

# Emeriti Post Retirement Transition Benefit Overview

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# Transition Benefit Resources

- Webinars:
  - Background on Transition Benefit
  - Emeriti 101
  - Medicare 101
- HR Website: [Retirement section](#)
- 1:1 consultations for those considering retiring by 6/30/20
  - Benefits Department
  - TIAA
  - Medicare Insurance Consultant

# History: Pre-Emeriti



- Policy prior to 7/1/2007: Provided 5 year health insurance benefit for employees who had reached 55 years of age and had 15 years of continuous full time employment.
- Purpose: Provide healthcare benefits at retirement to allow faculty and staff to retire as early as age 55. Lack of available healthcare was incentivizing faculty and staff to postpone retirement into their late 60's and early 70's.
- Experience: Because many faculty and staff stayed employed through age 65 and older, and remained eligible for traditional insurance benefits, the insurance premiums increased to reflect the experience of the older age demographic.

# July 1, 2007- Emeriti Program Started

- The Emeriti program was added to fund a post retirement health benefit for employees, with the expectation that contributions plus growth would provide a similar 5 years of coverage at retirement. Employees who were hired prior 7/1/07 chose either to opt in to the Emeriti plan or to remain with the original 5 year benefit.
- A transition benefit was included in Emeriti plan for those employees hired prior to 7/1/07 - offering to guarantee an Emeriti plan balance equal to the cost of 5 years of insurance based on the employer cost of medical and dental for single employee at the employee's current plan, escalated over 5 years at 8%.

# Resulting Issues:

- The transition benefit was actually dis-incentivizing staff and faculty from retirement, as the longer they waited to retire, the larger the balance against the relatively unchanged costs of Medicare and Medicare supplement coverage.
- The transition benefit was providing as much as 15 years of funding (based on Medicare coverage costs) compared to the goal of providing 5 years of funding for health coverage.
- The 8% escalation factor far exceeded the actual health care inflation realized by the College.
- Prior to retirement, some employees are moving to the most expensive plan during open enrollment to get the largest possible payout
- The cost of the program had grown so large that the College was annually needing to budget \$500k for retirement payouts and book a liability for post retirement benefits in excess of \$2.5 million.

# Solutions

**As a result of the issues, the Employee Benefits Advisory Committee recommended the following:**

- Keep with the intent of 5 years of post retirement healthcare funding, but reflect the actual cost to the employee of their health insurance during the five years of coverage.
- Utilize Medicare supplement rates for employees who are eligible for Medicare at retirement (or prorate for employees who become eligible within the 5 year benefit period).
- Use a compounding escalation factor based on the average rate increase over the preceding 3 years.

# What does this mean to you?

- Those employees who are eligible at 6/30/20 for the transition benefit (hired prior to 7/1/07, have had at least 15 years of continued full-time employment, and have reached the age of 55)
  - Who retire by June 30, 2020, will have their Emeriti plan funded based on the current transition benefit calculation (See Exhibit 1).
  - Who retire after June 30, 2020, will have their Emeriti plan funded based on the revised transition benefit calculation (See Exhibit 2).

# Exhibit 1: Current Transition Benefit Calculations (through 6/30/20):

	Kaiser HMO	Kaiser HSA	Blue Shield Trio	Blue Shield Access +	Blue Shield HSA
2020 Medical Plan - Employer Employee-only Coverage Premium	\$ 630.44	\$ 503.78	\$ 741.06	\$ 944.60	\$ 793.90
2020 Dental Plan - Employer Employee-only Coverage Premium	\$ 59.68	\$ 59.68	\$ 59.68	\$ 59.68	\$ 59.68
<b>TOTAL</b>	<b>\$ 690.12</b>	<b>\$ 563.46</b>	<b>\$ 800.74</b>	<b>\$1,004.28</b>	<b>\$ 853.58</b>
<b>Total Transition Benefit = Medical + Dental Employer Premium compounded by 8% inflation factor over 5 years</b>	<b>\$ 50,531</b>	<b>\$ 41,257</b>	<b>\$ 58,630</b>	<b>\$ 73,533</b>	<b>\$ 62,499</b>
Subtract Current Emeriti Account Balance at Retirement (employer contributions only)*	\$(23,000)	\$(23,000)	\$(23,000)	\$(23,000)	\$(23,000)
<b>Transition Benefit Balance Due Upon Retirement at/before 6/30/20</b>	<b>\$ 27,531</b>	<b>\$ 18,257</b>	<b>\$ 35,630</b>	<b>\$ 50,533</b>	<b>\$ 39,499</b>

\* Estimated for this example only, \$23K represents the average amount that current transition benefit eligible employees have in their employer funded Emeriti account



