



Minutes from the GASB 45 Taskforce August 26, 2008

The eighth meeting of the GASB 45 Taskforce was convened August 26, 2008 at 5:33pm.

Attendance:

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

Internal Members of Task Force: Michael Hanbury (Legislature), Jerome Knebel (Finance Dept.), Bob Murphy (Risk & Insurance), Michael Klein (Personnel), Alex McLaughlin (Audit), Grant Newton (BCC), Eric Denk (Legislature), Jennifer Royer (Legislature).

Union Representatives: Chet Kupiec (AFSCME 1883), Mark Shofkom (AFSCME 1912), and Pamela Shear (CSEA 6150).

Press & Media: Nancy Dooling (Press & Sun Bulletin).

Legislators: Tim Cleary

Others Present: Diane Mazza (Public), Anthony Mazza (Public), Margaret Goodfellow (Public), James Baumgartner (Public).

Legislative Clerk Eric Denk started out the meeting by offering a disclaimer. "It occurs to me to make this disclaimer so there is no misunderstanding. This meeting, indeed all meetings of the GASB Citizens Task Force are public meetings. They are information gathering sessions and a time for open discussion about the problem at hand and possible solutions.

As I look around the room, I see union leadership, county administrative staff, and a handful of County Legislators. I just want to make sure that it is clearly stated that this meeting, and any meeting of this GASB Citizens Task Force, is not a "negotiation" nor is

it in any way to be construed as such. Negotiation is a formal part of the collective bargaining process that takes place in private between management and labor. This is a public meeting to generate ideas and discussion. No commitments can be made. No decisions can be made. This is simply an informational session which the Chairman chose to make public to solicit additional input.”

Michael Hanbury then took the floor and explained that Chairman Whalen was not available to attend this meeting. However, he did not want to cancel, so Michael would be running the meeting.

Michael stated that we have been looking at possible situations and methods that might help manage out OPEB costs. So we are watching presentations that pose ways to lower or manage the liability. We need to look at vehicles and mechanisms to manage costs in the future, mainly with new hires.

Today, we will be looking at pre-funding mechanisms where employees and the county both contribute to costs. There are 2 types of plans: “Defined Benefit” – which creates a pooled fund which everyone contributes to and “Defined Contribution” – which creates a different fund for each employee.

The video will look at 4 or 5 different types of these options. Any questions you have can either be given to Michael to relay to the proper department or discussed after the video.

Video Webinar: “Breakdown of GASB 45 requirements for Pre-funding plans and the need for an IRS ruling” and “Funding for Retiree Health Care: Comparison of Vehicles – 401 H, VEBA, Government Trust, HRA, and HSA” – Both by Mary Beth Braitman, Consultant for Ice Miller.

Michael Hanbury stated that he received a memo from the Law Department on whether defined contribution plans are legal in NYS.

He asked what people’s thoughts were on pre-funding as a solution.

Most of the members stated that they couldn’t make a decision without seeing what the cost over all would be for the actual contribution from the county and employees, as well as lawyers, actuaries, administrative fees to handle the fund.

Vince Pasquale pointed out that there are some differences in cost between beneficiaries and the employer. We need to look at options for those.

Michael Hanbury pointed out we also need to look at what we might want in a Defined Contribution Plan – whether money an employee puts into the fund can be used only for certain types of health care costs. There are some things that insurance covers that the IRS might not consider

Vince Pasquale pointed out that it’s more likely the savings will go toward the employer. If the employee has a co-pay, a question is whether they will put more than that standard co-pay into an account. How much would the average employee contribute to an account?

Grant Newton stated that it's hard to estimate that because employees would be paying for current health insurance and then also be expected to contribute to the retirement account.

Michael Hanbury pointed out that this would not be a plan for current or retired employees most likely, it would most likely be for new hires. It wouldn't work part way through a person's career.

Jerry Marinich asked whether an active employee would pay for both current and retirement health care at the same time.

James Baumgartner pointed out that it would also need to be decided on where the money would revert to if they changed jobs or left the county. Would it go to them? Is it the same for both types of plans or are there different distinctions?

Timothy Cleary asked how new workers would mesh with old workers in the same contract with different plans. He asked whether there would be 2 contracts.

Mike Klein stated that there are different guideline and new negotiations, but it does happen.

Both Vince Pasquale and Jerry Marinich pointed out that as a union member people are going to have separations and different tiers within organizations.

