



# Recommendation for 2025 OPEB Contributions

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Board of Directors Meeting  
Finance Committee  
February 2025

Laura Kapustka, Executive VP & CFO

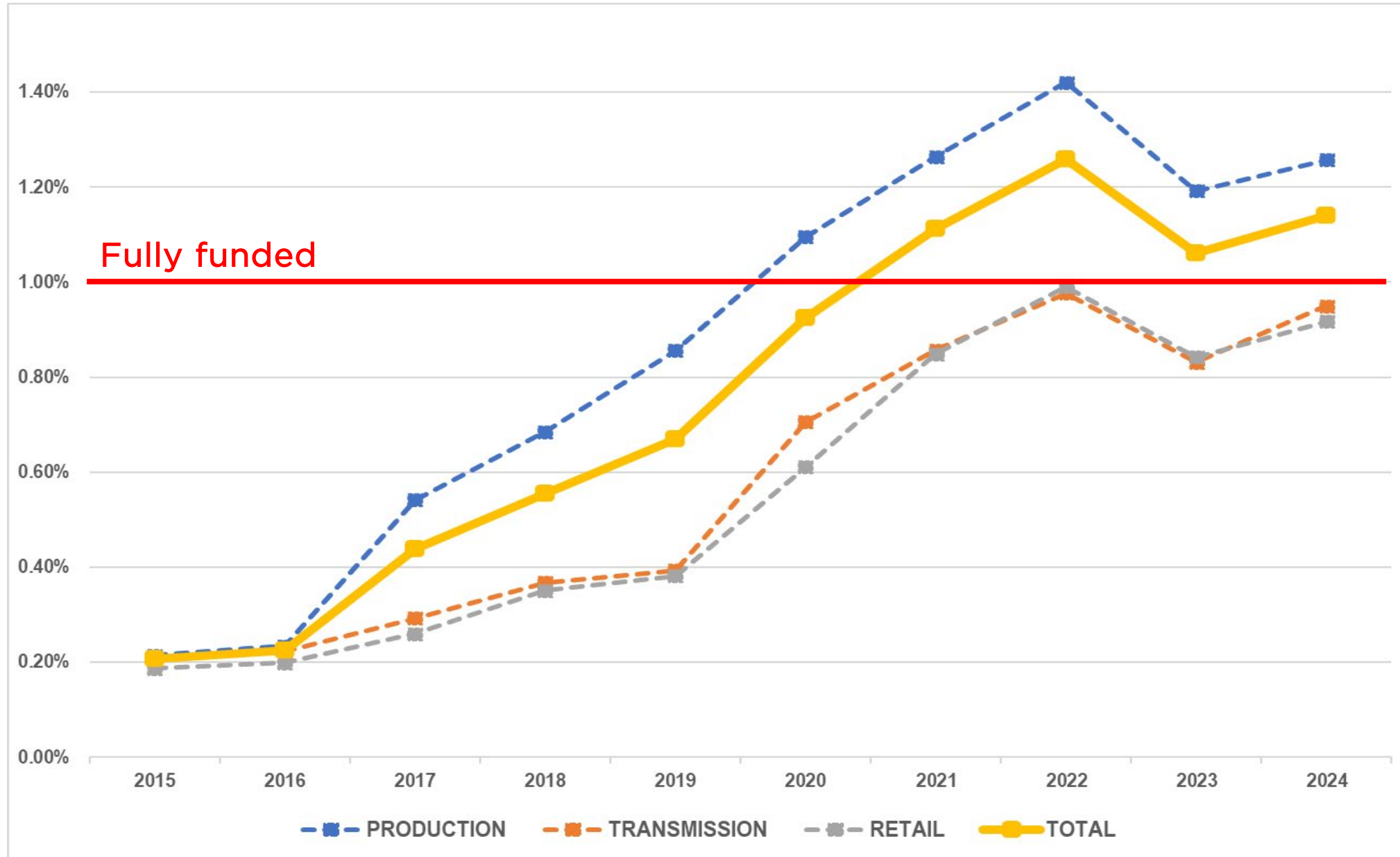


# Summary and Background

- The Other Post Employment Benefit (OPEB) Trust is established for the purpose of providing postemployment (hospital-medical and life insurance) benefits to qualifying retirees and employees in disability status of the District, and their surviving spouse.
- The OPEB Trust is, in total, overfunded as of 1/1/24 based on market asset values - 114%
  - Production - 126% (overfunded)
  - Transmission - 92% (underfunded)
  - Retail - 95% (underfunded)
- Based on analysis by NPPD's new investment consultant for the OPEB Trust, Aon Investments, the funded ratio is projected to grow in future years due to projected asset growth outpacing expected liability growth.
- The 2025 Budget includes contributions to the OPEB Trust of \$2,050,000.
  - Production - \$0
  - Transmission - \$1,025,000
  - Retail - \$1,025,000
- Management recommends reducing the 2025 overall contributions to \$0 by crediting the 2025 budgeted contribution to Production which will help reduce Production overfunding but will continue to work toward full funding for Retail and Transmission.
  - Production - (\$2,050,000)
  - Transmission - \$1,025,000
  - Retail - \$1,025,000

} Results in no contribution to the OPEB fund

# Funded status by level of service as of 1/1



# Why do we need Board approval?

- The amount to be contributed (OPEB expense) would be reduced to \$0 from the amount authorized by the Board in the 2025 budget and therefore in 2025 rates (\$2,050,000).
- Resolution 16-20, Regulatory Accounting for OPEB:
  - Requires that annual OPEB expense matches the amount authorized in rates.
- From notes in the Annual Report:
  - The Board annually approves the OPEB expense in rates and has authorized the use of regulatory accounting to equate OPEB expense with the amount in rates.
- From notes in the OPEB Financial Report:
  - The Board annually approves funding for the Plan, which has a minimum funding requirement of the actuarially-determined annual required contribution to achieve full funding status on or before December 31, 2033.
    - Per the Investment Policy Statement, if the OPEB Trust is overfunded, the actuarially-determined annual required contribution can be reduced to zero by the amount of the overfunding.
- Auditors (Forvis and PWC) confirmed that obtaining Board approval provides support for the intentional deviation from the contribution amount authorized in rates.

# Recommendation

- Recommend Board approval of the reduction of the 2025 OPEB contribution amount from \$2,050,000 (2025 Budget) to \$0, with \$1,025,000 to be collected from each Retail and Transmission customers (as budgeted) but offset by a credit to Production of \$2,050,000 (not budgeted).
  - There is no impact to Retail / Transmission.
  - This action would create a \$2,050,000 surplus in 2025 for the Production level of service.
    - *Note: the contributions are budgeted monthly, so the surplus would be recognized 1/12<sup>th</sup> through each month of 2025.*
- For 2026 and future years, the OPEB Committee and Financial Planning team will work closely with Aon (investment consultant and actuary) to monitor funded status and determine the most appropriate approach.



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## Questions

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