

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary.state@leg.wa.gov

Regular Committee Meeting

July 17, 2007
10:00 a.m. - 12:00 p.m.
Senate Hearing Room 4
Olympia

AGENDA

- | | | |
|------------|-----|--|
| 10:00 a.m. | (1) | Approval of Minutes |
| 10:05 a.m. | (2) | Survivor Benefits , Darren Painter, Research Analyst |
| 10:45 a.m. | (3) | Service Credit Issues , Laura Harper, Senior Research Analyst/Manager |
| 11:30 a.m. | (4) | Retiree Access to PEBB , Robert Wm. Baker, Senior Research Analyst |
| 12:00 p.m. | (5) | Adjourn |

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

***Representative Steve Conway,**
Chair

Representative Larry Crouse

Charles E. Cuzzetto
TRS and SERS Employers

***Randy Davis**
TRS Actives

Representative Bill Fromhold

Senator Janea Holmquist

Robert Keller
PERS Actives

***Sandra J. Matheson,** Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Ed Murray

***Glenn Olson**
PERS Employers

Senator Craig Pridemore

***Senator Mark Schoesler,**
Vice Chair

J. Pat Thompson
PERS Actives

David Westberg
SERS Actives

*** Executive Committee**

Persons with disabilities needing auxiliary aids or services for purposes of attending or participating in Select Committee on Pension Policy meetings should call (360) 786-6140. TDD 1-800-635-9993.

(360) 786-6140
Fax: (360) 586-8135
TDD: 1-800-635-9993

2007 Meeting Dates

Full - 10:00am-12:00pm
Exec. - 9:00-10:00am/12:30-2:30pm
 SHR4/ABC, Olympia, WA
 *SHR 1

JANUARY						
M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

FEBRUARY						
M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

MARCH						
M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

APRIL						
M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

January 16, 2007. *meeting cancelled*
 February 13, 2007. *meeting cancelled*
 March 20, 2007. *meeting cancelled*
 April 17, 2007. *meeting cancelled*
 May 22, 2007
 June 19, 2007
 July 17, 2007
 August 14, 2007
 September 18, 2007
 October 16, 2007
 November 13, 2007*
 December 18, 2007

MAY						
M	T	W	T	F	S	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

JUNE						
M	T	W	T	F	S	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

Reserved Subgroup Dates
 SHR4
 * SHR 1, *Wednesday*
 2:00-4:00pm - Mondays

JULY						
M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

AUGUST						
M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

May 21, 2007 . *none scheduled*
 June 18, 2007 . *none scheduled*
 July 16, 2007 . *none scheduled*
 August 13, 2007
 September 17, 2007
 October 15, 2007
 November 14, 2007*
 December 17, 2007

SEPTEMBER						
M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

OCTOBER						
M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

NOVEMBER						
M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

DECEMBER						
M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Select Committee on Pension Policy

Goals for Washington State Public Pensions

Revised and Adopted September 27, 2005

1. Contribution Rate Setting: To establish and maintain adequate, predictable and stable contribution rates, with equal cost-sharing by employers and employees in the Plans 2, so as to assure the long-term financial soundness of the retirement systems.
2. Balanced Long-Term Management: To manage the state retirement systems in such a way as to create stability, competitiveness, and adaptability in Washington's public pension plans, with responsiveness to human resource policies for recruiting and retaining a quality public workforce.
3. Retirement Eligibility: To establish a normal retirement age for members currently in the Plans 2/3 of PERS, SERS, and TRS that balances employer and employee needs, affordability, flexibility, and the value of the retirement benefit over time.
4. Purchasing Power: To increase and maintain the purchasing power of retiree benefits in the Plans 1 of PERS and TRS, to the extent feasible, while providing long-term benefit security to retirees.
5. Consistency with the Statutory Goals within the Actuarial Funding Chapter: To be consistent with the goals outlined in the RCW 41.45.010:
 - a. to provide a dependable and systematic process for funding the benefits to members and retirees of the Washington State Retirement Systems;
 - b. to continue to fully fund the retirement system plans 2 and 3, and the Washington State Patrol Retirement System, as provided by law;
 - c. to fully amortize the total costs of PERS 1, TRS 1 and LEOFF 1, not later than June 30, 2024;
 - d. to establish predictable long-term employer contribution rates which will remain a relatively predictable portion of future state budgets; and
 - e. to fund, to the extent feasible, benefit increases over the working lives of those members so that the cost of those benefits are paid by the taxpayers who receive the benefit of those members' service.

