

OPEB: Growing Costs, Ambiguous Benefit

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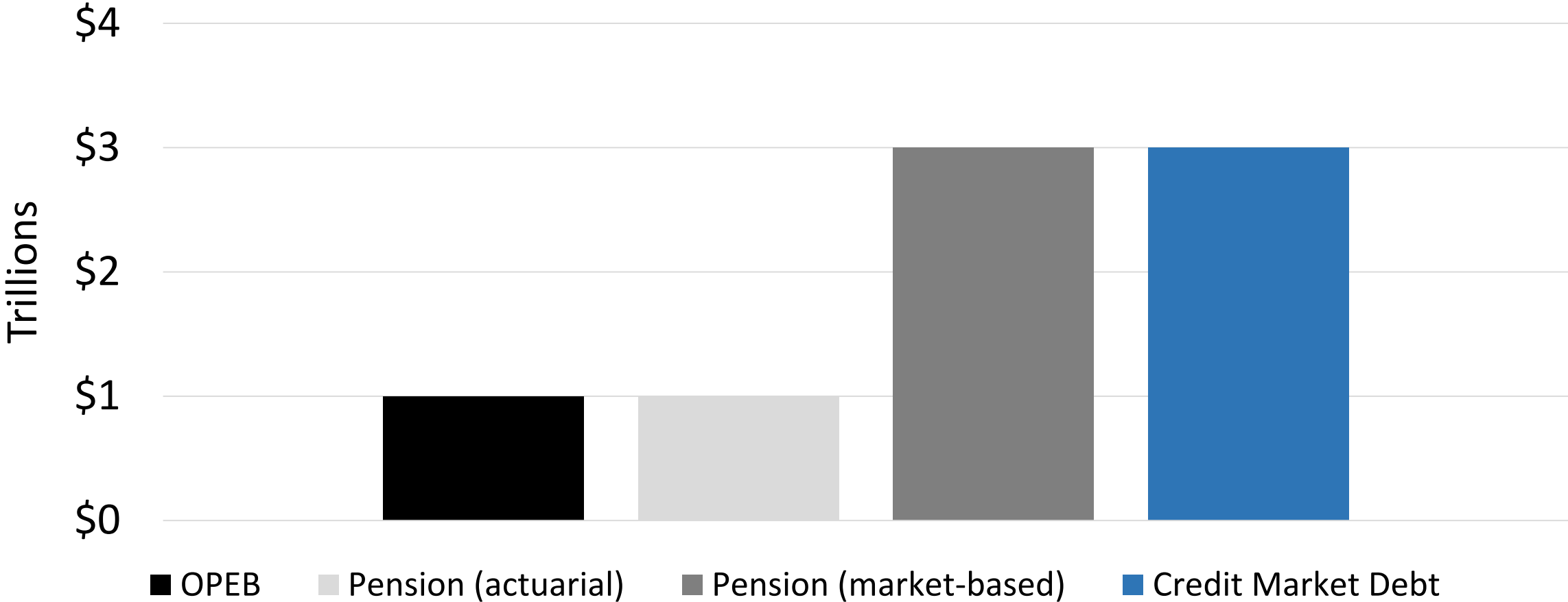
*OPEB: How cities can keep commitments to public employees
without declaring bankruptcy*

