

August 2010

**West Virginia Legislature  
Joint Finance Subcommittee C**

**Working List of Possible  
Other Post Employment Benefits (OPEB) Actions**

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- I. Possible Solutions: Targeting the Retirees' Subsidy**
  - A. Design the retiree subsidy to be needs-based. Consider using the Premium Assistance Program to accomplish this.
  - B. Require tax returns of covered individuals to be provided for the purposes of administering sliding scale premiums, co-pays, deductibles and the retiree assistance program.
  - C. Cap aggregate subsidy amount (pay go). Determine how cap will be treated going forward (indexed, subject to only statutory increases, increased x% per annum).
  - D. Replace subsidy with a stipend that can be applied to PEIA premium, other PEIA cafeteria options or used to buy insurance on a State exchange. Determine how stipend will be treated going forward (indexed, fixed, subject to only statutory increases, increased x% per annum).
  - E. Provide the PEIA Finance Board with targets for the phasing-out, reducing, leveling or curbing growth of retiree subsidies.
  - F. Increase minimum retirement age and vesting requirements for retirement plans and PEIA subsidy for prospective hires (may also make it applicable to non-vested current employees). Capture any net retirement savings and recommit to OPEB Trust.
  - G. Vary subsidy for retirees and dependents.

- H. Provide for prospective retirees to pay full premiums (graduated or immediate rollback).
- I. Increase co-pays, deductibles and coinsurance for retirees to reduce subsidy and utilization.
- J. Set minimum retirement age to be the higher of age 65 or the age at which the retiree becomes eligible for Medicare.
- K. Provide that the PEIA Finance Board may subsidize no retirees retiring after July 1, 2011 (excluding leave conversion benefits) until the retiree is also covered by Medicare.
- L. Make premium subsidy amount scalable by years of service.
- M. Provide a disincentive to retiring prior to Medicare eligibility (non-medicare premium schedule).
- N. Provide incentives to encourage retirement-eligible workers to remain employed until they can be dually eligible for Medicare.

## **II. Possible Solutions: Leave Conversion**

- A. Provide that sick and annual leave earned prospectively cannot be converted into post-retirement benefits.
- B. Provide that sick and annual leave earned prospectively has a fixed dollar value (salary when earned or a standard value) when converted into insurance premiums upon retirement; FIFO consumption.
- C. Prospectively replace sick and annual leave with a new form to be known as "paid time off" (PTO), reduce the rate of accrual in sum and provide for it to be used as annual leave is currently used.
- D. Allow certain employees to convert up to two weeks of SL into compensated absences each year.

- E. Liberalize the use of sick leave (increase or remove family sick leave, bereavement limits).
- F. Reduce the rate of accrual of SL from 1.5 days per month (18 days per year) or suspend SL accrual entirely for a set period (new hires).
- G. Allow eligible employees to cash-in sick leave for bonus pay/revamp the buy-back program. Consider an \$x per day of SL program (pennies on dollar), versus the current one that pays more according to one's level of income.

### **III. Possible Solutions: General**

- A. Expand cafeteria plan and enable participants to decline health coverage and direct a major portion of the employer's contribution toward any of several other options. The cafeteria plan can also offer an array of health plans of various values and a RMBA plan.
- B. Require non-employee spouses to obtain coverage with employer or pre-retirement employer, if plan available for purchase/participation.
- C. Terminate the opportunity for prospective hires (or perhaps non-vested employees) to convert leave to enhance employee annuities; capture savings for the OPEB Trust.
- D. Adopt a Retirement Medical Benefit Account (RMBA) model to replace current PEIA plan or require it for new hires and allow existing employees to opt for it.
- E. Reduce PEIA plan benefits.
- F. Offer new employees or retirees or both a reduced benefit level.
- G. Allow retirees to opt for buyout of pensions and benefits.
- H. Create a payroll savings plan for new class of employees that will have no health care subsidy upon retirement or entice employees to use existing West Virginia Retirement Plus plan. Consider an employer matching program.

- I. Replace the 80:20 employer/employee premium ratio with a minimum 20% employee premium.
- J. Place a dollar cap on certain medical events.
- K. Impose higher co-pays or offer no coverage at all for treatments that are determined to be harmful or ineffective in extending life years or improving quality of life. May be designed with relevance to the physical condition of patient.
- L. Collapse sliding-scale premiums, co-pays and deductibles for active employees.
- M. As the medical inflation rate is a key component of the formula for projecting the OPEB unfunded liability, any and all policies that, by consensus of experts, have been clearly shown to control healthcare costs while maintaining quality should be strongly supported.

#### **IV. Plan/Liability Restructuring and Valuation Methodological Changes**

- A. Require State Department of Education to absorb SAF-position liabilities -- past, present, future? Above SAF liabilities?
- B. Build comprehensive strategy for funding ALL post-employment liabilities.
- C. Fund the OPEB Trust so that we may reasonably use a higher discount rate.
- D. Allow (some) non-state employers to self-administer their OPEB liabilities. (Fitness test?)

#### **V. Possible Solutions: Providing New Funding**

- A. Dedicate Rainy Day B (former Tobacco Settlement Medical Trust Fund) to the OPEB Trust (current balance \$279MM).
- B. Rededicate Personal Income Tax proceeds (\$95,400,000 per year) from WC Old Fund to the OPEB Trust.

- C. Disallow withdrawals from OPEB Trust until a certain level of capitalization is reached or for a defined period of time.
- D. Increase tobacco taxes and dedicate addition or a portion thereof to the OPEB Trust. (Increase of \$0.45 to \$1 per pack (with comparable hike in smokeless rate) would yield about \$82MM. Likewise, An increase of \$1 per pack to \$1.55/pack would yield about \$126MM.)
- E. Rededicate Additional Severance Taxes for coal and natural gas from WC Old Fund to the OPEB Trust (\$85MM/year).
- F. Increase beer barrel tax, wine liter tax and liquor profits (combined these taxes yield about \$25MM per year at current rates).

## **VI. Incentives**

- A. New salary tier for new employees that receive no PEIA subsidy upon retirement.
- B. Annuity enhancements.
- C. General salary or longevity enhancements.