State of OPEB 2026

Odyssey Advisors' Annual Report

ABOUT
ODYSSEY ADVISORS

Founded in 1998

With over 500 municipal entities served and over 300 of those in Massachusetts, our team brings decades of experience in both pension and OPEB consulting

Efficient, personalized, & accessible service

We have clients in 37 states, Europe, Asia & Australia. And we work with various auditors and financial advisors across the U.S.

ABOUT THE

Authors

Parker Elmore, ASA, MAAA, FCA, EA

Parker founded Odyssey Advisors (formerly Primoris Benefit Advisors, Inc.) in 1998. With a B.S. in Mathematics and multiple industry credentials, he brings decades of actuarial expertise to the firm. He's an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, a Fellow of the Conference of Consulting Actuaries, and is enrolled with the Joint Board for the Enrollment of Actuaries.

Samantha Schneider

Samantha joined Odyssey Advisors in 2018, following an eight-year career as a high school math teacher. She draws on her education background to help clients confidently navigate the complexities of retirement benefits and OPEB plans, translating technical concepts into practical insights.

Stephanie Irvin

Since joining Odyssey in 2020, Stephanie has combined her passion for writing and communication to develop clear, engaging content for clients and partners. With an MBA and a background rooted in education and strategy, she helps ensure that complex topics feel approachable and actionable.

Parker Elmore - CEO, President & Actuary

Samantha Schneider - Actuarial Consultant

Stephanie Irvin - Digital Content Manager

WHAT WE DO

Numbers

We're big believers in the numbers. Knowing where you stand can help you make the best decisions for your future.

90%

Of towns are now pre-funding

as of December 31, 2025

35%

Of Odyssey's OPEB clients are

at least 20% funded

422

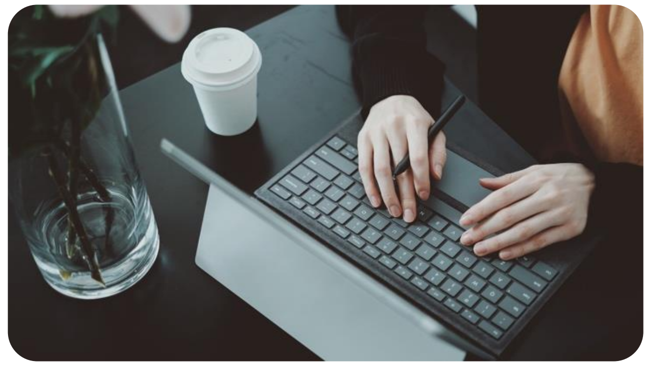
Number of OPEB valuations

we delivered in 2025

WHAT WE DO

OPEB

We help municipalities develop and implement tailored solutions for managing pension and OPEB liabilities – offering comprehensive valuations and ongoing support to meet both regulatory and strategic needs.

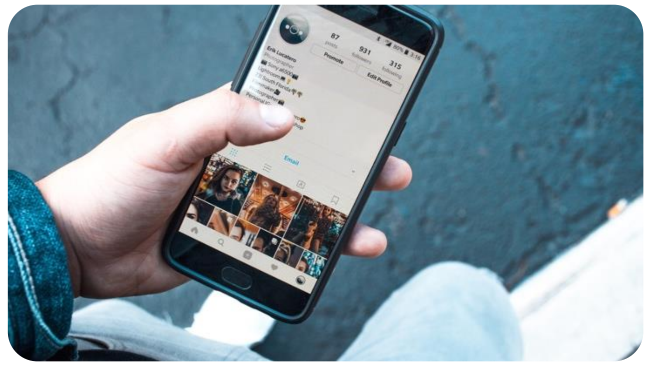


Total GASB Support

A complete, bundled solution for administration and management of retiree welfare benefit plans – from actuarial analysis to reporting and compliance.

Annual Valuation Services

We provide annual actuarial valuations to determine the Actuarially Determined Contribution (“ADC”) under GASB 75. Each valuation includes a detailed, easy-to-understand report.



