April 2007


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Segal Company

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Summary of the Key Elements

Retiree Health Reporting

VALUATION OF GASB POST-RETIREMENT BENEFIT COSTS AND LIABILITIES

National Center for the Study of Collective Bargaining in Higher Education and the Professions

April 16, 2007
1 Introduction

2 Technical Requirements

3 Plan and Employer Identifications

4 Practical Implications

5 Questions and Discussion
What is GASB?

- The mission of the Governmental Accounting Standards Board is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports.

- The GASB established standards in 1994 for how public employee pension plans and governmental employers participating in pension plans should account for and report on pension benefits, but similar provisions did not exist for OPEB. Although the OPEB may not have the same legal standing as pensions in some jurisdictions, the GASB believes that pension benefits (as a legal obligation) and OPEB (as a constructive obligation in some cases) are a part of the compensation that employees earn each year, even though these benefits are not received until after employment has ended. Therefore, the cost of these future benefits is a part of the cost of providing public services *today*. 
Introductions

2 Technical Requirements

- General
- Data
- Calculations
- Output

3 Plan and Employer Identifications

4 Practical Implications

5 Questions and Discussion

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What is OPEB?

The Governmental Accounting Standards Board (GASB) has issued two statements of accounting principles for:

- Other (than pension) Post Employment Benefits (OPEB)
- Statement 45 for Employers
- Statement 43 for Plan Disclosure

Requires Disclosure – NOT Funding
What is OPEB? continued

Other Post Employment Benefits (OPEB)

- Medical benefits
- Dental
- Vision
- Prescription drugs
- Life insurance
- Legal services
Why OPEB?

Enhances reporting, helps to quantify future financial liabilities

➤ GASB discovered most governments do not currently report information needed to assess the long-term financial implications associated with OPEB

➤ The current pay-as-you-go approach to OPEB does not account for the value of benefits accrued over an employee’s working lifetime

Provides standards for measurement and disclosure of accrued OPEB obligations

➤ Plans have been pay-as-you-go and few had actuarial valuation

➤ Previously reported as footnotes, if at all, without any consistency

➤ Achieves a consistent approach to reporting OPEB
Who is covered by OPEB?

**Employers**
- State government employers
- Local government employers
- Public employee retirement systems (staff)
- **State universities**
  - State hospitals and
  - Utility companies
  - Public authorities

**OPEB Plans**
- Plans of all state and local governments
- Dedicated trusts or
- Other third party acting in the role of sponsor
When is OPEB effective?

Three phases based upon total annual revenues in the first fiscal year ending June 15, 2003:

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Revenues in excess of $100 million—GASB OPEB reporting is effective fiscal year beginning after December 15, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 2</td>
<td>Revenues in excess of $10 million but less than $100 million—GASB OPEB reporting is effective fiscal year beginning after December 15, 2007</td>
</tr>
<tr>
<td>Phase 3</td>
<td>Revenues less than $10 million—GASB OPEB reporting is effective fiscal year beginning after December 15, 2008</td>
</tr>
</tbody>
</table>

**Plans:**
- The effective date for OPEB Plans is one year prior to the implementation date for the employer (in a single-employer plan) or for the largest participating employer in the plan (for multi-employer plans)

**Frequency:**
- Employers with more than 200 total eligibles are required to perform an actuarial valuation at least biennially
DATA

► Discovery
► Data Request
Discovery

➤ Review
  • Plan documents
  • Booklets and SPDs
  • Communications to participants
  • Bargaining agreements
  • Enrollment materials

➤ Draft plan provisions
  • These will be placed in the report
  • Obtain consultant/client approval

➤ Review data needs for claim curve and valuation calculations

➤ Review data already in-house to avoid duplicate requests

➤ Prepare data request
Data Request Elements

- Retiree health plan updates
- Collective bargaining agreement updates
- Related pension valuation (for assumptions)
- Claims and enrollment data (for claim curve development)
- Premium and enrollment data for insured plans with no available claims data
- Census data (for claim curve development and liability valuation)
- Asset information
- Employer and participant contribution information
- Third-party contribution information (e.g., state or federal contributions or subsidies)
- Large claim and stop-loss coverage information
- Plan expense information
• Clarify ambiguities, such as status of terminated employees relative to future retirement benefits
• Clarify whether any future benefit changes have been communicated to participants
• Confirm coordination of benefits method with Medicare
• Ask about other coverages (life, AD&D, dental, vision) that should be valued as OPEB
• Ask about data on participation rates at retirement
• Ask about indirect subsidies of retiree cost from employer contributions for active employees
CALCULATIONS

