

RAILROAD RETIREMENT AND INSURANCE COVERAGE

The following has been prepared for those who have either reached or are nearing retirement age and who are trying to determine the best timing of when to start their retirement. One of the most important (and often overlooked) costs that could affect your retirement decision is the cost of insurance. The insurance falls into two major categories: (1) insurance cost for you, and (2) insurance cost for your spouse.

NOTE: If you are single then the only part of the following that will affect you will be the cost of the "supplemental" coverages that either covers or offsets the cost of insurance deductibles in the primary policy.

The scenarios below attempt to represent the most common situations that married retirees face in both "early retirement" (60/30 prior to age 65) and retiring at 65 years of age or later. Any questions, including additional information on coverage other than you and/or your spouse can be directed to United Health Insurance at (800-842-9905), option 2.

Retiring Early (Ages 60-65 w/30 yrs service)

If you have thirty years of service prior to reaching age 60 then you can retire with full benefits on or after the age of 60. At that point you will move from the active employment coverage (GA-23000) to the retirement supplement coverage (GA-46000). The early retirement supplement coverage is a limited insurance approximately equal to the 80% major medical plan we used to have under Travelers. The lifetime maximum is very limited in the event you or your wife has a serious illness so a supplement to that policy is recommended. It covers most of the remaining 20% and increases the lifetime maximum dramatically.

Cost of GA-46000 – No cost

This plan is furnished to employees and their spouses who retire after the age of 60 but before the age of 65. It is basically a major-medical policy that covers 80% of medical costs **with a maximum lifetime benefit of \$96,400 per person. (NOTE: That amount increases to \$101,200 per person on January 1, 2007).** This plan covers both the retired employee and the spouse at no additional cost and continues prescription coverage with Medco. However, costs can increase considerably when the employee reaches age 65 if his/her spouse is younger.

Cost of Plan E, Supplement to GA-46000 -- \$155.00/mo per person

This plan is a supplement coverage to the GA-46000 early retirement plan. The benefit of paying for this out-of-pocket is that it **increases the maximum lifetime coverage to \$500,000.** In addition, it pays 70% of the unpaid 20% portion of the GA-46000. This provides an approximate total coverage of 94% when you have both the GA-46000 and the Plan E Supplement. In filing claims the GA-46000 will be the primary policy with the Plan E coverage filling in when the primary coverage is either exceeded or exhausted.

What does this mean to me in dollars?

Retirement insurance costs most severely impact those employees who are older than their spouses. Whether they wait until they reach the age of 65 to retire, or retire early under the 60/30 option, they will be faced with increased insurance costs for younger spouses. At 65 the retired employee must move to Medicare coverage (shown below). The employee must then pay COBRA payments for their spouse until they too reach the age of 65. Those payments are both expensive and limited to a maximum of 36 months. If your spouse is more than three years younger than you the option of covering him/her will end 36 months after you reach the age of 65, after which you will be forced to leave the spouse without insurance coverage or purchase a policy from another source.

Please note the following scenarios to help you understand the coverage costs of early retirement:

Example No. 1 – Employee is married and under the age of 65:

GA-46000 – no cost to either employee or spouse.	
Plan E (employee)	\$155.00
Plan E (spouse)	<u>155.00</u>
Total monthly cost:	\$310.00 until employee reaches age 65.

Example No. 2 – Employee is 65, and older than spouse but within 36 months in age:

Costs up until time employee reaches age 65 are the same as above. Once the employee moves under Medicare coverage the insurance coverage changes:

GA-46000 COBRA (spouse)	\$642.76
Plan E (spouse)	<u>155.00</u>
<i>Spouse Subtotal:</i>	\$797.76
Employee (Medicare supplement)	<u>172.00</u> (prescription coverage is extra)
Total monthly cost:	\$969.76 until spouse reaches age 65.

Example No. 3 – Spouse is more than 3 years younger than employee:

Costs are the same as in Example No. 2 but spouse's coverage will end after the expiration of 36 months under COBRA coverage. Following that date, coverage will have to be found with a third-party carrier to cover the spouse until Medicare age of 65.

NOTE: Dental and Vision coverages for retirees and their spouses are limited to a maximum of 18 months under any of the above retirement scenarios that do not pertain to Medicare and are paid in addition to all other coverage options. They are per person as follows:

Dental	\$24.80 per person
Vision	\$ 5.30 per person

Retiring At Age 65 (or later)

The employee that works until they have reached the age of 65 then retires will immediately move from the group insurance for active employees, Plan GA-23000, to Medicare coverage. Considering the previous information for employees faced with the costly COBRA payments for their younger spouse, some employees will elect to work beyond age 65 until their spouse also reaches age 65 to eliminate the need for the expensive interim coverage. The employee would remain under the GA-23000 until retiring in that scenario, as would their spouse/family, and both would move directly to Medicare coverage upon retirement at spouse's age 65.

A Word about Medicare:

Medicare is, of course, managed and paid for by the Federal government and financed by tax dollars. The coverage falls into a two major categories: Medicare A (primarily hospital costs) and Medicare B (doctors, lab tests, etc.). Everyone does not have Medicare A but retiring railroad employees should in almost all cases. Registration is necessary for everyone.

Medicare covers 80% of whatever care you require. It also has an out-of-pocket deductible that varies year to year which is around \$150-\$200. A relatively inexpensive supplement is available through United Health called Plan F. This no longer includes prescription coverage (see note below) which is available through many companies under the Federal prescription plan. Plan F pays all of the out-of-pocket costs for Medicare and the remaining 20% of coverage not provided by Medicare, which amounts to 100% coverage. Medicare patients must visit physicians who accept them under Medicare which pays a flat rate. Some doctors do not accept Medicare so you may need to change physicians once you retire.

For the employee that works until age 65 and who has a younger spouse the COBRA payments for continuing coverage are somewhat less than that for early retirees. The 36 month limit allowed for COBRA payments remains but the costs are as follows:

Example No. 1A – Employee goes under Medicare but pays COBRA for younger spouse:

Employee Medicare Supplement (Plan F)	\$172.00
Spouse COBRA for GA-23000	<u>523.60</u> (see Dental/Vision above)
<i>Total monthly cost:</i>	<i>\$695.60 until spouse reaches 65</i>

The next example can be considered the “optimum” scenario as far as insurance cost where an employee and the spouse have both reached the age of 65.

Example No. 1M – Employee and Spouse are both age 65 or older and under Medicare:

Employee Medicare Supplement (Plan F)	\$172.00
Spouse Medicare Supplement (Plan F)	<u>172.00</u>
<i>Total monthly cost:</i>	<i>\$348.00</i>

AN IMPORTANT POINT ABOUT PRESCRIPTIONS & RETIRING UNDER MEDICARE:

United Health Care, as all other group coverages, no longer offers Plan D prescription coverage for retirees under Medicare. That coverage is available from a variety of companies offering a range of different protection for widely different costs. United Health Care works with AARP to furnish that care. More information can be obtained at the following Internet link: [Learn more at AARPMedicareRx.com](http://AARPMedicareRx.com)