Pension and OPEB Study Commission
October 21, 2013
Minutes of the Meeting

A Study Commission meeting was held in Room 313 of the State House, 82 Smith Street, Providence, Rhode Island on Monday, October 21, 2013.

Rosemary Booth Gallogly, Director of Revenue and Chairperson of the Pension and OPEB Study Commission called the meeting to order at 10:10 AM.

Commission members present: Rosemary Booth Gallogly, Jean Bouchard, Paul Doughty, Allan Fung, Dennis Hoyle, Richard Licht, Antonio Pires, Joseph Polisena, Melissa Malone representing Gina Raimondo, John Simmons, Steven St. Pierre

Members absent: J. Michael Lenihan, Angel Taveras, and there is a vacancy due to the retirement of the Jamestown Town Administrator.

Others present: Susanne Greschner, Chief of the Division of Municipal Finance, Daniel Sherman, Actuary for the Pension and OPEB Study Commission and members of the public

Agenda Item #1 – Approval of Minutes from September 23, 2013

For the first item on the agenda, Chairperson Booth Gallogly asked if the Commission members had any corrections, adjustments or additions to the draft minutes provided from the Study Commission meeting held on September 23, 2013. There were none. Mayor Polisena from the Town of Johnston made a motion to accept the minutes as written. The motion was seconded by Paul Doughty, President of the Providence Firefighters' Union Local 799. The motion passed all in favor.

Agenda Item #2 – Status of request for update on Funding Improvement Plan progress for pension plans in critical status, Attachment B

Next on the agenda, Chairperson Booth Gallogly indicated that status updates have been received on the funding improvement plans (FIPs) from three additional communities and they are: Coventry, Newport and Scituate. The status update letters from these communities can be found in the addendum.

Agenda Item #3a – OPEB survey - responses relating to benefits, Attachment C

The Chair referred to the Other Post Employment Benefits (OPEB) survey relating to health benefits, which could include group life insurance, dental and vision care. She said that the liabilities would include the retirees and an estimate of the obligation of those who are currently working and will retire in the future. The Chair explained that although the benefits have been offered for decades, it was not until 2007 that the benefits had to be quantified as to what the liabilities were as a result of a Governmental Accounting Standards Board (GASB) pronouncement. It was noted that the Auditor General's Office has been preparing reports indicating how substantial the liability is.

The Chair invited Susanne Greschner, Chief of the Division of Municipal Finance to brief the Commission on the OPEB survey. Ms. Greschner began by explaining that OPEB includes benefits provided to retirees and earned during their years of service, and it mainly relates to healthcare for retirees and their spouses and families. She indicated that the survey is an overview of the thirty-nine cities and towns and the four regional school districts and the benefits offered are different for each municipality. The authorities' portion of the survey is still being worked on. Ms. Greschner pointed out that the OPEB valuations are not written consistently and some do not provide enough details, which makes it hard to analyze. In addition, she said that it was often difficult to determine what classification certain positions fell into (such as: police and fire, municipalities, teachers and non-certified school employees and others) when summarizing the report. Furthermore, she indicated that it was not always identified whether individual or family coverage was offered, and if any spousal survivor benefits were included. Daniel Sherman, Actuary for the Pension and OPEB Study Commission agreed and said that the OPEB valuations vary highly and he explained that there is little consistency in the valuations which make it difficult to compare one city or town to another.

Richard Licht, Director of the Department of Administration inquired why a community would use a discount rate if they had no assets and were not funding a trust. Mr. Sherman explained that they discount the future value of a benefit that is going to be paid at some point in time. Furthermore, he said that GASB indicates that if a city or town is funding their trust, then they are allowed to use a discount rate that is equivalent or a "best estimate of the long term rate of return" based on the assets that are being invested. Mr. Sherman indicated that GASB also recognizes plans that are not pre-funding or putting aside any money will still have to discount it. The discount rate should be the long term expectation on the short term money. In addition, he pointed out that GASB indicates if you are partially funding the ARC, then a pro-rata can be used. Mr. Sherman stated "that the more pre-funding, the higher the discount rate is going to be and vice versa." Director Licht asked Mr. Sherman if GASB has a requirement to disclose what the ARC would be and the percentage that is being paid. Mr. Sherman replied yes.

Mr. Sherman gave a summary of how the OPEB information is so varied, based on co-shares, grandfathered clauses, self-insured plans versus fully-insured plans, and spousal coverage. Another challenge he pointed out is who will receive the benefit. Mr. Sherman said OPEB is a much bigger challenge than the pension side.

The Chair said that when the Commission looks at the municipal obligations, we need to keep in mind that the rating agencies are actually looking at this from a national perspective and what a good funded plan would look like, not necessarily relative to other plans in Rhode Island. Therefore, she said that the Commission needs to keep that perspective when they look at how rating agencies view Rhode Island. The rating agencies want to know how a municipality will use the resources that it has available to it to fund all these obligations in the future, and what the risk is that it could displace their ability to fund their debt service.

Agenda Item #3b – Cost structure, Attachment D

The Chair referred to the cost structure document, and she explained that the information was taken from the community's most recent OPEB valuation. However, she said there could be new updated information next time the valuation is done that could change the information. She indicated that some of the municipalities are working on updating their OPEB valuations, especially those dated 2011. Also, she explained that in many cases the numbers in the cost structure report do not reflect recent negotiations, and changes associated with them and she would expect that some of the numbers may change significantly. The Chair said that there are 94 separate municipal entities outside the 39 cities and towns that were recently surveyed, and there were certain fire districts that did respond that they have an OPEB liability; however a specific dollar amount was not provided. In four communities (Coventry, Cumberland, East Greenwich and Lincoln) there are OPEB liabilities for fire districts that are not reflected in the chart which makes them not "apples to apples comparisons" when you look at what the taxpayer's liability is. The Chair noted that the numbers in the plan contribution column were taken from the valuations as contributions for that year, and therefore they are not necessarily actual audited numbers. The Auditor General's office is also working on an OPEB report, and this report will reflect actual contributions from the audited financial statements; therefore she would expect at some point for that column to be revised to reflect the actual contribution. She pointed out that the timeliness of the report could also result in some modifications especially if there have been negotiations. It should be noted that when the liabilities change based on the new valuation, it may not be because something has been negotiated, it could be because of better information being provided.

The Chair briefed the Commission members on the cost structure (see addendum), and she indicated that the total liability for all 39 municipalities is $3.1 billion which would include an estimate of the retiree health cost for retirees and future retirees, and that figure is subject to correction. The assets are $43.7 million and the unfunded liability is $3 billion. The Chair would like to provide information to the Commission that would show the health of the funds relative to other communities in Rhode Island, but more importantly relative to what a healthy plan should look like and also to provide some national data to the extend that is obtainable.

Ms. Greschner noted that last time the Auditor General came out with his report in September 2011, he reported an unfunded liability of $3.5 billion and now it is down to $3 billion. She pointed out that it is still a significant number, but it has been lowered by approximately $500 million.

Mr. Doughty referred to calculating the ARC and inquired how the rate of inflation is determined for the cost of medical benefits. Mr. Sherman noted that the rate of inflation is factored by the discount rate and the health care trend. Secondly, Mr. Doughty asked if there is a distinction between cities and towns that are self-funded or that have a premium type plan. Mr. Sherman responded that if a community is self-insured there is a subsidy that is reflected in the numbers, but other than that there is no difference. Lastly, Mr. Doughty asked Mr. Sherman if the ARC numbers are self provided from the cities and towns through an actuary or if he had developed them. Mr. Sherman said that the actuary has to develop them. Mr. Sherman pointed out that ARC is the sum of the normal cost and an amortization of the unfunded, which could be up to thirty years. Furthermore, he said that under the GASB rules, the ARC is defined as normal cost plus an amortization of the unfunded liability.

The Chair said that her staff will continue to work on the cost structure table, and it will be provided on the website and she noted that the information is subject to change.

Mayor Fung, Mayor of the City of Cranston, said it would be helpful if the Commission could be provided with OPEB benefit structure data for the State of Rhode Island as a benchmark for comparison to the municipalities. The Chair agreed that it would be helpful, and she said that as a point of comparison that the state information could be added below the cost structure chart.

Antonio Pires, Director of Administration from the City of Pawtucket referred to the Health Benefits Exchange that Christine Ferguson is heading, and he indicated that it would be helpful for the Commission to understand how that would have an impact on OPEB. The Chair indicated that she is planning on having a representative from the Health Benefits Exchange come before the Commission, and she mentioned that a representative from the Health Benefits Exchange will be speaking at a future municipal seminar arranged by Ms. Greschner.

Agenda Item #3c – General discussion on next steps, Attachment E

Chairperson Booth Gallogly referred to the report from Michigan State University, which can be found in the addendum. She indicated that the Commission has the benefit of being provided with a very thorough and informative report and also has the benefit of the Auditor General's past Pension and OPEB reports. She pointed out that the State of Michigan report has identified their municipal workers' retirement cost into geographic areas. She indicated if the Commission would like the Department of Revenue to create a report similar to Michigan's, then their report could be used as a model to create a report for the Rhode Island municipalities in working with Auditor General's office and anyone else who would like to help in regards to metrics. The Chair suggested that the report include a discussion of best practices or ideas and that the law that was enacted to allow municipalities (as a condition of continuing to receive post retirement benefits) with retirees over age 65 to move to Medicare could be provided in the report. The communities that it applies to could be highlighted. Another important factor would be what type of administrative support could the State or other central entity provide that would be helpful to the local communities.

The Chair suggested that the Commission review the General Law that requires municipalities to provide the Division of Municipal Finance with a valuation after pension and OPEB changes have been made. The Chair believes that the law possibly should be strengthened, similar to the State statute that states that before pension changes can be made at the State level, there is an actuarial valuation performed and it needs to be in existence and reviewed before it is voted on. The Chair indicated that the mission of the Commission is to make recommendations to the General Assembly and she welcomed any recommendations that the Commission believes could be helpful.

Agenda Item #4 – Meeting Schedule, Attachment F

For the next item on the agenda, Chairperson Booth Gallogly referred to the meeting schedule, and indicated that the next meeting is scheduled for Monday, November 25, 2013. The two meetings for December have been cancelled. Starting in January 2014, it is suggested that the Commission meetings be held once a month, meeting schedule is provided in the addendum. Mayor Polisena made a motion to accept the revised meeting schedule. The motion was seconded by Mr. Doughty. The motion passed all in favor.

Agenda Item #5 – Public comments

There were no public comments.

Agenda Item #6 - Adjourn

Mayor Polisena made a motion to adjourn which was seconded by Mr. Doughty. The meeting adjourned at 11:16 AM.

Rosemary B Gallogly
Chairperson

January 27, 2014
Date

PSC/sm

Addendum to the October 21, 2013 OPEB and Pension Study Commission Meeting Minutes

Attachment B

Funding Improvement Plan Status Updates

as of October 21, 2013

Previously submitted to Study Commission

Cranston	Police & Fire EE's Pension Plan
Portsmouth	Employees of the Town of Portsmouth
Smithfield	Police (prior to 7/1/99)
Tiverton	Policemen's Pension Plan
Bristol	Police Pension Plan (prior to 3/22/98)
Coventry	School EE's Pension Plan
East Providence	Firemen's & Policemen's Pension Plan
Johnston	Police
Johnston	Fire (prior to 7/1/99)
Narragansett	Police Plan (prior to 7/1/78)
Pawtucket	Post 1974 Policemen & Firemen
Warwick	Police Pension I & Fire Pension Plan
West Warwick	Town Plan
Woonsocket	Police (pre 7/1/80) & Firemen's (pre 7/1/85) Plan

New submissions

Coventry	Town's Municipal EE Retirement Plan
Coventry	Police Pension Plan
Newport	Firemen's Pension Plan
Newport	Policemen's Pension Plan
Scituate	Police Pension Plan

Elaine Colarusso - Re: Fwd: Coventry

From: Elaine Colarusso
To: Greschner, Susanne
Subject: Re: Fwd: Coventry

>>> "Ted Przybyla" <tprzybyla@coventryri.org> 9/20/2013 2:31 PM >>>
Good Afternoon,

Tom Hoover has asked that I respond to the Chair's request for an update on our progress toward achieving the Town's adopted FIP objectives.

Police Pension Plan

We are currently in arbitration. The Police Pension is a significant issue being considered. The Town is cautiously optimistic that we will make progress in our adopted FIP for this plan.

Municipal Plan

There is a tentative agreement with our union that, if adopted, will make significant progress toward achieving our FIP objective. In light of the fact that the Union rank and file has not had the opportunity to meet and vote on the tentative agreement, we feel it premature to comment further on this tentative agreement. We will advise the Commission of the results of the pending vote and the implication to our FIP goals as soon as possible.

CTASRP

To reiterate, the Town's position on this matter has not changed; however in response to the Commission's request, the Town has had one meeting with the interested parties. A subsequent meeting is being scheduled. We have nothing further to report on this initiative.

Regards,

Theodore J. Przybyla
Finance Director
Town of Coventry

October 2, 2013

Rosemary Booth Gallogly
Director
Department of Revenue
One Capitol Hill
Providence, RI 02908-5855

RE: City of Newport Police Pension Plan and City of Newport Fire Pension Plan

Dear Ms. Gallogly,

The City of Newport previously submitted two pension improvement plans to the Pension Study Commission. I am writing to update you and the Commission as to the City's progress in implementing the funding improvement plans.

The City's selected option on both plans was to continue to fund the plan in accordance with the actuarially required contribution. The City has fully funded the ARC for FY2014. We also continue to try and negotiate changes in the pension plan with the police union. We have been successful with some of the negotiations but not all. We are heading into binding arbitration, and are hopeful that some success will be achieved.

Please don't hesitate to contact me if you should have further questions.

Sincerely,

Laura L. Sitrin

Laura L. Sitrin, CPA
Director of Finance

Town of Scituate

195 DANIELSON PIKE
NORTH SCITUATE, RHODE ISLAND 02857

RECEIVED SEP 24 2013

September 19, 2013

Susanne Greschner, Chief
Department of Revenue
Office of Municipal Finance
One Capitol Hill, 1st Floor
Providence, RI 02908

Re: Town of Scituate
<u>Update to FIP Submitted September 2012</u>

Dear Chief Greschner:

On behalf of the Town Council ("Council"), the governing body of the Town of Scituate ("Town"), I am writing to you to update the status of the Town's Funding Improvement Plan ("FIP") that was submitted to your office last year.

As you are aware, the FIP included a number (four, to be precise) of options for improving the condition of the Town's private pension plan ("Plan"). Although negotiations between the Town Council and the IBPO continue, the Town is technically in an arbitration posture (arbitration hearing dates have been scheduled for December 2013). Given this, I am unable to provide you with a substantive update other than to say that we may achieve all of the goals of the FIP through a negotiated settlement or via an arbitration decision. It is premature to comment on which of the four (4) proposals may or may not be implemented as a result of either negotiations or arbitration; however, the Council remains committed to achieving Plan improvement through all proposals submitted last year.

To that end, I will update you as soon as we can provide more definitive answers on the implementation status of our FIP proposals.

Thank you for your attention and cooperation in this matter.

Very truly yours,

Charles A Collins Jr.

Charles A. Collins, Jr.,
Council President

TELEPHONE: (401)-647-2822 • TTY: 1-800-745-5555 • FAX: 647-7220

RECYCLED PAPER

Attachment C

Summary of Benefit Provisions for OPEB (Medical for Police & Fire)

Prepared by: Division of Municipal Finance

As of October 15, 2013 - DRAFT Reports

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Barrington	Fully covered medical coverage (single or family) for the remainder of the fiscal year of retirement plus five (5) additional years or until Medicare eligible or the retiree secures employment with equivalent coverage. May continue coverage for up to four (4) additional years with the entire cost paid for by the retiree.	Not provided		Not provided	Fully covered medical coverage (single of family) for the remainder of the fiscal year of retirement plus five (5) additional years or until Medicare eligible or the retiree secures employment with equivalent coverage. In no event does coverage continue past age 65. Firefighters that retire after 7/1/99 must contribute 20% of the premium towards their coverage. Full disability coverage is available to firefighters for the lifetime of the retiree while that retiree is deemed disabled.	Not provided		Not provided

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Bristol	**<u>Police & Civilian Police</u>**: Hired Prior to May 1, 2002: 100% Town-paid coverage for employee until age 75 and spouse until age 65.	Hired Prior to May 1, 2002: 100% Town-paid coverage for employee and spouse until age 75.		Hired Prior to May 1, 2002: $50,000 ($10,000 in retirement; excess funds deposited into OPEB trust); 100% Town-paid.	**<u>Fire Management</u>:** Current retirees and eligible active employees with 25 YOS as of Sept. 1, 2006 shall receive 100% Town-paid lifetime individual medical coverage. Spouse coverage is available until age 65 at their own expense.			
	<u>Police & Civilian Police</u>: Hired After May 1, 2002: 100% Town-paid coverage for employee and spouse until age 65.	Hired After May 1, 2002: 100% Town-paid coverage for employee and spouse until age 65.		Hired After May 1, 2002: $50,000 ($10,000 in retirement; excess funds deposited into OPEB trust); 100% Town-paid.	Employees hired prior to Sept. 1, 2004 and retiring after Sept. 1, 2006 who did not have at least 25 YOS with the Town as of Sept. 1, 2006 shall receive 100% Town-paid individual medical coverage until age 75. Spouse coverage is available until age 65 at their own expense.			
	Employee Contributions: Police - 1.5% of the salary of a second class patrol officer. Civilian Police - 1.5% of the salary of a dispatcher. Secretaries - 1.5% of salary.				Employees hired after Sept. 1, 2004 can elect medical coverage at retirement for self and spouse until age 65 at their own expense. Employee Contributions: Effective July 1, 2013, 1% of employee yearly salary.			
Burrillville	All eligible employees may elect coverage in the Plan until age 65. Spouses may be covered for as long as the retiree is covered. The Town pays 100% of the premium for the first 2 years of retirement, 50% of the premium for the next 2 years of retirement, and 0% thereafter.	Offered to some groups, with the retiree responsible for paying 100% of the premium.			N/A			

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Central Falls	Retirees may choose from either Classic Blue 65 or Healthmate C2C and pay a 20% share of their post-retirement medical costs. Retirees and beneficiaries over the age of 65 as of August 2, 2011 may continue to participate in the plan until death. All other retirees, beneficiaries and active employees are eligible for participation until age 65. Spousal Coverage: Current and future retirees may elect to include their spouses as part of their post-retirement benefits. The City pays administrative costs for each member of the plan as part of the monthly premium.				Retirees may choose from either Classic Blue 65 or Healthmate C2C and pay a 20% share of their post-retirement medical costs. Retirees and beneficiaries over the age of 65 as of August 2, 2011 may continue to participate in the plan until death. All other retirees, beneficiaries and active employees are eligible for participation until age 65. Spousal Coverage: Current and future retirees may elect to include their spouses as part of their post-retirement benefits. The City pays administrative costs for each member of the plan as part of the monthly premium.			

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Charlestown	Retiring on or after 7/1/12: Pre-65: 85% Town-paid for retiree and spouse. Post 65: 85% Town-paid for retiree and spouse (BC Plan 65); Medicare Part B reimbursement for retiree and spouse. Retiring on or after 7/1/14: Pre-65: 80% Town-paid for retiree and spouse. Post-65: 80% Town-paid for retiree and spouse (BC Plan 65); Medicare Part B reimbursement for retiree and spouse.				N/A			
Coventry	Retiree/Spouse: 100% retiree-paid.	Same						
Cranston	Pre-65: current retirees who are under age 65 are assumed to remain covered by the medical plan until age 65, at which time their city provided cost coverage stops unless they are eligible for Medicare.	Available to retirees on a retiree pay all basis.		No retirees contribute towards the cost of life insurance coverage.	Pre-65: current retirees who are under age 65 are assumed to remain covered by the medical plan until age 65, at which time their city provided cost coverage stops unless they are eligible for Medicare.	Available to retirees on a retiree pay all basis.		No retirees contribute towards the cost of life insurance coverage.
	Retirees are offered several different medical plans including Classic Blue Cross, Health Mate HMO and United Health PPO. Retirees pays a variable portion of their post-retirement medical.	The premiums are assumed to be self-supporting thus the dental benefits are not reflected in the valuation.		Entitled to a City paid life insurance benefit of $17,000 if they retired after 7/1/82.	Retirees are offered several different medical plans including Classic Blue Cross, Health Mate HMO and United Health PPO. Retirees pays a variable portion of their post-retirement medical.	The premiums are assumed to be self-supporting thus the dental benefits are not reflected in the valuation.		Retiring after 7/1/81 are eligible for the $17,000 benefit. Retired between 7/1/02-6/30/07 are entitled to a City paid L.I. benefit of $20000. Retired after 7/1/07, $25000 life insurance benefit is payable.

Municipality	Police: Medical	Police: Dental	Police: Vision	Police: Life	Fire: Medical	Fire: Dental	Fire: Vision	Fire: Life
	Police				**Fire**			
Cranston (Continued)	Post-65: Retirees over age 65 remain in the medical plan until death, if not eligible for Medicare. It is assumed that retirees who are now under age 65 will become eligible for Medicare when they reach age 65.				Post-65: Retirees over age 65 remain in the medical plan until death, if not eligible for Medicare. It is assumed that retirees who are now under age 65 will become eligible for Medicare when they reach age 65.			Firefighters who retire with an occupational injury or illness receive a City paid life insurance benefit of $50,000 if death occurs within 3 years of retirement date.
	Some retirees over age 65 are offered a Medicare supplement plan (Plan 65) on a retiree pay-all-basis, but this plan is assumed to be self-supporting and, thus, is not reflected in the valuation.				Some retirees over age 65 are offered a Medicare supplement plan (Plan 65) on a retiree pay-all-basis, but this plan is assumed to be self-supporting and, thus, is not reflected in the valuation.			
	Retiree Contributions: Neither retirees, nor their dependents contribute toward the cost of City subsidized medical coverage.				Neither retirees, nor their dependents contribute toward the cost of City subsidized medical coverage.			

	Police				Fire			
Municipality	Police: Medical	Police: Dental	Police: Vision	Police: Life	Fire: Medical	Fire: Dental	Fire: Vision	Fire: Life
Cumberland	Police Officers are eligible for lifetime retiree health coverage (medical and dental) from the Town once they attain 15 YOS. Retire with <20 YOS will be required to contribute the full cost of coverage until they would have had 20 YOS, at which time they will receive free coverage. The Town will pay the full cost of coverage for Police Officers once they have (or would have had) 20 YOS at retirement. Surviving spouse can continue coverage after the death of the retiree or active employees eligible to retire. Town subsidy continues to surviving spouse upon death of the retiree of active employee eligible to retire. Same benefit options are available to retirees as active employees. All pre Medicare health plan are self-insured. The Town reimburses Medicare Part B premium for retired police officers and their spouses. The monthly Part B premium effective on January 1, 2012 is $99.90 per person.	Same						

Municipality	Police: Medical	Police: Dental	Police: Vision	Police: Life	Fire: Medical	Fire: Dental	Fire: Vision	Fire: Life
	Police				**Fire**			
East Greenwich	Fully covered medical coverage (Single or Family) under BCBS (or equivalent) until Medicare eligible. At the time the retiree becomes eligible for Medicare they will become covered under the Group Plan 65 (single or single +1 overage).	Not provided (Page 3)		$25,000 is provided only to Police that retire with 20 or more YOS.	Shall receive their choice of the same medical and dental coverage, which is offered to active employees subject to the provisions of section 30 of the agreement, entitled "medical and dental".	Same		
	All retiring after 7/1/93, coverage shall continue until the retiree or his/her spouse has accident & health coverage from another employer. If coverage is less, the Town shall pay the additional premium to provide benefits not less than Town.			Some current retirees have coverage at a lower rate, applicable at the time of retirement.	In no event shall medical and dental coverage for the spouse of a retired employee continue once said surviving spouse attains the age of sixty-five (65).			
	If the coverage under the new employer ceases to be provided before eligible for Medicare, town coverage shall resume.				The District shall pay 3.3% for each year of service credits toward the cost of the current medical and dental insurance program for any retired employee with a minimum of ten (10) YOS credits.			
					Eff. 6/1/99 any retiree who retires from the district, thereafter shall not be entitled to the benefits afforded under Section 32 if the retiree is afforded comparable coverage through other employment, or through a spouse's employment.			

