

This document is a copy of the original 17 items proposed by the seven senators working on a solution to the state's OPEB liability. About half of the proposals require legislation and the other half require administrative changes. The proposals include a number of PEIA reforms and changes.

Many of the proposals have little or no impact on OPEB and do not assist in reducing the OPEB liability. For an OPEB primer refer to the OPEB Q&A on the WVEA website, www.wvea.org.

Following each of the proposals is the WVEA's position on the recommendation. Keep in mind these are concepts that have not yet been reduced to legislation or policy. Once legislation is drafted these concepts will be more defined and in fact could change our understanding of the proposal.

Senate Suggestions for Correcting the OPEB Unfunded Liability

1. Move minimum retirement age for PERS and TRS from 55 to 60 starting for all new hires after July 1, 2011. (Legislation needed). **This proposal has no impact on the OPEB liability. Until solid justification can be given for this provision WVEA opposes this change.**
2. Increase vesting for pensions for all new hires from 5 to 10 years, beginning July 1, 2011. (Legislation needed). **This proposal has no impact on the OPEB liability. Until solid justification can be given for this provision WVEA opposes this change.**
3. Increase vesting for retirement healthcare benefits for all new hires from 5 to 15 years, beginning July 1, 2011. **This proposal would adversely impact employees and is inconsistent with the current disability eligibility requirements of the Teacher Retirement Plan. It also has little or no impact on the OPEB liability. WVEA opposes this proposal if the disability eligibility issue is not addressed.**
4. For PEIA active participants choosing family or spousal coverage, tax returns for all family wage earners will be used to determine total income sliding scale premiums. Without documentation, highest premium level to be used in calculating premium. (Legislation needed to authorize tax department to release returns to PEIA and CPRB). **This proposal would take the sum of the 2 incomes and use that figure to determine the family premium tier for PEIA. This proposal penalizes married couples who are both employed by the county board or state and covered by PEIA. The proposal would have little or no impact on the OPEB liability. WVEA opposes this change. WVEA believes this provision should distinguish between spouses employed by the state/county versus those who have spouses employed elsewhere and have them covered on their PEIA policy.**

5. Deductions and out-of-pockets will be narrowed between all PEIA active participants by no more than three times the minimum through a phase-in starting July 1, 2011 and completed by July 1, 2015. This proposal is likely to be revenue neutral and, therefore, have little or no impact on the OBEP liability. If it's not revenue neutral, it will have a negative (and potentially significant) impact on the lowest paid employees in the state by shifting the costs from the highest paid workers to those with lower salaries. Less than 200 PEIA participants are in the highest tier (\$125,000 per year). WVEA opposes this proposal.
6. As premium adjustments are made in the future, starting July 1, 2011, with full implementation by July 1, 2015, PEIA will close the subsidy gap between low and high wage earners to no greater than \$300/month for family coverage and \$100 per month for single coverage (currently it is \$500 to \$600). Same idea as #5 but this one deals with premiums instead of out-of-pocket maximums and deductibles. The proposal would significantly shift some of the costs from the highest paid employees to the lower paid. WVEA opposes this proposal.
7. For OPEB liabilities incurred by the county boards of education before July 1, 2010, make those OPEB liabilities that are attributable to school personnel, who are included in the calculation of the total basic foundation program pursuant to Article 9, Chapter 18 obligations of the state. For those OPEB liabilities that are attributable to school personnel who are NOT included in the calculation of the total basic foundation program pursuant to Article 9, Chapter 18, obtain information needed to make a determination about whether or not all county school boards would have the financial ability to take on those OPEB liabilities. This proposal would allow the OPEB debts currently on the books of the local boards of education to be transferred to the state. WVEA supports this proposal.
8. For those OPEB liabilities incurred by the county boards of education on and after July 1, 2010, make those OPEB liabilities that are attributable to school personnel who are included in the calculation of the total basic foundation program pursuant to Article 9, Chapter 18 obligations of the state, and make those OPEB liabilities that are attributable to employees of the county boards of education who are NOT included in the calculation of the total basic foundation program pursuant to Article 9, Chapter 18, obligations of the county boards of education. Similar to the previous proposal but this allows for future OPEB debts to become obligations of the state. WVEA supports this proposal.
9. Authorize PEIA to set minimum annual required contribution at level below Annual Required Contribution, substitute "Annual Contractual Obligation" for "minimum annual required contribution," and specify each participating government entity is required to remit annual contractual obligation to Trust Fund within GASB. (Legislation needed). This language allows PEIA to bill counties only for the "pay go" portion of the costs. WVEA supports this proposal.

