

Fund 500

Retiree Health Benefits Fund

<i>FY 2008 Adopted Budget Plan</i>	
<i>Fund 500, Retiree Health Benefits Fund</i>	
Total Expenditures:	\$5,560,878
Revenue:	
General Fund Support	\$4,610,988
Bond Revenue	\$0
Other Revenue	\$968,000
Total Revenue	\$5,578,988

► Summary of Program

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. A temporary supplement related to Medicare Part D was added to the subsidy in FY 2006 and is shown separately in the following table. Employers who provide pharmacy benefits which are actuarially equivalent to the Medicare Part D plan are eligible for a rebate from the Centers for Medicare and Medicaid Services (CMS). The supplement added in 2006 was based on the rebate from CMS. Continuation of the temporary supplement is contingent upon the continuation of the current health plan and the associated rebate from CMS.

Note: 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. Also, Police officers hired before July 1, 1981 whose eligibility for normal retirement occurred at twenty years of service eligible for the subsidy listed as “25 or more” years of service.

Current Retiree Health Benefit Subsidies			
Years of Service at Retirement	Subsidy Amount	Supplement	Total Subsidy
5 to 9	\$25	\$5	\$30
10 to 14	\$50	\$15	\$65
15 to 19	\$125	\$30	\$155
20 to 24	\$150	\$40	\$190
25 or more	\$175	\$45	\$220

The Retirement Administration Agency deducts health insurance premiums from monthly retirement payments for those retirees enrolled in the County health insurance program. The subsidy amount reduces the premium amounts deducted.

Funding for the Retiree Health Benefits Fund consists of a transfer out from the General Fund and reimbursements from CMS.

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► Funding Availability and Future Considerations

Health insurance premiums have risen rapidly in recent years reflecting the increased cost of health care generally. While the retiree health subsidy amount has been increased twice in recent years, the subsidy amount does not increase automatically or proportionately with the increase in premiums. However, costs related to this fund will continue to increase as the retiree population grows and with any changes to improve this benefit for retired employees.

It should be noted that the County intends to examine plans related to Medicare Part D to aid in finalizing an approach to the implementation of this new prescription drug benefit product. Currently, the County offers an equivalent plan to its retirees; however, staff plans to research other opportunities to determine if a more robust plan is available to County retirees at a lower cost. However, this examination will not be completed until the market for Medicare Part D products further matures. Continuation of the temporary supplement approved in FY 2006 will be reevaluated once a final decision regarding Medicare Part D is made.

► Status of Program

During FY 2008, the average number of subsidy recipients, including new retirees who are eligible to receive the 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' Retirement, 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.

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 nonpension 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. In FY 2009, the retiree subsidy payments will be funded out of Fund 603. Fund 500 balances will be moved to this fund at the end of FY 2008, and the fund will be eliminated. For more information on GASB 45, please refer to the Fund 603, OPEB Trust Fund, LOB.

► Mandate Information

There is no federal or state mandate for this LOB.