Worcester Regional Research Bureau forum

November 6, 2013

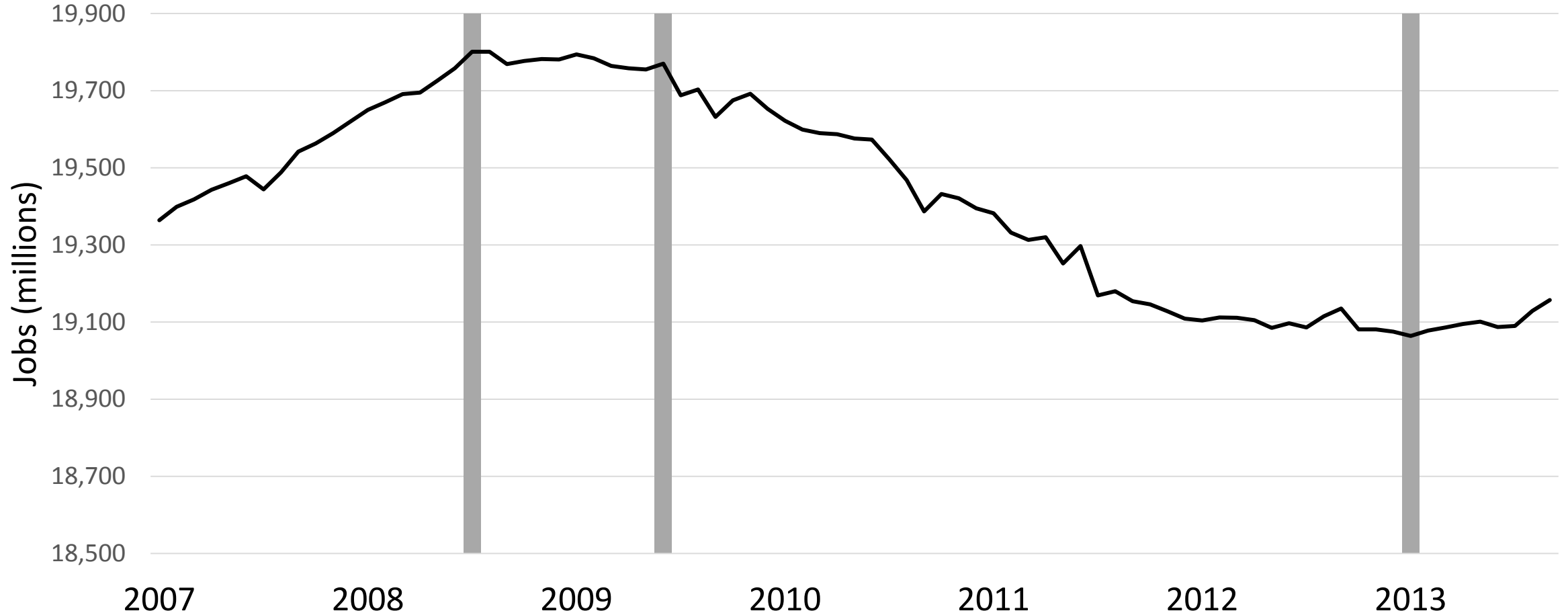
OPEB: The Size of the Problem, in Context

State and Local Government Debt by Type



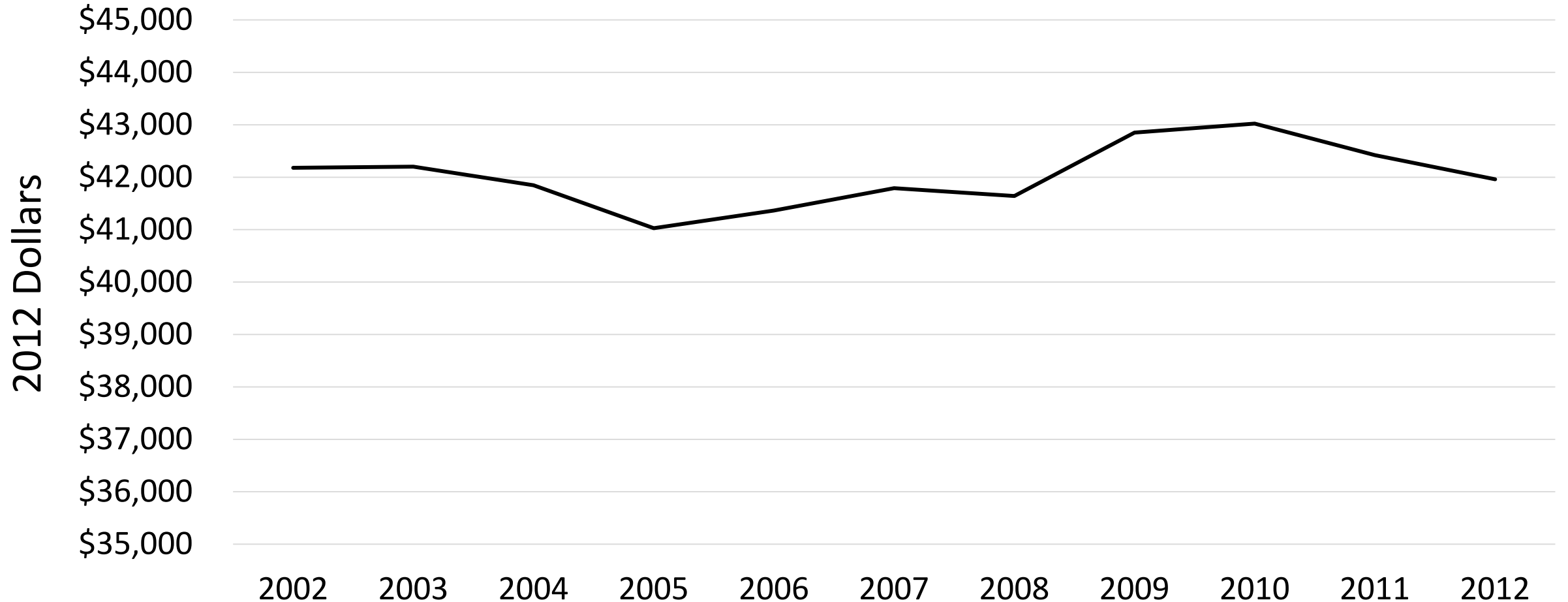
OPEB: The Nature of the Problem (“Crowd Out”)

