

Chabot-Las Positas Community College District

Setting Up an Irrevocable Trust for Post-Employment Benefits

- The district offers post-employment benefits (lifetime medical benefits) to employees hired before January 1, 2013 who meet certain eligibility requirements.
- Other post-employment benefits (OPEB) are promised but not guaranteed.
- In order to ensure that retirement benefits are available when employees retire, districts set up an irrevocable trust to fund those obligations. This is similar to the funding of CalSTRS and CalPERS pension liabilities.
- Beginning with the 2016-17 financial statements, the district must report the unfunded OPEB liability on the Balance Sheet.
- With an irrevocable trust for OPEB, the district may use a higher discount rate in calculating the OPEB liability. The higher the discount rate, the lower the liability. The discount rate is the expected return over the long term. The reduction in OPEB liability ranges from 15%-30% for those districts that establish and fund an irrevocable trust.
- The district currently pays the annual cost of OPEB from the operating budget.
- Trust assets are restricted to pay for OPEB obligations.
- Other reasons to set up an irrevocable trust:
 - Accreditation
 - Rating agencies