

---

# Your Retirement

## Understanding Your Kaiser OFNHP Retirement Benefits



*Presented By:*

**Oregon Federation of Nurses and Health Professionals**

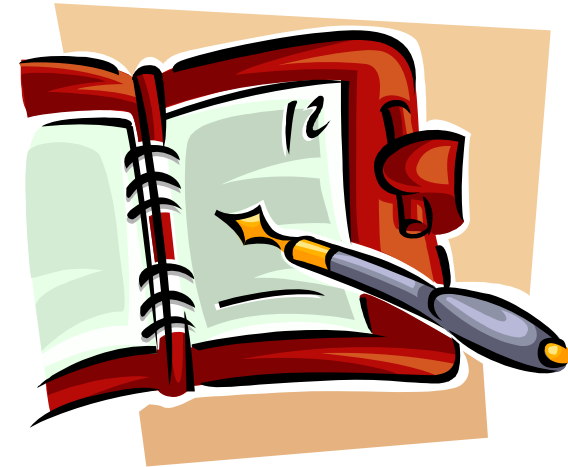
2045 SE Ankeny St., Portland, OR

Telephone 503.657.9974 Toll Free 800.636.5017 Fax 503.657.7456

# Overview

## ■ Retirement Income

- ✓ Defined Benefit (Pension)
- ✓ Defined Contribution (Vanguard)
- ✓ Tax-Sheltered Annuity (TSA-Vanguard)



## ■ Post Retirement Health Insurance

## ■ Health Reimbursement Arrangement (HRA)



---

# Retirement Income (Kaiser Sponsored)

Defined Contribution

Defined Benefit

VS.

*403(b) or 401(k) - Type*

*Pension*

Vanguard

Kaiser Retirement  
Center



# Defined Contribution - Vanguard

## PROs

*Portable*

*Grows with the market*

*\*Bridge to Full Defined Benefit and  
Retiree Medical*

## CONs

*Risk*

*Account Management*

*Cannot withdrawal until 59 ½  
(or 55 under 72t IRS)*

*Cannot withdrawal until separated  
from service with Kaiser  
(Retirement/Termination)*



# Defined Contribution - Employer Contributions

## ■ Vesting

- **RN:** 6 months of service
- **TECH, RDH:** 3 years of service
- **PRO/LABPRO:** Immediate vesting upon entry date after **2-year** waiting period

## ■ Employer Contribution

- **TECH/RDH:** 1% of compensation
- **RN:** 1.5% of compensation
- **PRO/LABPRO:** 5% of compensation beginning on 2-year anniversary

## ■ Where Employer Contribution is invested

- Vanguard default fund until employee changes the allocation

## ■ Risks

- Risks shouldered by the employee to select investments & bear the market increases or decreases



# Employee Contributions - TSA

- The TSA is a 403(b) plan, and participation is optional
- Contributions are deducted from gross pay before tax withholding; Automatically invested in the *default fund*.
- Maximum contribution for 2011 is \$16,500; for 2012 is \$17,000  
– Age 50 or older, increases by \$5,500 for 2011 and 2012
- Vesting is immediate
- Risks shouldered by the employee to select investments and bear market increases or decreases



# Defined Benefit (Pension)

- **Based on a formula** (defined by)
- **Responsibility** of Kaiser to manage
- **Vesting** after (5) five years of service
  - A “**Year of Service**”: defined as any calendar year in which hours worked is 1,000 or greater
  - After vesting, entitled to future benefit even if leaving before normal or early retirement age
- **Normal retirement at age 65**; early retirement option at age 55 (55+ 10/15 or “Rule of 75”)
- **Variety of payment options** (annuity, survivor annuity, lump sum, etc.)