10. Specify in code only unpaid portion of annual contractual obligation is to be reported as current liability on financial statements by each participating government entity. Also, difference between Annual Required Contribution and contractual obligation shall be reported as long-term liability on financial statements (if ok with GASB). (Legislation needed). **Same as the above proposal. WVEA supports this change.**
11. Identify and dedicate a funding source which will create \$100,000,000 per year to be deposited in the Retiree Health Benefit Trust Fund for the two fiscal years 2011 & 2012 for a total of \$200,000,000. **This money could come from an increase in the tobacco tax; however, a source of revenue has not yet been identified. WVEA supports raising the tobacco tax to the national average to pay into the PEIA trust fund. In 2013, the tax would be shifted to pay debts in Medicaid. WVEA supports this proposal and hopes the tobacco tax money, or whatever the revenue source is, can continue to be used for PEIA after 2012.**
12. Retirees Health Benefit Trust Fund keeps corpus and all earnings in Trust through fiscal year 2015 to increase fund balance needed for future OPEB subsidy. **WVEA supports this change.**
13. Legislature sets pay go funding up to \$150 million per year by July 1, 2011 and maintains at same level going forward, in essence putting \$150 million cap on pay go. (Legislation advised). **This is the worst part of the proposal. By capping the state contribution at \$150 million annually, this shifts the medical rate of inflation solely to retirees who have no ability to control costs. In 2002, 2003 and 2004 the national medical rate of inflation was an accumulative 38.0%. If this proposal was in place and the PEIA Medicare eligible retiree plan had identical medical trends, the Finance Board would have been required to cut retiree benefits and/or raise premiums and cost sharing by more than a third -- actually closer to 40% --in a three year period. This proposal is expected to reduce the OPEB liability by \$2 billion dollars. It does so by shifting the costs to retirees. PEIA and the state should share in the costs associated with the medical rate of inflation. WVEA strongly opposes this proposal.**
14. Change 80-20 rule for premiums to employees pay a minimum. **This would allow the state to set the premium level. If a change were made to 75/25, for example, this would increase premiums drastically. WVEA opposes such a concept. WVEA continues to call for the addition of co-pays and deductibles as a part of the 80/20 calculation.**
15. PEIA develop a Plan "C" with different benefit and payment structure to provide more flexibility to plan recipients, i.e., a cafeteria choice plan where participants could choose benefits with various cost structures and choose what they pay for. **This would give employees more options when selecting a health care plan. While it is unlikely to have an impact on the OPEB liability, WVEA supports this proposal to give employees more health care choices.**

16. In order to increase the salary of beginning teachers to an average of \$38,000, increase the salaries of teachers in years 0-11 over a five-year period so that the salaries in those years are the same as the salaries paid in year 12, according to the basic plus equity salary schedule. A teacher with a bachelor's degree would start out with a salary of \$37,483 plus any county salary supplement that may be in effect in the county. This proposal will have no impact on the OPEB liability. WVEA representatives are still in the process of determining how this proposal will work, what the salary schedule looks like, how it would be implemented, what it will cost and how it will be funded. WVEA lobbyists were told that even though many of the 17 items proposed have little or no impact on the OPEB liability, this is a package and all parts must be passed in order to provide the beginning teacher salary change mentioned in this section.

17. 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. WVEA agrees that medical inflation rates must be controlled; however, there is no consensus among experts on how to do that nor does this proposal outline any specifics. WVEA cannot support the concept without additional details.

The group of seven senators working on the OPEB solution were:

- Senator Brooks McCabe
- Senator Walt Helmick
- Senator Richard Browning
- Senator William Laird
- Senator Robert Plymale
- Senator Roman Prezioso
- Senator Mike Hall
- Senator Dave Sypolt