



# Planning for Health Care

Save the day for your retirees (and your budget!)



# Agenda

- Introductions
- Current State of Retirement Spending
- Understanding Florida's Landscape
- Case Study
- Understanding the Options
- Q&A

# About the Speakers



Trenton Teesdale, CEBS  
Senior VP of Business Development

- More than 13 years of experience
- Regularly conducts educational sessions and workshops as Technical Expert in the public sector benefit space
- Frequently consults on plan design
- State of Florida Life, Health & Variable Annuity License
- Series 6 and 63 Securities Licenses
- GBA, RPA, and CEBS designations

# About the Speakers

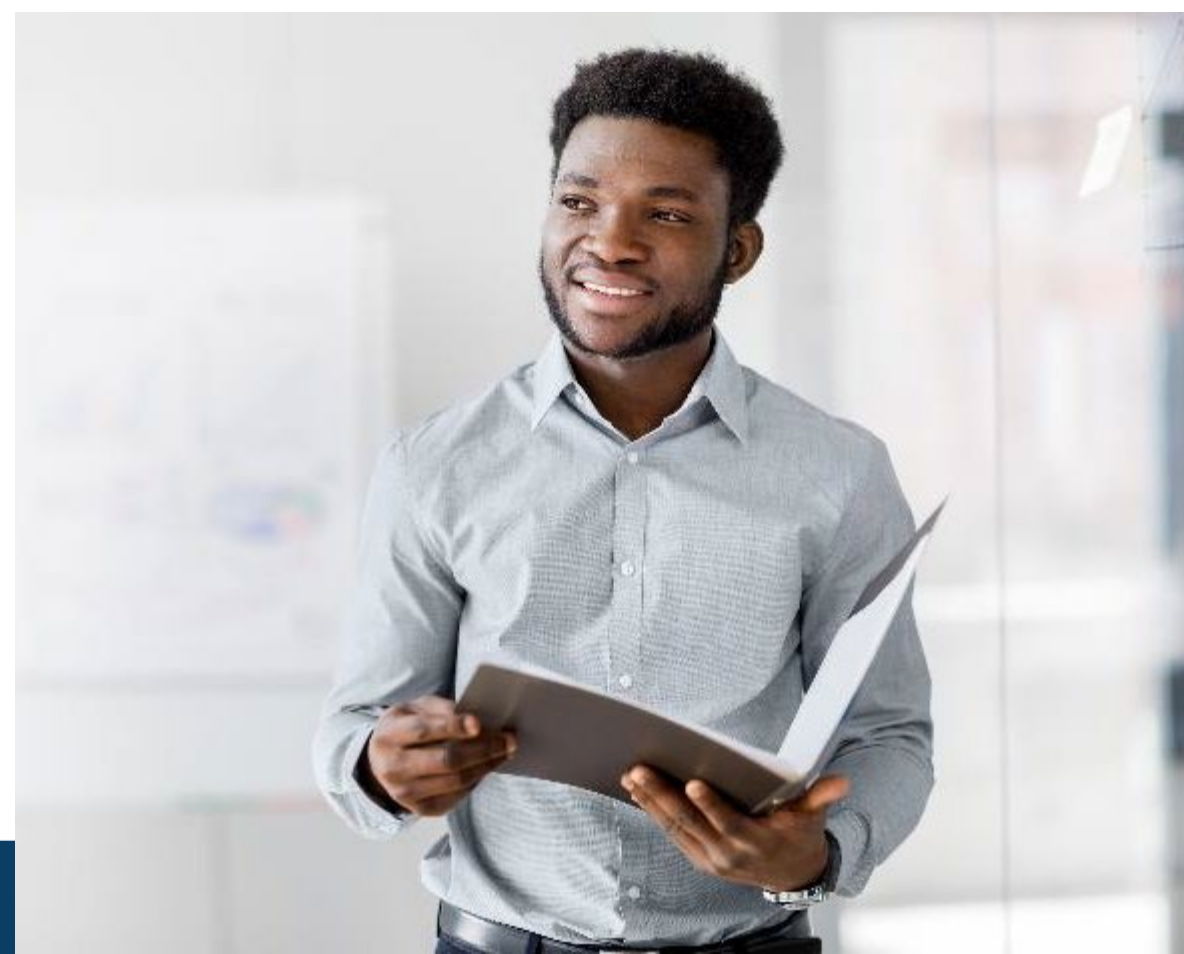


- Leads the Account Management and Marketing teams to provide unparalleled support to distribution partners and clients
- Works closely with MidAmerica's Senior Vice President of Business Development to drive new sales and partnership opportunities
- BA from United States Naval Academy, MS from University of Maryland, MBA from Stanford Graduate School of Business

