



Discussion using Funded HRAs

DC Everest School District

Benefits for those hired prior to 7/1/2014

Post Employment Benefit: Health Benefit

Post-Employment Health Benefits				
Group (on date of retirement)	Age Eligibility	Years of Service*	Benefit if retiring prior to reaching the age of Medicare eligibility	Benefit if retiring at/after reaching the age of Medicare eligibility
Teachers (DCETA)	55 (before September 1 st of the next school year)	15	\$60,000	\$30,000
At-Will Salaried	55 (on date of retirement)	15	\$60,000	\$30,000
Hourly	57 (on date of retirement)	25	\$30,000	\$15,000
Hourly	57 (on date of retirement)	30	\$40,000	\$20,000
Hourly	57 (on date of retirement)	35	\$50,000	\$25,000



Funded Health Reimbursement Arrangement

What Is a Funded HRA?

Health Reimbursement Arrangement (HRA)

- Employer-funded, interest bearing, tax-free benefit plan established to reimburse plan participants for eligible medical expenses and premiums.
- Tax-free contributions.
- Tax-free interest earnings.
- Tax-free reimbursements.
- Unused funds carryover annually.
- Changing from Premium Only to HRA 213(d).
- What are the eligible expenses under an HRA 213(d):
 - All 213(d) medical expenses (Deductibles, Co-Pays, Prescription Drugs, etc)
 - Health Insurance Premiums, Dental Premiums, Vision Premiums
 - Medicare Part B, D and Medicare Supp Premiums
 - Long-Term Care Insurance Premiums
- Funded while actively employed with no access to the benefit until retirement/separation of service. If participants leave prior to meeting employer retirement requirements – funds forfeit back to the district to use to offset future contributions.

Using a Funded HRA to Deliver Early Retirement Benefits

- Deposit an annual defined contribution amount on behalf of employees with no access until vested/retirement
 - Time value of money helps provide more of the benefit;
 - Helps reduce or eliminate OPEB liability
 - Vesting schedules can apply; Once vested, and separated from service, participants can use the HRA for qualified medical and/or premium expenses
- In all cases, increased retiree flexibility
 - Health insurance assistance (pre and post 65); Participants gain access to licensed agents to help find coverage other than the employer sponsored plan
- Investment example in slides ahead
 - \$1,000 annual HRA contribution over 30 years with an assumed 5.5% interest rate (not guaranteed)
 - \$30,000 employer contribution over 30 years,
 - \$72,400 in estimated value

Contribution Strategy

- **Teachers hired on or after 7/1/2014**
 - Catch Up contribution of \$1,000/year for all years worked from 7/1/2014 – 6/30/2026
 - **Catch Up Cost:** \$1,082,000* for 251 teachers
 - Annual \$1,000/year contribution at the end of each school year moving forward
 - **Annual Contribution:** \$251,000
- **Support Staff hired on or after 7/1/2014**
 - Catch Up contribution of \$500/year for all years worked from 7/1/2014 – 6/30/2026
 - **Catch Up Cost:** \$405,000* for 230 support staff
 - Annual \$500/year contribution at the end of each school year moving forward
 - **Annual Contribution:** \$115,000
- **Total Estimate for Catch Up Contributions: \$1,487,000***
 - Annual contributions will be factored into existing annual contribution based on actuarial study

*numbers calculated with point in time census

Defined Contribution Funding Example for Teachers

The Employer Deposits \$1,000 Per Year

(5.5% estimated rate of return; Not a guarantee; Used for illustrative purposes)

Year	Employer Contribution	Potential Value
10	\$10,000	\$12,875
15	\$15,000	\$22,409
20	\$20,000	\$34,868
25	\$25,000	\$51,153
30	\$30,000	\$72,435

Defined Contribution Funding Example for Support Staff

The Employer Deposits \$500 Per Year

(5.5% estimated rate of return; Not a guarantee; Used for illustrative purposes)

Year	Employer Contribution	Potential Value
10	\$5,000	\$6,438
15	\$7,500	\$11,204
20	\$10,000	\$17,434
25	\$12,500	\$25,576
30	\$15,000	\$36,218

Funding the New Benefit

- Catch Up contributions will be considered an unfunded liability until that amount is paid back to our Fund 73 trust account.
 - The Catch Up Contribution is estimated at \$1,487,000
 - This will be paid through end of year funds and/or additional contributions
- Annual contributions will be factored into our actuarial study and will be funded by:
 - Redistribution of forfeited HRA account balances, and
 - Continued annual Fund 73 contributions.



Questions/Next Steps?