



PRM-3

Postemployment health plan

In discussions between the city of Boise, Idaho (185,800), and its police and fire unions, the issue of postemployment health coverage has often come up. The unions wanted the city to provide health insurance for their retired members, but the costs of such coverage and its rapid growth rate made such a benefit unaffordable for the city. Instead, the city and unions agreed that the city would contribute to a postemployment health plan (PEHP) for each employee. Employees who retire after the equivalent of 15 years with the city can now use the proceeds from the postemployment health plan, tax free, to pay health insurance premiums and other health costs for many years after retirement.

Implementation notes

Leadership/staffing The city's benefits manager administers applications for the program. The city's manager of special projects calculates the city's contributions, which are made on an annual basis. Both of these individuals answer questions concerning the plan.

Timeline The first plan was developed for the police department in about 1997. The fire department's plan was implemented soon after. The plan for the remaining city employees was developed in about 2000.

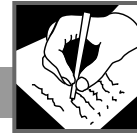
Budget/funding The city invested \$2–\$3 million initially to jump-start the plan. The city's total contributions to the PEHP and the pension plan are the same as its contributions were to the pension plan alone before the implementation of the PEHP. The PEHP's administrative costs are very low.

Program description The city used to provide a match of up to 4.5 percent of salary for the contributions of employees to the city's pension plan. The city continues to require that employees contribute 4.5 percent of their salaries to the pension plan to receive the full city match, but that match is now only 3 percent. The remaining city match of 1.5 percent goes into the PEHP. The city also monetarizes unused sick days and puts the proceeds into the PEHP. When an employee with the

Steve Purvis
Director of Special Projects

City of Boise
P.O. Box 500
Boise, ID 83701

208/384-3733
Fax: 208/388-4777
E-mail:
spurvis@cityofboise.org



equivalent of 15 years of service retires, the employee can use the funds in the PEHP tax free, as long as the money is used for IRS-eligible medical benefits, including health insurance premiums. The city provides sufficient funds to cover single-person premiums for approximately 15 years. For those who retire at age 65, this is sufficient to take them through much of their remaining lives. For police and fire personnel, who typically retire at younger ages, the PEHP helps cover premiums until the retired employees qualify for Medicare. Retirees can use the funds at any time during retirement, so those who are covered by their spouses' plans can wait to use PEHP funds until their spouses retire.

Results Most of the city's public safety employees now qualify for the PEHP at retirement. However, employees who have not reached 15 years of service often continue to work for the city beyond retirement age in order to qualify for the PEHP. Thus, the PEHP has made working for the city after retirement age more attractive for employees. Almost all city of Boise employees continue to participate in the city's pension plan, even though the city has reduced its match.