

Health Insurance Changes

The Alabama Legislature enacted Act 2011-704 for the Public Education Employees' Health Insurance Plan (PEEHIP) and Act 2011-698 for the State Employees' Health Insurance Plan (SEIB). The new legislation will slowly but significantly raise health care premiums for education and state employees who retire on or after January 1, 2012. Anyone wanting to retire before the effective date of the new laws must file all retirement paperwork with the RSA between September 1 and November 1, 2011, for a December 1, 2011, retirement date.

Members need to really think about not making their retirement decision solely on this new law because there are advantages to working longer. Working an extra five years carries three advantages:

First, those years will give you about 10 percent more in retirement income for the rest of your life and more for the life of your designated dependent.

Second, it will allow you to receive the full monthly health care allotment from the state, and upon retirement at age 65, you can pick up virtually all the cost of your health care coverage through a combined Medicare and PEEHIP or SEIB coverage.

Third, if you have at least 25 or more years of service, you will receive a 2% bonus for every year over 25 years.

PEEHIP members should visit the RSA Web site at www.rsa-al.gov or call 877.517.0020, and SEIB members should visit www.alseib.org or call 866.836.9737 for more information. ■

AN EXAMPLE

Under the new laws effective January 1, 2012, for those who retire before 65 or without 25 years of service the additional cost for PEEHIP or SEIB can be roughly calculated as follows:

- For each year you are below 65, you will pay 1% more of the PEEHIP or SEIB premium.
- For each year of service below 25 years, you will pay 4% more of the PEEHIP or SEIB premium.

Here's an example for a person retiring at 60 with 20 years of service:

- Retiring 60-year-old penalized 1% per year = 5% additional cost for PEEHIP or SEIB coverage
- Retiring with 20 years of service penalized 4% per year = 20% additional cost for PEEHIP or SEIB coverage
- 5% + 20% = 25% more paid by member for PEEHIP or SEIB coverage