

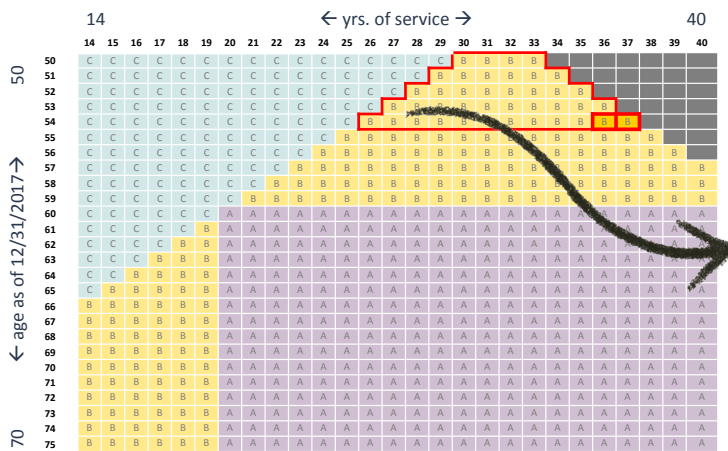
# Changes to retiree health insurance

## Understanding how different employee groups are affected

Changes to retiree health insurance, as recommended by the Total Rewards Advisory Committee (<http://umurl.us/trac>) and approved by the University of Missouri Board of Curators on April 14, 2016, have set new criteria for benefit eligibility, effective January 1, 2018, by placing employees in one of four access categories (A, B, C, or D). Employees within the same access category may be affected differently based on an individual mix of age, years of service, and time of retirement. Below are some examples of how the recommendations may affect individual retirement decisions.

The examples consider the differences between what employees are eligible for before the recommended changes take effect (12/31/2017) versus after (01/01/2018). The examples are based on hypothetical employees using specific assumptions; they are offered for discussion purposes only. The decision of whether and when to retire is an individual decision and involves many factors, including age and years of service, pension benefits earned, other retirement savings, available insurance options, and career and personal aspirations. Employees are encouraged to weigh their unique factors carefully.

## Examples from Access Category B



### Example 1: Jim (Age: 54 | Yrs of Service: 36 | Salary: \$76,572)

Jim will become eligible for early retirement once he turns 55, regardless of changes to retiree insurance. Under current retiree insurance benefits, Jim is eligible for retiree insurance at age 55 (subsidy amount based on age + years of service). With the changes to retiree insurance, Jim will be required to work additional years before he can earn UM retiree insurance coverage and a UM subsidy.

**As of 12/31/2017:** Jim is not yet eligible to retire.

**As of 1/1/2018:** Jim must work an additional 6 years (to age 60) for retiree insurance eligibility. If Jim chooses to take early retirement at or after age 55 but before age 60, he would forfeit retiree insurance coverage and the UM subsidy. Additionally, Jim would need to consider how retiring early would affect his retirement earnings.

Other factors in decision:	If retiring at age 55 to before age 60	If retiring at age 60
Monthly pension estimate \$	\$4000	\$5600
UM subsidy* eligibility (as % of total retiree medical premium)	Not eligible	73%

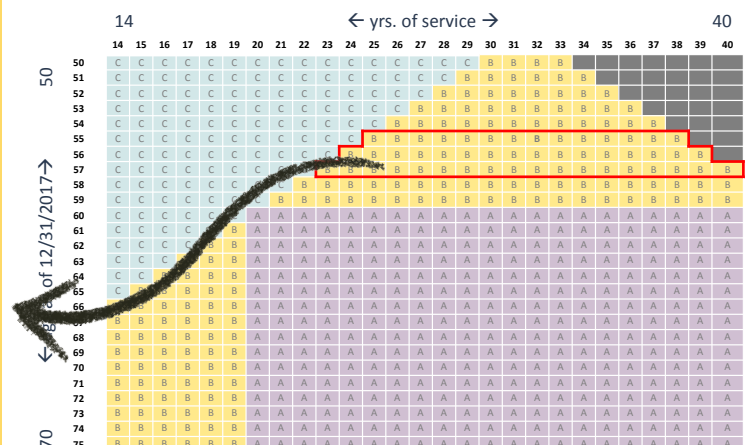
### Example 2: Amy (Age: 55 | Yrs of Service: 32 | Salary: \$76,572)

