

# RETIREMENT MEDICAL BENEFITS ACCOUNT

# OVERVIEW

Section 5-10-8.5-11 of the Indiana Code (“IC”) directed the Indiana State Budget Agency to establish a retirement medical benefits account as a **health reimbursement arrangement** for the purpose of funding, on a **pre-tax basis**, benefits for sickness, accident, hospitalization and medical expenses for certain retired employees.

# OVERVIEW

The following individuals are eligible to participate in the Plan if they are classified as full-time employees and are:

- (a) Employees of the executive, legislative, or judicial branch of State government;
- (b) State elected officers;
- (c) Appointed officers who are appointed to fill State elected office vacancies;
- (d) Members of the Indiana General Assembly;
- (e) Elected officers paid by the State;
- (f) An officer paid by the State under IC 33-23-5-10, IC 33-38-5-7, or IC 33-39-6-2.

# OVERVIEW

Only a Retired Participant and his/her Covered Dependents are entitled to **receive** benefits from the Plan.

Purchased service credits do not apply to the retirement medical benefits account.

# OVERVIEW

Annual contributions shall be made to each full time active employees account according to the following schedule:

Participants Age	Annual Contribution
Less than 30	\$500
30-40	\$800
40-50	\$1100
At least 50	\$1400

# OVERVIEW

If a participant retires after June 30, 2007 and before July 1, 2017 with **unreduced** retirement benefits and has at least **15** years of **state** service (10 years for an elected or appointed officer), they will then receive the product of \$1,000 times the years of **state** service credited to their account.

# EXAMPLE #1

John Doe is an employee of the state on December 31, 2007, and he is forty-five (45) years old as of this date. He continues his employment with the state and on June 30, 2008, the state credits each employee's HRA with an amount based upon the employee's age as of December 31, 2007. Therefore, John Doe's account would be credited with \$1,100 for fiscal year July 1, 2007 to July 1, 2008. He would also receive an \$1,100 credit for fiscal year 09.

## EXAMPLE #2

Jane Doe was an **employee of the state** and is a member of TRF. She is eligible for unreduced retirement. She has been a teacher for 35 years. Her first 15 years were with the Indianapolis Public School System. The last **20** years have been at the Indiana School for the Deaf. She retired on 1-1-08. The credit to her account was \$20,000 (20 years of state service x \$1,000 per year)

## EXAMPLE #3

Bill Brown is an employee of the state and is age 58. He plans to retire with unreduced benefits in Dec of 2012. He will have a total of 30 years service. When he retires his account will be credited as follows (not including interest):

$$5 \times \$1,400 = \$7,000$$

$$30 \times \$1,000 = \$30,000$$

$$\text{Total} = \$37,000$$

# OVERVIEW

The accounts are to be used to pay **premiums** for individual or group health coverage or long term care provided by an insurance policy for the retired participant, spouse and dependents. The surviving spouse and dependents are allowed to continue using the accounts upon the death of the retired participant.

# OVERVIEW

All monies in the account revert back upon termination from employment prior to unreduced retirement or upon the death of the retired participant without a surviving spouse or dependents, or upon the death of the surviving spouse.

# OVERVIEW

PERF shall establish a retirement medical account such as a 401(h) for funding on a pretax basis benefits for sickness, accident, hospitalization, and medical expenses for the employee, spouse, and dependents. The employee will convert up to 30 days vacation they would have otherwise been paid for at retirement and the state may match the employees contribution to the account on the employees behalf up to two (2) times the employee's contribution.

# IMPLEMENTATION

During July 07, PERF submitted the 401(h) plan to the IRS for approval.

It is anticipated to take over a year to receive this approval.

This portion of the bill cannot be implemented until approval is received.

# IMPLEMENTATION

## Creation of the Retirement Medical Benefits Account Plan

- Prepared by the Indianapolis law firm of Krieg DeVault LLP
- Outlines with greater specificity the details and administration of the Plan
- Available at [www.sba.in.gov/rmbap](http://www.sba.in.gov/rmbap)

# IMPLEMENTATION

Selection of Key Benefits Administrators -  
Flexpro (KBA) as the third-party  
administrator of the Plan

- KBA administers the state's flexible benefit plan as well as health reimbursement arrangements for other entities
- KBA provides for the administration of the participant's accounts

# STATE'S COST

The state's annual cost equals the total annual contributions for all active participants plus any bonus contributions for eligible retired participants

Cost for Fiscal Year 2009 is **\$67.2** million

33,518 active participants = \$36.7 million active contributions

plus

Bonus contributions for an 1252 retired participants = \$33.6 million

Less

Reversions of \$3.1 million from individuals who have left state employment prior to full retirement.

# The Process

- Enrollment happens automatically – you do not have to complete any forms upon retirement.
- The retirement fund of which you are a member notifies the State Budget Agency of your retirement. This is normally done when they have finished processing your retirement.

# The Process

- State of Indiana Budget Agency notifies Key Benefit Administrators of upcoming retirees.
  - The State has 60 days after retirement to send the information to KBA.
  - Once the retiree is loaded into the KBA system, a Welcome Packet is generated within 3 business days and mailed to the retiree's home address.

# Welcome Packet from KBA

- Consists of –
  - Congratulations Letter to Retiree
  - Frequently Asked Questions
  - Claim Form
  - Retiree Registration Form
  - Medicare Supplement Information

# Approved Substantiation to Send with Claims

## **Claim Form signed by Retiree**

- Send in with each reimbursement request.

## **Plus, KBA will need:**

### **If Retired, and have Medicare A or B**

- Send in the annual letter received from Social Security Administration which indicates the payments being taken from your monthly check.

Approved Substantiation to Send with Claims,  
continued

## **If 65 or older and have a Supplemental Policy**

- Send a copy of the summary page indicating the cost and type of coverage (dental, vision, etc.)

## **If retired and not eligible yet for Medicare**

- Send a copy of summary page indicating the monthly cost and type of coverage.

Approved Substantiation to Send with Claims,  
continued

## **If Still Working at Another Employer or Spouse Is Still Working With Group Coverage:**

- Have employer provide a statement indicating the premiums are not paid with pre-tax dollars.
- Each month send a copy of the paycheck stub for the month a reimbursement is requested.

# Eligible Proof-of-Payment

- Retiree should also be prepared to send in one of the following with the Claim Form:
  - Cancelled Check
  - Bank Statement
  - Credit Card Statement
  - Receipt for Cash Tendered for Payment
  - Statement from Insurance Carrier showing proof of payment

# In Summary – What to Send?

Each month a claim is requested, the Retiree should provide:

- Signed Claim Form
- Proof of Insurance
- Proof of Payment

# Status Change

- Monthly claims submission assures KBA and the State that the retiree or eligible dependent(s) are not deceased.
  - In the event of death of retiree, KBA will need to be contacted by surviving spouse or dependents to continue the HRA on their behalf.

# Eligible Services & Payments

- Services and payments must be incurred before they are eligible to be reimbursed.
  - Can only reimburse current month-to-month, or for past months' expenses.

# CONTACT INFORMATION

Contact the Plan Administrator, Key Benefit Administrators (KBA) at:

(800) 558-5553

(317) 284-7150

[Flexpro@Keybenefit.com](mailto:Flexpro@Keybenefit.com)

Customer Care Representatives are available from 8:00am to 5:00pm Monday through Friday

Budget Agency Web Site – contains frequently asked questions, the plan document, and the KBA packet and contract.

[www.sba.in.gov/rmbap](http://www.sba.in.gov/rmbap)