Special Actuarial & Consulting Services

Beyond standard valuations, we offer strategic consulting to help you:

- Redesign your OPEB plan
- Evaluate funding alternatives
- Explore cost-saving strategies
- Project future benefit cash flows

… and more, depending on your unique goals and challenges.

EXECUTIVE SNAPSHOT

2026 OPEB Landscape

Rates

4.43%

municipal bond index

Funding Reality

Median funded ratio	75th Percentile
9.77%	**32.48%**

Most municipalities remain in early-stage prefunding.

Key Insight

funded below 20%

What Drives OPEB Liabilities?

01

Funding Strategy

Level of pre-funding and trust assets

02

Municipal Bond Rates

S&P 20-Year High Grade Municipal Bond Index

03

GASB 74/75 Discount Rates

How funding and bond yields interact

These factors together determine how OPEB liabilities move year-to-year.

OPEB Funding

Municipalities continue making incremental progress toward prefunding.

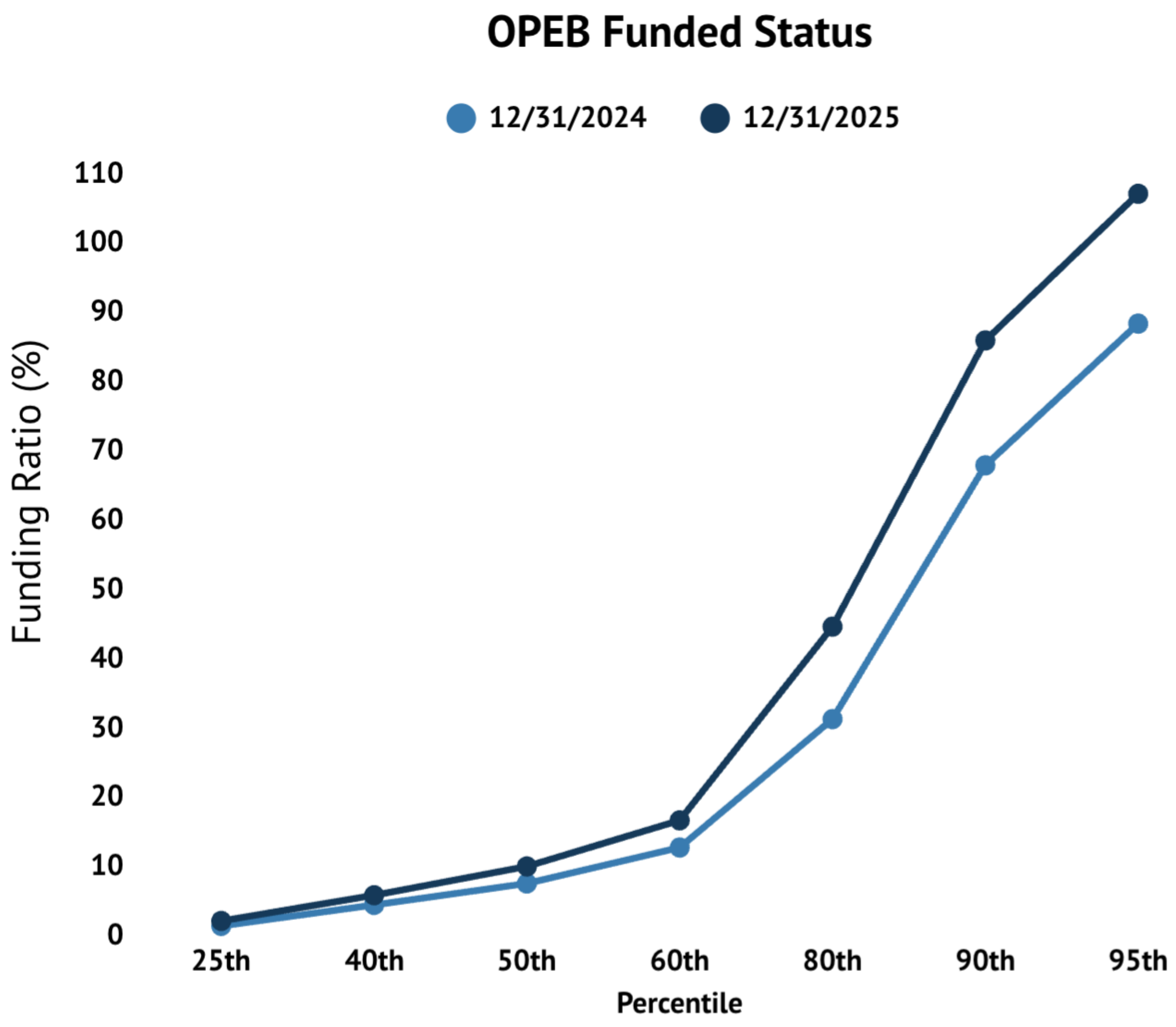
As of **December 31, 2025:**

- 90% of municipalities, school districts, and utilities are now pre-funding
- 35% are at least 20% funded

For comparison:

