



Minutes from the GASB 45 Taskforce July 09, 2008

The sixth meeting of the GASB 45 Taskforce was convened July 09, 2008 at 6:08pm.

Attendance:

Members of the Task Force: Vince Pasquale (Binghamton University), Mark Whalen (Legislature), Jerry Marinich (Legislature).

Internal Members of Task Force: Joseph Sluzar (Law Dept.), Michael Hanbury (Legislature), Jerome Knebel (Finance Dept.), Bob Murphy (Risk & Insurance), Nathaalie Maxwell (Budget), Alex McLaughlin (Audit), Don Wager (BCC), Grant Newton (BCC), Jennifer Royer (Legislature).

Legislators: John Hutchings, Tim Cleary, Rick Materese

Press & Media: Eric Reinagel (Press & Sun Bulletin), Reporter from News 10 Now.

Others Present: Laurie Gialanella (NYS Assemblyman Crouch), K. Connors (DSS), Chris McAuliffe (1912 Union), Margaret Goodfellow (Public), Anthony Mazza (Public), Diane Mazza (Public), Ellen Burns (Public), Jim Baumgartner (Public).

Opening:

Chairman Whalen - Opened the meeting by welcoming everyone in attendance. He then stated that the New York State Legislature has moved on many pieces of Legislation, but not the one we are concerned about here. Also, we will be looking at Broome County's healthcare costs – you can see how increased longevity and inflation in medical technology have driven up tax payers funded subsidies for retiree health insurance. Then we will look at a Video presentation on “A Local Government's Perspective” by Janet Smith, City of Phoenix Arizona Personnel Director. We aren't the only ones trying to get a handle on this issue – every governmental/public agency is trying to do the same thing. We've gotten most of these webinars from the Firefighters Association.

Chairman Whalen - Introduced Michael Hanbury and asked him to provide an update on the two pieces of State Legislation that are relevant to this topic.

Michael Hanbury - The first bill that we are watching, the OPEB trust fund legislation (which would allow us to put money aside for benefits in a dedicated fund that would gain interest) has not been moved out of the Rules Committee yet.

Chairman Whalen - Stated that this is something that is essential and it'll allow us to borrow in the bond market at the municipal rate of 3.5 % and then invest it in the state pension pool and earn 8-10% interest. Without the ability to put money aside in a fund like this, we will be dead in the water.

Michael Hanbury - Introduced the other resolution that we are watching. This bill would establish a State GASB Taskforce and a 1 year moratorium on changes to retiree benefits with out changing current employee benefits. This has moved through the Assembly and Senate and is waiting for either a signature or a veto from the Governor.

Chairman Whalen - The internal members of the taskforce have been studying the county's healthcare plans for the last year and it's very complex. There are different groups with different costs, as well as pre and post Medicare retirees. Michael Hanbury prepared a fact sheet and several sheets with data to answer questions. It didn't exist all in one place before. The group then started looking over the outline.

There was a question about how the monthly premium of 15% worked, whether there were also co-pays and other costs. The answer was basically yes, but there are different numbers depending on the plan.

Legislator Marinich - Also pointed out that the premium percentage also isn't fixed. They've passed a resolution that if a union negotiates a different percentage then that is the percentage that you retire at (i.e.: from 15% to 20% while you are working then that's the cost you pay when you retire).

Further, the County's GASB numbers abstract from Broome Community College's unfunded liability. They have a different plan. Broome County Community College's unfunded liability is approximately \$77 million.

Then there was a question of what the retirement age is and whether someone can retire at 39 or 40.

Chairman Whalen - Stated that basically yes, if someone had 20 years in with the Sheriff and retired at age 39, then we could pay for them for the next 50 years.

Then it was asked whether they'd qualify at age 35 if they had worked for 10 years – and went to another job – whether they would at age 55 still be able to be in the retirement plan? It was determined this would only occur if they paid 100% to stay in the plan until they were 55 – then they would be vested.

Chairman Whalen - One of the things we have to look at is whether there is a way for us to change the eligibility age for employees who have yet to come to work for us.

Further, we are not sure how retirement works for Legislators.

Chairman Whalen - Then directed attention to a chart that Michael Hanbury made. The chart details payment participation rates for retirees. He sent the template out to NYSAC so we can see what different counties do all over the state.

The question then came up about how is the waiver of premium established, in other words – how can people prove that their household income is under \$24,000.

Mr. Murphy - An application is sent out with the yearly premium notice – they can fill out the application, show their W2's and Social Security to prove that their income is below \$24,000. The application has to be in by April 1 and then it affects the premium by May 1.

It was then stated that the City of Binghamton doesn't do this – everyone pays 25%. This is just a nice thing that the county does for our lower income workers.

