MILWAUKEE PUBLIC SCHOOLS

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INTEROFFICE MEMORANDUM

DATE May 29, 2024

TO: Members of the Board of School Directors

FROM: Mr. Paul Geib *PG*

RE: Audit #2024-054: Retiree Life and Medical Insurance Review

C: Dr. Keith Posley
Mr. Matt Chason
Ms. Jill Kawala
Ms. Adria Maddaleni
Ms. Carol Eady
Mr. Michael Lieske

Transmitted herewith is our report on *Audit #2024-054 –Retiree Life and Medical Insurance Review*. The audit report and recommendations have been reviewed in detail with the Administration. Their concerns relative to the audit criteria, findings and conclusions along with responses to the audit recommendations have been incorporated in the audit report. The responses show general concurrence with all of the recommendations and include action plans for implementation. A follow up audit will be scheduled 12 months from report issuance. If you have any questions regarding this report or would like the report to be placed on a committee agenda, please contact our office.

We appreciate the cooperation and assistance we received from MPS personnel as we conducted the audit.

Attachment

Retiree Life and Medical Insurance Review

Audit: 2024-054

May 2024

MILWAUKEE PUBLIC SCHOOLS

Office of Accountability and Efficiency-Audit Services

RETIREE LIFE AND MEDICAL INSURANCE REVIEW

AUDIT: 2024-054

MAY 2024

Senior Director, Office of Accountability and Efficiency
Matt Chason

Audit Team
Paul Geib - Performance Audit Manager
Michael Lieske – Performance Auditor II

I. Background

Milwaukee Public Schools has offered three retiree benefit plans for employees: life insurance, medical insurance and sick leave payout. In addition, there is an option for Social Security Medicare Part B premium reimbursement. Over time, there have been changes to these benefits depending on the employee start date, retirement date, job role or union group and other requirements approved by the Board of School Directors, including Alternative C, an early retirement option.

As of July 1, 2013, all new hires or re-hires are not eligible for these retirement benefits. For those hired before July 1, 2013, some of the basic requirements for each benefit include:

Life Insurance:

- Employee must be in a benefit eligible position at the time of retirement
- Employee must be age 55 or older on the date of retirement (there are no spousal benefits)
- Employee must have 20 years or more of MPS service on the date of retirement
- There is no requirement of a sick hour balance to qualify
- The employee pays for the life insurance from date of retirement until age 65, at which point MPS pays for the coverage until the death of the employee
- The coverage amount varies depending on the wage that the employee was earning at the time of retirement. It is one times the annual base salary (no overtime or secondary jobs count). The coverage amount decreases at age 65, 66 and age 67, when the maximum benefit is 25% or $25,000, whichever is less.

Medical Insurance – To receive the MPS School Board of Directors subsidy (Subsidy) to be used toward the medical insurance premiums:

- Employee must currently be in a benefit eligible position at the time of retirement
- Employee must be enrolled in a medical plan, can have a spouse and dependents on the retiree medical insurance
- Employee must be age 55 or older on the date of retirement
- Employee must have 20 years or more of service on the date of retirement
- Employee must have a sick leave hours balance, the equivalent of 812 hours for a 10-month employee or 840 hours for a 12-month employee, in order to be eligible for the Board Subsidy, which is used to offset medical insurance premiums
- If the employee retires without the respective sick hour balance, they may continue medical insurance coverage as self-paid, with no premium assistance (Subsidy).

Sick Leave Payout:

- Employee must have 20 years of service and accumulated sick leave hours of 812 for a 10-month employee and 840 hours for a 12-month employee to be eligible
- If the employee has accumulated full sick leave hours in excess of the requirement, the employee will receive up to 80 of the hours in excess of the 812 or 840 hours in a lump

sum payment deposited in the 403B retirement plan at one of the vendors used by MPS to administer the 403B plans.

Social Security Medicare Part B Premium Reimbursement:

- This reimbursement is only payable to the retired employee, not the spouse.
- Once the retiree is age 65+ they must be enrolled in Medicare offered by the US Government and those premiums are typically paid for by deductions from Social Security income
- If the retiree's Subsidy is higher than their monthly Medicare Advantage premium, the difference between the Subsidy and the MPS insurance premium is available to the retiree to be used to receive a reimbursement (partial or full) of the payments made to the US Government for Medicare Part B
- In November 2023, MPS paid $718,241 to 4,743 individuals for their allowable US Government Medicare Part B premium reimbursements.

