



Wolverine Tower—Low Rise G405
 3003 South State Street | Ann Arbor, MI 48109-1278

July 13, 2020

Dear colleague,

This message contains important information about upcoming changes to U-M retiree health benefits. Understanding these changes will help you make the best decision about when to retire and how to budget for health care. We're sending this information now as a courtesy reminder.

Two Changes in 2021: 80 Points to Retire and Years of Service Requirement

The university shares the cost of health benefits with eligible retirees. A series of gradual adjustments to the contribution formula began in 2013 to support the long-term sustainability of the U-M benefit programs.

Two changes will affect faculty and staff who retire in 2021 or later. First, **80 points will be required to retire**, an increase from 79 points in 2019-2020. Points = age + years of eligible service.

Second, the **university contribution to health benefits will be based on accumulated years of service** for those who retire with less than 20 years of service. Compared to retiring in 2020, this change will not affect faculty and staff who retire with 20 or more years of service. **Those with 10 years of service at retirement will see the greatest change.**

Health Benefits Contribution Formula for New Retirees

Year of Retirement	Points Needed to Retire	Years of Service	University Cost-Share* (for retiree)	University Cost-Share* (for dependents)
2020	79	10 or more	80%	50%
2021 or later	80	10 or 11	40%	25%
		12 or 13	48%	30%
		14 or 15	56%	35%
		16 or 17	64%	40%
		18 or 19	72%	45%
		20 or more	80%	50%

*% based on the enrollment weighted average premium of the two lowest cost comprehensive plans. Approximate: Actual costs vary by plan choice, Medicare status and coverage level. Assumes date of service before 2013. If your date of service is 2013 or later, the same rules will apply starting in 2021, but the maximum university contribution you can receive will be lower. Learn more at hr.umich.edu/cost-retiree-benefits.

What Do These Changes Mean for Monthly Costs?

Here is an example of how the different contribution formula in 2021 could impact retiree health plan rates based on years of service, taking 2020 rates as a starting point. (Please note that these figures are intended for illustration only and do not represent actual projected health plan rates in 2021 or beyond. All benefit plan rates are subject to change. Review current rates at hr.umich.edu/retiree-health-plan-rates.)

Example: Single Person Coverage without Medicare

Year of Retirement	Years of Service	Community Blue PPO Monthly Cost	Comprehensive Major Medical Monthly Cost	U-M Premier Care Monthly Cost
2020	10 to 20	\$228 retiree contribution \$486 university contribution	\$75 retiree contribution \$486 university contribution	\$126 retiree contribution \$486 university contribution
2021	10 or 11	\$471 retiree contribution \$243 university contribution	\$318 retiree contribution \$243 university contribution	\$369 retiree contribution \$243 university contribution
	12 or 13	\$422 retiree contribution \$292 university contribution	\$269 retiree contribution \$292 university contribution	\$320 retiree contribution \$292 university contribution
	14 or 15	\$374 retiree contribution \$340 university contribution	\$221 retiree contribution \$340 university contribution	\$272 retiree contribution \$340 university contribution
	16 or 17	\$325 retiree contribution \$389 university contribution	\$172 retiree contribution \$389 university contribution	\$223 retiree contribution \$389 university contribution
	18 or 19	\$277 retiree contribution \$437 university contribution	\$124 retiree contribution \$437 university contribution	\$175 retiree contribution \$437 university contribution
	20 or more	\$228 retiree contribution \$486 university contribution	\$75 retiree contribution \$486 university contribution	\$126 retiree contribution \$486 university contribution

If you are eligible and thinking of retiring before 2021 due to the change in health care contributions, carefully weigh any financial trade-offs involved. These may include less time contributing to retirement accounts and Social Security, which will then have to cover a longer retirement period.

What Are My Options?

- **Continue working to accrue more years of eligible service and a higher university contribution at retirement** – If you wish to retire with the maximum university contribution, you may continue working toward accruing the required 20 years of service.
- **Retire by December 31, 2020** – If you retire before 2021 and are eligible for benefits, you will receive the maximum university contribution once you reach age 62.

Resources and Assistance

Comprehensive resources to support your retirement planning are available online at hr.umich.edu/retire. If you have any questions about your university benefits or the retirement process, please call the SSC Contact Center at 5-2000 from the Ann Arbor campus, (734) 615-2000 locally, or (866) 647-7657 toll free, Monday through Friday from 8 a.m. to 5 p.m. Select option 1 for benefits.

Sincerely,

Benefits Office
University of Michigan