➢ Starting Costs
➢ Claims Curves
Basis for Calculating Obligations—
Begin with Starting Costs

- Collect monthly claims and enrollment information for a period of time (one to three years)
- Determine any plan changes during claim/enrollment period to normalize claims experience to current plan
- Determine initial average cost

“Starting costs” are the true costs at age 65 for the following:
- Male, pre-65 (pre-Medicare)
- Female, pre-65 (pre-Medicare)
- Male, post-65 (post-Medicare)
- Female, post-65 (post-Medicare)
Basis for Calculating Obligations—
Begin with Starting Costs continued

- Adjust starting costs for any significant population of post-65 retirees not eligible for Medicare
- Determine appropriate provision for expenses depending on whether plan is insured or self-insured
- Consider blending in normative (manual) rates in cases where experience is not fully credible
- Consider how the plan integrates with Medicare
- Analyze and apply historical trend rates to adjust claims cost to the initial year of measurement
Method for Generating the Claim Curve

- True costs increase with age, creating a “cost curve”
- Segal model takes the starting costs and “expands” them into the cost curve
- Segal actuaries annually update specifications for the cost curve
- Cost curves generally will not apply to dental, vision, or expense calculations
### Sample Medical Claims Curve in 2005

<table>
<thead>
<tr>
<th>Age</th>
<th>Medical</th>
<th>Retiree</th>
<th>Disabled Retiree</th>
<th>Spouse</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>50</td>
<td>$5,248</td>
<td>$5,977</td>
<td>$3,222</td>
<td>$3,670</td>
</tr>
<tr>
<td>55</td>
<td>6,233</td>
<td>6,435</td>
<td>3,826</td>
<td>3,950</td>
</tr>
<tr>
<td>60</td>
<td>7,401</td>
<td>6,935</td>
<td>4,544</td>
<td>4,258</td>
</tr>
<tr>
<td>64</td>
<td>8,492</td>
<td>7,357</td>
<td>5,214</td>
<td>4,517</td>
</tr>
<tr>
<td>65</td>
<td>1,566</td>
<td>1,331</td>
<td>5,220</td>
<td>4,438</td>
</tr>
<tr>
<td>70</td>
<td>1,815</td>
<td>1,434</td>
<td>6,051</td>
<td>4,782</td>
</tr>
<tr>
<td>75</td>
<td>1,956</td>
<td>1,544</td>
<td>6,520</td>
<td>5,147</td>
</tr>
<tr>
<td>80</td>
<td>2,107</td>
<td>1,665</td>
<td>7,022</td>
<td>5,549</td>
</tr>
</tbody>
</table>
## Sample Prescription Drug Claims Curve in 2005

<table>
<thead>
<tr>
<th>Age</th>
<th>Retiree and Disabled Retiree</th>
<th>Spouse</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>50</td>
<td>$1,450</td>
<td>$1,651</td>
</tr>
<tr>
<td>55</td>
<td>1,721</td>
<td>1,777</td>
</tr>
<tr>
<td>60</td>
<td>2,044</td>
<td>1,916</td>
</tr>
<tr>
<td>64</td>
<td>2,346</td>
<td>2,033</td>
</tr>
<tr>
<td>65</td>
<td>2,428</td>
<td>2,065</td>
</tr>
<tr>
<td>70</td>
<td>2,815</td>
<td>2,224</td>
</tr>
<tr>
<td>75</td>
<td>3,032</td>
<td>2,394</td>
</tr>
<tr>
<td>80</td>
<td>3,266</td>
<td>2,581</td>
</tr>
</tbody>
</table>
Valuation Basics - Inputs

**Member Data**

**Plan Provisions**

**Financial Data**

**Actuarial Valuation**

**Actuarial Cost Method**

**Actuarial Assumptions**
Actuarial Valuation

- Plan design—programmed into valuation system
- Assumptions—where possible, needs to match retirement plan assumptions
- Running liabilities—input starting costs, plan and assumptions
- Checking test lives
  - Year-by-year cost development
  - Check as for retirement test lives
- Apply funding method
  - Normal cost
  - Amortization of UAL
- Develop ARC—normal cost plus amortization payment
Establish Methods and Assumptions

- Funding methods allocate costs between normal cost and accrued liability; methods vary in stability.

