

Response to Questions on the FY 2019 Budget

Request By: Supervisor Gross

Question: Please describe the Retiree Health Benefit subsidy for County and Schools employees. What would be the cost of increasing the Schools benefit to match the County's? Please include the impact to the Schools OPEB liability.

Response: The following response was prepared by Fairfax County Public Schools (FCPS):

Subsidy amounts for retirees differ between the two organizations and vary according to years of service, date of retirement and the pension plan from which someone retires. The chart on the following page compares subsidy levels of the different plans.

The cost to increase the subsidy levels for FCPS participants covered under the FCERS plan to the same level as Fairfax County Government is estimated to be \$1.1 million annually. This estimate is based on current enrollment, and will increase over time if a higher percentage of retirees retain FCPS health coverage.

Additionally, the Actuarial Accrued Liability (AAL) for FCPS Other Post Employment Benefits will increase by \$44.8 million, and the Annual Required Contribution will increase by \$3.2 million. The increase to the ARC is in addition to the increase to the explicit subsidy, resulting in a total annual increase of \$4.3 million.

As background information, both County Government and Schools retirees shared similar subsidy levels until FY 2006, when Fairfax County Government began using Retiree Drug Subsidy (RDS) monies received from the Federal Government to increase the retiree health subsidy on a temporary basis. Subsidies for County Government employees were increased by \$10 in Fiscal Year 2018.

Instead of increasing the retiree subsidy, Fairfax County Public Schools used the RDS monies to decrease premiums for retirees. When FCPS converted Medicare retirees to a Medicare Part D pharmacy benefit program in 2013, rebate dollars under the RDS program ended, and new rebates became available. FCPS continues to apply these rebates to reduce retiree premiums.

Comparison of Retiree Health Benefits Subsidy

Fairfax County Government Retirees		Fairfax County Public Schools Retirees		
Years of Service	Monthly Subsidy	FCERS Members Age 55-64	FCERS Members Age 65+ or eligible for Medicare	ERFC Members Age 55+ and VRS** Members Monthly Subsidy
5-9	\$40	\$25*	\$15*	\$100 ERFC
10-14	\$75	\$50*	\$25*	\$100 ERFC
15-19	\$165	\$125	\$100	\$100 ERFC + \$60-\$76 VRS
20-24	\$200	\$150	\$150	\$100 ERFC + \$80-\$96 VRS
25 or more	\$230	\$175	\$175	\$100 ERFC + \$100 or more VRS

* Applies to individuals who retired or enrolled in the FCPS health benefit program on or after July 1, 2004. If retired prior to July 1, 2004, the minimum subsidy is \$100 per month.

** VRS provides a monthly health credit to retirees with at least 15 years of service. The subsidy offsets the retiree's cost for health premiums and applies to any health plan coverage (including Medicare). The Virginia General Assembly sets the subsidy amount (currently \$4 per year of VRS service).