

What's an OPEB? & Why is it important to us?

September 14, 2007

OPEB is short for Other Post Employment Benefits

- It includes:
 - Retiree Health Care
 - Retiree Dental Care, and
 - any other post employment health benefit such as life insurance, prescriptions, vision, hearing, long-term disability, etc.
- It does not include retiree pension or deferred compensation plans

How did OPEB become such an issue?

- Concern over OPEB was triggered by the collapse of several major private sector retirement pension and health plans
- Government Accounting Standards Board (GASB) found that public sector plans were also vulnerable
- GASB requires the public sector to account for total long term OPEB costs over the active service life of benefiting employees, rather than reporting current year OPEB costs for existing retirees
- GASB intended that shining the light on these long term liabilities would force the public sector to address, and hopefully avoid, the collapses in benefit plans that occurred in the private sector

So what's the OPEB picture in Contra Costa County?

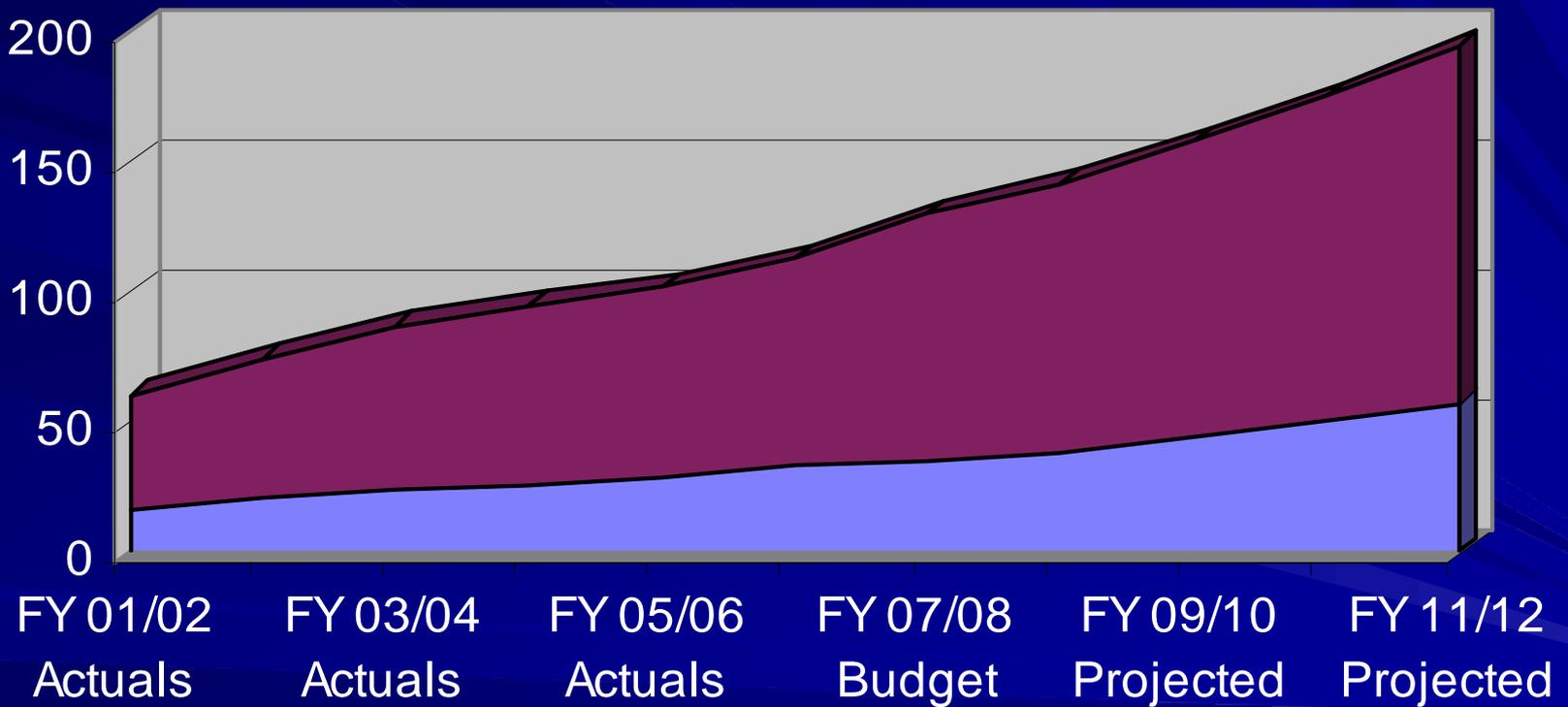
- As of 1-1-06 we have 8,438 active employees, 4,856 retirees and 360 surviving spouses, not including dependents who are eligible for OPEB benefits
- The liability/cost for our entire pool of existing employees and retirees over the course of our lifetimes, is approximately \$2.57 billion
- Actuarially we should be setting aside \$216 million per year over the next 30 years to pay the cost of our retiree health care
- We are currently only budgeting for the annual health care premium for current retirees called PAYGO (\$36 million in 07-08), and putting aside zero for our current employees
- We spent \$113 million for our active and retiree health program in FY 06/07 and have budgeted \$130 million for FY 07/08
 - Health programs are now 12% of total salary & benefit costs
 - Retirement is 20% of total salary & benefit costs
 - Permanent Salaries are only 52% of total salary & benefit costs

What's our health care cost challenge?

