

**RETIREE COMMITTEE  
RECOMMENDATIONS TO  
COMMISSIONER'S COURT**

**AUGUST 13, 2013**

**1:00 PM**

RETIREE COMMITTEE  
RECOMMENDATIONS  
8/13/13 AGENDA

ITEMS FOR DISCUSSION:

1. Brief Review of current policy
2. Brief Review of GASB 45 issues
3. Cost of Living increase recommendation

## CURRENT POLICY

**5.05 RETIREMENT.** Hays County is a member of the Texas County and District Retirement System (TCDRS). All non-temporary employees must contribute to the retirement system. See your TCDRS handbook for more information regarding the county retirement benefits.

- The employee's contribution rate is 7% of their gross pay. The county's contribution rate is determined annually by Commissioners' Court.
- All employees that have had prior service with TCDRS through either Hays County or another county will automatically get credit for their service time whether they withdrew their funds or not. Those that withdrew their funds will have no dollars associated with their prior service time.
- Several local government and state agencies may combine service records upon eligibility of retirement. This is called the Proportionate Retirement Program. This program allows employees with active service time in eligible Texas statewide retirement systems to use that service time for vesting and service retirement eligibility with TCDRS. The participating systems are Employees Retirement System of Texas (ERS), Judicial Retirement System (JRS), Teacher's Retirement System (TRS), Texas Municipal Retirement System (TMRS) and the City of Austin Employees Retirement System (COAERS). If you withdrew your money from any of these systems, you may be able to reinstate that closed account. Once you have reinstated your service time with the other system, you can combine it with your TCDRS time for total service credits used in the calculations of retirement eligibility.

### **Military Service**

- Employees with 8 years of service with Hays County may be eligible for additional TCDRS service credits for their military time. Military service credit may be granted for up to 60 months (5 years) of military service. Certain conditions apply. Contact the Hays County Treasurer's Office if you would like more information regarding possible military service credit.
- Under USERRA (Uniformed Services Employment and Reemployment Rights Act), current employees that are called away for active duty in the military and return to their position within 90 days of their service release may apply for additional TCDRS service credits for their military time. Certain conditions apply. Contact the Hays County Treasurer's Office if you would like more information regarding possible military service credit.

### **Withdrawing Your Retirement Funds**

Federal and State laws prohibit an employee from withdrawing their retirement funds for any reason other than a bona fide separation of employment. A bona fide separation of employment means there can be no discussion of the employee returning to work and neither the employee nor Hays County has any intention of the employee returning to work at any time in the future. Employees that withdraw their funds through a refund or rollover will not receive the County's contribution portion. The only way to receive the County's portion is to meet retirement eligibility requirements and draw a monthly annuity.

Terminating employees that withdraw their TCDRS funds by a refund or rollover due to a bona fide separation of employment are not eligible for rehire for at least 6 weeks after their termination date. Terminating employees considering reemployment with Hays County within 6 weeks should not withdraw their retirement funds.

### **Termination of Employment**

- Terminated employees are not required to withdraw their TCDRS funds.
- Terminated employees with 8 years of service or more that do not withdraw their retirement funds can draw a retirement annuity when they meet retirement eligibility requirements.
- Terminated employees that are eligible for rehire and have not withdrawn their TCDRS funds by a refund, rollover, or monthly retirement annuity, are eligible for reemployment immediately.

### **Retiring**

Retirement is a life changing experience for most people that should be fully contemplated. Employees considering retiring should contact the Hays County Treasurer's office to discuss their options. When an employee elects to retire and receive a retirement annuity, it must be a bona fide retirement. This means that there has been no discussion of the employee returning to work and neither the employee nor Hays



County has any intention of the employee returning to work at any time in the future. An employee is considered a retiree once they begin receiving a retirement annuity.

Hays County considers retirement to be a bona fide genuine termination of employment. The laws and rules regarding a bona fide retirement are very specific. If it is ever determined that a rehired retiree did not have a bona fide separation of employment, the retiree may owe a 10 percent excise tax on their TCDRS account and be required to repay all of the monthly retirement payments that they have received. Abusing the retirement provisions in such a manner would violate a qualification requirement for retirement plans under Section 401 (a) of the Internal Revenue Code, potentially resulting in significant tax consequences for Hays County, all current employees, and all past retirees. Therefore, all retirements must be carefully planned and there must not be any intention of the employee returning to work at the time of retirement. Retirees will not even be considered for reemployment until at least 6 months of separation from their retirement date.

