



# Recommendation Paper to the Board of Directors

## Airports Authority Sponsored Post-Employment Benefits

July 2015

## Background

- Airports Authority employees who retire with a minimum of five years of service may continue their healthcare into retirement with 80 percent of the cost paid by employer.
- The current retiree healthcare benefit is generous for short service employees who qualify for the benefit with as few as five years of service.
- Based on the results of the benchmarking study, many of the local jurisdictions have lengthened the eligibility period for retiree healthcare to ten years of service or longer.



# Background

Local jurisdictions & Federal	Minimum Eligibility Requirements (Vesting) for Retiree Healthcare Benefits General Employees
<b>MWAA</b>	Age 55 with 5 years of service
<b>City of Alexandria</b>	Age 55 with 5 years of service
<b>Arlington County</b>	Age 62 with 5 years of service; service based subsidy. Full subsidy at <b>20 years</b>
<b>D.C. Government</b>	Age 62 with <b>10 years</b> of service
<b>Fairfax County</b>	Age 65 with 5 years of service or age 50 with age + service at least 75
<b>Federal Government</b>	Age 62 with 5 years of service or Age 57 with <b>10 years</b> of service Must also be in health plan for 5 years prior to retirement
<b>Loudoun County</b>	Age 60 with <b>15 years</b> of service. Also must be enrolled in County health plan.
<b>Maryland</b>	Minimum of 5 years of service; service based subsidy. Full subsidy at <b>16 years</b> .
<b>Montgomery County</b>	Hired before 2011: Retirement eligible with 5 years. Hired after 2011: Retirement eligible with <b>10 years</b> .
<b>Prince George's County</b>	Age 55 with <b>15 years</b> of service or age 62 with 5 years or MRA with 30 years
<b>Virginia</b>	Age 60 with 5 years of service or any age with 30 years or age + service at least 80



# Background

Local Jurisdictions & Federal	Minimum Eligibility Requirements (Vesting) for Retiree Healthcare Benefits Police Officers & Firefighters
<b>MWAA</b>	Any age with 25 years of service or age 55 with 5 years of service
<b>City of Alexandria</b>	Age 50 with <b>10 years</b> of service or age 55 with 5 years of service
<b>Arlington County</b>	Age 42 with 5 years of service
<b>D.C. Government</b>	Any age with 25 years of service or <b>10 years</b> of service
<b>Fairfax County</b>	Age 55 with <b>6 years</b> of service or <b>20 years</b> of service
<b>Federal Government</b>	Any age with <b>25 years</b> of service or age 50 with <b>20 years</b> of service
<b>Loudoun County</b>	Age 50 with 5 years of service
<b>Maryland</b>	Any age with <b>25 years</b> of service or age 50
<b>Montgomery County</b>	Any age with <b>20 years</b> of service or age 55 with <b>15 years</b> of service
<b>Prince George's County</b>	Age 50 with <b>20 years</b> of service
<b>Virginia</b>	Age 50 with 5 years of service