Amy is able to take early retirement because she is age 55 with 10+ years of service. Under current retiree insurance benefits, Amy also is eligible for retiree insurance (subsidy amount based on age + years of service). With the changes to retiree insurance, if Amy chooses to retire after 12/31/2017, she will be required to work additional years before she can earn UM retiree insurance coverage and a UM subsidy, though she may choose to retire without it. In the chart below, note that the subsidy Amy earn at age 60 would be greater than the subsidy she earns if she retires prior to the changes taking effect.

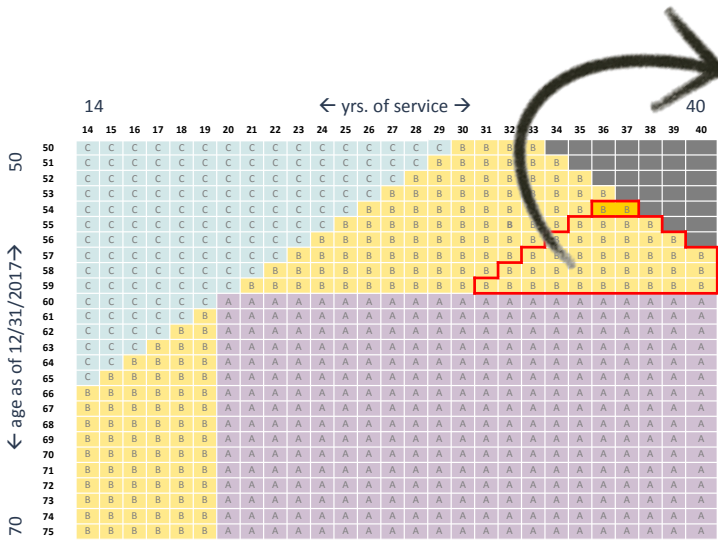
**As of 12/31/17:** Amy is eligible for early retirement with retiree insurance coverage and a subsidy.

**As of 1/1/2018:** Amy must work an additional 5 years (to age 60) for retiree insurance eligibility. If Amy chooses to retire after 12/31/2017 but before age 60, she would forfeit retiree insurance coverage and the UM subsidy. Additionally, Amy would need to consider how retiring early would affect her retirement earnings.

Other factors in decision:	If retiring on or prior to 12/31/2017	If retiring at age 60
Monthly pension estimate \$	\$3600	\$5000
UM subsidy* eligibility (as % of total retiree medical premium)	55%	73%



# Continued examples from Access Category



### Example 3: Tim (Age: 55 | Yrs of Service: 35 | Salary: \$34,683)

Tim is able to take early retirement because he is age 55 with 10+ years of service. Under current retiree insurance benefits, Tim also is eligible for retiree insurance (maximum subsidy based on Tim's age + years of service). With the changes to retiree insurance, if Tim chooses to retire after 12/31/2017, he is required to work additional years before he can earn UM retiree insurance coverage and that same maximum UM subsidy, though he may choose to retire without it. In the chart below, note that Tim is different than Amy in that his subsidy would be the same at age 60 as what he earns if he retires prior to the changes taking effect.

**As of 12/31/2017:** Tim is eligible for early retirement with retiree insurance coverage and a subsidy.

**As of 1/1/2018:** Tim must work an additional 5 years (to age 60) for retiree insurance eligibility. If Tim choose to retire after 12/31/2017 but before age 60, he would forfeit retiree insurance coverage and the same UM subsidy. Additionally, Tim would need to consider how retiring early would affect his retirement earnings.

