

Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Employee Benefit Plan

The Montgomery County Public Schools (MCPS) FY 2008 Operating Budget includes \$219.9 million to provide life and health insurance for current active and retired employees and their families through the Employee Benefit Plan (EBP). This is an increase of \$12.8 million (6.2 percent). Below are details of the reasons for the increase.

- MCPS works with a consultant firm, Aon Consulting, one of the leading firms in the nation with expertise in employee benefit plan administration. They study both national trends and actual MCPS experience to develop projections of future costs. These projections have been very close to actual results for the last several years.
- Joint negotiations with employee unions have resulted in a series of health care plan design changes, including higher co-pays for some plans, changes in pharmaceutical access, and new plan administration. It is estimated that these changes are saving \$6 million in FY 2007.
- The projected budget increase assumes a 9.1 percent cost increase trend in FY 2008. This is more than double the expected rate of inflation. The projection reflects the net of inflationary cost increases and the positive effects of cost containment initiatives and cooperation with other county agencies, including rebidding contracts with third party administrators.
- The cost of health and life insurance for active employees will rise by \$10,556,719. Active employees pay an average of 10 percent of plan expenses, although this varies by plan.
- Retiree health care costs will increase by \$2,208,185 with inflationary cost increases offset by expected reimbursement for Medicare Part D prescription drug costs of \$3.2 million in FY 2008.
- Retirees now pay 36 percent of plan costs. The number of retirees is anticipated to increase by 2.5 percent in FY 2008, consistent with recent trends.