

Other Post-Employment Benefits (OPEB) Trust Fund Investment Change (HB 2506)

House Bill 2506 would allow TriMet to invest its OPEB trust funds in the same ways it currently invests its pension trust funds.

Background

In current law, public agency pension trust funds may be prudently invested in diverse ways (real estate, stocks, etc.) to grow the trust's value.

All other funds, including Other Post Employment Benefits (e.g. retiree health care) trust funds, may only be invested in extremely low risk options (treasuries, government debt, etc.) which typically earn returns equal to or less than inflation, and therefore do not increase the trust's value.

Problem

TriMet expects to fully fund its pension trust fund within the next few years, at which point the TriMet Board intends to begin funding an OPEB trust.

However, under current law, if TriMet invests in an OPEB trust the rate of return may be so low that the agency could actually **lose** money due to inflation and administrative costs.

Solution

House Bill 2506 would allow TriMet to invest its OPEB trust funds in the same ways it currently invests its pension trust funds.

This change would allow OPEB trusts to yield a higher return, allowing TriMet to potentially earn an additional \$30 million or more over the next decade. These extra resources could be used to increase service, purchase new buses, refurbish MAX stations, and many other important transit investments.

Why Now?

TriMet's Strategic Financial Plan makes fully funding the pension and OPEB trusts a top priority. Within the next few years TriMet will fully fund its pension trust. The TriMet Board would like to follow the same course with the OPEB trust.

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