UPSC Retiree FAQs

Medical, Pension, 401K

Retiree Medical

Who qualifies to receive retiree medical benefits?

- Grandfathered employees
- All others who qualify according to below:

  55 years or older with 15 years of service with Kaiser at time of retirement

  Must be Medicare eligible (at age 65 or meets other Medicare eligibility)

Who qualifies as a "grandfathered" employee?

Pharmacists with 10 or more years of service as of January 1, 1990 qualify for retiree medical at age 55 or later

What is KPSA?

Beginning 2028 (or later depending on contract negotiations between now and 2028), Kaiser Permanente Senior Advantage (KPSA) is the Medicare eligible plan for UPSC retirees who are also eligible for retiree medical. This is the same plan that is available to the general public.

What does it mean to be Medicare eligible?

Age 65 or older or otherwise meets Medicare eligibility (younger than age 65 with disabilities, End Stage Renal Disease)

What health plan will I have if I retire between now and 2028?

If you qualify to receive retiree medical upon retirement, you will receive the current active member group plan. You must age 55 or older and have 15 years of service with Kaiser at retirement and you must be Medicare eligible. Coverage begins when Medicare eligible with no cost share. Copays mirror the active member copays ***when you enroll*** which may be later than when you decide to retire.

If I retire now, what health plan will I have in 2028 (or later depending on the results of bargaining between now and 2028)?

Everyone who is eligible for retiree medical, except for grandfathered employees, will be transitioned into the KPSA plan in 2028 (or later)

I want to retire now but I am only 63 years old and not otherwise Medicare eligible. I have 35 years of service with Kaiser. Is there a way to access the Kaiser retiree medical benefit now?

No. With your years of service, you do not qualify as a grandfathered employee. Thus, your retiree medical takes effect only when you become Medicare eligible.

What is the KPSA HRA?

KPSA Health Reimbursement Account. UPSC retirees receive $2000 per year of service for KPSA related expenses including copays and monthly premiums. Optical and dental expenses CANNOT be paid by the KPSA HRA unless optical and dental benefits are included in your selected KPSA plan. At age 85, another $10,000 is loaded into your account. Expenses for you and your spouse may be drawn from this single account. Unless both spouses work for Kaiser under the Alliance, only one account is provided. The spouse continues to draw on this account even if the retiree passes away including the $10,000 reload at age 85 and is available for the surviving spouse or eligible dependent.

Does my spouse also receive a separate KPSA HRA?

No, unless your spouse also worked for Kaiser under the Alliance.

How is the KPSA HRA calculated?

Each Year of Service is based upon 1000 hours of compensated hours including OT, vacation, ESL, Ed Leave, Jury Duty etc. It is NOT prorated. It is all or none. If you have 999 hours of compensated hours in 2019, you do NOT receive the 1 Year of Service for the KPSA HRA. Similarly, if you were compensated 2080 hours in 2019, you would receive only 1 Year of Service for 2019.

When can I use the KPSA HRA?

Beginning in 2028 when the KPSA plan begins, you may use your KPSA HRA for KPSA related expenses. If in bargaining between now and 2028, it is negotiated that the KPSA plan will be further delayed, the availability of the KPSA HRA will mirror that delay.

I am 63 years old and not otherwise Medicare eligible. Can I use the KPSA HRA to pay for Cobra until I am 65 years old and become Medicare eligible for KPSA?

No. The KPSA HRA can only be used when you are Medicare eligible.

What is the Sick Leave HRA?

Sick Leave Health Reimbursement Account. This is an HRA in addition to the KPSA HRA. Your unused post 2014 sick leave (ESL) bank is converted at a rate of 80% tax free into the Sick Leave HRA for premiums and copays for any Kaiser health plan. Optical and dental expenses can be paid by the Sick Leave HRA. (Pre 2014 unused ESL bank hours are converted to **Credited** Years of Service for Defined Benefit Pension Plan calculations. (More on this later)

When can I use the Sick Leave HRA?

Upon retirement at age 55 years or older with 15 years of service and enrollment in a Kaiser Health plan.

I am 63 years old and not otherwise Medicare eligible. Can I use the Sick Leave HRA to pay for Cobra until I am 65 years old and become Medicare eligible for KPSA?

Yes. You can use the Sick Leave HRA to purchase a Kaiser Health plan through Cobra at time of early retirement at age 55 or older and 15 years of service.

What other expenses can I use the Sick Leave HRA?

Copays for both Kaiser and non-Kaiser plans; however, the Sick Leave HRA *cannot* be used for monthly *premiums* even in Areas that do not have Kaiser.

What is the KPSA Premium Subsidy?

Your retiree medical includes a KPSA premium subsidy that can be applied to the **lowest cost KPSA plan in your county**. In the future, if there is a KSPA monthly premium, this subsidy will be used to pay for the monthly premium of that ***lowest cost*** KPSA plan.

