



OPEB Issues & Concerns

Massachusetts Collectors and Treasurers Association

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OPEB

- Where have we been?
- Where are we now?
- Where are we going?

Key Terms

- **GASB** **Governmental Accounting Standards Board**
- **OPEB** **Other Post-Employment Benefits**
- **UAAL** **Unfunded Accrued Actuarial Liability**
- **NOL** **Net OPEB Liability (Replacing UAAL????)**
- **ARC** **Annual Required Contribution**
- **ADC** **Actuarially Determined Contribution**

Discount Rate

GASB 45	GASB75
Set By Actuary in Conjunction With The Plan Auditor	Single Equivalent Discount Rate: A Blended Rate Based On Plan Assets, Funding Policy and Investment Policy to the Extent That Plan Is Funded & A 20 Year Tax-Free Municipal Bond Index Rate For Unfunded Periods.

Relationship between Discount Rate and UAAL

- Every 1% Change in Discount rate equals 10-15 % change in UAAL(NOL)
- Most large endowments are lowering their discount rates to more realistic expectations
- In theory, the higher the discount rate the more risk that may need to be taken

How has Massachusetts handled OPEB?

- Home Rule Petitions
- Chapter 32B Section 20
- Municipal Modernization Act
- Revised Chapter 32B Section 20
- November 7, 2016

After November 7, 2016

- Prior acceptance of 32B Section 20 grandfathered
- Waiting for the Information Guideline Release (IGR)

Key points to OPEB

- The Trust Must be for the benefit of retired employees and their dependents
- The Trust Must be used for post employment benefits
- The Trust Must be irrevocable
- The Trust Must be protected from creditors

Establishment of the OPEB Trust

- **Prior to 11/7/2016**
 - Left out many political subdivisions
- **After 11/7/2016**
 - Specific wording for:
 - Regional District Schools**
 - Housing Authorities**
 - Redevelopment Authorities**
 - Educational Collaboratives**

Trust or No Trust

- Prior to 11/7/2016
 - No specific wording to set up a trust
- After 11/7/2016
 - Specific wording is now presented in the law
 - Declaration of a trust will take effect after 90 days of filing
 - Trust documents may be needed in the future

Custodian

- **Prior to 11/7/2016**
 - Municipal Light Department may appoint a custodian and a treasurer
 - The Treasurer of the governmental unit
 - The health care security trust
- **After 11/7/2016**
 - Treasurer of the governmental unit

Trustees

- **Prior to 11/7/2016**
 - No specific mention of trustees
- **After 11/7/2016**
 - Appoint a trustee or Board of Trustees
 - Trustees will act in a fiduciary capacity
 - Discharge its duties for primary purpose of enhancing value of OPEB Fund
 - Acting with care, skill, prudence and diligence as a prudent person acting in a like capacity would
 - Diversify the investments to minimize the risk of large losses
 - Can employ investment consultants
 - Can invest funds with State Retirement Benefits Trust

Trustees

- **Can be the Custodian (i.e. – Treasurer)**
- **Can be the Retirement Board**
- **Separate OPEB Board of Trustees**

Separate OPEB Fund Board of Trustees

- 5 to 13 members
- Including a person or persons with investment experience
- Citizen or citizens of governmental unit
- Employee of the governmental unit
- A retiree or retirees of governmental unit
- Officer or officers of governmental unit

Elections

- **Governmental Employee(s)**
 - Shall be elected by current employees by a ballot
- **Retiree or Retirees**
 - Shall be elected by current retirees by a ballot
- **Other Trustees**
 - Remainder of trustees shall be appointed by Chief Executive Officer
 - Trustees will serve 3 or 5 year terms. May be reappointed.
 - Vacancy may be appointed or elected to fill remainder of terms

Expenditures from the fund

- **Prior to 11/7/2016**
 - No specific mention of how money can be spent
- **After 11/7/2016**
 - 2/3 vote of the governmental body of the governmental unit
 - Legislative body in a city or town
 - Or County Commissioners in a county
 - Or Regional District School Committee in a regional school district
 - Or the district meeting
 - Or other appropriating body in any governmental unit

Investments

- **Prior to 11/7/2016**
 - **Prudent Investor Rule Chapter 203C**

- **After 11/7/2016**
 - **Starts out under Chapter 44 Section 54**
 - **Unless governing body of the governmental unit authorizes investment under the Prudent Investor Rule Chapter 203C**
 - **Can be invested with the State Retiree Benefits Trust Fund**

Municipal Investments

- Chapter 44 Section 55
- Chapter 44 Section 54
- Chapter 203C

Investing in OPEB Options

- State Retiree Benefits Trust Fund
- Locally Selected Investment Organizations

Fiduciary Capacity

- A fiduciary must act in the best interests of a client. A fiduciary is an individual who acts in the interest of another person or organization. A fiduciary may be an agent, a broker, an attorney or a legal guardian who has a responsibility to supervise matters on behalf of someone else.

Benefits to Investing with an Investment Organization

- Assets are separately held (not pooled)
- You have a choice on how much risk you will take
- Individual performance reporting
- Very competitive pricing model
- Trust document
- Local Investment Team

Questions?