



## Retirement Benefit Study Committee

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March 24, 2022



# SEBC Update



# Review of Benefit Options

# Funding and Benefit Options with Updated Valuation



		2050 Projection					
		Total Benefits	ADC	Accrued Liabilities	Trust Assets	Funded Ratio	Discount Rate
Additional Funding, <u>2020</u> Valuation	Baseline	\$787	\$2,486	\$36,876	\$3,535	9.60%	2.21%
	Baseline + 1% of Budget Index Carveout	\$787	\$2,024	\$33,424	\$9,917	29.70%	3.00%
	Eliminate Future Terminated Vesteds	\$743	\$1,880	\$31,451	\$9,917	31.50%	3.10%
	Graduated State Share Based on YOS	\$787	\$788	\$17,185	\$9,917	57.70%	7.00%
	Minimum Required Age 60/ 55	\$690	\$746	\$16,831	\$9,917	58.90%	7.00%
	HRA (2% Increase)	\$566	\$337	\$11,055	\$9,917	89.70%	7.00%
	Reduce Spousal Subsidy for Future Retirees	\$681	\$773	\$16,882	\$9,917	58.70%	7.00%
	Combination	\$379	\$142	\$5,859	\$5,670	96.80%	7.00%
Additional Funding, <u>2021</u> Valuation	Baseline (Updated Experience and Trust Assets)	\$842	\$2,466	\$37,022	\$4,626	12.50%	2.16%
	Baseline + .36% of Payroll Appropriation	\$842	\$2,439	\$37,022	\$5,682	15.80%	2.16%
	Baseline + 1% of Budget Index Carveout	\$842	\$964	\$19,088	\$9,818	51.40%	7.00%
	Baseline + Appropriation + Carveout	\$842	\$910	\$19,094	\$10,874	56.90%	7.00%
	Eliminate Future Terminated Vesteds	\$798	\$837	\$18,153	\$10,874	59.90%	7.00%
	Graduated State Share Based on YOS	\$842	\$659	\$15,874	\$10,874	68.50%	7.00%
	Minimum Required Age 60/ 55	\$727	\$601	\$15,444	\$10,874	70.40%	7.00%
	HRA (2% Increase)	\$602	\$338	\$11,339	\$10,874	95.90%	7.00%
	Reduce Spousal Subsidy for Future Retirees	\$730	\$675	\$15,979	\$10,874	68.10%	7.00%
	Combination	\$424	(\$92)	\$6,189	\$10,874	175.70%	7.00%

Note: All benefit options reflect the lowest funding row in gray immediately above

Presented to RBSC on November 29, 2021

# Indicative Actuarial Estimates

		2050 Projection					
		Total Benefits	ADC	Accrued Liabilities	Trust Assets	Funded Ratio	Discount Rate
<b>Benefit Eligibility Changes Combined with MA</b>	Baseline (Updated Experience and Trust Assets)	\$842	\$2,466	\$37,022	\$4,626	12.5%	2.16%
	Baseline + .36% of Payroll Appropriation	\$842	\$2,439	\$37,022	\$5,682	15.8%	2.16%
	Baseline + 1% of Budget Index Carveout	\$842	\$964	\$19,088	\$9,818	51.4%	7.00%
	Baseline + Appropriation + Carveout	\$842	\$910	\$19,094	\$10,874	56.9%	7.00%
	Medicare Advantage w \$0 / Month Premium	\$629	\$552	\$13,971	\$10,874	77.8%	7.00%
	Graduated State Share Based on YOS <sup>1</sup>	\$626	\$405	\$12,159	\$10,874	89.4%	7.00%
	Minimum Required Age 60/ 55 <sup>1</sup>	\$514	\$267	\$10,742	\$10,874	101.2%	7.00%
	Reduce Spousal Subsidy for Future Retirees <sup>1</sup>	\$579	\$397	\$12,128	\$10,874	89.7%	7.00%

Presented to RBSC on  
February 28, 2022

<sup>1</sup> Benefit eligibility modification applied to employees hired on or after 1/1/2012

Note: All benefit options reflect the appropriation plus 1% carveout funding

# Funding and Benefit Options Assuming MA

Presented with and without the 1% of Budget Index Carveout Additional Funding

		2050 Projection					
		Total Benefits	ADC	Accrued Liabilities	Trust Assets	Funded Ratio	Discount Rate
1% of Budget Index Carveout NOT Included	Medicare Advantage w \$0 / Month Premium	\$629	\$1,703	\$25,487	\$5,682	22.30%	2.16%
	Eliminate Future Terminated Vesteds	\$594	\$1,596	\$24,111	\$5,682	23.60%	2.16%
	Graduated State Share Based on YOS <sup>1</sup>	\$626	\$1,450	\$22,112	\$5,682	25.70%	2.16%
	Minimum Required Age 60/ 55 <sup>1</sup>	\$514	\$1,323	\$20,793	\$5,682	27.30%	2.16%
	Reduce Spousal Subsidy for Future Retirees <sup>1</sup>	\$579	\$1,432	\$21,487	\$5,682	26.00%	2.16%
1% of Budget Index Carveout Included	Medicare Advantage w \$0 / Month Premium	\$629	\$552	\$13,971	\$10,874	77.80%	7.00%
	Eliminate Future Terminated Vesteds	\$594	\$497	\$13,314	\$10,874	81.70%	7.00%
	Graduated State Share Based on YOS <sup>1</sup>	\$626	\$405	\$12,159	\$10,874	89.40%	7.00%
	Minimum Required Age 60/ 55 <sup>1</sup>	\$514	\$267	\$10,742	\$10,874	101.20%	7.00%
	Reduce Spousal Subsidy for Future Retirees <sup>1</sup>	\$579	\$397	\$12,128	\$10,874	89.70%	7.00%

