

# The OPEB Journey: One Municipality's Success Story

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Exchange Solutions*

PLANNING  
RETIREMENT  
TOGETHER FOR

70  
YEARS



# Agenda

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- GASB 75 Overview
- Jackson District Library (JDL) Situation & Solution
- What Is The Exchange and How It Works
- Other Strategies Implemented
- Wrap Up & Questions

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# GASB 75 Overview

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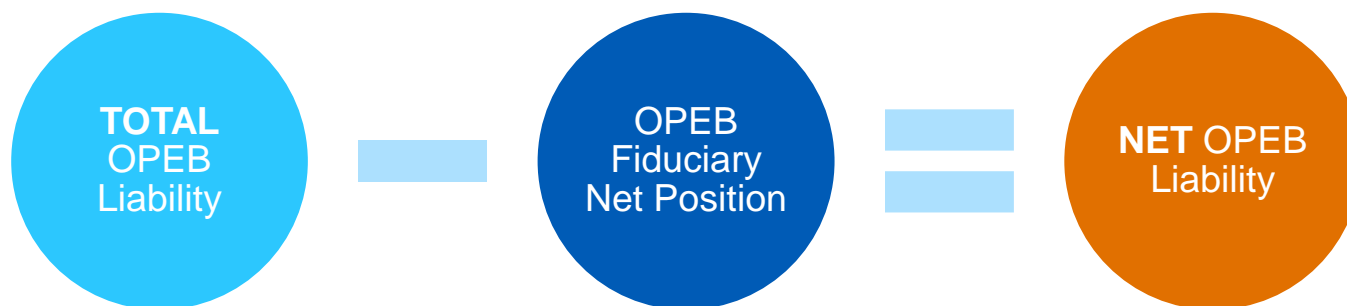
- New accounting standards issued June 2015 changed accounting for Other Post Employment Benefits (OPEB)
- Similar impact as GASB 68
- Update to GASB 45 standards
  - Bi-annual valuations are REQUIRED
  - Liabilities will now be reported on the government wide financial statements as a “Net OPEB Liability” versus a footnote

# GASB 75 Overview

	<b>Government Employers Providing OPEB</b>
Effective Date	Fiscal years beginning after June 15, 2017
Implementation	
June Year End	2018
September Year End	2018
December Year End	2018
March Year End	2019

# Basic OPEB Formula

Employers will now record the NET OPEB liability on the full accrual statements



*These amounts will be measured as of the “measurement date”*

# The Scope

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- OPEB has become the single largest category of unfunded liability for many of the local units that provide these benefits.\*
- The total OPEB unfunded liability for Michigan's municipalities is \$7 billion.
  - Average OPEB funding level is 14%

\*Legacy Costs Facing Michigan Municipalities, MSU Extension 1/8/16

# Reducing the Liability

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- 48% of the municipalities have reduced their OPEB liability since 2011. The other 52% reported an increase\*
- Many approaches are taking place for surrounding communities:\*

  - Closing defined benefit retiree health care
  - Voluntary renegotiations
  - Bonding

\* Legacy Costs Facing Michigan Municipalities, MSU Extension 1/8/16



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# Jackson District Library Situation & Solution

# Jackson District Library Situation

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- OPEB Liability - \$7.9M
- New hires – cease retiree benefits in 2007
- Began prefunding in 2008
- Goal to address only post-65s due to larger count of retirees (only 1 pre-65)
- Began working with HR Consultant

# Jackson District Library Situation, Cont.

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- Actives
- Retirees
  - Pre-65
  - Post-65

