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MEMORANDUM

TO: Board of Education
Dr. Mary B. Pfeiffer, District Administrator

FROM: Victoria Holt, Assistant District Administrator of Human Resources and Central Services *vlh*

DATE: April 18, 2013

RE: Other Post Employment Benefits (OPEB)

The Board of Education approved an Other Post Employment Benefits (OPEB) plan in October, 2012 for all qualifying District employees. The Board-approved OPEB plan included a funded component as well as an unfunded liability. The funded portion of the OPEB plan includes providing each eligible employee with an annual deposit of \$1,000 into a Tax Shelter Account (TSA)/(403b) beginning June, 2013. Employees that have not been with the District for at least five years will have their annual deposit accrue and ultimately be deposited at the end of their fifth year. The unfunded liability of the OPEB plan included contributions to a Health Reimbursement Arrangement (HRA) and/or a TSA over a period of 5.5 years after retiring and meeting established criteria. Employees at the age of fifty-seven (57) and having provided at least twenty (20) years of service to the District would receive the entire earned benefit. Employees reaching age fifty-five (55) or fifty-six (56) with at least twenty-two (22) and twenty-one (21) years respectively, would also be eligible to retire from the District, but with a reduced benefit.

In accordance with Federal law, employees were instructed that they could not individually select how their OPEB would be distributed. The selection had to be made by a group with the same year of hire. For ease of administration and management of this large OPEB group of employees, the one hundred thirty-eight (138) were separated by hire date into three similar sized groups. Group One represented fifty-two (52) employees hired between 1975 and 1988, Group Two represented forty-three (43) employees hired between 1989 and 1991 and Group Three represented forty-three (43) employees hired between 1992 and 1993.

On March 18 and 20, 2013, along with Associated Wealth Management and Diversified Benefit Services representatives, the District held two meetings to explain the benefits and limitations of both the TSA and the HRA. All one hundred and thirty-eight (138) employees were invited to attend either of these meetings. Upon completion of the March meetings, the employees were given surveys and asked to indicate their preference as to an OPEB allocation upon retirement. The survey choices available included the following:

- 100% TSA
- 25% HRA / 75% TSA
- 50% HRA / 50% TSA
- 75% HRA / 25% TSA
- 100% HRA

All three groups overwhelmingly indicated that their OPEB dollars be deposited 100% into a TSA over the 5.5 year period after their retirement from the District.

The District did not seek additional information as to why a survey respondent selected one response over another. However, some of the comments made by the employees at the three (3) informational meetings include the following:

- “If I have a HRA, by law, no additional contributions (employee or employer) can be made into my Health Savings Account (HSA). Why would I choose to have my OPEB dollars placed into a HRA?”
- “If I am single with no qualified dependents and I die with a balance in my HRA account, the employee balance remains with the District, why would I want to elect a HRA?”

With the overwhelming response by the District’s employees hired between the years 1975-1993 in Groups One, Two and Three electing that 100% of their OPEB funds be placed in a TSA with Associated Bank, administration is recommending that the Board support the following:

Group One	1975-1988 Hires	100% TSA
Group Two	1989-1991 Hires	100% TSA
Group Three	1992-1993 Hires	100% TSA

I will be at the April 23, 2013 Board of Education meeting to answer any questions you may have.