	Police				Fire			
Municipality	Police: Medical	Police: Dental	Police: Vision	Police: Life	Fire: Medical	Fire: Dental	Fire: Vision	Fire: Life
East Providence	Retiree health benefits cease at the later of: retiree attaining age 65 or 3 years after retirement. Surviving spouse receive COBRA coverage upon death of retiree & must pay the required COBRA rate. Upon death of an active employee, the surviving spouses receive 3 years of free coverage paid by the City and then must elect COBRA & pay COBRA rate. City will subsidize the full cost of coverage for the disabled retiree for their lifetime while spouse coverage will be paid for by the City until the retiree is eligible for Medicare. Spouse coverage will terminate upon death of retiree. Retiree Cost Sharing: None; except for the following groups of grandfathered retirees: 1. Those enrolled in 8W555 (special group) plan must pay the full cost of coverage until eligible for Medicare. 2. Medicare retirees enrolled in Plan 65 (2H79) (special group) pay the full cost of coverage.	May elect coverage at own cost		The City provides group life insurance of $7,500	Same as Police	Same as Police		Same as Police
Exeter	N/A							

Municipality	Police: Medical	Police: Dental	Police: Vision	Police: Life	Fire: Medical	Fire: Dental	Fire: Vision	Fire: Life
	Police				**Fire**			
Foster	Self insured through BC/BS Classic The town pays 40% of the medical premium for 7 years or until the retiree becomes Medicare eligible, whichever comes first. Special Cases: Town pays 75% for 2 retirees. Also, reimburses 1 retiree up to $5000 until age 65. Spouse Benefit: medical coverage is the same as retiree coverage. There are no surviving spouse benefits.							
Glocester	Medical: HealthMate The Town pays 100% of the premium cost of the individual health care coverage until eligible for Medicare.	Delta Dental						
Hopkinton	N/A							

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Jamestown	Individual or family medical coverage is available to retirees under BC Healthmate Coast to Coast plan. Town covers 100% for retired members hired prior to 3/1/96 (*except as described below). Town covers 80% for retired members hired after 3/1/96. Retired members are covered for their lifetime or until the time they become eligible for equal or better coverage through a future employer or spouse's employer. Retired members are not paid a subsidy or lump sum payment when opting out of coverage. *Effective with future retirees that were hired prior to 3/1/96, the Town would cover 93% of the coverage in 2011, and 85% of coverage for years beginning in 2012. Beginning with this 7/1/11 valuation, the Plan is beginning to value the cost of post-65 health insurance coverage, based on the interpretation by the Town resulting from the benefit provision of the most recent bargaining agreement.	May elect coverage however the Town does not contribute therefore the entire coverage is paid for by the retiree. The implicit rate subsidy resulting from the dental coverage borne by the Town is expected to be small, not material to the valuation, and not valued in the report.		Not Offered				

Municipality	Police: Medical	Police: Dental	Police: Vision	Police: Life	Fire: Medical	Fire: Dental	Fire: Vision	Fire: Life
	Police				**Fire**			
Johnston	Retiree medical benefits are non-contributory for all retirees and their spouses. Upon death of retiree, coverage continues to surviving spouses. Town's subsidy will continue to spouses for those who are receiving subsidized health benefits.				Retiree medical benefits are non-contributory for all retirees and their spouses. Upon death of retiree, coverage continues to surviving spouses. Town's subsidy will continue to spouses for those who are receiving subsidized health benefits.			

Explicit Subsidy: The Town pays the full cost of coverage for pre and post-Medicare retiree health benefits.

Part B Subsidy: Town retirees receive Medicare Part B premium subsidy upon Medicare eligibility for themselves and their spouses. The monthly Part B premium effective on January 1, 2012 is $99.90. The Town also pays for the Medicare Part B premium penalty for a closed group of existing retirees and spouses who were not enrolled in Medicare Part B when first eligible. The Town will not pay for the Part B premium penalty for future retirees.

Same benefit options are available to retirees as active employees. All pre Medicare health plans are self-insured. Post-Medicare Blue Medicare Rx plan is fully-insured and community-rated. Upon Medicare eligibility, the Town provides Blue Medicare RX plan with monthly premium of $167. Plan 65 monthly premiums are $185.88 for the Town. (Pages 10 and 11)

Municipality	Police: Medical	Police: Dental	Police: Vision	Police: Life	Fire: Medical	Fire: Dental	Fire: Vision	Fire: Life
Lincoln	Retired police officers receive 100% of their premiums, individual or family, paid for by the Town for life. Officers who become disabled in the line of duty are also eligible for the same benefit. Upon death of the retiree or active employee (regardless of whether he is eligible to retire or not) the spousal coverage will revert to COBRA.			None				
Little Compton	Coverage until the member becomes eligible for benefits from Medicare or covered under another employer's health insurance.	Not covered by the Town, however retirees may purchase coverage.		Not Eligible	Coverage until the member becomes eligible for benefits from Medicare or covered under another employer's health insurance. Members do not make contributions.	Not covered by the Town, however retirees may purchase coverage.		Not Eligible

Summary of Benefit Provisions for OPEB (Medical for Police & Fire)

Prepared by: Division of Municipal Finance

As of October 15, 2013 - DRAFT Reports

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Middletown	Medical benefits non-contributory. Prior to age 64, retiree retains normal coverage. After 65, retirees transfer to Plan 65 with option to purchase Blue Medicare Rx benefit. The additional amount the retiree pays for this coverage is assumed to fully cover the additional cost of the coverage. The surviving spouse of a Police retiree continues in lifetime coverage after the death of the retiree. No coverage to spouse of employee who dies in active service.	Available with the retiree paying full cost.	N/A	N/A	Prior to age 65, retirees pay 20% premium for active member coverage. After 65, retiree transfers to Plan 65 and pays 20% premium. Certain retirees are grandfathered either in continuing their non-Medicare coverage for life, or for reimbursement of their Medicare Part B premiums once they enroll in Part B. In addition, effective February 2011, all fire employees will contribute 1.5% of their base pay to the OPEB trust. The surviving spouse of a Fire retiree continues in lifetime coverage after the death of the retiree. No coverage to spouse of employee who dies in active service.	Available with the retiree paying full cost.	N/A	N/A

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Narragansett	Lifetime medical. Free if employee retired prior to 1/1/10, 2% of monthly pension if retired after 1/1/10 but before 1/1/11, 5% if retire on/after 1/1/11 Under 65 - Blue Cross Healthmate Coast to Coast plan. 65+ - Switch to Blue Cross Plan 65. Town will reimburse Medicare Part B premium to retirees/spouses. Spouse coverage continues upon death of the retiree. No spouse benefit is available if the employee dies prior to health care benefits eligibility.	Lifetime dental	N/A	Lifetime life insurance benefits ($50,000).	Lifetime medical. Free if employee retired before 1/1/11, 20% premium contribution if retired on/after 1/1/11. Effective 2001, retirees under age 65 = Coast to Coast Plan until age 65 when they are switched to Plan 65. Upon reaching age 65, the Town will reimburse the Medicare Part B premium cost to retirees & spouses. Employees retiring on/after 1/1/11 will no longer receive subsidized Medicare Supplement Plan Coverage, and must pay 20% premium towards their healthcare. Spouse coverage continues upon death of the retiree. No spouse benefit is available if the employee dies prior to health care benefits eligibility.	Lifetime Dental.	N/A	Lifetime life insurance benefits ($50,000).

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
New Shoreham	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Newport	Retirees hired after 7/1/09 not eligible for medical after age 65, all other retirees/spouses covered for life. May select from 4 plans, however employees retiring on/after 7/1/97 are covered by Plan 65 after age 65. Employee with 25 yrs as of 7/1/07 not required to contribute; with 20 yrs and retire prior to 7/1/13 not required to contribute. Employees retiring after 6/30/13 pay 1% of pension (3.5% if hired after 7/1/06) For pre-Medicare benefits, retirees must pay any plan cost in excess of the cost of the same level of coverage under the Healthmate Plan 200. In addition, for post-7/1/97 retirees with less than 20 years of service, the City contribution is reduced 5% per year of service less than 20.	N/A	N/A	$25,000 for retirees with at least 10 years of service who contribute $7.25 per month for this coverage	Retirees hired after 7/1/11 and their spouses will be covered until age 65. All other retirees and spouses are covered for lifetime. Surviving spouses pay the full cost of coverage. May select from 4 plans, however employees retiring on/after 7/1/99 are covered by Plan 65 after reaching age 65. Employees who retired before 8/13/07 incur no cost; after 8/13/07 and before 7/1/11 pay 1% of pension, after 7/1/11 pay 2% of pension. For pre-Medicare benefits, retirees must pay any plan cost in excess of the cost of the same level of coverage under the Healthmate Plan 200. For retirees with less than 25 years of service, the city contribution is rediced 4% per year of service less than 25	N/A	N/A	None

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
North Kingstown	Town pays 100% until eligible for Medicare if hired before 7/1/95, 80% for those hired on or after that date. Spouse benefit = Yes Surviving Spouse benefit = No	N/A	N/A	N/A	Retiree pays 15% of premium until eligible for Medicare	N/A	N/A	N/A
North Providence	Coverage is 100% Town-paid for the Retiree/Spouse. Coverage is pre-65 only. Upon retiree reaching age 65, under 65 spouse & dependents can elect COBRA for 36 months.	Eligible to receive dental benefits for self and spouse	N/A	N/A	Coverage is 100% Town-paid for the Retiree/Spouse. Coverage is pre-65 only. Upon retiree reaching age 65, under 65 spouse & dependents can elect COBRA for 36 months.	Eligible to receive dental benefits for self and spouse	N/A	N/A

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
North Smithfield	Coverage until Medicare eligible. Blue Cross/Blue Shield of Rhode Island - Classic or Healthmate Public Safety employees who retired prior to 7/1/07 shall not be required to pay for coverage in retirement. Retirees contribute 5% to costs of health care. Effective 7/1/11 new hires will contribute 10% to cost of health care.	Delta Dental	N/A	N/A	Coverage until Medicare eligible. Blue Cross/Blue Shield of Rhode Island - Classic or Healthmate Public Safety employees who retired prior to 7/1/07 shall not be required to pay for coverage in retirement. Retirees contribute 5% to costs of health care. Effective 7/1/11 new hires will contribute 10% to cost of health care.	Delta Dental	N/A	N/A
Pawtucket	If hired before 4/28/94, retirees go to Commercial plan at age 65. Everyone else goes to Plan 65. 100% paid by City. Surviving spouses covered for 10 years.	Dental paid by City (100%)	N/A	No Life Insurance.	If hired before 4/1/86, retirees go to commercial plan at age 65. Everyone else go to Plan 65. 100% paid by City. Surviving spouses covered.	Dental paid by City (100%)	N/A	No Life Insurance
Portsmouth	Free medical until Medicare eligibility. Active police officers contribute 1% of salary to OPEB Trust Fund.	Free dental until Medicare eligibility.	Free vision until Medicare eligibility.	N/A	Free medical until Medicare eligibility. In addition, for firefighters who retired between 7/1/10 and 12/31/12, the Town will contribute $2,000 annually for single plan and $4,000 annually for family plan for retired firefighters enrolled in the HDHP plan. Amount reduced to $1,000/$2,000 respectively for those who retire on/after 1/1/13. Active firefighters contribute 1.5% of gross earnings to OPEB Trust fund.	Free dental until Medicare eligibility.	Free vision until Medicare eligibility.	N/A

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Providence	Class B - Police: Medical covered by city. Retired before 7/1/2006: Pre-65 Med and Spouse Coverage (Pre and Post 65) - Not required to switch to Plan 65 Retired on or after 7/1/2006: Same, except spouse coverage if hired before 7/1/98	Have access to dental insurance, but cost not paid by City.	Have access to vision insurance, but cost not paid by City.	Not provided to retirees	Class B - Fire: City pays for Coast to Coast. Retired before 7/1/2001: Pre-65 Med and Spouse Coverage (not required to switch to Plan 65, if over age 65 3/9/2010) Retired between 7/1/2001 and 6/30/2004: City pays for Coast to Coast for retiree and spouse (not required to switch to Plan 65, if over age 65 3/9/2010) Retired between 7/1/2004 and 6/30/2006: (Same as those who retired before 7/1/2001) Retired on or after 7/1/2006: City pays for Coast to Coast, and spouse Coast to Coast, if hired before 7/1/1996 (not required to switch to Plan 65, if over age 65 3/9/2010)	Have access to dental insurance, but cost not paid by City.	Have access to vision insurance, but cost not paid by City.	Not provided to retirees.
Richmond	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Scituate	Officer contributes 50% of the premium towards his/her coverage.	Dental included.	N/A	Not provided to Retirees	N/A	N/A	N/A	N/A
Smithfield	Family medical coverage, 0% co-share, required to migrate to medicare upon eligibility	Family dental coverage, 0% co-share, required to migrate to medicare upon eligibility	N/A	N/A	Family medical coverage, 0% co-share, required to migrate to medicare upon eligibility	Family dental coverage, 0% co-share, required to migrate to medicare upon eligiblity	N/A	N/A
South Kingstown	Members who retire after 7/1/81 / before 7/1/07: 100% Town paid. On/after 7/1/07: 3.5% member-paid for employees hired prior to 7/1/02. 14% member-paid for employees hired after 7/1/02. On/after 1/1/11: 7% member-paid for employees hired prior to 8/1/02. 14% member-paid for employees hired after 8/1/02. On/after 7/1/11: 8.75% member-paid for employees hired prior to 8/1/02. 14% member-paid for employees hired after 8/1/02. On/after 7/1/12: 10.5% member-paid for employees hired prior to 8/1/02. 14% member-paid for employees hired after 8/1/02. All coverage is pre-65 only. The Town provides medical coverage to the surviving spouse of an employee killed in the line of duty. Coverage will continue for 10 years following the date of death.	Dental benefits for self and spouse. Service-Connected disability only, until age 65. 100% Town-paid.	N/A	Retiree will pay full cost of benefit if chooses to continue coverage	N/A	N/A	N/A	N/A

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Tiverton	Police shall contribute 1% of their Pension Benefit towards their Health Plan Prior to 9/17/07, 100% coverage until death. After 9/17/07: coverage with a co-pay equal to co-pay at time of retirement - and when eligible moved to Plan 65 (town provided) & Medicare B coverage.	Same	N/A	No retirement life insurance.	Effective 7/1/12, members of the Fire Department shall contribute one-half percent of the member's salary toward the OPEB obligation of the Town. Fire Department retirees who retire after 6/3012 shall contribute 1% of their Pension Benefit towards their Health Plan. Prior to 7/1/84: receive 100% coverage until they reach age 65. FF who retired after 6/1/01 receive same coverage and when eligible shall be moved to Plan 65 (town provided) & Medicare B coverage.	Same	N/A	No retirement life insurance.

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Warren	4 years of free coverage that can extend past Medicare eligibility. At the end of 4 years, all retiree police officers contribute the full cost of coverage. Surviving spouse is eligible for COBRA coverage upon death of the retiree.	Includes free dental	N/A	N/A		N/A	N/A	N/A
Warwick	Medical plans offered are Classic Blue, Healthmate Coast to Coast, and BlueCHip Plus. There is no required contribution for individual or dependent coverage. Surviving Spouse Benefit - Survivors can continue coverage on the same terms as retirees.	Includes dental	N/A	N/A	Medical plans offered are Classic Blue, Healthmate Coast to Coast, and BlueCHip Plus. There is no required contribution for individual or dependent coverage. Surviving Spouse Benefit - Survivors can continue coverage on the same terms as retirees.	N/A	N/A	N/A
Warwick Public Schools	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
West Greenwich	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
West Warwick	Retirements <7/1/2011: free coverage for lifetime once they have 20 yrs of service (no age requirements). After that date, 1% of pension if hired prior to 7/1/08 and 2% of pension if hired on/after 7/1/08	Includes dental	None	None	Retirements <7/1/2011: free coverage for lifetime once they have 20 yrs of service (no age requirements). After that date, 1% of pension.	Includes dental	None	None

	Police				Fire			
Municipality	**Police: Medical**	**Police: Dental**	**Police: Vision**	**Police: Life**	**Fire: Medical**	**Fire: Dental**	**Fire: Vision**	**Fire: Life**
Westerly	Member contributions: 11% of pay (10% prior to 7/1/05). Effective 7/1/90, the Town shall pay for all the Blue Cross and health benefits for all employees who retire with at least twenty years of service. Employees hired prior to 7/1/93 shall, upon retirement, contribute the same percentage of medical coverage as they contribute at the time of retirement. Employees hired on or after 7/1/93 and retiring after at least 20 years of active service will pay 15% of the cost of health care coverage at the full mature working rate or monthly premium cost and the Town will pay the balance up to a maximum of $6,000 per year until the employee reaches age 65, after which time the employee will pay 15% of the premium cost or fully mature working rate of Plan 65 and the Town will pay the balance up to a maximum of $6,000 per year. Any amounts in excess of $6,000 shall be borne by the employee. Coverage to retirees and spouses includes a reimbursement of Medicare Part B premium to retirees only after age 65.	Lifetime dental	N/A	Life insurance included	N/A	N/A	N/A	N/A
Woonsocket	20 yrs of service to be eligible. Town pays 100%.	Lifetime dental	N/A	May continue their life insurance coverage at their own expense in retirement. Coverage reduces by one half at age 65.	20 yrs of service to be eligible. Town pays 100%	N/A	N/A	N/A

Summary of Benefit Provisions for OPEB (Medical for Municipal Employees)

Prepared by: Division of Municipal Finance

As of October 15, 2013 - DRAFT Reports

Municipal Employees

Municipality	Municipal Employees: Medical	Municipal Employees: Dental	Municipal Emp..: Vision	Municipal Employees: Life
Barrington	**<u>Non-union town employees</u>** receive fully covered medical coverage (single or family) for the remainder of the fiscal year of retirement plus five (5) additional years or until Medicare eligible or the retiree secures equivalent coverage. If the town employee retires with between 10 and 19 YOS, coverage is extended for only three (3) additional years past the fiscal year of retirement. Hired after 7/1/1991 must contribute 20% of the premium towards their coverage. Hired after 9/1/1994 are not eligible for post retirement coverage.	Not provided		Not provided
Bristol	**<u>Town (Town Hall, Senior Center, Recreation, Fire Management, Library)</u>:** Current retirees and eligible active employees with 25 YOS as of Sept. 1, 2006 shall receive 100% Town-paid lifetime individual medical coverage. Spouse coverage is available until age 65 at their own expense. Employees hired prior to Sept. 1, 2004 and retiring after Sept. 1, 2006 who did not have at least 25 YOS with the Town as of Sept. 1, 2006 shall receive 100% Town-paid individual medical coverage until age 75. Spouse coverage is available until age 65 at their own expense. Employees hired after Sept. 1, 2004 can elect medical coverage at retirement for self and spouse until age 65 at their own expense. Employee Contributions: Department heads - 1% of the first $50,000 of wages. All others - Eff. July 1, 2013, 1% of employee yearly salary.	Retirees can elect coverage for a period of 10 years from the date of retirement at their own expense. Spouse coverage is not available.		$50,000 ($10,000 in retirement; excess funds deposited into OPEB trust); 100% Town-paid.

Municipal Employees				
Municipality	**Municipal Employees: Medical**	**Municipal Employees: Dental**	**Municipal Emp..: Vision**	**Municipal Employees: Life**
Burrillville	All eligible employees may elect coverage in the Plan until age 65. Spouses may be covered for as long as the retiree is covered. **Council 94 & Municipal Non-Union (including Library)**: If a retiree has less than 15 YOS, then he must pay 100% of the premium. **Council 94 & Municipal Non-Union (including Library)**: If a retiree has at least 15 YOS, then the Town pays 100% of the premium for the first 2 years of retirement; 50% of the premium for the next 2 years of retirement, and 0% thereafter.	Offered to some groups, with the retiree responsible for paying 100% of the premium.		
Central Falls				
Charlestown	**CPMA (Charlestown Professional Mgt. Association):** Hired prior to 7/1/96: Pre-65: 85% Town paid for retiree and spouse. Post-65: 85% Town-paid for retiree and spouse (BC Plan 65). Hired on or after 7/1/96: Not eligible for Town-paid Post Retirement Health Benefits.			
Coventry	**Town:** Retiree/Spouse - 100% Retiree-paid.	Same		
Cranston				
Cumberland	**Town employees** are only eligible for COBRA coverage at retirement.			

Municipal Employees

Municipality	Municipal Employees: Medical	Municipal Employees: Dental	Municipal Emp..: Vision	Municipal Employees: Life
East Greenwich	**NEARI & Other divisions:** Employees who retire after age 65 and after earning 10 or more years of credit service are eligible for full coverage under the Group Plan 65 (single coverage only). If an employee retires prior to age 65, the retiree is partially covered under the BCBS Plan (single only) Town contributes 3.3% of the premium per year of service at retirement. Retirees contribute the remaining amount of the required premium. All retiring after 7/1/93, coverage shall continue until the retiree or his/her spouse has accident & health coverage from another employer. If coverage is less, the Town shall pay the additional premium to provide benefits not less.	Not provided		Not provided
East Providence	**General Employees**: Retiree health benefits cease at the later of: retiree attaining age 65 or 3 years after retirement. Surviving spouse receive COBRA coverage upon death of retiree & must pay the required COBRA rate. Upon death of an active employee, the surviving spouses receive 3 years of free coverage paid by the City and then must elect COBRA & pay COBRA rate. Retiree Cost Sharing: None; except for the following groups of grandfathered retirees: 1. Those enrolled in 8W555 plan must pay the full cost of coverage until eligible for Medicare. 2. Medicare retirees enrolled in Plan 65 (2H79) pay the full cost of coverage.	May elect coverage at their own cost		The City provides group life insurance of $7,500
Exeter	N/A			
Foster				
Glocester	**Clerks:** Medical: Healthmate The Town pay 100% of the premium cost of the individual health care coverage until eligible for Medicare. **Town Non-Contract**: Medical: Healthmate The Town pays 100% of the premium cost of the individual health care coverage until eligible for Medicare.			

Municipal Employees

Municipality	Municipal Employees: Medical	Municipal Employees: Dental	Municipal Emp..: Vision	Municipal Employees: Life
Hopkinton	N/A			
Jamestown				
Johnston	**Town General Employees:** Retiree medical benefits are non-contributory for all retirees and their spouses. Upon death of retiree, coverage continues to surviving spouses. Town's subsidy will continue to spouses for those who are receiving subsidized health benefits.			

Explicit Subsidy: The Town pays the full cost of coverage for pre and post-Medicare retiree health benefits.

Part B Subsidy: Town retirees receive Medicare Part B premium subsidy upon Medicare eligibility for themselves and their spouses. The monthly Part B premium effective on January 1, 2012 is $99.90. The Town also pays for the Medicare Part B premium for a closed group of existing retirees and spouses who were not enrolled in Medicare Part B when first eligible. The Town will not pay for the Part B premium penalty for future retirees.

Same benefit options are available to retirees as active employees. All pre Medicare health plans are self-insured. Post-Medicare Blue Medicare Rx plan is fully-insured and community-rated. Upon Medicare eligibility, the Town provides Blue Medicare Rx plan with monthly premium of $167. Plan 65 monthly premiums are $185.88 for the Town.