- Actuarial assumptions
  - Need to match those in the related DB retirement plan.

- In establishing methods compare issue of total cost (which method could start out “cheapest” vs. stability (which method produces most predictable costs).

- Even for “access only” plans, where retirees and actives are insured together as a group, must value the implicit rate subsidy.
Healthcare Cost Trend Assumptions

- Based on the experience of the covered group
- Reflects expected long-term future trends
- Typically starts at 12 – 14%, decreasing by 1% per year, until an ultimate level is reached (usually 5%)
- Can differ by benefit—medical, prescription drug, vision, dental
- Medical for 2005 was typically 12, 11, 10, 9, 8, 7, 6, 5%, etc.
## Projected Stream of Benefits

### Claims cost plus trend

- **Example—Male retiree age 64 in 2005**

<table>
<thead>
<tr>
<th>Year</th>
<th>Medical and Prescription Drug Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$1,566 + $2,428 = $4,094</td>
</tr>
<tr>
<td>2006</td>
<td>($1,566 + $2,428) x 1.12 = $4,473</td>
</tr>
<tr>
<td>2007</td>
<td>($1,615 + $2,505) x 1.12 x 1.11 = $5,122</td>
</tr>
</tbody>
</table>

**Note effect of Medicare eligibility**: Medicare Part D subsidy will be taken into account later.

- **Age 64 medical and prescription drug cost**
- **Age 65 medical and prescription drug cost with one year of inflation**
- **Age 66 medical and prescription drug cost with two years of inflation**
OUTPUT - What Information is Provided?

- Liabilities
- Annual Required Contribution (ARC)
- Net OPEB Obligation (NOO)
- Required Supplementary Information
Liabilities

- The stream of benefits is discounted to a present value with an investment return assumption (discount rate)
- GASB specifies that the discount rate to be used depends on level of funding—even though funding is not required
- No funding—use the rate of return on the employer’s assets—3 – 4%
- Funding—use the rate of return expected from the invested assets—7 – 8%
Disclosure Requirements—Terminology

Actuarial Accrued Liability (AAL)

► The AAL is the portion of the actuarial present value of total projected benefits allocated to years of employment prior to the measurement date.

Normal Cost

► The Normal Cost is the portion of the actuarial present value of total projected benefits allocated to the year following the measurement date.

Annual Required Contribution (ARC)

► The ARC is equal to the normal cost and the amortization of the unfunded accrued liability. *There is no requirement that the ARC is funded.*
Disclosure Requirements—Terminology *continued*

**Actuarial cost method**
- Choose among 5 methods
- Choose based on objectives

**Amortization period**
- Maximum is 30 years
- May be open or closed
  - Open means stays at 30 years
  - Closed means the years decrease each year
- May be flat dollar or level percent of pay
  - If percent of pay, need payroll growth assumption
  - Payroll growth may not include new entrants
## Example of ARC Calculation for a Funded Plan

<table>
<thead>
<tr>
<th>July 1,</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actuarial Accrued Liability by Participant Category</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current retirees, beneficiaries and dependents</td>
<td>$804,686,000</td>
<td>$873,912,000</td>
</tr>
<tr>
<td>Current active members</td>
<td>766,705,000</td>
<td>855,794,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,571,391,000</td>
<td>$1,729,706,000</td>
</tr>
<tr>
<td><strong>Actuarial Value of Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$299,333,000</td>
<td>$186,903,500</td>
</tr>
<tr>
<td><strong>Market Value of Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$287,572,000</td>
<td>$186,293,627</td>
</tr>
<tr>
<td><strong>Unfunded Actuarial Accrued Liability</strong></td>
<td>$1,272,058,000</td>
<td>$1,542,802,500</td>
</tr>
<tr>
<td><strong>Annual Required Contribution</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normal cost</td>
<td>$26,592,000</td>
<td>$29,751,000</td>
</tr>
<tr>
<td>Amortization of the unfunded actuarial accrued liability</td>
<td>64,051,000</td>
<td>77,684,000</td>
</tr>
<tr>
<td>Total annual required contribution, including adjustment for timing</td>
<td>$90,643,000</td>
<td>$107,435,000</td>
</tr>
</tbody>
</table>
Disclosure Requirements

