

OTHER POST-EMPLOYMENT BENEFITS BY STATE (OPEB)

FY2017 SNAPSHOT

CENTER FOR STATE & LOCAL GOVERNMENT EXCELLENCE



Other Post-employment Benefits (OPEB) is a term that characterizes retirement benefits, other than pensions, that are offered to employees of state agencies and participating political subdivisions. The primary component of OPEB, with the most significant costs, is employer-subsidized health care for retired employees. Although nearly every state provides access to health

benefits for retired public employees, a wide variety exists in the way these benefits are provided. Generally, there are three prevailing models of retiree health benefits: a premium-based subsidy that provides a benefit equal to an established percentage of monthly health care premiums; a fixed-dollar subsidy, expressed as a maximum annual benefit or fixed-dollar contribu-

tion; and an implied subsidy resulting from an arrangement in which risk-pooling includes both active and retired members¹. OPEB benefits have been modified by some states in recent years, often resulting in a tiered structure or the elimination of subsidies for certain participants. More information on state OPEB plan designs can be found at <https://www.nasra.org/opeb>.

OPEB Liabilities

Approximately \$673 billion, or 93 percent, of state OPEB liabilities are not presently funded by assets, meaning that approximately 7 percent of these liabilities are funded. Just ten states – California, Connecticut, Florida, Georgia, Illinois, Massachusetts, Michigan, North Carolina, New Jersey, New York, Ohio, Pennsylvania, and Texas – account for over 80 percent of the total US state accrued OPEB liability. On a per capita basis, state OPEB unfunded liabilities range from zero or near zero for Kansas, Nebraska, Oklahoma, and South Dakota, to approximately \$8,583 for Delaware.

FY 17 OPEB Unfunded Liabilities by State, per capita

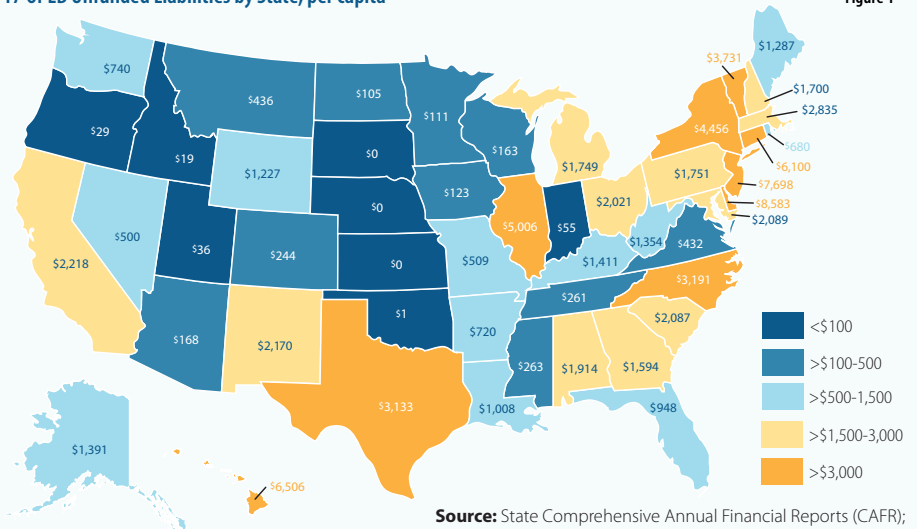


Figure 1

Source: State Comprehensive Annual Financial Reports (CAFR); 2017 state population data sourced from U.S. Census Bureau

OPEB Costs

Actual state spending on retiree health benefits in FY 17 varies, from nearly zero to over 5 percent of total state fund expenditures (a figure that excludes expenditures from the sale of bonds and funds received from the federal government). For most states, these costs remain a relatively small percentage of state spending. As the figure below illustrates, in FY 17, states' actual OPEB spending was approximately 1.5 percent of state fund expenditures. In aggregate states contributed nearly 44 percent of their actuarially determined OPEB contribution in FY 17. Payment of the full actuarially determined contribution would increase spending to 3.5 percent of state fund expenditures.

