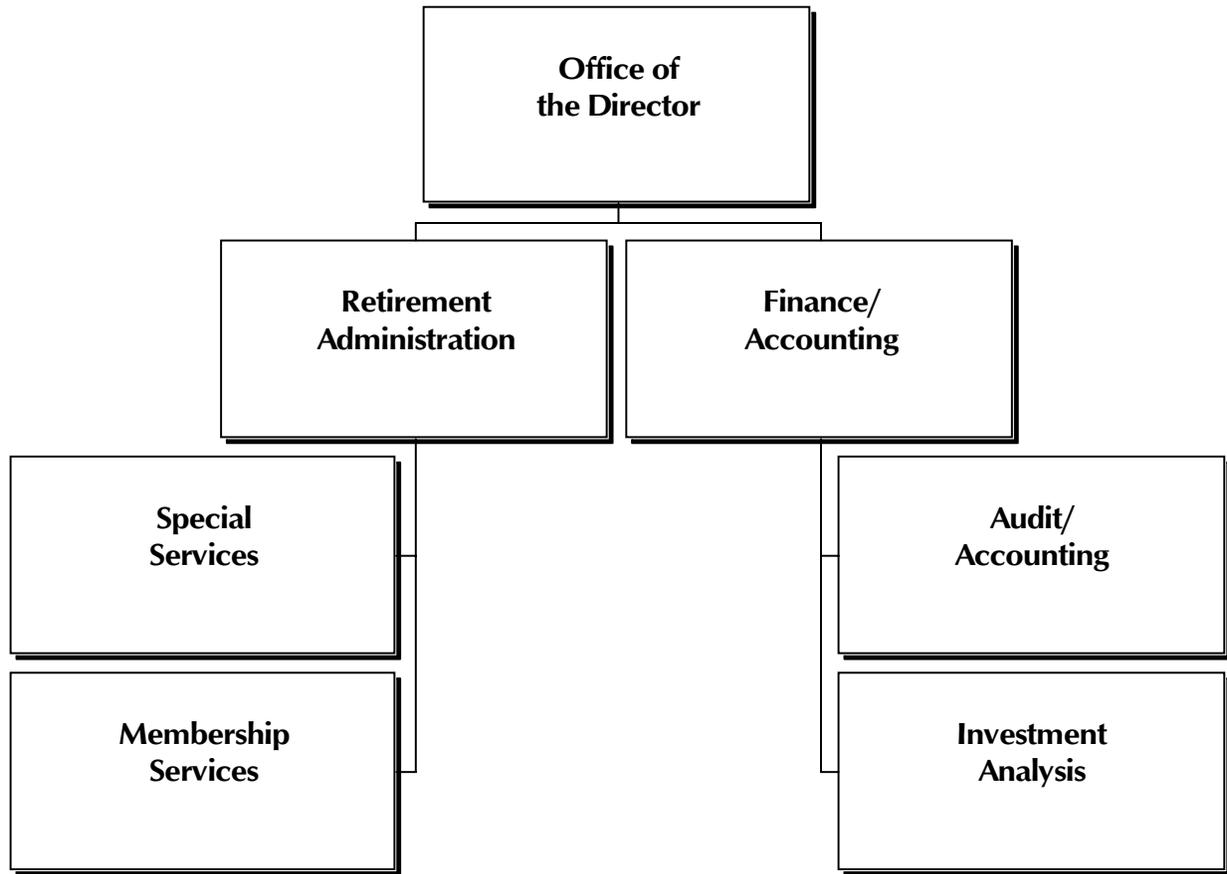


# Fund 500 Retiree Health Benefits Fund



## **Focus**

Fund 500, Retiree Health Benefits, provides monthly subsidy payments to eligible retirees of the County to help pay for health insurance. Prior to July 2003, the monthly subsidy was \$100 for all eligible retirees. The current monthly subsidy, approved in FY 2006, commences at age 55 and varies by length of service as detailed in the following table. It should be noted that for those retired prior to July 2003, the monthly subsidy is the greater of \$100 and the amounts below. There is not a reduction in subsidy payments for employees who retired prior to July 1, 2003 but do not meet the revised requirements for years of service. However, those employees who retired prior to July 1, 2003 with 15 or more years of service were eligible for the increased subsidy as of July 1, 2003. It should be noted that the retiree health benefit subsidy is provided to retirees on a discretionary basis, and the Board of Supervisors reserves the right to reduce or eliminate the benefit in the future if the cost of the subsidy becomes prohibitive or an alternative is chosen to aid retirees in meeting their health insurance needs.

