

A group of seven senators, lead by Senator McCabe from Kanawha County, has developed a plan to address the state's OPEB liability. The plan calls for massive reform to PEIA and will be discussed throughout the legislative session.



Here is a short Q & A regarding OPEB.

What is OPEB?

OPEB stands for Other Post Employment Benefits. This means all benefits paid or subsidized on behalf of retirees other than pension benefits. For the state of West Virginia these benefits are life insurance and health insurance.

Where did OPEB come from?

Although the private sector has been accounting for OPEB for many years, the General Accounting Standards Board (GASB) just recently established these accounting practices for the government sector. It has been phased in for employer reporting purposes based on revenues and, everyone will need to report by FY 2010. There are two standards that relate to West Virginia; GASB 43 which covers the accounting for the Retiree Health Benefit Trust and GASB 45 which covers the accounting for the employer.

What is the current OPEB liability for West Virginia?

A new calculation is underway for FY 2011. As a snap shot today, the liability is estimated to be \$7.8 billion at the end of FY 2010 and is forecast to be \$8.7 at the end of FY 2011. Since the liability flows to the employer, here are the estimated percentages of the \$7.8 billion:

- a. Non-State Agencies 10%
- b. County Boards of Education 40%
- c. State Agencies including Higher Ed 50%

How does the West Virginia OPEB liability compare to other states?

Our unfunded liability per capita was reported as \$4,319.82. This puts West Virginia in the top five highest per capita liabilities in the United States. When you overlay our average incomes as the ability to pay the debt, West Virginia moves to the worst position in the country.

How did West Virginia get into this situation?

This long term liability for OPEB is not new to West Virginia, just the fact that we must now account for it. In 1972, the WV legislature allowed retirees to participate with PEIA insurance if they paid their full premium share. Over time, the PEIA finance board, to assist retirees, has provided some subsidy to keep the premiums low. The code was later modified to allow the PEIA finance board to subsidize rates. Today, the subsidy to retirees premiums averages 70% meaning the retiree premiums only cover 30% of the actual cost of health care.

How are we funding the retiree subsidy today?

The retiree subsidy, typically called the “pay go” and now at \$140 million, is paid for by a transfer from the active employee program. Under the 80/20 rule, the employer pays 80 percent and the employee pays 20% (non-state agencies are slightly different).