One significant change to retiree insurance is related to the introduction of Medicare Advantage Plan. Prior to July 1, 2013, whichever plan coverage the employee had when they entered retirement was the same plan that they would continue with until such a point that they would discontinue coverage or pass away. For example, an employee who selected the EPO plan would retain the EPO plan as long as they had coverage. However, as of July 1, 2013, MPS introduced Medicare Advantage Plan coverage for every retiree and dependent over the age of 65, as the required coverage. Therefore, everyone who was already retired and every future retiree eligible for retirement insurance, is now required to have the Medicare Advantage Plan. Any Medicare eligible dependents must also have the Medicare Advantage Plan. The Medicare Advantage Plan is not a supplement plan, rather it is a plan offered by United Health Care, our current medical insurance provider, which partners with the Medicare program offered by the US Government. MPS moved to the Medicare Advantage Plan as they projected that there would be significant savings in doing so. In addition, if an employee works until age 65 but does not have the sick hour balance to obtain a Board Subsidy, they can enroll in the Medicare Advantage Plan and self-pay the full premium.

As of January 1, 2024, MPS retiree insurance covered the following number of retirees, surviving spouses and/or dependents:

- EPO plan – 1,306
- PPO plan – 323
- HDHP plan – 11
- Medicare Advantage Plan – 7,450

In alignment with the requirements, all of the above counts for the EPO, PPO and HDHP plans primarily reference individuals under age 65 who will move to the Medicare Advantage Plan coverage at age 65, unless they are an underage dependent, who would drop from coverage at age 26.

For current employees who have the potential to obtain retiree medical insurance, it is not clear of the exact number who will actually enroll. This depends if, when the employee decides to retire, they have the required sick leave balance, years of service and the desire to obtain the insurance. Utilizing data from MPS Human Resources – Benefits, GRS, the actuarial company calculates projections and reports counts of what their expectations are as to how many current employees are eligible. In a recent GRS report of 2021 data, they indicate that there are 4,309 active employees who may enter into retirement medical coverage at some point in the future. The prior GRS report from 2019 indicated that there were 5,008 active employees. The difference can be attributed to employee terminations, job changes to ineligible roles, retirements or deaths. Benefits indicated that a new report will be issued around December 2024, following the two-year cycle of full reports.

The second significant change effective July 1, 2013, was related to the share of medical insurance premiums paid by retirees. Previously, retirees received a Subsidy based on the PPO premium only and could enroll in the EPO plan, which is the lower cost plan. This meant that the premium would be covered by the Subsidy if the cost did not go above the Subsidy amount. In review of a 2005 retiree, selecting single coverage under the lower cost EPO plan, they did not pay any premium as the Subsidy was sufficient / had excess available through age 65 and beyond for the Medicare Advantage Plan. For the same time frame and use of the EPO coverage, a retiree with family EPO coverage had to pay out of pocket in only two years from 2005-2014, with the Subsidy sufficient to cover the premiums in all other years. [Note: between 2010 and 2011, MPS switched from Aetna to United Health Care, which brought lower premiums to retirees and employees]. If a retiree had selected the PPO plan, with either the single or family coverage, they would have paid out of pocket in 7 of the 10 years.

Starting July 1, 2013, MPS revised the Subsidy calculation to blending the EPO and PPO plans and also reduced the Subsidy at age 65, all to better align with what the employee was paying for premiums prior to retirement and in consideration of the move to the Medicare Advantage Plan. Claims costs, inflation, and no vendor or plan design changes since 2013 all contribute to higher premium calculations.

The additional cost to a retiree has the potential to be significant, especially the longer that an employee is in retirement between ages 55 and 65. Data related to the increases is included in Appendix A and discussed in the report. In sample 1 of the Appendix A, an employee with single coverage who retired at age 55 in 2014 would have paid $0 in monthly premiums due to the Board paid Subsidy of $595.23, which exceeded the full first year cost of $586.04/month. However, that premium would have increased to $1,097.53/month by the 10th year, with the subsidy locked in at $595.23 from retirement until age 65. This retiree would have seen their out of pocket, monthly premium change annually (increase) from $0 to $502.30/month during the 10 years of retirement.

At age 65 the Board paid Subsidy changes for this retiree to $332.65 because they would no longer be covered under an EPO, PPO or HDHP plan because they are required to enroll in Medicare Advantage. Currently, the Medicare Advantage premiums are $190/month in 2024. They would not pay out of pocket toward their premiums until (if) Medicare Advantage, currently $190/month in 2024, would increase to the level of their age 65+ Subsidy of $332.65. In fact, after age 65, the retiree may be eligible for the Social Security Medicare Part B premium reimbursement benefit, limited to the difference between the Subsidy and the Medicare Advantage premium.

II. Scope and Objectives

The scope of the audit focused on retiree benefits of life insurance, medical insurance, sick leave payout and Social Security Medicare Part B premium reimbursement, with a focus on criteria that is currently applicable, typically since July 1, 2013, when the retirement benefits were closed to new hires.