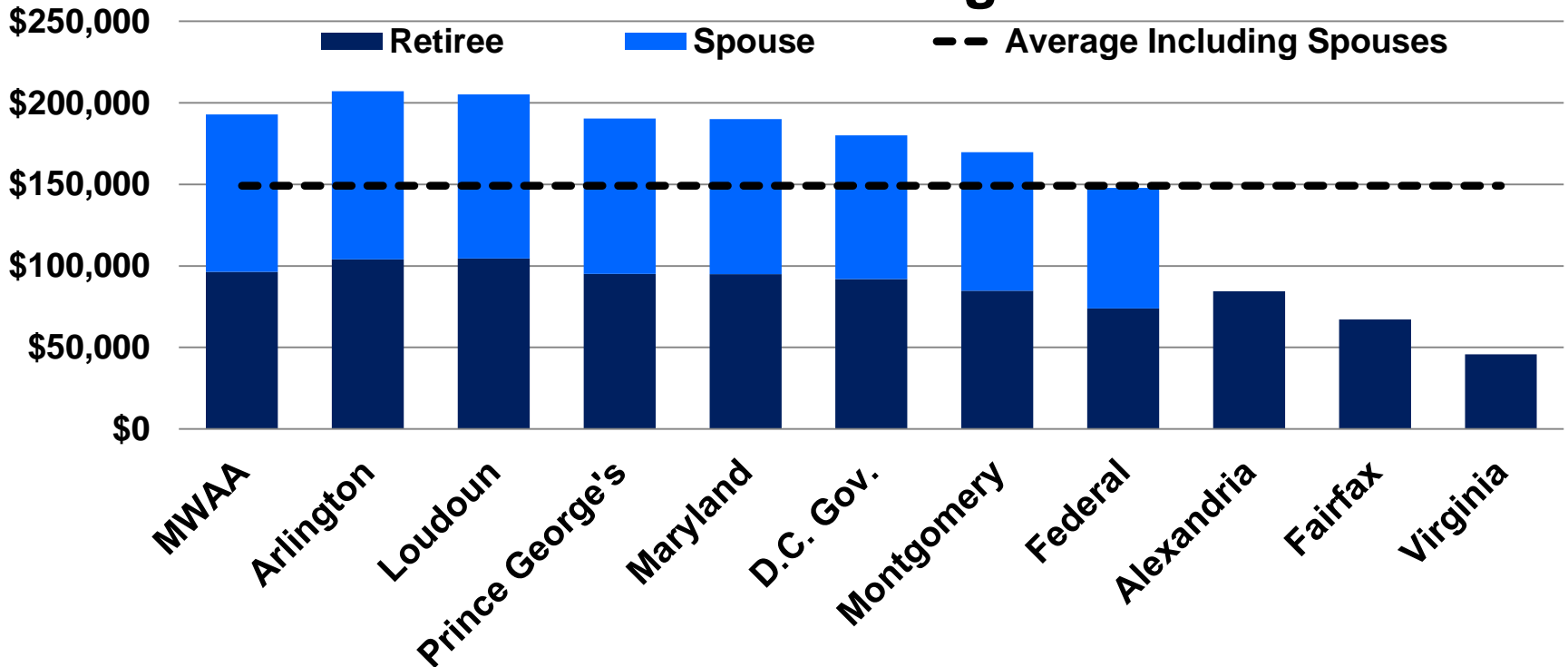


# Background

## Retiree Healthcare – Local Jurisdictions and Federal BENCHMARKING RESULTS

Chart shows the employer provided present value of retiree healthcare coverage for a retiree at age 62 with 15 or more years of service. MWAA benefit is well above average.

