

## OTHER POST EMPLOYMENT BENEFITS AGENCY FUND

### Other Post Employment Benefits (OPEB)

#### Budget Highlights

The budget for FY2009-10 provides funding of \$6,000,000 for the significant costs that arise from the accounting requirement from the Governmental Accounting Standards Board (GASB) known as GASB 45, which went into effect in FY2007-08. The approved budget represents a decrease of \$725,000 or 10.8 percent and reflects a reduction of forecasted requirements for GASB 45. The GASB 45 pronouncement (*Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*) presented significant funding issues for many local governments throughout the United States.

Non-pension benefits provided to employees after employment ends are referred to as Other Post Employment Benefits or OPEB. The definition of OPEB, according to the Governmental Accounting Standards Board (GASB), includes health insurance coverage for retirees and their families, dental insurance, life insurance, and term care coverage. Other post employment benefits are a part of the compensation package employees earn each year, even though the benefits are not received until employment has ended. For Henrico County, these benefits are confined to retiree health insurance and specifically, for those retirees that opt to remain with the County's health care provider.

The bond rating agencies now consider OPEB funding status in their evaluations of government

financial condition. It is possible that bond ratings may suffer for those governments with large and/or mounting liabilities and no defined way to pay for these future costs. Under the guidelines, OPEB financial information will be produced using actuarial valuations performed in accordance with GASB standards. The actuarial valuations should be performed at least every two years for plans that administer OPEB for 200 or more plan members (active and retired) or every three years for plans with fewer than 200 members. Henrico County's next update will be completed prior to June 30, 2009.

As a result of the financial reporting requirements of the Governmental Accounting Standards Board (GASB), this fiduciary fund was created in FY2007-08. This fund allows the County to budget for the annual cost of public employee non-pension benefits and all outstanding obligations and commitments related to OPEB in the same manner as reporting financial information for pensions. It is the intent of the County of Henrico to fully meet the GASB 45 funding requirement that began in FY2007-08. Due to Henrico's aggressive funding of GASB 45 requirements in FY2007-08 and FY2008-09, Henrico has the ability to reduce funding in FY2009-10 and continue to fully meet the anticipated funding requirements. Future contributions will continue to be based on completed independent actuarial analysis.

#### Annual Fiscal Plan

<u>Description</u>	<u>FY08 Actual</u>	<u>FY09 Original</u>	<u>FY10 Approved</u>	<u>Change 09 to 10</u>
OPEB contribution	\$ 6,400,000	\$ 6,725,000	\$ 6,000,000	-10.8%
Total OPEB	\$ 6,400,000	\$ 6,725,000	\$ 6,000,000	(10.8%)