Objectives included:

- reviewing existing policies and procedures or ensuring Benefits was in process of implementing them,
- ensuring criteria are in place to control enrollment, on-going eligibility and benefit distributions,
- ensuring the accuracy of reporting,
- ensuring receipt of premiums from employees, funding from MPS and distributions were accurate and reasonably controlled,
- ensuring validation of payments to vendors and appropriateness of contracts with them, and,
- reviewing technology related controls, including access and backup/storage of critical data.

To address the objectives, Audit conducted meetings with HR Benefits management and staff to review current practices, conduct sample testing, review new and updated policies and procedures and discuss accounting, DPI and GRS actuarial reporting.

This audit was approved by the Board as part of the FY24 Annual Audit Plan activities in June 2023. The results of our review are identified below.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

III. Audit Results and Conclusion

Our audit disclosed that internal controls — otherwise known as the policies, procedures, techniques and mechanisms to achieve the entity's objectives and address related risks for Office of Human Resources – Benefits, Pension and Compensation, retiree life and medical insurance, were adequate and functioning as intended.

Benefits staff had many, sound internal controls in place and, where updates or new controls were needed, Benefits implemented them during the course of the audit. Some of the controls reviewed, tested and verified as operating as intended, include:

- Validating that all individuals covered by a retiree plan were present in the billing process
- Validating that monthly Medicare premium reimbursements and the annual reconciliations are supported by proper documentation and reconciled to PeopleSoft payroll payments
- Ensuring that everyone who enters retirement is accounted for in medical and life insurance coverage or that they have opted-out of coverage, preventing anyone from being inadvertently removed
- Conducting periodic validations to ensure accuracy of retiree premiums and Board subsidy amounts
- Periodic validations of premiums and coverages as employees or spouses turn age 65 and require plan, premium and Subsidy changes
- Vouching the invoices for life insurance, Medicare Advantage and EPO / PPO/ HDHP coverages to ensure MPS is not paying for individuals who should not have coverage
- Ensuring life insurance coverage is only offered to employment groups that qualify
- Management review of monthly reconciliations of premiums forwarded from the City and State pension plans, ensuring all expected income has been provided
- Technology system reviews of data access and data backups
- Validations of the GRS reports

Certain processes that may occur less frequently, such as the GRS full report which is issued every two years, were not within our audit scope to validate for updates. If a change was made or planned to be made, it may not be recognized until the task is conducted again. Reliance will be on Benefits to ensure enhancements occur or for this process to be reviewed in the follow-up audit in the next twelve months.

Audit Results – Detailed Findings and Recommendations

There have been many changes to the various retiree benefit plans over the years, the most recent, significant changes involved discontinuing retiree life and medical insurance benefits to all new hires and rehires after July 1, 2013, and moving to Medicare Advantage, which is the required MPS retiree insurance plan after age 65. Many of the Board Items indicate that MPS would save millions of dollars by making these changes. While there was no specific tracking or linking cost savings or cost increases to any specific initiative, significant savings have been recognized to MPS. Without implementing the closure to new hires, the actuaries projected the medical insurance liability of $1.4 billion in 2013 would grow to almost $2 billion by 2020. In 2011, MPS had only $9.4 million in assets set aside for this liability. A review of the most recent data available from GRS identified that the actuarial liability had been reduced to $850 million as of June 2022 and MPS has $271 million held in trust to meet the obligation. The changes suggest significant positive impacts on projections related to the schedule of MPS required contributions which may address the shortfall in future years.

Following the implementation of the retirement benefits closure to new hires and rehires, on June 27, 2019, the Board referred Resolution 1920R-007 by Director Siemsen to the Committee on Accountability, Finance and Personnel such that the Administration will work with the Office of Accountability and Efficiency to explore options surrounding the creation of a defined contribution retiree health benefit that incentivizes an employee's accrual of sick leave. Previously, on August 21, 2014, a Board Item references an item from December 2012 instructing MPS Administration to bring forward a plan to offer alternatives, including, but not limited to, employee contributions and incentives for all employees hired or rehired on or after July 1, 2013. As of March 2024, there had been no options implemented for those individuals hired or rehired after July 2013, and it is not clear how any new benefits could be funded.

The audit identified the following:

Communicating Costs to Retirees

Finding #1:

> For employees entering retirement after the plan changes from July 2013 forward, cost increases for medical insurance coverage have been passed along to the retiree in the form of increased premiums.
>
> Audit has provided four examples of retiree's increased premium costs in Appendix A. On Chart #1 is a single retiree, starting retirement at age 55. The retiree on Chart #2 has married coverage, starting retirement at age 55. The retiree on Chart #3 has single coverage starting retirement at age 60. The retiree on Chart #4 has married coverage starting retirement at age 60.