State Spending on Retiree Healthcare Benefits (Actual and Actuarially Determined Contribution) as a Percentage of Total State Fund Spending, FY17

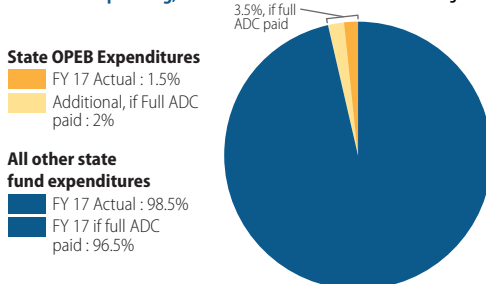


Figure 2

Source: State Comprehensive Annual Financial Reports (CAFR)

OPEB Assets

As of FY 17, 28 states have accumulated approximately \$52 billion in assets to prefund OPEB benefits, with the level of OPEB assets varying significantly among states. Approximately 34 percent of all OPEB assets are held by the State of Ohio and its political subdivisions, whose public employee retirement systems administer retiree health programs for nearly all public employees in the state.

Relative Distribution of FY 17 State OPEB Assets for States with Over \$1 Billion in Assets (in millions)

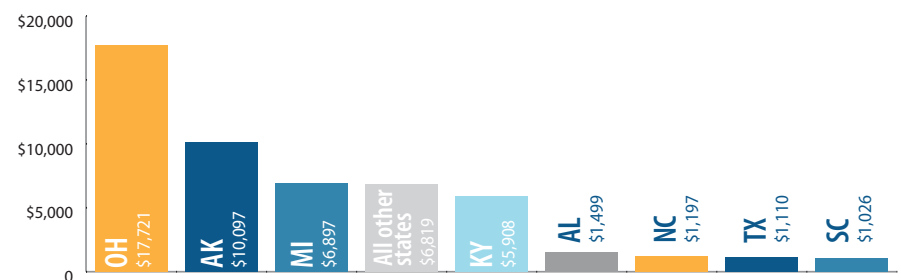


Figure 3

Source: State Comprehensive Annual Financial Reports (CAFR)

In order to determine how much should be allocated to cover future OPEB costs and service existing liabilities, a range of demographic and economic actuarial assumptions are used to measure the OPEB liability. One key economic assumption is the short-term (approximately the next 5-10 years) and long-term expectations for increases in health care costs.

OPEB Health Care Inflation Assumptions

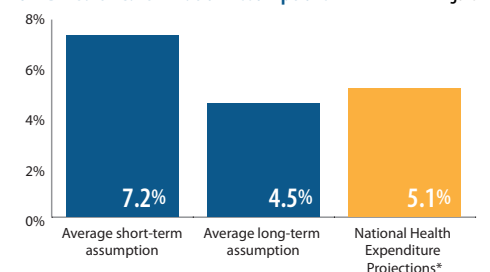


Figure 4

*National Health Expenditure Projections are for state and local government, 2017-2027.

Source: State Comprehensive Annual Financial Reports (CAFR) and CMS National Health Expenditure Data – Projected

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There is great variation among states in terms of the types of retiree health benefit offered, the level of unfunded liability, and other aspects related to annual costs and impacts on overall budgets. See the previous [SLGE / NASRA report Spotlight On Retiree Health Care Benefits for State Employees in Fiscal Year 2015](#) for a discussion about the different types of subsidies.

