# State Health Benefit Plan Other Post Employment Benefits (OPEB)

Presentation to
OPEB Forum
FEBRUARY 6, 2008

**Carie Summers, Chief Financial Officer**

Georgia Department of Community Health

# Topics of Discussion

- June 30, 2006 Valuation
- OPEB Trust Fund
- Impact of SHBP Multi-Year Strategy on OPEB

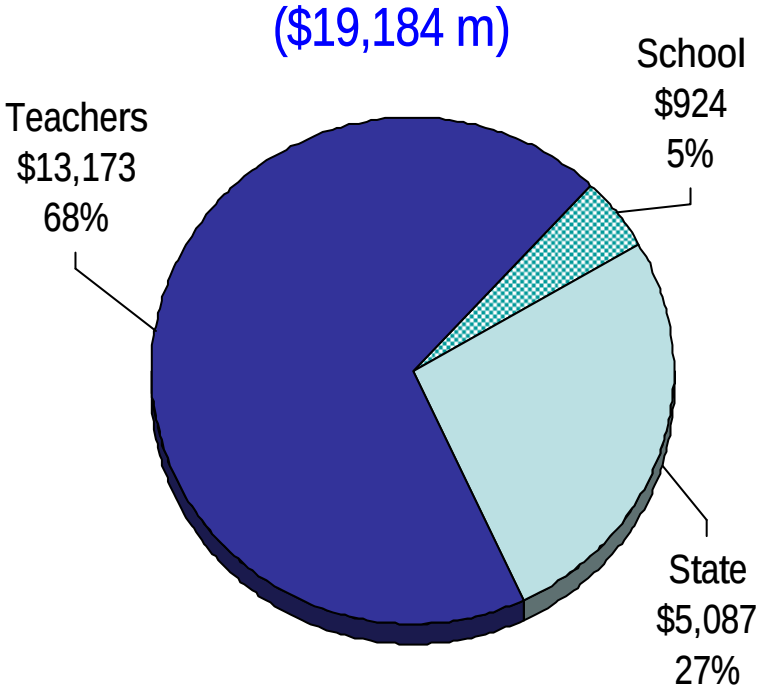
# 2006 GASB 43 Valuation – SHBP

June 30, 2006 Valuation = $19.2 billion

- Annual Required Contribution for 30 years: $1.678 b or 13.03% of payroll
- Based on 465,863 active and retired members as of 6/30/06 (11% increase from 6/30/05)
- No assets dedicated in 2006

# 2006 GASB 43 Valuation – SHBP

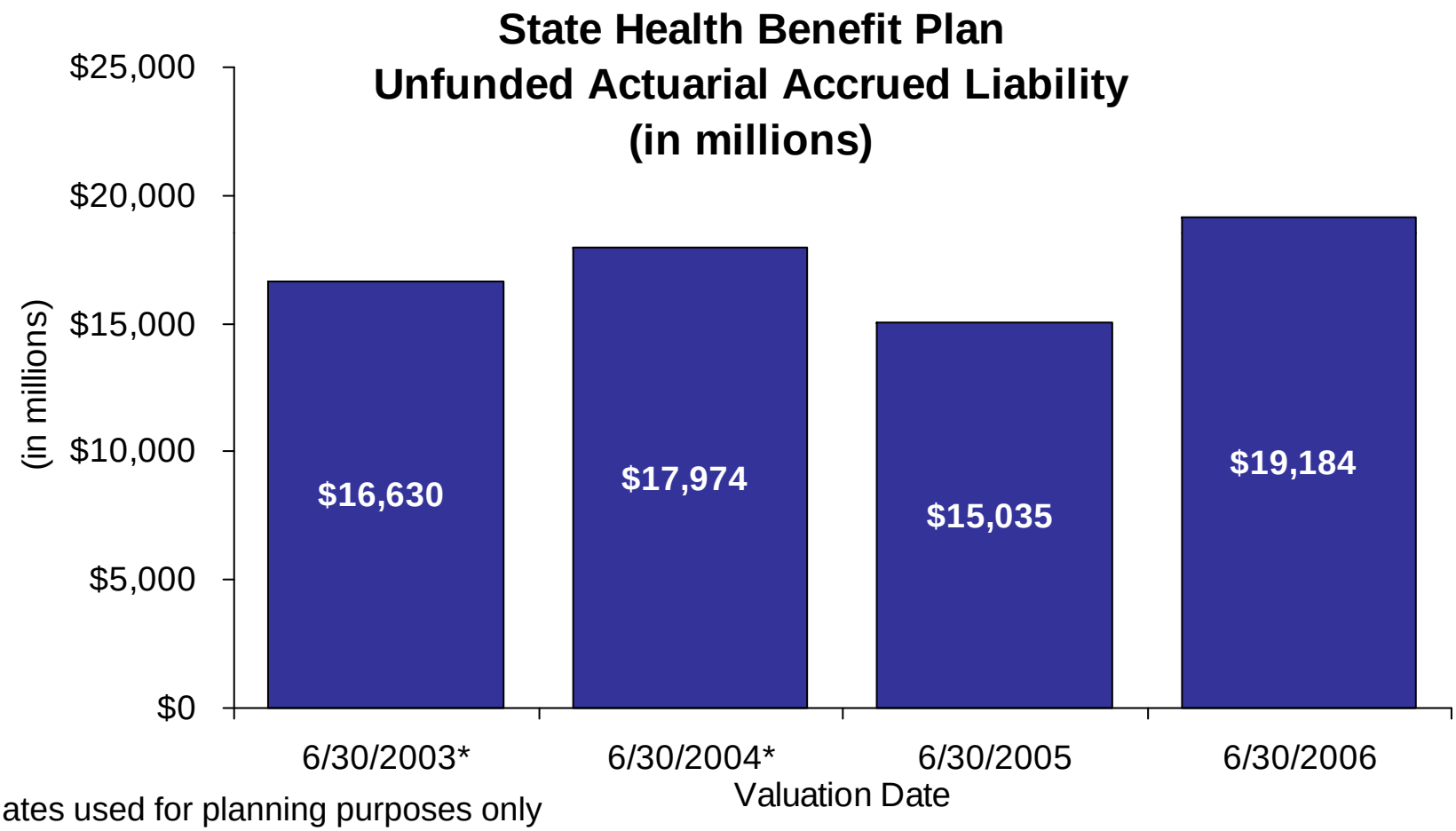
TOTAL Accrued Liability
by Retirement Plan
($19,184 m)