- Actuarial studies tell us that in addition to the 8,438 active employees we will have over 12,773 retirees consuming retiree health care services during the next 30 years; retirees will live longer; and, health care costs will continue to increase
- Even with a fixed active population, as more people retire our annual total health care premium costs will increase
 - \$130 million and 10.7% of our budget now (\$36 million/2.9% retirees)
 - \$374 million and 22.8% in 10 years (\$106 million/6.5% retirees)
 - \$684 million and 31.0% in 20 years (\$237 million/10.7% retirees)
 - \$1,191 million and 40.2% in 30 years (\$462 million/15.6% retirees)
 - and continue to increase until approximately 2085
- The ever growing health care expense demand on the general fund, will eventually consume our ability to provide public services

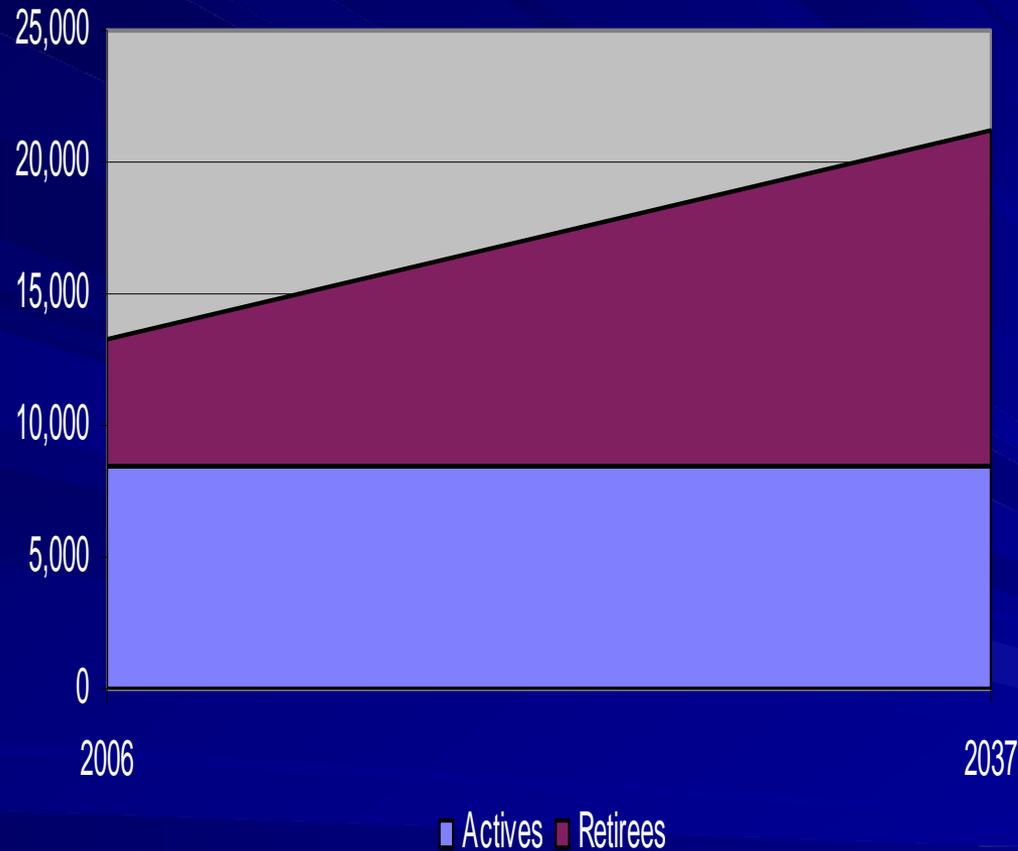
The immediate problem is the cost of health care

Millions



■ Retiree Health Insurance ■ Active Health Insurance

One future problem is the expected increase in the number of retirees over the next 30 years



Even with no growth in County positions – the number of retirees will grow by 163%

Contra Costa County's OPEB goals

- Adopt an OPEB financing plan that **balances** our requirement to provide public services with our desire to provide competitive health care benefits
- Fully comply with GASB
- Pursue legislative change

What will “balance” require?

- Committing existing dollars to OPEB
- Appropriating new dollars to OPEB
- Improving health care delivery, while controlling the County cost of health care through plan improvements
- Long-term Federal and State Health Care policies that lower County costs
- Or reducing service levels/program costs to redirect dollars to OPEB
- Combination of the above

BOS actions to reach our goals

- Developed a task force to gather information on health care plans, options, and OPEB strategies
- Developed a strategic plan to address Contra Costa's OPEB challenge
- Redirected \$588 million of existing resources between 2008 & 2023 to pre-fund some liability
- Committed \$100 million of existing resources annually between 2024 to 2037 to pre-fund some liability
- Commitment of these future resources result in
 - an increase in our discount factor that reduces our actuarial liability from \$2.57 billion to \$2.11 billion
 - approximately \$139 million annual challenge left to meet
- Directed pre-negotiation meetings with labor representatives to provide OPEB information and develop possible models for health plan reform
- Started employee education programs to explain OPEB

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<http://www.contracostaca.org/> -- County News/What's New