Fiscal Highlights

Funding the State's Other Post-Employment Benefit (OPEB) Liability - Steven M. Allred

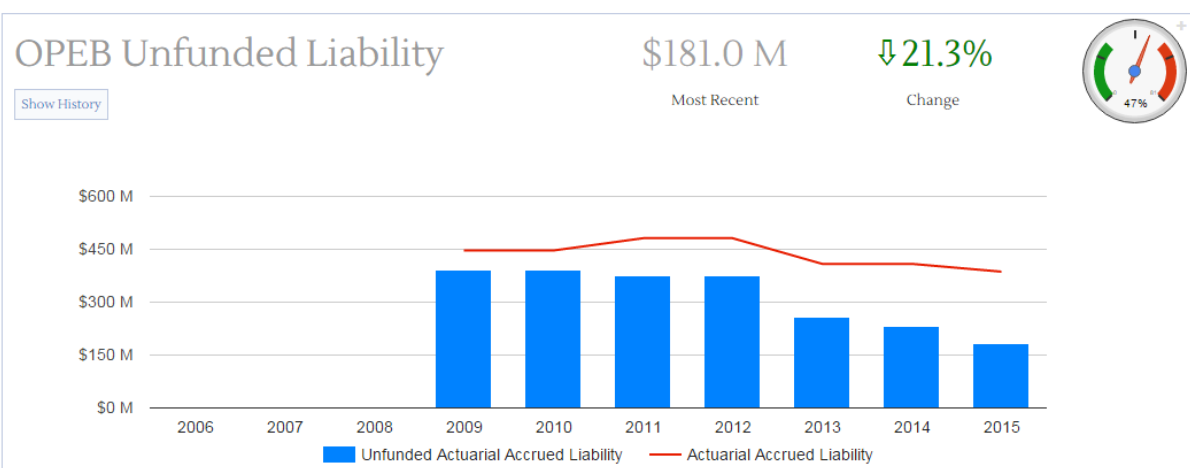
The term "Other Post-Employment Benefits" or OPEB, refers to benefits, other than pensions, that a state government employee receives as part of his/her package of retirement benefits. In Utah it principally involves post-retirement health care benefits. In order to receive these benefits, a state employee must have been hired before January 1, 2006, retire from active employment, and meet age and service criteria. For those who qualify, benefits include:

- 75% of Program I unused or converted sick leave balances accrued through 2005 may be converted to purchase medical and prescription drug coverage
- Eight hours of sick leave equates to one month of medical coverage for both the retiree and spouse until age 65
- After age 65, an additional eight hours of sick leave is required to continue spouse coverage

In order to cap the state's financial liability under conditions of rapidly growing health care costs, the Legislature passed House Bill 213 in the 2005 General Session, which eliminated the program for new employees hired after January 1, 2006.

The Governmental Accounting Standards Board (GASB requires a bi-annual actuarial determination of OPEB liabilities. Utah's contracted actuarial firm completed their most recent valuation just this month, using data from December 31, 2014 and assumptions approved by the State Board of Trustees, and reported their results to the Executive Appropriations Committee. As expected under a closed plan, both the state's total liability and the unfunded portion of the liability continue to decline.

The following chart from the Fiscal Health Dashboard summarizes the latest results.



Actuarial Accrued Liability (the red line) declined from $409 million in 2013 to $387 million in 2015. The largest reason for the decline is a net decrease in headcounts by 1,433 as employees leave state government or consume the last of their benefits.

Assets set aside by the state to pay off the liability increased from $150 million to $205 million. The state makes annual contributions to a trust fund and and fund has performed well in its investments.

Unfunded Actuarial Accrued Liability (the blue bars) therefore decreased from $259 million in 2013 to $181 million in 2015, meaning the unfunded liability is now 47% of total liability (as shown in the dial), compared to 63% two years ago.