Municipality	Municipal Employees: Medical	Municipal Employees: Dental	Municipal Emp..: Vision	Municipal Employees: Life
Lincoln	**Town General Employees** do not have access to retiree health benefits other than for temporary COBRA coverage.			
Little Compton	**Town (Municipal) Employees**: Members of this group are not eligible for postretirement health insurance benefits			

Summary of Benefit Provisions for OPEB (Medical for Municipal Employees)

Prepared by: Division of Municipal Finance

As of October 15, 2013 - DRAFT Reports

	Municipal Employees			
Municipality	**Municipal Employees: Medical**	**Municipal Employees: Dental**	**Municipal Employees: Vision**	**Municipal Employees: Life**
Middletown	Town Hall: For retirements prior to 7/1/07, retirees pay 80% of the stated premium for individual or family coverage to age 65. For retirements on or after 7/1/07, retirees pay 50% of the premium for individual or family coverage to age 65. Dental coverage is available with the retiree paying full cost. There is no coverage after age 65. Spousal coverage ceases on the death of the retiree.	Upon retirement: retirees pay 100% of premium	N/A	Retired municipal pay 100% of premium
Narragansett	Lifetime medical with eligibility. Effective 7/1/04, retirees under the age of 65 will be enrolled in Blue Cross Healthmate Coast to Coast plan. Effective 7/1/01, retirees age 65 and over will be enrolled in Blue Cross Plan. Current and future retirees who waive coverage from the Town due to equivalent coverage elsewhere shall be reimbursed 50% of the Town's medical and dental cost depending on their coverage level (individual or family) payable at the end of each contract year. Employees retiring prior to 1/1/10 receive free individual health coverage. If a retiring employee has a spouse then the Town shall provide an individual plan for the spouse. Council 94 Municipal employees who retire on/after 1/1/10 but prior to 1/1/12 contribute 2% of their monthly pension towards healthcare cost (including dental and life insurance). Retirement premiums: - Date of retirement on/after 1/1/12: 10% - Date of retirement on/after 7/1/12: 12% - Date of retirement on/after 7/1/13: 15% Employees choosing family coverage shall be responsible for the additional family plan premium cost. Employees who retire on/after 7/1/11 will no longer receive a Medicare Part B subsidy. Local 1033 employees who retire on/after 1/1/10 but before 1/1/12 contribute 2% of their monthly pension towards healthcare cost (including dental and life insurance). Those who retire on/after the below listed dates contribute a percentage of premiums towards healthcare cost (including dental - Date of retirement on/after 1/1/12: 10% - Date of retirement on/after 7/1/13: 12% - Date of retirement on/after 7/1/14: 15% Non-Union employees who retire on/after 1/1/10 contribute 2% of their monthly pension towards healthcare cost (including dental and life insurance).	Lifetime dental with eligibility.	N/A	$50,000 after retirement, paid by the Town

Municipal Employees				
Municipality	**Municipal Employees: Medical**	**Municipal Employees: Dental**	**Municipal Employees: Vision**	**Municipal Employees: Life**
New Shoreham				
Newport	Retirees may select from Classic Blue, Healthmate Traditional, Bluechip, or Plan 65. For Municipal AFSCME and NEA retirees who retire after 6/1/09, both the retiree and spouse are covered until the individual reaches age 65. For all others, retiree and spouse are covered for lifetime. Municipal AFSCME retirees who retire after 7/1/09 will pay 3% of the premium as a cost share. Those retired on or before 6/1/09 do not incur a cost. NEA Municipal employees who retire after 6/1/09 will pay 3% of the premium as a cost share. Those retired on or before 6/1/09 do not incur a cost. Non-union Municipal Supervisory employees who retire after 7/1/04 pay 10% of the premium as a cost share. Those retired on or before 7/1/04 do not incur a cost.	N/A	N/A	N/A

Municipality	Municipal Employees: Medical	Municipal Employees: Dental	Municipal Employees: Vision	Municipal Employees: Life
	Municipal Employees			
North Kingstown	Fully insured Medical Prescription Drug contribution for Municipal Union employees. Municipal Employees (Local 1033): Town currently pays 100%. Town will contribute 80% for retirees who retire after 1/1/12 and who were hired before 4/1/2000. Town contributes 85% if they retire on 1/1/12, 80% if they retire after 1/1/12. Town contributes $2,184 per year towards prescription drug coverage, and provides Medicare Supplemental Coverage for life upon becoming eligible for Medicare. Non-Union: Age 58 and 10 years of service or 30 years of service. Town currently pays 100%. Town will pay 80% for retirees who retire after 1/1/12. Town provides Medicare Supplemental Coverage for life upon becoming eligible for Medicare.	N/A	N/A	N/A
North Providence	Retiree/Spouse - 100% Town-paid. Coverage is provided for a period up to 36 months.	Eligible to receive dental benefits for self and spouse.	N/A	N/A

Municipal Employees				
Municipality	**Municipal Employees: Medical**	**Municipal Employees: Dental**	**Municipal Employees: Vision**	**Municipal Employees: Life**
North Smithfield	Coverage until Medicare Eligible. Town: Retirees contribute 5% to costs of health care. Effective 7/1/11, new hires will contribute 10% to cost of health care. Town employees hired before 7/1/05 shall not be required to pay for coverage in retirement. Spouse and surviving spouse benefits until Medicare Eligible.	Delta Dental	N/A	N/A
Pawtucket	Go to Plan 65 at age 65. No spousal coverage. Survivors of Pawtucket employees and retirees are also eligible for medical benefits.	No dental (100% EE Paid).	N/A	No Life
Portsmouth	Retiree health care coverage is discontinued upon death of the retiree. Surviving spouse will be offered COBRA. Municipal (PMEA) employees receive free retiree health care coverage (medical, dental, and vision) until age 67 or Medicare eligibility, whichever is earlier. Retirees are responsible for the portion of premium rates not covered by the Town. Same benefit options are available to retirees as active employees.	Free dental until age 67 or Medicare eligibility, whichever is earlier.	Free vision until age 67 or Medicare eligibility, whichever is earlier.	N/A
Providence	Co-shares for all 3 groups (1% final avg. salary) assumed to be $400 annually with no future trend adjustment. Those who retired before 7/1/85 are not required to switch to Plan 65. Those retired 7/1/85 and 9/2/95 City pays for Plan 65 only. Those retired between 9/3/95 and 1/1/05 City pays for Plan 65 only, and spouse not covered unless retiree dies, and is enrolled in access-only coverage. Those retired on/after 1/1/05 City pays for Plan 65 with co-share.	Employees have access to dental, but the cost is not paid by the City for any group.	Employees have access to vision, but the cost is not paid by the City for any group.	Not provided to retirees.
Richmond	N/A	N/A	N/A	N/A

Municipal Employees				
Municipality	**Municipal Employees: Medical**	**Municipal Employees: Dental**	**Municipal Employees: Vision**	**Municipal Employees: Life**
Scituate	Retired members must contribute the following towards their premium coverage: Service 10-15 = 100% contribution Service 16-22 = 21% contribution Service 23-29 = 10.5% contribution Service 30+ = 0% contribution Town employees are also eliible to contribute 100% of the remaining premium towards family coverage.	May purchase dental insurance through COBRA for up to 18 months. The COBRA benefits do not constitute a benefit to be included in determination of OPEB liabilities.	N/A	Not provided to retirees.
Smithfield	0% co-share for Town plan participants. Required to migrate to medicare upon eligibility.	Family dental coverage if age 58 and 20 years of town service, 0% co-share, required to migrate to medicare upon eligibility	N/A	N/A
South Kingstown	Town Council 94: Retirees pay the same percent rate as what the active employee pays. Coverage is pre-65 only. Cost Sharing: Hired prior to 8/1/02: - 12.5% member-paid (effective 7/1/11) - 15% member-paid (Effective 7/1/12) Hired on/after 8/1/02 but before 7/1/05: - 15% member-paid. Coverage is pre-65 only. Hired on/after 7/1/05: Members who retire with at least 20 years of service; For 3 years, the Town shall pay up to $1,333 per year toward the annual cost. The retiree shall pay the difference. With at least 25 years of service; for 3 years, Town shall pay up to $2,666 per year toward the annual cost. Retiree shall pay the difference. With at least 30 years of service; for 3 years, the Town shall pay up to $4,000 per year toward the annual cost. The retiree shall pay the difference. For all 3 groups, coverage is pre-65 only. Town NEA, Town Non-Union: Employees hired after 7/1/06: 30, 25, 20 years of service: town pays $4000, $2666, $1333 per year respectively towards the cost, and retiree pays the difference for 3 years.	Retiree is eligible for COBRA benefits only	N/A	Retiree will pay full cost of benefit (at a higher rate than active employees) if he/she chooses to continue with coverage. To be eligible for benefits, employee must be eligible to retire under MERS

Municipal Employees				
Municipality	**Municipal Employees: Medical**	**Municipal Employees: Dental**	**Municipal Employees: Vision**	**Municipal Employees: Life**
	Employees hired before 7/1/06: 30 years: town pays $4500 per year for 4 years, 25 years: town pays $3500 per year for 3 years and the retiree pays the difference. 20 years: for 3 years the town shall pay $1333 per year and retiree pays the difference.			
Tiverton	Medical offered through Blue Cross of Rhode Island. Employees hired prior to 7/1/93: Eligible for coverage with co-pay equal to co-pay in effect at time of their retirement. Employees hired after 7/1/93: Are not eligible for coverage	Same as medical.	N/A	Town provided life insurance ceases at retirement - however retired personnel can maintain and pay for coverage through the Town. Group Term Life Insurance $50,000
Warren	Free medical benefits. Retirees contribute the cost of coverage not covered by the Town's explicit subsidy. Surviving spouse eligible for COBRA upon death of retiree. Non-union Supervisory Personnel: Hired prior to 4/26/06: 3 years of free coverage that can extend past Medicare eligibility Hired on/after to 4/26/06: 3 years subsidized coverage that can extend past Medicare eligibility. During subsidy period, the Town will contribute 80% of the premium. USW: Prior to 7/1/94: 3 years of free coverage that can extend past Medicare eligibility. Hired on/after 7/1/94, 2 years of free coverage that can extend past Medicare eligibility. Any USW employees who retire at age 65 with 10 years of service are eligible for free lifetime coverage under Plan 65.	Free Coverage included dental benefits.	N/A	N/A

Municipality	Municipal Employees Municipal Employees: Medical	Municipal Employees: Dental	Municipal Employees: Vision	Municipal Employees: Life
Warwick	There is no required contribution for individual or dependent coverage. Survivors can continue coverage on the same terms as retirees.	N/A	N/A	N/A
Warwick Public Schools	N/A	N/A	N/A	N/A
West Greenwich	N/A	N/A	N/A	N/A
West Warwick	Hired <7/1/2010: free coverage until Medicare eligibility. Hired on/after 7/1/2010: retirees contribute the same amount as active employees at retirement until Medicare eligibility. Effective 6/1/12: 13% of working rate if base salary is less than $47,500, limited to $45 per week. 16% of working rate if base salary is at least $47,500, limited to $55 per week. Upon death of retiree, coverage continues to surviving spouses, for the same duration as the retiree.	Free dental coverage for lifetime	N/A	N/A
Westerly	N/A	N/A	N/A	N/A
Woonsocket	Retirees hired after 7/1/95 and a few identified employees hired prior to 7/1/95 will contribute 1% of their salary at retirement. Otherwise Town pays 100% of coverage. Includes spouse benefit and surviving spouse benefit.	Includes dental	N/A	Includes Life Insurance

Summary of Benefit Provisions for OPEB (Medical for Teachers & Non-Certified School Employees)

Prepared by: Division of Municipal Finance

As of October 15, 2013 - DRAFT Reports

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Barrington								
Bristol	Teachers and Certified Administrators: Hired before July 1, 1993 shall receive until age 65, or eligibility for Medicare, Bristol-Warren School Department existing coverage for active employees.				Retiring non-certified administrators & classified employees hired before July 1, 1994 shall receive until age 65, or eligibility for Medicare, existing coverage for active employees. School Committee will contribute 87% of the pre-65 cost of coverage.			
	The School Committee will contribute 80% of the pre-65 cost of coverage if they participate in non-HSA plan. School Committee's contribution will be 90% of the pre-65 cost of coverage for employees enrolled in the HSA plan at retirement.				At Age 65, will receive an additional coverage necessary to provide the equivalent benefits received prior to age 65.			
	At Age 65, will receive an additional coverage necessary to provide the equivalent benefits received prior to age 65. If not eligible for Medicare at age 65, they may remain the active plan. The School Committee will contribute 50% of the post-65 cost of coverage.				If not eligible for Medicare at age 65 they may remain the active plan. The School Committee will contribute 50% of the post-65 cost of coverage.			
	Current retirees receive various amount of District explicit subsidy as provided by the School Department.				Current retirees receive various amount of District explicit subsidy as provided by the School Dept.			
	Retirees are required to contribute the cost of coverage not covered by the District's explicit subsidy.				Retirees are required to contribute the cost of coverage not covered by the District's explicit subsidy.			

Municipality	Teachers: Medical	Teachers: Dental	Teachers: Vision	Teachers: Life	Non-Certified School Employees: Medical	Non-Certified School Employees: Dental	Non-Certified School Employees: Vision	Non-Certified School Employees: Life
	Teachers				**Non-Certified School Employees**			
Bristol (Continued)	Coverage continues to surviving spouse of retired teachers. Widowed spouse of a teacher hired before 7/1/93 are eligible for a fully-paid individual coverage through age 65 while unmarried and not eligible for equivalent coverage. There is no coverage for surviving spouse of administrators (certified and non-certified) and classified employees.				There is no coverage for surviving spouse of administrators (certified and non-certified) and classified employees.			
Burrillville	All eligible employees may elect coverage in the Plan until age 65. Coverage beyond age 65 is provided only to School retirees who retired prior to August 31, 1997. Spouses may be covered for as long as the retiree is covered.The retiree must pay 100% of the premium.	Offered to some groups, with the retiree responsible for paying 100% of the premium.			All eligible employees may elect coverage in the Plan until age 65. Coverage beyond age 65 is provided only to School retirees who retired prior to August 31, 1997. Spouses may be covered for as long as the retiree is covered. Retiree must pay 100% of the premium.	Offered to some groups, with the retiree responsible for paying 100% of the premium.		
Central Falls								

Municipality	Teachers: Medical	Teachers: Dental	Teachers: Vision	Teachers: Life	Non-Certified School Employees: Medical	Non-Certified School Employees: Dental	Non-Certified School Employees: Vision	Non-Certified School Employees: Life
	Teachers				**Non-Certified School Employees**			
Charlestown	Certified staffs are able to remain on the plan after retirement until age 65 or for 4 years after retirement, whichever is earlier.				Support staffs are able to remain on the plan until age 65. Only individual coverage is available to support staff retirees.			
	Surviving spouses of certified staff are able to stay on the plan at their own expense for the same duration as retirees.				There is no spouse coverage available for support staff retirees.			
	Retirees are responsible for the portion of the premium not covered by the School District's explicit subsidy.				Retirees are responsible for the portion of the premium not covered by the School District's explicit subsidy.			
	The School District offers a stipend to certified staff. To retain the subsidy, must elect the benefit with subsidy within the first 3 yrs of becoming eligible. Benefits are payable until age 65. Future retirees are assumed to receive a $1,655 stipend.							
	Certified Staff Retire Prior to 9/1/02: Single $700, Family $1700; Retire after 9/1/02: Single $850, Family $2000							
Coventry	School Teachers: Pre-65: Age 60-64, School pays health premium not to exceed $1,200 per year. Post-65: School pays health premium not to exceed $1,000 per year. Balance of premium is 100% Retiree-paid.	Same			Retiree/Spouse: 6 years following the date of retirement, School provides payments on health premium up to a maximum of $1,200 for retiree only per contract year. Balance of premium is 100% Retiree-paid.	Same		
					No OPEB benefits are provided beyond the six year period.			

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Cranston	Current retirees who are under age 65 are assumed to remain in their current medical plan with only individual coverage, until age 65, at which time their school provided cost coverage stops.	Same			Current retirees who are under age 65 are assumed to remain in their current medical plan with only individual coverage, until age 65, at which time their school provided cost coverage stops.	Same		
	There is no school coverage cost for retirees over the age of 65. The retiree pays the total cost of coverage for any elected coverage after the age of 65. Rates for any coverage offered after age 65 are assumed to be self-supporting.				There is no school coverage cost for retirees over the age of 65. The retiree pays the total cost of coverage for any elected coverage after the age of 65. Rates for any coverage offered after age 65 are assumed to be self-supporting.			
	Retirees contribute to the cost of coverage in accordance with the following table:				Retirees contribute to the cost of coverage in accordance with the following table:			
	<u>Teachers</u>: Pre 9/1/05 Retirement: 0 Cost Share; 9/1/05-8/31/09: 5% Cost Share; 9/1/09-3/31/11: 15%; Post 9/1/11 Retirement: 20%.				<u>Administrators</u>: Pre 7/1/05 Retirement: 0 Cost Share; 7/1/05-6/30/08: 10%; 7/1/08-6/30/10: 20%; Post 7/1/10 Retirement: 20%, 22%, or 25% moving toward a 25% cost share by 7/1/12			
	No subsidized coverage for beneficiaries. Any coverage for spouses and dependents benefits is the responsibility of the retirees. Page: Schedule B - Summary of Program Provisions				No subsidized coverage for beneficiaries. Any coverage for spouses and dependents benefits is the responsibility of the retirees. Page: Schedule B - Summary of Program Provisions			

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Cumberland	Teachers and Administrators are eligible for lifetime health coverage upon meeting RIERS eligibility requirements.				All other School employees are eligible for lifetime health coverage upon meeting RIERS eligibility requirements.			
	All School employees are required to contribute the full cost of the coverage.				All School employees are required to contribute the full cost of the coverage.			
	There is no Town subsidy for all School employees.				There is no Town subsidy for all School employees.			
East Greenwich	Receive full medical and dental insurance coverage for two (2) years following retirement. May elect individual or family coverage. Contribution rate is 15% for the rate charged to active members for individual or family coverage as applicable.	Same		Covered under their L.I. policy for an additional 2 years following retirement.				
	May elect the buyback amount in lieu of medical and dental coverage. As of 7/1/10, the buyback amount is $4,375 per year.			The base amount is $30,000 for teachers and $60,000 for ad-ministrators.				

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
East Providence	Teachers retired prior to 1999: Free coverage until Medicare eligibility and spouse contribution is the difference between single and family working rates.	Monthly premiums on 11/1/11: Single $31.48 Family $101.11		$25,000 fully paid by the School until age 70.	Secretaries & Custodians: Free coverage until Medicare eligibility and spouse contribution is free coverage until retiree is eligible for Medicare.	Monthly premiums on 11/1/11: Single $31.48 Family $101.11		$25,000 fully paid by the School until age 80 for secretaries and age 75 for custodians.
	Teachers retired on/after 1999 but prior to 4/2009: Free coverage until Medicare eligibility and spouse contribution is 1.3 x single working rate.				Teachers Assistant: Free coverage until Medicare eligibility and spouse contribution is free coverage for 1 year then pay the difference between single and family working rates.	Monthly premiums on 11/1/11: Single $31.48 Family $101.11		$25,000 fully paid by the School until age 70.
	Teachers retired after 4/2009: 20% of premium for 2 years and spouse contribution is the difference between single and family working rates.							
	Administrators and Principals contribute 20% of premium for specified number of years of coverage and spouse contribution is 20% of premium for specified number of years of coverage.							
Exeter	N/A							

Municipality	Teachers: Medical	Teachers: Dental	Teachers: Vision	Teachers: Life	Non-Certified School Employees: Medical	Non-Certified School Employees: Dental	Non-Certified School Employees: Vision	Non-Certified School Employees: Life
	Teachers				**Non-Certified School Employees**			
Foster	Plan Type: Self insured through BC/BS Classic				Plan Type: Self insuranced through BC/BS Classic			
	Retirement prior to 7/1/07: Town pays 100% of medical and dental premiums until retiree is Medicare eligible.	Same			The town pays 100% of the medical and dental premiums until retiree is Medicare eligible.	Same		
	Retirement post 7/1/07: Town pays 90% of medical and dental premiums until retiree is Medicare eligible.	Same						
	Spouse Benefit: Spouse must pay 100% of their premiums. There are no surviving spouse benefits.				Spouse Benefit: Spouse must pay 100% of their premiums. There are no surviving spouse benefits.			
Glocester	Medical: BC/BS Classic or HealthMate				**Educational Support**: Medical: BC/BS or HealthMate	Delta Dental		
	Individuals that retire before 7/1/06, do not contribute. For those who retire after 6/30/06, the Teacher contributes the same amount as they were contributing during their final year of service.				The Town pay 100% of the premium cost of the individual health care coverage until eligible for Medicare.			
Hopkinton	N/A							

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Jamestown	Eligible employees hired prior to 8/31/85 receive either individual or family medical coverage under BCBS Classic Plan or Healthmate Coast to Coast until the retiree becomes Medicare eligible. When the retiree becomes eligible for Medicare, he/she, and an eligible spouse, will be covered under the Plan 65. Eligible employees hired prior to 8/31/85 contribute 5% of their premium. Eff. 7/1/12, all current and future retirees are required to be enrolled in Medicare Part A and Part B to continue post-65 medical coverage under this Plan.	Delta Dental (Individual or Family)			Teaching assistants and support staff are not eligible for post retirement benefits.			
	Eligible employees hired between 8/31/85 and 7/1/97 will receive 2 years of individual medical coverage under BCBS Classic Plan or Healthmate Coast to Coast until age 65, and contribute 5% of their premium. In addition, it is the Town's understanding that eligible employees hired between 7/1/97 and 8/31/00 will be treated similarly. Eligible employees hired after 8/31/00 may continue medical and dental coverage with the entire premium paid by the retiree. Surviving spouses are not eligible to continue receiving benefits.	Delta Dental (Individual)						

Significant Events: It was passed in the August 25, 2011 School Committee meeting that, effective July 1, 2012, retirees that were hired prior to August 31, 1995 would be required to enroll in Medicare Part A and Part B coverage. The School will then provide supplemental coverage, in this Plan, under Plan 65 for the retiree's lifetime. This event significantly decreases the projected liability for retirees that were previously valued under a lifetime of full medical coverage by the School.

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Johnston	Retiree medical benefits are non-contributory for all retirees and their spouses.	Receive free dental benefits for employee only. Dental coverage will terminate at Medicare eligibility.			Retiree medical benefits are non-contributory for all retirees.			
	Retirees electing spousal coverage are required to pay the full incremental spouse cost. No spousal coverage is available once the retiree reaches Medicare eligibility.	Monthly dental working rate is $29.50 effective on 7/1/12.			There is no spousal coverage available at retirement (pre or post Medicare).			
	Upon death of retiree, coverage continue to surviving spouses. Town's subsidy will continue to spouses for those who are receiving subsidized health benefits.	Dental coverage will terminate at Medicare eligibility.						

Explicit Subsidy: The School pays the full cost of coverage for pre and post-Medicare retiree benefits.

Same benefit options are available to retirees as active employees. All pre Medicare health plans are self-insured. Post-Medicare Rx plan is fully insured and community-rated. Upon Medicare eligibility, the School provides Blue Medicare Rx plan with monthly premium of $167. Plan 65 monthly premiums are $162.15 for the School.

<table>
<tr><th></th><th colspan="4">Teachers</th><th colspan="4">Non-Certified School Employees</th></tr>
<tr><th>Municipality</th><th>Teachers: Medical</th><th>Teachers: Dental</th><th>Teachers: Vision</th><th>Teachers: Life</th><th>Non-Certified School Employees: Medical</th><th>Non-Certified School Employees: Dental</th><th>Non-Certified School Employees: Vision</th><th>Non-Certified School Employees: Life</th></tr>
<tr><td>Lincoln</td><td>Upon death of the retiree of active employee (regardless of weather he is eligible to retire or not) the spousal coverage will revert to COBRA.

Explicit Subsidy: The school will pay a percentage of premium for retired teachers & administrators based on YOS at retirement as shown below:
<table>
<tr><th>Years of Service at Retirement</th><th>% of Premium Paid by the School</th></tr>
<tr><td>0-9</td><td>Not eligible</td></tr>
<tr><td>10-14</td><td>0%</td></tr>
<tr><td>15</td><td>50%</td></tr>
<tr><td>16</td><td>60%</td></tr>
<tr><td>17</td><td>70%</td></tr>
<tr><td>18</td><td>80%</td></tr>
<tr><td>19</td><td>90%</td></tr>
<tr><td>20+</td><td>100%</td></tr>
</table>

The subsidy percentage above applied to individual coverage only. Spouses are allowed in the plan but retiree pays the full incremental cost of spouse and dependent coverage.

Retiree contributes the portion of premium rates not covered by the School explicit subsidy.

Same benefit options are available to retirees as active employees. The health plans are self-insured. As of 7/1/08, retired teachers may only choose HealthMate. Some current retired teachers can remain in the Classic plan at retirement.</td><td></td><td></td><td>Retirees pay the full cost</td><td>Upon death of the retiree of active employee (regardless of wither he is eligible to retire or not) the spousal coverage will revert to COBRA.

Explicit Subsidy: None

Retiree contributes the portion of premium rates not covered by the School explicit subsidy.</td><td></td><td></td><td>Retirees pay the full cost</td></tr>
</table>

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Little Compton	Certified Teachers that retire after 20 YOS with the Town may continue medical and dental coverage until the earlier of age 70, 5 years of post retirement coverage, and Medicare eligibility. Must contribute 75% of the premium toward their coverage.	Not covered by the Town, however retirees may purchase coverage.		Eligible for continued life ins. Post retirement at the entire expense to the retiree.	Members that retire after 15 YOS with the Town may continue medical insurance coverage until the earlier of age 5 and 3 years of post retirement coverage. The Town will contribute up to $750 toward medical premiums.	Not covered by the Town, however retirees may purchase coverage.		Eligible for continued life ins. Post retirement at the entire expense to the retiree.
	Members with fewer than 20 YOS are eligible for benefits under the same provisions except that they must contribute 100% of the premiums.							

