

Other Post Employment Benefits (OPEB)

- **What is OPEB?**
 - Other Post Employment Benefits besides pensions, such as Health and Life insurance.
 - In 2004, the General Accounting Standards Board (GASB) issued statement 45 that required governmental entities to recognize the cost of OPEB's when they are earned (when the employees are working) rather than when they are paid.
- **What is Westford's Liability?**
 - In 2009, an actuarial study was performed that valued the OPEB liability at \$55M.
 - In 2011, another study was completed that valued the OPEB at \$67M. The increase was attributed to higher than expected retirement rates and increased health insurance premiums.
- **How was the Liability Calculated**
 - The \$67M liability is amortized over a 30 year period. The Annual Required Contribution (ARC) is calculated at \$5.8M. This amount includes the pay-as-you-go portion for current retirees of \$2M per year which is currently budgeted. It also includes normal costs and projected inflation rates for current employees of 3.8M per year.
- **How to Address the Liability**
 - At the March 26, 2011 Town Meeting, a motion was passed to establish an OPEB irrevocable trust fund. Westford appropriated \$50,000 into the fund.
 - The Finance Committee has had initial talks to address this liability and project the anticipated cash flow projections in future years.
- **Other Facts**
 - 95% of municipalities have **not** established an OPEB Stabilization fund.
 - The liability is a non-cash charge and does not require pre-funding like a pension plan.
 - Can reduce liability by having plan design changes (reducing covered expenses, increasing co-pays, implementing deductibles, etc.).
 - In the short term, the OPEB obligation will have no impact on bond ratings. Over time, those municipalities with either very modest or severe GASB 45 liabilities are likely to see some benefit or harm to their ratings.