in millions

| Annual Contribution Requirements (in millions) | | |
|---|---|---|
| Retirement Plan | Annual Required Contribution | Equivalent Percent of Payroll |
| ERS | $387.8 | 14.5% |
| Subtotal | $387.8 | 14.5% |
| TRS | $1,194.8 | 12.8% |
| PSERS | $95.3 | 11.2% |
| Subtotal | $1,290.1 | 12.6% |
| Total | $1,677.8 | 13.0% |

# 2006 GASB 43 Valuation – SHBP




* Estimates used for planning purposes only



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# 2006 GASB 43 Valuation – SHBP

Reasons for Change as Compared to FY 2005: (+$3,013.8)

- Reduction in discount rate (+$4,126.7)
  - Reduction less for state employees due to some OPEB funding (+$721.1)
  - Reduction greater for teachers/school employees due to no OPEB funding (+$3,405.6)
- Incorporated OPEB-specific retiree census (-$138.8)
- Changed participation assumptions for future retirees (-$445.6)
- Added participants of the Teachers Optional Retirement Plan (+$438.4)
- Assumed increases in retiree premiums (-$1,797.8)
- Actual claims experience different than 2005 assumptions (+$830.9)

# OPEB Trust Fund

## Trust Fund Functions (to date):

- Used to deposit FY 2007 employer revenues and pay employer's share of FY 2007 SHBP expenses for current retirees (assets=liabilities)
- Used to deposit FY 2008 contributions for Future OPEB liability for state employees
  - Funds deposited into the OPEB Trust Fund and transmitted to TRS/ERS Division of Investment Services (DIS) for long term investment
  - 4.309% of FY 2008 payroll for state agencies earmarked
  - As of December 31, 2007, balance = $44,169,938 (reflects 4 months of deposits)
  - Estimate $117m in deposits by end of FY 2008

# OPEB Trust Fund

## Trust Fund Functions (by June 30, 2008*):

- Used to deposit FY 2007 year-end fund balance attributable to retirees
  - Segregation based on FY 2007 IBNR for active and retired members
  - Retiree IBNR and an amount equivalent to 1 month of retiree claims to be retained in OPEB; remaining retiree fund balance to be transmitted to DIS for long term investment
- Used to deposit FY 2008 revenues and pay FY 2008 SHBP expenses for current retirees (assets=liabilities)

* Pending DCH Board approval

# SHBP Multi-Year Strategy

CY 2008

- Consumer Directed Healthcare Plan option available statewide (4.3% enrollment)
- No new enrollment in the Indemnity Plan
- Reduction in HMO Options from 4 to 3 plans
- 10% increase in employee premiums

