

EMPLOYEE BENEFITS

COUNTY OF RIVERSIDE HUMAN RESOURCES
Great Benefits For A Great Place To Work



The Value of the Short-Term Rate Subsidy

Retirees who are under age 65 (or not covered by Medicare) currently get their medical coverage for much less than it really costs because the rates are combined with the rates for active employees. Since the cost of health insurance is based in part on how much the members use the medical plan, having younger, active employees in the mix helps offset the higher cost of health coverage for early retirees. The difference between the active employee rates and the early retiree rates is what we refer to here as the “rate subsidy.” This subsidy will end when the County begins calculating active and retiree rates separately. **If you retire before January 1, 2009**, you will continue to pay the subsidized rates until January 1, 2011 or the month in which you become eligible for Medicare, whichever comes first. **If you retire after January 1, 2009**, you will start paying the unsubsidized rates effective January 1, 2009.

If you are currently enrolled in Medicare—or will become eligible for Medicare before January 1, 2009—the change in the rate calculation will not affect you, since plans for Medicare-eligible retirees are already rated separately.

The chart below shows the estimated monthly value of the subsidy over the next two years. You can see how much more your medical coverage will cost when the rates are no longer subsidized. These estimated subsidy values represent additional money you'll need to budget for in order to pay for your retiree medical insurance until you're eligible for Medicare. You may find it makes sense to work a while longer so you can save more.

Please keep in mind that these numbers are only an illustration. They are calculated using the estimated difference between the current medical plan premiums and what retirees who are not eligible for Medicare would pay if their rates were calculated separately (unsubsidized) now. We have estimated a 10% health care increase over the next two years, but the actual cost could be more or less.

Here is the estimated subsidy value for 2009 and 2010 (using 2008 unsubsidized rates for Retiree Only coverage and assuming 10% annual increases):

<i>Retiree Only Coverage</i>	<i>Value of Subsidy over 2 years</i>
Exclusive Care	\$6,875.11
Blue Shield HMO	\$7,274.84
Blue Shield PPO	\$3,316.70
Kaiser	\$7,872.48

Remember, this subsidy is short-term assistance to give current retirees and employees who retire in 2008 some time to plan for future health care costs. **The subsidy applies ONLY to employees who retire before January 1, 2009.** ALL retirees who are not yet eligible for Medicare will pay the higher rates starting in 2011.

Unless you were already planning to retire at the end of the year, you may want to consider working the additional two years, since the increase to your CalPERS pension from working longer will outweigh the value of the short-term subsidy. Most importantly, the higher CalPERS pension is something you'll have for the *rest of your life*. Following is an example of the comparison and brief instructions on using the CalPERS Retirement Benefit Calculator to estimate how working additional years will increase your pension benefit. For further assistance on how to access the Benefit Calculator, please call the Benefits Information Line at (951) 955-4981 and press Option 2.

Example

You elect to retire at age 60, with 15 years of service and monthly earnings of \$4,500 (based on your highest 12 months divided by 12). You have selected the CalPERS Unmodified Allowance and are enrolled in Blue Shield HMO coverage. Here's how working longer could increase the value of your pension.

Unmodified Allowance

	Block 1	Block 2	Block 3	Block 4	Block 5
	At Age 60	At Age 61	At Age 62	At Age 63	At Age 64
For You	\$1,965	\$2,096	\$2,227	\$2,358	\$2,489

Retirement Date 12/30/08 (age 60)

Value of Subsidy for 2009 & 2010 \$7,274.84

Retirement Date 2010 (age 62)

Lost Subsidy Value (\$7,274.84)
 Additional Retirement Allowance \$3,144.00/year for life

Retirement Date 2011 (age 63)

Lost Subsidy Value (\$7,274.84)
 Additional Retirement Allowance \$4,716.00/year for life

Retirement Date 2012 (age 64)

Lost Subsidy Value (\$7,274.84)
 Additional Retirement Allowance \$6,288.00/year for life

How to Calculate Your Own Retirement Allowance

If you <i>have not</i> previously logged on to the CalPERS Web site, follow the instructions below:	If you <i>have</i> logged on to the CalPERS Web site before, start here:
<ol style="list-style-type: none"> 1. Log on to CalPERS at calpers.ca.gov 2. Select "For Members" 3. Select "Active Member" 4. Select "Next" 5. Select "Public Agency Employee" 6. Select "Next" 7. Select "Confirm" 	<ol style="list-style-type: none"> 1. Log on to CalPERS at calpers.ca.gov 2. Member Section – <i>View All Online Services, Calculators & Tools</i> 3. Under "Calculate My Retirement," click on <i>Enter My Own Data</i> 4. Complete the information about yourself and your employer(s) that may affect the calculations 5. Enter information about your dependent if electing beneficiary options 6. View the results of your calculation.

You can rerun this process as many times as you like to see estimates for working different lengths of time.

How to Compare Your Own Circumstances

Retirement Date 12/30/08

Value of Subsidy for 2009 & 2010

Refer to chart on page 1

Retirement Date 2010

Lost Subsidy Value

Refer to chart on page 1

Additional Retirement Allowance

1

Retirement Date 2011

Lost Subsidy Value

Refer to chart on page 1

Additional Retirement Allowance

2

Retirement Date 2012

Lost Subsidy Value

Refer to chart on page 1

Additional Retirement Allowance

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¹ This calculation is the difference between the benefit in block one (1) and block three (3) in your CalPERS Results

² This calculation is the difference between the benefit in blocks one (1) and three (4) in your CalPERS Results

³ This calculation is the difference between the benefit in blocks one (1) and three (4) in your CalPERS Results