



Changing 29 Years of Service Subsidy

For those who retire between August 2023 and July 2032

May 16, 2024

- **Changing 29 Years of Service Subsidy**
- **Proposed Motion**
- **Next Steps**

Changing 29 Years of Service Subsidy

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- **Purpose: To align health care subsidy with the recent pension change allowing retirement with 29 years of service (YOS) with reduced benefits at any age**
 - March board action: Beginning January 2025, increased health care subsidy for those retiring August 2023 or later with 30 to 34 YOS to the maximum subsidy to match to the subsidy of those who retired prior to August 2023 with 30+ YOS
 - Proposed additional change: Beginning January 2025, increase the health care subsidy for those who retire August 2023 or later with 29 YOS to match to the subsidy of those who retired prior to August 2023 (with 29 YOS)
 - This moves the subsidy from 60% to 72.5% for non-Medicare and from 52.8% to 63.8% for Medicare
 - Cost: Based upon the projected low percentage of retirees retiring with 29 YOS, the liability increase to the health care fund should not change the funded status much

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Sample: Non-Medicare Subsidy Rates
As Approved in March 2024

YOS	These options were not selected by the board			FY25-32	FY33+
	3.0	3.1	3.2	3.3	3.3
20	37.5%	40.0%	50.0%	37.5%	40.0%
21	40.0%	42.5%	52.5%	40.0%	42.5%
...					
28	57.5%	60.0%	70.0%	57.5%	60.0%
29	60.0%	62.5%	72.5%	60.0%	62.5%
30	62.5%	65.0%	75.0%	75.0%	65.0%
31	65.0%	67.5%	75.0%	75.0%	67.5%
32	67.5%	70.0%	75.0%	75.0%	70.0%
33	70.0%	72.5%	75.0%	75.0%	72.5%
34	72.5%	75.0%	75.0%	75.0%	75.0%
35	75.0%	75.0%	75.0%	75.0%	75.0%

Sample: Non-Medicare Subsidy Rates Change for 29 YOS

YOS	FY25-32	FY33+ (Aug. 2032+)
	3.3	3.3
20	37.5%	40.0%
21	40.0%	42.5%
...		
28	57.5%	60.0%
29	72.5%	62.5%
30	75.0%	65.0%
31	75.0%	67.5%
32	75.0%	70.0%
33	75.0%	72.5%
34	75.0%	75.0%
35	75.0%	75.0%

The proposed subsidy change only impacts 29 years of service as highlighted

Note: Medicare 29 years of service subsidy would move from 52.8% to 63.8%



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PROPOSED MOTION

Approval Beginning January 2025, increasing the health care subsidy for 29 years of service for anyone who retires between August 2023 and July 2032 to be:

May 16, 2024

_____ moved, seconded by _____, that the Board approve the following health care subsidy reimbursements: for 29 YOS, the maximum health care subsidy minus one year of subsidy; for 30+ YOS, the maximum health care subsidy; and, for 28 YOS and less (who are subsidy eligible), the maximum health care subsidy minus $[(5 + (30 - \text{YOS}))]$ years of subsidy.

- **Setting 2025 coverage and premiums**
 - June: Possible look at non-Medicare 2025 coverage and premiums
 - August: Discussion and finalization of all 2025 coverage and premiums
 - Medicare 2025 premiums delayed until August due to Inflation Reduction Act (IRA) impacts on the prescription program that won't be fully known until late July or early August

Questions?

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