Other factors in decision:	If retiring on or prior to 12/31/2017	If retiring at age 60
Monthly pension estimate \$	\$1730	\$2400
UM subsidy* eligibility (as % of total retiree medical premium)	73%	73%

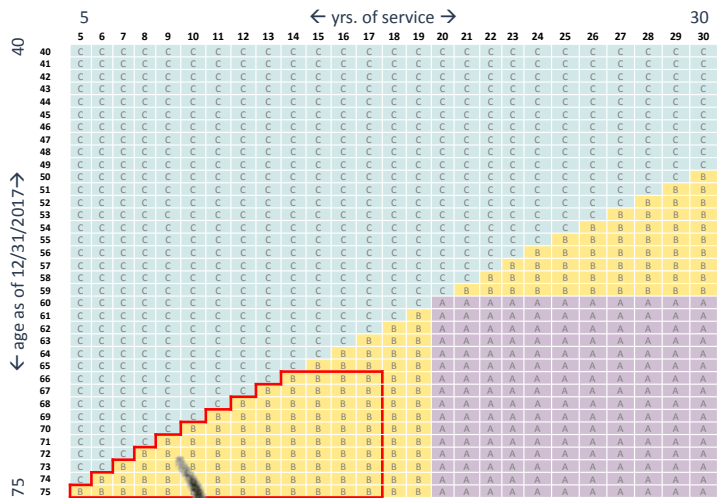
### Example 4: Claire (Age: 70 | Yrs of Service: 10 | Salary: \$76,572)

Claire is able to take normal retirement because she is age 65+. Under current retiree insurance benefits, Claire also is eligible for secondary UM retiree insurance (subsidy amount based on age + years of service), to supplement the Medicare benefits she became eligible for at age 65. With the changes to retiree insurance, if Claire chooses to retire after 12/31/2017, she is required to work additional years before she can earn UM retiree insurance coverage and a UM subsidy, though she may retire without it and her Medicare eligibility remains the same. In the chart below, note that the subsidy Claire would earn upon reaching 20 years of service would be greater than the subsidy she earns if she retires prior to the changes taking effect; however, Claire would be age 80 by that point, and her monthly pension payment would increase significantly, as well.

**As of 12/31/17:** Claire is eligible to take normal retirement with secondary retiree insurance coverage and a subsidy.

**As of 1/1/2018:** Claire must work an additional 10 years (to 20 years of service) for UM retiree insurance eligibility. At that point, her age (80) + years of service (20) would equal 100, which would earn her the highest subsidy rate for an employee who is Medicare-eligible. If Claire chooses to retire after 12/31/2017 but before reaching 20 years of service, she would forfeit UM retiree insurance coverage and the UM subsidy but remain eligible for Medicare. Additionally, Claire would need to consider how retiring earlier would affect her retirement earnings.

Other factors in Decision:	If retiring on or prior to 12/31/2017	If retiring at age 80, with 20 years of service
Monthly pension estimate \$	\$1416	\$2820
UM subsidy* eligibility (as % of total retiree medical premium)	50%	66 2/3%



# Examples from Access Category



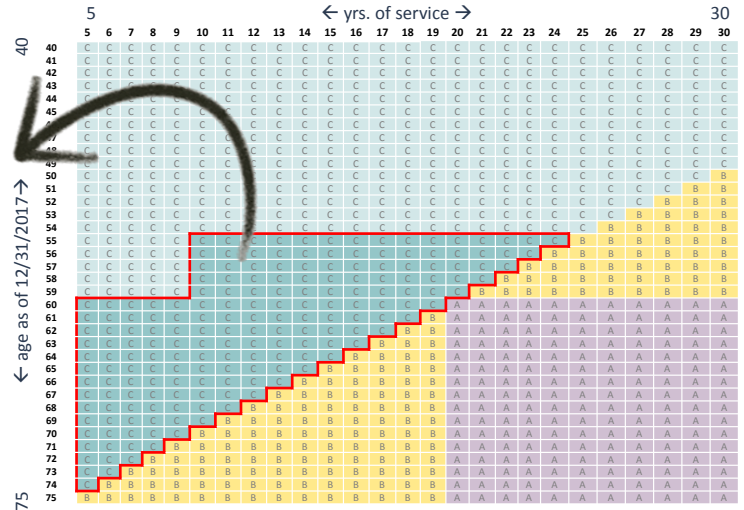
## Example 1: Joan (Age: 58 | Yrs of Service: 19 | Salary: \$36,900)

