



County of Hanover

Board Meeting: May 13, 2015

Subject: Presentation - Other Post-Employment Benefits (OPEB) Plan Amendments

Summary of Agenda Item: The Hanover County Other Post-Employment Benefits Plan established in 2007 offers Hanover retirees the opportunity to maintain their medical benefits upon retirement. The County as well as the participants contribute to a separate investment trust account to help fund the Plan. The proposed amendments to the Plan document will result in cost reductions as identified during the County's most recent actuarial valuation. The proposed changes to the OPEB Plan Document are also attached, with changes indicated.

Plan amendments are being proposed to include the following:

- 1) Amendment 1 – Section VII – Termination of Coverage and Subsidy Upon Medicare Eligibility
 - a. Amend Plan so that any individuals who are eligible to remain in the Plan over age 65 must also apply for Medicare upon qualifying for it, generally in reaching age 65. For existing retirees who retired prior to October 1, 2007 and who are age 65 or older as of July 1, 2015, the County will pay the associated penalty fees for late entry into Medicare if applicable.
- 2) Amendment 2 – Section V – Subsidy
 - a. Limit the subsidies so that a retiree can only receive a subsidy for their own participation, but no additional subsidies for their spouses or dependents. Subsidies for existing retirees remain unchanged.

The related savings for the amendments are as follows:

	FYE 2015 ARC	Increase/ (Decrease)	Accrued Liability	Increase/ (Decrease)
Baseline	\$ 555,000	N/A	\$ 8,238,000	N/A
Amendment 1	\$ 315,000	(\$ 240,000)	\$ 4,892,000	(\$ 3,346,000)
Amendment 2	\$ 370,000	(\$ 185,000)	\$ 6,839,000	(\$ 1,399,000)
Amendments 1 & 2	\$ 130,000	(\$ 425,000)	\$ 3,493,000	(\$ 4,745,000)

Finance and Management Services and Human Resources concur with the proposed amendments.

**County
Administrator's
Recommended
Motion:**

Motion to approve the proposed amendments to the OPEB Plan Document.

HANOVER COUNTY, VIRGINIA
RETIREE MEDICAL BENEFITS PLAN

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Adopted by the Board of Supervisors _____ / _____ / 2008
Revised by the Board of Supervisors _____ / _____ / 2015

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Hanover County
Retiree Medical Benefits Plan

I. Purpose

This Plan provides for optional participation by eligible retirees of the County, the Pamunkey Regional Library, the Pamunkey Regional Jail, the Hanover County School Board, the Department of Social Services and Constitutional officers (the Employers) in the health insurance program available to Hanover County employees (the Health Benefits Plan). This Plan also provides for certain subsidies to be paid to eligible retirees.

II. Review, Amendment and Termination

This Plan is subject to lawful appropriations and is subject to review and amendment or termination by the Board of Supervisors when the Board in its sole discretion determines such action to be necessary or proper. The Plan shall be reviewed by the County staff at two year intervals using actuarial analysis, in order to determine whether amendments should be recommended to the Board of Supervisors. Retirees participating in this Plan will be notified in writing if the Plan is significantly amended or is terminated. Any of the Employers may individually terminate participation in this Plan, in the sole discretion of the Employer. In no event shall this Plan be construed to obligate the Employers, officials or staff in the future.

III. Years of Service

The term “years of service” as used in this Plan shall mean the cumulative number of years of service as a benefit-eligible employee of any of the Employers, on the retirement date. Employment not in benefit-eligible status shall not be included in years of service. Service prior to or following a break in service shall be included in the cumulative total only if each period of service is continuous, benefit-eligible and at least five years in length.

IV. Eligibility for Participation in the County’s Retiree Medical Benefits Plan

A. The following retirees who participate in the Health Benefits Plan on the date of retirement pursuant to the Virginia Retirement System or separation and who elect in writing to participate in this Plan within thirty days of the effective date of VRS retirement or separation (Retirees) are eligible to continue to participate in the Health Benefits Plan, along with spouses and dependents, as those terms are defined by the Health Benefits Plan:

1. Employees hired or rehired prior to October 1, 2007 who either retire under the Virginia Retirement System or meet the VRS retirement age and service retirement requirements regardless of years of service.

