

RETIREE HEALTH BENEFITS

March 7, 2006

Updated for September 16, 2008

Report on Current Status of Retiree Health Benefits in response to the recent Legislative Analyst Report

The most recent LAO report (in 2006) provided guidelines and options for the evaluation of Retiree Health Care Costs. The following is a list of the LAO recommendations and how the County is addressing each item.

Long Term Planning: The LAO Report discusses the needs to have an Actuarial Valuation consistent with GASB 45.

The Benefits Manager is inquiring with the County's current Health Plan consultant, Bordan Darm, as to his company's ability to perform an actuarial valuation of the County Retiree Health Plan. Although this valuation is required by 2008, the County will target completing it in 2007.

2008: The County determined that the actuarial valuation was subject to a competitive process. AON Consulting was selected pursuant to a request for proposal released in 2007. The actuarial valuation report was completed and presented to the Board of Supervisors on August 26, 2008.

Long Term Funding: Creating a work group that can evaluate pre-funding retiree health benefits, health care trends, and actuarial reporting.

Currently, there are two groups in place that can perform these functions: the Retirement Health Benefits Committee and the Board of Supervisors Ad-Hoc Committee. It is recommended that one working group be created to specifically look at the requirements of GASB 45 and health care trends as they relate specifically to retiree health care.

2008: Both the Retirement Health Benefits Committee and the Board Ad-Hoc Committee on Retiree Health have met and reviewed health care trends, options for adjusting retiree health benefits, and the actuarial valuation. Pre-funding retiree health benefits is also a budgetary issue. The Executive Office will research options for potential pre-funding in the 2009-2010 fiscal year and present them to the Board for consideration and direction at the beginning of the 2009-2010 budget process.

The LAO report lists options to reduce future Retiree Health Care costs:

Increase the share of cost to the retiree.

Both of the County's committees, in coordination with the Health Plan Consultant and the County Executive Office, are currently reviewing options for charging some level of premium for health care to all retirees.

2008: A range of options have been reviewed by the Retirement Health Benefits Committee, the Board Ad-Hoc Committee, and the Retirement Board. The Retirement Health Benefits Committee and the Retirement Board are forwarding recommendations to the Board. This September 16, 2008 agenda item allows the Board to review the options and to determine what they want to implement.

Reformulate the health benefit plan design.

Both of the County's committees, in coordination with the Health Plan Consultant and the County Executive Office, are currently reviewing options for modifying the program design of the retiree health plan to mirror the current employee health plan.

2008: The Committees and Retirement Board have discussed the options of modifying the retiree health plan to match either Plan 1 or Plan 2, but are not recommending that action at this time.

Establish a defined contribution program which allows for a set amount contributed by the County.

This option could be considered by the committees, at the direction of the Board.

2008: This option has not been considered in depth. In 1998, the Board defined and limited eligibility for health benefits for retirees to a finite group of employees, which in essence caps the future costs of the program.

Determine the future unfunded liability of the Retiree Health Plan.

Preliminary reports have been requested to determine the potential number of future retirees who were hired prior to September 1998 and who will be eligible for Retiree Health Benefits when they retire. The Actuarial Valuation will provide information on the unfunded liability.

2008: The actuarial report received estimates the number of future retirees to be 459. The total unfunded actuarial liability for the retiree health plan is estimated at \$125,169,000 as of July 1, 2007.