Ohlone Community College District
Overview of OPEB & Actuarial Study

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What is OPEB?

- OPEB Stands for “Other Post- Employment Benefits”, defined as benefits such as medical, dental, and vision that an employer offers to retirees as compensation for past service.
Before GASB 43 and 45

- Historically OPEB plans were financed on a “pay-as-you-go” basis (i.e. – benefits were paid for current retirees only).

- Retirement benefits for active eligible employees were not accounted for.

- Financial statements generally did not report the financial impact of OPEB until the promised benefits were paid.
As A Result, Employers Failed To:

1. Recognize the cost of benefits in the period in which they were earned.

2. Provide information about the accrued liability for promised benefits associated with past services and whether, and to what extent, those benefits were funded.

3. Provide information regarding potential impacts on the employers’ future budgets and cash flows.
GASB 43/45 Issued In 2004

• Accounting Principles require an expense be recognized in the period in which a liability is incurred.

• Therefore, GASB 43/45 required that the cost of OPEB be measured and recognized as a liability in the accounting period in which it is earned (during an employee’s active service) rather than when it is paid (after the employee has retired).
The Need For Actuarial Study

• Districts are required to contract with professional actuaries to calculate and determine the projected total benefit cost, including any unfunded liability that employers then report on their financial statements.
The Actuarial Study Is Intended To:

1. Provide information to enable employers to better manage the cost and liabilities associated with retiree health benefits.

2. Provide information to enable employers to better communicate the financial implications of retiree health benefits to their communities.

3. To provide information needed to comply with GASB 43 and 45.
Determining Total Projected Benefits

• The actuary determines the present value of total projected health benefits (PVTPB) for all current employees and retirees.

• This value is sufficient to expense all promised benefits until the last current employee or retiree dies or reaches the maximum eligible age.
Assumptions Include:

• Entry age
• Expected retirement age
• Estimated years of service
• District retirement benefit rates
• Discount or interest rate for amortization
• Amortization period, usually 30 years per GASB 45
How the benefits are funded
PVTPB Divided Into Two Parts:

1. Actuarial Accrued Liability (AAL) – Liability for the benefit costs related to services before the valuation date.
   A. Determine the accrued liability
   B. Determine the annual contribution required to fund this liability

2. Liability for benefit costs associated with services provided after the valuation date, funded by Normal Cost Method.
   A. Determine total liability for eligible employees
   B. Determine the annual contribution required to fund this liability

Annual Required Contribution (ARC) = 1B + 2B
## Benefit Eligibility Table:

<table>
<thead>
<tr>
<th></th>
<th>Certificated</th>
<th>CSEA</th>
<th>Management</th>
<th>SEIU</th>
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</thead>
<tbody>
<tr>
<td>Benefit types provided</td>
<td>Medical only</td>
<td>Medical Only</td>
<td>Medical Only</td>
<td>Medical Only</td>
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<tr>
<td>Duration of Benefits</td>
<td>To age 65</td>
<td>To age 65</td>
<td>To age 65</td>
<td>To age 65</td>
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<tr>
<td>Required Service*</td>
<td>10 Years</td>
<td>10 Years</td>
<td>10 Years</td>
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<tr>
<td>Minimum Age</td>
<td>55</td>
<td>55</td>
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<tr>
<td>Dependent Coverage</td>
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<td>No</td>
<td>No</td>
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<tr>
<td>District Contribution %</td>
<td>100% to maximum of $450 per month</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
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<tr>
<td>District Cap</td>
<td>Active Cap</td>
<td>Active Cap</td>
<td>Active Cap</td>
<td>Active Cap</td>
</tr>
</tbody>
</table>

*Currently under negotiations.
Actuarial Valuation Summary:

• Present Value of Total Projected Benefits (PVTPB) = $10.3M

• Total Actuarial Accrued Liability (AAL) for past services = $7.2M

• Less Trust Balance at the valuation date = $2.1M

• Total Unfunded Accrued Liability (UAAL) = $5.1M

• Current Annual Required Contribution ARC = $774K
How Often Is The Actuarial Valuation Required?

- Employers with fewer than 200 membership = at least every three years.

- Employers with membership of 200 or more = at least every two years.
Request For Proposals (RFP) Process

- Develop a detailed scope of work including the deadlines
- Distribute the scope of work to the vendors/consulting firms.
- Vendors then prepare and submit their proposals to the district
- Review all and select one proposal for award
- Sign the contract
Questions?