

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **S&P: U.S. State OPEB Liability is Stabilizing, But Funding Remains Low, Report Says.**

NEW YORK (Standard & Poor's) Nov. 17, 2014—Total unfunded state other postemployment benefit (OPEB) liabilities are stable from last year, although funding ratios remain low for the nation's combined \$529.8 billion in liabilities, said a report published today by Standard & Poor's Ratings Services.

The report entitled, "Diverging Trends Underlie Overall Stable U.S. State OPEB Liability," highlights states that have done the most to reduce absolute OPEB liabilities, led by North Carolina, Michigan, and Hawaii, as well as those for which liabilities have actually increased, including Texas, New Jersey, and Alaska. The report also notes that proposed changes to the Governmental Accounting Standards Board (GASB) to make future OPEB reporting align with new standards for pension reporting could improve the ability to compare OPEB liability across states.

A companion to this OPEB report, "Proposed GASB Changes To OPEB Reporting Could Enhance Comparability But Reduce Information On Funding Progress," also published today, outlines proposed GASB changes and the effect they could have on how states report OPEB liabilities. If implemented, the new rules could improve OPEB comparability but obscure information on a state.

Standard & Poor's annual survey of U.S. states OPEB liabilities shows only a 0.1% decline from last year's report, showing some states' practical measures to address rising health care costs and the largely unfunded status of OPEB trusts, taking into account divergence among states.

"We believe states' efforts to address OPEB liabilities have slowed the growth in total unfunded liabilities in the past several years," said Standard & Poor's credit analyst Sussan Corson.

"Funding ratios have also improved slightly for most states that have established OPEB trusts, and changes to certain states' OPEB plan design or eligibility requirements have also led to declines," Ms. Corson continued. "Conversely, some states continue to report rising OPEB liabilities that could eventually pressure budgets and credit unless addressed," Ms. Corson concluded.

Despite the overall stability of state OPEB funding, several states have reported large changes in their actuarial unfunded liability since our last survey. The largest absolute decline in unfunded OPEB liabilities based on updated OPEB valuations in the past year occurred in Michigan, North Carolina,

and Hawaii.

The OPEB report also notes the effect of the Patient Protection And Affordable Care Act on long-term health care costs that will continue to affect states and could provide both opportunities and costs.

Under Standard & Poor's policies, only a Rating Committee can determine a Credit Rating Action (including a Credit Rating change, affirmation or withdrawal, Rating Outlook change, or CreditWatch action). This commentary and its subject matter have not been the subject of Rating Committee action and should not be interpreted as a change to, or affirmation of, a Credit Rating or Rating Outlook.

The report is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [www.spcapitaliq.com](http://www.spcapitaliq.com). If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-7280 or sending an e-mail to [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com). Ratings information can also be found on Standard & Poor's public Web site by using the Ratings search box located in the left column at [www.standardandpoors.com](http://www.standardandpoors.com). Members of the media may request a copy of this report by contacting the media representative provided.

Publication date: 17-Nov-2014 11:02:48 EST

Primary Credit Analyst: Sussan S Corson, New York (1) 212-438-2014;  
[sussan.corson@standardandpoors.com](mailto:sussan.corson@standardandpoors.com)

Media Contact: Alex Ortolani, New York 212-438-5054;  
[alex.ortolani@standardandpoors.com](mailto:alex.ortolani@standardandpoors.com)

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the

Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1) 212-438-7280 or by e-mail to: [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com).