

## FAQs by the GLBTQ community at Colorado College about Emeriti

### **What is Emeriti? What are the various component benefits of the program?**

The Colorado College Emeriti program has three components described below. One of the most important is access to group health insurance. More formal descriptions are given on the HR web page <http://www.coloradocollege.edu/hr/faq.php> in the document labeled EMERITI. A brief summary follows outlining what accounts can be used for and who can use them.

1. Emeriti Grantor Trust Account (Fully Insured Account – FIP) – Administered by Fidelity. In short, only benefit-eligible employees who were age 48 and above with at least 3 years of service and employed as of July 1, 2005 have one of these accounts. This account may be used exclusively to pay for the Emeriti Health Insurance coverage offered through Aetna at age 65 and a retiree of the college. The reason for this separate account for these employees is that it allowed the college to make a one time contribution that varied based on the employee's age. This is not possible using the more flexible VEBA account, described below. Married spouses and IRS dependents may also use the funds for Aetna health insurance.
2. Emeriti Health Account (Voluntary Employees Beneficiary Association – VEBA) – Administered by Fidelity. In short, the VEBA can be used for *any* qualified medical expense. To help you think about this, the rules for the VEBA are the same as the medical rules for the flexible spending accounts we offer to active employees. You may begin using the funds at age 55 and no longer working for the college (or at any age with the criteria of less than \$5000 in the account and no longer working for the college). You can begin accessing the group health insurance through Aetna at age 65 and a retiree of the college. Married spouses and IRS dependents may also use the funds for qualified medical expenses.
3. Emeriti Health Insurance Plan Options: In short, these are underwritten by Aetna Life Insurance Company and provide enhanced pharmacy benefits and catastrophic coverage and are designed to complement Medicare. Domestic partners have access to this group health insurance at the same premiums as retirees, but only married spouses and IRS dependents can pay for this insurance from the Grantor Trust or the VEBA account.

### **Why did Colorado College decide to participate in Emeriti?**

Colorado College has offered a retiree health benefit for many years. In the past, retirees and their domestic partners on the CC health plan were each given \$720 annually to offset premium costs. In 2005, the laws (at least in part due to the Enron scandal) changed and Congress introduced what is known as FAS-106. Due to FAS-106, CC would have to set aside a prohibitively large amount of money that could never be touched for anything, in order to maintain the previous benefit. Many colleges, including many of those in CC's various comparison groups have little or no retiree health care benefit. The result is that they do not have to grapple with FAS-106 regulations or the IRS-tax laws that make Emeriti problematic. CC felt at the time that it was desirable to continue offering a retiree health care benefit. Emeriti was the most feasible solution at that time and, for better or for worse, it is still the best solution at this time, assuming we want to have a retiree health benefit at all. It does seem that some new alternatives, and changes in the law may be on the near horizon, so CC should continue to consider its options.

Some Pros to this decision:

- Solves the FAS-106 problem
- Provides group health insurance taking very expensive CC retirees out of the pool with active CC employees

- Provides flexible funds (VEBA can be used for any qualified medical expense and not just premiums)
- Money saved now is invested and grows so the amount contributed by the college, \$586.56 annually, is worth a lot more to the employee than the old \$720 annually and the employee actually saves even more for retirement health care needs through a tax free contribution of their own (this is the mandatory employee contribution, \$564.96 annually).
- Non-IRS domestic partners and dependents can be covered under the group health insurance.

Some clear Cons to this decision:

- Emeriti must abide by strict IRS-tax laws prohibiting non-married domestic partners from making use of the college and mandatory employee contribution, but they can be covered by the group health insurance plan.
- The employee mandatory contribution is burdensome for some employees in the lowest income brackets at CC.

**How does Emeriti work in relation to Medicare benefits?** The health insurance options offered through Emeriti include two Medicare Supplemental plans and two Private Fee for Service plans. The Medicare Supplemental plans serve as a second payer behind Medicare coverage. The Private Fee for Service plans replace Medicare coverage. The Emeriti program also includes four prescription plans in 2009. These plans replace Medicare Part D.