Summary of Benefit Provisions for OPEB (Medical for Teachers & Non-Certified School Employees)
Prepared by: Division of Municipal Finance
As of October 15, 2013 - DRAFT Reports

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Middletown	Teachers (including administrators) receive Town-paid medical coverage to the latter of the 10th anniversary of their retirement and attainment of age 65, subject to the following required contributions: - 3% of premium for individual coverage for the first 7 years of retirement - 20% of premium for individual coverage for the next 3 years of retirement - 50% of premiums for individual coverage until age 65, death or Medicare eligivility. There is no rebate benefit available to future teacher retirees who waive Town provided coverage. Dependent coverage is available at 100% of stated premium. Coverage ceases on the death of retiree.	Not eligible for town subsidized dental coverage in retirement.	N/A	N/A	Clerical & Custodial: If the retirement date is on or after 7/1/03, the retiree receives the medical coverage in effect at the date of retirement for 5 years or to age 65, whichever is first (the last 2 years of this coverage is individual only). Custodial retirees pay 8% of stated premiums. Clerical retirees pay the contribution percentage applicable when they retire. Future retirees will pay 6%. All clerical employees who are hired after 7/1/96 will pay 20% of stated premium in retirement. No rebate was reflected for clerical or custodial retirees who waive subsidized coverage.	Clerical & Custodial: Eligible for Town subsidized dental coverage. If the retirement date is prior to 7/1/03, retiree receives 100% dental coverage in effect at date of retirement for 3 years or to age 65, whichever is first. If the retirement date is on or after 7/1/03, the retiree receives 100% medical and dental coverage in effect at date of retirement for 5 years or to age 65, whichever is first (the last 2 years of coverage are individual only). Other groups are not eligible for town subsidized dental coverage in retirement.	N/A	N/A

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Narragansett	Retirees are responsible for 100% of the premium cost plus a 2% administrative fee once any accrued sick pay balance which is converted to pay for health and dental care have been exhausted. If the employee has a spouse covered at retirement, the spouse can stay in the group health plan for the duration of the sick leave conversion benefit. Once the sick leave conversion benefit is exhausted, no spousal coverage is offered (ie. retiree can only buy insurance for him/herself.). <u>Teachers</u> with 10+ years of teaching in Narragansett upon retirement can convert accumulated sick pay up to 48 months of a single health and dental plan or up to 24 months of a family health and dental plan. Once accumulated sick pay is exhausted, they can continue to participate in health and dental plans at their own cost. Teachers may elect to defer commencement of healthcare coverage for a period of no more than 5 years during which they shall pay the difference between the established cash value of the reimbursement and the cost of the elected health care plan.	May stay on the plan - pay all costs	N/A	N/A	In addition to premium costs, a $29.19 per month administration cost is assumed for each member of the plan. <u>Support Professionals</u>: Upon separation, may receive a total of 65% of his/her accumulated sick leave dollar value for the specific purpose of purchasing health care. <u>Other School Employees</u>: Upon separation, may apply the reimbursement of unused sick time and vacation towards the purchase of health and dental benefits at a discounted rate of 70% of their actual cost to the Narragansett School System. Individuals may delay the implementation of this benefit for up to 5 years after severance.	May stay on the plan pay all costs	N/A	N/A

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
New Shoreham	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Newport	Some retirees and spouses are covered until the individual reaches age 65, others are covered for lifetime. No member hired after 7/1/12 is eligible for coverage after age 65. Can select from Classic Blue, Healthmate traditional, Bluechip, or Plan 65. Employees retiring on or after 8/31/05 are covered by Plan 65 after reaching age 65. For pre-Medicare benefits, retirees must pay any plan cost in excess of the cost of the same level of coverage under the Healthmate Plan 200. Teachers with extended benefits pay a 20% cost share. Teachers w/out extended benefits pay 15% of costs. Teachers hired before 7/1/07 could have elected the Extended Health Care Benefit Plan by making contributions of 5% of pay while employed. Any teacher who retires before 7/1/11 shall be reimbursed for his/her Part B Medicare premium upon becoming Medicare eligible.	N/A	N/A	$50,000 coverage until Age 65	AFSCME employees with extended benefits pay a 15% cost share. AFSCME employees without extended benefits pay 10% of costs. School administrators with extended benefits pay a 25% cost share. School administrators without extended benefits pay 20% of costs.	N/A	N/A	$50,000 coverage until Age 65

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School**	**Non-Certified School Employees:**
North Kingstown	Retirees pay 100% of premium. Coverage until Medicare eligible.	N/A	N/A	N/A	Retirees pay 100% of premium. Coverage until Medicare eligible.	N/A	N/A	N/A
North Providence	Retiree/Spouse - 50% retiree-paid. Coverage is pre-65 only.	Eligible to receive dental benefits for self and spouse	N/A	N/A	Administrators: Retiree/Spouse - 50% retiree-paid. Coverage is pre-65 only. Scool Others: Retiree/Spouse - 100% School paid. Coverage is provided for a period up to 36 months.	Eligible to receive dental benefits for self and spouse.	N/A	N/A
North Smithfield	Retirees contribute 15% to costs of health care. Blue Cross/Blue Shield of Rhode Island - Classic or HealthMate No Spouse/Surviving Spouse Benefit.	Same as medical. Delta Dental.	N/A	N/A	Retirees contribute 15% to costs of health care. Blue Cross/Blue Shield of Rhode Island - Classic or HealthMate No Spouse/Surviving Spouse Benefit.	Same as medical. Delta Dental.	N/A	N/A
Pawtucket	Medical offered. Small coinsurance amounts for retirees (9.0% or flat amount that is similar). Spouses not covered. Coverage ends at 65. Retiree contributions - Based on data provided by Pawtucket, applicable to teachers only.	Dental offered.	N/A	N/A	Medical offered. Small coinsurance amounts for retirees (9.0% or flat amount that is similar). Spouses not covered. Coverage ends at 65. Retiree contributions - Based on data provided by Pawtucket, applicable to teachers only.	Dental offered.	N/A	N/A
Portsmouth	Retiree benefits until Medicare eligibility at the earlier of: 1.) age 60 with 20 years of service (normal retirement), 2.) age 55 with 25 years of service and within 5 years of normal retirement. Includes medical	Dental until Medicare eligibility	Vision until Medicare eligibility	N/A	Retiree benefits until Medicare eligibility at the earlier of: 1.) age 60 with 20 years of service (normal retirement), 2.) age 55 with 25 years of service and within 5 years of normal retirement. Includes medical	Dental until Medicare eligibility	Vision until Medicare eligibility	N/A

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Providence	Self-insured medical plan. Class A - General and City School Employees Co-share 1% final avg. salary, assumed to be $400 annually with no future trend adjustment. Spouse not covered unless retiree dies, and spouse is enrolled in access-only coverage. Employee pays Rx. City pays for Plan 65, with co-share 1% final avg. salary, assumed to be $400 annually with no future trend adjustment. Class A - State School Employees Co-share 1% final avg. salary, assumed to be $513 annually with no future trend adjustment. Spouse not covered unless retiree dies, and spouse is enrolled in access-only coverage. Employee pays Rx. City pays for Plan 65, with co-share 1% final avg. salary, assumed to be $513 annually with no future trend adjustment. Those who retired before 7/1/85 are not required to switch to Plan 65. Those retired 7/1/85 and 9/2/95 City pays for Plan 65 only. Those retired between 9/3/95 and 1/1/05 City pays for Plan 65 only, and spouse not covered unless ret dies, and is enrolled in access-only coverage. Those retired on/after 1/1/05 City pays for Plan 65 with co-share.	Employees have access to dental, but cost is not covered by the city for any group	Employees have access to vision, but cost is not covered by City for any group	N/A	Self-insured medical plan. Class A - General and City School Employees Co-share 1% final avg. salary, assumed to be $400 annually with no future trend adjustment. Spouse not covered unless retiree dies, and spouse is enrolled in access-only coverage. Employee pays Rx. City pays for Plan 65, with co-share 1% final avg. salary, assumed to be $400 annually with no future trend adjustment. Class A - State School Employees Co-share 1% final avg. salary, assumed to be $513 annually with no future trend adjustment. Spouse not covered unless retiree dies, and spouse is enrolled in access-only coverage. Employee pays Rx. City pays for Plan 65, with co-share 1% final avg. salary, assumed to be $513 annually with no future trend adjustment. Those who retired before 7/1/85 are not required to switch to Plan 65. Between 7/1/85 and 9/2/95 City pays for Plan 65 only. Between 9/3/95 and 1/1/05 City pays for Plan 65 only, and spouse not covered unless ret dies, and is enrolled in access-only coverage. Those retired on/after 1/1/05 City pays for Plan 65 with co-share.	Employees have access to dental, but cost is not covered by the city for any group	Employees have access to vision, but cost is not covered by City for any group.	N/A
Richmond	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Scituate	Upon retirement, certified teachers are eligible to purchase medical and dental insurance (single or family) up to age 65 and pay 100% of the premium. The post-retirement cost to the town will be the implicit rate subsidy	Dental available	N/A	Not provided to retirees	Upon Retirement, non-certified school employees are eligible to purchase medical and dental insurance (single or family) for 18 months under COBRA. The COBRA benefits do not constitute a benefit to be included in determination of OPEB liabilities. Therefore, we note this provision exists but it is not included in liabilities or costs valued in this report.	Dental available	N/A	Not provided to retirees
Smithfield	If hired before 6/20/89, if either age 60 w/ 20 years of service, or 28 years of service with at least 15 in Smithfield, full coverage (0% coshare). Else (i.e. 60/15 or service <28) 0% coshare at the moment of retirement, and retiree covers the cost of all post-retirement benefits. If hired after 6/19/89 and before 7/1/92, if 28 years of service with at least 15 years with smithfield - 0% coshare. Else (i.e. 60/20 but service <28) = 50% coshare. If hired after 6/30/92, if age 60 and 20 years of service, or 28 years of service with at least 15 years with Smithfield, retiree receives benefits limited to $5,000 annually.	Same as medical	N/A	N/A	Family medical coverage if 15 years of service to School Dept. with 28 years or more of service with the ERSRI to age 65, retiree pays any increases in premium after date of retirement If hired before 6/20/89, if either age 60 w/ 20 years of service, or 28 years of service with at least 15 in Smithfield, full coverage (0% coshare). Else (i.e. 60/15 or service <28) 0% coshare at the moment of retirement, and retiree covers the cost of all post-retirement benefits. If hired after 6/19/89 and before 7/1/92, if 28 years of service with at least 15 years with smithfield - 0% coshare. Else (i.e. 60/20 but service <28) = 50% coshare. If hired after 6/30/92, if age 60 and 20 years of service, or 28 years of service with at least 15 years with Smithfield, retiree receives benefits limited to $5,000 annually.	Same as medical.	N/A	N/A

	Teachers				Non-Certified School Employees			
Municipality	Teachers: Medical	Teachers: Dental	Teachers: Vision	Teachers: Life	Non-Certified School Employees: Medical	Non-Certified School Employees: Dental	Non-Certified School Employees: Vision	Non-Certified School Employees: Life
South Kingstown	<u>School Teachers and Administrators:</u> If retired prior to 9/1/08, 100% school paid. If retired on/after 9/1/08, retirees will pay the same cost-share that they were paying as an active employee at the time of their retirement. The retiree cost-sharing remains a fixed dollar amount for the 5 year period . Medical and dental coverage for period of 5 years, or age 70 if earlier. If member dies during 5 year period, benefits continue for surviving spouse for the balance of the 5 years.	Dental coverage included.	N/A	School teachers who retire under state pension plan with 10 years of service are eligible to continue life insurance coverage of $30,000 paid by the district for a period of 5 years. After 5 years the retiree can elect to continue life insurance coverage of $30,000 at their expense, paying the rate in effect at their retirement date.	<u>School Clerks and Aides:</u> Medical and dental coverage for a period of up to 7 years. 100% Retiree-paid. Coverage is pre-65 only. <u>School Council 94:</u> Medical and dental coverage for a period of up to 5 years. 100% Retiree-paid. Coverage is pre-65 only.	Dental coverage included.	N/A	Eligible to continue life insurance coverage in efffect at retirement as follows: 1.) Retiree pays the non-banded rate plus any yearly premium increase on the first $30,000 in coverage. 2.) Coverage amounts beyond the first $30,000 are paid fully by the retiree at the current banded rates. The retiree also has the option of reducing the coverage to $30,000.

	Teachers				Non-Certified School Employees			
Municipality	Teachers: Medical	Teachers: Dental	Teachers: Vision	Teachers: Life	Non-Certified School Employees: Medical	Non-Certified School Employees: Dental	Non-Certified School Employees: Vision	Non-Certified School Employees: Life
Tiverton	Certified personnel of the Schools shall pay 25% of gross premiums for both Medical & Dental insurance. Comprehensive Medical Insurance offered through Blue Cross of Rhode Island.	Dental coverage included	N/A	School retirees shall receive $50,000 group term life insurance until attainment of age 65 (at that point, they become responsible for premiums and the benefit decreases to $25,000 in group term life upon attainment of age 70).	Non-certified personnel of the Schools shall pay 255 to 50% of gross premiums for both Medical & Dental insurance depending upon their age & service at retirement.	Dental Coverage included.	N/A	School retirees shall receive $50,000 group term life insurance until attainment of age 65 (at that point, they become responsible for premiums and the benefit decreases to $25,000 in group term life upon attainment of age 70).

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Warren	Retiring Warren teachers and Certified administrators hired before 7/1/93 shall receive until age 65, or eligibility for Medicare, Bristol-Warren School Department existing coverage for active employees. The School Committee will contribute 80% of the pre-65 cost of coverage if they participate in non-HSA plan. School Committee's contribution will be 90% of the pre-65 cost of coverage for employees enrolled in the HSA plan at retirement. There is no coverage upon Medicare eligibility. Coverage continues to surviving spouse of retired teachers. The widowed spouse of a teacher hired before 7/1/93 are eligibile for a fully-paid individual coverage through age 65 while unmarried and not eligible for equivalent outside coverage. If a family coverage is needed, the widow or widower is required to contribute 25% of the cost of coverage.	N/A	N/A	N/A	Retiring Warren non-certified administrators and classified employees hired before 7/1/94 shall receive until age 65, or eligibility for Medicare, Bristol-Warren School Department existing coverage for active employees. The School Committee will contribute 87% of the pre-65 cost of coverage. There is no coverage upon Medicare eligibility. There is no coverage for surviving spouse of administrators (certified and non certified) and classified employees.	N/A	N/A	N/A
Warwick	N/A (see Warwick Public Schools below)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Warwick Public Schools	All benefits terminate at age 65. Teaching employees contribute 20%-60% for coverage depending on their years of service at retirement. Spouses not covered by the plan. Surviving beneficiaries continue to receive access to the districts medical coverage through COBRA after the death of the retired employee. Survivors are required to pay the full cost of the benefits.	Dental included	N/A	N/A	All benefits terminate at age 65. Other district employees are required to reach age 62 and have 25 years of service. Contribute 20% for coverage. Spouses also contribute 20% for coverage. Surviving beneficiaries continue to receive access to the districts medical coverage through COBRA after the death of the retired employee. Survivors are required to pay the full cost of the benefits.	Dental included	N/A	N/A

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
West Greenwich	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
West Warwick	Retiring with 15 yrs of service, free coverage for 4 years after retirement until medicare eligibility Retiring with 25+ yrs of service, free coverage until medicare eligibility	Retiring with 28+ years of service, free coverage until medicare eligibility. No dental if less than 28 years of service.	None	None	Free coverage for 5 years after retirement (may extend past medicare eligibility if the 5-year period extends past medicare eligibility)	Free coverage for 5 yrs after retirement (may extend past medicare eligiblity if the 5-year period extends past medicare eligiblity)	None	None
Westerly	N/A	N/A	N/A	N/A	N/A	N/A		
Woonsocket	The board pays 100% of individual coverage for the teacher retiree and one dependent. Spouse benefit - Board pays 100% for Teachers until retiree reaches age 65. Surviving Spouse Benefit - Paid fully by the retiree, and until the date at which the deceased retiree would have attained age 65.	Delta Dental	N/A	May continue their life insurance coverage at their own expense in retirement. Superintendents: $25,000 Non-superintendents: $10,000	Paraprofessional: For members hired prior to 11/1/94, the Board pays 100% of individual coverage. For member hired on or after 1/1/94, the Board pays 95% of individual coverage. If the retiree elects a family plan, the retiree is responsible for the difference between the family premium and the individual premium. Custodial and Secretarial: The board pays 90% of individual coverage. If the retiree elects a family plan, the retiree is responsible for the difference between the family premium and the individual premium. Spouse Benefit - Paid fully by the retiree. Surviving Spouse Benefit - Paid fully by the retiree, and until the date at which the deceased retiree would have attained age 65.	Delta Dental	N/A	May continue their life insurance coverage at their own expense in retirement. Superintendents: $25,000 Non-superintendents: $10,000

OPEB SURVEY (Medical for Teachers & Non-Certified School Employees)

Prepared by: Division of Municipal Finance

October 2013

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Bristol Warren School District	Bristol &Warren teachers and Certified administrators: Hired before 7/1/93 shall receive until age 65, or eligibility for Medicare, Bristol-Warren School Department existing coverage for active employees. The School Committee will contribute 80% of the pre-65 cost of coverage if they participate in non-HSA plan. School Committee's contribution will be 90% of the pre-65 cost of coverage for employees enrolled in the HSA plan at retirement. Bristol teachers and Certified administrators - At age 65, will receive an additional coverage necessary to provide the equivalent benefits received prior to age 65. If a retiring Bristol teacher or Certified administrator is not eligible for Medicare at age 65 they may remain in the active plan. The School Committee will contribute 50% of the post-65 cost of coverage. Warren teachers and Certified administrators - There is no coverage upon Medicare eligibility. Bristol & Warren teachers - Coverage continues to surviving spouse of retired teachers. The widowed spouse of a teacher hired before 7/1/93 are eligible for fully-paid indi the widow or widower is required to contribute 25% of the cost of coverage. No coverage for surviving spouse of certified administrators.	N/A	N/A	N/A	Bristol & Warren non-certified administrators and classified employees hired before 7/1/94 shall receive until age 65, or eligibility for Medicare, Bristol-Warren School Department existing coverage for active employees. The School Committee will contribute 87% of the pre-65 cost of coverage. Bristol Non-Certified Administrators and Classified Employees - At age 65, will receive an additional coverage necessary to provide the equivalent benefits received prior to age 65. If a retiring Bristol non-certified administrator or classified employee is not eligible for Medicare at age 65 they may remain in the active plan. The School Committee will contribute 50% of the post-65 cost of coverage. Warren Non-Certified Administrators and Classified Employees - There is no coverage upon Medicare eligibility. Bristol & Warren non-certified and classified employees - No coverage for surviving spouse.	N/A	N/A	N/A
Chariho School District	Certified staffs are able to remain on the plan after retirement until age 65 or for 4 years after retirement, whichever is earlier. Support staffs are able to remain on the plan until age 65. Only individual coverage is available to support staff retirees. Surviving spouses of certified staff are able to stay on the plan at their own expense for the same duration as retirees. There is no spousal coverage available for support staff retirees. Retirees are responsible for the portion of the premium not covered by the School District's explicit subsidy. The School District offers a stipend to certified staff. To retain the subsidy, certified staff must elect the benefit with subsidy within the first 3 years of becoming eligible for the benefit. Benefits are payable until age 65. Future retirees are assumed to receive a $1,655 stipend. Certified staff who retire prior to 9/1/02 - $700/single, $1,700/family. Retire after 9/1/02 - $850/single, $2,000/family. Same benefit options are available to retirees as active employees.	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Teachers				Non-Certified School Employees			
Municipality	**Teachers: Medical**	**Teachers: Dental**	**Teachers: Vision**	**Teachers: Life**	**Non-Certified School Employees: Medical**	**Non-Certified School Employees: Dental**	**Non-Certified School Employees: Vision**	**Non-Certified School Employees: Life**
Exeter-West Greenwhich School District	Employees who retire with 20 years of service receive 2 years of coverage plus accrued sick time converted to years of healthcare coverage. Employees with 15 years receive 1 year of coverage plus accrued sick time converted to years of healthcare coverage. The expiration date is the earlier of the date healthcare coverage runs out and age 65. Prior to the employees' expiration date, the School District pays 100% of the medical premium, except for any annual increases over 5%. After the employees' expiration date, employees pay 100% of the premium plus a 2% carrying charge until age 65. Spouse Benefit - Yes, at the same cost sharing rate as the employee. Surviving Spouse Benefit - Yes, the Town covers surviving spouses medical coverage at the same rate as the above spouse benefit.	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Foster-Glocester School District	Certified Teachers and Administrator positions that have their salary increases and benefit tied to the Teachers' contract are required to pay a percentage of premiums based on the schedule below when they retire: * 10% of premium for retirements 7/1/11 to 6/30/12; and * 20% of premium for retirements in 7/1/12 to 6/30/14. For GASB valuation purposes, we have assumed 20% of premium contribution requirement for those who retire after 6/30/14. The above schedule applies to all Certified Teachers and Administrator positions who are currently actively employed.	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Summary of Benefit Provisions for OPEB (Medical for Other Classifications)

Prepared by: Division of Municipal Finance

As of October 15, 2013 - DRAFT Reports

Other Classifications

Municipality	Other: Medical	Other: Dental	Other: Vision	Other: Life
Barrington	**DPW**: Fully covered medical coverage (single or family) for five (5) years after retirement. Hired after 7/1/1991 must contribute 20% of the premium towards their coverage.	Not provided		Not provided
	DPW: Hired after 7/1/1995 are not eligible for post retirement medical coverage.			
	Dispatchers: Fully covered medical coverage (single or family) for two (2) years after retirement. Hired after 7/1/1995 receive coverage for one (1) year after retirement.	Not provided		Not provided
	Dispatchers: Hired after 7/1/1993 must contribute 20% of the premium towards their coverage.			
Bristol	**Sewer and Public Works**: Hired Prior to Sept. 1, 2002: 100% Town-paid coverage for employee until age 75 and spouse until age 65.	Hired Prior to Sept. 1, 2002: can elect coverage for self and spouse for a period of 10 years from the date of retirement at their own expense.		Hired Prior to Sept. 1, 2002: $50,000 ($10,000 in retirement; excess funds deposited into OPEB trust); 100% Town-paid.
	Sewer and Public Works: Hired After Sept. 1, 2002: 100% Town-paid coverage for employee and spouse until age 65.	Hired After Sept. 1, 2002: retirees can elect coverage for self and spouse for a period of 10 years from the date of retirement at their own expense.		Hired After Sept. 1, 2002: $50,000 ($10,000 in retirement; excess funds deposited into OPEB trust); 100% Town-paid.
	Employee Contributions: Eff. July 1, 2013, 1% of employee yearly salary.			
Burrillville	**Waste Water**: All eligible employees may elect coverage in the Plan until age 65. Spouses may be covered for as long as the retiree is covered. The retiree must pay 100% of the premium.	Offered to some groups, with the retiree responsible for paying 100% of the premium.		
Central Falls				
Charlestown				

Other Classifications

Municipality	Other: Medical	Other: Dental	Other: Vision	Other: Life
Coventry				
Cranston				
Cumberland				
East Greenwich	**DPW & Other divisions:** Retires prior to age 65, is partially covered under the BCBS (single coverage only) with the Town contributing 3.3% of the premium per year of service at retirement. Retirees contributes the remaining amount of the required premium. All retiring after 7/1/93, coverage shall continue until the retiree or his/her spouse has accident & health coverage from another employer. If coverage is less, the Town shall pay the additional premium to provide benefits not less.	Not Provided		Not Provided
East Providence				
Exeter	N/A			
Foster	**Labor Union**: The town pays 40% of the individual medical premium until retiree is eligible for Medicare. Spouse Benefit: Spouse must pay 100% of their premiums. There are no surviving spouse benefits. **Dispatch:** The town pays 40% of the medical premium for 5 years after retirement if retirement was prior to 7/1/07 and for 7 years after retirement if retirement was after 7/1/07. Spouse Benefit: medical coverage is the same as retiree coverage. There are no surviving spouse benefits.			
Glocester				
Hopkinton				
Jamestown				

Other Classifications

Municipality	Other: Medical	Other: Dental	Other: Vision	Other: Life
Johnston	**Laborers' Local 808:** Retiree medical benefits are non-contributory for all retirees and their spouses. Upon death of retiree, coverage continues to surviving spouses. Town's subsidy will continue to spouses for those who are receiving subsidized health benefits.			

Explicit Subsidy: The Town pays the full cost of coverage for pre and post-Medicare retiree health benefits.

