



FY 2013 BUDGET UPDATE

The Board of Supervisors held a Budget Work Session on March 14th. Below are details about some of the decisions made that affect retirees. Further updates will be posted on www.loudoun.gov/retiree as information becomes available.

Other Post-Employment Benefits (Retiree Health Care)

- On March 14th, the Board directed staff to look at options for reducing the costs related to the county offered Other Post-employment Benefits (OPEB) which include costs associated with retiree health care for employees enrolled in the county's health plan, who retire with 10 or more years of service to Loudoun County, and begin receiving a monthly benefit from the Virginia Retirement System. Staff is to report back with options to the Finance/Government Services & Operations Committee.
- During 2012, the cost of retiree health care for the pre-65 age group is projected to increase 68%; in FY 13 the costs are expected to rise another 55%. These types of increases are forecast to continue into the future, which makes funding the pre-65 retiree group's health care benefits at the current level unsustainable. Furthermore, over the past couple of years, the average retirement age for county employees has been 59 ½, and as the cost of health care is rapidly rising nationwide, the costs associated with post-employment benefits are creating an increasing burden for the county government.
- In order to combat this significant increase in costs, the county is looking at several options. These include increasing annual contributions to the OPEB trust fund to cover current and future costs; adjusting benefits and/or cost sharing options; or a combination of both.
- As part of the cost sharing options, the county is looking at:
 - Implementing a cap on the employer contribution to the retiree health premium. What this means is that the county would contribute a specific dollar amount toward the retiree's premium. When premiums increase, the retiree bears the full amount of the increase in addition to his/her share of the prior year's contribution. If implemented, this option would affect **current retirees**.
 - Establishing Retirement Health Savings Accounts (RHSA) that would require a mandatory employee contribution and a defined contribution by the county (with a vesting schedule). With this option, once an employee retires, the county would no longer contribute to the RHSA. If implemented, the RHSA would be made available to **new hires**. Employees in this group would not receive any cost sharing toward health care premiums in retirement but would be able to have access to retiree health care through the county.
- Number of alternative options for **current employees**, including the implementation of an RHSA.
- Staff will be working to complete the recommended options for current employees, retirees and new hires, as well as finalizing recommendations for funding options. Changes approved by the Board would likely go into effect starting January 1, 2013.