Joan is able to take early retirement because she is age 55+ with 10+ years of service. Under current retiree insurance benefits, Joan also is eligible for retiree insurance (subsidy amount based on age + years of service). With the changes to retiree insurance, if Joan chooses to retire after 12/31/2017, she will be required to work additional years before she can earn UM retiree insurance coverage and a UM subsidy, though she may choose to retire without it. In the chart below, note that Joan's subsidy changes from a percentage-based subsidy to a fixed subsidy.

**As of 12/31/17:** Joan is eligible to take early retirement with retiree insurance coverage and a subsidy.

**As of 1/1/2018:** Joan must work an additional 2 years (to age 60) for retiree insurance eligibility. If Joan chooses to take early retirement prior to age 60, she would forfeit UM retiree insurance coverage and the UM subsidy. Additionally, Joan would need to consider how retiring early would affect her retirement earnings.

Other Factors in Decision:	If retiring on or prior to 12/31/2017	If retiring at age 60
Monthly pension estimate \$	\$1037	\$1400
UM subsidy* eligibility	55% (as % of total retiree medical premium)	\$2100 (fixed subsidy: 21 years x \$100/yr of service credit)



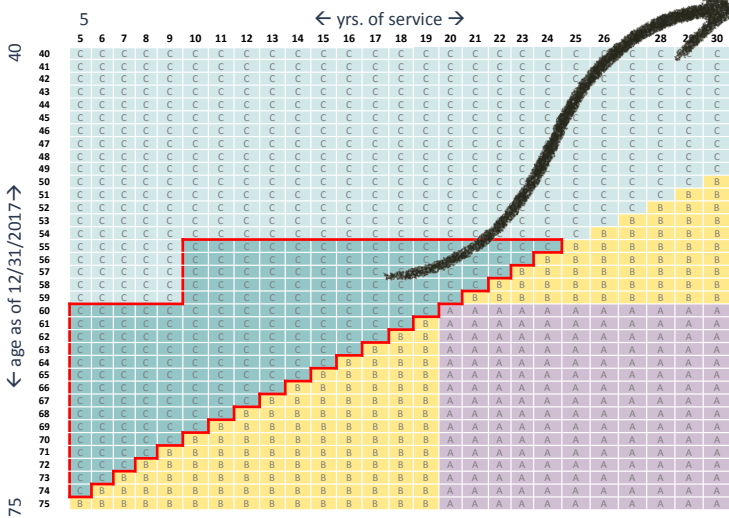
## Example 2: Sam (Age: 65 | Yrs of Service: 5 | Salary: \$34,683)

Sam is able to take normal retirement because he is age 65. Under current retiree insurance benefits, Sam also is eligible for secondary UM retiree insurance (subsidy amount based on age + years of service), to supplement the Medicare benefits he became eligible for at age 65. With the changes to retiree insurance, if Sam chooses to retire after 12/31/2017, he will be required to work additional years before he can earn UM retiree insurance coverage and a UM subsidy, though he may choose to retire without it and his Medicare eligibility remains the same. In the chart below, note that Sam's subsidy changes from a percentage-based subsidy to a fixed subsidy. Sam would be age 80 by that point, and his monthly pension payment would increase significantly, as well.

