

The Facts: Retiree Health Benefits

RETIREE HEALTH CARE ELIGIBILITY RULES TO CHANGE ON JULY 1, 2013

The University of California Board of Regents in December 2010 adopted changes to UC's retiree health benefits as one of several measures to put its retirement benefits program on solid financial footing while still ensuring attractive post-employment benefits. Those changes include:

New eligibility rules for employees, except Safety employees, hired on or after July 1, 2013 and for non-grandfathered employees (see information on "Grandfathering" provision in next column).

A 'grandfathering' provision that excludes those nearing retirement as of July 1, 2013 from the new eligibility rules.

Over time, increased cost sharing between retirees and UC for retiree health insurance.

The changes were proposed by President Mark G. Yudof and have support from the Academic Council, UC's staff advisor to the Regents, and the leadership of the Council of UC Staff Assemblies.

For represented employees the changes are subject to collective bargaining.

NEW ELIGIBILITY RULES FOR RETIREE HEALTH CARE, EFFECTIVE JULY 1, 2013

To encourage longer service, UC has adopted a new graduated eligibility formula to determine how much it pays toward retiree health insurance premiums.

The formula, which raises from 50 to 56 the minimum age at which retiring employees will be eligible for a UC contribution, is based on both

the employee's years of service and age (in whole years) at retirement. UC's contribution to health care premiums increases significantly for employees who retire closer to the age at which they are eligible for Medicare.

The new rules will affect all UC employees, except Safety employees, hired on or after July 1, 2013, and employees hired before that date who do not come under the grandfathering provisions (see below).

A chart showing the graduated eligibility formula in more detail is on page 3 of this fact sheet.

'GRANDFATHERING' PROVISION

UC faculty and staff will remain under current retiree health care eligibility rules if, by June 30, 2013, they meet both of the following criteria:

- Have five years of UCRP service credit
- Their age (in whole years) plus their years of service credit is equal to, or greater than, 50

As an example, a 45-year-old employee with five years of service credit on June 30, 2013, will remain under the current eligibility rules. A 40-year-old employee with five years of service credit on that date would not.

Note that for purposes of determining eligibility for this grandfathering provision, a member's age on June 30, 2013, will be rounded up from half a year (.5) or more to the next whole year. For example, if an individual is 36 years and 7 months on June 30, 2013, the rounded age would be 37.

Regents approved the exemption to protect UC faculty and staff who are or will soon be eligible

for retirement as of July 1, 2013 and don't have time to plan for the new eligibility rules.

Almost half of all current faculty and staff are projected to remain under the current rules for the retiree health program.

INCREASED COST SHARING FOR RETIREE HEALTH INSURANCE PREMIUMS

In 2012, UC pays, on average, 83 percent of the cost of retiree health insurance premiums. Regents have approved a plan to gradually reduce that amount over time until it reaches a floor of 70 percent. The level of the UC contribution will be reassessed annually.

PROTECTIONS FOR THOSE WITHOUT MEDICARE

For the current time, the President has determined that new cost-sharing provisions should not be applied to the relatively small number of retirees age 65 and older who are ineligible for Medicare, since they would be disproportionately affected by the increases. Instead, that group of retirees will pay premiums that are linked to employee premiums.

Current retirees below the age of 65, and therefore not yet eligible for Medicare, will continue to be grouped with active employees, which results in a lower retiree premium.

FINANCIAL SUSTAINABILITY

The changes in retiree health benefits stem from UC's urgent need to provide competitive retirement benefits while addressing the soaring cost of health care.

UC currently faces a \$14 billion unfunded liability for retiree health care and must report a portion of the liability each year on its balance sheet.

In 2009-10, UC spent \$250 million on health care for its retirees and their family members. The cost, which is paid for through departmental assessments from the general operating budget, is projected to increase to roughly \$270 million in 2011, even with the approved changes.

As costs rise, UC has less money for hiring faculty, buying lab equipment and providing raises to faculty and staff.

Graduated Eligibility Formula												
For employees hired on or after July 1, 2013 and current employees not grandfathered												
Years of UCRP Service Credit at Retirement		50-55*	56	57	58	59	60	61	62	63	64	65
	10	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	35.0%	40.0%	45.0%	50.0%
	11	0%	5.5%	11.0%	16.5%	22.0%	27.5%	33.0%	38.5%	44.0%	49.5%	55.0%
	12	0%	6.0%	12.0%	18.0%	24.0%	30.0%	36.0%	42.0%	48.0%	54.0%	60.0%
	13	0%	6.5%	13.0%	19.5%	26.0%	32.5%	39.0%	45.5%	52.0%	58.5%	65.0%
	14	0%	7.0%	14.0%	21.0%	28.0%	35.0%	42.0%	49.0%	56.0%	63.0%	70.0%
	15	0%	7.5%	15.0%	22.5%	30.0%	37.5%	45.0%	52.5%	60.0%	67.5%	75.0%
	16	0%	8.0%	16.0%	24.0%	32.0%	40.0%	48.0%	56.0%	64.0%	72.0%	80.0%
	17	0%	8.5%	17.0%	25.5%	34.0%	42.5%	51.0%	59.5%	68.0%	76.5%	85.0%
	18	0%	9.0%	18.0%	27.0%	36.0%	45.0%	54.0%	63.0%	72.0%	81.0%	90.0%
	19	0%	9.5%	19.0%	28.5%	38.0%	47.5%	57.0%	66.5%	76.0%	85.5%	95.0%
	20 +	0%	10.0%	20.0%	30.0%	40.0%	50.0%	60.0%	70.0%	80.0%	90.0%	100.0%

* Those who retire between ages 50 and 55 are eligible to enroll in UC-sponsored health insurance for retirees but will not receive a UC contribution.

To find the university contribution for a particular age and number of years of UCRP service credit, look down the far left column for the number of years of UCRP service credit; then look across that row to the appropriate age. That will show the amount of the University contribution. Example: with 15 years of UCRP service credit at age 60, the retiree receives 37.5% of the university contribution.