

## **The Purpose of House Bill 173 and Its Impact on Current and Future Retirees**

The impetus for H 173 is a directive from the Governmental Accounting Standards Board (GASB) that requires states and other public entities to disclose on their annual report any unfunded liabilities resulting from the funding of retiree benefits other than pensions. For the state, this primarily relates to the retiree medical plan. GASB requires that the state estimate the benefit for any employee that is *or will be* eligible for the benefit in the future. The formula for calculating the liability is set by GASB.

The state's current unfunded liability is \$477 million and is expected to rise to over \$800 million by 2016. Having this liability without any plan to mitigate it can have a negative impact on the state's bonding and credit scores. Passage of H 173 will reduce the unfunded liability to under \$100 million by taking the following steps:

- Freeze the state subsidy to early retirees (those under 65) at the current \$155 per retiree per month.
- Require that retirees under age 65 retire directly from state service to qualify for the state retiree medical plan.
- Eliminate retiree medical coverage for any employee hired on or after July 1, 2009.
- Change eligibility requirements to remove retirees and dependants age 65 and over from the state's retiree medical plan effective January 1, 2010. This would require those with Medicare to purchase a Medicare supplement plan.

The Office of Group Insurance will be available to assist retirees in transitioning to an individual Medicare supplement plan.

H 173 will also guarantee a state subsidy of \$155 per month to retirees under age 65 who remain on the plan, and that the retiree plan will be jointly rated with the active plan.

A retiree's unused sick leave funds will not be impacted by the legislation. Retirees and dependents on Medicare will still be able to use those funds to pay for an individual Medicare supplement plan marketed by insurers with whom the state has an agreement. That option is currently available with Blue Cross of Idaho, Regence Blue Shield of Idaho, and the plans sponsored by AARP.

On the Group Insurance website you can access all information that to retirees at the statewide meetings held in August and October last year. The [Retiree Medical FAQs](#) document on the site contains many other questions and answers regarding the changes proposed in H 173 and its impact on retirees.

If you have other questions, please contact our office at 332-1860 (toll free at 800-531-0597) or via email at [ogi@adm.idaho.gov](mailto:ogi@adm.idaho.gov).