**How long are retirees able to draw on Emeriti benefits?** Until they die or run out of funds.

**To what extent are domestic partners covered in the program?** This depends on whether or not the domestic partner is a qualified IRS dependent. If the partner IS a qualified IRS dependent, then the partner has access to the group health insurance through Aetna, may use Grantor Trust funds to pay for that health care (if the retired employee has such an account), and may use the VEBA to pay for qualified medical expenses. If the partner IS NOT a qualified IRS dependent, then current IRS tax law stipulates that the partner only has access to the group health insurance through Aetna, and funds from the Grantor Trust and VEBA cannot be used for the partner.

**Who is currently defined as “qualified” beneficiaries in the program? Are children covered?** There are no “beneficiaries” per se as “beneficiary” usually refers to someone who benefits after a person dies, as in life insurance or a will. For more on this, see below. If by “beneficiary” we mean who can use the group health insurance, Grantor Trust and VEBA, see the previous question regarding domestic partners. Otherwise, a person must be a qualified IRS dependent to use the three parts of the program. In general an IRS-dependent (defined in Internal Revenue Code section 152) is an individual who received over half of his or her support from the retiree. This may include children, parents, spouses, domestic partners and a variety of other relatives.

**What part of the benefit can be inherited?** Similar to the previous CC benefit described above, no part of this benefit can be inherited by anyone. It is the case, just as with the previous benefit, that spouses and IRS-qualified dependents who are currently using the benefit and maintain their status after the retiree passes may, continue to use the benefit until they die themselves. This was also the case with the previous CC benefit.

**Why have Colorado College's GLBTQ staff and faculty expressed concerns about the College's participation in Emeriti?** Primarily because Emeriti marks a shift from a benefit that treated domestic partners equal to married spouses to a benefit that does not. This is a problematic trade-off. The college wanted to maintain a retiree health care benefit and needed to affordably comply with FAS-106 regulations and to do that, they adopted a program that is governed by a different set of IRS-tax laws that treat domestic partners and married spouses differently. It seems that at that time, and now, Emeriti is the best solution available to maintaining a retiree health care benefit and affordably complying with FAS-106 regulations. However, it is very important that the college continue to seek alternatives as they develop that will allow the college to return to a benefit that, to the best of its ability, treats domestic partners at least as well as the previous CC benefit.

**What is the institution currently doing, or what has it already done, to address these concerns?** Research into alternative programs, and ways to possibly offset the costs to domestic partners that comply with the law. The best case scenario is that Congress changes the law. However, the college should look for programs that might allow for recognition of non-IRS domestic partners in this benefit more than is currently possible. One solution is to do as other schools have done and drop the benefit all together, but it seems that the community feels that retiree health care is an important benefit overall and this would be a major change from our history of having such a benefit. Unfortunately, at this time, having this benefit forces us to grapple with difficult laws.

**What is the time line for resolving this inequity?** Hard to say as it depends on the government and other companies developing related programs. With a new U.S. President perhaps this will occur soon, but the downturn in the economy might result in delayed attention to this issue.

**Given turnovers in committees and personnel, what assurances can be given that there will be continuity in the effort to resolve this matter?** The current compensation committee has very carefully worded its memo to President Celeste on this topic to make it clear that this issue continues to exist, and we must remain vigilant in finding a solution. The hope is that this document can help serve as institutional memory on this topic. In particular, the memo, when sent to the President, will also be sent to the entire CC community also helping to ensure that there will be some continuity in the effort to resolve the matter. Finally, this document and the other FAQs written by the current committee help with this. If anyone has suggestions, we are open to hearing them.

**As the process moves forward, to whom can GLBTQ individuals at the College address their questions and express their concerns?** Shaleen Prehm, HR Manager/Benefits Administrator, is responsible for administering the Emeriti plan and is the best person to contact on the plan offerings and to receive concerns/ideas. The Vice President for Finance and Administration and the President are ultimately responsible for leading the research and responding to the campus community. Amelia Taylor, Cathe Bailie, Chad Schonewill, Vibha Kapuria-Foreman, Ginger Morgan and Tip Ragan also all know quite a bit about the program, the issues and the challenges.