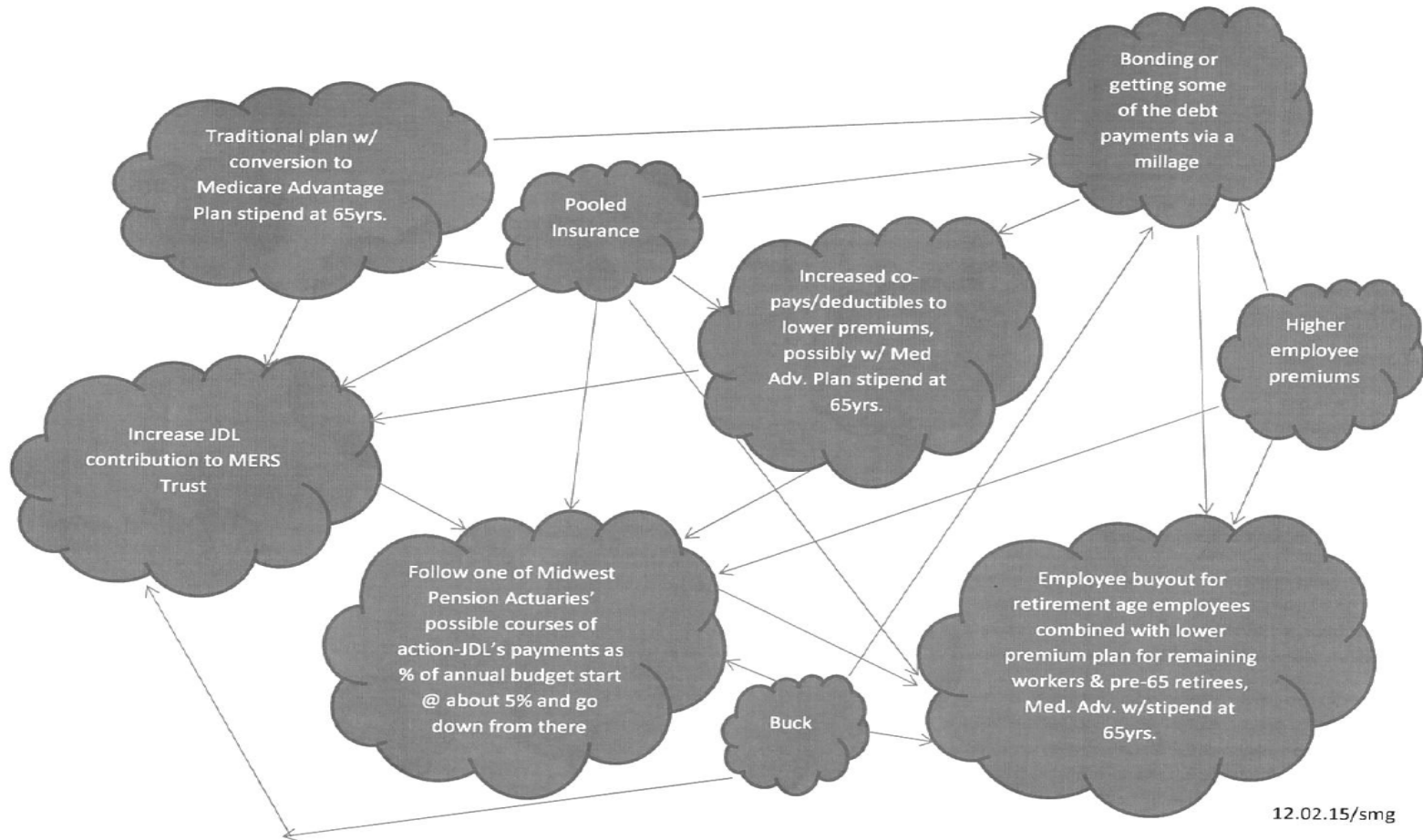
# Jackson District Library Situation, Cont.

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- Post-65 retirees
- JDL was paying an average/person of \$8,442.00 with group plan

# Jackson District Library Situation, Cont.

## Options 2-Combination Approach May Work



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# Jackson District Library Approach

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- May 2015: Shared Actuarial report with Board and Union
  - Union representative voice for retirees
- November and December 2015 presented Exchange to group and discussed other options

# Jackson District Library Solution

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- RightOpt Exchange
  - Multiple plan options
  - Low cost
  - Customer service
- Provide a monthly tax-free stipend of \$300/single or \$450/couple via the MERS Health Care Savings Program (HCSP)

# Jackson District Library Solution, Cont.

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- Prior monthly cost \$10,000
- New monthly cost \$4,000
- Monthly Savings of \$6,000
  - Annual savings approx. \$72,000 (12 retirees)