There are four ways to Retire:

1. Employee is age 60 and has at least 8 years of service credits.
2. Employee has at least 8 years of service credits. Service credit plus their age equals 75 or more.
3. Employee has 30 years of service credits at any age.
4. Employee has been approved for Disability Retirement through TCDRS (see below for additional information regarding Disability Retirement.)

### **Disability Retirement**

TCDRS disability retirement is for members who cannot work and will not be able to work in the future because of their injuries or illness. When a Hays County employee becomes disabled, on or off the job, and can no longer work at all, not just in their current position, they may be able to apply for disability retirement with TCDRS. The employee must submit the proper medical information to the TCDRS medical board for evaluation. This board reviews all requests and approves or denies disability claims on an individual basis. Employees that are disabled while on the job may also be entitled to worker's compensation benefits.

### **Retiree Insurance**

Retirees receiving a retirement annuity are eligible to continue insurance coverage through the county's group plan at their own cost. Employees that leave employment that are eligible for retirement but have not elected to receive an annuity are not considered retirees and not eligible for any retiree insurance benefits.

The county may fund some of the insurance premiums for certain qualified retirees. The portion of the medical premiums paid by Hays County for qualified retirees is determined annually by Commissioners' Court. Current and future funding may change or be eliminated at any time based on Commissioners' Court approval. For the retiree to qualify for partial county funding of medical benefits, the retiree must have at least 15 years continuous service with Hays County, and must be receiving Hays County funded insurance at the time of retirement with no break in service or insurance coverage. Qualified retirees must also be retiring with the Texas County and District Retirement System under the "rule of 75" or have been approved for Disability Retirement through TCDRS. Employees that have been approved for Disability Retirement through TCDRS will be allowed to receive partial funding for a temporary period based on their length of service with Hays County.

#### "Rule of 75" Retirees:

- Qualified employees that meet the requirements above, retiring under the "rule of 75" with at least 15 years and less than 20 years of continuous full-time service with Hays County shall pay 25% per month towards the cost of the insurance premium.
- Qualified employees that meet the requirements above, that are not full-time at retirement, retiring under the "rule of 75", with at least 15 years and less than 20 years of continuous service with Hays County shall pay 50% of the cost of the insurance premium.
- Qualified employees that meet the requirements above, retiring under the "rule of 75" with at least 20 years of continuous full-time service with Hays County shall pay 15% per month towards the cost of the insurance premium.
- Qualified employees that meet the requirements above, that are not full-time at retirement, retiring under the "rule of 75", with at least 20 years of continuous service with Hays County shall to pay 25% of the cost of the insurance premium.

#### Disability Retirement Retirees:

- Qualified employees that that meet the requirements above and are approved for Disability Retirement through TCDRS and have at least 15 years and less than 20 years of continuous full-time service with Hays County shall pay 25% per month towards the cost of the insurance premium for a temporary period. The retiree will receive one month of partially funded insurance for each complete year of continuous service. These retirees may continue insurance coverage through Hays County after the temporary period has expired at their own cost
- Qualified employees that meet the requirements above and that are **not** full-time at retirement approved for Disability Retirement through TCDRS, with between at least 15 years and less than 20 years of continuous service with Hays County shall pay 50% of the cost of the insurance premium for a temporary period. The retiree will receive one month of partially funded insurance for each complete year of continuous service. These retirees may continue insurance coverage through Hays County after the temporary period has expired at their own cost
- Qualified employees that that meet the requirements above and are approved for Disability Retirement through TCDRS and have 20 years or more of continuous **full-time** service with Hays County shall pay 15% per month towards the cost of the insurance premium for a temporary period. The retiree will receive one month of partially funded insurance for each complete year of continuous service. These retirees may continue insurance coverage through Hays County after the temporary period has expired at their own cost
- Qualified employees that meet the requirements above and that are **not** full-time at retirement, approved for Disability Retirement through TCDRS, with 20 years or more of continuous service with Hays County shall pay 25% of the cost of the insurance premium for a for a temporary period. The retiree will receive one month of partially funded insurance for each complete year of continuous service. These retirees may continue insurance coverage through Hays County after the temporary period has expired at their own cost

