

## TITUS COUNTY RETIREE HEALTH INSURANCE BENEFIT

### CURRENT POLICY PRIOR TO August 21, 2014

Retirement from Titus County with Health Benefits – employees must meet rule of 75 with a minimum of 8 years of continuous service to Titus County. In such case the retired employee shall be covered by the Titus County Health Insurance Plan until age 65. Spouse and dependent coverage shall be available at the standard employee rate until age 65.

### CHANGES TO POLICY APPROVED August 21, 2014

Grandfather Clause. . .any employee that has met the rule of 75, and has 8 years of service as of December 31, 2014, **will be unaffected** by the August 21, 2014 policy changes to Retiree Health Benefits.

In addition to the rule of 75 and 8 years of service, a minimum retirement age of 60 now becomes a requirement. An employee must now have reached their 60<sup>th</sup> birthdate before being covered by the Titus County Health Insurance Plan until age 65. This minimum age is phased in as follows. . .

During Calendar year 2014, no minimum age requirement  
During Calendar year 2015, minimum age of 55  
During Calendar year 2016, minimum age of 56  
During Calendar year 2017, minimum age of 57  
During Calendar year 2018, minimum age of 58  
During Calendar year 2019, minimum age of 59  
After Calendar year 2020 , minimum age of 60

Spouse and dependent coverage as a retiree benefit will no longer be available for any employee hired on or after January 1, 2015. Any employee of the county as of December 31, 2014 will have spouse and dependent coverage under the prevailing terms, until age 65, assuming that the employee is covered as an eligible retiree per the new policy effective 8/21/14.

### CHANGES TO POLICY APPROVED September 8, 2014

Grandfather Clause. . .any employee that has 8 years of continuous service to Titus County as of October 1, 2014, will NOT be required to have reached their 60<sup>th</sup> birthdate before being eligible for Retiree Health Benefits. This applies to the employee's insurance as well as dependent coverage (which will be paid by the employee at the prevailing dependent rate )

## BACKGROUND NOTES

For some time, the Commissioners' Court has discussed the elimination of Retiree Health Insurance Benefits as a way to reduce County Health Insurance expenses. As a self-funded plan, Titus County doesn't simply pay a fixed monthly premium to an Insurance provider such as Blue Cross Blue Shield, or Aetna. Instead, a monthly per employee average cost is determined. The County Health Insurance Fund receives income from the General Fund based on this per employee monthly factor. The Fund disburses money for ALL eligible health insurance claims based on "The Plan". The plan is designed by the Court with the assistance of our Health Insurance Consultant.

Per employee expenses can vary greatly. Employees with serious health problems can cost the Fund in excess of \$100,000, while healthy employees can cost the Fund only a few hundred. Experience tells us that, generally, health insurance costs tend to rise as a person gets older. Therefore, Fund expenses will typically be greatest during one's "retirement years". Minimizing this exposure will result in more dollars being available to continue to provide a high quality/high benefit plan for active employees in the form of lower deductibles, lower co-pay requirements, cheaper prescriptions and lower dependent coverage charges to the employee.

While the Court wishes to continue to make coverage available to retirees until age 65 (at which time we rely on Medicare to take over), it was never their intention to provide these rich benefits to someone at an unreasonably young age. The County's generous definition of a retiree (rule of 75 with eight years of service) has resulted in situations that allow an employee to retire before their 50<sup>th</sup> birthday, leaving the County with up to 15 years of liability during an expensive time of their life, as far as health care.

The Court's recent actions were approved to eliminate this expensive coverage for a retiree that would likely still be working, as it is a rare situation that anyone can truly retire at such a young age. This is a very expensive benefit in these situations, and the Court felt like it was an appropriate cost cutting measure rather than chipping away at more direct benefits such as deductibles, co-pay, etc. This is simply a benefit that is not reasonable as compared to other governmental entities and businesses. Taxpayers expect wise use of their money.

The Court's action on August 21, 2014 established a minimum retirement age of 60 in addition to the rule of 75 and 8 years of service. The Policy change also eliminates dependent coverage (the majority of which is paid for by the County due to the low rates) for retirees hired after January 1, 2015. So as not to unfairly take away earned benefits from long term employees, the Court chose to "grandfather" any employee that had already met the retiree requirements (whether already retired or still employed). These grandfathered employees would be unaffected by this change of policy and would receive these benefits just as they had expected.

After this August 21 meeting, the Court quickly was made aware of the impact on several employees that were very close to being eligible for retiree health benefits. The Court chose to re-examine the list of impacted employees and reconsider who should be allowed to retire without the 60 year old minimum age requirement. After two more public discussions, the decision was made to grandfather all

employees with 8 years of continuous service as of October 1, 2014, to be able to retire without imposing the 60 year age minimum (assuming the rule of 75 and 8 years of service). This motion passed 4-1 with the only "no" vote favoring a more restrictive policy that did not favor the employee as much.

Please note that the existing County Policy (in effect prior to either of these votes) stops coverage for any retiree and their dependents if the retiree takes a job where any kind of health insurance benefits are offered, regardless of the cost or quality of that plan. This policy will be enforced in the future and will require all retirees to "report to the County" annually, and confirm under oath that they are not eligible for health insurance coverage as provided by any other employer. This declaration will also require the employee to notify the County immediately if during the year they become eligible for such coverage. The retiree will be liable to Titus County for any health care expenses paid by Titus County if they were eligible for coverage elsewhere.