I selected a KPSA plan that costs more than the lowest cost KPSA plan that is offered. Can I use the premium subsidy to pay for the that higher cost plan? Can I pocket any balance?

No and No. For example, currently in Los Angeles County the KPSA monthly premium is $0. You do not get to pocket the premium subsidy nor is it rolled over to the next year. Plus, if there were another higher cost KPSA plan offered, you cannot apply your premium subsidy to the higher cost plan. The premium subsidy can only be applied to the lowest cost KPSA plan offered in your county.

How much is the KPSA premium subsidy?

Refer to attached slides

Does my spouse receive a separate KPSA premium subsidy?

Yes, when the spouse reaches age 65 or becomes Medicare eligible. If the employee passes, the spouse continues to receive the KPSA premium subsidy.

What if I move to another Region upon retirement that has Kaiser?

Your KPSA premium subsidy and KPSA HRA moves with you.

What if I move to another geographical local not covered by a Kaiser plan?

You can choose any Medicare plan (Blue Cross, HealthNet etc) and use your KPSA subsidy and KPSA HRA to pay for premiums and copays. (New improved benefit negotiated in 2018—previously use of subsidy and KPSA HRA disallowed for plans in geographical areas not covered by Kaiser)

What about my Sick Leave HRA? Can I use the Sick Leave HRA in a geographical area without a Kaiser plan?

No. Your Sick Leave HRA can only be used for Kaiser Health plan premiums and expenses. However, the Sick Leave HRA can be used for copays for Kaiser and non Kaiser plans.

I am older than my dependent spouse; I am retiree medical eligible and enroll in KPSA at age 65. What is my spouse's (and other qualified dependents') medical coverage?

Your spouse remains in the active member group plan until he/she becomes Medicare eligible. At that time, the spouse is transitioned into your KPSA plan.

Is my KPSA plan free when I become Medicare eligible and qualify for retiree medical coverage?

You are responsible for any KPSA monthly premiums. In addition, you are also responsible for the Income Related Medicare Adjustment Amount (IRMMA) of your Medicare monthly premium for Part B (outpatient) and Part D (prescription) services. Go to www.SSA.gov to project your IRMMA for monthly premiums. (This is in addition to any KPSA monthly premium).

I retired pre-2017, and I am eligible for retiree medical benefits. I get rehired, and then later re-retire. What retiree medical coverage will I be entitled?

BE CAREFUL here.

1) If you get rehired into a benefitted position, when you re-retire, you will receive the 2017 and later plan.
2) Whether you enroll in the pre-2017 plan or not, if you get rehired into a PER DIEM position, upon re-retirement, you will continue with the pre-2017 retiree medical plan as well as while working as a Per Diem(if you enrolled). See chart in slide.

Defined (Traditional) Benefit Pension

What is a Defined Benefit Pension--DBP?

The Employer guarantees the eligible retiree a set monthly dollar amount for life, single lump sum, or different payout variations. The Employer assumes the risk in any stock market events.

Who is eligible for the DBP?

UPSC pharmacists hired prior to Jan 1, 2014

When am I eligible for the DBP?

On the 1st anniversary of hire date after 1000 compensated hours

When do I become vested?

After 5 years of service

What is the difference between Years of Service and Credited Years of Service?

Years of Service is based upon a **prorated** 1000 compensated hours per calendar year and is used to determine **retiree medical eligibility** and for purposes of **DBP vesting.** Years of Service is NOT prorated for purposes of KPSA HRA calculations.

Credited Years of Service is based upon a prorated 1800 or 2000 compensated hours per calendar year and is used for purposes of final DBP calculation.

If I am fully vested and eligible (age 55 or older and 15 years of service, hired prior to Jan 1, 2014), how much will I get in the DBP when I retire?

This will depend on several factors:

- Final Average Monthly Compensation(FAMC) = Average of 1st hour of base pay in your highest consecutive 60 months in the past 120 months x 173.33 hours
- Credited Years of Service
- Multiplier = 1.45%
- Age of retirement (early retirement pension reduction factor if applicable)

I have 900 hours of pre-2014 banked ESL hours at retirement. Do I get to cash it out pre tax at 80$ into an HRA similar to my post-2014 banked ESL hours?

No. However, your 900 hours will be converted to 0.5 Credited Years of Service and added to your DBP calculation.

Can you give me a sample calculation of my monthly DBP benefit?

Lucky Pharmacist is age 65 with 35.5 years of Credited Years of Service and 900 hours of pre-2014 banked ESL hours. His Final Average Monthly Compensation hourly rate is $100/hr.

FAMC= $100/hr x 173.33 hours = $17333

X

Credited years of Service = 35.5 yrs + 0.5 yrs = 40 yrs

X

Multiplier = 1.45%

$17,333 x 40 x .0145 = $10,053/month

What happens to my monthly DBP amount if I elect early retirement at age 58 (must have 15 years of service for early retirement)?

