

## **Action Item 6: Discussion and possible action on amending TAD's Personnel Policies and Procedures concerning Section 11.0 – "Retirement and Retiree Benefits" pertaining to the Retiree Group Medical Supplemental Insurance**

At its August 11, 2023 meeting, the Board expressed its desire to discontinue paying for some or all of a qualified retiree's premium for a supplemental Medicare policy.

The original plan proposed would have considered 2023 as base year with a \$150 maximum amount paid per month by TAD for the qualified retiree and then in successive years beginning in 2024 the amount would start at \$120 and reduce to zero dollars in 2028.

After discussion, the plan was altered to allow that retirees and those that retire before January 1, 2024 would continue to be offered a Medicare supplement or equivalent with the maximum monthly premium paid by TAD at \$150.00. Eligible spouse can take advantage of the offered plan at 100% of the premium paid by the spouse. For those retiring on or after January 1, 2024, they will be offered the same policy, but TAD will not pay any of the premium.

### **Background on retiree medical benefits:**

- 1) The Board each year decides whether or not to provide a medical benefit to its retirees. In this context, "retirees" means those who terminate employment with TAD while participating in, vested in, and eligible for retirement benefits under the terms of Texas County and District Retirement System. Since TAD first provided such benefits in 1989, providing medical benefits for retirees has required annual approval by the Board.
- 2) Currently, TAD has two categories of retirees: those who retire at age 65 or older and those "early retirees" who retire before reaching age 65.
- 3) TAD's providing medical benefits for retirees has been premised on the assumption that those who retire at age 65 or older will be eligible for Medicare benefits.
- 4) For those who retire at age 65 or older, TAD makes available and pays part of the cost of a "Medicare supplement" insurance plan. In the early years of providing such insurance, the Board determined that it would make a monthly cash payment directly to those who were not eligible under the insurance plan because they lived outside its coverage area, with the payment equal to what TAD would pay on their behalf if they lived in the coverage area. Doing so was premised on the assumption that such retirees would use the payment to purchase their own "Medicare supplement" or similar insurance plan. The option of receiving such direct cash payment was subsequently offered to any retiree age 65 or older.

- 5) Early retirees may choose to continue to participate, until they reach age 65, in the medical insurance coverages that TAD makes available to its then current active employees but must pay the full cost of the coverage for their (and their spouses if such coverage is elected) without any financial contribution from TAD. When an early retiree reaches age 65, he or she becomes eligible to take advantage of any “Medicare supplement” or similar insurance plan or the monthly case payment that TAD then makes available to those who retire at age 65 or older.
- 6) With the cost of “Medicare supplement” insurance plans rising and the issue of reducing governmental bodies’ unfunded liabilities coming into sharper focus, the Board elected in 2013 to “cap” at \$150.00 per month the amount that TAD would pay toward the premium of such insurance or pay directly to retirees in lieu of such insurance. As a result, since 2013 retirees must pay any amounts over that \$150.00 per month.
- 7) At present in 2023, we have **83** active retirees.
- 8) For FY 2023 (current) those retirees selecting the provided BlueCross BlueShield of Texas supplemental policy do not pay any additional monthly premium above the \$150.00 cap as the monthly cost of premium for 2023 is currently \$120.30. If the retiree elects to include a spouse, the retiree pays the entire \$120.30 for the spouse’s monthly premium.

### **Contract award for retiree group medical insurance for 2024:**

The Board acted in August to approve the plan offered by Blue Cross/Blue Shield.

For discussion and possible action, TAD staff has proposed three options:

Option A: Make no change to current practices and make no change to TAD Personnel Policies and Procedures Section 11.0

Option B: The premium quoted is below the \$150 capped monthly rate, Current retirees and, as proposed, those retiring prior to January 1, 2024 would not pay anything in additional monthly premiums. Those employees retiring on or after January 1, 2024 would pay the entire \$120.30 premium. Any spouses added to the plan would pay the full premium. Section 11.0 (4) of TAD’s Personnel Policies and Procedures would be updated as listed here:

**For retired employees and those who retire before January 1, 2024, the employee’s premium for the insurance or alternative plan will be paid by TAD in an amount not to exceed \$150.00 per month. Any additional amount above the \$150.00 monthly premium will be paid by the retiree. Retiree’s spouse may participate, but will pay the full premium. Employees who retire on or after January 1, 2024 will have one or more insurance or alternative plans available to them, but the retiree in this case will pay the full premium. To**

~~the extent the District's Board of Directors authorizes the aforementioned retiree medical insurance benefits~~ : said benefits shall be governed by the applicable insurance plan(s) issued by the provider

Option C: The premium quoted is below the \$150 capped monthly rate, Current retirees and, those active as of December 31, 2023, would not pay anything in additional monthly premiums when they retire. Those employees hired on or after January 1, 2024, would pay the entire \$120.30 premium. Any spouses added to the plan would pay the full premium. Section 11.0 (4) of TAD's Personnel Policies and Procedures would be updated as listed here:

For retired and active employees as of December 31, 2023, for those that meet the retiree medical insurance stipulations under sections 1 and 2 above, the employee's premium for the insurance or alternative plan will be paid by TAD in an amount not to exceed \$150.00 per month. Any additional amount above the \$150.00 monthly premium will be paid by the retiree. Retiree's spouse may participate, but will pay the full premium. Employees hired on or after January 1, 2024 will have one or more insurance or alternative plans available to them, but the retiree in this case will pay the full premium ~~To the extent the District's Board of Directors authorizes the aforementioned retiree medical insurance benefits~~ : said benefits shall be governed by the applicable insurance plan(s) issued by the provider

**Staff Recommendation:**

**Make no change to current practice and make no change to TAD Personnel Policies and Procedures Section 11.0 pertaining to the Retiree Group Medical Supplemental Insurance**