State and Local Government Jobs, 2007-2013



OPEB & “Crowd Out,” continued

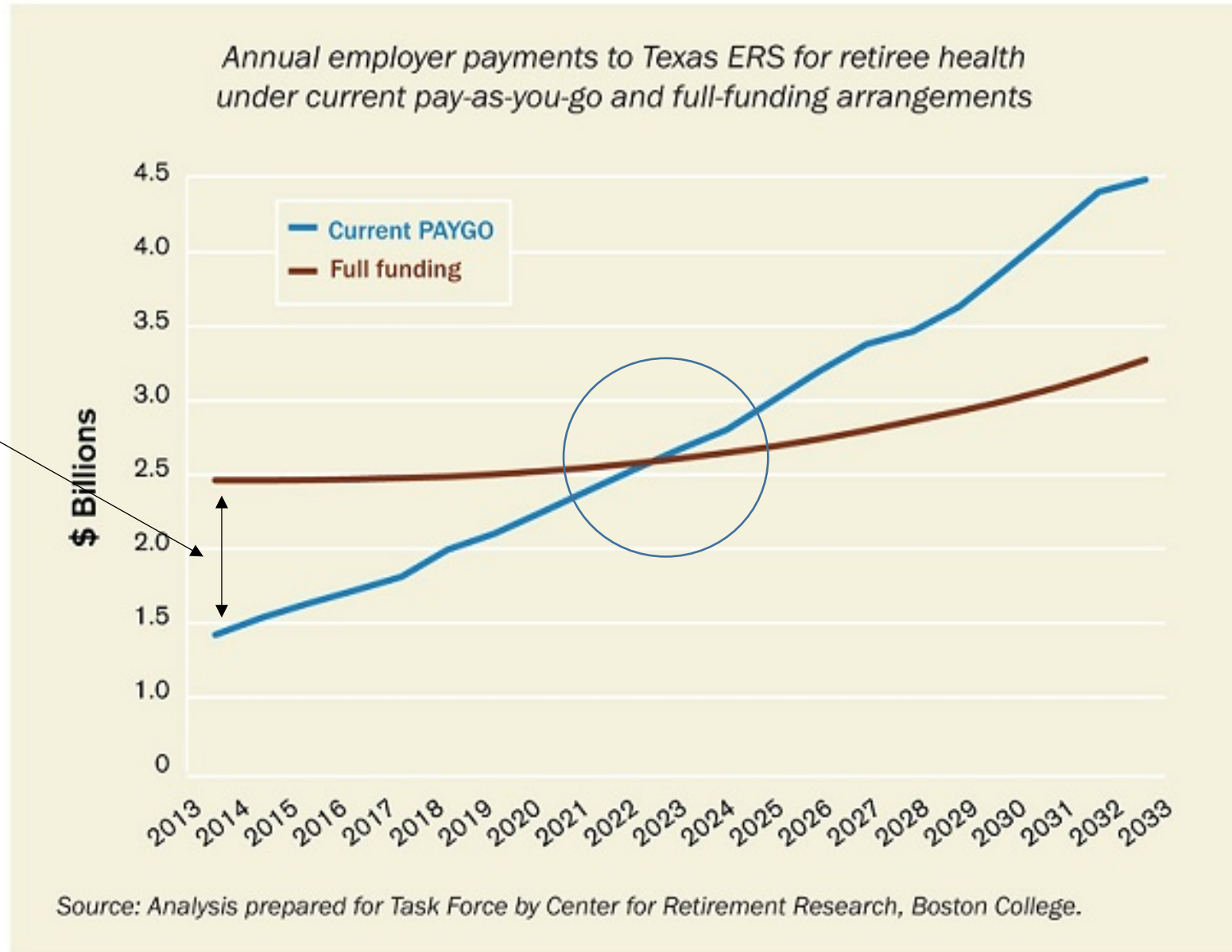
Median Local Government Salary, 2002-2012



