

OTHER POST EMPLOYMENT BENEFITS (OPEB)

City of Glendale
Informational Meeting
September 3, 2015

What is OPEB?

- Impact of the Great Recession
 - Full & complete accounting and disclosure of liabilities
 - Examples in private sector, GASB 68, etc.
- OPEB = *Other Post Employment Benefits*
 - Long-term liability for anything other than pension liability
- OPEB in Glendale is almost entirely from the “implied subsidy” created by blending insurance premiums for current employees and retirees
- OPEB is growing significantly
 - \$103M in 2009
 - \$191M in 2011
 - \$214M in 2013
 - \$229M in 2014



Why is OPEB a Concern for the City?

- Glendale practices “pay as you go”
 - However, no longer an academic exercise
- GASB 45 (effective in FY 2007-08)
 - requires calculation and disclosure of OPEB liability
- GASB 75 (effective in FY 2017-18)
 - requires recording of liability on balance sheet
 - \$229M loss in Net Position/Fund Balance in Glendale
 - Enterprise Fund impacts are harshest
 - GWP Electric: Liability estimated to be over \$34M

Wasn't OPEB Funded through the years?

- City has historically paid majority of health insurance premiums for active employees
- More recently, active employees have paid 50-100% of premium increases vs 10-50% from the past
- Currently, the City contributes 70%+ of the full premium for active employees



What if OPEB is not Addressed?

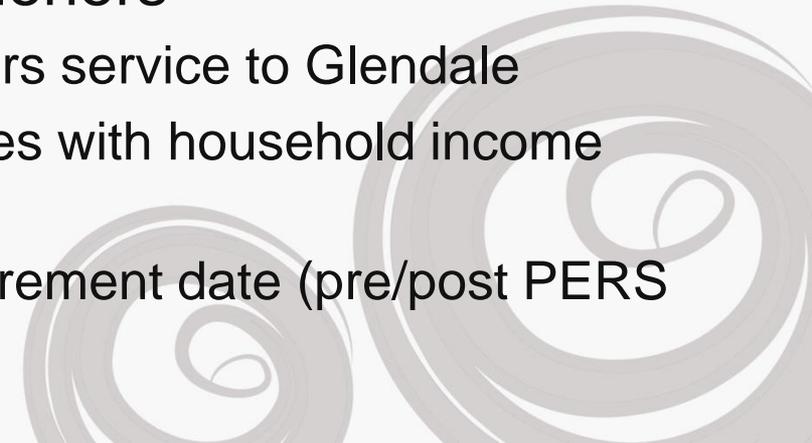
- Policy-level impact
 - Failure to follow GASB 75 would impact Annual Audit Opinion
 - City's credit rating would likely be downgraded
 - (In)action on compensation reform
 - Erosion of public confidence
- Operations-level impact
 - “Crowding-out” funding for services
 - Erosion of public confidence
- Invitation for further ballot box intervention



Options for Addressing OPEB?

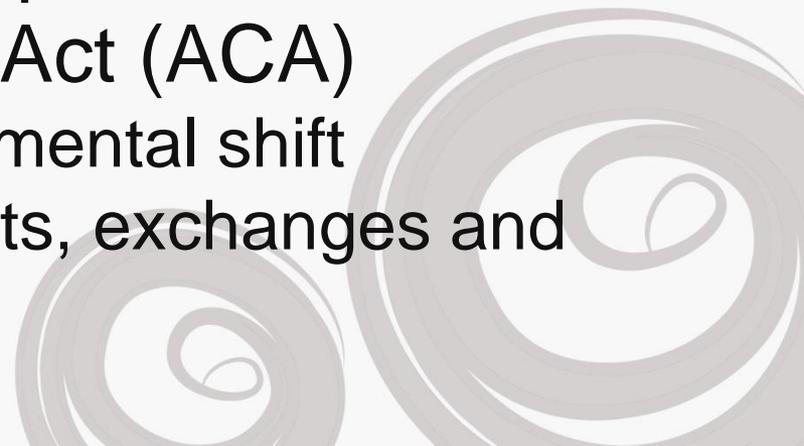
- Continue status quo; OPEB liability grows approx. \$20M+/year
 - Fund OPEB Trust – 20.2% of payroll
 - Estimated \$25.2M per year
 - Two-tier system
 - Grandfather retirees, eliminate benefit for current employees; impacts on compensation strategy
 - Life insurance policies on employees
 - No benefit to heirs, estates, or individuals
 - Unblending current employees and retirees
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How will Glendale Address OPEB?

- Unblending current employees and retirees
 - Eliminates about 90% of OPEB liability
 - Retirees still able to stay on City unblended plan(s)
 - Eligible retirees will continue to receive Medicare Part A reimbursement
 - Meet and confer with bargaining groups regarding “buy-out” of future benefit
 - Allows City a sustainable compensation strategy
 - Subsidy for low-income pensioners
 - Means-tested; minimum 10 years service to Glendale
 - Up to \$200 per month for retirees with household income less than \$50,000
 - Open-ended, depending on retirement date (pre/post PERS enhancement)
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Why Unblending?