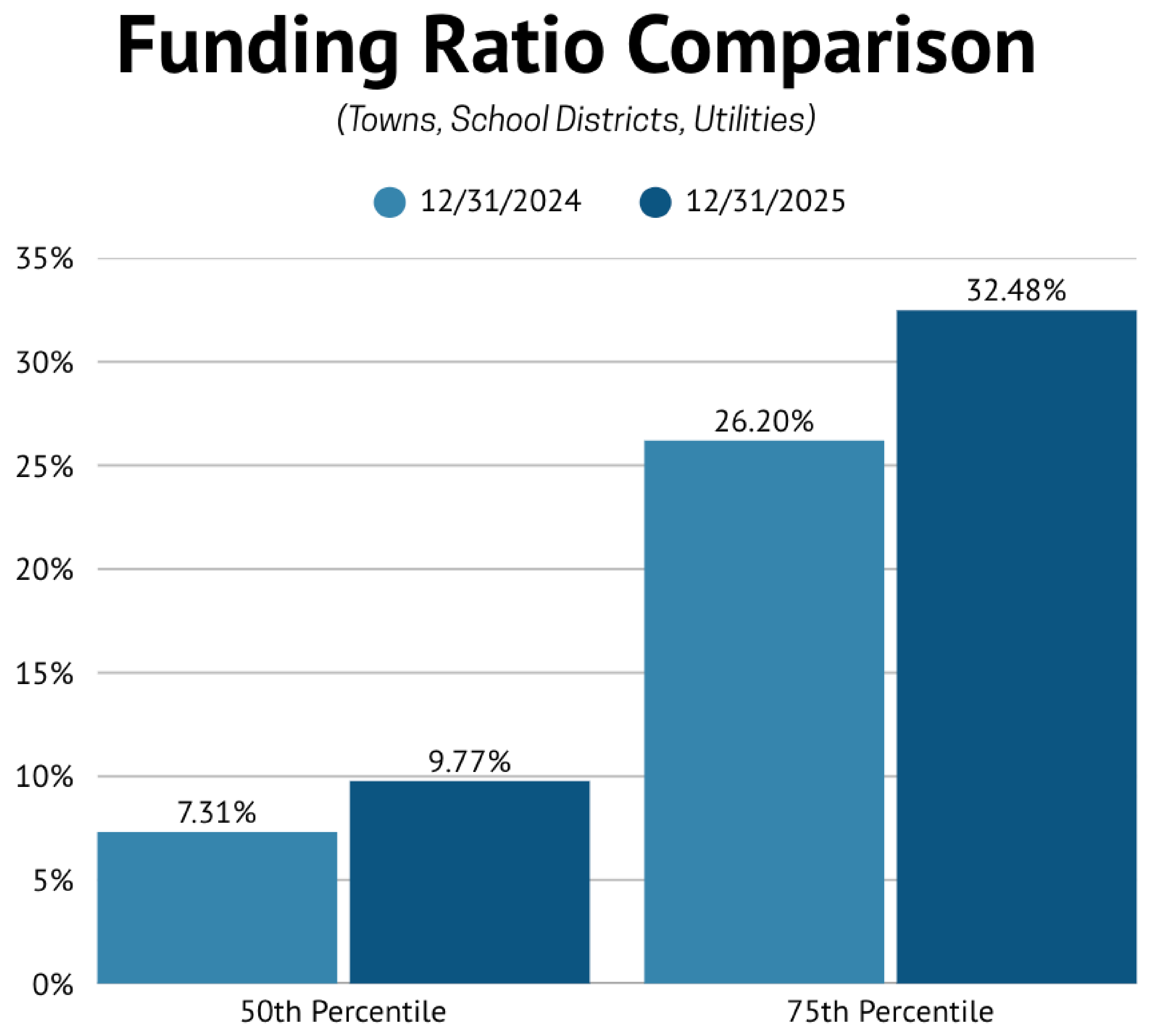
- 79% were prefunding in earlier years