### Present Value at Age 62





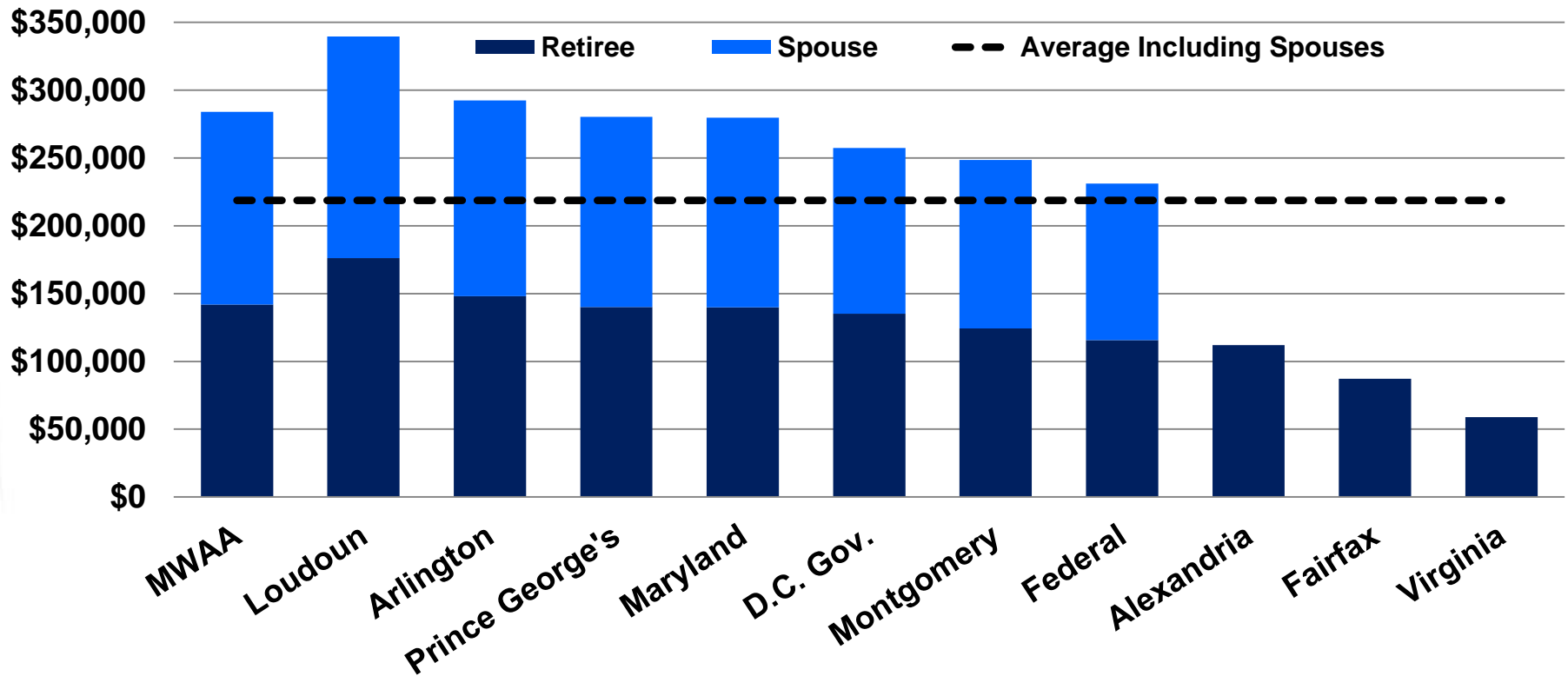
# Background

## Police and Fire – Local Jurisdictions and Federal

### BENCHMARKING RESULTS

Chart shows the employer provided present value of retiree healthcare coverage for a retiree at age 55 with 20 or more years of service. Reflects the additional value of this benefit expected for police and firefighters.

## Present Value at Age 55



## Recommendation

That The Human Resources Committee approved and recommends to the Board that it recommend changing the service eligibility requirement for retiree healthcare from five years to ten years for employees hired on or after January 1, 2016.



METROPOLITAN WASHINGTON  
AIRPORTS AUTHORITY



**RECOMMENDATION PAPER  
FOR THE  
BOARD OF DIRECTORS**

**AIRPORTS AUTHORITY SPONSORED  
POST-EMPLOYMENT BENEFITS**

**JULY 2015**

**ACTION REQUESTED**

The Human Resources Committee approved and recommends to the Board that it approve a change to the Airports Authority service eligibility requirements for retiree healthcare for employees hired on or after January 1, 2016.

**BACKGROUND**

At the March 2015 Human Resources Committee meeting, staff presented the results of a benchmarking study that compared the Airports Authority's employee benefits program to those of other local jurisdictions, the federal government, and other metropolitan airports.

Retiree healthcare is an important, valuable, however costly component of the Airports Authority's benefit program. At present, Airports Authority employees who retire (commence pension upon break from service) qualify for lifetime retiree healthcare benefits with as few as five years of service. Attachments I and II show the minimum eligibility requirements for retiree healthcare benefits at local jurisdictions for both General Employees and Police Officers and Firefighters. Staff has observed that some of the local jurisdictions have lengthened the eligibility period for retiree healthcare benefits to ten years of service or longer. A recent Article in the Wall Street Journal (Attachment III) citing a November 2013 report from Standard and Poor's indicates that other state jurisdictions have increased the eligibility requirements to help control their post-employment healthcare obligation.

