

Retiree Health Benefits  
and  
GASB 45

*A contract is a Contract is a Contract*

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# OPEB in California Teacher Contracts

- Over 900 CTA Chapters
- Less than 50% offer some form of OPEB
- Less than 10% offer lifetime health benefits
- Teachers and District share cost of health benefits
- Typical benefits are up to five years health benefits if retire prior to age 65
- 62% of retired educators age 65 and older do not receive any financial assistance in their health care coverage from their employer



# CalSTRS Survey Results 2003 vs. 2007

- Same level of coverage as working educators for life decreased from 3% to 1%
- Same level of coverage to age 65, then no payment increased from 36% to 39%
- Reduced payment to age 65, then NO payment increased from 18% to 28%
- No payment for retired employees decreased from 20% to 19%

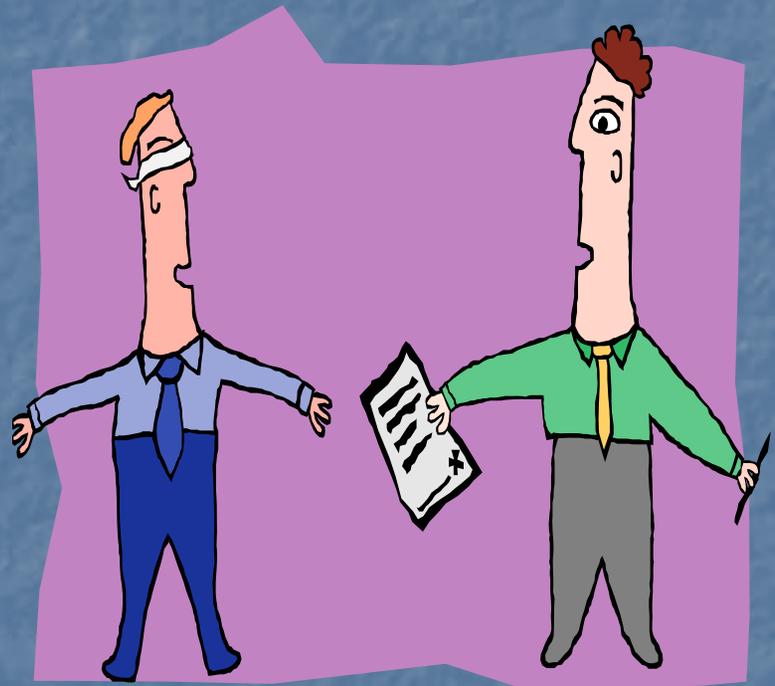
# Locally Negotiated Contract Benefits



- 39% of teachers receive coverage until 65 through contract negotiations
- Usually requires ten to fifteen consecutive years of service in district
- STRS changes have deferred retirement to average age of 61
- Typical benefit now about three to four years
- Teacher may not be Medicare eligible

# Evolution of OPEB in California Teacher Contracts

- ALL benefits negotiated locally
- Post-employment health benefits to attract teachers, especially in urban areas
- Local bargaining teams traded dollars on schedule for OPEB
- Lifetime benefits exist primarily in large urban chapters
- Recent trends indicate very few chapters adding this benefit



# How to Report OPEB for California Teachers



- What are the proper variables to consider?
- History of retention and turnover rates
- Assumptions used in rate projection
- Teacher demographics

# Response from Standard & Poors

- “We believe that, with or without the prefunding of OPEB liabilities, most employers will be able to continue to meet their ongoing OPEB cost requirements without an adverse effect on credit quality. OPEB costs will be worked into budgets and will need to be addressed, along with other normal costs of providing services.”

S & P's "OPEB Liabilities Pose Minimal Near-term Rating Risk for Public Finance Credits," December 4, 2006, p. 2.

# District Savings on Retirement

- Concept of “breakage”
- Impact of declining enrollment
- Savings on non-replacement



# Negotiations Implications

- Any benefit in the contract can only be changed by “Good Faith Bargaining” between the parties
- Past five years, many chapters received less in salary to maintain active and retiree health benefits



# It's the Health Care Costs, "Stupid"



- OPEB only health insurance
- Cost driver for OPEB needs to be controlled
- Trend toward PBM, Centers of Excellence, Value Purchasing
- Single Payer eliminates reporting requirement

# Next Steps...

- Remember, it is a REPORTING requirement
- Pay as you go does work
- Need for joint effort by Labor and Management to work together and find MUTUALLY agreeable solutions

