

# TSBA OPEB Trust

An OPEB Trust, administered by TSBA, that helps those school districts wishing to pre-fund their OPEB liabilities

## What is OPEB?

Other post-employment benefits (OPEB) include the benefits provided to retirees, their spouse, and dependents. These benefits generally include:

- Medical, dental, and vision benefits;
- Prescription drug coverage;
- Life insurance and disability benefits; and
- Other health benefits unless part of the regular pension plan.

The Governmental Accounting Standards Board (GASB) has issued guidance statements regarding the reporting of employers for post-employment benefits other than pensions and now requires any OPEB liabilities to be recognized. School systems are required to disclose the liability on their current financial statement even though it is not due until a later date.

## How Does This Reporting Requirement Affect My School District?

The reporting of OPEB liabilities will cause long-term and short-term changes in how school districts handle finances.

### Short-Term Changes:

- ➔ The school district will fully understand the financial impact of any OPEB promised in the past.

### Long-Term Changes:

- ➔ Accounting will increase financial stability for the school district.
- ➔ School districts will be less likely to offer OPEB in the future.
- ➔ These liabilities may create the inability for a school district to obtain credit and issue bonds.

## Why an OPEB Trust?

If the funding of these OPEB liabilities aren't required, many ask why the Board should be concerned about funding these liabilities through a trust.

- 1. Responsible thing to do:** Promising future benefits without setting aside funds means that future taxpayers will bear the burden.
- 2. Intelligent thing to do:** Funding the liability with a qualified OPEB trust will allow an actuarial to use a higher investment rate.
- 3. Fiscally sound thing to do:** The indirect impact could have grave financial consequences such as the potential loss of bond rating.
- 4. Practical thing to do:** Employees are working hard to earn the benefits promised. Your money should be working equally as hard to pay for those benefits.

# TSBA is here to help!

TSBA is helping school districts comply with GASB standards by (1) partnering with Nyhart, a leading financial advisory group, to provide the actuarial service required by GASB at a competitive price; and (2) TSBA is administering a GASB compliant OPEB trust to help those districts wishing to pre-fund their liability.

Jason E. Mumpower, the Tennessee Comptroller of the Treasury, said the following about the TSBA OPEB Trust:

*“Many Tennessee school systems offer their employees healthcare benefits that can be received after they retire or complete their service. Most school systems have not set aside any money to pay for these benefits and have chosen to pay for these liabilities on a pay-as-you-go basis. The smarter choice is to finance these significant other post employment benefit (OPEB) liabilities as they are earned. Prefunding improves sustainability and allows for the potential of earnings on accumulated funds. I commend the Tennessee School Boards Association’s efforts to provide participating local school systems with technical assistance and a means of establishing a trust for the purpose of prefunding these liabilities.”*

## TSBA OPEB Trust Advantages

- The Trust is administered by TSBA, an entity answerable directly to its members.
- The investment will lower the funding estimate of the annual required contribution.
- The investment will lower the overall OPEB liability and per-district costs.
- The Trust has the potential to increase the district’s return on investment and for reducing long-term funding needs.

If you have an interest in this service, contact Emily Warren, TSBA Assistant Director of Policy & Staff Attorney, at 615-815-3909 or email [ewarren@tsba.net](mailto:ewarren@tsba.net).