Chairman Whalen - Pointed out that we could alter the way we verify the income per household, possibly get a copy of the person's income tax. We really hate picking on surviving spouses who are somewhere in between paying 50%-100% of their premium though.

The legislature can set this number (\$24,000). It's a policy decision. This does not have to go to a bargaining unit. In 2004 the level went from \$19,000 a year to \$24,000 a year. There might be figures from the State that we base it on.

There is something in committee this week about the joint survivor spouse benefit plan. If a retiree plans on dying before their spouse but it doesn't work out that way, they will be allowed to change their option so that they don't have to pay the higher premium after their spouse dies.

Michael Hanbury - If you go to the county website, in the Legislature section there is an Advisory Committee Section that provides a link to the GASB Task Force page. The page contains recommended readings and you can look at all the materials that have been handed out, as well as the minutes from the meetings that Jenni compiles. Some of the videos aren't on there due to their size, but if you ask I can copy them onto cd for you. We are using these video webinars to show the facts and detail different ways to deal with this issue. NYSAC also has webinars on the GASB 45 issue.

Legislator Hutchings - How the estimated cost of OPEB was reached. Chairman Whalen explained that the number includes everyone who works at the county and everyone who has worked for the county. It's a projection of costs out over 30 years with projected inflation – with a bit of a discount from that inflation rate.

Legislator Hutchings - That's the \$339 million.

Mr. McLaughlin - That is today's cost of all people currently involved in the plan.

Legislator Hutchings - Stated that he would like to see that number broken down into costs for different groups.

Chairman Whalen - Stated that the actuaries told us that we can get ideas for changes and they'll run it through their program and tell us the savings change. We aren't to that point yet.

Mr. Sluzar - Stated that when the premium was changed – that didn't get changed for the already retired. The change from 10% to 15% just for current employees cut \$7.5 million of our liability.

There are a lot of figures that go into the 23 – 17 million dollar figures. GASB doesn't require us to fund this liability. But we might have to fund it in the future and we don't want to raise taxes like we'd need to presently to cover it.

The only state that has decided to ignore GASB 45 is Texas.

Chairman Whalen - We will cover the breadth of our healthcare costs. At times in the past, officials said they'd give people benefits like these because they didn't have to pay for it immediately and taxpayers didn't see the cost.

Chairman Whalen - One my many concerns is that businesses will look at potential sites for new locations, i.e.: Broome county vs. a city in Alabama or one in Pennsylvania. If they put the county, city and school district GASB numbers together they could figure how much taxes will be raised in the future, to pay for public retiree health care.

Mr. Pasquale - The real danger is if municipalities and school districts take active roles and all do something different, then people will have different size costs. If everyone did the same thing then there wouldn't be a dichotomy. Another problem is that this cost gets passed down to grandchildren.

Chairman Whalen - There is a problem with the morality of passing the cost on to future generations. It's ethical to do that with costs for bridges and roads, which have a projected useful life of 30 + years, it's unethical to pass the costs for our healthcare on to future taxpayers.

Mr. Pasquale - If the minutes from Ms. Cecelia's presentation were sent out, people could better understand how GASB 45 worked. He asked Michael Hanbury to make it available.

Chairman Whalen - We are educating ourselves in this process. We are trying to find a comprehensive way to make changes that will have a huge impact in thirty-forty years. We aren't trying to stick it to the retirees – we see the problem, we are working to understand this problem, and we need to make sure it doesn't become bigger.

Michael Hanbury - Provided a description of Broome County Community College's numbers. The annual required contribution (what should be paid annually) for Broome County is \$23.5 million and BCC's is \$5.5 million. The OPEB present value for BCC is \$52.8 million and \$24.5 is the actuarial accrued liability. The employer contribution (what is actually being paid) for BCC is \$1.6 million and Broome County pays \$5.6 million on the pay as you go system.

The net OPEB is the difference between the ARC and the employer contribution and BCC's is \$3.9 million and Broome County's is \$17.8 million. That is one of the components that bond raters look at when developing a bond rating.

Legislator Hutchings - Asked when we were last bond rated. Mr. Knebel stated that the county was just reevaluated and we were reaffirmed at our 'A' rating.

Bond rating agencies will take a look at our OPEB liability and it will be compared to other counties in their bond rating analysis.

Legislator Materese - If nobody attempted to fund or manage their liability, the bond raters probably could not offer poor ratings based on the unfunded OPEB liability.

Michael Hanbury - That is unlikely to occur because most municipalities and counties have already had an actuarial evaluation completed and are in the first phase, just like us, of dealing with this issue.