Mike Hanbury then asked the group whether they preferred defined contribution plan per employee or a trust fund benefit system.

Vince Pasquale pointed out that it depends on your social persuasion. Some may say that 'what I have is enough for me' and others might think people should pull together.

There was a question about the objective and Mike stated that the objective of this task force is to come up with options and whether this is something we think the county should look into.

Vince Pasquale pointed out that really there are only three options: do nothing, pre-fund, or find another source of revenue.

Mike Klein stated that we can't do nothing and there are several different kinds of pre-funding, we need to figure out what's best for us.

Vince Pasquale pointed out that we have three union representatives in attendance and we should find out what they think.

One stated that he couldn't speak for the union body but he was inclined to say that most would prefer the individual plans because everyone is different and has different needs.

Grant Newton asked Michael to look into whether any other counties have implemented a pre-funding program and what the track record is with each kind.

Michael stated that he would check with NYSAC to find out if there has been any research or implementation of pre-funding plans.

Mike Klein asked Michael to find out whether Chautauqua had implemented this as part of their preparation for GASB.

Alex McLaughlin stated that he thought we couldn't even look at options 1,2,4 and 5 (401 H, VEBA, HRA and HSA respectively). He stated that they aren't allowed in NYS. The only option that will become available will most likely be 3 (Government Trust).

We can't establish authority without governmental authority and NYS is only considering allowing a governmental trust. Presently, we can not do any of the options.

Mike stated that Joe's memo seemed to say different, so he was a bit confused.

Alex McLaughlin pointed out that health plans could be switched over to a defined plan – but that isn't the type of defined contribution plan that we're looking at.

Jerry Marinich stated that that is why we need to be more specific with our questions to Law about what can be our options. We need to find out what is possible and what is not possible. What is the difference between what Joe Sluzar said in the memo and what Alex McLaughlin is telling us now.

Timothy Cleary said he'd also like to know the difference between a legal and an administrative structure.

Alan Hertel asked if what was being said was that if you offer a menu of options for employees to choose from – that you legally can't do that?

Alex McLaughlin said that Joe's response is based on our liability. A VEBA would lower our liability. That's besides the point – 1, 2, 4, and 5 are simply not going to be available in NYS. His understanding of a health savings is to let employees contribute along with the county to a fund. He thinks number 3 (a governmental trust) is the only way we could do in the future.

Vince Pasquale then stated that theoretically it might be restricted to only current employees.

Alex McLaughlin then stated that other governments in other states have more flexibility and they get in trouble and have problems because of that. NYS has parameters that we can't go beyond – so these options may be viable elsewhere, but not here. In NYS we have flexibility to change benefit packages – but the only GASB option remotely on the table is number 3.

But basically that bill went nowhere yet.

Jerry Marinich stated then that means that we need some questions to be answered by the law department and only if any of the bills go through senate/assembly/governor.

Then someone asked whether this would apply only to new employees, because it would cause problems with the years of service that retirees already have in.

Jerry Marinich stated that it is not his intention to affect retirees.

Vince Pasquale stated that one could try to affect the retirees – but it wouldn't go anywhere and wouldn't be that possible.

Michael Hanbury stated that it has been the consensus of the group that they are not going to recommend affecting the policies of current retirees or soon to be retirees.

Anthony Mazza, a public citizen, then stated that his wife is retired from the county. The last press release (the Reinagel article on GASB) seemed like these meetings are an attack on retirees. He pointed out that one statistic was 22 million to fund healthcare and 5 million of that was for retirees. In business you learn to focus on the 75% and not the 25%. The release did not look good for retirees and it scared them. He suggested that when this committee puts out press releases, it should be more careful. He also suggested that we follow what industry does or else we're not going to be able to continue to provide benefits. But stressed that the taskforce needs to be careful about what is said in articles, because readers see them and think that retirees are the problem.

Mike Klein stated that sometimes the media don't take what is said in totality. They focus on one section and go with that. It's not a retiree problem, it's a healthcare, pension, and overall problem.

Anthony Mazza then said that he hasn't seen any statistics that show that retirees will plateau and go down after the baby boomers generation is through with this process.

Jerry Marinich responded that most likely that is because in politics you prepare for the worst case scenario and build from that so you are ready for anything.

The group was reminded that the next meeting would be September 16 at 5:30 pm in the Exhibit Room in the Broome County Library.

The meeting was adjourned at 6:40 pm.