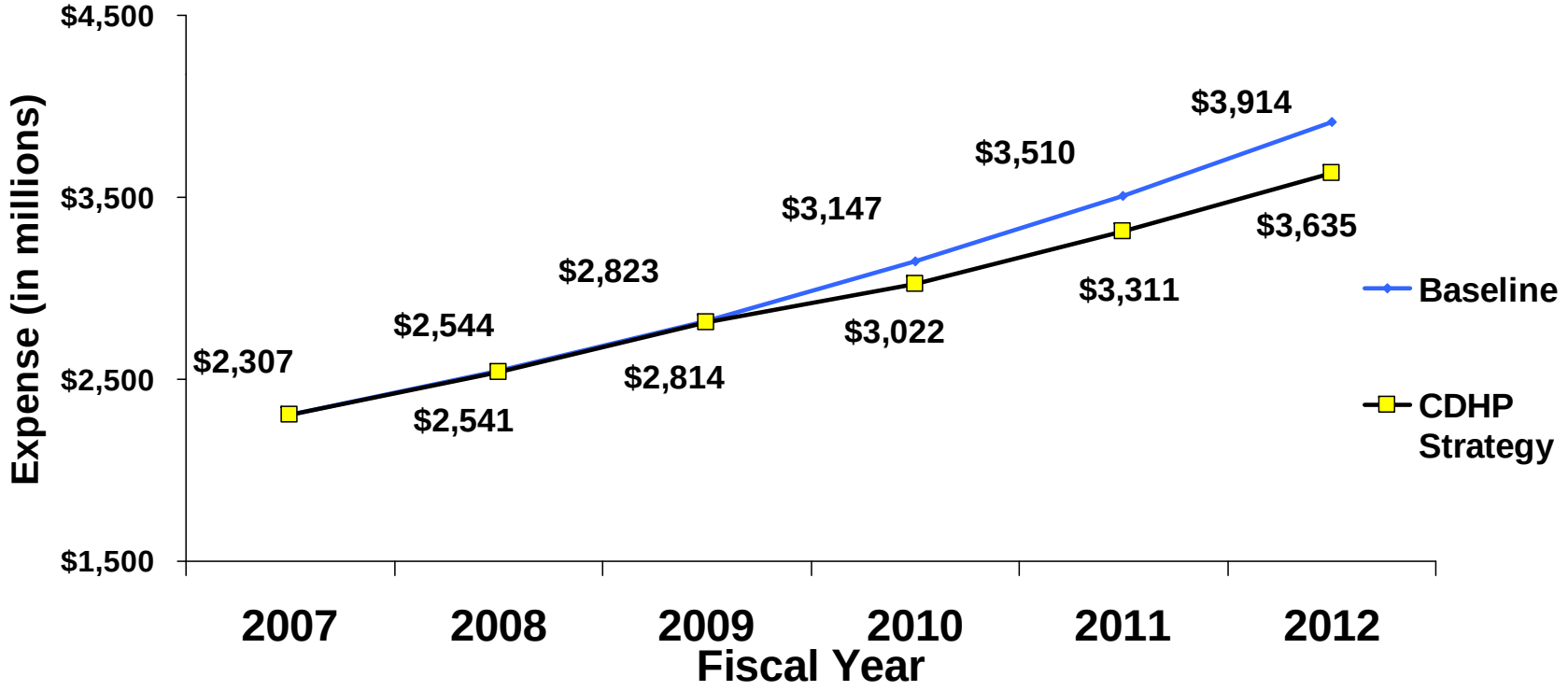
# SHBP Multi-Year Strategy

CY 2009

- Major procurement moving to two statewide health plan vendors, each offering the following choices:
  - Health Reimbursement Account-based (HRA) Plan
  - High Deductible Health Plan (HDHP)
  - PPO
  - HMO
  - Medicare Advantage (Only for members age 65 or over with Medicare Eligibility)
- Strategic premium pricing utilized to provide incentives to enroll in CDH plans
  - Continuing through CY 2012

# SHBP Multi-Year Strategy

The CY 2008 implementation of the SHBP 5-year CDHP strategy is expected to reduce expenditures by over $600 million between FY 2008 and FY 2012.