2007 Rules of Procedure

- RULE 1. Membership. The Committee shall consist of 20 members: two from each caucus of the legislature, four active members or representatives of active members of the state retirement systems, two retired members or representatives of retired members of the state retirement systems, four employer representatives, and the Directors of the Department of Retirement Systems and the Office of Financial Management.

The Directors of the Department of Retirement Systems and the Office of Financial Management may appoint alternates from their respective agencies for membership on the SCPP.

- RULE 2. Meetings. The Select Committee on Pension Policy (SCPP) will typically meet once each month during the Legislative Interim. Meetings may be called or cancelled by the Chair of the SCPP or Executive Committee as deemed necessary.
- RULE 3. Rules of Order. All meetings of the SCPP, its Executive Committee, or any subcommittee created by the SCPP shall be governed by Reed's Parliamentary Rules, except as specified by applicable law or these Rules of Procedure.
- RULE 4. Quorum. A majority of the 20 committee members shall constitute a quorum of the Full Committee (11 members). A majority of the members appointed to a subcommittee shall constitute a quorum of the subcommittee.
- RULE 5. Voting. A majority of the 20 committee members must vote in the affirmative for an official action of the SCPP to be valid (11 members); a majority of those committee members present must vote in the affirmative on procedural matters (at least six members), unless provided otherwise in statute or these Rules of Procedure. Examples of official actions of the SCPP include: recommendations, endorsements, statements, or requests made by the SCPP to the Legislature, the Pension Funding Council, or any other body; election of officers; approval of minutes; adopting rules of procedure; and adopting goals. Examples of procedural matters include: convening or adjourning meetings; referring issues to the Executive Committee or subcommittees; and providing direction to staff. A majority of the members appointed to a subcommittee must vote in the affirmative for an official action of a subcommittee to be valid; a majority of those subcommittee members present must vote in the affirmative on procedural matters, unless provided otherwise in statute or these Rules of Procedure.

- RULE 6. Minutes. Minutes summarizing the proceedings of each SCPP meeting and subcommittee shall be kept. These minutes will include member attendance, official actions taken at each meeting, and persons testifying.
- RULE 7. SCPP Chair, Vice Chair, Executive Committee and Subcommittees. An Executive Committee shall be established and shall include six members. Reorganization elections shall take place at the first meeting of the year as follows: First the Chair shall be elected and then the Vice Chair shall be elected. The Chair shall be a member of the Senate in even-numbered years and a member of the House of Representatives in odd-numbered years. The Vice Chair shall be a member of the House in even-numbered years and a member of the Senate in odd-numbered years. Three members of the Executive Committee shall then be elected, one member representing active members, one member representing employers, and one member representing retirees. In addition, the Director of the Department of Retirement Systems shall serve on the Executive Committee.

Executive Committee members may designate an alternate to attend Executive Committee meetings in the event they cannot attend. Designations shall be made in the following manner:

- a. The Chair and Vice Chair shall designate an SCPP member who is a legislator from the same house.
- b. The Director of the Department of Retirement Systems shall designate an employee of the department.
- c. Active, Employer, and Retiree member representatives shall designate an SCPP member representing their member group.

Subcommittees of the SCPP may be formed upon recommendation of the Executive Committee. The creation of the subcommittee and appointment of members shall be voted on by the full SCPP.

- RULE 8. Duties of Officers.
- A. The Chair shall preside at all meetings of the SCPP and Executive Committee, except that the Vice Chair shall preside when the Chair is not present. In their absence, an Executive Committee member may preside.
 - B. The State Actuary shall prepare and maintain a record of the proceedings of all meetings of the SCPP Committee, Executive Committee, and SCPP Subcommittees.

