

# State Health Benefit Plan Fiscal Year 2007 Options to Allocate Employer Contributions for OPEB Purposes

Presentation to  
Board of Community Health  
Audit Subcommittee  
April 12, 2007



# FY 2007 GOALS

By June 30, 2007:

1. Allocate portion of FY 2006 fund balance attributable to retirees to Georgia Retiree Healthcare Trust Fund (i.e., OPEB Fund)
2. Allocate a portion of employer contributions received since July 1, 2006 to OPEB Fund to cover FY 2007 retiree healthcare costs

# FY2006 Fund Balance

- Department's SHBP audited statements have not historically been segregated between retiree and active assets and liabilities.
- Assume that some of the fund balance is a result of excess assets related to retirees, but there is insufficient historical data to quantify

PROPOSAL: Utilize the percent of prior year claims paid in FY 2007 for retirees as proxy; apply percentage to FY 2006 fund balance; allocate that amount to OPEB Fund

# Current Year Employer Contributions

## SOURCES OF EMPLOYER CONTRIBUTIONS:

### Dedicated:

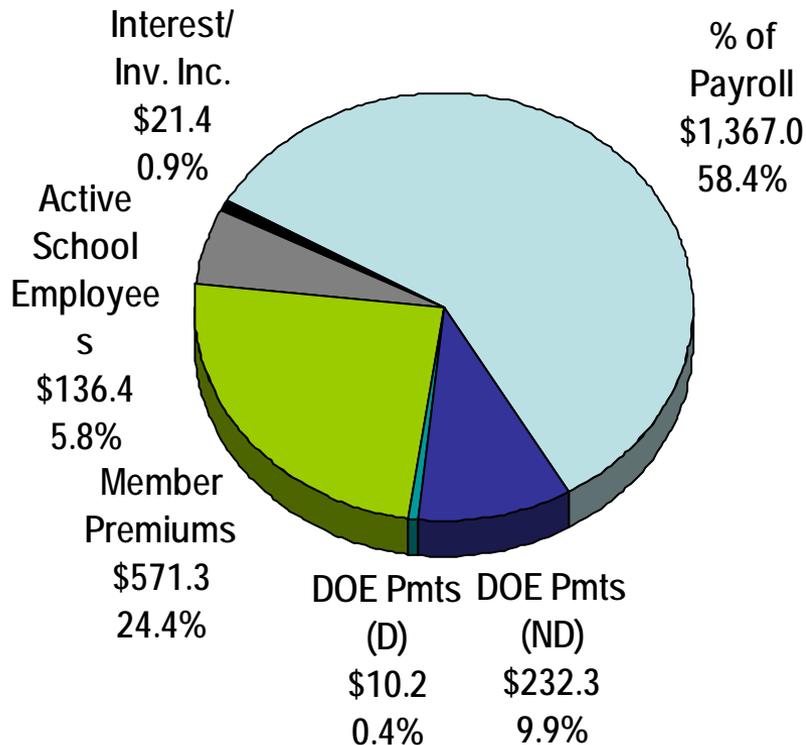
- DOE Quarterly Payments = \$10.2 M – Retired Teachers and School Employees
- Monthly PMPM Contributions from LBOE = \$162 PMPM – School Employees Active in SHBP

### Not Dedicated:

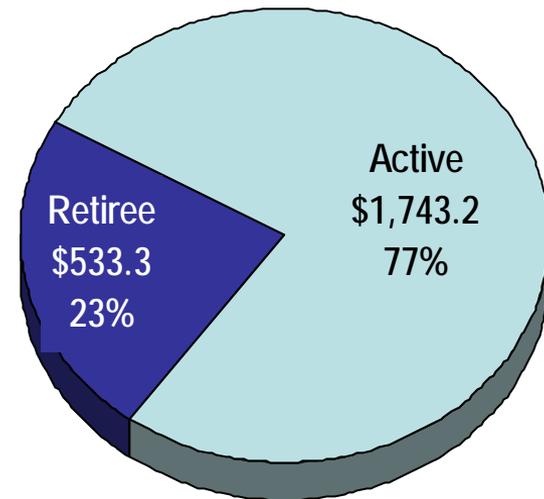
- 16.713 Percent of Payroll – Teachers and State Employees
- DOE Quarterly Payments = \$232.3M – School Employees
- Interest/Investment Income

# Financial Perspective on Funds/Expenses

FY 2007 Estimated SHBP Revenue Sources\* (in millions)