SOURCE: Aon Projections, Oct 2007



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# SHBP Multi-Year Strategy

| OPEB Impact of Multi-Year Strategy | | | | |
|---|---|---|---|---|
| (in millions) | June 30, 2006 Baseline | Multi-Year Strategy | Change | % Diff |
| Unfunded Accrued Liability | $19,184.4 | $16,739.6 | ($2,444.8) | (12.7%) |
| Annual Required Contribution | $1,677.8 | $1,431.5 | ($246.4) | (14.7%) |
| ARC as % of Payroll | 13.0% | 11.1% | (1.9%) | |

Source: Cavanaugh Macdonald Consulting, LLC

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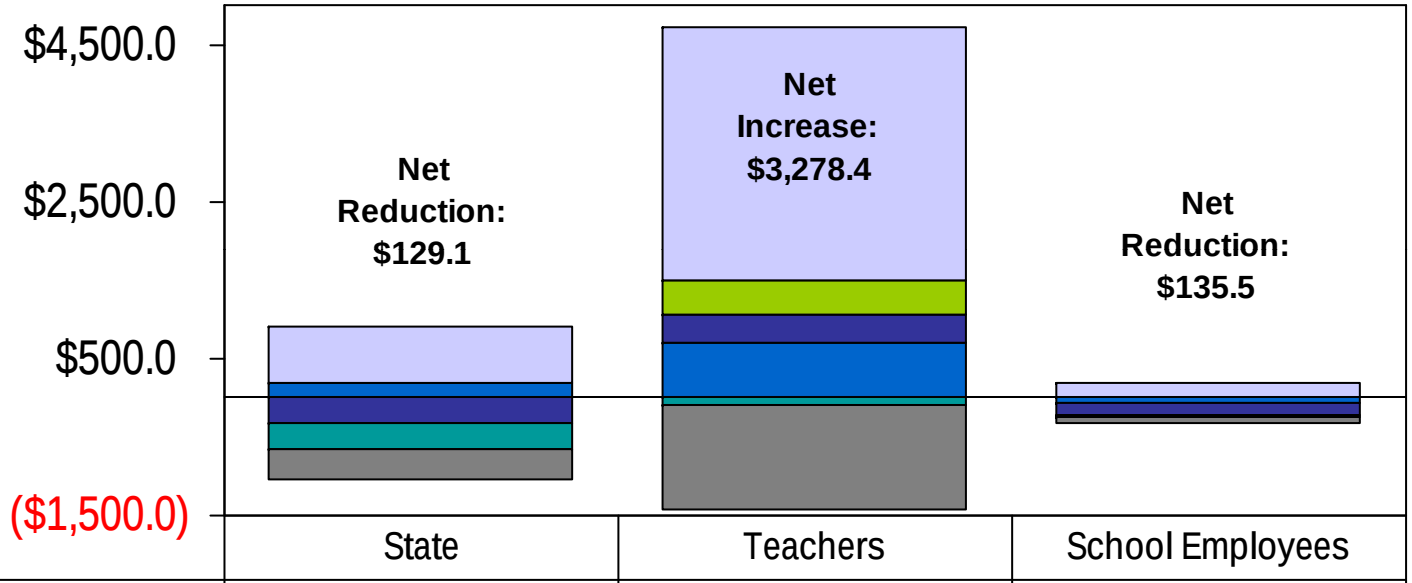
# Reasons for Valuation Change
# 2006 vs. 2005




| | State | Teachers | School Employees |
|---|---|---|---|
| Discount Rate | $721.1 | $3,223.4 | $182.2 |
| Increases in Retiree Premiums | ($373.9) | ($1,348.1) | ($75.8) |
| TORP | $0.0 | $438.4 | $0.0 |
| Participation Assumptions | ($332.9) | ($82.4) | ($30.3) |
| Retiree Census | ($332.4) | $348.4 | ($154.8) |
| Other | $189.0 | $698.7 | ($56.8) |

# SHBP Projected Financial Status

| Fiscal Year: | 2007 Actual | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| PAYG Revenue | $2,454.6 | $2,682.2 | $2,736.6 | $2,788.9 |
| OPEB Revenue | $0.0 | $122.1 | $124.8 | $127.5 |
| Total Revenue | $2,454.6 | $2,804.3 | $2,861.4 | $2,916.4 |
| Growth in Revenue | 13% | 14% | 2% | 2% |
| PAYG Expense | $2,306.8 | $2,541.0 | $2,814.8 | $3,022.4 |
| % Growth in Expense | 6% | 10% | 11% | 7% |
| $ Growth in Expense | $125.0 | $234.2 | $273.7 | $207.6 |
| PAYG Surplus/(Deficit) | $147.8 | $141.1 | ($78.2) | ($233.4) |
| Fund Balance | $264.3 | $405.5 | $327.3 | $93.8 |

PAYG = Pay As You Go