<b>Retiree Health Benefit Subsidy</b>	
<b>Years of Service at Retirement</b>	<b>Monthly Subsidy</b>
5 to 9	\$30
10 to 14	\$65
15 to 19	\$155
20 to 24	\$190
25 or more	\$220

## **Fund 500**

### **Retiree Health Benefits Fund**

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The current subsidy structure became effective January 1, 2006 and includes a 25 percent increase approved by the Board of Supervisors in response to the implementation of the new Medicare Part D prescription drug benefit. This increase qualified the County's self-insured health insurance plan to be deemed as actuarially equivalent to the Medicare Part D program. Employers who offer an actuarially equivalent program are eligible to receive a subsidy from the Centers for Medicare and Medicaid Services (CMS) based on retiree enrollment in their plans. The County receives the CMS subsidy on retirees and spouses enrolled in the County's self-insured health plan who do not enroll in Medicare Part D. The anticipated federal funding from CMS is expected to completely offset the cost of the 25 percent increase to the retiree subsidy. In addition to the increase, the subsidy structure was changed so that retirees no longer receive a reduced subsidy upon reaching the age of Medicare eligibility. It should be noted that County staff are working to develop a long-term County strategy for Medicare Part D, which may include elimination of the 25 percent increase in the subsidy. Final recommendations regarding Medicare Part D options will be presented to the Board of Supervisors upon a thorough examination of Medicare Part D plans. However, it is not anticipated that this examination will be completed until the market for Medicare Part D products further matures.

During FY 2008, the average number of subsidy recipients, including new retirees who are eligible to receive the retiree health benefit subsidy, is expected to increase by 129, or 5.9 percent, from 2,201 in FY 2007 to 2,330 in FY 2008. Estimates of the average number of subsidy recipients are based on a review of the projected number of retirements and health subsidy eligibility for personnel already retired from the Fairfax County Employees', Uniformed, and Police Officers Retirement Systems. Retirees who become eligible to receive the subsidy are paid based on the period of eligibility within the fiscal year, which may or may not comprise a full year of payments. It should be noted that in FY 2006, the Board of Supervisors approved an additional benefit to Health Department employees who remained in the Virginia Retirement System (VRS) after their conversion from state to County employment in 1995. Current and future retirees who participate in a County health plan are eligible to receive the differential between the County retiree health benefit subsidy for which the employee is eligible based on years of service, which currently has a maximum of \$220 per month, and that provided by VRS, which has a maximum of \$120 per month. Furthermore, effective July 1, 2006, the County began providing the maximum retiree health benefit subsidy of \$220 per month to those Police officers who were hired before July 1, 1981 and retired or will retire with full retirement benefits with 20, but less than 25, years of service. These Police officers previously received a subsidy of \$190 per month.

In FY 2008, the General Fund Transfer will increase by \$540,409, or 13.3 percent, over the *FY 2007 Revised Budget Plan* level of \$4,070,579, to \$4,610,988.

Beginning in FY 2008, the County's financial statements are required to implement Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEBs) including health care, life insurance, and other non-pension benefits offered to retirees. This new standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the County's retiree health benefit subsidy. Historically, the County's subsidy was funded on a pay-as-you-go basis. GASB 45 requires that the County accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension/retirement benefits. The County has established Fund 603, OPEB Trust Fund, to fund the cost of post-employment health care and other non-pension benefits. Fund 603 will allow the County to capture long-term investment returns and make progress towards reducing the unfunded liability. For more information on GASB 45 requirements, please refer to the Fund 603, OPEB Trust Fund, narrative in the Trust Funds section of Volume 2.

# Fund 500

## Retiree Health Benefits Fund

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### Initiatives

- ◆ Provide appropriate funding level to support the retiree health insurance benefit subsidy.
- ◆ Continue to allow for the timely and accurate distribution of retiree health insurance subsidy payments.
- ◆ Estimate actuarial liabilities to comply with the Governmental Accounting Standards Board's new accounting requirements for post-employment benefits other than pensions.
- ◆ Continue to develop a long-term County strategy for Medicare Part D, which may include elimination of the 25 percent increase in the subsidy.

