Four Examples: Understanding Post-Retirement Health (PRH) Eligibility and the 2014 Changes Affecting Current Faculty and Non-Union Staff (Those Hired Before 12/31/13)

Preface:
There is a three-factor eligibility test for post-retirement health benefits at Harvard.

1. Your age and participation service must equal 75 or more years (often called the “Rule of 75”) and
2. You must be at least 55 years of age (this factor is waived for those continuously employed since 1/1/86) and
3. You must have 10 years of participation service (viewable in PeopleSoft at Self-Service> Benefits>Pension Summary)

Let’s see how these three factors play out for four different members of the faculty and staff, and how each person is affected by the 2014 PRH changes.

Example #1: Marta -- A Faculty Member in Her 30’s with Five Years of Service
Marta is a faculty member who is 35 and has 5 years of participation service. How do the 2014 changes affect her?

*Answer:* First, Marta’s age plus service totals 40 years. With the eligibility threshold of 75 years of combined age and service, she is 35 years short. Since she will accrue age and service simultaneously, it would seem that she’ll be eligible in 17.5 years.

However, we need to double-check that in 17.5 years, she will be at least age 55 (no, she won’t) and that she will have at least 10 years of service (yes, she will.) So the first time when she will have met *all three* thresholds is when she is 55 (in 20 years.)

Since she is in the group that is more 10 years away from post-retirement health, the estimated impact (in 2013 dollars) will range between $463 and $1,158 more per year, depending on her years of service at retirement.

In Marta’s case, she will reach PRH eligibility at the age of 55, when she has 25 years of service. If she retires then, the financial impact will be about $800 per year. If she works another 5 years and retires with 30 years of service, the impact will be about $463/year – at the low end of the range – beginning in 25 years.

Example #2: Steve -- A Staff Member in His 40’s with Seven Years of Service
Steve is a 48 year-old administrative/professional staff member with 7 years of service. How do the 2014 changes affect him?

*Answer:* Steve’s age plus service equal 55 years. With the threshold of 75 years of combined age and service, he is 20 years short. Since he will accrue age and service simultaneously, he should be eligible in 10 years. For Steve, we then need to double check the other two factors:

a. In 10 years, will Steve be at least 55? Yes
b. In 10 years, will Steve have at least 10 years of service? Yes
So Steve is in the group with 5-10 years until eligibility for post-retirement health. The estimated annual impact on him, in 2013 dollars, is $463 more than if no changes had been made. The earliest these changes will affect him will be in 10 years, when he has met the three-factor test for post-retirement health eligibility.

Example #3: Ari -- A Member of the Faculty in His 50’s with 24 Years of Service
Ari joined the faculty 24 years ago. He is 51. How do the 2014 changes affect him?

Answer: Ari’s age plus service equal 75 – so he has met the first of the three tests, and would seem to already be eligible. But we need to double-check the other factors.

1. Is he at least 55 years old? No, not for 4 more years.
2. Does he have 10 years of participation service? Yes, he has already met this threshold.

So the earliest Ari will be eligible for post-retirement health is when he is 55 years old, in 4 years. This puts him in the group of people who are within 5 years of attaining eligibility, which means these changes will have no impact on him.

Example #4: Betsy -- A Member of the Staff in Her 50’s with 28 Years of Service
Betsy is also 51. She has worked here for 28 years. How do the 2014 changes affect her?

Answer: Betsy’s age plus service equal 79, so the first test has been met. She has ten years of service, so that test has been met. But what about her age? If she is only 51, does she need to wait 4 years to be eligible, as we see in the case of Ari, above?

The answer is no – she has worked here continuously since before 1/1/1986. Therefore the age minimum is waived for her. She is already eligible for post-retirement health, and the changes will have no impact on her.