All of the four charts represent actual MPS insurance costs, actual Board subsidies and actual out of pocket costs each of these four employee-retirees have experienced over the past 10 year period. These charts are intended to provide succinct views of costs borne by retirees and, to a lesser extent, to show differences in premium costs between single and married retirees.

For example, Appendix A, Chart #1, is an example of single coverage premiums increasing over a 10-year period from $586/month to $1,097/month. Chart #2 is an example of married coverage premiums increasing from $1,538/month to $2,579/month over that same 10-year period.

Appendix A, Charts #3 and #4 depict employees who did not retire until age 60 who only experience premium increases over a 5-year period, from age 60-65, as everyone moves to MPS's Medicare Advantage program at age 65.

Multiple comparisons can be made amongst the charts, of particular note is that an employee-retiree who is provided with this information prior to retirement may exercise the option to delay retirement from age 55 to a later date, such as age 60, to potentially reduce their out of pocket annual increases in medical insurance premiums. A single, 64 year-old who retired at age 55 (Chart #1), would have out-of-pocket premium costs of $379.69 whereas a 64 year-old who retired at age 60 (Chart #3), would only pay $162.13/month because they would have fewer years of annual premium increases. The variance is much larger for those with married coverage. The married, 55 year-old retiree (Chart #3) would be paying $865.96/month at age 64 while the married retiree who started retirement at age 60 (Chart 4) would only pay $355.02 for that same family coverage.

Also depicted on all Appendix A Charts is the Medicare Advantage Plan, which begins at age 65. The premiums are significantly less than those from age 55-65 and, at the current premiums and Board Subsidy amounts, the amounts the retiree would pay are significantly reduced.

Recommendation #1:

Benefits should create communications to be regularly shared with staff following a defined timeline prior to the prospective retiree reaching age 55 to help ensure awareness of potential future premium costs they could be responsible for in their retirement years. Showing the potential variances in costs to the retiree by age of retirement, as depicted in the Charts, will help ensure awareness of the potential premium increases that could be passed on to them.

Administration Response #1:

The Administration held two Retirement Seminars in March 2024 and in the presentation was a chart that showed a scenario of how the medical premiums have increased over a 10-year period for someone that retired at age 55. Administration will continue to offer retirement seminars to employees that are close to retirement, so they can make an informed decision to retire prior to age 65. The Administration will also include the historical rate projections charts in the retirement course on the Learning Management System (LMS).

<u>Board Subsidy Differences:</u>

Finding #2:

a. Per Appendix A, Charts 3 and 4, the variances highlighted in the Chart 4 narrative identify the cost impact on premiums and subsidy levels. During the Medicare eligible years of coverage, starting at age 65, one of the benefits is potential reimbursement of the Medicare Part B premium paid by the employee only (spouse is not eligible). The subsidy for coverage is greater for a married couple than for a single individual due to the higher costs for EPO / PPO and HDHP. When it is time to move to the Medicare Advantage Plan at age 65, the cost for the single coverage and the cost for the employee-only portion of the married couple is exactly the same. However, the variance between the subsidy and the insurance cost is greater for the married retiree. This is important because the excess between the premium and the subsidy is available to be paid to the retiree in the form of reimbursement of their Medicare Part B premium. In this example on Charts 3 and 4, the single person can receive reimbursement of $142.65/month; but, the married person can receive reimbursement of $174.70/month. The variance is even greater if the employee retired prior to MPS offering Medicare Advantage Plan in July 2013. [See Appendix B for detailed information]

b. Another Board Subsidy difference for those employees who retire with married coverage over those who retire with single coverage, occurs when the spouse is removed from coverage (typically at death or divorce). An always single retiree, pre-Medicare Advantage Plan, would cost the district $94.32/month. A married retiree whose spouse has passed (so they are now single) has a cost to the district of $238.82/month, an additional $144.50/month, because MPS does not change the subsidy to that of a single person when the retiree is no longer subscribed to family coverage. [See Appendix B for detailed information]

c. When MPS moved to the Medicare Advantage Plan ($190/month cost in 2024), MPS did not reduce the Board Subsidy amounts to reflect this for those who were already retired. As such, retaining the significantly higher, Board Subsidy for the

EPO/PPO/HDHP, results in more available subsidy that the retiree can potentially claim for reimbursement of their Social Security Medicare Part B premiums.

d. The excess surplus between the retiree's subsidy and the payment for the Medicare Advantage Plan can be used to reimburse the retiree for Social Security Medicare Part B premiums. In 2023, MPS reimbursed $9.8 million to retirees in this program. As MPS medical costs rise and Social Security Medicare costs rise, Benefits estimates that there is potential of this program costing MPS up to an additional $3 million per month if the available excess surplus is fully distributed.

Recommendation #2:

Audit recommends that the Board consider possible steps to address Board paid Subsidy benefit differences noted to determine how the Board wishes to proceed.