<sup>1</sup> Benefit eligibility modification applied to employees hired on or after 1/1/2012

# Funding and Benefit Options Assuming MA

Presented with and without the 1% of Budget Index Carveout Additional Funding AND assuming future terminated vesteds do not receive benefits effective 1/1/24

		2050 Projection					
		Total Benefits	ADC	Accrued Liabilities	Trust Assets	Funded Ratio	Discount Rate
1% of Budget Index Carveout NOT Included	Medicare Advantage w \$0 / Month Premium	\$629	\$1,703	\$25,487	\$5,682	22.30%	2.16%
	Graduated State Share Based on YOS <sup>1</sup>	\$591	\$1,345	\$20,664	\$5,682	27.50%	2.16%
	Minimum Required Age 60/ 55 <sup>1</sup>	\$479	\$1,327	\$19,100	\$5,682	29.70%	2.16%
	Reduce Spousal Subsidy for Future Retirees <sup>1</sup>	\$547	\$1,432	\$20,391	\$5,682	27.90%	2.16%
1% of Budget Index Carveout Included	Medicare Advantage w \$0 / Month Premium	\$629	\$552	\$13,971	\$10,874	77.80%	7.00%
	Graduated State Share Based on YOS <sup>1</sup>	\$591	\$340	\$11,323	\$10,874	96.00%	7.00%
	Minimum Required Age 60/ 55 <sup>1</sup>	\$479	\$205	\$9,816	\$10,874	110.80%	7.00%
	Reduce Spousal Subsidy for Future Retirees <sup>1</sup>	\$547	\$339	\$11,321	\$10,874	96.10%	7.00%

Terminated vested: Eliminate the ability to access retiree medical benefits for vested employees that terminate their State service without filing with the Pension Office for retirement. This would apply to employees that terminate after 1/1/24, and require employees in the future to retire from State service in order to receive the retiree medical benefit.

<sup>1</sup> Benefit eligibility modification applied to employees hired on or after 1/1/2012

# Summary of Options

**Estimated Impact of Funding and Benefit Options, Assuming Medicare Advantage 1/1/23  
Benefit Eligibility Modifications Applied to Retirements of Employees Hired on or after 1/1/2012,  
Effective 1/1/24**

<b>Funding</b>	<b>Terminated Vesteds Eligible for Benefits Post- 1/1/24</b>	<b>Benefits</b>	<b>Funded Ratio: 2050</b>	<b>Accrued Liabilities: 2050 (\$ in Millions)</b>	<b>Projected Year Discount Rate Equals 7%</b>
Current	Yes	Current Benefits	22.3%	\$25,487	n/a
Current	Yes	Modified State Share Based on YOS	25.7%	\$22,112	n/a
Current	Yes	Minimum Required Age 60/ 55	27.3%	\$20,793	n/a
Current	Yes	Reduce Spousal Subsidy	26.0%	\$21,487	n/a
Current	No	Current Benefits	23.6%	\$24,111	n/a
Current	No	Modified State Share Based on YOS	27.5%	\$20,664	n/a
Current	No	Minimum Required Age 60/ 55	29.7%	\$19,100	n/a
Current	No	Reduce Spousal Subsidy	27.9%	\$20,391	n/a
Enhanced	Yes	Current Benefits	77.8%	\$13,971	2036
Enhanced	Yes	Modified State Share Based on YOS	89.4%	\$12,159	2032
Enhanced	Yes	Minimum Required Age 60/ 55	101.2%	\$10,742	2031
Enhanced	Yes	Reduce Spousal Subsidy	89.7%	\$12,128	2032
Enhanced	No	Current Benefits	81.7%	\$13,314	2036
Enhanced	No	Modified State Share Based on YOS	96.0%	\$11,323	2033
Enhanced	No	Minimum Required Age 60/ 55	110.8%	\$9,816	2031
Enhanced	No	Reduce Spousal Subsidy	96.1%	\$11,321	2033





# 2005 Retirement Benefits Study Report

# 2005 Retirement Benefits Study Committee Report

## Recap of Findings and Outcomes

- The Committee was formed in anticipation of the initial partial accounting for OPEB in the FY 2008 financials
- The Committee concluded with consensus on the need to begin pre-funding OPEB with a State appropriation, even if less than the full ARC
- The Committee reviewed options, at right, for reducing liability but did not make recommendations
- The State implemented the OPEB Fund and annual appropriation following the report

Option	% Reduction in ARC		Significant Issues Identified
<b>Employee Contributions</b>			
Current Employees	1%	5%	Increased commitment to continue to provide benefits
	2%	10%	
	3%	14%	
Future Employees	1%	Negligible	3% in 20 years
<b>Retiree Contributions</b>			
Under Age 65 - current and future retirees			large cost increase for retirees
'Implicit Subsidy' the added premium retirees would incur if they were isolated in a single risk pool	44%	10%	
Over age 65 - current and future retirees			About \$30 a month
Percent of Medicare Supplement Premium	10%	8%	
<b>Cap State Contributions</b>			
Current and future retirees			increases pressure on pension plan COLAs legislative pressure may make this option ineffective significant workforce turnover
	125%	66%	
	150%	52%	
Retirees after 7/07	125%	52%	
<b>Decrease State Contribution</b>			
All Retirees	90%	10%	
Retirees and Dependents	90%	13%	



# Survey Discussion



# Review Draft of Committee Report