OPEB: The Nature of the Problem, continued

- Intergenerational (in)equity
- Costs are dangerously uncertain (Medicare eligibility, healthcare is a service)

Why Prefund (and Why not), in One Chart



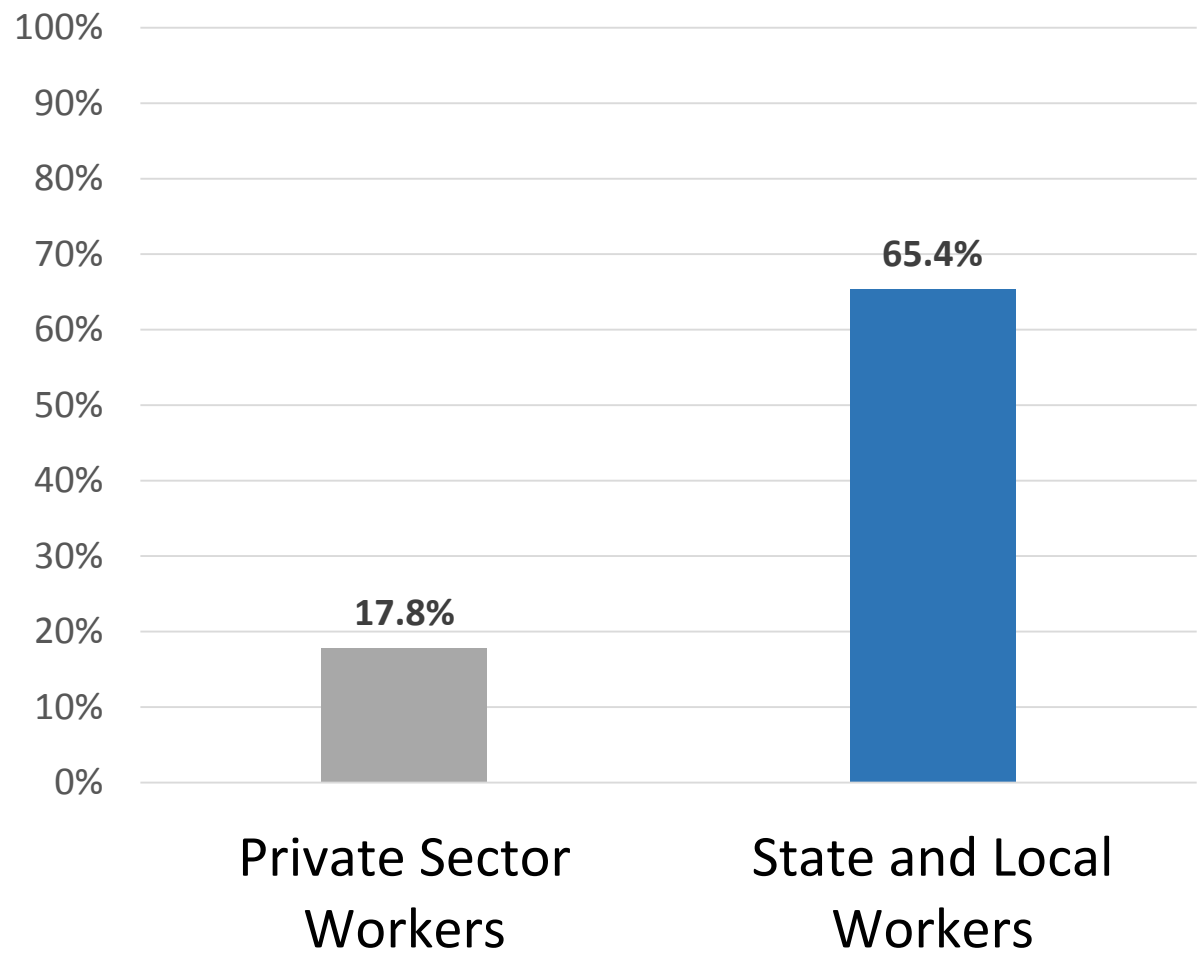
Prefunding=
\$1 billion in
additional
annual costs