# Defined Benefit (Pension)

## Formula

*Compensation (FAMC)*

x

*“Credited” Service Years*

x

*1.45% or 1.50%*

=

Monthly Benefit



# How Benefit Is Calculated

## ■ Defined Benefit (Pension) Formula

### 1. Multiplier

- ✓ RN, TECH, RDH: **1.45%**
- ✓ PRO & LABPRO: **1.5%**

### 2. Years of Credited Service

#### RN, TECH, RDH:

- ✓ Beginning 2003, based on compensation of **1,800 hours or more**
- ✓ Prior to 2003, based on **2,000 hours or more**
- ✓ **Partial years of credited service** for more than **1,000 hrs**

#### PRO, LABPRO:

- ✓ A year of credited service for **2,000 hours or more**
- ✓ **Partial years of credited service** for more than **1,000 hours**

### 3. Final average monthly compensation (FAMC) – **60-month average hourly rate x 173.33**

- ✓ Determined by your highest wage rates over a consecutive 60-month period during your last 120 months
- ✓ **Base hourly rate used** - no differentials, etc. apply

### 4. Age at Retirement (Reduction Factors)

- ✓ A percentage of the benefit will be reduced for every year younger than 65 when the benefit is paid



# Types of Retirement/Early Reduction Factors

## Early Reduction Factors

<u>AGE</u>	<u>RN/TECH/RDH</u>	<u>PRO/LPRO</u>
65	100%	100%
64	95%	97%
63	90%	94%
62	85%	91%
61	80%	88%
60	75%	85%
59	70%	80%
58	65%	75%
57	60%	70%
56	55%	65%
55	50%	60%

## Normal retirement at age 65

- Receive benefit immediately (must be vested)

## Early retirement at age 55

- RN/TECH/RDH with 10 years of service
- PRO/LABPRO with 15 years of service
- Or "Rule of 75"

## Disability retirement regardless of age

- Requires a Social Security Disability award

## Deferred vested pension



# Why Stay Longer?

Don't Burn Out; Fade Away...

*Example:*

*You are...* **Age 55 with 25 Years of Service, 22.50 Years of Credited Service**  
and a **FAMC of \$5,000** (\$28.85/hr)

$$\mathbf{\$5,000 \times 22.50 \times 1.45\%* = \$1,630 \text{ per month}}$$

Take Pension at age 55 : \$1,630 x 50% Reduction Factor = *\$815 per mo*

Take Pension at age 57 : \$1,630 x 60% Reduction Factor = *\$978 per mo*

Take Pension at age 62: \$1,630 x 85% Reduction Factor = *\$1,385 per mo*

Take Pension at age 65 : \$1,630 x No Reduction Factor = *\$1,630 per month*

\*Note that the above example uses the 1.45% multiplier. PRO & LABPRO members should use the 1.5% multiplier.



# Why Stay Longer?

Don't Burn Out; Fade Away...



Another Example: You are...

**Age 65** with **25 Yrs of Service**, **22.50 Yrs of Credited Service** and a **FAMC of \$5,000** (\$28.85/hr)

$$\mathbf{\$5,000 \times 22.50 \times 1.45\%* = \$1,630 \text{ per month}}$$

With 3% raises each year...

\$5,150 (22.5\*1.45%) = **\$1,680 per mo**, or **3% more** for staying an extra 12 months

\$5,304 (22.5\*1.45%) = **\$1,731 per mo**, or **3% more** for staying an extra 12 months

\$5,463 (22.5\*1.45%) = **\$1,783 per mo**, or **3% more** for staying an extra 12 months

\$5,627 (22.5\*1.45%) = **\$1,836 per mo**, or **3% more** for staying an extra 12 months

\$5,796 (22.5\*1.45%) = **\$1,831 per mo**, or **3% more** for staying an extra 12 months

In this example, staying (5) five extra years will boost your pension payment a minimum of **15%**, regardless of hours worked.

\*Note that the above example uses the 1.45% multiplier. PRO & LABPRO members should use the 1.5% multiplier.



