

Retirement Incentive Option (RIO)

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Evolving the Business of BenefitsSM

Who Wants to Retire?

Teachers must adapt to a new curriculum, new evaluations, and demographic shifts.

A nudge may help some teachers to consider retirement...

	As of June 30, 2012: Years of CT teacher service		
<u>AGE</u>	<u>25-29</u>	<u>30-34</u>	<u>35 & up</u>
50-54	1,249	278	--
55-59	939	1,405	435
60-64	790	695	1,025

Source: CT TRB Actuarial Valuation as of June 30, 2012; Cavanaugh Macdonald Consulting, LLC

Why Stay on the Job?

Some teachers stay on because retiree health insurance costs too much

Town A	\$4,257 per quarter - dual coverage
Town B	\$672 per month for single coverage
Town C	\$3,850 per quarter for dual, plus \$4,000 annual HSA deductible

Traditional Retirement Incentive

Board of Ed pays
for Group Health
Insurance for X
Number of Years

Or some variation of
cash to purchase
benefits

Negatives to this approach:

Early retirees often have higher average claims, offsetting salary savings with increased health claims and risk charges

Increased GASB 45 - OPEB liability

Increased Actuarially Required Contribution (ARC)

Usually Taxable to Retiree

Enter the **Affordable Care Act**

Every early retiree may now purchase an
individual policy
without regard to age or health status

The ACA changes the individual market rules:

- No medical underwriting
- No pre-existing conditions
- Guarantee Issue
- 3 to 1 premium ratio
- Possible Federal Subsidies

Health Reimbursement Account (HRA)

IRS provided guidance on the use of HRAs for reimbursing individual policy premiums

- Allows employers to reimburse retirees for purchase of an individual policy
- Reimbursements are tax free to the retiree
- Plan must be in writing and non-discriminatory
- Reimbursement, not prepayment, with substantiation required
- Based on IRS ruling dated September 13, 2013.

You set the terms

Eligibility

Minimum
Age

Length of
Service

Duration

Specific
Number of
Months

To
Medicare
Eligibility

Amount

Monthly
Total

Aggregate
Total

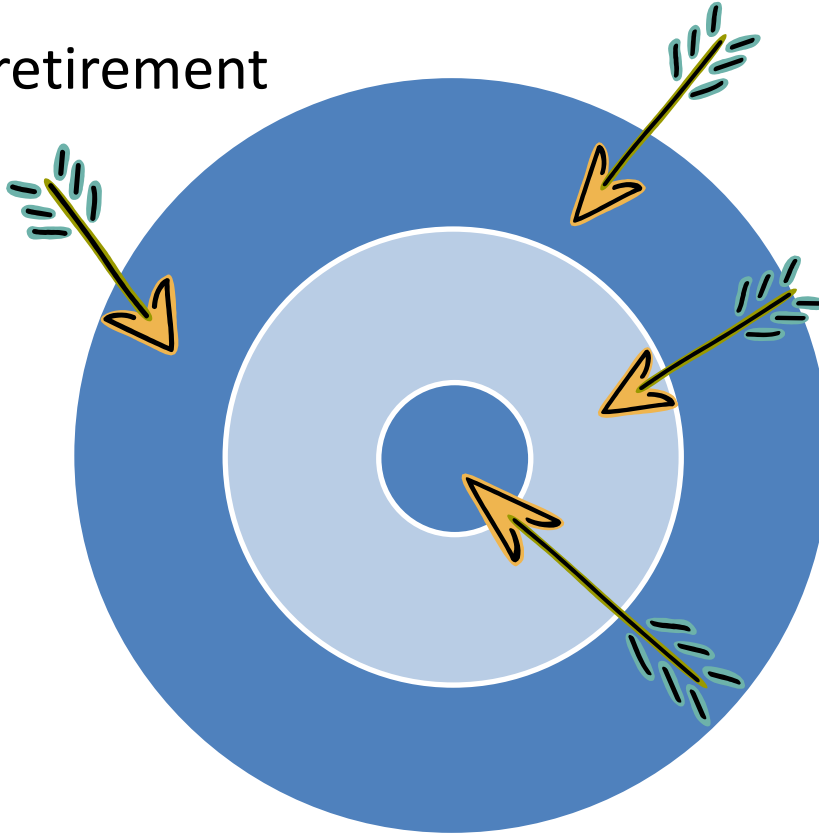
Sample plans

	Sample 1	Sample 2	Sample 3	Your Plan
Eligibility Age	At least age 55	At least age 60	At least age 62	?
Length of Service	30 years	33 years	35 years	?
Spouses included?	No	Yes	Yes	?
Duration of Payments	Up to three years	To age 65 or up to five years for spouse	To age 65 for retiree and spouse	?
Amount of Payment	\$500 per month	Up to \$800 per month to a max of \$40,000	80% of the premium to a max of \$36,000	?

Member Advantage

Helping Retiree Hit their Target...

Tax free retirement benefit



Lowers barrier to early retirement

Health coverage partly or fully paid to age 65

I get to retire!!!

District Advantages

- Removes member and spouse from active employee health plan
- Eliminates that retiree's health claims
- Reduces GASB 45, OPEB, ARC
- Lowers the average age of remaining health plan members
 - Lowers expected claims, risk charges, and administration fees even if fully insured

Other criteria for HRAs

- Must be non-discriminatory
 - Open to all who meet the HRA criteria
- Individual plans funded by HRAs are:
 - Expensive
 - Cost of an individual Health Policy comparable to the cost of Board Group coverage
 - Prospective retiree is not accustomed to anything except union negotiated plans
 - Will require member education

Stirling Benefits Administration

- Meet in person or on the phone with Central Office, Board Chairs and Union Representative to fully understand plan options and operation
- Create written Plan Document, Summary Plan Description
- Set up reimbursement process
- Process Enrollments
- Certify that reimbursements meet plan criteria
- Reimburse eligible expenses monthly via ACH or check
- Provide online member statements
- Provide online district reporting
- Handle retiree calls
- Meet with retirees to facilitate enrollment in individual plans

Prospective Retiree Communications

If Stirling
Benefits
earns
commission
on the
individual
policy, we
will ...

- Meet with eligible members
- Evaluate plan options
- Help the prospective retiree choose their plan
- Provide ongoing member service and support
- Assist retiree at their annual open enrollment

Who can administer a RIO?

Any Central Office can administer a RIO, with or without Stirling Benefits' support. Your Board attorney can write the Plan Document, and central office staff can handle the payments and plan compliance.

What we can do is make the RIO administration prompt, accurate, cost effective and courteous.

For more information, please contact:

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