

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 1179**

March 1, 2007

SPONSOR (S): [Link](#)

SYSTEM(S): Metropolitan Water Reclamation District Pension Fund

FISCAL IMPACT: The MWRD pension fund's OPEB liability is estimated to be approximately \$583 million. Accordingly, upon enactment of SB 1179, the board will make contributions to the OPEB trusts as follows:

2007	\$15 million
2008	\$10 million
2009	\$10 million
2010	\$10 million
2011-2056	18.6% of payroll

SUBJECT MATTER: SB 1179 amends the Metropolitan Water Reclamation District Act to create trusts for the purpose of providing for the funding and payment of health and other fringe benefits for retired, disabled, or terminated employees, their dependents, and beneficiaries.

FISCAL IMPACT: The MWRD pension fund's OPEB liability is estimated to be approximately \$583 million. Accordingly, upon enactment of SB 1179, the board will make contributions to the OPEB trusts as follows:

2007	\$15 million
2008	\$10 million
2009	\$10 million
2010	\$10 million
2011-2056	18.6% of payroll

COMMENTS: Currently, employees of state and local governments are compensated in a variety of forms in exchange for their services. In addition to salary, many employees earn benefits over their years of service that will not be received until after their employment with the government ends through retirement or separation from

government service. The most common type of post-employment benefit is a pension. “Other post-employment benefits,” or OPEB, are generally comprised of health insurance, dental, vision, prescription drugs, and other healthcare benefits provided to eligible retirees.

The Governmental Accounting Standards Board (GASB) established standards in 1994 for how government employers should account for and report on pension benefits, but similar provisions did not exist for OPEB. GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, provide a framework in which government employers can account for OPEB costs earned by an employer in a given year. Currently, most government employers fund OPEB costs on a “pay-as-you-go,” or “cash outlay” basis. GASB Statements 43 and 45 recommend that governments account for and report the annual OPEB costs in the same manner as they currently do for pensions; that is, on an actuarial, pre-funded basis.

SB 1179 permits the Metropolitan Water Reclamation District board of commissioners to establish one or more OPEB trusts for the purpose of implementing GASB 43 and 45. The bill stipulates that the OPEB trusts are in addition to pension benefits earned under the MWRD article of the Pension Code. Furthermore, the bill allows the OPEB trusts to employ such personnel and enter into such contracts as deemed appropriate by the trustees and recommended by the Treasurer of the MWRD.

DH:dkb

LRB095 0829 HLH 29118 b