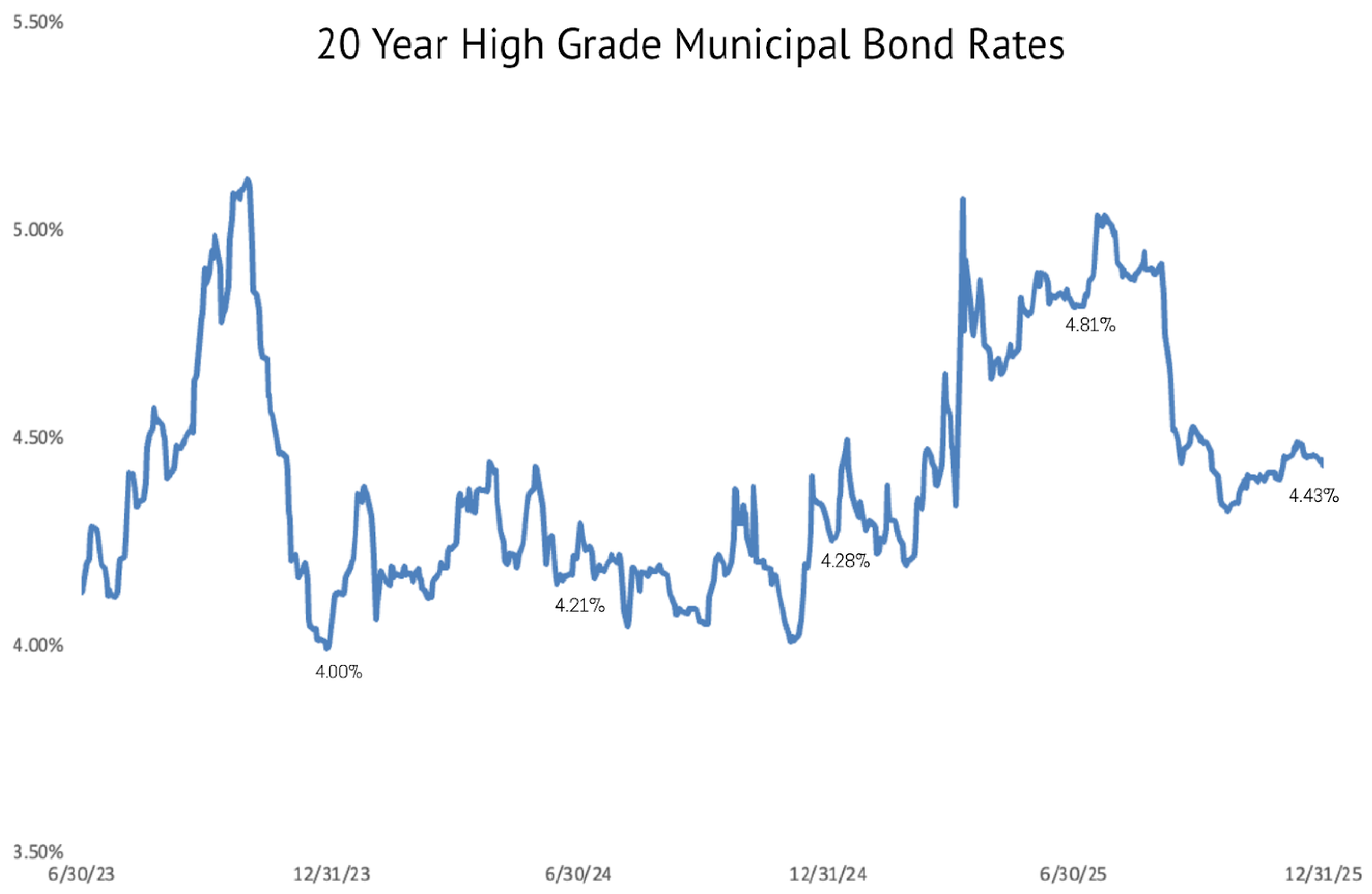
Progress is real, but still early.