Part B Subsidy: Town retirees receive Medicare Part B premium subsidy upon Medicare eligibility for themselves and their spouses. The monthly Part B premium effective on January 1, 2012 is $99.90. The Town also pays for the Medicare Part B premium for a closed group of existing retirees and spouses who were not enrolled in Medicare Part B when first eligible. The Town will not pay for the Part B premium penalty for future retirees.

Same benefit options are available to retirees as active employees. All pre Medicare health plans are self-insured. Post-Medicare Blue Medicare Rx plan is fully-insured and community-rated. Upon Medicare eligibility, the Town provides Blue Medicare Rx plan with monthly premium of $167. Plan 65 monthly premiums are $185.88 for the Town.

Lincoln				
Little Compton				

Summary of Benefit Provisions for OPEB (Medical for Other)

Prepared by: Division of Municipal Finance

As of October 15, 2013 - DRAFT Reports

Other

Municipality	Other: Medical	Other: Dental	Other: Vision	Other: Life
Middletown	Public Works: The retiree receives only individual coverage. Retirees pay 35% of the stated premiums to age 65, followed by 50% of Plan 65 premiums until age 70. Dental coverage is available with the retiree paying full cost. In addition, in order to qualify for health coverage, must have 10 years of continuous service and be age 60. Library Employees: No retiree medical coverage other than COBRA. Clerical & Custodial: If the retirement date is on or after 7/1/03, the retiree receives the medical coverage in effect at the date of retirement for 5 years or to age 65, whichever is first (the last 2 years of this coverage is individual only). Custodial retirees pay 8% of stated premiums. Clerical retirees pay the contribution percentage applicable when they retire. Future retirees will pay 6%. All clerical employees who ere hired after 7/1/96 will pay 20% of stated premium in retirement. No rebate was reflected for clerical or custodial retirees who waive subsidized coverage. In addition to premium costs, a $29.19 per month administration cost is assumed for each member of the plan.	Public Works: Dental coverage is available with the retiree paying full cost. Clerical & Custodial: Eligible for Town subsidized dental coverage. If the retirement date is prior to 7/1/03, retiree receives 100% dental coverage in effect at date of retirement for 3 years or to age 65, whichever is first. If the retirement date is on or after 7/1/03, the retiree ceceives 100% medical and dental coverage in effect at date of retirement for 5 years or to age 65, whichever is first (the last 2 years of coverage are individual only). Other groups are not eligible for town subsidized dental coverage in retirement.	N/A	N/A

Other

Municipality	Other: Medical	Other: Dental	Other: Vision	Other: Life
Narragansett	N/A	N/A	N/A	N/A
New Shoreham	N/A	N/A	N/A	N/A
Newport	Eligible upon retirement; AFSCME and NEA retiree and spouse eligible for coverage until age 65; Plan65 for retirees except that any retiree after 7/1/09 has no post-65 coverage. AFSCME and NEA retirees after 7/1/09 pay 3% of premium as a cost share; non-union retirees pay 10 or 15% of preimum depending on date of retirement.	N/A	N/A	N/A
North Kingstown	Non-Union: The Town currently pays 100%. The town will pay 80% for retirees who retire after 1/1/12. Town provides Medicare Supplemental Coverage for life upon becoming eligible for Medicare. Spouse benefit - Yes Surviving Spouse Benefit - No	N/A	N/A	N/A
North Providence	N/A	N/A	N/A	N/A
North Smithfield	N/A	N/A	N/A	N/A

Other				
Municipality	**Other: Medical**	**Other: Dental**	**Other: Vision**	**Other: Life**
Pawtucket	N/A	N/A	N/A	N/A
Portsmouth	General employees: Retiree health care coverage is discontinued upon death of the retiree. Surviving spouse will be offered COBRA. Public Works: The Town will contribute 80% of the medical and dental costs for Public Works employees until Medicare eligibility. Vision coverage is free for retirees. Currently, Public Works is the only group required to pay health contributions while in retirement status. Non-Union group employees: Receive free retiree health care (medical, dental, and vision) until Medicare eligibility.	80% of Dental included.	Vision free for retirees.	N/A
Providence	N/A	N/A	N/A	N/A
Richmond	N/A	N/A	N/A	N/A
Scituate	Public Works and Non-Union Town Employees - Upon retirement are eligible for individual medical insurance coverage. Retired members must contribute the following towards their premium coverage: Service 10-15 = 100% contribution Service 16-22 = 21% contribution Service 23-29 = 10.5% contribution Service 30+ = 0% contribution. Town employees are also eligible to contribute 100% of the remaining premium towards family coverage.	A Town employee may purchase dental insurance through COBRA for up to 18 months. The COBRA benefits do not constiture a benefit to be included in determination of OPEB liabilities. Therefore, we not this provision exists but it is not included in liabilities or costs valued in this report.	N/A	Life insurance is not provided to retirees.
Smithfield	0% co-share for Town plan participants. Required to migrate to medicare upon eligibility.	Family dental coverage if age 58 and 20 years of town service, 0% co-share, required to migrate to medicare upon eligibility	N/A	N/A

Other				
Municipality	**Other: Medical**	**Other: Dental**	**Other: Vision**	**Other: Life**
South Kingstown	Emergency Medical Services (EMS): 30, 25, 20 years of service: town pays $4000, $2666, $1333 per year respectively towards the cost, and retiree pays the differnce for 3 years. Coverage is pre-65 only. The Town shall provide medical coverage to the surviving spouse of an employee killed in line of duty. Coverage will continue for 5 years following the date of death. Cost-sharing is as follows: Hired on/before 8/1/02 - 5% member paid - 10% member paid (effective 7/1/10) - 15% member-paid (effective 7/1/11) Hired after 8/1/02: - 20% member-paid	EMS: Dental benefits for self and spouse. Service-Connected disability only, until age 65. 100% Town-paid.	N/A	EMS: Retiree will pay full cost of benefit if chooses to continue coverage
Tiverton	AFSCME retirees - shall pay the co-pay upon retirement (10%, 12%, or 15%). Teamsters hired prior to 7/1/94 shall have no contributions in retirement.	Includes Dental.	N/A	N/A
Warren	Non-union Supervisory Personnel: - Hired prior to 4/26/06, 3 years of free coverage that can extend past Medicare eligibility. - Hired on/after 4/26/06, 3 years subsidized coverage that can extend past Medicare eligibility. During the subsidy period, the Town will contribute 80% of the premium.	Includes Dental.	N/A	N/A
Warwick	N/A	N/A	N/A	N/A
Warwick Public Schools	N/A	N/A	N/A	N/A

Other				
Municipality	**Other: Medical**	**Other: Dental**	**Other: Vision**	**Other: Life**
West Greenwich	N/A	N/A	N/A	N/A
West Warwick	N/A	N/A	N/A	N/A
Westerly	N/A	N/A	N/A	N/A
Woonsocket	N/A	N/A	N/A	N/A

Attachment D

Rhode Island Municipal Government Other Post Employment Benefit Obligations
As indicated on valuation reports

Draft - for discussion only

					Assets	Liability						Membership		
Municipality	Valuation Date	ARC	Plan Contribution[3]	Percent Contributed		Active Portion	Retiree Portion	Total Liability	UFAL	Funded Percentage	Discount Rate	Actives	Retirees	Total
Barrington	6/30/2011	507,168	501,630	98.9%	1,217,573	4,044,334	1,948,179	5,992,513	4,774,940	20.3%	5.0%	81	16	97
Barrignton Schools	6/30/2011	2,331,483	1,278,774	54.8%	2,971,165	14,419,907	5,076,463	19,496,370	16,525,205	15.2%	5.0%	397	77	474
Bristol [2]	7/1/2012	945,000	950,000	100.5%	3,428,000	5,795,000	10,917,000	16,712,000	13,284,000	20.5%	6.75%	138	119	257
Burrillville	7/1/2011	206,572	209,505	101.4%	-	1,494,285	696,312	2,190,597	2,190,597	0.0%	4.00%	303	68	371
Central Falls	12/31/2011	828,610	849,655	102.5%	-	2,380,087	11,732,704	14,112,791	14,112,791	0.0%	4.50%	70	68	138
Charlestown	7/1/2012	527,000	531,000	100.8%	1,794,000	2,393,000	2,968,000	5,361,000	3,567,000	33.5%	7.50%	22	20	42
Coventry [1]	7/1/2011	1,239,000	846,000	68.3%	-	5,694,000	6,829,000	12,523,000	12,523,000	0.0%	4.00%	717	385	1,102
Cranston	7/1/2012	4,405,694	4,420,103	100.3%	255,153	28,789,723	34,563,870	63,353,593	63,098,440	0.4%	7.50%	313	595	908
Cranston Schools		2,837,968	2,365,884	83.4%	-	15,308,103	11,458,450	26,766,553	26,766,553	0.0%	4.00%	1006	365	1,371
Cumberland [1]	6/30/2012	3,521,332	1,565,322	44.5%	-	13,335,156	26,051,065	39,386,221	39,386,221	0.0%	4.00%	443	126	569
East Greenwich [1]	6/30/2011	1,276,669	291,827	22.9%	-	6,793,256	4,751,675	11,544,931	11,544,931	0.0%	4.25%	114	39	153
East Greenwich Schools	6/30/2011	584,601	477,899	81.7%	-	3,577,104	533,766	4,110,870	4,110,870	0.0%	4.25%	231	14	245
East Providence City Plan	10/31/2011	5,547,669	3,728,228	67.2%	-	44,047,557	32,170,199	76,217,756	76,217,756	0.0%	4.50%	365	184	549
East Providence School Plan	10/31/2011	3,810,380	2,896,617	76.0%	-	13,198,608	15,132,586	28,331,194	28,331,194	0.0%	4.50%	706	235	941
Exeter [2]	NA													
Foster [2]	7/1/2009	73,806	60,863	82.5%	-	474,196	306,306	780,502	780,502	0.0%	4.00%	59	12	71
Glocester [2]	7/1/2010	197,220	198,727	100.8%	-	1,130,553	1,184,178	2,314,731	2,314,731	0.0%	4.00%	118	25	143
Hopkinton [2]	NA													
Jamestown Town	7/1/2011	333,454	169,392	50.8%	-	1,200,609	2,282,362	3,482,971	3,482,971	0.0%	4.00%	10	8	18
Jamestown School	7/1/2011	487,820	564,767	115.8%	-	1,221,206	5,274,799	6,496,005	6,496,005	0.0%	4.00%	57	25	82
Johnston	6/30/2012	17,249,186	5,284,569	30.6%	-	70,554,602	116,404,797	186,959,399	186,959,399	0.0%	3.50%	664	680	1,344
Lincoln [1]	6/30/2013	1,430,251	1,367,621	95.6%	280,005	7,019,971	8,758,689	15,778,660	15,498,655	1.8%	7.50%	356	113	469
Little Compton	10/4/2011	258,326	114,670	44.4%	-	1,361,713	1,268,210	2,629,923	2,629,923	0.0%	4.00%	49	11	60
Middletown	6/30/2011	2,026,910	2,071,192	102.2%	3,338,311	6,569,254	22,893,865	29,463,119	26,124,808	11.3%	7.50%	372	273	645
Narragansett	6/30/2012	6,405,686	2,133,452	33.3%	-	22,270,435	49,077,348	71,347,783	71,347,783	0.0%	4.50%	355	169	524
Newport	7/1/2012	7,544,617	7,544,617	100.0%	23,113,176	34,004,127	85,338,105	119,342,232	96,229,056	19.4%	7.50%	653	527	1,180
New Shorham	NA													
North Kingstown	7/1/2010	3,218,397	1,380,037	42.9%	-	25,541,805	10,681,898	36,223,703	36,223,703	0.0%	4.00%	760	164	924
North Providence	7/1/2012	5,332,000	2,961,000	55.5%	-	32,048,000	34,179,000	66,227,000	66,227,000	0.0%	4.00%	705	272	977
North Smithfield	7/1/2011	671,558	343,333	51.1%	-	2,949,324	3,587,965	6,537,289	6,537,289	0.0%	4.00%	243	32	275
Pawtucket	7/1/2011	19,285,740	12,939,217	67.1%	-	95,437,534	216,822,743	312,260,277	312,260,277	0.0%	4.00%	1436	780	2,216
Portsmouth	6/30/2011	1,349,118	594,569	44.1%	153,249	5,885,243	7,363,097	13,248,340	13,095,091	1.2%	5.24%	96	36	132
Portsmouth	6/30/2012	592,410	567,085	95.7%	-	7,207,872		7,207,872	7,207,872					-
Providence	7/1/2011	70,354,000	32,252,000	45.8%	1,238,000	493,534,000	655,581,000	1,149,115,000	1,147,877,000	0.1%	4.00%	5109	3631	8,740
Richmond [2]	NA								-					-
Scituate	3/31/2013	417,005	155,542	37.3%	-	2,268,834	1,708,529	3,977,363	3,977,363	0.0%	4.50%	393	54	447
Smithfield	6/30/2012	3,038,561	1,342,124	44.2%	-	19,944,028	15,197,481	35,141,509	35,141,509	0.0%	3.50%	460	100	560
South Kingstown	7/1/2011	1,878,000	1,902,000	101.3%	1,650,000	10,198,000	9,062,000	19,260,000	17,610,000	8.6%	8.00%	769	258	1,027
Tiverton	7/1/2012	2,485,785	1,292,835	52.0%	-	7,053,716	17,438,500	24,492,216	24,492,216	0.0%	3.50%	274	96	370
Warren [2]	6/30/2012	420,724	100,687	23.9%	739,870	3,657,759	674,249	4,332,008	3,592,138	17.1%	4.00%	55	7	62
Warwick	7/1/2011	21,498,650	6,750,000	31.4%	-	132,938,783	90,654,629	223,593,412	223,593,412	0.0%	4.00%	729	713	1,442
Warwick Schools	7/1/2011	3,670,067	2,777,971	75.7%	-	30,660,950	7,172,699	37,833,649	37,833,649	0.0%	4.00%	1380	276	1,656
West Greenwich [2]	NA													
West Warwick	6/30/2012	7,552,618	4,865,794	64.4%	-	38,966,265	68,363,396	107,329,661	107,329,661	0.0%	4.00%	528	547	1,075
Westerly	7/1/2012	3,306,088	922,800	27.9%	3,473,653	2,311,037	12,071,784	14,382,821	10,909,168	24.2%		48	40	88
Woonsocket	7/1/2011	16,268,617	5,069,434	31.2%	-	66,501,630	89,168,404	155,670,034	155,670,034	0.0%	4.00%	341	437	778
Woonsocket - Schools	7/1/2011	4,799,855	2,035,650	42.4%	-	34,112,205	23,198,264	57,310,469	57,310,469	0.0%	4.00%	748	217	965
Bristol Warren School District	6/30/2012	2,161,123	2,063,891	95.5%	-	1,964,825	22,253,475	24,218,300	24,218,300	0.0%	5.00%	68	290	358
Chariho School District	6/30/2012	166,093	146,388	88.1%	-	808,983	663,199	1,472,182	1,472,182	0.0%	4.00%	394	19	413
Exeter West Greenwich School District	7/1/2012	450,414	150,248	33.4%	-	3,321,359	471,621	3,792,980	3,792,980	0.0%	4.00%	166	14	180
Foster Glocester School District	6/30/2012	378,164	381,188	100.8%	-	1,677,429	1,338,315	3,015,744	3,015,744	0.0%	4.00%			
Totals		233,871,409	121,416,107		43,652,155	1,326,066,367	1,745,270,176	3,071,336,543	3,027,684,388			22,301	12,137	34,438

NOTE: The information shown on this report is subject to revision. Information is based on the most recently completed valuation report submitted by municipalities to the Division of Municipal Finance. Many municipalities are in the process of completing new valuation repor
Data has not been verified by the municipality to determine if MERS and teacher retirement reform assumptions are incorporated appropriately. Data may not include school employees/retirees. Data does not include fire districts' OPEB obligatio
Data does not include the impact of recent negotiations which may include changes to benefit eligibility

[1] This municipality has a fire district with OPEB liability which has not been included in the totals shown above.
[2] The regional school district for the municipality is shown separately at the bottom of this report.
[3] Planned contributions (the contribution a municipality intends to make) are generally estimates and may not be the actual contribution made by the municipality.

MICHIGAN STATE UNIVERSITY | Extension

Funding the Legacy

The Cost of Municipal Workers' Retirement Benefits to Michigan Communities

MSU Extension White Paper

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[1] The authors would like to thank Traci Taylor and Christina Plerhoples, Ph.D.c., for their time and assistance with this research project.

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Funding the Legacy

The Cost of Municipal Workers' Retirement Benefits to Michigan Communities

Introduction

Legacy costs are commitments made in the past that will be paid by future generations. Defined-benefit pensions and other postemployment benefits (OPEB), such as retiree healthcare, are examples of legacy costs. Traditionally, public employers have measured and funded pension obligations as employee service is rendered; this ensures that funds are available when it is time to pay those benefits. In contrast, very few local government employers fund the OPEB commitment during an employee's tenure. In fact, municipalities were not required to measure OPEB until an accounting standard was issued in 2004 with implementation beginning in 2007. Now that local governments have calculated OPEB, many local officials are faced with the overwhelming reality of a massive commitment. This issue becomes especially challenging when the liability is owed to those who are currently retired.

A review of Michigan cities facing severe fiscal stress revealed that each was confronted with a significant unfunded OPEB liability. Several questions followed: How many other local units face similar structural budget imbalances? To what extent does OPEB play a role in that scenario? What is the amount of unfunded local government OPEB in Michigan? How many public employees and retirees are affected by unfunded OPEB? What steps have local governments taken to manage the OPEB liability? Are there statewide public policy implications of potentially unmanageable legacy costs?

To better understand these potential issues, we reviewed the fiscal year 2011 annual audit reports filed with the Michigan Department of Treasury for each city, village and township. OPEB, pension and related financial data were compiled and analyzed. This frequently asked questions (FAQ) publication presents key findings from that research. The primary purpose of this document is to create awareness of OPEB commitments and funding pressures. Further, this document and related materials are designed to foster proactive discussion among stakeholders, present a method for benchmarking OPEB across local units and identify opportunities that may lead to viable alternatives to the continuing erosion of local government services that will continue if the problem is not addressed.

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1 The authors would like to thank Traci Taylor and Christina Plerhoples, Ph.D.c., for their time and assistance with this research project.

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Funding the Legacy

The Cost of Municipal Workers' Retirement Benefits to Michigan Communities

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What are the Key Findings?

Overall, it is clear that OPEB merits a cohesive discussion. Though a few local units have made significant effort in addressing OPEB, the aggregate total unfunded liability, regional concentration, fragmented efforts and inherent difficulty in predicting healthcare costs expose taxpayers and OPEB plan members to long-term financial risk. Key findings from the FY 2011 audited financial reports:

The scope of the OPEB liability

- Of 1,773 local units of government in Michigan, 311 (representing 67% of Michigan's population) were found to provide some level of OPEB at the end of FY 2011.
- The total OPEB liability for Michigan's cities, villages and townships is $13.5 billion. This liability is funded at 6 percent, resulting in a net unfunded liability of $12.7 billion.
- One city, Detroit, has an unfunded liability of $4.9 billion on the basis of actuarial data from June 30, 2009. This equates to 39 percent of the total for all local units.
- The amount of net unfunded OPEB ($12.7 billion) for local units is 1.6 times the combined amount of unfunded pension ($3.1 billion) and governmental activities debt ($4.7 billion) for the 284 units that provided complete data.
- Almost $11 billion, or 86 percent, of the unfunded OPEB liability is attributable to local governments in southeastern Michigan – Genesee, Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw and Wayne counties.
- In some municipalities, OPEB liability is higher than unfunded pension and governmental bonded debt combined.
- Actuarial data lags behind fiscal year reporting. In FY 2011 reports, 42 percent of the units had relatively current information. The remaining valuations (58 percent) were dated 2009 or earlier or subject to calculation utilizing an alternate method.
- The number of units that have begun prefunding OPEB is 138, or 47 percent, of the 284 units studied. The majority of the units that have begun prefunding fall in the 30,001-200,000 population range.
- For the 98 units that provided total plan participant data, the average liability per member is $136,854.

Budget impact

- Cities account for 63 percent of OPEB providers; townships, 29 percent; and villages, 8 percent.
- The annual required contribution (ARC) to fund OPEB is an average of 3.18 mills for all local units excluding Detroit. Detroit's OPEB ARC is equivalent to 35.6 mills, using 2010 taxable values for FY 2011.
- OPEB ARC equates to 15 percent of governmental entitywide revenues; pension ARC is 8 percent. The general fund bears more of the brunt of the cost burden, and OPEB ARC equates to 20 percent of general fund revenues; pension ARC is 10 percent. All amounts are based on aggregate totals.
- Very few entities fund the OPEB annual required contribution at 100 percent. In aggregate, the local units are funding the OPEB ARC at 58 percent; the pension ARC is funded at 103.5 percent.
- For the 73 units that provided current retiree participant data, the average annual benefit cost per current retiree is $8,887.

Benefit plan design

- Twenty-two local units, or 7.7 percent, offer a retiree healthcare savings plan in combination with other plans or for employees hired after a certain date. Three local units were found to offer a defined-contribution plan as the *only* plan option for all employee groups.
- Eighty-five percent of the plans are open to new plan members. Of the remainder, 7 percent have closed the defined-benefit style of OPEB to new members, and 8 percent have closed OPEB to some employee groups but not all.
- Most employers (52 percent) do not require employee or retiree contributions for retirement healthcare benefits. The remaining 48 percent require retiree premium copayments, and some require employee contribution to a trust to fund future OPEB payments.

Part 1: Understanding Legacy Costs

This section of the FAQ provides a brief explanation of legacy cost terminology and concepts. The risk of a brief explanation is oversimplification. Readers who desire a more in-depth, technical explanation are encouraged to refer to the resources provided in the footnotes.

What is OPEB?

"Other postemployment benefits" (OPEB) is the term used to describe benefits promised to retirees and earned during their years of service. The most common benefit is healthcare for retiree and spouse. Some plans also include dental, life and other insurances. Though these benefits have been offered for decades, the majority of state and local governments did not calculate the respective liability until required to do so by accounting standards beginning in 2007.[1]

Why is OPEB an important issue?

OPEB has become the single largest category of unfunded liability for many of the local units that provide these benefits. In some instances, the OPEB liability is higher than unfunded pension and governmental bonded debt *combined*. For municipalities experiencing severe fiscal stress, the magnitude of this liability has heightened the tension between providing services to current residents while upholding past commitments. For units with the most proactive financial management, OPEB continues to be a pressing budgetary issue. Traditionally, controlling the healthcare liability encompassed amending benefit levels, changing insurance carriers and implementing employee cost sharing. Those who did project their long-term cost commitments recognized that more drastic measures were necessary. In some cases, employers ceased to provide retiree healthcare.

The core issue in managing the healthcare liability, however, is that many of the variables that affect healthcare cost commitments are beyond a local government's control. These include inflationary increases in healthcare costs, pressure to provide "comparable" benefits pursuant to labor laws,[2] reduced revenues,[3] and the relationship between increased longevity, chronic conditions and personal health choices.[4]

An added complexity for public employers is the number of years that retirement cycles span. It is not unusual for employees in physically demanding positions, such as law enforcement, firefighting and public works, to retire by age 55. This creates benefit plan design concerns including coverage for pre-Medicare retirees, Medicare coordination, portability of benefits to other states and dependent eligibility criteria. The OPEB calculation is subject to significant estimation risk because of the number of years in retirement. In some cases, the years in retirement exceed the retiree's years of service.

What is meant by "defined contribution" and "defined benefit"?

In a **defined-contribution plan**, the employer agrees to contribute a **predetermined dollar amount during the employee's active service to a trust account**. For example, an employer may agree to contribute 5 percent of biweekly pay into a trust fund such as a healthcare savings program (HCSP). The employer funds the account while the employee is actively employed. Once the employee retires, the funds in the trust account are available for the employee to use toward his/her medical costs in retirement. The **employer has no further financial commitment** once the employee retires.

In a **defined-benefit** plan, the employer agrees to **provide a predetermined benefit after the employee retires**. For

1 The Governmental Accounting Standards Board (GASB) issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" in June 2004. Implementation of this standard was based upon level of total annual revenues: if $100 million or more, effective for fiscal periods beginning after Dec. 15, 2006; if $10 million or more but less than $100 million, then effective for fiscal periods after Dec. 15, 2007; and, if less than $10 million, then effective for fiscal periods beginning after Dec. 15, 2008. A full text version of GASB 45 is available online at *http://www.gasb.org*.

2 State of Michigan's Compulsory Arbitration of Labor Disputes in Police and Fire Departments is Act 312 of 1969 (423.231 - 423.247).