# Kaiser Defined Benefit

## Double Years of Credited Service

### RN 2000-2005 Contract

#### Article 19:

“Each Nurse who chose **Option B** will accrue Credited Service under the KPNPP only through **August 31, 1988.**”

“**For Nurses hired on or after September 1, 1988**, the Employer will contribute to the OFN-KFHP RP&T according to the following schedule:

For each compensated hour between:

9/1/88 and 3/31/89	\$0.86
4/1/89 and 3/31/90	\$0.90
4/1/90 and 3/31/91	\$0.94

For each compensated hour **on or after 4/1/91**

**6.5% of Base Wage Rate**

### RN 2005-2010 Contract (also refer to National Agreement Section 2.B)

#### Article 20:

“Up to three (3) additional years of credited service will be credited over the next three years (2006, 2007, 2008) for eligible participants.”



# Retiree Health Insurance - Eligibility

- Eligibility criteria for all employees to access the Retiree Medical benefit
  - Have 15 years of service
  - Must retire from a **Benefit Eligible Position** AND be enrolled in active employee medical
  
- Additional information for accessing retiree health insurance
  - Employees hired **on or before 12/31/84** can receive medical and dental benefits with cost share
  - Employees hired **on or after 1/1/85** can receive medical benefits only with cost share
  
  - **RN, TECH and RDH** -- may be eligible for retiree insurance at **age 65+**
  - **PRO & LABPRO** -- hired **on or before 12/31/84** can receive retiree insurance at **age 55+**
  - **PRO & LABPRO** -- hired **on or after 1/1/85** can receive retiree insurance at **age 65+**
  
  - **Last date of hire** is applicable



# Retiree Health Insurance

## Retiree Medical Insurance Information & Requirements

- **The retiree (and eligible spouse) must sign up for Medicare Parts A and B (not D)**
  - ✓ Calendar year 2012 Part B standard premium is **\$99.90 per month**
- **Dependent children under age 26** are eligible
- Retiree Medical coverage is “similar” to coverage for active employees
- Upon the **death of the retiree**, the surviving spouse and eligible dependent children may continue coverage; the spouse will lose coverage if he/she remarries.



# Retiree Health Insurance – 2012 Costs

## ■ 2012 Retiree 30% Cost Share

- Medicare Eligible:
  - ✓ **\$131.35** per person/mo + Medicare **\$99.90** per person/mo
- Non-Medicare (For non-Medicare eligible spouse, children, and any other eligible pre-65 retiree groups):
  - ✓ Call HRSC
- Dental (See contract for eligibility – Generally, must be **hired before December 31, 1984**)
  - ✓ Call HRSC

## ■ 2012 Retiree Health Self-Pay (to bridge the employee from active employment to Retiree Medical eligibility)

- ✓ **Medical: \$668.29 person/mo**
- ✓ **Dental: \$75.56 person/mo** (only if eligible for post-65 Retiree Dental Cost Share)

## ■ 2009 COBRA Premiums (for up to 18 months after voluntary separation of service)

	Individual	Two Party	Three or More
Medical	\$502.68	\$1,005.35	\$1,508.03
Dental	\$62.25	\$124.50	\$186.75



# Health Reimbursement Arrangement

## -- Unused Sick Conversion to Credited Service

### Definition of “Pre” and “Post”:

- ❖ **RN, TECH, RDH**
- ✓ **“Pre”** – On or before **December 31, 2005**
- ✓ **“Post”** – On or after **January 1, 2006**

- ❖ **PRO, LABPRO**
- ✓ **“Pre”** – On or before **December 31, 2009**
- ✓ **“Post”** – On or after **January 1, 2010**

- **“Pre” (or Banked) Sick-Leave Hours**

- ✓ Hours are **converted to pension credited** service
- ✓ **No monetary cash out** of these hours

- **“Post” Sick-Leave Hours**

- ✓ Sick-leave hours are **not converted to pension credited service** and **no 50% cash out**
- ✓ At termination, **convert unused hours to HRA**



