

Chabot-Las Positas
Community College District



Other Post-Employment Benefits (OPEB)

Presented by: Lorenzo Legaspi
Vice Chancellor, Business Services

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Primer (Definitions)

- ◆ OPEB refers to “other post-employment benefits”, meaning other than pension benefits
- ◆ GASB 45 requires districts to account for OPEB liabilities
- ◆ Actuarial Valuation estimates district unfunded liability
- ◆ Annual Required Contribution (ARC) determines how much a district should set aside
- ◆ Unfunded Actuarial Accrued Liability (benefits already earned by current and former employees but not yet provided for) amortized over 30 years
- ◆ Pay-As-You-Go is funding only the current year expense. No additional amount is set aside

ARC is the sum of:

- a. Normal Cost for the year (the present value of future benefits being earned by current employees)



Primer (District Numbers)

- ◆ Actuarial Valuation: \$82 million (at 5% discount rate)
- ◆ Annual Required Contribution: \$7,195,292
- ◆ Normal Cost: \$3,553,426
- ◆ Unfunded Actuarial
Accrued Liability \$3,641,866
- ◆ Pay-As-You-Go \$3.4 million 2008-09
\$5.2 million 2015-16
\$8.0 million 2034-35



Primer (District Numbers)

Pay-As-You-Go

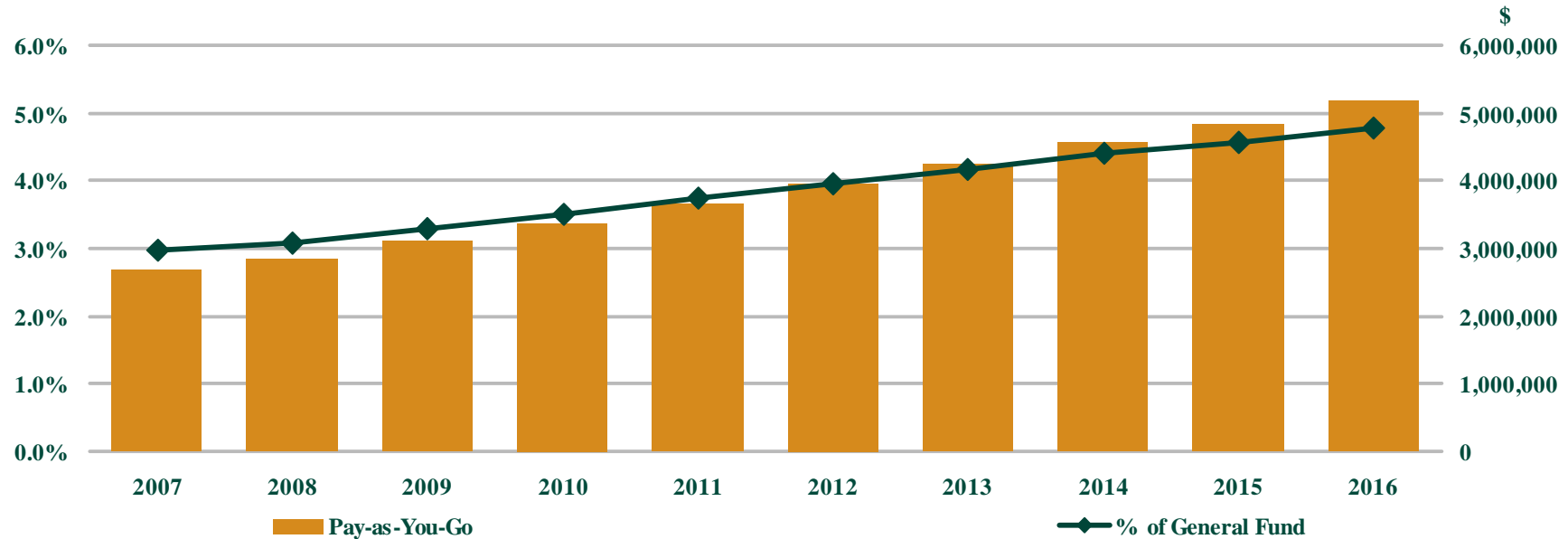
Year	Amount
1997 – 98	\$790,152
1998 – 99	\$827,331
1999 – 00	\$826,559
2000 – 01	\$1,083,961
2001 – 02	\$1,199,584
2002 – 03	\$1,392,620
2003 – 04	\$1,916,069
2004 – 05	\$2,300,159
2005 – 06	\$2,629,110
2006 - 07	\$2,745,659
2007 - 08 (est)	\$3,305,878
2008-09 Projected	\$3,471,172
2015-16	\$5.2 million
2034-35	\$8.0 million