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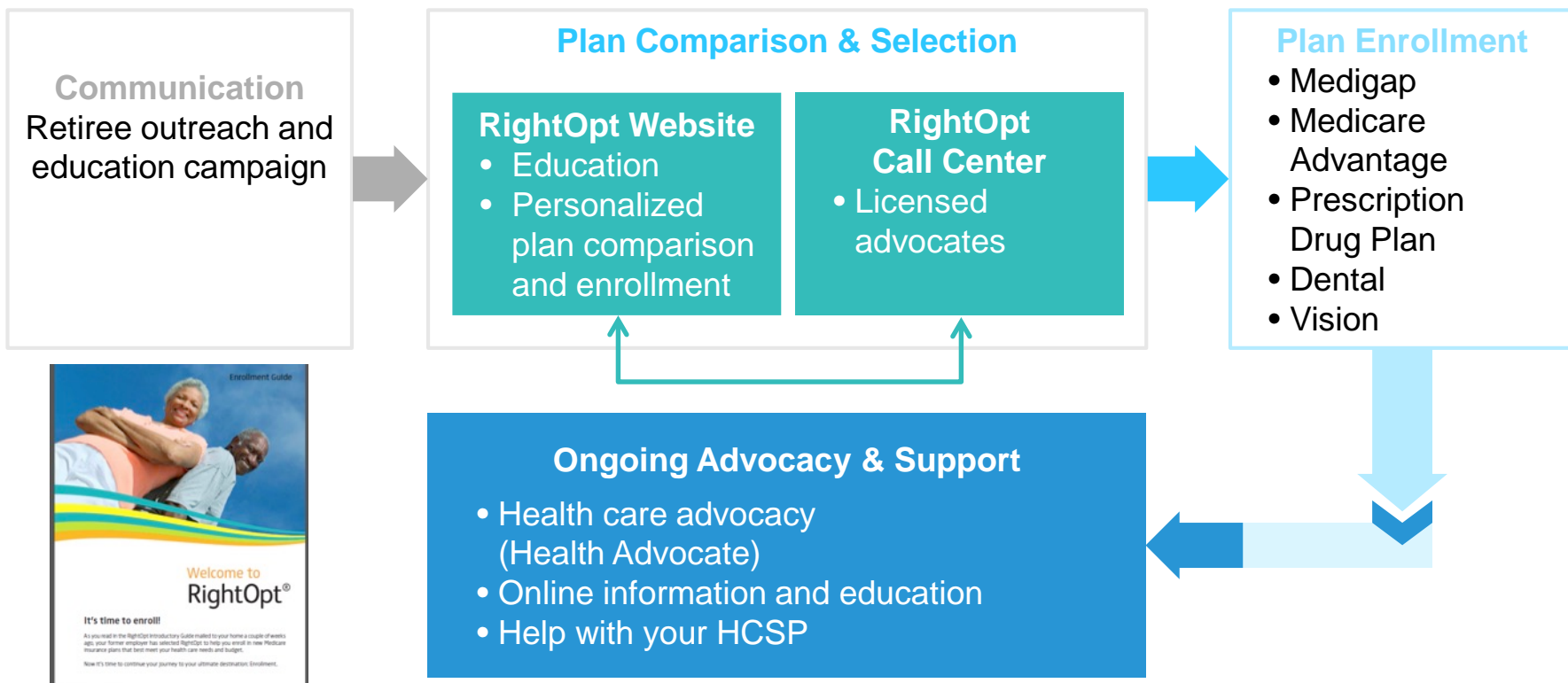
# What is the Exchange and How it Works

# Exchange

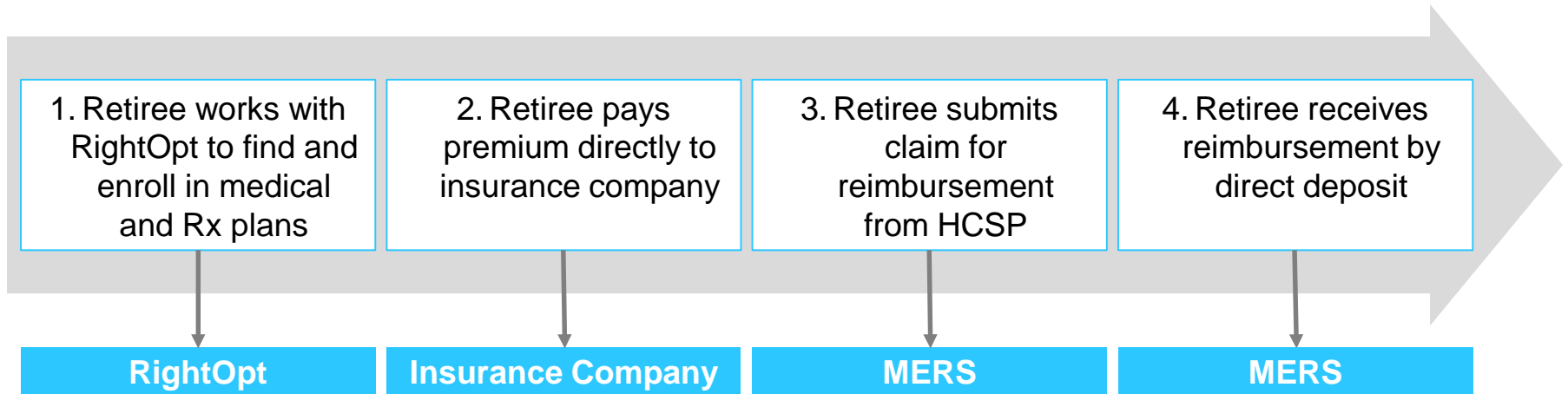
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- What is the Exchange
- How the Exchange works
- What is RightOpt