# Health Reimbursement Arrangement

*New in 2010!*

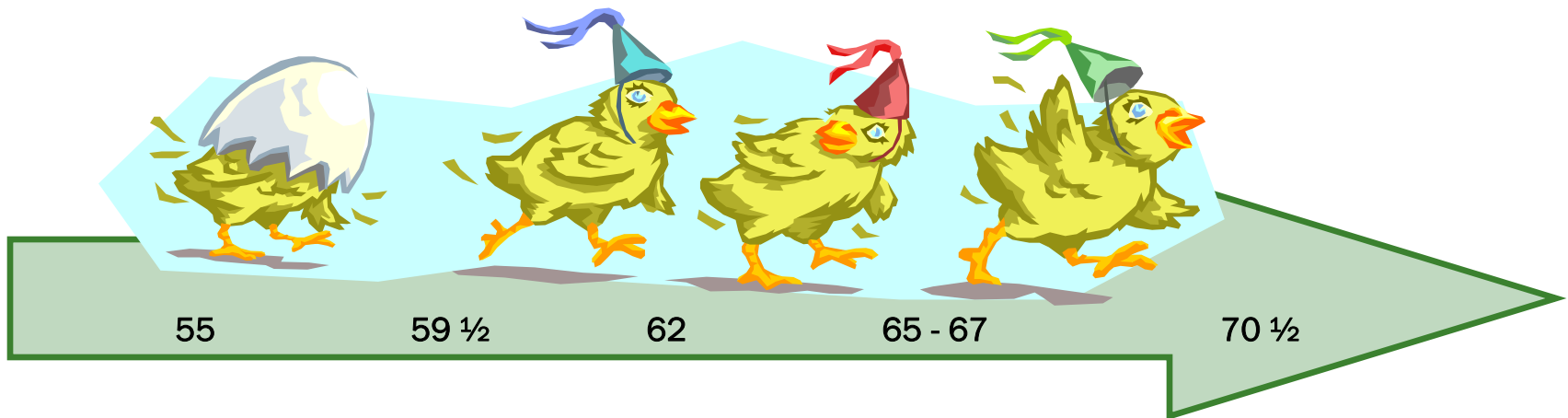
- **New benefit** negotiated in National Agreement Re-opener (2008) and **began January 1, 2010**
- **Replaces** - sick-leave benefit of 50% cash out at retirement & conversion to pension service credit
- **Cashes out at 80% value (pre-tax)** all unused sick leave/ESL accrued **after January 1, 2006** for out of pocket eligible medical expenses
  - ✓ COBRA payments, Medicare, co-pays, dental, hearing aids, & long-term care insurance
  - IRS Publication 502 contains a comprehensive list of eligible medical expenses

## Eligibility:

- Leave Kaiser at age 55 or later
  - Have 15 years of service
  - Be benefit eligible for the immediate prior three years before leaving (RDH enrolled in ACP o.k.)
- 
- On a **pre-tax basis**, it is worth more than 100% of the sick leave/ESL cash-out
  - Retirees can use the HRA account funds even if they have not yet drawn on the pension



# Timeline



- ❑ Defined Contribution
- ❑ Defined Benefit (Pension)
- ❑ Retiree Medical
- ❑ Health Reimbursement Arrangement (HRA)



## Kaiser-Sponsored Plans

- Defined Benefit Estimates and Forms
  - ***Kaiser Permanente Retirement Center***
  - (866)627-2826
  - [www.myretirement.kp.org](http://www.myretirement.kp.org)
  
- Defined Contribution and Tax-Sheltered Annuity (TSA)
  - ***Vanguard Group***
  - (800)523-1188
  - [www.vanguard.com](http://www.vanguard.com)
  
- Kaiser Retiree Medical/COBRA/HRA
  - ***Kaiser Human Resource Service Center (HRSC)***
  - (877)457-4772
  
- Retirement advisor ***Judy Shafer*** is available locally in the NW Region to handle all of these items with one number. Call the Kaiser Human Resource Service Center (HRSC) at (877)457-4772 and ask to be transferred.
  
- ***OFNHP Office:***
  - Mindy Bartlett
  - [mbartlett@ofnhp.org](mailto:mbartlett@ofnhp.org)
  - (503) 657-9974 x109