The Challenge – Pay-As-You will Consume Greater Percentage of Budget

- ◆ Pay-As-You-Go retiree health costs are expected to consume a greater percentage of the General Fund Budget
 - Pay-As-You-Go is expected to increase from \$2.7 million or 2.97% of the General Fund in 2007 to \$5.2 million or 4.78% of the General Fund in 2016, even when assuming a 2% annual growth in General Fund revenues

Pay-Go versus Pay-Go as a Percentage of General Fund Revenues



The Challenge: Rising Medical Cost

YEAR	PREMIUM INCREASE
2005-06 to 2008-09	(AGGREGATE)
KAISER	37%
BLUE CROSS HMO	17%
BLUE CROSS PPO	30%
DENTAL	52%



The Challenge: Benefit Continues

SCHEDULE OF PERCENTAGE CO-PAYMENTS BASED ON ACTIVE EMPLOYEE PAID LEVEL OF MEDICAL PREMIUM

YEARS OF SERVICE – FULL TIME

	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
55	X	X	X	X	X	75	70	65	60	55	50	45	40	35	30	25	20	15	10	5	0
56	X	X	X	X	75	70	65	60	55	50	45	40	35	30	25	20	15	10	5	0	0
57	X	X	X	75	70	65	60	55	50	45	40	35	30	25	20	15	10	5	0	0	0
58	X	X	75	70	65	60	55	50	45	40	35	30	25	20	15	10	5	0	0	0	0
59	X	75	70	65	60	55	50	45	40	35	30	25	20	15	10	5	0	0	0	0	0
60	75	70	65	60	55	50	45	40	35	30	25	20	15	10	5	0	0	0	0	0	0
61	70	65	60	55	50	45	40	35	30	25	20	15	10	5	0	0	0	0	0	0	0
62	65	60	55	50	45	40	35	30	25	20	15	10	5	0	0	0	0	0	0	0	0
63	60	55	50	45	40	35	30	25	20	15	10	5	0	0	0	0	0	0	0	0	0
64	55	50	45	40	35	30	25	20	15	10	5	0	0	0	0	0	0	0	0	0	0
65	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0



Recent Developments

What We Know Now That We Did Not Know A Year Ago

- Governor's Commission on OPEB: Findings and Recommendations
- Legislation on Health Care
- CalPERS Trust
- State Budget



Recent Developments – *Continued*

Governor's Commission on OPEB

Findings:

- The Unfunded Liability Statewide is at Least \$118 Billion
- 82% of California Public Employers Provide OPEB Benefits to Retirees
- Pay As You Go Approach Continues to be the Predominate Funding Strategy
- 22% Pre-fund at Same Level



Recent Developments – *Continued*

Recommendations:

Group 1: Identify and Prefund Financial Obligations

Group 2: Limit Contribution Volatility and Use Smoothing Methods Judiciously

Group 3: Increase Transparency and Accountability

Group 4: Improve Plan Design and Communicate with Employees

Group 5: Provide Independent Analysis

Group 6: Strengthen Governance and Enhance Transparency

Group 7: Coordinate with Medicare

Group 8: Advocate Federal Tax Law Changes



Recent Developments- *Continued*

- ◆ CalPERS – OPEB Trust Fund Open to all California Community College Districts
- ◆ Legislation on Health Reform – Federal and State Solutions not Likely in the Near Future
- ◆ State Budget – State Budget is Negatively Impacted by the Worsening Economy



Comprehensive Solution

Resolution Must Follow and be Part of District's Fiscal Policy and Management

Reduce the Liability

- ▶ Negotiate to Reduce or Eliminate Benefits for New Employees
- ▶ Negotiate to Reduce Benefits for Current Employees (Hired After Certain Dates)
- ▶ Offer “In-lieu” of Benefits
- ▶ Offer Health Reimbursement Accounts (Defined Contribution Plan)
- ▶ Negotiate with Carriers for Lower Premiums



Comprehensive Solution – *Continued*

Prefund the Liability

- ◆ Set Aside Dollar Amount, as a Percentage of Salary OR Lump Sum Amount
- ◆ Capture Annual Savings from Attrition and Use to Pre-fund
- ◆ Consider Other One-time Monies, e.g. Asset Sale

Sample Collective Bargaining Language:

In order to partially cover the cost of post employment health benefits, the parties agree that the district will contribute and set aside X% of bargaining unit salaries in a separate fund (trust) designated for this purpose.



Comprehensive Solution – *Continued*

ISSUE OPEB BONDS

- ◆ Manage the Liability
- ◆ When Invested, Can Earn Higher Interest which, in and Itself, can Reduce the Liability
- ◆ Long Term Solution to a Long Term Problem
- ◆ Include “Safety Valve” to Pay Off Debt Early
- ◆ Issue Incremental Amounts

