

Retiree Medical

General Information

- Proposal for providing retirees who are at least 65 years of age and older, reduced retiree medical costs based on an employees years of service was approved by Commissioners Court on November 15, 2006 by a 3 – 2 vote.
- Coverage provided is the same as coverage for active employees however the over 65 retiree plan has Medicare as a primary payer and Collin County as a secondary payer.
- On 12/12/2006 amendments were made to the plan and the amended plan was approved by Commissioners Court with a 5 – 0 vote. Note that the plan does specifically state that it can be changed at any time.
- The effective date of the plan is 12/31/2006. Individuals retiring before that date are not eligible to participate. Retirees are not eligible for the plan until they are 65 years of age.
- Retirees pay a percentage of the actuarial cost of coverage based on their years of service. 8 – 10 years pay 75%, 11-15 years pay 50%, 16-19 years pay 25% and 20 plus years pays the regular employee premium (currently \$50 for the premium plan exclusive of surcharges or discounts).

Financial Information

- GASB 45 requires the county to allocate the costs of the retiree medical plan over the years of active employment. It does not require the funding of the benefits but the amount must be notated on the financial statements.
- As of the last actuarial analysis for the fiscal year ended 2008, the actuarial accrued liability was \$37,461,770 with an actuarial present value of total projected benefits of \$93,053,377. Additionally, each year there is an annual required contribution which is currently calculated at \$6,209,919.
- The county has allocated \$9.2 million over the last three years toward the unfunded liability. The money is currently not allocated to a trust fund and therefore cannot be used to offset the unfunded liability.
- The next actuarial analysis is due in 2011 for the fiscal year ended 2010. If the allocated funds are not moved to a trust fund the unfunded liability is expected to increase significantly. The discount rate used for the last actuarial study was 4%. The current rate outside of a trust fund is less than 2%.

Employee Information

- There are currently 30 retirees who participate in the over 65 retiree medical program and 37 employees who participate in the over 65 retiree dental program.
- There are 45 retired individuals who are not yet eligible to participate because they have not reached 65 years of age. Of the 45, 36 or 80% have 20 or more years of service. 4 have 16 – 19 years of service. The remaining 5 have between 11 and 15 years of service.
- There are 191 individuals who are currently working and are retirement eligible. 61 of the 191 are already age 65 or above. 159 (83%) of these individuals will have 16 or more years of service.
- Using our last actuarial analysis and dividing the number of participants used in the analysis, the cost per participant is approximately \$25,000 for the plan. This number is subject to change based on our new actuarial analysis and will most likely increase if a trust fund is not put in place.

Costs

- **Current Employees** - Actuarial calculated costs for all current employees are **\$37,461,770** with an annual retired contribution of \$ \$6,209,919 as of the last audit for the fiscal year ended 2008. This is the cost for all the employees currently with Collin County who are on our insurance plan. It calculates to approximately \$25,000 per insured employee.
- **Currently Retired and Eligible** - Actuarial calculated costs for those individuals currently retired and participating in the plan is less than \$1 million. There is also a calculation required for another 26 long term retirees who pay a budgeted rate rather than an actuarial rate. The actuarial calculated cost of these 26 long term retirees is estimated at less than \$500,000. Total estimated calculated cost is **\$1.5 million**. (30 current)
- **Currently Retired** - Actuarial calculated costs for those individuals currently retired and participating in the plan, plus those who have retired but are not yet 65 is approximately \$2 million plus the \$500,000 for the long term retirees for a total estimated actuarial cost of approximately **\$2.5 million**. (30 current plus 45 retired).
- **Currently Retired and Retiree Eligible** - Actuarial calculated costs for those individuals who are currently participating, plus those who have retired and are not yet 65, plus those who are eligible to retiree, is approximately \$7 million plus the \$500,000 for long term retirees for a total of approximately **\$7.5 million** . (30 current, plus 45 retired plus 191 retiree eligible)
- **Currently Retired and Eligible and Retiree Eligible Able to Participate** - The cost for those individuals currently retired and participating in the plan plus those individuals who are eligible to retiree and are 65 is approximately \$3 million dollars plus the \$500,000 for long term retirees for a total estimated actuarial cost of approximately **\$3.5 million** (30 current plus 61 retiree eligible who are age 65)
- Actuarial calculated costs are expected to rise significantly if a trust fund is not established due to a change in the discount rate since the last audit. There is currently 9.2 million set aside for GASB 45 costs. All costs are estimates using the 2008 actuarial audit. Movement to a medigap plan is estimated to decrease costs by 20%.