3 The Center for Local, State and Urban Policy surveyed top elected and appointed local officials in all counties, cities, villages and townships in Michigan. The response rate was 72 percent (or 1,329 jurisdictions). Sixty-four percent reported declines in revenue from property taxes, and 46 percent were affected by declining state aid. The "Michigan Public Policy Survey," issued September 2012, is available online at *http://closup.umich.edu/files/mpps-fiscal-health-2012.pdf*.

4 A recent policy analysis pertaining to healthcare cost drivers, "What Is Driving U.S. Health Care Spending? America's Unsustainable Health Care Cost Growth," issued September 2012, is available from the Bipartisan Policy Center at *http://bipartisanpolicy.org/sites/default/files/BPC%20Health%20Care%20Cost%20Drivers%20Brief%20Sept%202012.pdf*. Specific to Michigan is an issue brief from the Center for Healthcare & Transformation, "Healthcare Cost Drivers: Chronic Disease, Comorbidity, and Health Risk Factors in the U.S. and Michigan," issued July 2010. It is available at *http://www.chrt.org/publications/price-of-care/issue-brief-2010-08-health-care-cost-drivers/* .

example, an employer may agree to provide a particular health insurance plan to an employee retiring at age 55 until he/she reaches Medicare eligibility. The **employer's financial commitment becomes payable** once the employee retires.

How are OPEB and pensions similar? How are they different?

Other postemployment benefits (OPEB) represent commitments made to employees to provide a benefit after their employment ends. The prevalent OPEB commitment is retiree healthcare. Similarly, pensions also promise a benefit paid in the future for service provided today. In managing financial risk, there are many differences between the two types of benefits. It is helpful to begin with reviewing a simplified version of the benefit formula.

Pension

With a defined-benefit plan, the retiree's pension is determined by a three-part formula:

Annual pension benefit	**=**	**Years of service**	**X**	**Final average compensation (FAC)**	**X**	**Pension multiplier**

Years of service – Years of service is based on actual employee service (although sometimes the employee or employer may "buy" years of service at an actuarially determined cost).

Final average compensation (FAC) – The final average compensation is the average of wages or salary paid to the employee over a predetermined number of years. An FAC of three, for example, may be stated as the highest compensation for three (typically consecutive) of the final five years of service. FAC increases if other forms of compensation, such as vacation leave payout and overtime, are included in its definition.

Pension multiplier – The pension multiplier represents a percent of pay for each year of service. Assuming an employee has 20 years of service, an FAC of $50,000, and a pension multiplier of 2.5, his/her annual pension benefit would be $25,000 (20 years x $50,000 x 2.5 percent).

Changes in any one of these variables during employment alter the pension benefit and, consequently, the related employer liability. Although these variables can be defined in numerous ways, which affect the benefit amount, the bottom line is that, when an employee terminates service, each of the three variables is known.

OPEB

The retiree's annual benefit for healthcare is often based on a two-part formula:

Annual OPEB	**=**	**Vesting percentage**	**X**	**Annual cost of health insurance plan**

Vesting formula – Vesting occurs when employee rights to the OPEB accrue on the basis of the number of years of service or some other policy. For example, an employer's policy may state that employees become eligible for retiree healthcare when they have a minimum of 10 years of service and they accrue 4 percent vesting for each year of service. An employee who retires with 20 years of service receives a benefit of 80 percent (20 years at 4 percent). In that case, the employer typically pays the premium and invoices the retiree for the remaining 20 percent.

It should be noted that it is not unusual for employees to wait until they reach 100 percent before retiring or for the employer to provide 100 percent no matter how many years of service were provided.

Annual cost of health insurance plan – This represents the actual cost of the health insurance plan for any given year. Though this cost is known the year that the employee retires, future healthcare costs are unknown. The actuary must therefore predict those costs for multiple decades into the future.

Other key differences between pension and OPEB:

1. **Documentation:** Pension plan commitments are well-documented. They are written in accordance with state and federal laws and regulations. Documentation for OPEB benefits – retiree healthcare, in particular – is not written consistently and is often vague. This presents challenges for the actuary in determining the benefit level and assigning a value.
2. **Third party influence:** A pension is a financial calculation, but medical benefits are often subject to a plan designed by an outside provider. If a particular medical plan is no longer offered by an insurance carrier, many employers are committed to finding a substantially equal plan due to previously agreed upon labor contracts or other documents. This presents additional uncertainty because changes to healthcare plans are inevitable during the course of a person's retirement.
3. **Commitment to funding:** Pensions have historically been funded in accordance with actuarially determined rates. This is commonly referred to as prefunding. The benefit of prefunding the plan is that, over time, the plan

has investment earnings that offset taxes and user fees that would otherwise be required to pay for the future benefits.[5]

4. **Learning curve:** Pension liabilities have been actuarially calculated and reported since their inception for many local units in the 20th century (or earlier).[6] In general, the OPEB liability has only recently been calculated and disclosed as a result of governmental accounting standards beginning in 2007.[7] The complexity of retiree healthcare has presented a learning curve for all parties involved.
5. **Protection:** Pensions are protected by constitutional provisions in many states, including Michigan.[8] The enforceability of OPEB is untested in most states. Complicating the OPEB issue is the lack of documentation noted earlier.
6. **History:** There is no historical framework to assess OPEB liability. The U.S. Census Bureau has collected municipal pension data since 1957, but there has been no collection of OPEB data. Since 2006, only a few states have compiled aggregate OPEB data for their respective local governments.

What is an actuary and how can actuaries help?

An actuary is a "professional who analyzes the financial consequences of risk … [using] mathematics, statistics and financial theory to study uncertain future events, especially those of concern to insurance and pension programs. They evaluate the likelihood of those events, design creative ways to reduce the likelihood and decrease the impact of adverse events that actually do occur."[9]

Actuaries are a key resource in achieving OPEB sustainability. Actuaries are underutilized when local governments evaluate their OPEB plan design. In contrast, pension systems are more likely to consult with an actuary before a plan is changed. This is demonstrated by the administrative practice employed by the Michigan Municipal Employees Retirement Systems (MMERS) pension program. MMERS has had a long-standing policy that no member municipality may change benefits unless a supplemental actuarial valuation is obtained. This builds in an element of fiscal responsibility by requiring the employer to identify the specific benefit and its related cost before making a long-term financial commitment.[10] In contrast, municipalities rarely obtain actuarial valuations before implementing OPEB changes. Employers are often surprised that there is little change or perhaps an increase in the liability despite benefit reductions. Obtaining an actuarial valuation of potential plan design changes would increase the likelihood of well-informed decisions.

Municipal officials can benefit from the advice of an actuary in other ways. Actuaries can provide cash flow forecasts and "what if" analyses and aid in identifying cost-effective benefit plan design options.

What is the alternate method?

OPEB plans with fewer than 100 participants may calculate the OPEB liability using the alternate method as defined in detail in GASB 45.[11] Though the intent is that the alternate method could be performed by those with non-technical backgrounds, the risk of error definitely exists. It is a complex calculation that requires a certain level of administrative capacity and expertise that may not be available in many local units. In any situation there is a possibility of spreadsheet errors. The risk of under- or overstatement of the liability exists for the units that utilize the alternate method.

What is prefunding versus pay-as-you-go?

An actuarially sound prefunded public pension or OPEB plan relies on the following simplified equation.

Required contribution	=	Benefits to be paid	+	Plan expenses	-	Investment income

The actuary uses methods and assumptions to predict each of the variables in this equation. **If a plan is prefunded, assets are available to generate investment income, thereby reducing the contribution.** The greater the investment income, the lower the required contribution becomes. If there are no prefunded assets, then there is

5 Two state laws that govern the investment of funds are pertinent to this discussion: Public Employee Health Care Fund Investment Act, Act 149 of 1999, and Public Employee Retirement System Investment Act, Act 314 of 1965.

6 Arnold F. Shapiro, Pension Funding: A Historical Perspective, Society of Actuaries, 2005, available at *www.soa.org*.

7 Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

8 See State of Michigan Constitution, article 9, section 24, at *http://www.legislature.mi.gov/documents/Publications/Constitution.pdf*.

9 This definition of an actuary was obtained from the Society of Actuaries at *http://www.soa.org/About/about-what-is-an-actuary.aspx* .

10 The entire Michigan Municipal Employees Retirement Systems plan document is available online at *http://www.mersofmich.com/MERS/About-MERS/Legal/Plan-Document*.

11 GASB 45 describes the alternate method in paragraphs 33 to 35 and provides an example at Appendix F, Illustration of Calculations Using the Alternative Measurement Method. Those wishing to gain a better understanding of the actuarial considerations in valuing OPEB may find reviewing these sections in GASB 45 beneficial. GASB 45 in its entirety is online at *www.gasb.org*.

no investment income and the plan is not considered actuarially sound.[12] In a pay-as-you go scenario, the required contribution is equal to the benefits paid plus plan expenses (there is no investment income).

A prefunded plan relies less than a pay-as-you-go plan on taxes and fees because investment income offsets a portion of the contribution. Prefunding is a sound financial management practice to address adequate cash flow, economic fluctuations, benefit changes and other areas of risk in managing a long-term commitment.

The practice of prefunding also addresses the concern of intergenerational equity. Each generation of taxpayers pays for the cost of the services they receive without deferring the cost to future generations.

[12] Philip Martin McCaulay, *Public Pension Plan Funding Policy*, Society of Actuaries, 2010, accessed online at *www.soa.org*.

Part 2: Michigan Local Government OPEB

How big is the unfunded liability for U.S. local governments? No one knows, and very few states have begun to quantify the total liability for their local units.[13] In Michigan, that data has not been collected and analyzed until now. Without quantifying the liability, the potential impact on taxpayers, local governments, public employees and retirees is unknown. For this reason, a team from the Michigan State University Department of Agricultural, Food and Resource Economics undertook the task to collect the data for the 1,773 cities, townships and villages in Michigan.

How was the data collected?

In Michigan, local governments with a population of 4,000 or more are required to obtain an annual audit. Those with a population of fewer than 4,000 must obtain an audit biennially.[14] The required audit reports must be filed with the Department of Treasury within six months of the entity's fiscal year end.[15] For this study, 100 percent of the audited reports submitted by cities, townships and villages to the Department of Treasury for fiscal year 2011 were reviewed.

How many Michigan cities, townships and village provide OPEB?

Of the 1,773 local units in Michigan, 311 entities (17.6 percent) were found to provide OPEB. Though this may sound minor, it is important to note that 6.6 million people (or 67 percent of the state's total population) reside in those 311 local government jurisdictions.

Of those that provide OPEB, 284 had complete financial data and are the basis for this research as shown in **Figure 1**, Number of Local Governments that Provide OPEB and Related Population. Twenty-four local units were excluded because of missing data. The impact of those units in aggregate is deemed to be relatively small (their total population is 159,319, with the most populated at 32,421 and the least populated at 1,282). In addition, three units were excluded because they provide a defined-contribution (DC) plan exclusively. No OPEB liability exists for DC plans.

Audit reports indicated that 985 (55.6 percent) of Michigan's local units do not provide OPEB. No financial

[13] In September 2011, the Rhode Island Office of the Auditor General compiled unfunded OPEB for 100 percent of that state's local governments. Minnesota conducted a survey in 2006 with a response rate of 84 percent. In other states, private research organizations have taken on the task of calculating unfunded legacy costs. Most recently, the Boston Business Journal released data for 254 local units in Massachusetts. The article and database are online at *http://www.bizjournals.com/boston/blog/bbj_research_alert/2012/11/unfunded-promises-what-mass-cities.html?appSession=140241766914750*. Other states, such as Ohio and Oregon, have statewide systems that encompass many of their local units of government. In those states, the total liability is known but not the amount attributable to each local unit.

[14] State of Michigan Uniform Budgeting and Accounting Act 2 of 1968 (MCL 141.421 - 141.440a).

[15] Michigan local unit audit reports may be found online at *http://www.michigan.gov/treasury/0,1607,7-121-1751_31038---,00.html*.

	Provides OPEB?					
Local Unit Type	Yes, included in analysis	Yes, but excluded due to missing financial data	Provides a defined contribution plan exclusively	No	No financial report filed for 2011	Total Local Units
Local Unit Type						
City	183	10	2	80	2	**277**
Township	80	10	1	730	419	**1,240**
Village	21	4	0	175	56	**256**
Total Units	284	24	3	985	477	1,773
Percent of Local Units	*16.0%*	*1.4%*	*0.2%*	*55.6%*	*26.9%*	*100.0%*
Percent of Michigan Population Served	*65.3%*	*1.6%*	*0.4%*	*27.5%*	*5.2%*	*100.0%*

Figure 1. Number of Local Governments that Provide OPEB and Related Population.

report was filed for the remaining 477 units (26.9 percent) primarily because of the biennial audit allowance for units with populations below 4,000.

What about counties, school districts and other types of local units?

In addition to the 1,773 cities, villages and townships in Michigan, there are 83 counties and 1,201 school and other special districts, such as libraries and fire authorities.[16] This document addresses cities, villages and townships. To better understand county OPEB challenges, the Citizens Research Council (CRC) surveyed all county governments in Michigan. In 2011, the CRC reported that "Michigan counties that responded to the CRC survey face a combined actuarial accrued liability of $4 billion, the vast majority of which is unfunded."[17] Most public school employees are members of the Michigan Public School Employees' Retirement System. As reported in its September 30, 2011, annual financial report, the unfunded actuarial liability is $27.6 billion (net of actuarial value of assets of $999.3 million).[18]

[16] U.S. Census Bureau, 2012 Census of Governments, Table 2. Local Governments by Type and State: 2012.

[17] Citizens Research Council, *The Health Care Obligations of Michigan Counties*, February 2011, available at *http://www.crcmich.org/PUBLICAT/2010s/2011/note201101.pdf*.

[18] Michigan Public School Employees' Retirement System, Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2011, available at *http://www.michigan.gov/documents/orsschools/Public_Schools-2011_CAFR_375806_7.pdf*.

Part 3: The Scope of the OPEB Liability

In this section we quantify the OPEB liability, compare it to key financial measures and identify issues that merit further consideration.

What is the amount of the unfunded liability?

The total OPEB liability, based on FY 2011 audited financial reports for Michigan cities, villages and townships, is $13.5 billion. This liability is funded at 6 percent, resulting in a net unfunded OPEB liability of $12.7 billion. Michigan's largest city, Detroit, accounts for 39 percent of the total statewide unfunded liability with an amount approaching $5 billion.

To describe the magnitude of that liability, the amount of unfunded OPEB was compared to governmental activities debt plus unfunded pension as shown in **Figure 2**, Unfunded OPEB Liability in Relation to Other Long-term Liabilities. Governmental activities debt includes bonds and notes for municipal purposes (in contrast to debt issued for fee-based business-type activities such as water and sewer bonds). In total, **the unfunded OPEB liability equates to 1.6 times the sum of the other two other major liability categories** (62 percent of OPEB versus 23 percent of governmental activities debt plus 15 percent unfunded pension). This overall relationship remains the same whether Detroit, the local unit with the most significant unfunded OPEB liability, is included or not.

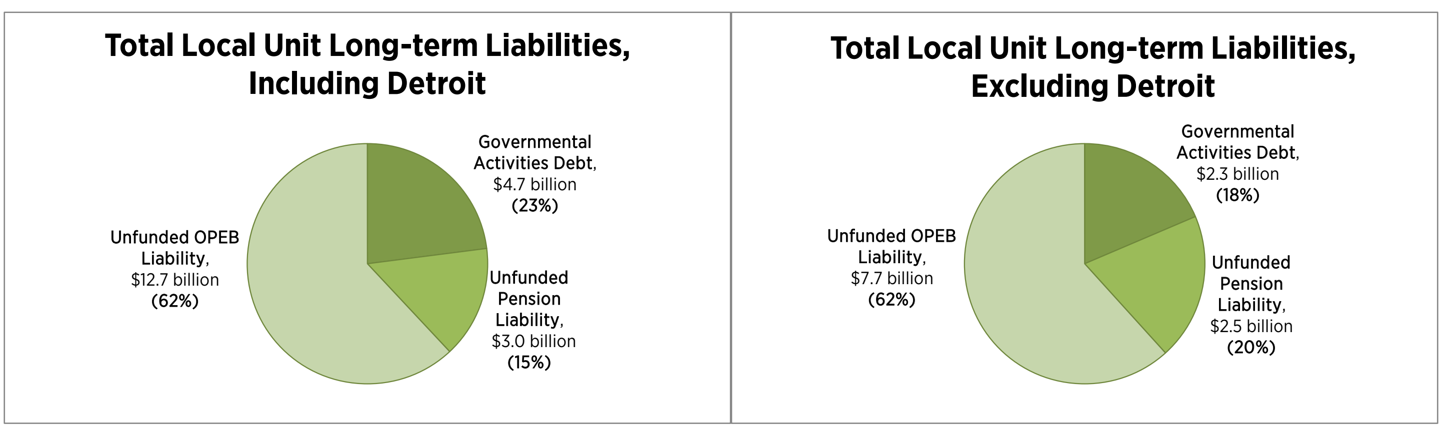


Figure 2. Unfunded OPEB Liability in Relation to Other Long-term Liabilities.

Local Unit Type	Number of Local Units with OPEB Count	%	Unfunded OPEB Liability $ Amount	%
City	183	65%	$ 11,772,271,094	92.5%
Township	80	28%	918,649,556	7.2%
Village	21	7%	40,477,052	0.3%
Total	284	100%	$ 12,731,397,702	100%

Figure 3. Unfunded OPEB Liability by Local Unit Type.

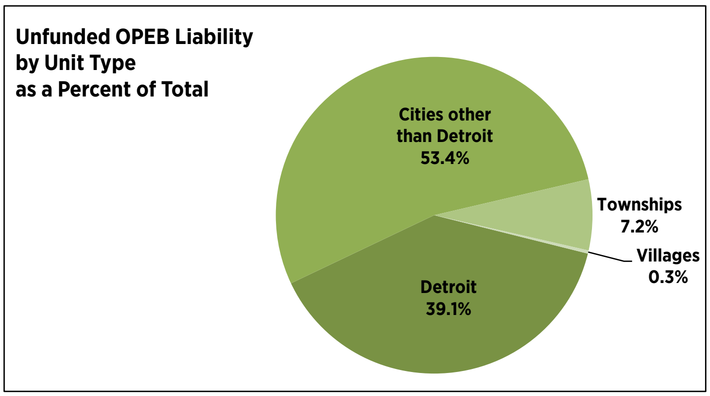


Figure 4. Allocation of Unfunded OPEB Liability by Unit Type.

Unfunded OPEB by Region		
Region	$ Amount	%
Southeast	$ 10,962,957,298	86.1%
Southwest	871,489,516	6.9%
East Central	411,921,512	3.2%
West Central	406,295,612	3.2%
Upper Peninsula	53,112,284	0.4%
Northern Lower Peninsula	25,621,480	0.2%
Total	$ 12,731,397,702	100.0%

Figure 5. Unfunded OPEB Liability by Region.

How is unfunded OPEB allocated among the types of local government units?

Of the local units that provide OPEB, 65 percent are cities. They account for 92.5 percent of the unfunded OPEB liability as shown in **Figure 3** (Unfunded OPEB Liability by Local Unit Type). It is expected that cities would have a larger portion of OPEB because of the historically mature nature of services provided by cities versus the more recent growth and expansion of services by townships. Consequently, townships represent 28 percent of the units with a lower aggregate liability equal to 7.2 percent.

The "city" category includes Detroit, with the single largest unfunded OPEB of $4.9 billion. The remaining cities have unfunded liabilities equal to 53.4 percent of the statewide liability as shown in **Figure 4:** Allocation of Unfunded OPEB Liability by Unit Type. This means that confronting unfunded OPEB is not an issue that is exclusive to Detroit's leaders.

How does the OPEB liability vary by region of the state?

The unfunded OPEB is significantly concentrated in southeastern Michigan. Almost $11 billion – 86 percent – of the unfunded OPEB liability is attributable to local governments in the southeast region as shown in **Figure 5**, Unfunded OPEB Liability by Region. That region consists of Genesee, Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw and Wayne counties. (Definition of the six regions for this analysis is provided in **Appendix A**.)

The amount of the liability is relatively consistent among the three types of local government (cities, villages and townships) among regions of the state as shown in **Figure 6**, Unfunded OPEB Liability by Region and Local Unit Type. Again, the concentration is in southeastern Michigan, which accounts for 86 percent of the cities' unfunded liabilities, 92 percent of townships', 65 percent of villages' and 86 percent of the total unfunded OPEB liability.

Region/Local Unit Type	Region Most Concentrated: Southeast	Percent	Southwest	East Central	West Central	Upper Peninsula	Northern Lower Peninsula	Total
City	$ 10,092,225,743	86%	$ 829,667,038	$ 390,906,413	$ 389,656,806	$ 51,136,726	$ 18,678,368	$ 11,772,271,094
Township	844,359,276	92%	40,354,749	18,455,570	15,112,430	-	367,531	918,649,556
Village	26,372,279	65%	1,467,729	2,559,529	1,526,376	1,975,558	6,575,581	40,477,052
Total	$ 10,962,957,298	86%	$ 871,489,516	$ 411,921,512	$ 406,295,612	$ 53,112,284	$ 25,621,480	$ 12,731,397,702

Figure 6. Unfunded OPEB Liability by Region and Local Unit Type.

Figure 7. Unfunded OPEB Liability per Capita.

Local Unit Population		Unfunded OPEB Liability	2010 Population		Unfunded OPEB per Capita
Less than 1,500	$	12,398,114	11,583	$	1,070
1,501 - 5,000		163,043,651	226,634		719
5,001 - 10,000		455,506,483	426,292		1,069
10,001 - 30,000		1,603,698,719	1,529,558		1,048
30,001 - 200,000		5,525,514,454	3,544,376		1,559
More than 200,000		4,971,236,281	713,777		6,965
Total	$	12,731,397,702	6,452,220	$	1,973

Figure 8. Unfunded OPEB Liability per Capita by Region.

Region/ Population Category	Number of Local Units		Unfunded OPEB Liability	Population		Unfunded OPEB per Capita
East Central	26	$	411,921,512	299,398	$	1,376
Less than 1,500	3		1,876,615	3,310		567
1,501 - 5,000	12		24,386,805	37,784		645
5,001 - 10,000	4		9,517,077	37,437		254
10,001 - 30,000	3		1,866,378	51,724		36
30,001 - 200,000	4		374,274,637	169,143		2,213
Northern Lower Peninsula	15	$	25,621,480	88,619	$	289
Less than 1,500	3		2,713,330	3,286		826
1,501 - 5,000	6		9,644,078	19,233		501
5,001 - 10,000	2		303,377	14,332		21
10,001 - 30,000	4		12,960,695	51,768		250
Southeast	160	$	10,962,957,298	4,592,672	$	2,387
Less than 1,500	2		2,834,824	1,455		1,948
1,501 - 5,000	27		91,071,735	91,382		997
5,001 - 10,000	32		357,550,343	241,926		1,478
10,001 - 30,000	59		1,460,959,391	1,057,218		1,382
30,001 - 200,000	39		4,079,304,724	2,486,914		1,640
More than 200,000	1		4,971,236,281	713,777		6,965
Southwest	34	$	871,489,516	706,584	$	1,233
Less than 1,500	1		176,402	1,206		146
1,501 - 5,000	5		6,547,327	13,545		483
5,001 - 10,000	10		46,058,065	73,106		630
10,001 - 30,000	10		42,087,060	177,320		237
30,001 - 200,000	8		776,620,662	441,407		1,759
Upper Peninsula	10	$	53,112,284	54,893	$	968
Less than 1,500	1		3,954,968	1,469		2,692
1,501 - 5,000	6		13,109,787	16,737		783
5,001 - 10,000	2		23,962,848	15,332		1,563
10,001 - 30,000	1		12,084,681	21,355		566
West Central	39	$	406,295,612	710,054	$	572
Less than 1,500	1		841,975	857		982
1,501 - 5,000	14		18,283,919	47,953		381
5,001 - 10,000	6		18,114,773	44,159		410
10,001 - 30,000	11		73,740,514	170,173		433
30,001 - 200,000	7		295,314,431	446,912		661
Total	284	$	12,731,397,702	6,452,220	$	1,973

Example: Wayne County Local Units	Prior Valuation Date	New Valuation Date	Actuarial Accrued Liability Prior	2011	Increase
Township A	2008	2010	$ 56,325,080	$ 74,581,241	**24%**
City B	2009	2011	46,230,599	104,164,324	**56%**
City C	2006	2009	6,921,083	9,319,881	**26%**
City D	2009	2011	30,693,743	47,287,476	**35%**
City E	2008	2010	35,500,009	54,633,594	**35%**
City F	2007	2009	32,275,721	48,005,400	**33%**
Total			**$ 207,946,235**	**$ 337,991,916**	38%

Figure 9. Observations of Significant Increases in OPEB Liability Valuations.