OPEB Funding

The gap between the median and the upper percentile is widening, suggesting some municipalities are adopting structured funding policies, while others remain pay-as-you-go.





Municipal Bond Rate

Municipal bond rates remained elevated in 2025.

Year-end rate:

4.43%

Up slighty from 4.30% in 2024

Rates have stabilized in the low-to-mid 4% range since the sharp increases seen in 2022.

Bond Rates vs. Funding Strategy

Bond rates get headlines.
Funding strategy does the heavy lifting.

If you are Pay-As-You-Go:

- Discount rate is tied closely to bond yields
- Liability more sensitive to market movements

Discount rate blends:

- Long-term expected return (~6.3%)
- Municipal bond rate (4.43%)

Result:

Two municipalities facing the same bond market can report very different OPEB liabilities.

Discount Rate Drivers

For plans without sufficient assets:

GASB 75 requires using a blended discount rate that shifts to municipal bond yields once assets are depleted.

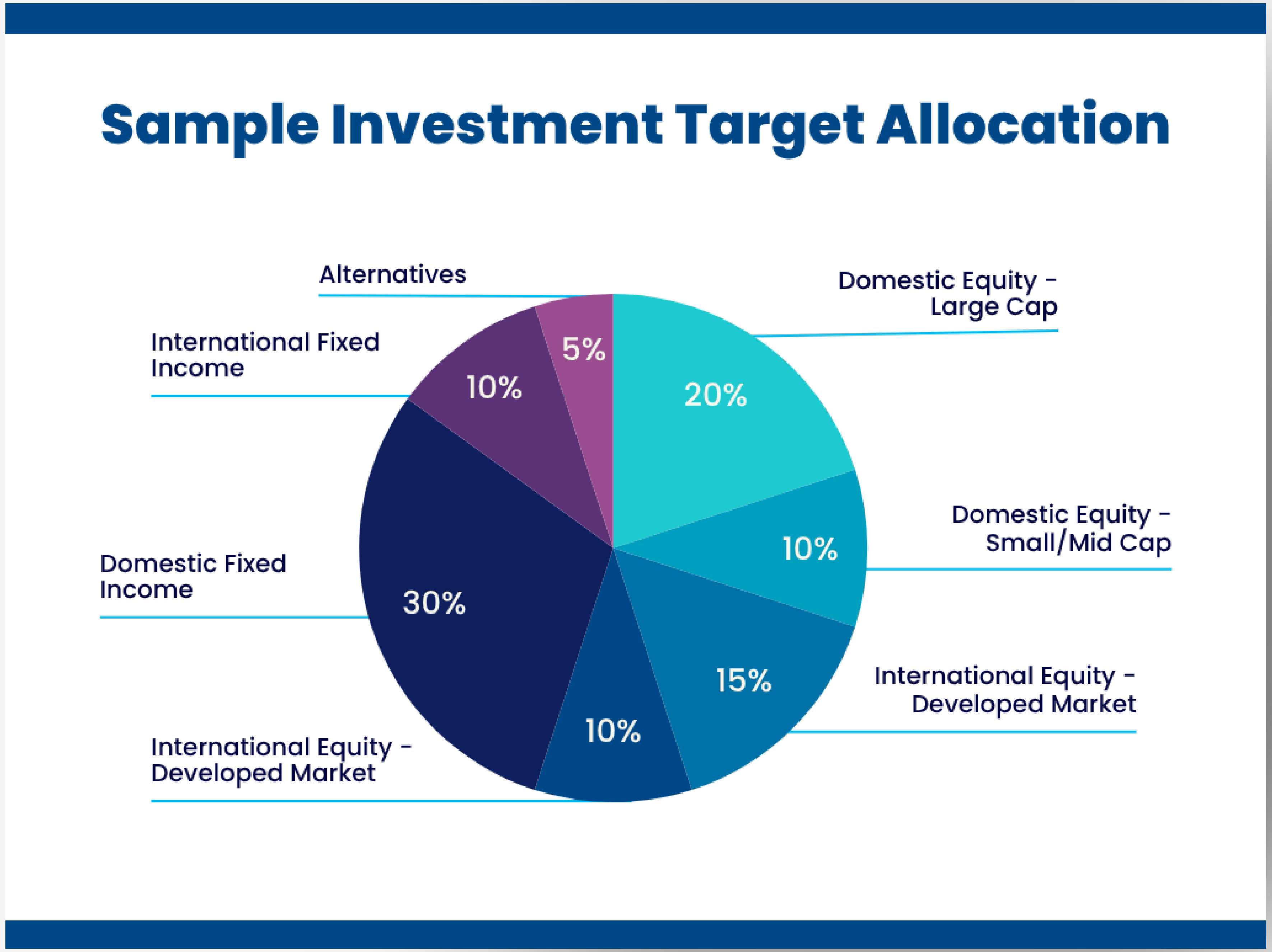
Implications:

