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# THE RETIREMENT SYSTEMS OF ALABAMA

David G. Bronner, CEO  
Donald L. Yancey, Deputy Director

October 15, 2014

TO: Chief Fiscal Officer/Financial Reporting—University Retiree Only Plan  
FROM: RSA Accounting

**This letter contains information needed in meeting your agency's financial reporting requirements. Please provide this letter to the department responsible for financial reporting and your auditors so your agency will comply with GASB Technical Bulletin 2006-1 and GASB 45 financial reporting requirements.**

GASB Technical Bulletin 2006-1 Accounting and Financial Reporting by Employers and Other Postemployment Benefit (OPEB) Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy (RDS) Provisions of Medicare Part D (question 3) states the following:

“An RDS payment from the federal government to a defined benefit OPEB plan that is administered as a qualifying trust (or equivalent arrangement) is an on-behalf payment for fringe benefits, as discussed in paragraph 7 of Statement 24. The employer should recognize revenue and expense or expenditures for the payment in accordance with the recognition and measurement requirements of paragraph 8b pertaining to an employer that is legally responsible for contributions to the OPEB plan. That is, the employer should follow accounting standards for that type of transaction to recognize expenditures or expenses and related liabilities or assets. The employer also should disclose the amounts recognized for the on-behalf payment as required by paragraph 12 of that Statement. An employer should apply the requirements of paragraph 8b of Statement 24 by following the measurement requirements of Statement 45 to determine OPEB expense or expenditures (that is, no reduction should be made for RDS payments).”

Effective January 1, 2013, the Retiree Drug Subsidy (RDS) Program was replaced by the Employer Group Waiver Plan (EGWP). At that time, all Medicare-eligible retirees and dependents were enrolled in the Medicare Generation Rx Part D Prescription Drug Program. Like the RDS, the payments received from the EGWP are considered a voluntary non-exchange transaction between the federal government and the employer; therefore, the same accounting guidance should be applied to the EGWP payments.

The portion of the RDS and EGWP payments related to your unit's retirees should be recognized in your financial statements. To calculate the amount that should be recognized in the financial statements, multiply the total employer PEEHIP premiums (University allocations) submitted during fiscal year 2014 by 3.74%.

GASB 45 requires employers who participate in cost-sharing multiple employer plans like the PEEHIP to recognize other postemployment benefit expenses/expenditures for their contractually required contributions on the accrual or modified accrual basis, as applicable. As long as the contractually required amount is paid, your unit has met the annual required contribution (ARC) to the plan. The grand total of the employer allocations paid in fiscal year 2014 should be reported as the ARC since the entire payment is related to retirees. Additionally, GASB 45 requires the following disclosures:

a. Plan Description

- (1) Name of the plan (Alabama Retired Education Employees' Health Care Trust), identification of the entity that administers the plan (the Public Education Employees' Health Insurance Board), and identification of the plan as a cost-sharing multiple-employer defined benefit OPEB plan.
- (2) Brief description of the types of benefits and the authority under which benefit provisions are established or may be amended.
- (3) The Alabama Retired Education Employees' plan issues a stand-alone financial report that may be obtained on the PEEHIP website at <http://www.rsa-al.gov> under the Employers' Financial Reports section. The Plan's financial report for FY 2014 will be available at the end of January 2015.

b. Funding Policy

- (1) Authority under which the obligations of the plan members and employers to contribute to the plan are established or may be amended.
- (2) Required contribution rate(s) of plan members. The required contribution rate(s) could be expressed as a rate (amount) per member or as a percentage of covered payroll.
- (3) Required contribution rate of the employer in accordance with the funding policy, in dollars. The FY14 required contribution for retirees was \$356.00 per covered retiree per month. Since the plan is a cost-sharing plan, disclose the required contributions in dollars and the percentage of that amount contributed for the current year and two preceding years. The employer payments should be reported as the required contributions. Since the amount determined by the PEEHIP was paid in full, state that 100% of the required contributions was paid and disclose that the required contribution amount is determined by the PEEHIP in accordance with state statute.

The required monthly contribution rates for FY 2013-14 are as follows:

**Retired Member Rates**

- Individual Coverage/Non-Medicare Eligible - \$151.00
- Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - \$391.00
- Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible - \$250.00
- Individual Coverage/Medicare Eligible Retired Member - \$10.00
- Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - \$250.00
- Family Coverage/Medicare Eligible Retired Member and Dependent Medicare Eligible - \$109.00
- Tobacco surcharge - \$28.00 per month
- PEEHIP Supplemental Plan - \$0
- Optional Plans (Hospital Indemnity, Cancer, Dental, Vision) – up to two optional plans can be taken by retirees at no cost if the retiree is not also enrolled in one of the Hospital Medical Plans. Otherwise, retirees can purchase the Optional Plans at the normal monthly rate of \$38.00 or \$45.00 for family dental.

-Members who retired on or after October 1, 2005, and before January 1, 2012, pay two percent of the employer premium for each year under 25 years of service, and for each year over 25 years of service, the retiree premium is reduced by two percent.

-Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. Additionally, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than age 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies. However, the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a five year period.

**Surviving Spouse Rates**

-Surviving Spouse Non-Medicare Eligible - \$679.00

-Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible - \$870.00

-Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible - \$839.00

-Surviving Spouse Medicare Eligible - \$318.00

-Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible - \$516.00

-Surviving Spouse Medicare Eligible and Dependent Medicare Eligible - \$485.00

If you have any questions, please contact the RSA Member Services at 1-877-517-0020.