Additional Information to track sufficiency of OPEB:

- Increase/decrease in NOO at year end
- Current and previous two years of OPEB expense, contributions, and net OPEB obligation at each year end
- Funded status
- Actuarial methodology and assumption
GASB requires preparation of note disclosures for:

Plan Descriptions
- Name of plan, retirement system, or administrator
- Brief description of benefits
- Availability of OPEB report

Funding Policy
- Authority under which obligation of plan members to contribute to the plan are established
- Required contributions of active members
- Required employer contributions as $ and % of payroll
- As a cost sharing plan—need to disclose required contribution and % contributed for the current and 2 previous years
### Required Supplementary Information – Funding Progress

#### Required Supplementary Information – Schedule of Funding Progress

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) (b)</th>
<th>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</th>
<th>Funded Ratio (a) / (b)</th>
<th>Covered Payroll (1) (c)</th>
<th>UAAL as a Percentage of Covered Payroll [([b] - [a]) / (c)]</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2003</td>
<td>$186,903,500</td>
<td>$1,729,706,000</td>
<td>$1,542,802,500</td>
<td>11%</td>
<td>$571,725,289</td>
<td>270%</td>
</tr>
<tr>
<td>July 1, 2004</td>
<td>$299,333,326</td>
<td>$1,571,391,000</td>
<td>$1,272,058,000</td>
<td>19%</td>
<td>$628,897,818</td>
<td>202%</td>
</tr>
</tbody>
</table>

(1) Fiscal year 2005 assumes compensation growth of 10% from fiscal year 2004, which is consistent with compensation growth between fiscal years 2003 and 2004.
Disclosure Requirements—Terminology continued

**Net OPEB Obligation (NOO)**

- The NOO is the cumulative difference between the ARC and the actual contributions made (if any). At transition the NOO may be set at zero.
- Typically, the ARC will be much larger than actual contributions/employer paid benefits.
- Exception occurs if benefits are eliminated for some or all actives.
## Required Supplementary Information – Net OPEB Obligation

### Required Supplementary Information – Net OPEB Obligation (NOO)

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Annual Required Contribution (a)</th>
<th>Interest on Existing NOO (b)</th>
<th>ARC Adjustment (c)</th>
<th>Annual OPEB Cost (a) + (b) + (c) (d)</th>
<th>Actual Contribution Amount (e)</th>
<th>Net Increase in NOO (d) - (e) (f)</th>
<th>NOO as of End of Year (g)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2003</td>
<td>$107,435,000</td>
<td>$0</td>
<td>$0</td>
<td>$107,435,000</td>
<td>$100,000,000</td>
<td>$7,435,000</td>
<td>$7,435,000</td>
</tr>
<tr>
<td>July 1, 2004</td>
<td>$90,643,000</td>
<td>$483,000</td>
<td>-$569,000</td>
<td>$90,557,000</td>
<td>$100,000,000</td>
<td>-$9,443,000</td>
<td>($2,008,000)</td>
</tr>
</tbody>
</table>
① Introductions

② Technical Requirements

③ Plan and Employer Identifications
  - To Whom Do We Report?
  - Are We an Employer or a Plan?
  - What Type of Plan are We?

④ Practical Implications

⑤ Questions and Discussion
To Whom Do We Report?

 Depends on what type of Plan or Employer you are…
Are We an “Employer” or a “Plan”?
What “Type” of “Plan” are We?
Entity Plan Structure

Entity determines how to disclose obligation.

