

**Budget Questions and Requests for Information  
2011-12 Recommended Budget**

**QUESTION:** How Cary and Wake County are proposing to handle their OPEB in their proposed budgets for FY 2011/2012 and what their fund balance projections are?

**RESPONDENT:** Ken Pennoyer, Director, Business Management

**RESPONSE:**

**Wake County OPEB Strategy:** As part of their FY2011-12 budget, they eliminated retiree health benefits for employees hired after June 30, 2011. As of the last actuarial valuation (12/09) Wake County's unfunded accrued OPEB liability was \$192,103,016 or 139% of the annual payroll of employees covered by the plan. Since 2008 Wake County has been paying current OPEB costs only on a pay-as-you-go basis. The annually required contribution needed to achieve full funding is about \$15 million of which the pay-as-you-go cost is \$3.4 million.

**Wake County Fund Balance:** As of its last audited financial statements, June 30, 2010, Wake County's General Fund designated "working capital" fund balance was \$92.8 million or 10% of expenditures. Fund balance is projected to stay at about the same level through FY2011-12.

**Town of Cary OPEB Strategy:**

As of the last actuarial valuation (12/09) the Town of Cary's unfunded accrued OPEB liability was \$79,907,566 or 136% of the annual payroll of employees covered by the plan. Since 2008 Cary has been paying current OPEB costs only on a pay-as-you-go basis. The annually required contribution needed to achieve full funding is about \$7.5 million of which the pay-as-you-go cost is approximately \$420,000. They plan to continue to fund only the pay-go amount for FY2011-12 while seeking to reduce costs through wellness and minor changes to the plan.

**Town of Cary Fund Balance:** As of its last audited financial statements, June 30, 2010, Cary's General Fund undesignated unreserved fund balance was \$64.8 million or 61% of expenditures. Fund balance is projected to stay at about the same level through FY2011-12.

Comparison of Wake County, Cary and Chapel Hill OPEB and Fund Balance:

	Wake County	Town of Cary	Town of Chapel Hill
OPEB: Accrued Liability	\$ 192,103,016	\$ 79,907,566	\$ 32,451,498
Accrued Liability as % of payroll	139%	136%	101%
Anually Required Cont.	\$ 15,000,000	\$ 7,500,000	\$ 3,042,537
Annual Pay-go	\$ 3,400,000	\$ 420,000	\$ 827,012
OPEB Strategy	Fund pay-go only and eliminate benefit for new employees after 6/30/11	Fund pay-go only and manage cost through wellnes and minor plan changes	Fund pay-go, defined benefit plan for all employees hired after 6/30/10
Fund Balance *	\$ 92,800,000	\$ 64,800,000	\$ 10,140,690
Fund Balance %	10%	61%	19%
Projected Fund Balance 6/30/12	10%	61%	10%

*\*Wake County designates a portion of fund balance as working capital which is equivalent to undesignated/ unreserved for comparison purposes.*