Administration Response #2:

The Board would need to decide if they wish to change the Board Subsidy formula/rules going forward to address the concerns as outlined above.

<u>GRS Actuarial Reporting</u>.

Finding #3:

The GRS reporting shows counts of covered members for life and health insurance as one total. However, it is likely that the count is not representative of both the life and the health coverage as not every retiree is entitled to both or may choose to not carry both. Further, medical coverage can start as early as age 55; however, Board paid life insurance coverage always begins at age 65. It is unclear from the report how many retirees are covered by Board paid life versus Board subsidized medical. A clear delineation between the various plans provides more accurate counts of enrollees and specific costs for each group of enrollees.

Recommendation #3:

Audit recommends that Benefits work with GRS to ensure that their valuation reports present separately on each Life and Health plan enrollee reporting respective information throughout the full report, prior to the next report distribution around December 2024.

Administration Response #3:

The Administration met with GRS to discuss the layout of the valuation report and they have agreed that going forward they will separate the Life and Health plan enrollment information outlined in section B (Actuarial Valuation Results).

Subsequent Events

Finding #4:

The Board of School Directors issued Resolution 1920R-007, which specifies "The Board direct the Administration, in conjunction with the Office of Accountability and Efficiency, to explore options surrounding the creation of a defined contribution retiree health benefit that incentivizes an employee's accrual of sick leave." This is directly related to individuals impacted by the closure of retiree Medical and Life insurance coverage who were hired after July 1, 2013. The resolution indicated possible recommendations be brought back to the Board no later than January 2020. This resolution also addressed concerns with costs and it has been carried forward as new business for the Board to consider in 2024.

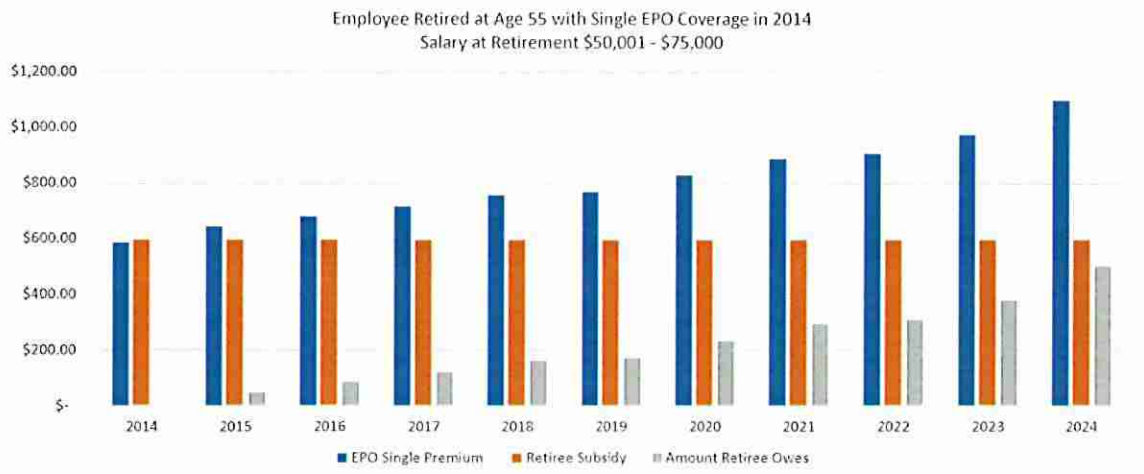
Recommendation #4:

Audit recommends that Benefits consult with the Board on how they wish to proceed with respect to Resolution 1920-007.

Administration Response #4:

The Administration will continue to work in consultation with the Office of Accountability and Efficiency, who will provide support and technical guidance, to determine if the Board wishes to proceed with exploring options of a defined contribution retiree health benefit. The Administration and Office of Accountability and Efficiency did meet with leaders of MTEA and asked for suggestions on how they would like to see this defined contribution retiree health benefit set up for their members and at this point we have not received any feedback. We also spoke with GRS on the different options of establishing a defined contribution retiree health benefit and they indicated that the district would have to seriously consider the financial impact as well as the ongoing complexity to administer these accounts.