**Cost sharing**

- All benefits, assets and liabilities apply to the entire group
- No “NOO” because each entity contributes based on whole plan (perhaps even by statute). Reporting is only at plan level
- Annual OPEB expense is the employer’s contractually required contribution to the plan (which may or may not equal the ARC)

**Agent—multiple employer**

- Separate employer tracking
- Each employer may have different plan; different contributions
- Each employer has valuation and NOO
- Annual OPEB cost is the ARC adjusted for NOO

**Single employer/plan**

- Single valuation
- Disclose NOO and plan funding progress
- Annual OPEB cost is the ARC adjusted for NOO
Introductions

Technical Requirements

Plan and Employer Identifications

Practical Implications

Questions and Discussion
Municipal Finance and OPEB

- Different entities may have a variety of funding pools
- In municipalities, there can be enterprise funds, general funds, fiduciary funds
- Some trusts have been created through developing an irrevocable trust within one of the funds
- Higher education has endowment funds

- In assessing whether to pre-fund, the entity will need to look at opportunity cost of funds
  - If pre-fund, lower liabilities, better rating, lower cost of capital
  - If no pre-fund, higher liabilities, potential lower rating, higher cost of capital

- State and local governments could issue OPEB bonds
  - California law firm working on legal framework for these bonds
  - So far, only OPEB issuance is a $35.2 million taxable deal sold by Gainsville, Florida in July, 2005
Bond Ratings

- OPEB trends continue to pressure credit quality
- Rating Agencies look at an entity’s ability to manage risk
- Rating Agencies will look at the growth of the liability as well as the plan to fund the liability
- Increased disclosure of OPEB will be factored into bond ratings
- Overly optimistic assumptions will be viewed negatively
- Failure to develop a funding plan or even deferring funding in tight budget environments could also be harmful to the credit rating
Plan Design

**Detailed Retiree Health Benefit Design Consulting**

- Modeling solutions and costs
- Look at underlying health plan to manage utilization and claim costs
- Sponsors are looking at no longer promising “trend”, but providing a flat dollar benefit with ad hoc increases to compensate for trend
- Benefit caps can be used to reduce the liability
- Explore full transition to DC plan for managing liabilities
Trust Design

- Decide whether to pre-fund
- Review funding alternatives
  - Most common are 401(h), VEBA, Section 115 trust
- Look at HSA and HRA
Pre-Funding

- Financial management—budgeting
- Asset pool produces investment income that subsidizes costs and reduces future contributions
- More equitable for various generations of employees
- Provides benefit security for employees
- Provides additional tax-favored retirement benefit
Choice of Funding Vehicle

**Ideal funding vehicle provides for:**

- Tax-deductible employer contributions
- Pre-tax employee contributions
- Tax-free accumulation of assets
- Tax-free benefits
- Contribution limits are high enough to allow for full funding
- Funds are protected from creditors
## Pre-Funding Options

<table>
<thead>
<tr>
<th>Pre-Funding Vehicle</th>
<th>Merits</th>
<th>Shortcomings</th>
</tr>
</thead>
</table>
| Employer General Asset Accounts | • Simple set-up  
• Considerable flexibility in funding and plan design | • Employee contributions only permitted on an after-tax basis  
• Use of account assets not restricted to plan purposes  
• Assets subject to the claims of general creditors  
• Subject to certain nondiscrimination requirements |
| State-Law Grantor Trusts (Integral IRC Section 115 Trusts) | • Considerable flexibility in funding and plan design  
• Use of trust assets may be limited to the exclusive benefits of the covered employees and their families | • Employee contributions only permitted on an after-tax basis  
• Varying state laws for establishment and governance of trusts  
• Subject to certain nondiscrimination requirements |
| Voluntary Employees’ Beneficiary Association Trusts (VEBAs)** | • VEBA assets and earnings specifically earmarked for the sole purpose of providing the intended benefits (e.g., life, sickness, accident or other benefits) to members of the association or their dependents or designated beneficiaries  
• Considerable flexibility in funding and plan design | • Employee contributions only permitted on an after-tax basis  
• Limits on types of benefits offered  
• Subject to certain nondiscrimination requirements |
| Section 401(h) Retiree Medical Accounts within a Pension Plan*** | • Use of assets restricted to medical purposes  
• Pre-tax employee contributions permitted through a mandatory “pickup” arrangement in which all eligible employees must participate  
• On plan termination, excess assets revert to the employer | • Possible employee dissatisfaction stemming from mandatory and irrevocable “pickup” arrangement  
• Additional administration required: separate funding and accounting for pension and medical benefits  
• Contributions limited to 33 1/3% of total retirement contributions. Sponsors of well-funded pension plans may not be able to make contributions because of this limit. |
| Health Reimbursement Arrangements (HRAs) | • Allows year-to-year carry-over of unused value  
• Encourages careful consumption of health care services | • May discourage employee or dependent from seeking needed medical care now, resulting in potentially greater insured costs later  
• Additional administration required  
• Coordination of HRAs with Medicare may be problematic |
| Health Savings Accounts (HSAs) | • Vehicle for active employees to save for retiree health premiums  
• Account balance carries over and is portable if employee leaves  
• Employer may contribute to savings account to fund part of the high deductible | • Employee/employer contributions are limited (Archer IRA limits)  
• Must be paired with a high deductible health plan ($1,000 single/$2,000 family), retiree savings vehicle not available by itself  
• Low paid participants with significant health claims may not be able to have money left in account to carry over for retiree health premiums later  
• May discourage employee or dependent from seeking needed medical care now, resulting in potentially greater insured costs later  
• Additional administration required for savings and investment component |
DB/DC Transition Issues