How does the unfunded OPEB liability compare on a per capita basis by size of local unit?

2010 U.S. Census data were used to analyze six categories of population[19] Three population categories reflect an unfunded OPEB per capita within a narrow range ($1,048 to $1,070 per capita) as shown in **Figure 7:** Unfunded OPEB Liability per Capita. Only one city – Detroit – is in the population category of more than 200,000. Detroit has an unfunded OPEB per capita of $6,965, which is five times more than the average of the other local units – $1,352 – that provide OPEB.

How does the unfunded OPEB liability per capita compare across regions?

Looking at the data on liability by region on a per capita basis makes one issue abundantly clear: **there is significant variability in the liability among local units.** For example, as shown in **Figure 8**, Unfunded OPEB Liability per Capita by Region, the northern Lower Peninsula has one category as low as $21 per capita in the 5001-10,000 population category; that same population category in the southwest region is $630, and in the southeast region, $1,478.

The purpose of these examples is to demonstrate the challenges in searching for a one-size-fits-all solution. Economic factors such as labor market demands, inflation, cost of medical care and insurance premiums vary by geographic region within the state. To some extent, that explains why the per capita rates in southeastern Michigan are higher than those of other regions of the state. The financial statement disclosures indicate additional causes of variability: benefit levels, eligibility criteria, levels of prefunding, and, to a lesser extent, actuarial assumptions. The financial statement disclosures do not give, and are not required to provide, additional detail that could further explain these differences.

How current are the actuarial valuations that measure the unfunded liability?

Timeliness of the actuarial valuation is an important disclaimer to this analysis and others related to local government OPEB liabilities. The amounts reported in the audited financial reports are two or more years old. Even the state's largest city, Detroit, utilized a 2009 valuation for the FY 2011 financial report (which we are now analyzing in early 2013). In the data verification phase of this project, it was found that many cities were experiencing significant increases in the unfunded liability from one actuarial valuation to the next. A sample of those observations is in **Figure 9**, Observations of Significant Increases in OPEB Liability Valuations.

Possible explanations for these increases are: actuarial assumptions based on prefunding the benefit when no such funding occurred; revisions to the actual and projected cost of retiree healthcare; and changes to the benefit plan. The latter is unlikely, given the economic climate and concessionary labor agreements during this period. The financial reports provided no explanations for the significant increases in the liability.

[19] The population categories for this analysis were selected for consistency with the Michigan Public Policy Survey conducted by the Center for Local, State and Urban Policy at the University of Michigan (*http://closup.umich.edu/michigan-public-policy-survey/*).

Local Unit Type	2011	2010	2009	2008	2007	Alternate Method	Not Stated	Total
City	34	48	44	22	8	26	1	183
Township	20	13	18	9	4	16	-	80
Village	1	4	5	1	1	9	-	21
Total	55	65	67	32	13	51	1	284
			24%	*11%*	*5%*	*18%*	*0%*	
	19%	*23%*			58%			*100%*

Figure 10. OPEB Valuation Age.

Looking at the entire population for the FY 2011 financial reports (**Figure 10**, OPEB Valuation Age) shows that 19 percent of the actuarial valuation reports were dated 2011, and 23 percent were dated 2010.[20] The remaining valuations (58 percent) were dated 2009 or earlier, or subject to calculation utilizing the alternate method. Given the significant fluctuations noted earlier, modifying the criteria and/or practice of obtaining updated actuarial data should be explored. This is especially true for units in fiscal stress that have lower fund balance reserves to weather unexpected expenditure fluctuations.

[20] GASB 45 requires an actuarial valuation at least every two years for OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) of 200 or more. For plans with fewer than 200 members, an actuarial valuation is required at least every three years. The *alternate* method may be used for plans with less than 100 members.

How many local units prefund OPEB?

As shown in **Figure 11**, OPEB Funding Level, the majority of local units have not begun prefunding: out of 284 units, 151 (or 53 percent) are at 0 percent. Conversely, it may sound somewhat promising that 47 percent of the units have made an effort toward prefunding, given the general concern about a lack of OPEB funding throughout the United States.

Units that have begun prefunding still have a long way to go. Only 11 of the units, or 4 percent, have funded more than 75 percent.

What causes some units to prefund the OPEB liability?

The majority of OPEB assets ($674 million, or 83 percent of the total) are attributable to local governments in the 30,001-200,000 population category (see **Figure 12**, Funded Status of OPEB Plans).

OPEB Funding Level	0%	1% to 25%	26% -50%	51% - 75%	76% - 100%	Total
City	98	61	14	5	5	183
Township	39	28	6	2	5	80
Village	14	5	1	0	1	21
Total	151	94	21	7	11	284
Percent of Total	*53%*	*33%*	*7%*	*2%*	*4%*	*100%*

Figure 11. OPEB Funding Level.

Population Category	Number of Units with Prefunding	OPEB Assets	OPEB Liability	Funded Status
Less than 1,500	2	$ 55,606	$ 12,453,720	0.0%
1,501 - 5,000	19	4,179,059	167,243,910	0.0%
5,001 - 10,000	26	24,411,008	480,162,522	0.2%
10,001 - 30,000	45	107,292,749	1,710,991,468	0.8%
30,001 - 200,000	**46**	**674,142,543**	**6,199,656,997**	**5.0%**
More than 200,000		-	4,971,236,281	0.0%
Total	138	$ 810,080,965	$ 13,541,744,898	6.0%

Figure 12. Funded Status of OPEB Plans.

Characteristics of the 10 local units with highest funded status in the 30,001-200,000 population category are shown in **Figure 13**, Characteristics of 10 Local Units with the Highest Funded OPEB Plans in the 30,001-200,000 Population Category.

These units demonstrate progressive efforts to confront the OPEB liability: closing the plan to new hires, introducing employee and/or retiree cost participation, implementing a healthcare savings plan (HCSP), and benefitting from investment earnings on plan assets. Though this cursory analysis doesn't explain why these units began prefunding, the overall characteristics indicate strong management and oversight.

How does OPEB prefunding compare to defined-benefit pension funding?

Pensions are a natural benchmark for OPEB because of the similarities noted earlier. Pensions in the cities that also provide OPEB are funded overall at 86 percent (see **Figure 14**, Funded Status of Pension Plans). Of the 284 local units in this OPEB analysis, 247 provide a defined benefit pension plan.

Local Unit Name	County	OPEB Liability	OPEB Liability Funded Status	OPEB DB Plan Status	Some Level of OPEB Cost Participation Disclosed?	Offers HCSP?	Administrator?
Kentwood	Kent	$ 1,708,613	109%	Open	yes		no
Portage	Kalamazoo	4,138,629	107%	Open	no		yes
Troy	Oakland	89,952,000	67%	Open	yes		yes
Macomb Township	Macomb	16,794,869	64%	Open	no		no
Farmington Hills	Oakland	74,937,594	59%	Open	yes		yes
Rochester Hills	Oakland	3,475,690	59%	Closed	no	yes	yes
Muskegon	Muskegon	24,024,000	55%	Open	no		yes
Novi	Oakland	19,936,733	46%	Both	yes	yes	yes
West Bloomfield Charter Township	Oakland	54,464,291	41%	Both	no		no
Livonia	Wayne	153,223,000	39%	Both	yes	yes	yes

Figure 13. Characteristics of 10 Local Units with the Highest Funded OPEB Plans in the 30,001-200,000 Population Category.

Population Category	Number of Local Units With Pension	Pension Assets	Pension Liability	Funded Status
Less than 1,500	10	$ 19,555,279	$ 28,173,131	**69%**
1,501 - 5,000	62	300,860,111	408,551,597	**74%**
5,001 - 10,000	47	583,145,242	793,293,261	**74%**
10,001 - 30,000	73	2,094,698,616	2,671,812,895	**78%**
30,001 - 200,000	54	8,472,763,396	10,048,031,048	**84%**
More than 200,000	1	7,091,409,934	7,707,110,966	**92%**
Total	247	$ 18,562,432,578	$ 21,656,972,898	86%

Figure 14. Funded Status of Pension Plans.

Part 4: The Impact of the OPEB Commitment on Municipal Budgets

The funded status of the OPEB liability, as discussed in the previous section of this analysis, is the direct outcome of resource allocation decisions made through the annual budgetary process. The majority of local governments are paying the annual, actuarially determined pension contribution. The same is not true for OPEB. The outcome is that OPEB is beginning to consume a growing portion of municipal resources.

How does OPEB relate to municipal budgets?

Three concepts are associated with the annual budgetary cycle: annual required contribution, cost and actual contribution. These concepts apply in a similar manner to defined-benefit pension plans for purposes of this analysis.[21]

First, the annual required contribution (ARC) is the employer's required contribution, based upon an actuarial analysis, to fund the normal cost for services currently provided by employees *plus* a component for amortization of the total unfunded actuarial accrued liabilities.

Annual Required Contribution = **Normal Cost** + **Amortization of Unfunded Liability**

[21] Government Accounting Standards Board Statement 67 will require major changes in government pension accounting

"Cost" is an accounting concept that is based on the ARC plus or minus adjustments to reflect past under- or over-contributions. The **contribution** is the actual amount paid to the benefit plan. For employers that are not prefunding the OPEB plan, the contribution will equal the amount paid for current retiree benefits.

How much of the annual required contribution is funded for OPEB? For Pension?

Figure 15 Annual Required Contribution (ARC) for OPEB and Pension, highlights two key points. First, in total, the pension ARC is funded at 100 percent; OPEB ARC is funded at 58 percent. Second, the significant level of annual budgetary pressure to fund OPEB ARC becomes evident. OPEB ARC is almost double that of pension ARC – $918 million for OPEB compared with $459 million for pension.

How does the ARC relate to property tax millage?

The primary source of revenue for most local governments in Michigan is property tax. The tax is levied by local units on the basis of a millage rate. A "mill" is equal to $1 of tax revenue for each $1,000 of taxable value. The millage rate is set by local officials to pay for local services through the annual budget process. During budget deliberations, requests are sometimes viewed as a millage equivalent to sort out budget priorities. To better understand the

	OPEB		Pension	
Local Unit Population	Annual Required Contribution (ARC)	Percent of ARC Funded	Annual Required Contribution (ARC)	Percent of ARC Funded
Less than 1,500	$ 976,272	60%	$ 804,449	100%
1,501 - 5,000	14,348,200	42%	11,252,388	106%
5,001 - 10,000	34,318,598	50%	23,921,728	104%
10,001 - 30,000	126,947,247	55%	68,194,073	100%
30,001 - 200,000	417,783,083	65%	221,722,513	101%
More than 200,000	324,362,936	51%	133,382,816	101%
Total	**$ 918,736,336**	**58%**	**$ 459,277,967**	**101%**

Figure 15. Annual Required Contribution for OPEB and Pension.

resources required to fully fund OPEB, see **Figure 16**, OPEB Annual Required Contribution as a Millage Equivalent. For the smallest population unit, OPEB ARC is roughly equal to one-half mill (i.e., 0.56). For the largest, Detroit, 35.6 mills would be required to fully fund the OPEB ARC on the basis of the 2009 actuarial valuation. **Figure 16** also shows how the OPEB ARC as a millage rate increases with the size of the population. The numerous variables that account for that are beyond the scope of this document.

How does OPEB affect overall fiscal health?

Local governments cannot accumulate debt and other liabilities without realizing a strain on presumably scarce resources. If the annual minimum payments continue to rise, then liabilities will also rise. To demonstrate the impact of OPEB on overall fiscal health, the pension funding level for units that provide OPEB and a defined-benefit pension were compared with the local units that do not provide OPEB (FY 2011 data). (See **Figure 17**, Pension Liability Funding Status for Units that Provide OPEB vs. Units that do not Provide OPEB.) The 269 local units that provide OPEB have a lower pension funding than the 134 municipalities that do not provide OPEB. In total, the units that do not provide OPEB have an overall higher average pension funding – 86 percent – than those that must also fund OPEB obligations – 76 percent.

How do legacy costs compare with government-wide revenues?

Government-wide revenues (GWR) represent program revenues plus general revenues, such as taxes, state shared revenue and investment income.[22] The annual required

[22] For purposes of this analysis, capital grant activity and business-type activities, such as water and sewers, were excluded.

Local Unit Population	2010 Taxable Value	OPEB Annual Required Contribution (ARC)	OPEB ARC as a Millage
Less than 1,500	$ 1,747,749,200	$ 976,272	0.56
1,501 - 5,000	9,406,981,616	14,348,200	1.53
5,001 - 10,000	15,141,365,887	34,318,598	2.27
10,001 - 30,000	54,252,525,981	126,947,247	2.34
30,001 - 200,000	118,545,135,449	417,783,083	3.52
More than 200,000	9,111,881,179	324,362,936	35.60
Total	$ 208,205,639,312	$ 918,736,336	4.41

Figure 16. OPEB Annual Required Contribution as a Millage Equivalent.

	Provides OPEB		Does not Provide OPEB	
Pension Funded Range	Number of Local Units	Average of Pension Funded Status within Range	Number of Local Units	Average of Pension Funded Status within Range
More than 100%	15	*117%*	25	*135%*
76% - 100%	115	*85%*	55	*87%*
51% - 75%	131	*66%*	46	*67%*
26% - 50%	6	*43%*	6	*46%*
1% - 25%	1	*23%*	2	*11%*
0%	1	*0%*		
Total	269	*76%*	134	*86%*

Figure 17. Pension Liability Funding Status for Units that Provide OPEB vs. Units that do not Provide OPEB.

contribution as a percent of government-wide revenue is higher for OPEB than for pensions. For example, pension ARC equates to 8 percent of GWR and OPEB equates to 15 percent of GWR for local units with a population of 30,001 to 200,000. This relationship is highlighted in **Figure 18**, Annual Required Contribution as a Percent of Government-wide Revenue. With OPEB ARC equating to 15 percent of GWR and pension ARC at 8 percent of GWR, the total legacy cost ARC is 23 percent of GWR.

All local units are not currently funding the ARC, so a likely question is how the actual contributions compare for FY 2011. As shown in **Figure 19**, Actual Contribution as a Percent of Governmentwide Revenue, FY 2011 data indicate that local units pay a greater amount for OPEB ($530.5 million) than for pension ($463.9 million).

How do legacy costs compare with general fund revenues?

The OPEB liability, owed to employees and retirees, is a general obligation of the local unit.[23] This means that the responsibility reverts to the general resources of the local government to fund, irrespective of the program or activity that consumed personnel expenditures. For this reason, it is worthwhile to evaluate the ARC in relation to general fund revenues.[24]

[24] There may be exceptions for special authorities or districts. Counties tend to have more complex arrangements than municipalities, but they are not included in the scope of this paper. No such instances of this were noted in financial statements reviewed for the local units included in this analysis.

[25] Cities typically record police and fire activities in the general fund. Townships often have a separate fund for police and fire millages. To achieve greater consistency among all types of local units and tax structures, police and fire operating fund revenue was added to the general fund revenue here.

			OPEB		Pension	
Local Unit Population	Number of Local Units	Government Wide Revenue (GWR)	Annual Required Contribution	Percent of Government Wide Revenue	Annual Required Contribution	Percent of Government Wide Revenue
Less than 1,500	11	$ 14,545,672	$ 976,272	7%	$ 804,449	6%
1,501 - 5,000	70	197,194,194	14,348,200	7%	11,067,216	6%
5,001 - 10,000	56	329,850,410	34,318,598	10%	23,664,880	7%
10,001 - 30,000	88	998,123,176	126,947,247	13%	68,194,073	7%
30,001 - 200,000	58	2,808,905,425	417,783,083	15%	221,722,513	8%
More than 200,000	1	1,633,290,000	324,362,936	20%	133,382,816	8%
Total	284	$ 5,981,908,877	$ 918,736,336	15%	$ 458,835,947	8%

Figure 18. Annual Required Contribution as a Percent of Government-wide Revenue.

			OPEB		Pension	
Local Unit Population	Number of Local Units	Government Wide Revenue (GWR)	Actual Contribution	Percent of Government Wide Revenue	Actual Contribution	Percent of Government Wide Revenue
Less than 1,500	11	$ 14,545,672	$ 588,392	4%	$ 804,449	6%
1,501 - 5,000	70	197,194,194	5,949,159	3%	11,713,778	6%
5,001 - 10,000	56	329,850,410	17,079,763	5%	24,657,212	7%
10,001 - 30,000	88	998,123,176	69,956,448	7%	68,391,335	7%
30,001 - 200,000	58	2,808,905,425	270,787,718	10%	224,271,729	8%
More than 200,000	1	1,633,290,000	166,181,745	10%	134,068,201	8%
Total	284	$ 5,981,908,877	$ 530,543,224	9%	$ 463,906,704	8%

Figure 19. Actual Contribution as a Percent of Government-wide Revenue.

Local Unit Population	Number of Local Units	General Fund Revenue	OPEB Annual Required Contribution	OPEB Percent of General Fund Revenue	Pension Annual Required Contribution	Pension Percent of General Fund Revenue
Less than 1,500	11	$ 11,575,599	$ 976,272	8%	$ 804,449	7%
1,501 - 5,000	70	156,404,517	14,348,200	9%	11,067,216	7%
5,001 - 10,000	56	263,964,983	34,318,598	13%	23,664,880	9%
10,001 - 30,000	88	818,568,481	126,947,247	16%	68,194,073	8%
30,001 - 200,000	58	2,055,224,234	417,783,083	20%	221,722,513	11%
More than 200,000	1	1,220,258,093	324,362,936	27%	133,382,816	11%
Total	284	$ 4,525,995,907	$ 918,736,336	20%	$ 458,835,947	10%

Figure 20. Annual Required Contribution as a Percent of General Fund Revenue.

As expected on the basis of the previous analyses, the OPEB annual required contribution is higher than that for pensions as a percent of general fund revenue: total pension ARC equates to 10 percent and OPEB, 20 percent. Stated another way, the annual required contribution for legacy costs approximates 30 percent of general fund revenue. This critical relationship is highlighted in **Figure 20**, Annual Required Contribution as a Percent of General Fund Revenue.

How are legacy costs allocated among funds and activities?

Some local units allocate the expenditure on the basis of a labor distribution rate, some record the total contribution in the general fund, and others utilize a hybrid of the two methods. Accounting standards do not require disclosure of this information.

Part 5: OPEB as Debt

Though OPEB is a long-term liability, it does not have the same legal standing as bonds or notes. In addition, OPEB does not have the legal protections that are applicable to pensions. Nevertheless, the commitments exist, and the ability of a public employer to significantly reduce or eliminate OPEB has not been tested on a large scale outside of a Chapter 9 municipal bankruptcy filing. For these reasons, this analysis takes a conservative approach to evaluating the OPEB liability in a manner consistent with other debt and pensions.

Part 5 presents rating agency perspectives on OPEB and an analysis that aligns OPEB, pension and debt.

How do rating agencies view OPEB?

The role of OPEB has become increasingly important in evaluation of a local unit's overall fiscal health. The three primary credit rating agencies have varying perspectives on evaluating OPEB, though they do have two key themes in common: an overriding emphasis on proactively managing the liability, including incremental steps to reduce the magnitude of the financial commitment; and the development of a financial plan to address the budgetary impact for the long term.

The varying perspectives with similar themes are evident in recently issued ratings reports. Fitch Ratings addresses the combined total annual carrying costs for debt service, pension and OPEB costs as a percent of combined expenses. It also states the unfunded liability as a percent of market value of property. Moody's connects financial data with management's approach to addressing OPEB. Standard and Poor's reports comment on pension and OPEB as a percentage of total governmental expenditures. The combined effect of the relatively recent implementation of GASB 45, the recession's long-term impact on local government revenues, escalating legacy costs and the implementation of new pension accounting standards may alter rating methodologies in the future.[25]

[26] Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, has an effective date for fiscal years beginning after June 15, 2014. The new standards significantly change pension accounting and reporting by state and local governments.

Fitch Ratings: At the time of GASB 45 implementation (March 2007), Fitch Ratings stated:

"Fitch believes that the looming OPEB liability for many governments, if not confronted over a reasonable period of time, will eventually manifest itself as a very real and monumental budget challenge. Various actions, including more moderate and gradual measures, implemented over the near term, will prevent the need for more drastic solutions and problems over the long run. Over the next few years, our credit analysis and ratings will consider how an individual government is acting to develop and implement plans for OPEB funding and cost control, and the impact these measures are having on the total liability and overall financial condition."[26]

Six years later, in early 2013, Fitch Ratings identified three credit analysis factors as related to OPEB: overly optimistic postemployment benefit assumptions, large OPEB liability with no plan for addressing funding or benefit levels, and high, increasing fixed cost burden for debt, pension and OPEB.[27]

Moody's Investors Service: In October 2009, Moody's addressed OPEB in describing the firm's rating methodology for local government general obligation bonds:

"Moody's analysis of a municipality's debt profile includes an assessment of the degree to which other non-debt long term commitments, such as pension obligations and other post-employment benefits (OPEB), primarily retiree health benefits, impact the entity's long term flexibility. Moody's views both OPEB and pension obligations as having debt-like characteristics, however, they tend to allow some flexibility to alter the terms of the obligation, such as benefit eligibility requirements.... When assessing the credit impact of an unfunded OPEB liability, Moody's analysts will also consider assumptions regarding medical costs, as well as issuers' flexibility under relevant statutes or contracts to modify their post-employment health benefit offerings. In either case, a trend of declining funding levels and/or failure to make recommended annual payments would be viewed as negative credit factors."[28]

It should be noted, however, that Moody's announced in January 2011 that it will combine debt and pension liabilities for credit analyses of state governments. Note Moody's perspective that OPEB commitments are less binding than pension obligations:

"Treating pension liabilities as a form of debt, and combining the unfunded amount with outstanding indebtedness, improves transparency by providing a more complete comparison of states based on their total long-term obligations as a portion of available revenue and taxing capacity. ... Once accrued, public pension benefits are protected, contractual obligations, sometimes shielded by specific pension provisions in state constitutions. In this respect, pension benefits differ from other post-employment benefits (or OPEB, primarily health insurance), which are typically easier for states to alter. In this respect, pension liabilities therefore have an irrevocable, long-term nature that resembles bonded debt. ... While we do include OPEB liabilities in our analysis of states, we have not included them in the current report because they are less binding under state law."[29]

Standard & Poor's Rating Services: In commenting on the OPEB burden at the state level, Standard & Poor's stated in September 2011:

"We will continue to incorporate government liability management into our rating analysis. The flexibility and willingness of a state to address these liabilities will be key credit considerations."[30]

And, more recently, in July 2012, Standard & Poor's wrote:

"In particular, Standard & Poor's views pension and other postemployment benefit obligations as long-term liabilities. ... While the funding schedule for pension and OPEB can be more flexible than that for a fixed-debt repayment, it can also be more volatile and may cause fiscal stress if not managed, in our opinion. The size of the unfunded liabilities and the annual costs associated with funding them, relative to the budget, are important credit factors in our review of state and local governments. Currently, pension systems are undergoing the most significant level of reform in decades, which we view as a credit positive and highlights the importance of managing these liabilities. We will continue to differentiate credits where these long-term liabilities are large and growing, contributions are less than required, and there has been limited action on reform initiatives."[31]

How does OPEB compare to total debt?

The authority given to local governments to issue debt is not granted lightly. Numerous state laws and regulations govern the nature, amount, method, purpose and process to issue debt in a highly transparent manner.[32] In addition, market forces mandate timing, terms and source of repayment. Although OPEB commitments are subject to approval of labor contracts and personnel policies by the local elected body, there is no actuarial analysis of the long-term costs or how it will be paid. This very common, long-standing approach to OPEB commitments has led to the

[27] Fitch Ratings, "12 Habits of Highly Successful Finance Officers: Management's Impact on Municipal Credit Ratings," March 29, 2007, available at *http://www.gfoa.org/downloads/MakingtheCase_Raphael.pdf* .

[28] Amy Laskey, Managing Director, Fitch Ratings, Presentation to the CFA Society of Austin, *Signs of Municipal Credit Distress*, January 10, 2013, available at *http://www.cfasociety.org/austin/Lists/Events%20Calendar/Attachments/102/Luncheon_2012_Laskey.pdf*.

[29] Moody's Investor Service, *Rating Methodology: General Obligation Bonds Issued by U.S. Local Governments*, October 2009.

[30] Moody's Investor Service, *Special Comment: Combining Debt and Pension Liabilities of U.S. States Enhances Comparability*, January 24, 2011.