Steve Barber

VP of Business Development and Strategy

# Meet MidAmerica



Since 1995,  
helping the  
**people** who  
help our  
communities

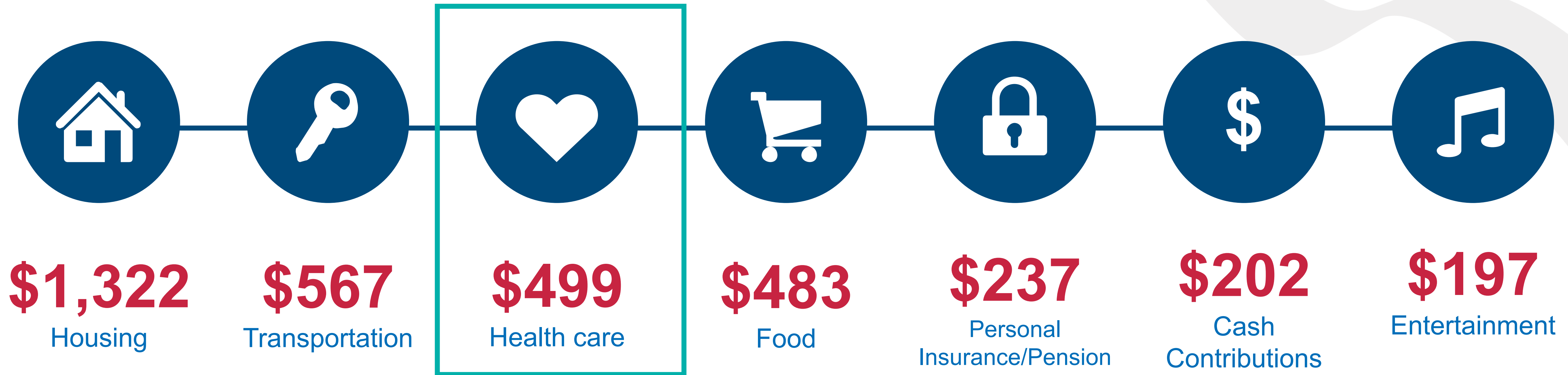
MidAmerica provides benefit funding solutions to public sector employers like:

- Public School Districts
- Fire Departments
- Colleges and Universities
- Counties
- Cities

# The Current State of **Retirement Spending**



# Average Monthly Expenses for Retirees



Source: <https://www.usatoday.com/story/money/personalfinance/retirement/2018/05/31/what-does-an-average-retirement-cost/35455427/>



