PURPOSES:

- To share **data, information, and insights** about higher education and Grinnell College
- To contribute to the **transparency** of process and results at Grinnell.

* HOSTED BY THE OFFICE OF ANALYTIC SUPPORT AND INSTITUTIONAL RESEARCH
Today’s Objectives

- **Explain changes** to the College’s retiree health benefit plan.
- **Provide sufficient information** to ensure understanding and support for the changes ahead.
The **PROBLEM** We’re Facing

A combination of **rapidly rising medical costs** and **uncertain lifetime benefit liabilities** put the College’s retiree health benefit plan at risk. We needed to find a new, **sustainable** approach to providing retiree medical benefits that would responsibly balance the needs and concerns of our retiree population with those of the institution.

**Our Challenge:**

Can we **preserve meaningful retiree health benefits** in a way that will also be **financially sustainable** for the College?
What is your #1 concern about this challenge?
Context and Background
Grinnell Retiree Health Benefit Plan

- **Eligibility:**
  Grinnell College provides post-retirement medical and prescription drug benefits to eligible employees and covered dependents retiring at **age 60+ with 10 years of service.**

- **Benefit structure:**
  Benefits are provided on a **defined benefit** basis with no limit on Grinnell’s annual cost commitment. As a result, the plan costs are subject to **significant risks** from:
  - Upward spiraling health care cost trends
  - Adverse claims experience – benefits are self-insured
  - Excise taxes under health care reform

- **Cost to participants:**
  - **Pre-65** retirees pay 50% - 70% of the active total cost, based on service at retirement
  - **Post-65** retirees pay 50% of the cost of coverage
Troubling Trend #1

Since calendar 2013, payouts from the plan have consistently exceeded contributions to the plan. The plan is losing money at a rate that is unsustainable.

Despite significant premium increases, the plan is becoming unaffordable.

- The participant pool is too small to absorb and spread escalating individual costs.
- Healthy plan members are subsidizing a handful of high-cost plan members.
- New, healthy retirees are starting to opt out of the plan, which only makes the situation worse.
# POST-65 RETIREES: 
Premium and Claim History

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Troubling Trend #2

- The College’s APBO* liability is **doubling every 3-4 years**.
  - As of June 30, 2014, the liability was **$43.2 million**.
  - As of June 30, 2011, the liability was **$21.1 million**.
  - As of June 30, 2007, the liability was **$11.5 million**.

- Factors affecting the liability calculations include **discount rates** and **mortality projections**, as evaluated by actuaries specializing in this area.

- **This is an unsustainable trajectory.**

*APBO = Accumulated Post-retirement Benefit Obligation*
Solution: A new direction
EXPLORED A RANGE OF OPTIONS: Retiree Health Care Landscape

An array of options along the full spectrum of plan sponsorship and financial subsidy

- Full exit – no sponsorship, subsidy, or enrollment support
- Offer government designed and regulated insured plans (e.g., Medigap, Part D Rx, Medicare Advantage)
- Facilitated enrollment in individual options
  - Endorsed vendor meetings
  - Communications
- Grinnell’s Current Plan
  - Fully sponsored plan with uncapped employer subsidy (Defined Benefit)
- Traditional plan sponsorship with capped subsidy
- Access-only plan (retiree-pay-all)

Account approach with traditional funding formula
Account approach with capped subsidy (e.g. premium reimbursement account)

Employer subsidization

- None
- Hybrid approach
- Full sponsorship

Uncapped subsidy
Capped subsidy
Unsubsidized
SOLUTION: A Phased Approach

Post-65 retirees NOW (208 of 228 retirees)

Pre-65 retirees LATER
POST-65 RETIREES:
Two-part solution

1

Post-65 Retirees

HRA* (annual stipend)

OneExchange Retiree

Addresses Trend #1

2

Longitude (annuity)

Addresses Trend #2

* HRA = Health Reimbursement Arrangement (premiums only)
POST-65 RETIREES: HRA*
Preserving a meaningful benefit level

Annual Health Reimbursement Arrangement (HRA)

- $1,500 per year from the College
- Subject to a 3% COLA
- 96% of retirees will be better off than they are under the current plan.
  - Average annual retiree savings of $2,395
  - Exploring options to help the remaining 4% of plan participants.

* HRA = Health Reimbursement Arrangement (premiums only)
**POST-65 RETIREES:** How an HRA* works

Grinnell contributes $1,500 stipend + COLA to each retiree’s HRA account

**Retiree HRA Account**
Administered by OneExchange

Can be applied toward any eligible premium:
- **Medicare Part B** ($1,258/yr)
- **Medicare Part D** (Rx drug cvg)
- Other supplemental coverage

HRA reimburses retirees for premium expenses.

*HRA = Health Reimbursement Arrangement (premiums only)*
POST-65 RETIREES: Combined HRA*/Longitude solution

* HRA = Health Reimbursement Arrangement (premiums only)
POST-65 RETIREES: Annuity
The Longitude annuity solution

How does it work?

- The College pays a **one-time premium** to convert existing post-65 retirees to a Longitude **annuity**.
- Longitude uses a **highly-rated annuity insurer** to provide guaranteed annual payments to post-65 retirees.
- Post-65 retirees **continue to receive their annual stipend** to purchase medical plans tailored to their needs via OneExchange (just as they do under the HRA).
- The College can **annuitize future groups** of retirees in tranches, i.e. groups.

Why do it?

- It **preserves a quality medical benefit** plan for our post-65 retirees.
- It secures lifelong benefits for our retirees **without creating taxable income** for them now or in the future.
- It transfers the College’s post-65 retiree medical liability to the annuity carrier, **reducing the burden on the College’s balance sheet**.
- It **transfers the College’s ERISA obligations** to the annuity carrier, including reporting, disclosure, claims administration, and fiduciary responsibilities.
PHASE I: Post-65 retirees:
- Implementation is underway.
- Complete transition to an HRA in time to become effective Jan 2016.

PHASE 2: Pre-65 retirees:
- Maintain the status quo through 2016, providing coverage through the College’s active employee program.
- Allow time for pre-65 insurance exchanges to mature and stabilize.
- Re-evaluate options in a year.
In Summary...

Our Challenge:
Can we preserve meaningful retiree health benefits in a way that will also be financially sustainable for the College?

YES!
Questions?
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