The retiree healthcare benefit is especially generous for short service employees who qualify for the benefit in as few as five years of service compared with the benefits provided under the Airports Authority's pension and defined contribution plans.

- The Airports Authority's pension plan requires 30 years of service to qualify for a full pension. A participant with just five years of service would earn only 1/6 of the pension benefit earned by a full career employee with 30

years of service. The value of the retiree healthcare benefit is the same regardless of the participant's length of service.

- Similarly, a short service participant in the Airports Authority's defined contribution plan will earn only a fraction of the benefit that is earned by a full career employee with 30 years of service.
- In addition, a retiree with a spouse receives a benefit that is on average double the value of the benefit available to the retiree alone and additive value if the participant has dependent children who continue to qualify for health care benefits. In the pension and defined contribution arrangements, the value of the benefit is the same whether the retiree has dependents or not. While the retiree can elect a form of benefit under the pension plan that provides continuing income to a surviving spouse or other beneficiaries, that benefit is paid for by the participant in an adjustment to the monthly income benefit, so that the value is the same regardless of the participant's election.

#### **RECOMMENDATION**

The Human Resources Committee approved and recommends to the Board that it approve changes to the service eligibility requirements for retiree healthcare from five to ten years of service for employees hired on or after January 1, 2016.

Prepared by:  
Office of Human Resources  
July 2015

Attachment I

Local Jurisdictions & Federal	Minimum Eligibility Requirements (Vesting) for Retiree Healthcare Benefits General Employees
<b>MWAA</b>	Age 55 with 5 years of service
<b>City of Alexandria</b>	Age 55 with 5 years of service
<b>Arlington County</b>	Age 62 with 5 years of service; service based subsidy. Full subsidy at 20 years
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<b>Prince George's County</b>	Age 55 with 15 years of service or age 62 with 5 years or MRA with 30 years
<b>Virginia</b>	Age 60 with 5 years of service or any age with 30 years or age + service at least 80

## Attachment II

Local Jurisdictions & Federal	Minimum Eligibility Requirements (Vesting) for Retiree Healthcare Benefits Police Officers & Firefighters
<b>MWAA</b>	Any age with 25 years of service or age 55 with 5 years of service
<b>City of Alexandria</b>	Age 50 with 10 years of service or age 55 with 5 years of service
<b>Arlington County</b>	Age 42 with 5 years of service
<b>D.C. Government</b>	Any age with 25 years of service or 10 years of service
<b>Fairfax County</b>	Age 55 with 6 years of service or 20 years of service
<b>Federal Government</b>	Any age with 25 years of service or age 50 with 20 years of service
<b>Loudoun County</b>	Age 50 with 5 years of service
<b>Maryland</b>	Any age with 25 years of service or age 50
<b>Montgomery County</b>	Any age with 20 years of service or age 55 with 15 years of service
<b>Prince George's County</b>	Age 50 with 20 years of service
<b>Virginia</b>	Age 50 with 5 years of service

## Proposed Resolution

### Changing Eligibility Requirement for Retiree Healthcare

WHEREAS, The Airports Authority currently pays 80 percent of a retiree's healthcare benefits if the retiree worked for five or more years of service with the Authority, including service as a police officer or firefighter;

WHEREAS, A benchmarking study recently conducted by the Airports Authority reports that many of the government employers in the Washington, DC, region have lengthened the eligibility period for retiree healthcare to ten or more years of employment service;

WHEREAS, Based on this study and other reasons, staff have recommended that the eligibility period for retiree healthcare be extended from five to ten years of service with the Airports Authority, and that this new eligibility requirement become effective on January 1, 2016, and be applied prospectively to all employees, including police officers and firefighters, hired on or after that date; now, therefore, be it

RESOLVED, That all Airports Authority employees hired on or after January 1, 2016, shall be required to have served a minimum of ten years in the employment of the Airports Authority in order to be eligible for Airports Authority-provided retiree healthcare.

*Recommended by the Human Resources Committee on June 17, 2015  
For Consideration by the Board of Directors on July 15, 2015*