Then it was asked whether BCC is considered separate but part of our number, so if BCC doesn't deal with their liability will it fall back onto the county.

The answer seemed to be that they are separate but since the county is the sponsor for the college, it could affect our GASB rating eventually.

Legislator Materese - Asked if BCC's Net OPEB Obligation (NOO) of \$3.979 million gets added to the county's NOO.

Mr. Knebel - It is considered a component - but it is shown separately. However, ultimately the county is liable.

Legislator Materese - Asked if whether bond raters could look at Broome County and BCC and say that the county is doing well, but BCC isn't and downgrade our bond rating score. Materese isn't saying that would happen but it's a possibility in the bigger picture.

Mr. Knebel - That pragmatically speaking there are a lot of things they are looking at. Debt is ok when the economy is going well, etc.

After the break, it was asked whether Medicare or private insurance is the primary. It was stated that Medicare is the primary.

The total pay as you go cost health insurance for retirees and employees over the past 11 years has almost tripled. The average increase is \$2.25 million a year.

Michael Hanbury - Prepared a chart that shows cost broken down by services: Prescription, Medical care, Hospital care and Services to.

Legislator Hutchings - Asked whether there is a lifetime or yearly cap on prescription costs. Mr. Murphy stated that there is no cap. There is a co-pay – that differs by union and by plans.

Legislator Hutchings – Asked whether generic vs. name brand prescription drugs – is it made more attractive. Mr. Murphy stated that we do, there is a big cost difference.

Chairman Whalen - Thanked Mr. Knebel for helping Michael Hanbury get all the numbers together on the costs.

Page 1 of the chart shows just costs for the retired portion of employees. That cost has jumped significantly.

Michael Hanbury - Introduced the video Webinar which shows how another governmental unit has dealt with their OPEB liability to show us examples of action we can potentially take.

WEBINAR “GASB 45 Forum: A Local Government Perspective – Phoenix, AZ”

Chairman Whalen - stated that this is just 1 example of what can happen. This shows the process they went through and it is helpful to see how other governmental units have dealt with this issue.

Chairman Whalen - A lot of you just got info today. We’ve been looking at this for 8-12 months. Nathaalie Maxwell, Robert Murphy and Jerome Knebel have all been providing their insight and many hours to compile the information. They are the reason we can discuss the different plans and options for our county. The information provided allows more people to provide suggestions which we can take to our actuary and have them tested on there computer model to check for savings.

Legislator Hutchings - Stated that where we have the most money in our plan design would be useful. He stated that the union that he works for has a small fund for 300-600 people and if you try to change it – you can make nominal changes that can affect the cost greatly. He really hopes that the taskforce takes that into consideration.

Chairman Whalen – I am hoping to make small changes today that don’t have a huge impact on retirees, active employees and future hires. The small changes can become big cost savings because they get multiplied over the years.

Legislator Materese - Stated that he's hoping to create a tiered plan for new hires. It's hard to take away what we've already promised to workers and they've planned their lives around it. The big thing is we need to look at new hires and fine tune the plan.

Legislator Marinich - We need to look at what point is the cost of reimbursement not beneficial because we have too many retirees. For 2006 we got back \$500,000. We need to figure out what the reimbursement is per retiree. Mr. Murphy will look into that.

Chairman Whalen - We need to look at the low hanging fruit first and that is the new hires.

Legislator Materese - We need to consider that when pay wasn't equal to the pay from the private sector, the public sector offered great benefits.

Chairman Whalen - We need to look at the legal and plausible situations for new hires. We can possibly switch from a defined benefit plan to a defined contribution type of plan. They'd build up a fund with some match from the county. This type of plan would be specific to the employee and be portable to other employers.

Legislator Hutchings - If you dedicate money to pension you can't take it out.

Chairman Whalen - We aren't going near the pension fund. We would like to issue a bond and get interest from a dedicated trust fund on that money.

There are some parts of this that we would have to negotiate with the unions about.

Nathaalie Maxwell - There was an option before the Legislature which was the advantage plan. Consultants reduced some less frequently used benefit areas and reduced costs by the same amount. The savings was passed on to both the county and the employee. Once and employee opted in to the plan, they couldn't opt back out. This is because if they could opt out then you couldn't the budget impact made by the changes. None of the unions were willing to offer this plan to their employees. We have to make sure that whatever options we come up with, the unions are at the table or nothing will happen.

Chris McAuliffe from Union 1912 - We were never approached to form a committee. The unions should be part of the solution and we have some ideas on how to create cost savings. We hope that you stand on your word to invite us in.

Chairman Whalen - He would work on inviting the unions to the meetings again.

The meeting was adjourned at 7:59 pm.