- Pay-as-you-go plans → lower discount rates
- Prefunded plans → higher discount rates

The spread between ~6% investment returns and ~4% bond yields remains one of the biggest drivers of OPEB liability volatility.

Common Allocation in OPEB Trusts

This sample portfolio is fairly typical of many OPEB Trusts. While small adjustments may occur, the overall mix tends to remain relatively consistent year over year.



**Asset mix is illustrative only; actual allocations may vary by trust and investment strategy*

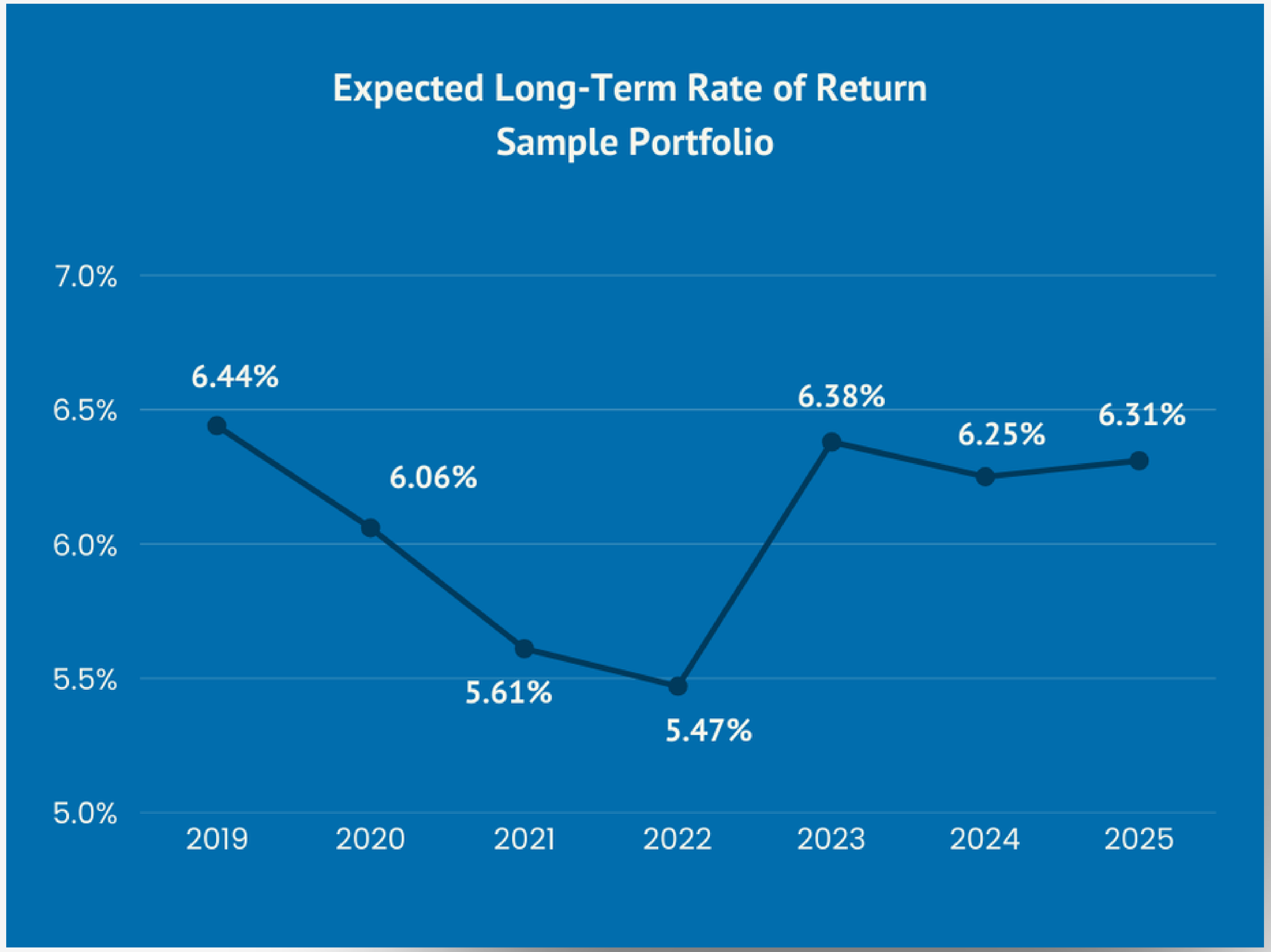
Expected Long-Term Returns

Expected portfolio returns have stablized near 6.25% - 6.50%.

Sample portfolio trend over the years:

2019 - 6.44%
2022 - 5.47%
2025 - 6.31%

Even small changes in return assumptions can affect OPEB liabilities.



Source: Horizon Survey, 2025

OTHER TRENDS TO BE AWARE OF

Stabilization Fund vs. OPEB Trust

Scenario A

$30M in Stabilization Fund

Net OPEB Liability

$70 Million

Scenario B

$30M Moved to OPEB Trust

Higher Discount Rate
Reduced Liability

~$50 Million

Same dollars, different accounting outcome

OTHER TRENDS TO BE AWARE OF

Post-Pension Funding Momentum

We're continuing to see more communities shift their focus to OPEB funding once their pension obligations are fully-or nearly-met. This "next phase" strategy is especially common among towns approaching full pension funding and is a major driver behind the growing number of municipalities crossing the 20% OPEB funded mark.

It's important to note that post-pension funding is intended to supplement, not replace, any existing OPEB contributions. In other words, it should be viewed as an opportunity to build on what's already in place, not substitute for a consistent funding strategy.

Keep in mind that some pension systems continue funding beyond 100% to maintain a cushion, which could delay when surplus funds become available for OPEB purposes.

OTHER TRENDS TO BE AWARE OF

Healthcare Cost Pressures

Healthcare costs are once again becoming an important factor in long-term OPEB planning. Many employers and public sector plans are seeing renewal increases in the 12-15% range, driven by higher utilization, prescription drug spending, and broader healthcare inflation.

As these cost trends evolve, municipalities that provide retiree healthcare benefits may see upward pressure on future healthcare trend assumptions and OPEB liability projections. Monitoring these shifts will remain an important part of long-term liability planning.

OTHER TRENDS TO BE AWARE OF

A New Driver: GLP-1 Medications

We're seeing a new emerging factor in healthcare spending with the rapid growth of GLP-1 medications, such as Ozempic, Wegovy, and Mounjaro. Originally developed to treat diabetes, these drugs are increasingly prescribed for weight management and have quickly become one of the fastest-growing categories in prescription drug spending.