- Impact of GASB 75
- Law and ethics
 - Unlike PERS liability, City has practical ability to act
 - Though legal, should the City take action?
 - Expectations of retirees, employees and the public
- Inability to sustain balance between compensation and service provision
- Impact of Affordable Care Act (ACA)
 - Not a panacea, but a monumental shift
 - Ongoing evolution of markets, exchanges and networks

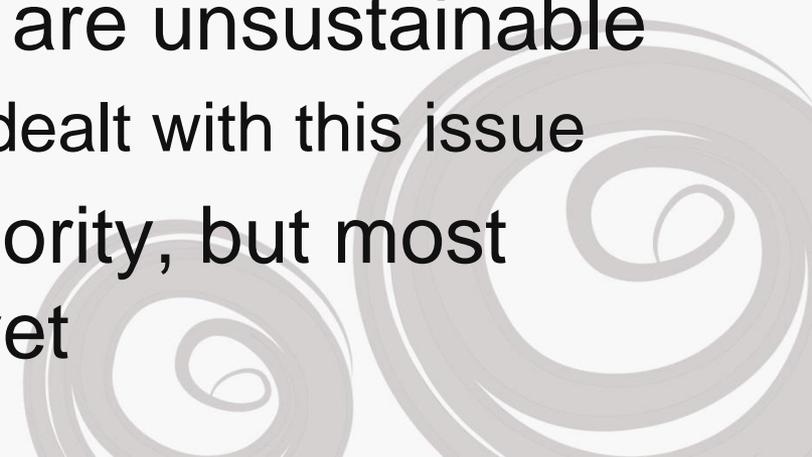


What are Other Agencies Doing?

August 2015

	<u>State of California</u>	<u>LA Unified School District</u>	<u>Metropolitan Water District</u>	<u>City of Los Angeles</u>	<u>City of Glendale</u>
Entity Wide Net Position/Fund Balance	\$7,321,662,000	\$1,662,641,000	\$7,200,964,000	23,305,227,000	\$1,650,906,000
Annual Required Contribution (ARC)					
June 30, 2012	\$4,816,565,000	\$1,085,949,000	\$49,200,000	\$327,165,000	\$21,451,000
June 30, 2013	\$4,925,460,000	\$1,085,949,000	\$53,457,000	\$265,225,000	\$23,605,000
June 30, 2014	\$5,046,539,000	\$868,620,000	\$39,910,000	\$306,865,000	\$23,004,000
Unfunded OPEB Liability as of:					
January 1, 2011			\$545,476,000		
June 30, 2011		\$11,154,190,000			
June 30, 2013	\$65,965,000,000	\$10,901,982,000	\$315,326,000	\$2,709,735,000	\$214,014,000
June 30, 2014	\$71,773,000,000			\$2,766,809,000	*\$229,000,000
					*Estimated

So what does this mean?

- State of Calif. is adding over \$5B each year to its liability
 - Recording the \$71B OPEB Liability would put the State into a \$64B deficit fund balance
 - LAUSD would be in \$9.2B deficit fund balance if OPEB was recorded today
 - Majority of OPEB benefits are unsustainable
 - Private sector has already dealt with this issue
 - Mitigating the liability is priority, but most agencies have not acted yet
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Who Makes the OPEB Decision, When & How?

- City Council is scheduled to consider unblending proposal at regularly scheduled meeting on October 6, 2015
 - Meeting and conferring with bargaining groups
 - Some variation in negotiations, but mostly revolving around RHSP
 - IBEW, GFFA agreed; GCEA, GMA and GPOA remain
- Key dates for renewals in fall/winter
- Effective Date is June 1, 2016



Impact of Un-blending Rates

(Estimated Anthem PPO Monthly Premiums)

CA Early Retirees	Enrollment Count	Total Blended Cost	Total Unblended Cost	Difference
Single	113	\$548.50	\$958.64	\$410.14
Two Party	49	\$1,404.14	\$2,454.13	\$1,049.99
Family	25	\$1,991.20	\$3,480.04	\$1,488.84

Medicare Age Retirees	Enrollment Count	Total Blended Cost	Total Unblended Cost	Difference
Single	187	\$282.04	\$419.27	\$137.23
Two Party – 1 Med	9	\$827.04	\$1,374.40	\$547.36
Two Party – 2 Med	138	\$564.08	\$838.40	\$274.32
Family – 1 Med	0	\$1,677.18	\$2,864.42	\$1,187.24
Family – All Med	0	\$846.08	\$1,257.35	\$411.27

Impact of Un-blending Rates

(Estimated Anthem HMO Monthly Premiums)

CA Early Retirees	Enrollment Count	Total Blended Cost	Total Unblended Cost	Difference
Single	30	\$530.72	\$694.29	\$163.57
Two Party	24	\$1,114.46	\$1,457.94	\$343.48
Family	14	\$1,592.02	\$2,094.61	\$502.59

Medicare Age Retirees	Enrollment Count	Total Blended Cost	Total Unblended Cost	Difference
Single	9	\$526.12	\$491.97	\$(34.15)
Two Party – 1 Med	0	\$1,056.84	\$1,021.76	\$(35.08)
Two Party – 2 Med	0	\$1,052.20	\$983.94	\$(68.26)
Family – 1 Med	0	\$1,587.55	\$1,551.57	\$(35.98)
Family – All Med	0	\$1,582.90	\$1,475.91	\$(106.99)