Appendix A - Chart #1



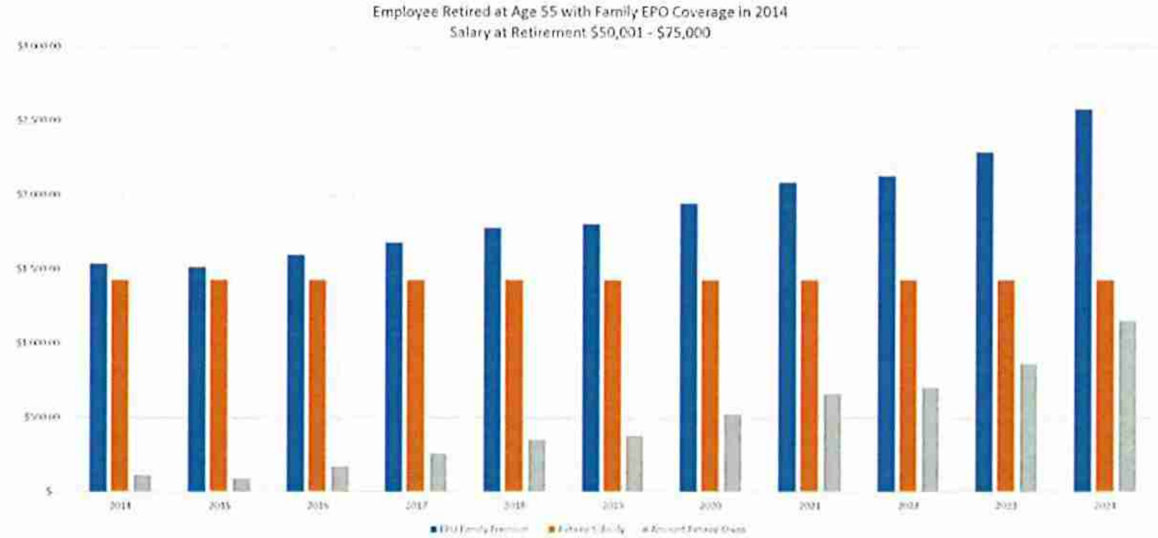
The above chart depicts retiree medical experience of what actually occurred in the 10-year period for a single employee who retired at age 55 with EPO coverage. Detailed premium, Retiree Subsidy and retiree payment figures are in the table below.

Note that in the first year of retirement in 2014, the retiree did not pay anything out of pocket, when the EPO Single Premium was $586.04/month because his subsidy was $595.23/month, which covered the premium.

When you look through the subsequent years in the below table, the amount the retiree paid increased and by 2024, the 10th year of retirement, they paid $502.30/month until age 65 when they become eligible for Social Security Medicare Plan B and enroll in the Medicare Advantage Plan from MPS, at which point the Subsidy covered the Medicare Advantage Plan premium of $190, with a surplus of $142.65/month which could then be used toward reimbursing them for their Social Security Medicare Plan B premiums.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024/ Medicare Advantage
EPO Single Premium	$586.04	$644.20	$679.64	$716.09	$757.36	$767.91	$828.15	$887.67	$906.74	$974.92	$1,097.53	$190.00
Retiree Subsidy	$595.23	$595.23	$595.23	$595.23	$595.23	$595.23	$595.23	$595.23	$595.23	$595.23	$595.23	$332.65
Amount Retiree Owes / Reimbursed	$0.00	$48.97	$84.41	$120.86	$162.13	$172.68	$232.92	$292.44	$311.51	$379.69	$502.30	($142.65)

Appendix A - Chart #2



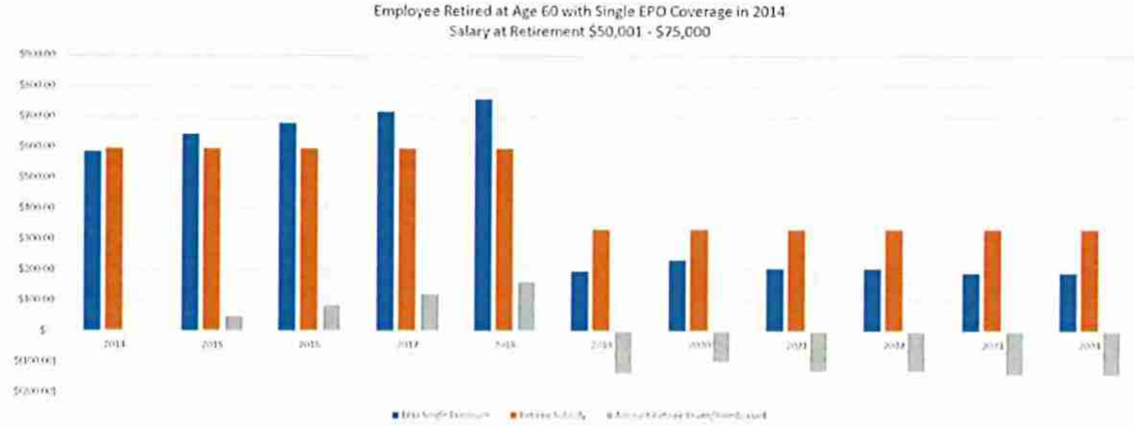
The above chart depicts retiree medical experience of what actually occurred in the 10-year period for a married employee who retired at age 55 with family EPO coverage. Detailed premium, Retiree Subsidy and retiree payment figures are in the table below.

