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State Treasurer Pearce Announces Waiver Plan to Save Millions in Retired Teacher Health Care Expenses

MONTPELIER, Vt.—State Treasurer Beth Pearce announced today that the Vermont State Teachers' Retirement System Board of Trustees has approved a recommendation to implement an Employer Group Waiver Plan (EGWP) for retirees on Medicare. The move is expected to save the State of Vermont up to \$2.3 million annually in Medicare retiree prescription drug costs.

The State's unfunded liability related to long-term health costs is also estimated to be reduced by approximately \$150 million, which is 18 percent of the liabilities from the last actuarial valuation. This proposal was developed by the Treasurer's office, in partnership with the Vermont National Education Association and the Vermont Health Educational Initiative (VEHI).

"This initiative is a great example of how partnerships can result in measures that save taxpayer money," said Pearce. "By working together, we've come up with an approach to providing prescription drugs that preserve the benefits our Medicare retirees enjoy today, while also promoting cost savings for the State. I appreciate the work of the Vermont-NEA, VEHI and the trustee board to bring this initiative forward."

Under EGWP, VEHI, in partnership with Blue Cross Blue Shield of Vermont, will provide prescription drug benefits to Medicare-eligible retirees that match the current plan, but at a lower cost to the State. The cost savings come from leveraging pharmaceutical discounts and government subsidies. Additionally, participation in the waiver plan allows the State to receive subsidies for low-income retirees.

"Working closely with State Treasurer Pearce and VEHI, we were very pleased to find a way to save money annually for the State, while preserving the current drug benefits that Medicare-eligible retirees and their families depend on," said Vermont-NEA President Martha Allen. "This is what is possible when State officials and union representatives are both committed to protecting vital health benefits, while at the same time looking for responsible ways to make those benefits more affordable for both retirees and the State."

"As part of our fiduciary responsibility, we are always looking for ways to enhance services to our retirement system members," said Jon Harris, Chair of the Board of Trustees for the teacher's retirement system. "By implementing the waiver plan, we can financially bolster the retirement system and help ensure important benefits remain intact for retirees."

Employer group waiver plans are being adopted through the Centre for Medicare and Medicaid Services (CMS). The Health Care Reform and Patient Protection and Affordable Care Act, and changes to CMS guidance for 2013, have made the program administratively easier to implement and more cost-effective for employers and retirement systems. Vermont's teacher

retirement plan transition to the Employer Group Waiver Plan will take place January 1, 2014. That process will be facilitated by VEHI and Blue Cross Blue Shield of Vermont.

Adoption of the waiver program follows previous work by the Treasurer's office to implement cost-saving measures. In 2011, the Treasurer's office prepared an application for reimbursement under the federal Early Retirement Reinsurance Program on behalf of the teachers' retirement system. The system received approximately \$4.5 million in one-time federal funds to reimburse retiree health care expenditures.