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County Retirement Budget Woes

By Cathy Tyson

From left, Mike Metcalf, County Supervisor Gayle Uilkema, Howard Harpham and Chuck Treat at Moraga Kiwanis meeting Photo Cathy Tyson

"OPEB is a four letter word," according to Supervisor Gayle Uilkema, Contra Costa Board of Supervisors, District 2. "There's no question that it's a huge gorilla in the closet." Despite the early hour, 7:30 a.m., the members of the Moraga Kiwanis Club gathered for breakfast at Saint Mary's College, were intrigued. So what is OPEB and why is it important?

OPEB is an acronym for Other Post Employment Benefits. For County employees these benefits include retiree health care, dental care, life insurance, prescriptions, vision, hearing and long-term disability. Retiree pension and deferred compensation plans are not included. It doesn't take a rocket scientist to grasp the incredible cost increases for these benefits over the years.

The Government Accounting Standards Board (GASB) has new rules starting this year that will affect OPEB. The new state law requires both public and private businesses to record unfunded liabilities as an accounting liability every year. GASB obligates the public sector to account for total OPEB costs for 30 long years. The intent of GASB was for the public sector to avoid the collapse of benefit plans that have occurred in the private sector.

For Contra Costa County, there are 8,438 active employees, 4,856 retirees and 360 surviving spouses as of January of 2006. The cost for all of the existing employees and retirees over the course of their lifetimes is approximately $2.3 billion, according to the Supervisor.

The problem is the County does not have an extra $2.3 billion dollars. At the moment, the County only budgets and pays for the annual health care premium for current retirees, $36 million dollars, on the Paygo (pay as you go) system, putting nothing aside for current employee's retirement needs down the road.

So what is the Supervisor going to do about it? She got quite a laugh from the audience when she recounted the following anecdote. "Some people feel the answer is simple, the County has a $2.3 billion total budget, and to fund OPEB fully we need $2.3 billion. All we have to do is close down the County entirely for one year and we're done. No police, fire department, jails or hospitals for a year."

She added, "Other's say, 'this is not a problem, we continue offering benefits and the state or the federal government will take care of it with National Health Insurance.'"

Uilkema got another chuckle from the crowd when she said, "The Board of Supervisors agreed on a radical solution, spend no more that we receive."

Looking for answers, the County Supervisors have hired actuaries to come up with a magic number to determine how much to save now. In addition, they have done research on what other counties are doing. Orange County made the drastic change of cutting all retirement benefits. Understandably outraged retirees promptly sued. The County is also looking at entitlements and vesting, examining what exactly retirees are entitled to, and what, if anything, might be optional.

Resolving this issue is still up in the air. "I want to be reasonable and fair. I know how many people need these benefits," said Uilkema.