Note that in the first year of retirement in 2014, the retiree paid $113.16/month out of pocket, when the family EPO Premium was $1,538.26/month. The subsidy was $1,425.10/month.

When you look through the years in the below table, the amount the retiree paid increased and by 2024, the 10th year of retirement, they paid $1,154.10/month until age 65 when they would obtain Social Security Medicare Plan B and obtain the Medicare Advantage Plan from MPS. At the employee's age of 65, the Subsidy for the married couple was $665.30 which covered the Medicare Advantage Plan premium of $380 (both the retiree and the spouse were 65 or older), with a surplus of $285.30/month which could then be used toward reimbursing only the retiree for his Medicare Part B premium as the spouse is not eligible to receive reimbursement for Social Security Medicare Part B premiums.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024 Couple both with Medicare Advantage
EPO Family Premium	$1,538.26	$1,514.22	$1,597.48	$1,683.14	$1,780.12	$1,804.92	$1,946.16	$2,086.02	$2,130.84	$2,291.06	$2,579.20	$380.00
Retiree Subsidy	$1,425.10	$1,425.10	$1,425.10	$1,425.10	$1,425.10	$1,425.10	$1,425.10	$1,425.10	$1,425.10	$1,425.10	$1,425.10	$665.30
Amount Retiree Owes / Reimbursed	$113.16	$89.12	$172.38	$258.04	$355.02	$379.82	$521.06	$660.92	$705.74	$865.96	$1,154.10	($285.30)

Appendix A - Chart #3



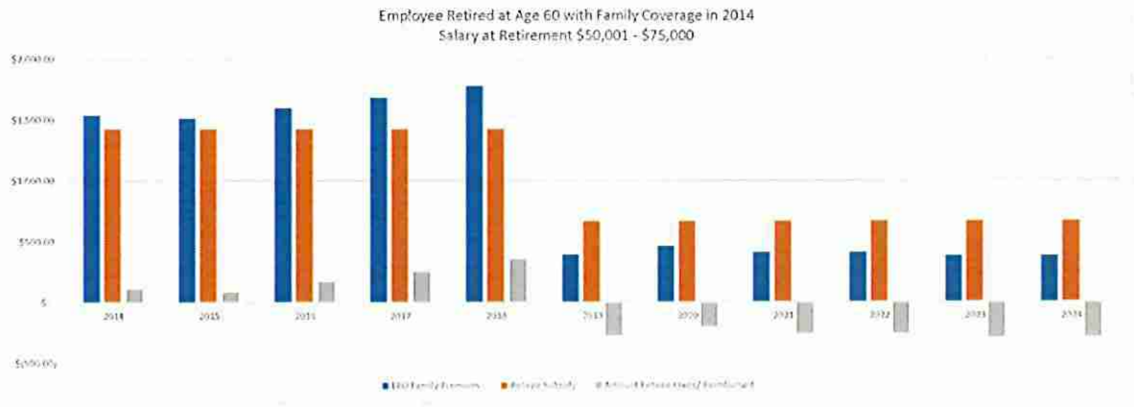
The above chart depicts retiree medical experience of what actually occurred in the 5-year period for a single employee who retired at age 60 with single EPO coverage. Detailed premium, Retiree Subsidy and retiree payment figures are in the table below. This sample is included to indicate that premium increases are less for a retiree who delays retirement, in this instance to age 60 as they are subject to five annual increases instead of 10, if they had retired at 55.

Note that in the first year of retirement in 2014, the retiree did not pay anything out of pocket, when the EPO Single Premium was $586.04/month because their subsidy was $595.23/month, which covered the premium.

When you look through the years in the below table, this employee is only receiving the EPO coverage for a period of five years, from age 60 - 65. The amount the retiree must pay increased and by 2018, the 5th year of retirement, they paid $162.13/month out of pocket. Then, at age 65 they would obtain Social Security Medicare Part B and obtain the Medicare Advantage Plan from MPS. Their age 65 Subsidy will remain at $332.65. The cost for the Medicare Advantage Plan is noted at being $195/month in 2019 and it has fluctuated (increasing and decreasing) over the years, with $190 being the 2024 rate per month. This employee has a surplus of $142.65/month which could then be used toward reimbursement for Social Security Medicare Part B premiums.

	2014	2015	2016	2017	2018	2019 / Meidcare Advantage	2020	2021	2022	2023	2024
EPO Single Premium	$586.04	$644.20	$679.64	$716.09	$757.36	$195.00	$232.05	$205.00	$205.00	$190.00	$190.00
Retiree Subsidy	$595.23	$595.23	$595.23	$595.23	$595.23	$332.65	$332.65	$332.65	$332.65	$332.65	$332.65
Amount Retiree Owes/Reimbursed	$0.00	$48.97	$84.41	$120.86	$162.13	($137.65)	($100.60)	($127.65)	($127.65)	($142.65)	($142.65)

Appendix A - Chart #4



The above chart depicts retiree medical experience of what actually occurred in the 10-year period for a married employee who retired at age 60 with family EPO coverage. Detailed premium, Retiree Subsidy and retiree payment figures are in the table below.

