

EMPLOYEE BENEFITS

County of Riverside Human Resources

Great Benefits For A Great Place To Work



GASB 45 Frequently Asked Questions

What is GASB 45?

GASB 45 is a new government accounting rule which requires public employers to report the costs of benefits for retirees on our annual financial statements. The County currently reports funding on a "pay-as-you-go" basis, reporting expenses as incurred.

Our current practice of pooling pre-Medicare retirees with active employees is considered an "implicit" subsidy that must be reported. This subsidy is a significant portion of the County's liability. Eliminating the "implicit" subsidy will significantly reduce the County's liability.

In response to GASB 45 requirements, the County Board of Supervisors directed Human Resources to establish separate medical rates for all pre-Medicare retirees starting in 2009. Establishing the separate rate will reduce the County's reportable liability under GASB 45, limit cost increases for employees and allow current employees time to plan for the cost of future medical expenses.

Who will receive the "rate subsidy"?

Premiums will go up significantly for pre-Medicare retirees starting in 2011.

- Employees who retire **before** January 1, 2009, will receive a "rate subsidy" equivalent to the difference between the active employee rate and the new premium rate for pre-Medicare retirees each year. The subsidy will continue until the earlier of January 1, 2011 or the month the retiree reaches age 65 or becomes eligible for Medicare.
- Employees who retire **after** January 1, 2009 will pay the new pre-Medicare premium and **will not** receive the rate subsidy.

This change does not affect retirees who are Medicare eligible since these rates are already established separately.

When should my last of work be to retire in 2008?

In order to receive the rate subsidy your last day of work must be Tuesday, December 30, 2008 or earlier. Your retirement date must be no later than December 31, 2008.

How do I calculate the benefit of retiring in 2008 and receiving the subsidy versus continued County employment?

The value of the subsidy is equal to the difference between active employee health insurance rates and early retiree health insurance rates. An estimate of the total value of the subsidy for a two-year period has been provided online at www.workforceexchange.net. Keep in mind that the subsidy only provides temporary short-term assistance.

CalPERS provides an online calculator which can be used to estimate your monthly retirement pension. The calculator allows you to enter multiple retirement dates in order to determine the increase received by continued employment. A retirement calculator tool has been created in order to assist you in using the online calculator and is posted online at www.workforceexchange.net.

How long will the subsidy last?

The subsidy is provided as short-term assistance to allow current retirees and employees retiring in 2008 with a window of opportunity to plan for future health care costs. The subsidy will continue until the earlier of January 1, 2011 or the month the retiree reaches age 65 or becomes eligible for Medicare. All retirees who are not yet eligible for Medicare will pay the higher rates starting in 2011.

Will I still receive the County contribution for my medical premiums when I retire?

Yes, the County contribution is made in addition to the subsidy. In order to be eligible to receive a County contribution you must enroll in a County-sponsored health plan. Contributions are based on your bargaining unit at the time of your retirement and are as follows:

- LIUNA \$ 25.00
- SEIU \$ 25.00
- Management \$256.00
- Confidential \$256.00
- Unrepresented \$256.00
- Elected Officials \$256.00

What plans are offered through the County that will help me save for retirement medical expenses?

- All employees are eligible to make voluntary contributions to the County 457 deferred compensation plan. Your contributions and investment earnings are not subject to state and federal income taxes until you request a distribution. The IRS maximum contribution for 2008 is \$15,500. If you are age 50 or older you may make an additional catch-up contribution of \$5,000 for a total of \$20,500.
- Depending upon your bargaining unit you may be eligible to contribute to the Post Employment program. The Post Employment program consists of a VEBA Health Saving Plan and a 401(a) Special Pay plan. The VEBA Health Savings plan allows you to save money on a tax-free basis and can be used to reimburse yourself for IRS qualified out-of-pocket medical expenses. There is no annual contribution limit for the VEBA Health Savings plan.

Contributions to the Special Pay account are limited to \$46,000 in 2008. Your contributions and investment earnings are not subject to state and federal income taxes until you request a distribution.

For more information on the savings options above contact a member of the Retirement unit at (951) 955-4981, and select option 2 or visit the Benefits website at www.workforceexchange.net.

How much will my premiums be as a pre-Medicare retiree?

Premiums will go up significantly for pre-Medicare retirees starting in 2011. Estimates of the rate increases are provided online at www.workforceexchange.net. The new rates will be announced in the 2009 annual enrollment materials, which you can expect to receive in early October 2008.

If I am Medicare eligible does this pertain to me?

This change does not affect retirees who are already eligible for Medicare since these rates are already established separately.

If I am covered under the CalPERS health plan, does this pertain to me?

If you are covered under a CalPERS health plan, the rate increases and subsidy referenced above do not apply to you. The County contributions for 2008 are based on your bargaining unit at the time of retirement and are as follows:

- DDAA \$ 97.00

- LEMU \$128.00
- RSA Public Safety \$ 97.00

How will I be affected if I return to work as a Part-Time employee with the County of Riverside after retirement?

If you retired in 2008, you will continue to be eligible for enrollment in a County sponsored medical plan and will continue to receive your County contribution and the subsidy through the dates provided above. Your hours worked cannot exceed more than 960 hours in a fiscal year (July 1st to June 30th).