# How RightOpt Works

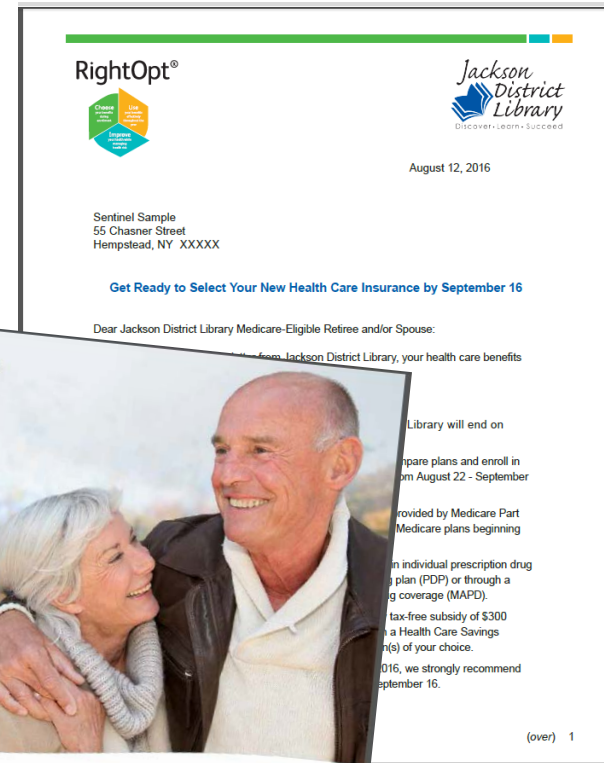


# Process Overview



# Retiree Communication

- Letter/Guide to retirees
- Onsite meeting
- Web portal



# Managing Change

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- To offer better alternatives that can provide:
  - More plan choices
  - More value
  - More personal assistance and additional resources

Jackson District Library is changing the **way** you select and enroll in health insurance, not its commitment to providing you with resources and benefits that meet your needs.

# Managing Change, Cont.

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- Current insurance plan no longer available
- RightOpt will help enroll in new insurance plans
- The retiree will receive a tax-free stipend to help pay for new plans

# Wrap Up & Lessons Learned

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- Adequate time for planning and initial communication
- Clearly defined requirements
- Data integrity – eligibility and subsidy data
- Clear communications
  - Multi-channel
  - Set proper expectations for retirees, implementation team and stakeholders
- Closely manage retiree associations/groups, union and VIPS
- Relentless outreach to contact all eligible retirees
- Worked closely with MERS to educate retirees on the Health Care Savings Program and logistics



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## Other Strategies Implemented

# Example #1

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- New hires
  - Stipend in lieu of retiree healthcare
  - Increase cost share towards future benefits
  - No benefit
  - Extend vesting period that benefits are offered

# Example #2

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- Non-Vested
  - Convert to stipend
  - Eliminate benefit
- Vested
  - Convert to stipend
  - Offer buy out of retiree healthcare and provide stipend

# Example #3

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- All employees
  - Increase cost share
  - Extend vesting
  - Offer benefits up until Medicare eligible
  - Revise health plan that is available
    - High deductible
    - Exchange options

# Questions?

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# Contacting MERS

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*Phone: 800.767.6377*  
*www.mersofmich.com*

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