Note that in the first year of retirement in 2014, the retiree paid $113.16/month out of pocket, when the family EPO Premium was $1,538.26/month. Their subsidy was $1,425.10/month.

A review of the years noted in the below table identifies that the amount the retiree paid increased and by 2018, the 5th year of retirement, they paid $355.02/month until age 65 when they would obtain Social Security Medicare Part B and obtain the Medicare Advantage Plan from MPS. At the employee's age of 65, the Subsidy for the married couple was $665.30 which covered the Medicare Advantage Plan premium of $390 (both the retiree and the spouse were 65 or older), with a surplus of $275.30/month which could then be used toward reimbursing only the retiree for their Social Security Plan B Medicare premium as the spouse is not eligible to receive reimbursement for Social Security Plan B premiums.

As noted in finding #1, the married individual receives a more generous benefit than the single person. MPS will only reimburse Social Security Medicare Plan B premiums to the employee, not the spouse. As depicted in the table below, there is a $285 excess amount available to this retiree for increases in premiums to their married coverage. However, this amount is also available to be used to reimburse the retiree-only share of Social Security Medicare Plan B premiums. Chart #3 shows that the single person (the retired employee) has $142.65 available. In 2024, the Social Security Medicare Plan B premium was $174.70. The married retiree will receive the full reimbursement of the $174.70 because their married coverage has an excess of $285.30 available for reimbursement. However, the single person from Chart #3 has only $142.65 available, resulting in his excess being less than the full premium ($174.70 - $142.65= $32.05).

	2014	2015	2016	2017	2018	2019 Couple both with Medicare Advantage	2020	2021	2022	2023	2024
EPO Family Premium	$1,538.26	$1,514.22	$1,597.48	$1,683.14	$1,780.12	$390.00	$464.10	$410.00	$410.00	$380.00	$380.00
Retiree Subsidy	$1,425.10	$1,425.10	$1,425.10	$1,425.10	$1,425.10	$665.30	$665.30	$665.30	$665.30	$665.30	$665.30
Amount Retiree Owes/ Reimbursed	$113.16	$89.12	$172.38	$258.04	$355.02	($275.30)	($201.20)	($255.30)	($255.30)	($285.30)	($285.30)

Appendix B -Board Subsidy

Example 1:

The Board subsidy follows the employee / retiree and not the spouse with regard to age of 65 change.

For this example, if retiring prior to age 65 and there is a spouse under 65, the Board subsidy would be "Retired Family < 65" for $1,969.09 until the retiree turns 65, with a PPO premium of $2,224.14/month. The employee/retiree would then pay $255.05/month for insurance coverage.

If the spouse reaches age 65 first, the PPO premium would drop to "Couple, one w/Medicare" with a premium of $1,131.95; however, the subsidy would remain at the $1,969.09, because the employee/retiree is under age 65.

As a result, the retiree would not pay for the insurance because the retiree retains the subsidy of the Retired Family of $1,969.09 and the premium is $1,131.95. Once the retiree turns 65 (and the spouse is 65+), they would move to the "Couple both w/Medicare" with the PPO rate / Medicare Advantage Plan rate of $380 and a subsidy of $330.60.

Example 2:

Before the Medicare Advantage Plan, for a single employee, the PPO cost is $946.30 with a subsidy of $837.19. The retiree would retain the single subsidy rate of $837.19 for life. This individual would pay $109.11/month and experience some variances over the years.

Once MPS changed to the Medicare Advantage Plan, everyone over 65 is required to have this coverage, they are no longer eligible for the EPO/PPO/HDHP. However, they still retain their subsidy. Currently, the Medicare Advantage Plan is $190/month. In this scenario, the retiree would not pay for Medicare Advantage Plan as their subsidy is $837.19.

With this example, $837.19 - $190 = $647.19 is excess. The retiree (not available to non-retiree / spouse) can utilize this excess to obtain a partial to full refund of their Social Security Medicare Part B Premium. If this retiree was paying $260/month for Social Security Medicare Premiums, MPS would reimburse him through the payroll system for the full $260 each month, as it is below $647.19 excess; but, they would not receive any further reimbursement of the difference between $647.19 and $260. This individual would continue to receive reimbursement of their Social Security Medicare Part B premium until the Medicare Advantage premium plus their Social Security Medicare Part B premium exceeds the subsidy of $837.19.