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# Senate Enrolled Act 501

## Retirement Medical Benefits Accounts

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# SEA 501 Background

- SEA 501-2007 established a retirement medical benefits account for members of the general assembly, state elected officers and employees of the executive, legislative and judicial branches
- Two components– active participants and retirees
- Only a retired participant and covered dependents are entitled to receive benefits from the account

# SEA 501– Active Participants

- Annual state contribution to each full time active employee's account based on age

<u>Age</u>	<u>Annual Contribution</u>
Less than 30	\$500
30-40	\$800
40-50	\$1,100
At least 50	\$1,400

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# SEA 501—Retired Participants

- SEA 501 establishes the account as a Health Reimbursement Arrangement
- The account is funded with (1) any annual contributions received from the state on behalf of an active participant, (2) if applicable, a “bonus contribution” from the state and (3) investment earnings
- Funds may be used to pay premiums for individual or group health, medical, dental and vision coverage and long-term care premiums

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# SEA 501—Retired Participants

- The bonus contribution applies to a participant who:
  - Retires after June 30, 2007 and before July 1, 2017; and
  - Has ten (10) years of service as an elected officer or has fifteen (15) years of service as an employee of the legislative, judicial or executive branch; and
  - Is eligible for and has applied to receive a normal, unreduced retirement benefit from a public employee retirement fund
  
- The bonus contribution equals the participant's years of service multiplied by \$1,000

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# SEA 501 - Statistics

- Through FY10, there were 2,700 retired participants with an average contribution of \$27,745
- In FY10, approximately 32,500 active employees received a credit ranging from \$500 to \$1,400
  - Average contribution of \$1,105

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# SEA 501 – Actuarial Funding

- Contributions for retirees must be 100% funded at time of retirement
  - This includes both their accumulated active contributions and their bonus contribution
- Contributions for active employees can be funded on an actuarial basis to reflect future expected terminations for current and future periods
  - 60.4% likelihood that an active state employee will continue to work to their unreduced retirement age
  - Termination of employment could include voluntary or involuntary separation, early retirement, death, etc.

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# SEA 501—Actuarial Funding

- Actuarial study confirms that overfunding has occurred from the general fund
  - Study confirms plan was 130% actuarially funded as of June 2010
- Cigarette tax revenue can be directed to the general fund for FY12 and FY13
  - Study confirms plan will remain >100% actuarially funded
  - General fund will be reimbursed for overfunding of obligations
    - Total of \$53.6 million (\$26.9 million in FY12 and \$26.7 million in FY13)



# SEA 501 – Actuarial Funding

- From FY08-FY10, there has been \$53.5 million of additional funding from the general fund to the Retiree Health Benefit Trust Fund
  - Personal Services Contingency (FY08-09) = \$41.9 million
  - Revenue underperforming general fund appropriation (FY08-09) = \$3.8 million
  - Additional cigarette tax revenues (FY10) = \$7.8 million
  
- In FY11-13, there will be another \$23.1 million of additional funding
  - Grand total of \$76.6 million for FY08-13
  - \$61.0 million in excess of what is needed to be 100% actuarially funded