

How a Midwestern university created a sustainable, scalable, retiree health benefit at a lower cost

Emeriti Plan highlights

Name:

Denison University

Type of institution:

Higher education; four-year liberal arts university

Location:

Granville, Ohio

Participating since:

2005

Participants:

392

Age requirement:

40+

Vesting:

5 years

Employer contributions:

\$1,555/yr. per participant

Total employee contributions:

\$267,470.73 USD

Total retiree healthcare trust assets:

\$8,470,342.03 USD

Total grantor trust assets:

Two accounts with
\$92,142.96 USD

Participants selecting Aetna retiree health insurance:

268

Total reimbursements:

\$330,870.97

*(All information is as of
December 2017)*

Administrators at Denison University, one of Ohio's most prestigious post-secondary institutions, were seeking a way to provide affordable, flexible retirement healthcare benefits to better meet the needs of its retirees. Difficulties in sustaining the benefit surfaced in the early 1990s, when rising costs and increased accounting liability caused the University to discontinue its retiree healthcare coverage. What could be done to reboot the benefit for a new generation of employees and retirees?

Challenges

Denison competes with a number of world-class colleges and universities for faculty and staff. Restoring retiree health benefits could help attract and retain talent. Although the University was prepared to fund the benefit, it wanted to keep FAS 106 liability off its books. This accounting standard, which requires that post-retirement benefits such as health insurance be accounted for during the employees' years of service, had proved increasingly burdensome in the previous decade.

Solution

Denison reached out to Emeriti, one of the country's leading providers of defined contribution retiree healthcare plans. Emeriti looked at every aspect of the previous retiree healthcare benefit, the existing group plan, and considered total benefit solutions that did not rely on the existing insurance plan for active employees. Emeriti implemented a retiree health benefit that included:

- **Retirement health savings accounts for qualified medical expense reimbursement**—Available to employees at termination of employment with five years of service. The reimbursement provides a tax-free way for retirees to pay for insurance premiums and out-of-pocket medical expenses.
- **Transition for pre-1993 retirees**—Nearly 200 retirees who had been on the active insurance plan moved to the Emeriti Plan, with the University paying 50-75% of the retirees' and spouses' premiums for post-65 medical and drug coverages.
- **Group medical, prescription drug and dental options**—Through Emeriti, employees 65+ would have access to insurance coverage through Aetna, one of the nation's largest providers. Coverage is available on a guaranteed issue basis without regard to their health status.
- **Transition benefits for post-1993 retirees**—The University made a one-time contribution based on the amount they would have received under the Emeriti Plan had it existed during the years coverage was absent.
- **Establishing a grantor trust**—Denison initially used the grantor trust to subsidize retiree prescription drug costs for those affected by the Medicare Part D coverage gap.



Emeriti and TIAA—working together to address both health and financial well-being in retirement

To manage your program's defined contribution retiree health plan assets, Emeriti works in conjunction with TIAA, a leader in defined contribution retirement plans to institutions in education, medicine and research, culture and the arts, and government.

TIAA has provided retirement plan investments for Denison University for more than 60 years.

Results

Denison chose the Emeriti Retirement Healthcare Savings Plan to help achieve its goal of providing a sustainable, flexible, scalable retiree healthcare benefit without the need for unfunded subsidized medical plans. The Emeriti solution has delivered:

For employees—

- **Access to health insurance.** Virtually all of the retirees eligible for the plan have enrolled and receive medical, prescription drug and dental coverage.
- **Choice and flexibility.** Plan participants can take funds out of their Emeriti Retirement Healthcare Savings Plan accounts tax-free to pay for any qualified medical expenses, including premiums, copays, deductibles and more. In addition, each year, participants have the opportunity to change plans within the Aetna family, without medical underwriting.
- **Greater retirement readiness.** Healthcare subsidies for pre- and post-1993 retirees better prepare participants for rising future healthcare costs. Active employees can see their employer-provided contributions to health savings accounts as part of their total compensation statement, so they know exactly how much is being put aside. Importantly, both employee and employer contributions, and any investment earnings grow tax-free.
- **Convenience.** Retirees can pay their Aetna insurance premiums directly from their Emeriti account, or by using fast, secure ACH debit from their checking or savings accounts.

For the institution—

- **Improved morale and confidence—By moving pre-1993 retirees to the Emeriti Plan, as well as retroactively subsidizing post-1993 employees, the University reaffirmed its commitment to retirement readiness and eased the concerns of active employees, especially those nearing retirement.**
- **Reduced costs—**The transition of pre-1993 retirees significantly reduced both Denison's FAS 106 liability, as well as its pay-as-you-go premium subsidies and morbidity risk inherent in carrying a growing number of retirees on the active insurance plan. These savings alone more than covered the cost of establishing the Emeriti defined contribution retiree health benefit.
- **Funding flexibility—**Denison's grantor trust allows it to invest for unforeseen circumstances, or to offer incentives and/or additional benefits to recruit and retain certain employees.

A leader in helping achieve healthier tomorrows

Large nonprofits—including some of America's most prestigious colleges and universities—rely on Emeriti Retirement Health for retiree medical benefits. From plan design to ongoing support, you get a dedicated team of experienced benefits specialists who can help you customize your plan features to make the most sense for your institution and your employees.



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