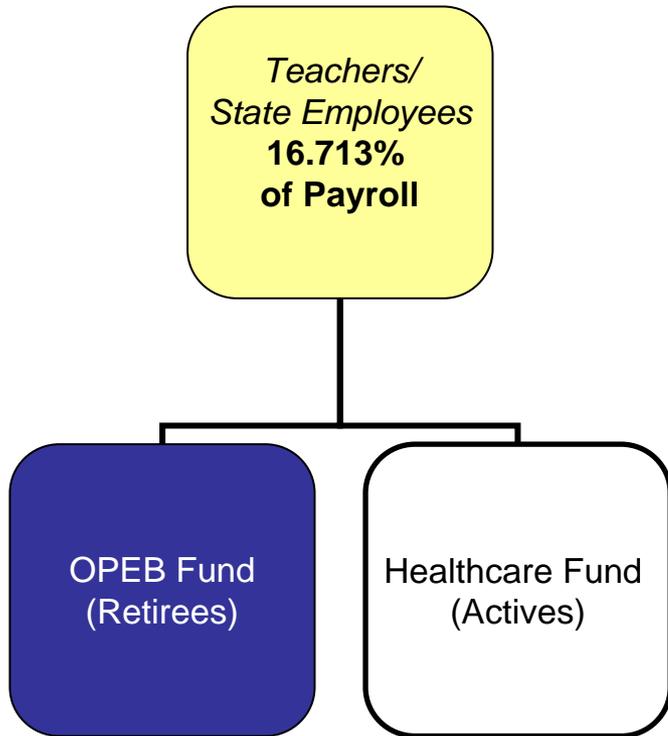
FY 2007 Estimated SHBP Expenditures\* (in millions)



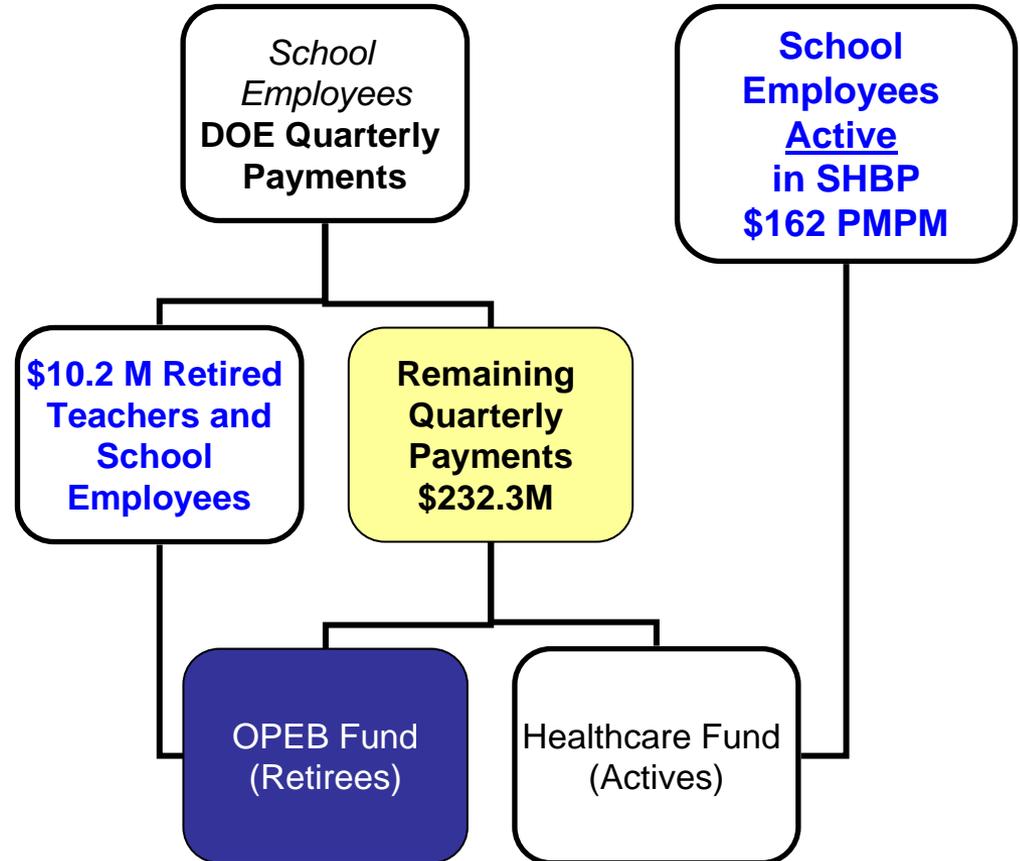
\*Estimated by annualizing financial activity Jul – Dec 2006; expenses do not consider IBNR

# Allocation Schematic

## I. Percent of Payroll



## II. DOE Quarterly Payments



# Allocating Undesignated Employer Contributions

## Option 1 –

1. Estimate percent of revenue needed to cover expected FY 2007 retiree expense
2. As revenues are received, use this same percentage to automatically allocate the revenue to the OPEB fund each month.

## Option 2 –

1. At end of month, determine actual amount spent on retiree healthcare
2. Re-rate revenue in an amount equal to retiree healthcare expenses to OPEB fund

# For either option...

- 👍 Retiree expenses will be charged to OPEB Fund monthly.
- 👍 At year-end, actuaries will determine what portion of the FY 2007 fund balance is associated with the OPEB Fund. DCH will make corresponding deposits/credits to the OPEB Fund.

In FY 2008 (pending SB 172 being passed by General Assembly), DCH will put premiums paid by retirees into the OPEB Fund. The current statute does not allow this.

# Next Steps

- Decide on an option for allocation of undesignated employer contributions
- DCH to prepare DCH Board Resolution reflecting option selected
- Board Agrees to Resolution
- DCH Implements Allocation Methodology