# Exhibit 2: New Transition Benefit Calculations (as of 7/1/20):

	Medicare Eligible <sup>^</sup>	Kaiser HMO	Kaiser HSA	Blue Shield Trio	Blue Shield Access +	Blue Shield HSA
2020 Medical Plan - Employer Employee-only Coverage Premium		\$ 630.44	\$ 503.78	\$ 741.06	\$ 944.60	\$ 794.00
2020 Dental Plan - Employer Employee-only Coverage Premium	\$ 59.68	\$ 59.68	\$ 59.68	\$ 59.68	\$ 59.68	\$ 60.00
2020 Medicare (Supplemental Plans B, D, G)	\$ 367.71					
<b>Medical Inflation Factor</b>	<b>4.4%</b>	<b>2.6%</b>	<b>12.2%</b>	<b>6.9%</b>	<b>9.9%</b>	<b>9.0%</b>
<b>Dental Inflation Factor</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Total Transition Benefit</b>	<b>\$ 28,202</b>	<b>\$ 43,934</b>	<b>\$ 44,446</b>	<b>\$ 56,361</b>	<b>\$ 75,989</b>	<b>\$ 63,128</b>
Subtract Current Emeriti Account Balance at Retirement (employer contributions only)*	\$(23,000.00)	\$(23,000)	\$(23,000)	\$ (23,000)	\$ (23,000)	\$ (23,000)
<b>Transition Benefit Balance Due Upon Retirement at/before 6/30/20</b>	<b>\$ 5,202</b>	<b>\$ 20,934</b>	<b>\$ 21,446</b>	<b>\$ 33,361</b>	<b>\$ 52,989</b>	<b>\$ 40,128</b>

<sup>^</sup> Used for employees age 65+. For employees that turn 65 during the 5 years post retirement a combination of the employer premium and Medicare rates will be used to account for the employee straddling the group and Medicare premiums.

\* Estimated for this example only, \$23K represents the average amount that current transition benefit eligible employees have in their employer funded

# Kaiser HMO Participant: Transition Benefit Example

Transition Benefit Calculation	Kaiser HMO <sup>^</sup>		
	Current	Revised as of 7/1/20	
Age during all 5 years post retirement	NA	< 65*	Age 65+*
2020 Medical Plan - Employer Employee-only Coverage Premium	\$ 630.44	\$ 630.44	
2020 Dental Plan - Employer Employee-only Coverage Premium	\$ 59.68	\$ 59.68	\$ 59.68
Medicare Part B			\$ 144.60
Medicare Part D			\$ 41.93
Medicare Part G			\$ 181.18
<b>TOTAL</b>	<b>\$ 690.12</b>		
<b>Total Transition Benefit = Medical + Dental Employer Premium Multiplied by 73.22 or 8% annual inflation factor</b>	<b>\$ 50,531</b>		
<b>Total Transition Benefit = Medical Premium Multiplied by actual average 3 year inflation factor of 2.6%, Dental Premium actual average 3 year inflation factor is 0%.</b>		<b>\$ 43,934</b>	
<b>Total Transition Benefit = Medicare Premium Multiplied by actual average 3 year inflation factor of 4.4%, Dental Premium actual average 3 year inflation factor is 0%.</b>			<b>\$ 28,202</b>
Subtract Current Emeriti Account Balance at Retirement (employer contributions only)	\$(23,000)	\$(23,000)	\$(23,000)
<b>Transition Benefit Balance Due Upon Retirement</b>	<b>\$ 27,531</b>	<b>\$ 20,934</b>	<b>\$ 5,202</b>

<sup>^</sup> This scenario is based on an employee who was enrolled in the Kaiser HMO plan for the 5 years leading up to retirement. If an employee was enrolled in different plans during the 5 years leading up to retirement an average of the employer premiums will be applied.

\* For employees that turn 65 during the 5 years post retirement a combination of the employer premium and Medicare rates will be used to account for the employee straddling the group and Medicare premiums.



# Questions?

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# Next Steps

- Not retiring by 6/30/20 - no immediate action required
- Considering retiring by 6/30/20:
  - Sign up for 1:1 consultations
    - Benefits Department
    - TIAA
    - Medicare Insurance Consult
- Retiring by 6/30/20
  - Sign up for 1:1 consultations
  - If age 65+ now, start Medicare enrollment process
    - HR will provide Request for Employment Information form which verifies employee is eligible for special Medicare enrollment period with out penalty
  - Review HICuP packet from Arrow Benefits
    - For those < 65 option to remain on College's Medical, Dental, Vision plans for up to 36 months
    - For those age 65+ option to remain on Dental and Vision plans for up to 36 months