#### Disability Retirement for a Public Safety Officer

If TCDRS approves Disability Retirement for a Public Safety Officer that has been disabled on the job, the officer may be eligible for medical insurance coverage at no cost to the retiree. Hays County will pay 100% of the disabled retiree's health insurance premiums if the officer was disabled while on duty for Hays County in a "hot pursuit" or in an "emergency situation" as defined by law. The officer must be unable to work in any other position. The Disability Retirement must be through TCDRS for years of service with Hays County. County funding does not include any dependents which may be covered at the retiree's own cost through the county's group plan or certain medical insurance plans that coincide with Medicare.

#### Medicare Eligible Retirees

Medicare eligible retirees and their spouses have the option to participate in medical insurance plans that coincide with Medicare. The county offers two Medicare insurance plans, Silver Choice through the Texas Association of Counties and the Hays County Humana Advantage plan. The Medicare eligible retiree and/or spouse must be signed up for both Part A and Part B of Medicare. Retirees do not have to participate in Medicare insurance plans in order for their spouse to participate. Medicare eligible retirees and their spouses may participate in these plans at their own cost. Once a retiree chooses to go with Silver Choice, or Humana, the retiree and/or the retiree's dependents will not be allowed to return to the county's group medical coverage in the future.

Medicare eligible retirees participating in either Silver Choice through the Texas Association of Counties or the Hays County Humana Advantage plan may qualify for partially funded health insurance. The portion of the medical premiums paid by Hays County for qualified retirees is determined annually by Commissioners' Court. Current and future funding may change or be eliminated at any time based on Commissioners' Court approval. For the Medicare eligible retiree to qualify for county funding of medical benefits, the retiree must have at least 15 years continuous service with Hays County and must be receiving Hays County funded insurance with no break in service or insurance coverage. Qualified retirees must also be retiring with the Texas County and District Retirement System under the "rule of 75" or have been approved for Disability Retirement through TCDRS. Retirees that have been approved for Disability Retirement through TCDRS will be allowed to receive partial funding for a temporary period based on their length of service with Hays County. These retirees will receive one month of partially funded insurance for each complete year of continuous service. Employees that retired prior to being Medicare eligible must currently receive county funding for all or part of their medical insurance coverage to qualify for the county



funding of certain Medicare insurance plans. Qualified Public Safety officers retiring under Disability Retirement will also be given the opportunity to elect a medical insurance plan that coincides with Medicare.

Medicare Eligible “Rule of 75” Retirees:

- Qualified Medicare eligible retirees that meet the requirements above, retired under the “rule of 75” that have continuous full-time service with Hays County shall pay nothing towards the cost of the insurance premium to either Silver Choice through the Texas Association of Counties or the Hays County Humana Advantage plan.
- Qualified Medicare eligible retirees that meet the requirements above, retired under the “rule of 75” that are not full-time at retirement shall pay 25% towards the cost of the insurance premium to either Silver Choice through the Texas Association of Counties or the Hays County Humana Advantage plan.

Medicare Eligible Disability Retirement Retirees:

- Qualified Medicare eligible retirees that meet the requirements above and are approved for Disability Retirement through TCDRS and have continuous full-time service with Hays County shall pay nothing towards the cost of the insurance premium to either Silver Choice through the Texas Association of Counties or the Hays County Humana Advantage plan for a temporary period. The retiree will receive one month of fully funded insurance for each complete year of continuous service.
- Qualified Medicare eligible retirees that meet the requirements above and are approved for Disability Retirement through TCDRS and are not full-time at retirement shall pay 25% towards the cost of the insurance premium to either Silver Choice through the Texas Association of Counties or the Hays County Humana Advantage plan for a temporary period. The retiree will receive one month of partially funded insurance for each complete year of continuous service.

**Past Retirement Rules and Regulations**

All Hays County Retirees that retired with TCDRS must meet and abide by the Hays County policy and procedures in place at the time of their retirement. As per the Texas Local Government Code Chapter 175, retirees are not eligible for any benefits established after their date of retirement. Hays County retirees must meet the qualifications established for retirement and retirement benefits at the time of their retirement. The portion of Medical insurance premiums paid by Hays County for qualified retirees is determined annually by Commissioners’ Court and is not a guaranteed benefit. Current and future funding for medical insurance may be changed or eliminated at any time based on Commissioners’ Court approval.

