



County OPEB Trust Fund

In 2004, the Governmental Accounting Standards Board (GASB) issued Statement #45 (GASB #45), Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, to address how governmental entities should account for and report their costs and obligations related to “other post-employment benefits” (OPEB). OPEB refers to fringe benefits provided to retired and former employees other than pension benefits. In past accounting standards, entities recognized the cost of these benefits as they were paid. This standard requires recognition of the cost of the benefits over the service period of the employee. In 2015, GASB issued Statement #75 (GASB # 75), Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions, which required the County to record a liability on the government-wide financial statements for its net OPEB liability.

Currently, Loudoun County and Loudoun County Public Schools (LCPS) offer post-retirement benefits, which include healthcare coverage for eligible retirees and their families. The program includes coverage for both pre-65 and Medicare-eligible retirees with an appropriate medical and prescription drug plan and dental and vision coverage. The bond rating agencies have stated that they consider OPEB funding status in their evaluation of a government’s financial condition. It is possible that bond ratings may suffer for governments with large and/or mounting liabilities that do not have a mechanism in place to manage these obligations. Following these guidelines, the LCPS and County’s actuarial firms have been conducting bi-annual analyses in accordance with GASB #45, and more recently, GASB #75.

In response to the reporting requirements, the County created a fiduciary fund in FY 2009 to provide a means to budget for the annual cost of employee non-pension benefits in the same manner as pensions. In September 2009, LCPS and Loudoun County joined the Virginia Municipal League (VML)/Virginia Association of Counties (VACo) Pooled OPEB Trust for the investment of County assets related to OPEB. This Trust was established as an investment vehicle for participating employers to accumulate assets to fund OPEB. The initial funding transfer occurred on September 8, 2009, with the County OPEB Committee (Local Finance Board) continuing its role of monitoring the funding and performance of the VML/VACo Pooled OPEB Trust. Additionally, LCPS and Loudoun County are currently represented by a Local Finance Board member on the VML/VACo Pooled OPEB Trust Board of Trustees. To better control the increasing cost of retiree health benefits and to mitigate future liabilities, LCPS and the County implemented a number of cost-saving measures, which included restructuring cost sharing and eligibility. The County and LCPS will continue to monitor the program and explore innovative solutions that will assist in future program cost management.

This fund is not an appropriated fund; however, the respective transfers are appropriated in the General Fund and School Fund as contributions to OPEB. During FY 2021, staff developed an OPEB Funding Policy that sets guidelines for funding levels and conditions under which the County can withdraw money from the trust as reimbursement for eligible costs. The County’s full funding approach provided a sufficient level of resources in the trust for the County to start using the trust to pay benefits in FY 2021. The FY 2023 Adopted Budget included an annual contribution of \$14,500,000 to the OPEB Trust; \$12,000,000 from LCPS and \$2,500,000 from Loudoun County Government.

The FY 2024 Proposed Budget includes an annual contribution of \$15,000,000 to the OPEB Trust; \$12,000,000 from LCPS and \$3,000,000 from Loudoun County Government.¹ LCPS’s FY 2024 budgeted contribution represents no change from the FY 2023 Adopted Budget, while the County’s FY 2024 budgeted contribution represents a \$500,000 increase from FY 2023. Contribution rates are evaluated annually to ensure that the County maintains a full funding approach.

¹The County Government contribution is shown in the Non-Departmental Expenditures section in Volume 1.

**County OPEB Trust Fund****Financial Summary**

	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimated	FY 2024 Estimated	FY 2025 Estimated
Contributions					
County	\$5,500,000	\$5,500,000	\$2,500,000	\$3,000,000	\$3,000,000
Schools	10,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Total OPEB Contributions	\$15,500,000	\$17,500,000	\$14,500,000	\$15,000,000	\$15,000,000

Policies

The County and LCPS participate in the Virginia Pooled OPEB Trust, administered by VML/VACo. Funds are pooled from participating jurisdictions and invested in the name of the Virginia Pooled OPEB Trust. The Board of Trustees of the Virginia Pooled OPEB Trust establishes investment objectives, risk tolerance, and asset allocation policies in light of market and economic conditions and generally prevailing prudent investment practices.

Effective January 1, 2013, cost-saving measures were implemented by the County. Employees were designated into groups based on years of service and/or age, which determine their retiree health benefit eligibility. With the designation of groups, the County's defined benefit OPEB plan is closed to new participants, and a defined contribution Retirement Health Savings Plan (RHSP) is used for new employees. Other cost saving measures, including caps on employer cost sharing and a 10 percent aggregate cost shift to retirees, were put into place to further mitigate future OPEB costs as well as to reduce the County's Annual Required Contribution. Employer contribution rates for retirees vary based on the designated group, type of retirement, years of service, plan type, and coverage level.