benefits—usually this means health care benefits.
- Know what to expect from OPERS in the coming year, and
- Fully understand your responsibilities as described by GASB 45.

Additional information you'll receive:

- Additional FAQs in fall 2006
- Additional information via Employer Seminars as an ongoing effort
- General GASB 45 disclosure and requirements, as required by law, will be sent first quarter, 2007
- Specific reporting on OPEB in the 2006 *OPERS Comprehensive Annual Financial Report* (CAFR).

This document is written in plain language for use by public employers who are subject to coverage under the Ohio Public Employees Retirement System. It is not intended as a substitute for the federal or state law, namely the Ohio Revised Code, the Ohio Administrative Code, or the Internal Revenue Code, nor will its interpretation prevail should a conflict arise between it and the Ohio Revised Code, Ohio Administrative Code, or Internal Revenue Code. Rules governing the retirement system are subject to change periodically either by statute of the Ohio General Assembly, regulation of the Ohio Public Employees Retirement Board, or regulation of the Internal Revenue Code. If you have questions about this material, please contact our office or seek legal advice from your attorney.



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Section I: Basic facts from OPERS

The question posed was...	The OPERS response is...
<p>What, exactly, are GASB 43 & 45?</p> <p style="text-align: center; padding: 20px 0;">GASB 43 requires...</p> <p style="text-align: center; padding: 20px 0;">GASB 45 requires...</p>	<p>These are accounting rules that detail specific financial reporting guidelines for OPERS as a public pension system and of all state and local governments that provide other post-employment benefits (typically meaning health care benefits).</p> <p>OPERS, as the plan sponsor, to start reporting the estimated liability associated with health care benefits beginning with the year-end 2006.</p> <p>All state and local governments that participate in plans that offer health care to provide specific disclosures including the plan description, the funding policy, and contribution rates. All other required information is disclosed in the OPERS annual report.</p> <p>It's important to note that GASB 45 supercedes the currently used GASB 12 and has similar reporting requirements, so employers may want to consider early implementation. OPERS will disseminate information to our employers to assist in the GASB 45 disclosure requirements as we have in the past for GASB 12.</p>
<p>Based upon the GASB standards, what is OPERS' current OPEB status?</p>	<p>OPERS has an unfunded liability for health care funding. However, we also have a sound financial foundation and a forward-looking plan for funding health care benefits. Consider these facts:</p> <ul style="list-style-type: none"> OPERS has taken a proactive approach to funding health care and began setting aside funds years ago to defray cost escalation. OPERS' Health Care fund was segregated from the Pension fund in 2005 and now stands at \$12 billion.
<p>Do the GASB statements require OPERS or employers to fund health care benefits?</p>	<p>No, the new accounting rules do not require pension systems or governments to fund the health care liability, merely to report it.</p> <p>However, in addition to the required reporting standards, we urge you to consider all facts:</p> <ul style="list-style-type: none"> OPERS began offering the health care benefit in 1974, and has pre-funded health care since that time. OPERS currently has assets of \$12 billion to fund health care, an amount estimated to cover 18 years of health care expenses.

Section II: Specific questions about the GASB guidelines

The question posed was...	The OPERS response is...
<p>What do the GASB OPEB requirements reveal about health care benefits?</p>	<p>The GASB requirements merely provide a measurement by which a point-in-time snapshot of funding status can be captured. As with any measurement, there are weaknesses in a single measurement system because all information is not immediately apparent.</p> <p>For example, because health care plans vary widely by pension system, a point-in-time snapshot does not always provide comparable information between pension systems. Employers are urged to be cautious when comparing the OPEB liabilities between systems because one system with very limited health care benefits may, under these guidelines, appear to have an excellent funding status—when, in reality, the status is robust because there is so little to fund.</p> <p>In addition, the GASB requirements do not incorporate planned future changes in the measurement of the liability. OPERS has employed a proactive strategy of introducing health care plan changes gradually—and communicating changes in advance. Thus, the financial impact on retirees for most of the future changes can be mitigated due to the incremental nature of the changes.</p>
<p>As the plan sponsor, what type of information does OPERS provide regarding employer contributions?</p>	<p>As the plan sponsor, OPERS prepares annually a <i>Comprehensive Annual Financial Report</i> (CAFR). A stand-alone document, the CAFR contains all the information required by GASB 43. The GASB 45 requirements are similar to GASB 12. As such, OPERS will prepare and distribute a summary with all the information you will need to disclose.</p> <p>Schedules and information found in the CAFR include:</p> <ul style="list-style-type: none"> • Plan description—name, type of plan, entity administering, type of benefit and authority for establishing and amending, how to obtain a separately issued report; • Funding—authority for establishing and amending required contribution rates, employer contribution rates, three years of required contributions, percent contributed, maximum contribution rate and how rate was determined; • Maximum contribution rate for employers; and • How rates for the plan were determined.
<p>When do the GASB guidelines regarding OPEB go into effect for employers?</p>	<p>Similar to other GASB requirements, there is a phased-in implementation for GASB 45 that's based on an employer's annual revenue. Appropriately, OPERS has no information on each employer's annual revenue, so each employer must review this information to determine the correct implementation schedule.</p> <p>The general guidelines are based on annual revenue and require:</p> <ul style="list-style-type: none"> • Employers who are classified as Phase 1 governments (annual revenue of \$100 million or more) to implement the new guidelines for periods beginning after December 15, 2006. • Employers classified as Phase 2 (annual revenue of at least \$10 million but less than \$100 million) will need to implement the guidelines for periods after December 15, 2007 and, • Employers who are classified as Phase 3 (annual revenue of less than \$10 million) will need to implement the new guidelines for periods beginning after December 15, 2008.

