



OPEB Working Group

2/25
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Background

- **OPEB represents the future cost of providing post- retirement health benefits already earned by employees and retirees**
- **The Town and Regional School District, like almost all municipalities in nation, have paid the OPEB cost each year, which is referred to as “Pay-as-You-Go” Method**
- **Accounting Rules now require us to calculate and report the unfunded liability**

Developments

- Town Meeting voted to establish Trusts and begin to fund them
- The State established an OPEB commission to examine the issue and make recommendations
 - The commission recommended eligibility changes in December and legislation has been filed
- Acton's OPEB working group initially met in early October charged with
 - recommending a funding amount for FY 14
 - developing a funding strategy going forward.

Working Group Activities

- The group has met six times as well as had conference call with Segal and a member of the State Commission
- Allowed our data to be used by Segal in their work for the state commission, quantifying the impact of changes
- Developed ideas to reduce the liability
- Developed ideas for future funding

State OPEB Commission Facts

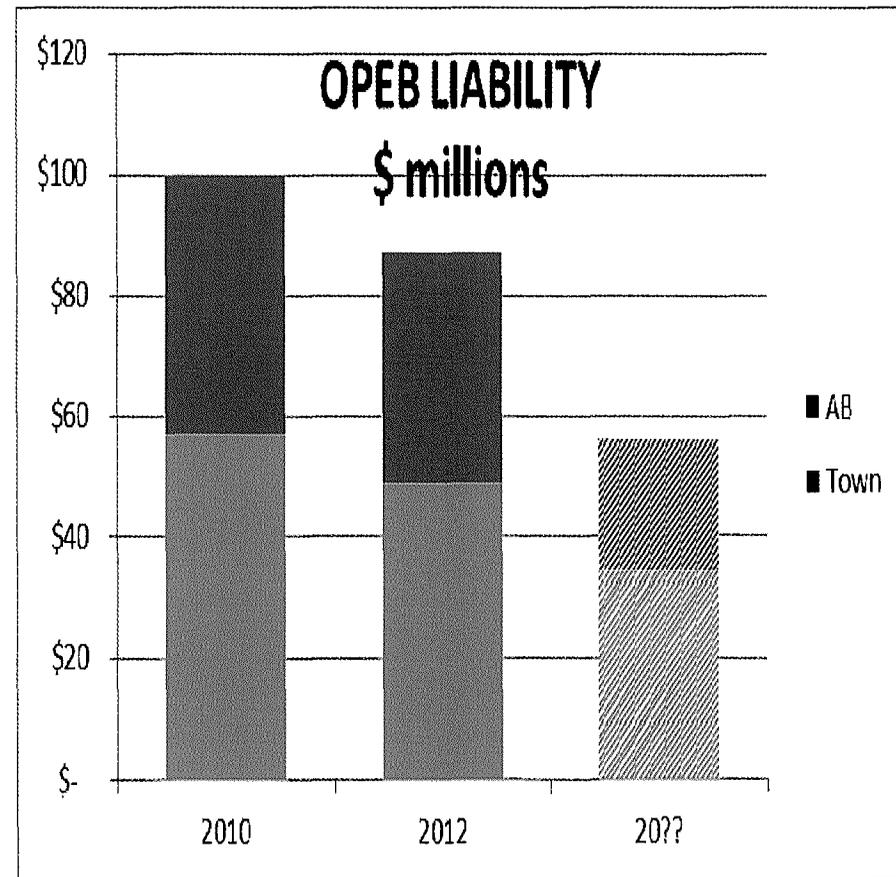
- 18 States have higher age/ service requirements
- 19 States prorate benefit based on service
- 16 States limit based on being employee on retirement
- 9 States contribute a fixed amount not a % of premium
- 2 States require employee contributions
- 12 States do not provide retiree health coverage
- In 2011 only 8 % of private employers in Massachusetts provided health insurance to retirees under 65

State OPEB Recommendations

- Raise the age by 5 years and service by 10 years
- Prorate the benefit based on service
- Implement service requirement
- Study employee contribution, EGWP, procurement policies.

What is the Target?

- Plan Design changes lowered the liability by \$13 million
- Eligibility changes proposed by state could reduce the Town by 27% and AB by 37% according to Segal



Liability Reduction

- Plan design and the proposed eligibility changes significantly lower the liability
- Eliminate Part time benefited positions
 - Schools have 36 and the Town 8
 - The average approximate liability for each is \$100,000
 - Potential Reduction in liability \$4,400,000
- Consider Out-sourcing positions to contractors
 - Potential Reduction TBD
- Fund the Annual Required Contribution
 - Potential Reduction \$26 million

Funding

- OPEB Factor on New Hires/Replacements
 - \$10,000 surcharge assuming 20 new hires
 - Estimated funding
 - Year 1 \$200,000
 - Year 2 \$400,000
 - Year 3 \$600,000
- OPEB Factor on Fees
 - 10% surcharge on salary component of cost
 - Estimated funding \$400,000 per year

Funding Continued

- Use of Reserves
 - Estimated funding TBD
- Employee Contributions
 - Two states require now
 - Estimated funding TBD
- Bonding

Next Steps

- Continue to fund the trusts
- Recommend a funding strategy
 - Total liability is still a moving target
- Evaluate and Quantify the sources of funding
 - There is still work to be done
 - Are there ones we shouldn't pursue?
- Recommend funding policies and mechanisms for the future