

Fiscal Estimate Narratives

WTCS 10/20/2011

LRB Number	11-2621/1	Introduction Number	SB-240	Estimate Type	Original
Description Funding postretirement health care benefits of local government employees					

Assumptions Used in Arriving at Fiscal Estimate

SB 240 would require local units of government that provide post-employment health insurance benefits in accordance with employee contracts to fully fund on an actuarial basis the cost of these benefits for all new employees. Under state statutes, technical college districts are classified as local units of government.

Historically, technical college districts have funded the cost of post-employment health insurance and other benefits on a pay-as-you-go basis, paying the current costs of health insurance premiums for covered retirees each year.

SB 240 would require that technical college districts set aside funds sufficient to cover the future costs of post-employment health insurance premiums for individuals hired by the districts after the effective date of the bill. Projecting these costs will require complex actuarial analyses that include assumptions about the probability of occurrence of events far into the future, including employment status, mortality, and health care cost trends.

The bill would increase technical college districts' costs by requiring the districts to annually set aside the projected cost of future post-employment health insurance premiums. In addition, meeting the requirements of SB 240 would also increase technical college districts' costs because it would likely result in districts contracting for actuary services to estimate the annual cost of post-employment health insurance premiums for projected retirees, and establishing trust funds for maintenance and preservation of these funds.

Long-Range Fiscal Implications

Current public accounting standards do not require technical college districts to separately project the costs to the district for new employees' other post-employment benefits (OPEB), which exclude pensions, but could include other benefits such as health, dental, and life insurance. As a result, such projections would require additional actuarial analyses and are not currently available from the districts.