**Retirement Benefits Review Committee**

The Retirement Benefits Review Committee will review current retirement benefits no less than annually. The committee will make recommendations to Commissioners’ Court regarding the funded benefits provided to both current and future retirees.

**Rehiring Retirees**

It is extremely important that the employee understands at the time of retirement, that Hays County has no intention of the employee returning to work at any time in the future. However, occasionally a retiree may enter back into the work force. Retirees will not be considered for rehire for at least 6 months after their retirement date. Any retiree who is rehired consistent with this policy will establish a new membership with TCDRS and will be considered to be a new member for the purposes of beneficiary determination and benefit selections. Any retiree insurance benefits will be suspended at the time of reemployment working 30 hours or more, and the retiree will be considered an active employee. At the time of separation in the future, the rehired retiree will be reconsidered for qualified benefits based on Hays County policy at that time.

## **GASB 45 Issues and Actuarial Study**

We have asked our actuary Millman to explore the following recommendations to see what impact they would have in reducing our GASB45 liability:

1. Restructure the cost sharing.  
Make everyone the same at 25% cost sharing – no tiers. Change the service requirement 20 years of service instead of 15. We would suggest grandfathering those that are currently retired under prior eligibility requirements.
2. Freeze the county portion for retirees.  
Freeze the county dollar amount to \$700 requiring the retiree to absorb all of the cost increases. Eliminating the tier percentage program and making the eligibility requirement 20 years of service instead of 15. We would suggest grandfathering those that are currently retired under prior eligibility requirements.
3. Force all retirees that are Medicare eligible to go on the Medicare supplement plan.  
This is the least favorite of the committee. There is some controversy related to this suggestion. The committee would like to really weigh the impact it will have on the GASB45 liability with the concerns they have. While this is a viable option and the Supreme Court currently has ruled that it is legal, AARP still has an appeal on it suggesting it may not be ethical. It has gone back and forth on age discrimination issues. We have also determined that there are no doctors in San Marcos taking new Medicare patients. We may also want to wait to see what impact Obama care may have. The recommendation will probably come with new hires beginning 2015. Again we would like to see that the impact from this suggestion far out weighs the others in the Millman study before deciding.
4. The most drastic would be to implement suggestions 1 and 3 together or suggestions 2 and 3 together. The committee is strongly considering the path to take and researching insurance alternatives. The committee would like to see that the impact from the new Medicare laws and review the new Millman study before deciding.

## **2014 COST PROJECTION**

### **TCDRS Retirement**

#### **Current Payroll:**

Retirement Gross: \$ 2,862,214.36 monthly (as of 7/31/12)  
\$34,766,243.32 annually (including longevity 2012)

County Contribution to Retirement: 11.32%  
\$ 324,002.67 monthly  
\$3,935,538.74 annually

#### **Leave the plan as is no changes**

County Contribution to Retirement: Projected Rate = 11.90%  
\$ 340,603.51 monthly  
\$4,137,182.96 annually

**TOTAL ANNUAL COST: \$ 201,644.22**

#### **Giving retirees a 2% COLA (currently included in Judge's recommended budget)**

County Contribution to Retirement: Projected Rate = 12.09%  
\$ 346,041.72 monthly  
\$4,203,238.82 annually

**TOTAL ANNUAL COST: \$ 267,700.08**

**Note: Last raise (2% COLA) that was given to retirees was effective January 2011.**



## **Coverage of Health Care for Retirees**

**Rate increase for 2014. Budgeting 10%**

**Increase for 2013 \$31,273.96**

72 Retirees on our insurance

County covers a portion of 53 retirees. Some are not Medicare eligible.

Current Cost \$463,294.08 per year

## **Humana Advantage Retiree Insurance \$44.00**

**No changes anticipated for 2014.**

Discussion: Medicare Advantage Plan changes.

County pays for 3 people. Cost \$3,168.00 a year.

Other individuals participate as well and pay the full premium.

## **Choice Silver – Texas Association of Counties**

No participants at this time. No information on 2014 rates until October

**NOTE: The committee is exploring other insurance options for retirees.**