

Did you know that rates for charging Pension Obligation Bonds (POB) debt service to county departments must be based on the general versus safety split of the original Unfunded Accrued Actuarial Liability (UAAL)?

Counties that issue POBs, generally wish to charge the debt service to county departments to distribute the costs and to generate the capital to pay the debt service costs. To accomplish this the county must use the safety vs. general percentage split developed by the county's actuaries as part of establishing their UAAL, This percentage split must be applied to each years POB debt service to determine how much of it is attributable to each employee category. The respective debt service amounts are then divided by the estimated total salary for each category. This rate is then applied through the payroll processing. At the end of the year, the amount charged must be compared to the actual debt services and the variances become a component of the subsequent year's rates.

Counties that have lumped all the debt service together and developed a composite rate based on total estimated salaries have been required to go back and calculate the amounts that should have been applied to county departments. Adjustments of those amounts have been required to be included in current cost plans.