► The “true” DC plan is exempt from the GASB 43/45 reporting

► Clients view the workforce in three key segments:

- Retirees
- Nearly Retired
- Not Nearly Retired

► Transition strategy may protect the retired and nearly retired

► DC conversion could commence with not nearly retired and new hires

► True DC plan is a defined contribution amount, accumulating to an account balance at retirement

► A “flat” contribution to retirees is not a DC plan since it still has a promise for longevity
A stated funding policy could be useful in alleviating rating agency concerns

Similar to pension—could be to contribute normal cost plus the amortization payment
- Keeps NOO at minimum

Could be pay-as-you-go (e.g., premiums only)
- NOO grows

To assess best funding policy
- Determine whether plan will be pre-funded
- Determine entity’s tolerance for growth of NOO and funded ratio
Exit Strategies

- Some may want to eliminate all OPEB liabilities
- Have retirees pay all of “true cost” (thus no liability rests with the employer)
- Convert completely to DC plan
- Eliminate all retiree benefits
- Transfer benefits to the DB plan (such as by adding a supplemental benefit to DB plan—but there are tax consequences)
- Work out a “helped/harmed” study
- Go to a community rated plan
Bargaining Implications

- Pension benefits versus retiree health benefits
- Ensuring sufficient funds are available for future base pay increases versus funding for retiree health benefits
- Consider pension benefits in light of total compensation
- If benefits cannot be reduced, does a threat of workforce reduction exist?
- Need to understand future costs and risk to entire compensation package
- Look at using sick leave compensation to help pay for retiree health
- May need to negotiate “trend” separate from the retiree health benefit
  - Convert to flat dollar benefit to reduce liability
  - Increase the benefit as part of negotiations
1. Introductions
2. Technical Requirements
3. Plan and Employer Identifications
4. Practical Implications
5. Questions and Discussion
So?
Workshop

Monday April 16, 2007
3:45 to 5:30

Lawrence Singer, Senior Vice President, Segal Company
lsinger@segalco.com
212.251.5095

1. Introduction: Who am I? Who are you?

2. Presentation format: workshop
   Share experiences
   Ask questions of each other
   Share, and respectfully challenge, points of view

3. Topic 1: Who provides, and who provides the funding for, retiree health care coverage?
   What are the historical reasons for the current situation?
   What is the current situation regarding health care, regarding employment and retirement patterns, regarding institutions’ concern about future costs?

4. Topic 2: What are the institutions’ reporting requirements for costs and liabilities?
   When should costs be recognized?
   If a tree falls in the forest and there is nobody around to measure it, is it a liability?
   Liability?
   A review of valuations and their effect on financial statements.

5. Topic 3: Opportunities to control costs through cost transfer (to government, retirees, and employees for future retirees) and care management (by plan design, administrative support and education)

6. General discussion, summary and desired next steps.