There is a 5% early pension reduction factor for each year of early retirement before age 65. In the above example, if you take early retirement at age 58, your monthly pension amount gets reduced by (5%/yr x 7yrs) 35% to equal $6,534/month. For demonstration purposes only. The actual reduced amount is much less because the average hourly rate at age 58 is much less than at age 65 assuming a 3% yearly across the board wage increase.)

How do I fully maximize my DBP?

- Always get a year of credited service for every single year of employment
- Retire at age 65 or later

How do I maximize the DBP without working FT in the final years of my career?

- Reduce your hours to something more manageable, knowing that you may not always get to a year of credited service
- Retire after age 60. Retiring in your mid/late 50’s leaves a lot of pension income “on the table.”

Remember, wage increases and your age are the primary drivers of a higher pension payment late in your career, not additional hours paid. That’s because 1800 hours paid = 1 credited year of service

1801 hours paid = 1 credited year of service

2080 hours paid = 1 credited year of service

Are Per Diems eligible for the DBP?

Yes, following all other eligibility rules.

Defined Contribution Pension (DCP) or Pharmacist Defined Contribution (PDC)

What is a DCP?

The Employer contributes a set percentage of your annual salary into a 401k type of account without any required contribution from the Employee. The Employee directs the investment of those funds and is fully responsible for its outcome.

Who is eligible for the DCP?

All UPSC pharmacists hired on or after January 1, 2014.

Why do some UPSC pharmacists have a DBP and others have a DCP?

SCAL pharmacists ratified a contract under the Guild to “freeze” everyone’s DBP on Dec 31, 2013. Starting January 1, 2014 everyone transitioned into the DCP. New hires from Jan 1, 2014 and later were placed into the DCP plan. Those with a DBP prior to Jan 1, 2014 did not lose what they previously accumulated in DBP calculations; however, credited years of service no longer accumulated. Calculations for the existing DBP’s were “frozen.”

After the SCAL pharmacists joined UNAC/UHCP and became UPSC, we bargained in 2015, to “unfreeze” the DBP for those who had a DBP. Unfortunately, Kaiser was unwilling to establish a DBP for those hired on Jan 1, 2014 or later. This decision was appealed all the way up to Kaiser’s CEO while he was on vacation but was eventually denied. The unfreezing of the DBP came at an accounting cost of almost $650 million dollars. It was an extremely difficult decision for the negotiating team to risk rejecting the money on the table with no guarantee that the DBP will be established for the Jan 1, 2014 and later new hires. Did we want risk a strike and give up $650,000,000? The practical decision was no, but it was a gut wrenching decision.

How much is Kaiser currently contributing to the DCP?

In 2018 bargaining, the DCP increased from 5% to:

- 6% contribution for years 0-5
- 7% contribution for years 6-10
- 8% contribution after more than 10 years

Are Per Diems eligible for the DCP?

Yes, following all other eligibility rules.

Tax Sheltered Annuity (TSA) or 401K

What is the TSA?

The TSA is essentially a “voluntary” 401k supplemental defined contribution retirement savings plan. **All** pharmacists are automatically enrolled at a pre tax rate of 2% of eligible pay. You may subsequently disenroll at your discretion.

Who is eligible for the TSA?

All pharmacists are eligible on date of hire regardless of employment status or schedule.

Is there an Employer match?

The Employer will match up to 1.25% of your salary, ONLY WHILE YOU ARE ENROLLED IN THE TSA AND MAKING CONTRIBUTIONS.

When will I become vested in the TSA?

The Employer's matching contributions vest 20% per year until after 5 years of employment when you will be fully vested. You are fully vested in your own contributions.

How much can I contribute to the TSA?

Maximum contributions are based upon yearly IRS contribution limits. In 2021, the maximum contribution limits are:

- Under 50 years of age: $19,500/yr
- 50 years and older: $26,000

What is Optimization?

The Employer contributes the TSA match during every pay period an employee contributes. A pharmacist decides to front load TSA contributions in the beginning of the year and contributes the limit by June. The Employer ceases to contribute the match from July to December because the match is dependent on employee contributions. However, as long as the pharmacist is still employed at Kaiser on December 31 of that year, the balance of what the Employer would have contributed from July to December of that year will be "optimized" or restored in the employee's TSA account after the end of the year to ensure the pharmacist receives the full 1.25% of annual earnings. This optimization amount usually appears in the employees TSA account in March or April of the following year.

Does Kaiser offer a Roth 401K?

Yes. Most pharmacists exceed the income threshold for a Roth IRA. You can contribute to a Roth account via a Roth 401K through the Employer on Vanguard.

Both the Roth IRA and Roth 401k are after tax employee contributions; however, the Employer's match is deposited into the pre-tax TSA account.

Disclaimer: Consult your tax account or financial advisor before making any retirement or financial decisions. This is only a guide to assist you in making an informed decision. Nothing on this FAQ constitutes a recommendation or advice. Individual decisions should be based upon personal circumstances. Past performance is not indicative of future results.