[31] Standard & Poor's, *The OPEB Burden Varies Widely among U.S. States*, September 22, 2011.

[32] Standard & Poor's, *The Top 10 Management Characteristics of Highly Rated U.S. Public Finance Issuers*, July 23, 2012, available at *http://www.standardandpoors.com/spf/upload/Ratings_US/Top_10_MGMT.pdf*.

[33] A succinct discussion of Michigan local government debt options is provided in the *Michigan Municipal League's Handbook for Municipal Officials* (see page 113, Financing Capital Improvements), updated July 2004, available at *http://www.mml.org/resources/publications/index.html*.

current concern about the sustainability of OPEB in both the public and private sectors.

To foster discussion about approaching OPEB in a sustainable manner, it is suggested that the transparent, regulated debt obligation be compared with the less structured OPEB commitment. **Figure 21**, Unfunded OPEB Liability to Governmental Debt,[33] demonstrates that, in total, the unfunded OPEB liability is 2.7 times that of structured governmental debt. Local government officials can easily relate to the hurdles to issuing debt for even the most desirable public improvements. It is a very conscious process that is often the result of public discussion and subject to referendum. Of course, municipalities are largely service organizations, so personnel costs are inherently a large share of the budget. But the issue at hand is the affordability and sustainability of OPEB promises in light of limited resources.

[34] Debt includes governmental activities bonds, notes and loans as reported in the audited financial report of each local unit. The following were excluded: long-term employee liabilities, pension obligations, capital leases, long-term advances, judgments, claims and amortizable bond issuance costs.

It should be noted that Detroit is unique in that almost 50 percent of its governmental debt is related to pension obligation certificates.

How does OPEB fit into the larger analysis of financial condition?

As noted earlier, one ratio utilized by a rating agency compares long-term liabilities to market value. For purposes of this analysis, taxable value is used because that is the basis for generating revenue for Michigan municipalities (see **Figure 22**, Long-term Liabilities as a Percent of Taxable Value). As a whole, as the size of the population increases, the burden on revenue resources also increases (from 2 percent to 87 percent). The most dramatic ratio belongs to that of Detroit (population 713,777). The cumulative dollar amount of unfunded OPEB, unfunded pension and governmental debt equates to 87 percent of taxable value. Despite the fact that a large city such as Detroit has other significant revenue sources, this ratio clearly indicates that long-term commitments are not sustainable.

Figure 21. Unfunded OPEB Liability to Governmental Debt.

Local Unit Population	Number of Local Units	Unfunded OPEB Liability	Governmental Debt	Ratio of Unfunded OPEB to Governmental Debt (in total)
Less than 1,500	11	$ 12,398,114	$ 6,656,473	**1.86**
1,501 - 5,000	70	163,043,651	110,204,801	**1.48**
5,001 - 10,000	56	455,506,483	238,153,010	**1.91**
10,001 - 30,000	88	1,603,698,719	609,899,296	**2.63**
30,001 - 200,000	58	5,525,514,454	1,372,197,117	**4.03**
More than 200,000*	1	4,971,236,281	2,382,637,946	**2.09**
Total	284	$ 12,731,397,702	$ 4,719,748,643	2.70

** Debt includes pension obligation certificates of $1,194,003,260, net of that amount the ratio is 4.18.*

Local Unit Population	Number of Local Units	Long-term Liabilities: Unfunded OPEB Liability	Unfunded Pension Liability	Governmental Debt	2010 Taxable Value	Long-term Liabilities as a Percent of Taxable Value (in total)
Less than 1,500	11	$ 12,398,114	$ 8,617,852	$ 6,656,473	$ 1,747,749,200	**2%**
1,501 - 5,000	70	163,043,651	107,691,486	110,204,801	9,406,981,616	**4%**
5,001 - 10,000	56	455,506,483	210,148,019	238,153,010	15,141,365,887	**6%**
10,001 - 30,000	88	1,603,698,719	577,114,279	609,899,296	54,252,525,981	**5%**
30,001 - 200,000	58	5,525,514,454	1,575,267,652	1,372,197,117	118,545,135,449	**7%**
More than 200,000	1	4,971,236,281	615,701,032	2,382,637,946	9,111,881,179	**87%**
Total	284	$ 12,731,397,702	$ 3,094,540,320	$ 4,719,748,643	$ 208,205,639,312	10%

Figure 22. Long-term Liabilities as a Percent of Taxable Value.

Part 6: Participant Data

Some local units voluntarily report the number of plan members in the financial statement disclosures. The plan participant data falls into two categories: number of current retirees and beneficiaries receiving benefits, and total number of plan members (includes current retirees and beneficiaries plus employees in active service and terminated employees eligible for accumulated benefits who are not yet receiving them). Plan member data is especially helpful for benchmarking OPEB costs and liabilities.

The financial statements also include some basic information about the plan design, such as eligibility for benefits, cost participation and vesting. The description of plan design information varies significantly among the local units.

What do we know about the contribution per current retiree and beneficiary?

The annual OPEB contribution per retiree and beneficiaries can be determined for local units that disclose the number of current retirees and beneficiaries, and in cases where we can discern that the contribution disclosed is for that specific group of plan members. Seventy-three local units met these criteria. This benchmarking data can be used to find preferred practices and identify areas for improvement.

Size of local unit (using population) can affect plan contributions because small employers have less opportunity than larger ones to control medical plan costs. Often they must purchase a fully insured plan because their ability to manage claims risk is low. Large employers, on the other hand, have an opportunity to manage their risk (and costs) by utilizing a self-insured plan design. As noted earlier, geographic location affects the cost of healthcare as well. For these reasons, the contribution per retiree is presented on the basis of population (**Figure 23**) and region (**Figure 24**).

Despite the potential for economies of scale in larger local units of government, **Figure 23**, Average Annual OPEB Contribution per Current Participant (based on population), reveals that 22 larger local units have an average plan contribution that exceeds $10,000 per participant per year. Units with a population of 30,000 to 200,000 have an average annual contribution of $11,542, and those in the 10,001 to 30,000 range have an average annual contribution of $10,506. Both of those are significantly above the average of all 73 units of $8,887. This relationship could potentially be explained by the regions where the local units are located.

As expected, the local units in the southeastern region of the state have a higher annual contribution – $11,946 per current participant (see **Figure 24**, Average Annual OPEB Contribution per Current Participant [based on region]). In addition, local units in the northern Lower Peninsula are at $9,186 per participant, which is above the average of all units of $8,887. The latter may be misleading because of the relatively small number of units for comparison.

It should be noted that the values of the OPEB contribution per current participant ranged from $0 to $22,054 (FY 2011 data). The standard deviation for this population is $5,046 with a mean of $8,887 for the 73 local units with data.

What do we know about the total liability per plan member?

Recall that plan members are current retirees and beneficiaries, employees in active service and terminated

Local Unit Population	Number of Local Units	Average Annual OPEB Contribution per Current Participant
30,001 - 200,000	**4**	**$11,542**
10,001 - 30,000	**18**	**10,506**
5,001 - 10,000*	14	8,587
More than 200,000	1	8,548
Less than 1,500	3	8,380
1,501 - 5,000	33	7,865
Average - All Units	73	$8,887

* Excludes one outlier.

Figure 23. Average Annual OPEB Contribution per Current Participant (based on population).

Region	Number of Local Units	Average Annual OPEB Contribution per Current Participant
Southeast*	**32**	**$11,946**
Northern Lower Peninsula	**3**	**9,186**
Southwest	12	7,587
Upper Peninsula	8	6,993
West Central	9	5,948
East Central	9	4,263
Average - All Units	73	$8,887

* Excludes one outlier.

Figure 24. Average Annual OPEB Contribution per Current Participant (based on region).

employees eligible for accumulated benefits who are not yet receiving them.

Ninety-eight local government units provided the total number of plan members. The result is a significant disparity among values. The values for OPEB liability ranged from $0 to $457,928 (FY 2011 data). The standard deviation for this population is $100,139, with a mean of $136,854 for the 98 local units with data.

As shown in **Figure 25**, Average OPEB Liability per Member, the largest portion of the local units (34 out of 98) have an OPEB liability per member between $100,000 and $200,000. Further analysis of this data reveals that the majority of the liability valuations were performed by an actuary (85 local units) rather than the alternate method (13 local units).

What is the concern with plan maturity?

Plan maturity relates to the life stage of a plan. One aspect of plan maturity is the number of active versus retired members. A greater percentage of retired members indicates that the plan is more mature. Local governments that are faced with a potentially unsustainable OPEB plan find that the list of viable options decreases as the number of retired participants increases. Despite the legal stance that OPEB is not a protected obligation, the reality of amending a plan for existing retirees is difficult. A higher percentage of retirees makes effecting significant plan changes more difficult. Many local units have reduced or eliminated retiree healthcare for new hires and rolled back OPEB for existing employees. If these moves are not sufficient, employers will need to find viable plan design options for existing retirees.

Thirty-one of the local unit audit reports reviewed provided both the number of retired members and the total number of plan members. As shown in **Figure 26**, Percent of Plan Members that are Retired, approximately one-third of the units (12 of 31) have a relatively low number of retirees (less than 25 percent of members are retired). On the opposite end of the spectrum, another third (9 of 31 units) have more than 50 percent retired. Maturing of the plan membership is another reason why concern about OPEB increases with the passage of time.

It is important to understand that labor unions represent active employees – they cannot negotiate changes that affect retirees. The exception is if the retiree terminated employment with a labor contract that indexed a benefit in the future to be the same as that of "then active employees." In large cities, it is not unusual for there to be an organization formed by retirees to pool resources in order to better represent their common interests.

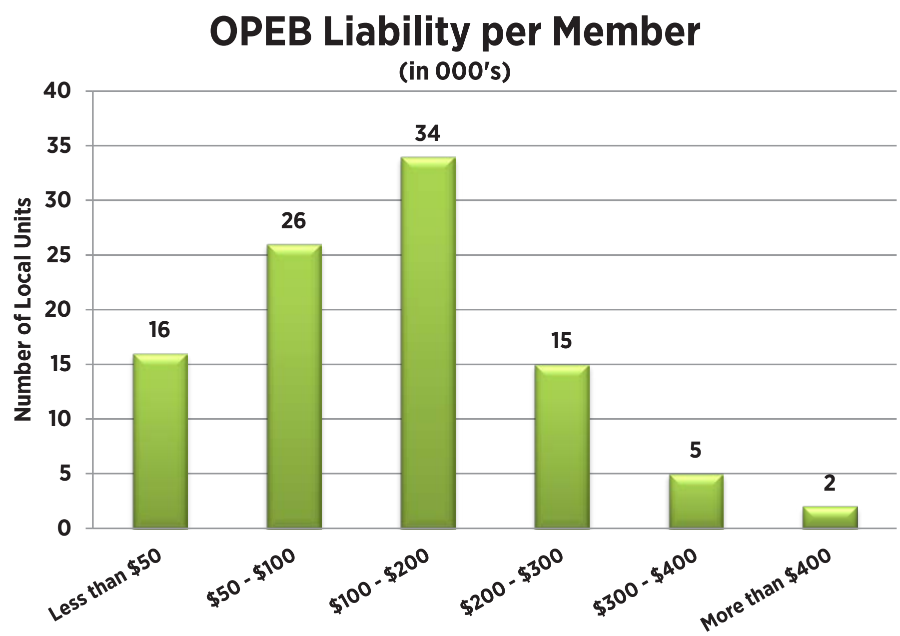


Figure 25. Average OPEB Liability per Member.

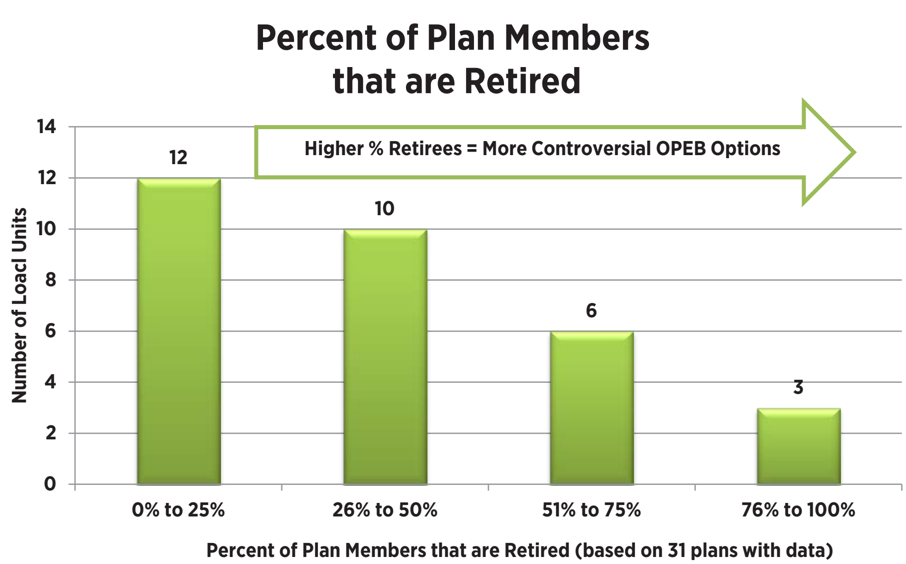


Figure 26. Percent of Plan Members that are Retired.

Part 7: Benefit Plan Design

Benefit plan design encompasses type of plan (defined-contribution or defined-benefit, or whether to offer a plan at all), assessment of long-term needs of employees and employer, participant eligibility, service delivery methods, cost-control measures, quality and flexibility. The data gathered provides some insight into the design of Michigan local government plans.

How many OPEB plans are closed to new hires?

Of the 311 units that were found to provide OPEB, 260 local government plans (84 percent) were open to new hires, 26 units (8 percent) had closed their plans to new hires, 22 units (7 percent) had a blend of open and closed plans, and three units (1 percent) did not offer any form of defined-benefit type OPEB plan but instead offered a defined-contribution style OPEB plan. These plan design characteristics are presented in **Figure 27**, OPEB Plan Status.

How many employers require cost participation?

Of the 308 local government units with defined-benefit OPEB plans, 153 require some level of cost participation, and 155 do not (see **Figure 28**, Level of Cost Participation).

Figure 27. OPEB Plan Status.

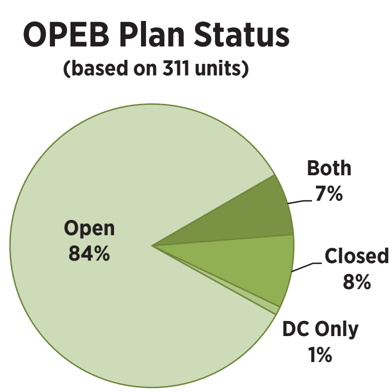
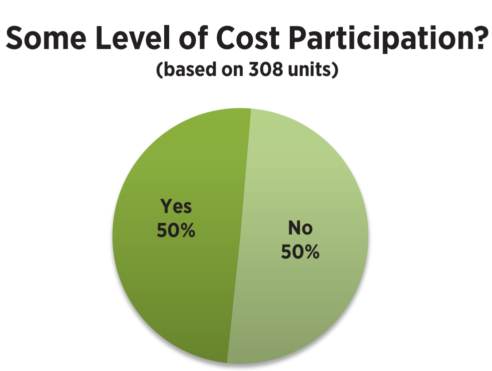


Figure 28. Level of Cost Participation.



Local governments and their employee groups have been especially creative in this area. Cost participation policies vary significantly across local units. In some units, active employees contribute to a plan. In most units, the retiree is responsible for some form of premium copayment. In a few units, both active employees and retirees participate in the cost. The variability in the cost participation made it difficult to categorize.

What efforts have municipalities utilized to control OPEB?

The level and disclosure of cost-control efforts varied, but it is evident that many local units have employed one or more tactics to address OPEB. The following list, adapted from the Government Finance Officers Association, identifies many of them:[34]

1. Strategic effort in implementing healthcare cost-containment measures.
2. Coordination with Medicare benefits.
3. Implementing vesting rules that provide levels of benefits based on years of service.
4. Establishing eligibility rules to eliminate paying for coverage if the retiree, dependents and/or spouses are otherwise insured.
5. Implementing a tiered system of benefits based on hiring dates.
6. Replacing a defined-benefit design with a defined-contribution or hybrid model.
7. Evaluating the blended versus common premium charged for both retirees and active employees. GASB 45 and actuarial standards refer to this as the implicit rate subsidy.
8. Limiting annual increases in plan costs to an index other than medical cost inflation.
9. Amending the age or years of service eligibility for OPEB.
10. Offering a fixed subsidy or service-based subsidy for the retiree's healthcare premiums.
11. Coordinating OPEB eligibility with the local unit's normal retirement date as defined by the pension plan.
12. Structuring the plan to recognize the different needs and cost structure for pre-Medicare versus Medicare-eligible retirees.

[34] Government Finance Officers Association, *Ensuring the Sustainability of Other Postemployment Benefits* (2007 & 2012), available at *http://www.gfoa.org/index.php?option=com_content&task=view&id=1610*.

Part 8: Where do we go from here?

The overriding concern is the likelihood of persistent increases in the OPEB liability despite efforts to align expenditures with revenues. Many Michigan municipalities have taken incremental steps to reduce the OPEB liability, but the local governments with the greatest amount of fiscal stress will need more drastic measures.

What can we learn from other states and local governments?

The nature of this analysis is to create awareness and foster discussion. Some lessons found from across the United States may provide insight.

Chicago, Illinois: In January 2013, Mayor Rahm Emmanuel was presented with a report by the Retiree Health Benefits Commission. Despite an OPEB plan with significant cost-sharing features, the commission has determined that the level of benefit provided is not financially sustainable. One avenue being explored is directing pre-Medicare retirees to the insurance exchange under the Affordable Care Act.[35]

Boston, Massachusetts: The city was able to reduce its OPEB liability by $772 million by negotiating with a coalition of labor unions and current retirees in 2011. Benefit plan amendments included cost-sharing, coordination with Medicare and other plan design changes.[36]

Statewide systems: Some statewide systems include local governments and have begun prefunding the OPEB commitment. States include Ohio[37] and Oregon.[38]

What level of administrative support exists in the local units that provide OPEB?

Managing a benefit program is a complex task. Many local governments do not have dedicated staffing for this purpose. They rely instead on generalists who search for meaningful solutions using a strong network of local officials, professionals and consultants. As shown in **Figure 29**, Local Units that Provide OPEB and Employ Administrators, 90 percent of cities with OPEB employ administrators, but only 19 percent of townships that provide OPEB do so. Any efforts to address OPEB should include both elected and appointed officials in the communications plan.

Provides OPEB (by local unit type)	Local Units that Provide OPEB	Local Units with an Administrator	Percent of Units Providing OPEB that have an Administrator
City	195	176	*90%*
Township	91	17	*19%*
Village	25	25	*100%*
Total	311	218	*70%*

Figure 29. Local Units that Provide OPEB and Employ Administrators.

A survey of local officials demonstrated concern with OPEB costs. As noted in the spring 2012 Michigan Public Policy Survey conducted by the Center for State, Local and Urban Policy:

"Health care costs continue to present challenges, though some jurisdictions report easing. Although down slightly for some jurisdictions from levels reported in 2011, increases in employee and retiree health care costs remain another major source of fiscal stress for many local governments. ... Meanwhile, among those jurisdictions that say they offer some kind of fringe benefits to employees, 66% report that health care costs for current employees increased this year, including 49% reporting that costs increased 'somewhat' and 17% reporting that costs increased 'greatly.'[39]

Resources: where can we find out more?

Michigan State University Extension provides this FAQ document and other resources at *http://msue.anr.msu.edu/topic/info/fiscal_management*.

For more information

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Phone: (517) 353-9460
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Web: *www.msue.msu.edu*

35 Amer Ahmed, *Retiree Healthcare Benefits Commission: Report to the Mayor's Office on the State of Retiree Healthcare*, January 11, 2013, Chicago, Ill. Available at *http://www.cityofchicago.org/content/dam/city/depts/fin/supp_info/Benefits/RHBC/ReportToMayor/RHBC_Report_to_the_Mayor.pdf* .

36 Agreement between the City of Boston and the Boston Public Employee Committee. Available at *http://www.cityofboston.gov/Images_Documents/Coalition%20Agreement%20Update%20%20-%20Executed%20Agreement%20April%202011_tcm3-27595.pdf*. The City of Boston Actuarial Valuation and Review of Other Post Employment Benefits as of June 30, 2011, is available at *http://www.cityofboston.gov/Images_Documents/Actuarial%20Valuation%20%26%20Review%20of%20OPEB%20June%2030%202011_tcm3-31110.pdf*.

37 Ohio Public Employee Retirement System, 2011 Comprehensive Annual Financial Report, available at *https://www.opers.org/pubs-archive/investments/cafr/2011-CAFR.pdf*.

38 Oregon Public Employees Retirement System, Comprehensive Annual Financial Report, 2011, available at *http://www.sos.state.or.us/audits/pages/state_audits/full/2012/2012-02.pdf*.

39 University of Michigan's Ford School of Public Policy: Center for State, Local and Urban Policy, Michigan Public Policy Survey, Spring 2012, available at *http://closup.umich.edu/michigan-public-policy-survey/18/fiscal-stress-continues-for-hundreds-of-michigan-jurisdictions-but-conditions-trend-in-positive-direction-overall/*.

Appendix A – Regions

The regions used for this analysis are consistent with those used by the Michigan State University State of the State Survey, administered by the Institute for Public Policy and Social Research Office for Survey Research (*http://ippsr.msu.edu/soss/*). The Michigan Public Policy Survey conducted by the Center for Local, State and Urban Policy at the University of Michigan utilizes the same region definition (*http://closup.umich.edu/michigan-public-policy-survey/mpps-regions.php*).

East Central

- Arenac
- Bay
- Clare
- Clinton
- Gladwin
- Gratiot
- Huron
- Isabella
- Midland
- Saginaw
- Sanilac
- Shiawassee
- Tuscola

West Central

- Allegan
- Barry
- Ionia
- Kent
- Lake
- Manistee
- Mason
- Mecosta
- Montcalm
- Muskegon
- Newaygo
- Oceana
- Osceola
- Ottawa

Southeast

- Genesee
- Lapeer
- Lenawee
- Livingston
- Macomb
- Monroe
- Oakland
- St. Clair
- Washtenaw
- Wayne

Upper Peninsula

- Alger
- Baraga
- Chippewa
- Delta
- Dickinson
- Gogebic
- Houghton
- Iron
- Keweenaw
- Luce
- Mackinac
- Marquette
- Menominee
- Ontonagon
- Schoolcraft

Northern Lower Peninsula

- Alcona
- Alpena
- Antrim
- Benzie
- Charlevoix
- Cheboygan
- Crawford
- Emmet
- Grand Traverse
- Iosco
- Kalkaska
- Leelanau
- Missaukee
- Montmorency
- Ogemaw
- Oscoda
- Otsego
- Presque Isle
- Roscommon
- Wexford

Southwest

- Berrien
- Branch
- Calhoun
- Cass
- Eaton
- Hillsdale
- Ingham
- Jackson
- Kalamazoo
- St. Joseph
- Van Buren

Attachment F

DRAFT – FOR VOTE

Pension and OPEB Study Commission
Proposed Meeting Schedule
As of October 21, 2013

All meetings will be held at 10:00 AM in the Senate Lounge, 2nd floor of the State House at 82 Smith Street in Providence unless otherwise noted.

Monday	January 14, 2013
Monday	January 28, 2013
Monday	February 11, 2013
Monday	February 25, 2013
Monday	March 11, 2013
Monday	March 25, 2013
Monday	April 8, 2013
Monday	April 22, 2013
Monday	May 13, 2013
Monday	June 10, 2013
Monday	June 24, 2013
~~Monday~~	~~July 22, 2013~~ (cancelled)
~~Monday~~	~~August 26, 2013~~ (cancelled)
Monday	September 9, 2013
Monday	September 23, 2013
Monday	October 21, 2013, Room 313

Going forward, it is suggested that the Commission meet once a month, as follows:

Monday	November 25, 2013	State House, Room 313
~~Monday~~	~~December 9, 2013~~ (cancelled)	
~~Monday~~	~~December 23, 2013~~ (cancelled)	
Monday	January 27, 2014	
Monday	February 24, 2014	
Monday	March 31, 2014	
Monday	April 28, 2014	
Monday	May 19, 2014	
Monday	June 30, 2014	
Monday	September 29, 2014	
Monday	October 27, 2014	
Monday	November 24, 2014	

Please refer to Capitol TV's website via the link below for their daily rebroadcast schedule.

http://www.rilin.state.ri.us/Capitol%20TV/schedule.jpg

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