Prefunding's no Panacea

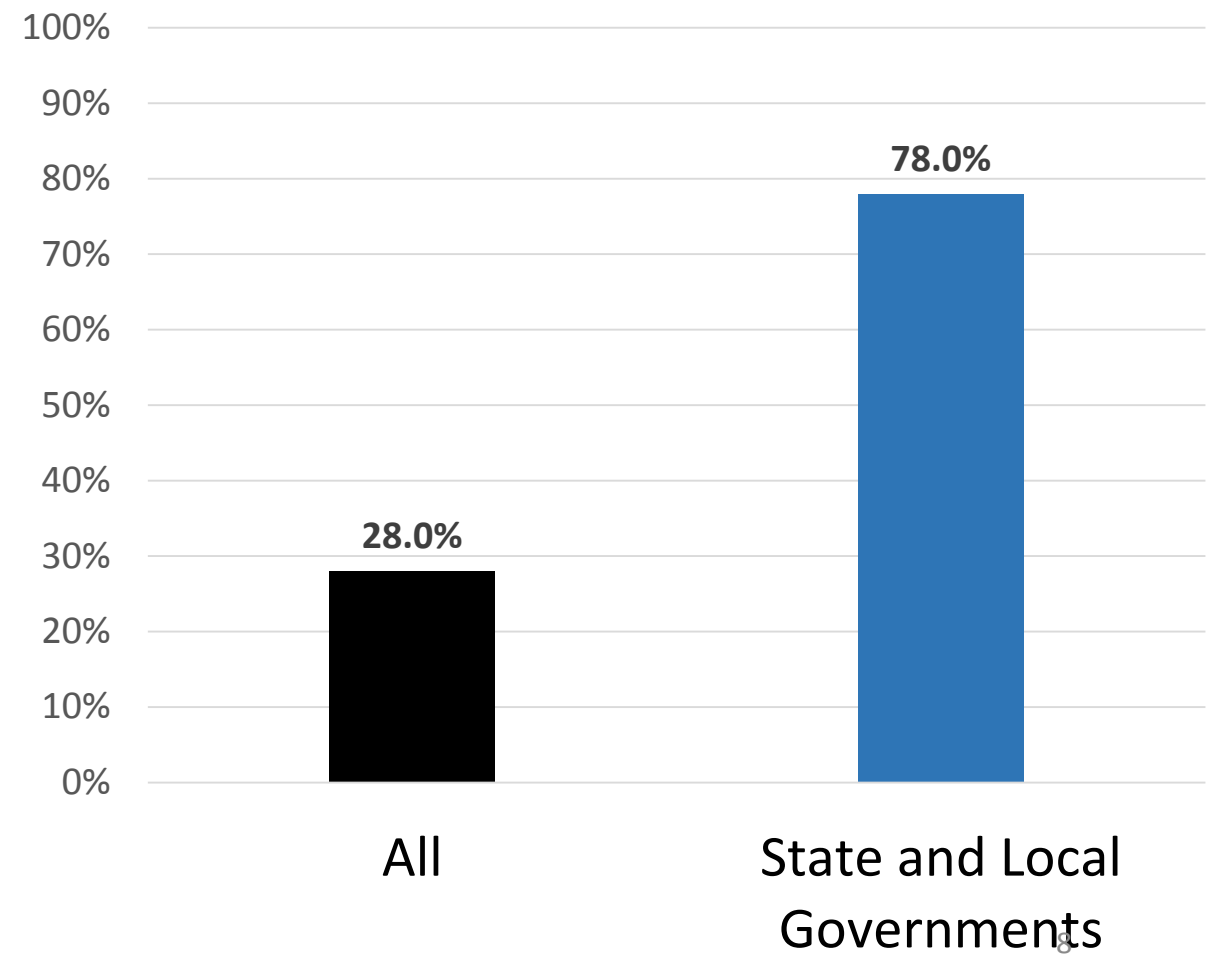
Los Angeles' experience=not encouraging

“Necessary to Attract and Retain Workers” Seriously?

Percent of Workers Eligible for OPEB



Percent of Large (200+ worker) Employers Offering OPEB



Obamacare & OPEB

- Cadillac Tax
- “A Stealth Bailout of State and Local Governments”?
 - Detroit and Chicago

Conclusion: Two Points

- OPEB and bankruptcy: partial cause, certain casualty
- Optimal solution is phase out