

Let's cover the basics: What are Other Post Employment Benefits?

Employees are eligible for retiree medical coverage, or Other Post Employment benefits (“OPEB”), after 12 years of service (25 years if hired before 2004).

- The OPEB plan is funded and invested with the pension assets in the form of a 401(h) account (covered in Section 401(h) of the Internal Revenue Code)
- Pre-65 retirees are provided with the same plan as active employees are provided which is paying between 5% - 15% of the cost based on 2020 rates including a High Deductible Health Plan
- Post-65 Medicare-eligible retirees are provided with a Medicare Advantage plan and pay ~15% of the cost
- Spouses receive a 50% subsidy

Bottom line

- Pre-fund retiree medical benefits that have already been earned by ARC employees and retirees.
- Provides an explicit subsidy to offset the cost of the retiree-only premium and an implicit subsidy due to charging retirees a blended active/retiree premium rate.

Establishing the OPEB Funding Policy

Why?

- Funding discontinued for this account in 2016 due to financial constraints at the time and sufficient funding to meet OPEB obligation accruing within the 401(h).
- ARC has ~ \$11 million in a 401(h).
- ARC has not formally adopted a policy to pre-fund the retiree medical obligation.

What?

- Records agency funding objectives for ‘Other Post-Employment Benefits’
- Allows ARC to adopt the same rate of return our pension (currently 6%)

How?

This policy shall be put forward to the Governance Committee for review and adoption