Impact of Un-blending Rates

(Estimated Kaiser HMO Monthly Premiums)

CA Early Retirees	Enrollment Count	Total Blended Cost	Total Unblended Cost	Difference
Single	22	\$532.36	\$1,049.66	\$517.30
Two Party	21	\$1,064.64	\$2,099.33	\$1,034.69
Family	5	\$1,506.50	\$2,970.55	\$1,464.05

Medicare Age Retirees	Enrollment Count	Total Blended Cost	Total Unblended Cost	Difference
Single	21	\$173.54	\$162.66	\$(10.88)
Two Party – 1 Med	24	\$703.12	\$693.68	\$(9.44)
Two Party – 2 Med	0	\$347.08	\$325.32	\$(21.76)
Family – 1 Med	0	\$1,142.62	\$1,134.42	\$(8.20)
Family – All Med	0	\$786.58	\$766.06	\$(20.52)

Low Income Subsidy Impact

Early Retirees with PERS Income Less Than \$50,000

	Anthem PPO	Anthem HMO	Kaiser HMO	TOTAL
Single	36	15	8	59
Two Party	2	5	4	11
Family	5	2	2	9
TOTAL	43	22	14	79

Medicare Age Retirees with PERS Income Less Than \$50,000

	Anthem PPO	Anthem HMO	Kaiser HMO	TOTAL
Single	50	1	4	55
Two Party – 1 Med	2	0	1	3
Two Party – 2 Med	24	0	5	29
Family – 1 Med	0	0	0	0
Family – All Med	0	0	0	0
TOTAL	76	1	10	87

Moving Forward

- Subsidy up to \$200 for low income retirees (less than \$50k total household income)
- Part A Medicare reimbursement unaffected; includes non-City plans
- Early Retirees
 - Pay increased premium rate (with/without subsidy)
 - Utilize new lower-cost Kaiser plan or a different City plan
 - Alternative to City's plan
 - Covered California, Keenan Direct, Individual Market
 - No exclusions for pre-existing conditions in Covered California
- Medicare Retirees
 - Pay increased premium rate (with/without subsidy)
 - Alternative to City's plan
 - Medicare Exchange and/or Futuris Care (Keenan)

Next Steps

- Actuarial Calculations
 - John Bartel, Bartel & Associates
- Keenan & Associates
 - Concierge/navigation service
 - Individual Q&A
 - Compare/contrast evaluation
 - Keenan Direct (Early Retirees) 1-855-359-7354;
www.KeenanDirect.com
 - Futuris Care (Medicare Retirees) 1-888-616-7130;
www.medicare.healthcompare.com/futuriscare
- Insurance Providers
- Additional information meetings

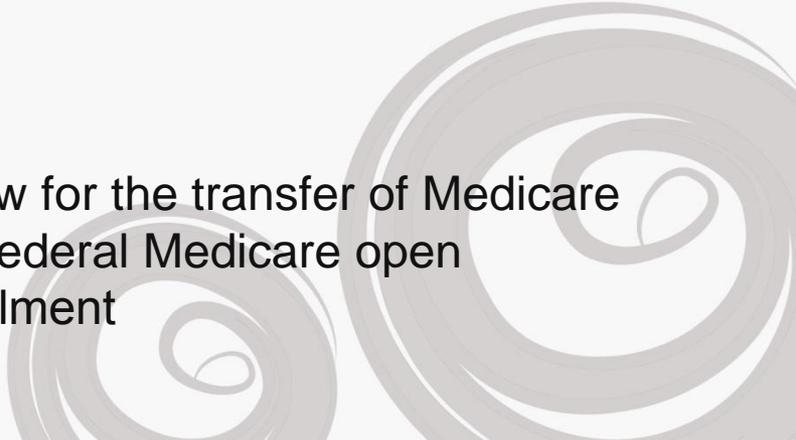


Important Dates

- Medicare Open Enrollment: Oct. 15, 2015 – Dec. 7, 2015
 - For Medicare Retirees considering a move to Futuris Care or another Medicare Plan
- Covered California/ACA Open Enrollment: Nov. 1, 2015 - Jan. 31, 2016
 - For Early Retirees considering a move to Covered California or another ACA Plan
- City's Open Enrollment: April – May 2016
 - For retirees considering a move from one City plan to another City plan

Important Note

Keenan & Assoc. has obtained approval to allow for the transfer of Medicare Retirees to Futuris Care plans (outside of the Federal Medicare open enrollment period) during the City's Open Enrollment



Other Post Employment Benefits (OPEB)

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The logo for the City of Glendale, California, is located in the bottom right corner. It features the word "glendale" in a red, lowercase, sans-serif font, with "california" in a smaller, grey, lowercase font below it. To the right of the text are several colorful, stylized circular icons in shades of blue, green, and yellow. The logo is partially overlaid by a large, light grey, stylized circular graphic that resembles a swirl or a lens.

glendale
california