Retiree Health Plans: Big Numbers and Big Challenges

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Over the past year, has your government made any changes to the health benefits you offer to your employees and retirees?

Source: SLGE/IPMA-HR/NASPE “State and Local Government Workforce: 2015 Trends”
2015 State and Local Government Workforce Trends

An improving landscape, but modest gains…

• 73% - hired employees
• 43% - shifted health care costs to employees
• 36% - gave pay increases
• 29% - made changes to retirement benefits

Older, more educated workforce

• Median age:
  39 for private sector
  45 for state and local employees
• 30% of the private sector workforce are “knowledge” workers
• 70% of state and local government workers are knowledge workers

Source: Center for State and Local Government Excellence and Stuart Greenfield
An aging workforce...

Average age in 1994 was 41  Average age in 2014 was 45

Source: SLGE analysis of Current Population Survey (IPUMS-CPS, Minnesota Population Center, Univ. of Minnesota)
The quiet talent crisis

• Turnover slowed after the Great Recession
• More movement now
  – Many retirement-eligible employees have rebuilt their retirement savings
  – Better economy
• Succession planning is rare
• Boomers replace boomers –
  – Then what?
Benefit packages matter

“Two out of ten employees left their job or accepted a new job due to the benefits package”

– Dallas Salisbury
SLGE Retirement Security Summit, June 2015, quoting 2015 EBRI retirement confidence survey
The portion salary and benefits make up of overall employer costs for employee compensation (BLS)

Figure 1: Relative distribution of state OPEB assets by their share of the total, FY13

Source: SLGE & NASRA ‘Spotlight on Retiree Health Care Benefits for State and Local Employees in 2014’
Figure 3: ARC and Percent Paid by States, FY13

Size of bubbles is roughly proportionate to size of liabilities

Source: SLGE & NASRA ‘Spotlight on Retiree Health Care Benefits for State and Local Employees in 2014’
Cost containment strategies

- Cost sharing with employees/retirees
- Wellness program
- Chronic disease management
- Dependent eligibility audits
- Shift to high deductible plan with health savings account
- Self insure
- Onsite clinics
State and local government employment

See slge.org for research on pensions and retirement, health benefits, demographics, and workforce issues.

Visit publicplansdata.org for current pension data & facts

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