

ROCORI SCHOOL DISTRICT

The ROCORI OPEB Liability Story



THE PROBLEM

1. Teacher contract provided severance for years of service and sick leave
2. Teacher contract provided paid single health insurance until medicare age (65)
3. Large number of teaching staff currently eligible or soon to be eligible for retirement

THE PROBLEM

4. Current retiree insurance premiums paid of \$350,000 per year or 2% of the general fund budget.
5. Expect that amount to increase due to more retirees and increased insurance costs.



HOW THIS HAS BEEN MANAGED

1. Teacher contract change in severance to a 403(b) match, will eliminate severance over several years
2. Changed health insurance plans to add high deductible plan and eliminate the most expensive plan
3. Implemented a retiree 403(b)/health savings accounts for the severance payment to provide a tax savings to the employee and the district

HOW THIS HAS BEEN MANAGED

4. In the budgeting process, the increase in retiree health insurance is calculated into the amount of reductions that are made each year
5. Goal achieved to sunset the current language with new hires after July 1, 2010. It is replaced with a retiree health savings plan



WHAT DOES GASB 45 MEAN FOR ROCORI

1. Requires that an actuarial study be done to determine the liability
2. The liability will be included in the financial statements
3. Although the district would not have to change the manner of funding the liability, it would be presented as unfunded liability in the statements

WHAT DID THE OPEB BONDING LEGISLATION DO

1. Districts were able to sell bonds for the Actuarial Accrued Liability (AAL)
2. The district sold bonds for \$4,500,000 of the \$4,958,493 AAL. This replaces the expenditures for teacher retiree health insurance premiums from general fund expenditures
3. Clarification allows OPEB funds to pay for part of the severance payment

WHAT ROCORI DID FOR THIS PROCESS

1. Completed an actuarial study in 2007 and a second study done in 2009
2. With OPEB clarifications and the updated study, Rocori has an additional \$1.5 million that it could have bonded
3. Discussed the possible sale of bonds with the board finance committee, the district finance committee, the auditors, and the district financial advisors

WHAT ROCORI DID FOR THIS PROCESS

4. School board discussion in August for second sale with the outcome to not bond again.
5. School board will review each year the possibility to levy for any additional OPEB funds
6. Current OPEB bonds will be expended in approximately 8 years, due to more allowable OPEB expenses

WHAT ROCORI DID FOR THIS PROCESS

7. The OPEB funds are set up in an irrevocable trust
8. Rocori will request reimbursement for retiree health insurance premiums each June when the actual yearly cost is known

COMMENTS

1. The OPEB bonding option has saved Rocori from over \$1 million in reductions in the first two years.
2. The OPEB levy will help to sustain the funds.
3. The final step was the sunset provision in the contract.

QUESTIONS?