2. Benefit-eligible Employees hired or rehired after September 30, 2007 who either retire under the Virginia Retirement System or meet the VRS age and service retirement requirements, with five years of service.
 3. Benefit-eligible Employees who retire pursuant to either Social Security or VRS disability requirements.
- B. If participation in this Plan is desired, the Retiree shall, at the time of retirement pursuant to VRS or separation, elect to either participate in this Plan or receive coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act (COBRA), as provided in the Health Benefits Plan in effect at the time of retirement. Once the election is made, the alternative option is no longer available. If an election is not made in accordance with COBRA, no COBRA benefits are available.

V. Subsidy

- A. The subsidy provided to Retirees hired or rehired prior to October 1, 2007, who have at least ten years of service and whose age and years of service equal at least sixty (“Grandfathered Employees”), shall be \$251 per month until the subsidy for retirees with twenty years of service equals or exceeds \$251 per month as a result of periodic increases. Beginning at that time, the subsidy for Grandfathered Employees shall be the subsidy available to the other Retirees with twenty years of service.
- B. Employers will subsidize the cost of health insurance for Retirees not hired or rehired prior to October 1, 2007, who participate in the Health Benefits Plan at the time of retirement pursuant to VRS as follows:
1.

Years of Service	Subsidy
5 but less than 10 years	\$0
10 but less than 15 years	\$100/per month
15 but less than 20 years	\$150 per month
20 or more years	\$200/per month
 2. The subsidy for Retirees retired pursuant to Social Security or VRS disability requirements with at least five years of service and for any Retirees who retire pursuant to Social Security or VRS disability requirements shall be that applicable to Retirees with twenty years of service, regardless of actual years of service.
 3. Subsidies may be increased, decreased or eliminated in the sole discretion of the Board of Supervisors.

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- C. For those who retire prior to July 1, 2015, The-the subsidy for a Retiree's spouse and dependents as defined in the Health Benefits Plan shall be based on the Retiree's years of service and qualifications as listed above and will be equal to that of the Retiree. There shall be no more than a total of three subsidies for each Retiree (Retiree, spouse and one dependent or Retiree and two dependents). For those who retire July 1, 2015 or later, there shall be no subsidy for a Retiree's spouse or dependents.
- D. If both spouses work for an Employer and one spouse retires but the other spouse remains actively employed, the spouse who is a Retiree may, at the time of retirement pursuant to VRS, elect either participation in the Retiree Medical Benefits Plan with the applicable subsidy or participation through the active employee's coverage. When both spouses retire and elect to participate in this Plan the subsidy shall be based on the longer of the two service periods. In no event shall there be more than three subsidies (two spouses and one dependent).
- E. No subsidy shall be paid to those not participating in the Health Benefits Plan.

VI. Cost of Coverage and Health Insurance Premium Rates

- A. The Retiree shall pay the cost of coverage under the Health Benefits Plan as described in this Section. Failure to pay the cost of coverage shall result in termination of coverage.
- B. Health insurance premium rates are established by the Benefits Administrator annually based on the actuarial biennial (or more frequent) analysis of the claims experience of the retiree group and pursuant to contracts for coverage entered into by the Board of Supervisors.
- C. Any subsidy shall be subtracted from the total rate to determine the amount charged to the Retiree.

VII. Termination of Coverage and Subsidy Upon Eligibility for Medicare

- A. With the exception of those who retired prior to October 1, 2007, Retirees and dependents may participate in this Plan including coverage pursuant to the Health Benefits Plan and receipt of subsidies only until the Retiree is eligible for Medicare. The Retiree and dependents shall be automatically terminated from the Plan when the Retiree is eligible for Medicare. The spouse of the Retiree may continue participation in the Plan, including receipt of the subsidy, until the spouse is eligible for Medicare. The right to continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act (COBRA) for the Retiree, spouse and dependents described in the Health Benefits Plan shall apply. Those continuation coverage rights and the County's obligations therefore are incorporated by reference herein.

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For those who retired prior to October 1, 2007 and who are age 65 or older as of July 1, 2015 shall enroll in Medicare by July 31, 2015. The Employers shall provide reimbursement for any penalties related to enrollment for those Retirees who are not already enrolled in Medicare. Additionally, effective July 1, 2015, any other Plan participants who retired prior to October 1, 2007 will be required to enroll in Medicare upon reaching age 65 or when Medicare eligible in order to continue their Plan participation. Any such Retiree who does not enroll in Medicare may no longer continue in the Plan.