### FY 2008 Funding Adjustments

*The following funding adjustments from the FY 2007 Revised Budget Plan are necessary to support the FY 2008 program:*

- ◆ **Employee Compensation** **\$10,484**  
An increase of \$10,484 in Personnel Services associated with salary adjustments necessary to support the County's compensation program. Note: 1/1.0 SYE position in the Retirement Administration Agency is financed by this fund. For more information on positions in the Retirement Administration Agency, refer to Fund 600, Uniformed Retirement, Fund 601, Fairfax County Employees' Retirement, and Fund 602, Police Officers Retirement, in Volume 2 of the FY 2008 Adopted Budget Plan.
- ◆ **Benefit Payments** **\$225,740**  
An increase of \$225,740 in benefit payments based on the current and projected rate of participation.

### Board of Supervisors' Adjustments

*The following funding adjustments reflect all changes to the FY 2008 Advertised Budget Plan, as approved by the Board of Supervisors on April 30, 2007:*

- ◆ The Board of Supervisors made no adjustments to this fund.

### Changes to FY 2007 Adopted Budget Plan

*The following funding adjustments reflect all approved changes in the FY 2007 Revised Budget Plan since passage of the FY 2007 Adopted Budget Plan. Included are all adjustments made as part of the FY 2006 Carryover Review and all other approved changes through December 31, 2006:*

- ◆ The Board of Supervisors made no adjustments to this fund.

*The following funding adjustments reflect all approved changes to the FY 2007 Revised Budget Plan from January 1, 2007 through April 23, 2007. Included are all adjustments made as part of the FY 2007 Third Quarter Review:*

- ◆ The Board of Supervisors made no adjustments to this fund.

# Fund 500 Retiree Health Benefits Fund

## FUND STATEMENT

### Fund Type G50, Internal Service Funds

### Fund 500, Retiree Health Benefits

	FY 2006 Actual	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan	FY 2008 Adopted Budget Plan
<b>Beginning Balance</b>	<b>\$438,700</b>	<b>\$321,075</b>	<b>\$317,965</b>	<b>\$31,890</b>	<b>\$31,890</b>
Revenue:					
CMS Medicare Part D Subsidy	\$401,927	\$968,000	\$968,000	\$968,000	\$968,000
<b>Total Revenue</b>	<b>\$401,927</b>	<b>\$968,000</b>	<b>\$968,000</b>	<b>\$968,000</b>	<b>\$968,000</b>
Transfer In:					
General Fund (001)	\$3,818,110	\$4,070,579	\$4,070,579	\$4,610,988	\$4,610,988
<b>Total Transfer In</b>	<b>\$3,818,110</b>	<b>\$4,070,579</b>	<b>\$4,070,579</b>	<b>\$4,610,988</b>	<b>\$4,610,988</b>
<b>Total Available</b>	<b>\$4,658,737</b>	<b>\$5,359,654</b>	<b>\$5,356,544</b>	<b>\$5,610,878</b>	<b>\$5,610,878</b>
Expenditures:					
Benefits Paid	\$4,246,529	\$5,232,930	\$5,232,930	\$5,458,670	\$5,458,670
Administrative	94,243	91,724	91,724	102,208	102,208
<b>Total Expenditures</b>	<b>\$4,340,772</b>	<b>\$5,324,654</b>	<b>\$5,324,654</b>	<b>\$5,560,878</b>	<b>\$5,560,878</b>
<b>Total Disbursements</b>	<b>\$4,340,772</b>	<b>\$5,324,654</b>	<b>\$5,324,654</b>	<b>\$5,560,878</b>	<b>\$5,560,878</b>
<b>Ending Balance<sup>1</sup></b>	<b>\$317,965</b>	<b>\$35,000</b>	<b>\$31,890</b>	<b>\$50,000</b>	<b>\$50,000</b>

<sup>1</sup> The Ending Balance fluctuates based on the use of balance to fund retiree health subsidy payments and to offset General Fund requirements. This policy reflects the recognition that the General Fund should receive credit for any balances that are available at year-end.