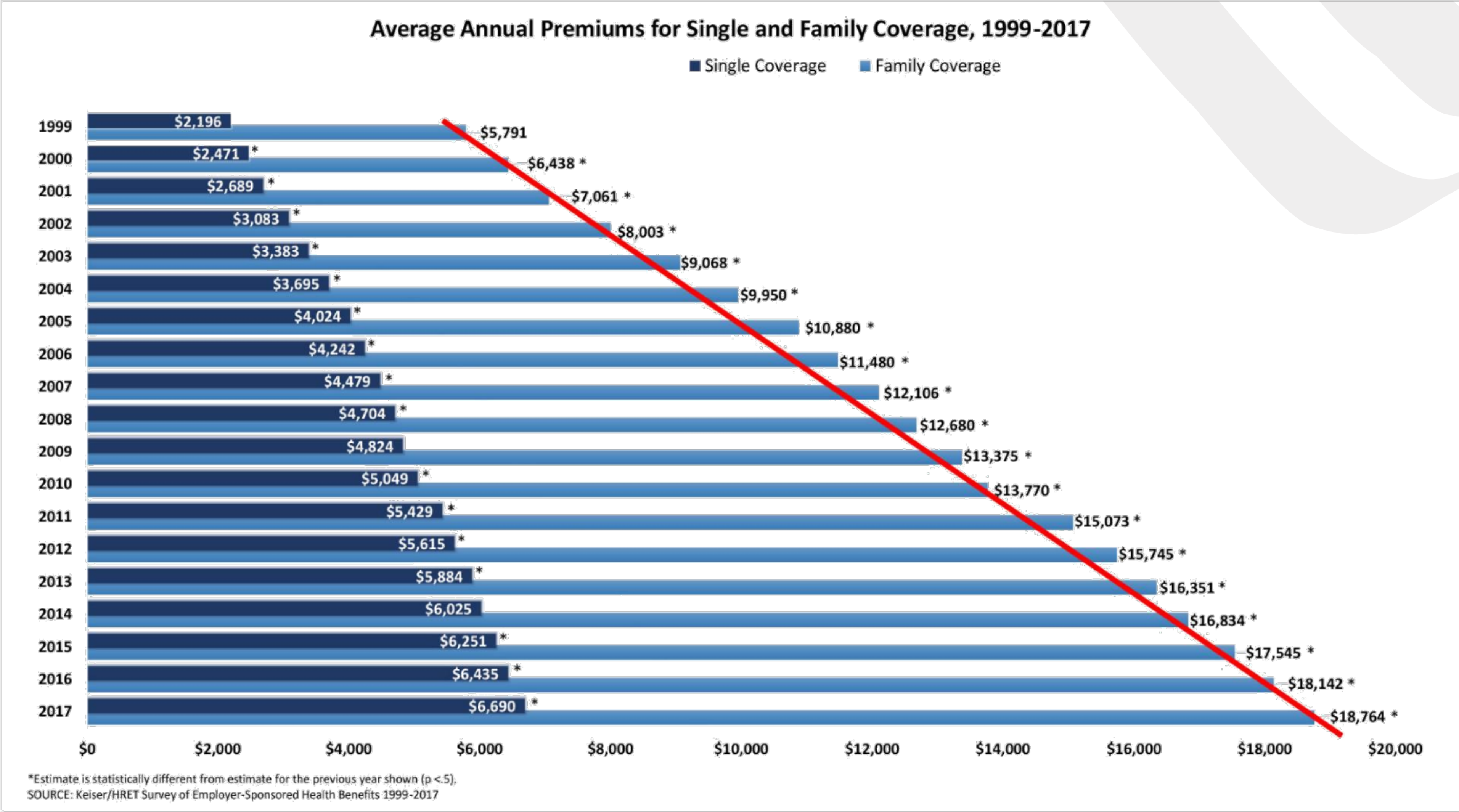


# \$280K

After-tax amount an average retired couple aged 65 in 2018 may need to cover health care expenses in retirement.\*

Source: <https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs>

# Steadily Increasing Health Care Premiums





**Understanding  
Florida's  
landscape.**

# Here's **what we know**

## State Monthly Subsidy for Health Insurance

**\$5**

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Per years of  
service for  
health care

**\$150**

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Max  
accrual cap  
per month

# Here's **what we know**

## *Typical Health Insurance Rates in Florida*

**Single**



**Single +  
dependent**



**Family**



# Case Study Check-In



## Meet Sally

Age 62

Taught for 30 years

## Snapshot of Sally's Situation

- Meets cap accrual of \$150 subsidy per month
- Not yet eligible for Medicare
- \$600 monthly insurance premium
- **Sally is responsible for \$450 a month for the next three years!**

# Here's **what we don't know**



How will retirees pay for health care expenses before Medicare (**using only \$150**)?



# Familiar Options

	Taxes	Type of Funding	Access to Funds	Use of Funds
<b>DROP</b>	<ul style="list-style-type: none"> <li>Tax-deferred</li> </ul>	<ul style="list-style-type: none"> <li>Pre-funded by employer contributions</li> </ul>	<ul style="list-style-type: none"> <li>Access upon proof of termination once pre-selected DROP period concludes</li> </ul>	<ul style="list-style-type: none"> <li>Can be used for any purpose</li> </ul>
<b>403(b) Retirement Plan</b>	<ul style="list-style-type: none"> <li>Tax-deferred</li> <li>Applicable taxes applied at time of distribution</li> </ul>	<ul style="list-style-type: none"> <li>Employer or employee-funded</li> <li>Accumulated leave can be used</li> </ul>	<ul style="list-style-type: none"> <li>Retirees must be 59 ½ to take distribution without a penalty OR</li> <li>At least 55 at retirement and separated from service</li> </ul>	<ul style="list-style-type: none"> <li>Can be used for any purpose</li> </ul>

# Familiar Options

(plus one not so familiar option)

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<b>Health Reimbursement Arrangement</b>	<ul style="list-style-type: none"> <li>Earns interest tax-free</li> <li>Tax-free reimbursements</li> </ul>	<ul style="list-style-type: none"> <li>Employer-funded</li> <li>Accumulated leave can be used</li> </ul>	<ul style="list-style-type: none"> <li>Access to funds immediately upon retirement / separation of service</li> </ul>	<ul style="list-style-type: none"> <li>Used to pay for eligible medical expenses</li> </ul>

# What if Sally had an HRA?

**\$25,000**  
Sally's Accrued  
Leave Payout



**HRA**  
Sally saves Federal  
and FICA tax,  
roughly 27.65% on  
her payout

**With an HRA, Sally saves \$6,900 of her accrued leave payout—this can pay for about 15 months of retiree health insurance!!**

# What is a Health Reimbursement Arrangement?

- Employer funded
- Invested for tax-free growth
- Traditional plan design with copays
- Can be coupled with FSA (based on plan rules)
- Can reimburse all medical premiums and can be used in retirement
- Unused funds can be carried over into the following year
- No max on contributions
- Plan Compliance handled by TPA
- Vesting schedules can apply

# HRA Applications **Snapshot**

## dcHRA

### Defined Contribution

- Employer deposits fixed dollar amount into active employee's HRA each year
- Funds cannot be used until retirement

## rHRA

### Retiree

- Employer deposits unused sick leave, vacation pay or other incentives into employee's HRA at retirement
- Funds can be used once deposited into the HRA

## iHRA

### Integrated

- Employer deposits fixed dollar amount into active employee's HRA
- Funds can be used once deposited into the HRA

# New Application Spotlight: ICHRA

# Individual Coverage HRA (ICHRA)

- New for 2020
- Individual market premiums are eligible for reimbursement
- Retirees have an alternative to traditional group health plan coverage as well as access to HRA benefits
- Provides employers greater flexibility in their health insurance coverage options
- Eliminates group subsidy, which helps reduce OPEB liability



# Q&A





# THANK YOU

## **CORPORATE HEADQUARTERS**

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