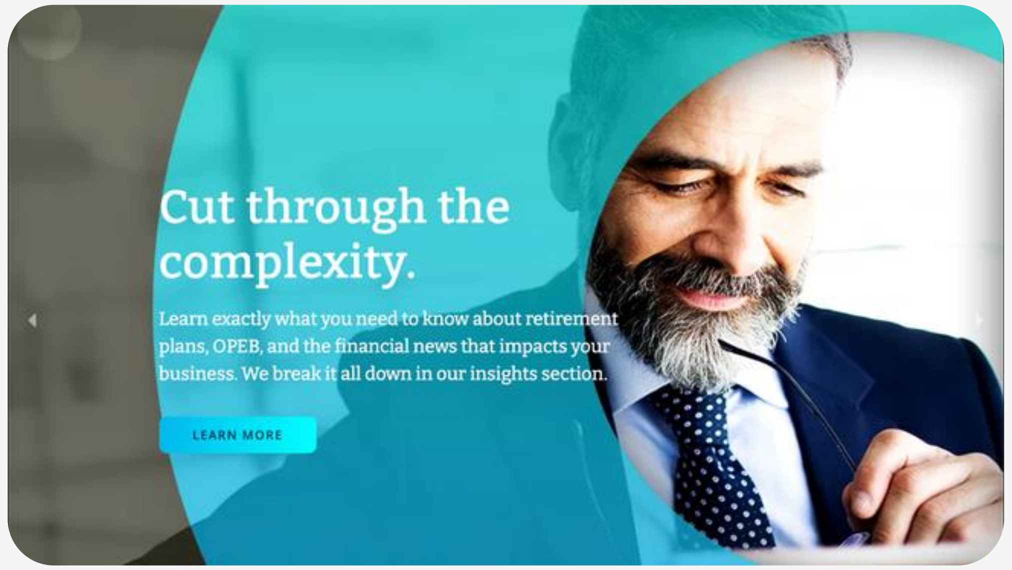
While the long-term impact is still developing, increased utilization could influence pharmacy costs for both active employee and retiree healthcare plans. For municipalities that provide retiree medical benefits, trends like these may eventually be reflected in healthcare cost assumptions and future OPEB liability projections.

ADDITIONAL RESOURCES

OPEB University

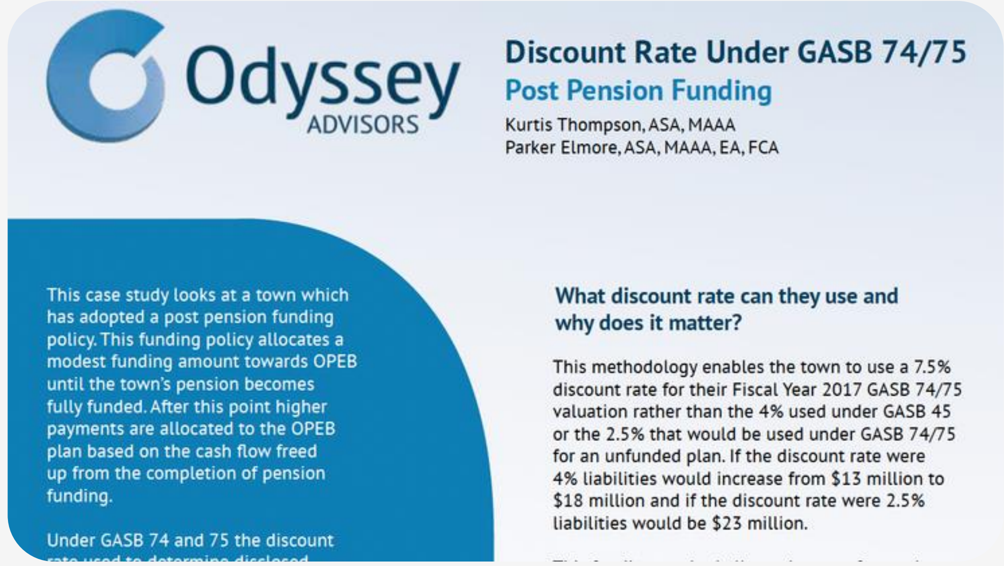
All of your OPEB questions answered. We regularly publish educational articles, reports, white papers, and videos about employee benefits management, research, and industry insights.

Webinars



[Articles]

[Ask an Actuary]



White Papers

Thank You

Contact us to learn more

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