References

1 Spotlight On Retiree Health Care Benefits for State Employees in Fiscal Year 2015, NASRA/SLGE May 2017

State	Type of Subsidy	Unfunded OPEB Liabilities (\$ millions)	FY 17 OPEB ADC	FY 17 % of OPEB ADC Contributed	% of State Expenditures at Actual Expenditures	% of State Expenditures at Full ADC 2014
AL	Percentage of premium	9,330	907	37	2.1	5.6
AK	Percentage of premium	1,029	176	84	2.5	2.9
AZ	Implicit subsidy for ADOA Fixed-dollar contribution for HBS	1,182	141	21	0.1	0.5
AR	Percentage of premium	2,164	177	38	0.4	1.0
CA	Percentage of premium	87,695	5,852	42	1.5	3.6
CO	Fixed-dollar contribution	1,370	86	97	0.3	0.3
CT	Percentage of premium	21,888	1,210	57	3.1	5.4
DE	Percentage of premium	8,256	543	44	3.0	6.7
FL	Implicit subsidy for DSGI Fixed-dollar contribution for HIS	19,891	1,254	56	1.5	2.6
GA	Percentage of premium	16,622	1,221	102	3.6	3.6
HI	Percentage of premium	9,287	815	81	5.8	7.1
IA	Implicit subsidy	388	69	35	0.2	0.4
ID	Implicit subsidy	32	4	49	0.04	0.1
IL	Percentage of premium	64,087	2,828	19	1.1	5.5
IN	Implicit subsidy	367	36	99	0.2	0.2
KS	N/A	0	1	751	0.1	0.01
KY	Fixed-dollar contribution for state employees Percentage of premium for teachers	6,287	425	122	2.5	2.1
LA	Percentage of premium	4,721	321	65	0.6	0.9
MA	Percentage of premium	19,446	1,661	33	1.3	4.1
MD	Percentage of premium	12,642	869	63	1.9	3.0
ME	Percentage of premium	1,719	102	102	1.9	1.8
MI	Percentage of premium	17,424	1,403	101	4.2	4.1
MN	Implicit subsidy	617	71	46	0.1	0.3
MO	Percentage of premium	3,111	210	56	0.7	1.2
MS	Implicit subsidy	785	45	68.5	0.3	0.4
MT	Implicit subsidy	458	47	27	0.3	1.1
NC	Percentage of premium	32,787	995	100	3.0	3.0
ND	Fixed-dollar contribution	79	341	82	5.4	6.6
NE	N/A					
NH	Percentage of premium	2,283	161	31	1.4	4.5
NJ	Percentage of premium	69,324	6,225	32	4.8	14.8
NM	Percentage of premium	4,532	318	50	1.5	2.9
NV	Fixed-dollar contribution	1,498	130	29	0.4	1.4
NY	Percentage of premium	88,443	4,288	41	1.8	4.3
OH	Percentage of premium for PERS, SERS, and STRS. Fixed-dollar contribution for OP&F	23,565	1,199	20	0.5	2.3
OK	Fixed-dollar contribution	5	0	61	0.0	0.0
OR	Fixed-dollar contribution for RHIA & RHIPA Implicit subsidy for PEBB	121	7	63	0.01	0.02
PA	Percentage of premium for state employees Fixed-dollar contribution for teachers	22,418	1,538	54	1.6	3.0
RI	Percentage of premium	721	57	100	1.0	1.0
SC	Percentage of premium	10,487	796	62	3.0	4.9
SD	N/A					
TN	Percentage of premium for pre-Medicare retirees Fixed-dollar contribution for Medicare-eligible retirees	1,752	179	66	0.6	0.9
TX	Percentage of premium	88,692	8,101	21	2.4	11.2
UT	Percentage of premium	112	30	115	0.3	0.3
VA	Implicit subsidy for PMRH Fixed-dollar contribution for RHIC	3,657	317	38	0.3	0.8
VT	Percentage of premium	2,327	117	49	1.6	3.3
WA	Implicit subsidy for pre-Medicare retirees Fixed-dollar contribution for Medicare-eligible retirees	5,480	530	18	0.3	1.7
WI	Implicit subsidy	942	79	48	0.1	0.2
WV	Percentage of premium	2,459	225	91	1.6	1.8
WY	Implicit subsidy	711	58	28	0.5	1.7