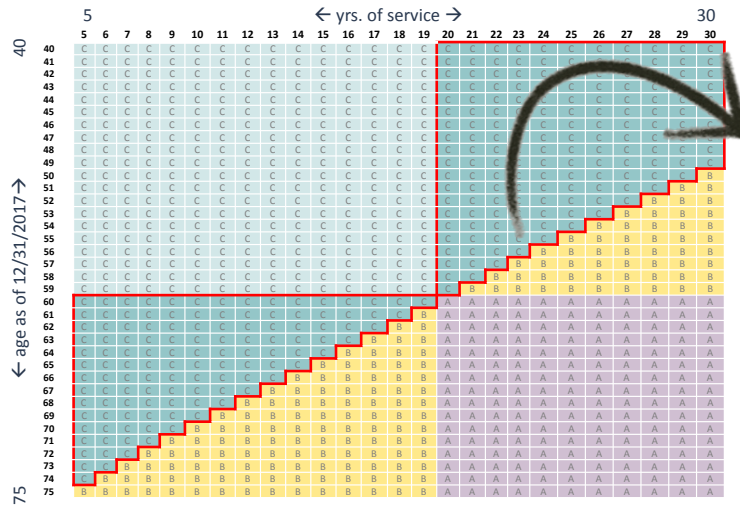
**As of 12/31/17:** Sam is eligible to take normal retirement with secondary retiree insurance coverage and a subsidy.

**As of 1/1/2018:** Sam must work an additional 15 years (to 20 years of service) for retiree insurance eligibility. If Sam chooses to retire after 12/31/2017 but before 20 years of service, he would forfeit UM retiree insurance coverage and the UM subsidy but remain eligible for Medicare. Additionally, Sam would need to consider how retiring earlier would affect his retirement earnings.

Other factors in decision:	If retiring on or prior to 12/31/2017	If retiring at age 80, with 20 years of service
Monthly pension estimate \$	\$323	\$1277
UM subsidy* eligibility	33% (as % of total retiree medical premium)	\$2000 (fixed subsidy: 20 years x \$100/yr of service credit)



# Continued examples from Access Category



### Example 3: Joseph (Age: 55 | Yrs of Service: 20 | Salary: \$34,683)

Joseph is able to take early retirement because he is age 55 with 10+ years of service. Under current retiree insurance benefits, Joseph also is eligible for retiree insurance (maximum subsidy based on Joseph's age + years of service). With the changes to retiree insurance, if Joseph chooses to retire after 12/31/2017, he will be required to work additional years before he can earn UM retiree insurance coverage and that same maximum subsidy, though he may choose to retire without it. In the chart below, note that Joseph's subsidy changes from a percent-age-based subsidy to a fixed subsidy.

**As of 12/31/2017:** Joseph is eligible for early retirement with retiree insurance coverage and a subsidy.

**As of 1/1/2018:** Joseph must work an additional 5 years (to age 60) for retiree insurance eligibility. If Joseph chooses to retire after 12/31/2017 but before age 60, he would forfeit UM retiree insurance coverage and a UM subsidy. Additionally, Joseph would need to consider how retiring early would affect his retirement earnings.

Other factors in decision:	If retiring on or prior to 12/31/2017	If retiring at age 60
Monthly pension estimate \$	\$898	\$1281
UM subsidy* eligibility	55% (as % of total retiree medical premium)	\$2500 (fixed subsidy: 25 years x \$100/yr of service credit)

\* The UM subsidy calculations in this document are based on current insurance premiums. Calculations assume that the pre-Medicare employee chose self-only coverage under the PPO plan, our most elected insurance plan for that group. The full cost of coverage under this plan is \$640/mo. Similarly, calculations for Medicare-eligible employees assume the employee selected self-only coverage under the myRetiree Health Plan, the cost of which is \$263.18/mo. Actual premiums will be based on future rates, which are set on an annual basis. For additional retiree insurance premium estimates, or to estimate your own retiree insurance premium, visit [umurl.us/retpremium](http://umurl.us/retpremium).

## Understand the changes:

The [changes to retiree health insurance webpage](#) contains tools and resources designed to help you understand upcoming changes and how they may affect you.

Visit: <http://umurl.us/c2ri>



## Get extra help for your in-depth questions:

Contact the HR Service Center! Get the most from your chat by preparing with the changes to retiree health insurance webpage before you call.

Call: (573) 882-2146

Toll-free: (800) 488-5288

Email: [hrservicecenter@umsystem.edu](mailto:hrservicecenter@umsystem.edu)