- B. The subsidy or subsidies shall continue until this Plan is amended or terminated to eliminate the subsidies, or until the death of the Retiree (when the Retiree's subsidy shall end) or the death of the spouse of the Retiree (when the spouse's and dependent's subsidies shall end).
- C. A Retiree, spouse and dependents who terminate coverage under the Health Benefits Plan may not return to the Plan at a later date except for Retirees who retired effective no later than October 1, 2007 and their spouses and dependents. Those Retirees, spouses and dependents may terminate coverage and return to the Plan at a later date only once, if allowed by the Health Benefits Plan in effect at that time.
- D. The Employers will endeavor to provide an optional private insurance plan for Retirees and spouses eligible for Medicare.
- E. To ensure coordination of benefits, Retirees and spouses participating in the Health Benefits Plan or receiving subsidies shall notify the Employer at least ninety days prior to the date of Medicare eligibility.

VIII. When Coverage Ends

In addition to termination of insurance coverage of the Retiree upon Medicare eligibility or death of the Retiree, health insurance coverage of the Retiree, spouse and dependents under this Plan, ends on the earliest of the following events:

- The date on which this Plan or the Health Benefits Plan is terminated or amended to eliminate coverage (in which case coverage ends on the date of termination or amendment);
- The date on which the Retiree or covered spouse or dependent has failed to make the required premium payments on a timely basis;
- With respect to a spouse or dependent and subject to the right to continuation coverage for the spouse and dependent pursuant to COBRA described in the Health Benefits Plan, the last day of the month during which the spouse or dependent ceases to be an eligible spouse or eligible dependent, under the definitions in the Health Benefits Plan. Those continuation coverage provisions are incorporated in this Plan by reference.

- The last day of the month in which the Retiree, spouse or dependent is no longer qualified for coverage under the Health Benefits Plan;
- The last day of the month in which the Retiree cancels his or her coverage or that of a covered spouse or dependent.
- The date on which the Retiree, spouse or dependent fails to provide required information or make elections required by this Plan or the Health Benefits Plan, or to otherwise comply with any requirements of this Plan or the Health Benefits Plan.

IX. Survivor Benefits:

If the Retiree dies, coverage and subsidies for the Retiree and dependents pursuant to this Plan end on the date of death, subject to any continuation coverage rights pursuant to COBRA described in the Health Benefits Plan. However, the spouse may continue coverage and subsidies under this Plan with such subsidies ending on the death of the spouse and coverage ending on the earliest of the following events:

- The day this Plan or the County Health Benefits Plan is terminated or amended to eliminate coverage for spouses or dependents (in which case coverage ends on the date of termination or amendment);
- The last day of the month for which the surviving spouse has made the required premium payments on a timely basis; or
- The last day of the month in which the surviving spouse or dependent no longer complies with the Health Benefits Plan or this Plan.

X. Health Insurance Portability and Accountability Act

The Board of Supervisors designated the County a hybrid entity on December 12, 2007. This Plan shall be a covered component of the County and administration of this Plan shall be conducted in accordance with HIPAA and other applicable privacy and security laws and regulations.

The HIPAA Privacy and Security rules are incorporated herein by reference.

XI. Benefits Administrator

- A. The Benefits Administrator for the Plan shall be the Hanover County Administrator or any Deputy County Administrator designated by the County Administrator.
- B. The Benefits Administrator shall have the discretion to make determinations regarding eligibility for benefits under this Plan and to set and change the cost of coverage charged to the Retiree pursuant to contracts approved by the Board of Supervisors. The Benefits Administrator shall consult with the other Employers as appropriate, prior to making determinations.
- C. The Benefits Administrator shall have the right to deny coverage to any Retiree who is convicted of a felony involving actions taken in his or her official capacity as an Employee.
- D. Determinations by the Benefits Administrator in his or her discretion shall be final and binding.

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XII. Interpretations

All terms used in this Plan shall be interpreted in a manner consistent with the definitions in the applicable insurance coverage plans and contracts which are included in the Health Benefits Plan. In no event shall this Plan be interpreted to confer benefits in the nature of health insurance coverage on persons who do not qualify for coverage pursuant to those plans and contracts.

XIII. Notices

All notices required by this Plan shall be delivered to the Hanover County Human Resources Department, except for notices of employees or retirees of the Hanover County School Board, which notices shall be delivered to the Hanover County Public Schools Human Resources Department.