- C. The Executive Committee shall perform all duties assigned to it by these Rules of Procedure, such other duties delegated to it by the SCPP, and shall set meeting agendas and recommend actions to be taken by the SCPP.
- D. A recommendation to refer an issue to the Assistant Attorney General will be approved by the Chair or by a majority vote of the Executive Committee. The Chair or the Committee will consider priorities of the SCPP of all legal issues and budget constraints in making this decision.

Advice from the Attorney General's Office to the Chair or the Committee may be subject to the attorney client privilege. When subject to the privilege, Committee members are advised to maintain the advice as confidential. The privilege may be waived only by vote of the Committee.

- E. The State Actuary may refer requests for information or services by Select Committee on Pension Policy members that are directly related to current Committee projects or proposals and/or require a significant use of OSA resources to either the Chair of the SCPP or the Executive Committee. Such requests will be approved by either the Chair or by a majority vote of the Executive Committee prior to initiation and completion by the OSA. The Executive Committee will consider priorities of all current OSA projects and budget constraints in making this decision.
- F. The State Actuary shall submit the following to the Executive Committee and the full SCPP for approval: the biennial budget submission for the OSA, and any personal services contract of \$20,000 or more that is not described in the biennial budget submission.
- G. The Chair and Vice Chair shall appoint four members of the SCPP to serve on the State Actuary Appointment Committee. At least one member shall represent state retirement systems' active or retired members, and one member shall represent state retirement system employers. The Chair and Vice Chair may designate an alternate for each appointee from the same category of membership.

RULE 9. Expenses. Legislators' travel expenses shall be paid by the member's legislative body; state employees' expenses shall be paid by their employing agency; other SCPP members' travel expenses shall be reimbursed by the Office of the State Actuary in accordance with RCW 43.03.050 and 43.03.060.

RULE 10. Staff. The OSA shall provide staff and technical assistance to the Committee. The State Actuary has the statutory authority to select and employ such research, technical, clerical personnel, and consultants as the State Actuary deems necessary. The State Actuary shall inform the Executive Committee of final personnel actions. Any employee terminated by the State Actuary shall have the right of appeal to the Executive Committee. The State Actuary has also implemented a grievance procedure within the OSA. Any employee who has followed the OSA grievance process and disagrees with the outcome may appeal to the Executive Committee. Employee appeals must be filed in writing with the Chair within 30 days of the action being appealed.

Effective Date June 19, 2007.

Revised June 19, 2007 by the Select Committee on Pension Policy.


Chair - Representative


Vice Chair - Senator

O:\SCPP\2007\6-19-07 Exec\B.2007_Rules_of_Procedure.doc

Select Committee on Pension Policy

REGULAR COMMITTEE MEETING DRAFT MINUTES

June 19, 2007

The Select Committee on Pension Policy met in Senate Hearing Room 4, Olympia, Washington on June 19, 2007.

Committee members attending:

Representative Conway, Chair
Senator Schoesler, Vice Chair
Elaine Banks
Representative Bailey
Representative Crouse
Charles Cuzzetto
Randy Davis

Representative Fromhold
Robert Keller
Doug Miller
Glenn Olson
Senator Pridemore
David Westberg

Representative Conway, Chair, called the meeting to order at 10:05 a.m.

Chair Conway introduced Senator Murray, newly appointed member on the Committee.

(1) Approval of Minutes

It was moved to approve the May 22, 2007 Full Committee Draft Minutes. Seconded.

MOTION CARRIED

(2) Proposed Rules of Procedure

Darren Painter, Research Analyst, reported on "Proposed Rules of Procedure." Discussion followed.

It was moved to approve the Proposed Rules of Procedure. Seconded.

MOTION CARRIED

(3) Washington State Investment Board Update

Gary Bruebaker, Chief Investment Officer, reported on "Washington State Investment Board Update." *Discussion followed.*

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

***Representative Steve Conway,**
Chair

Representative Larry Crouse

Charles E. Cuzzetto
TRS and SERS Employers

***Randy Davis**
TRS Actives

Representative Bill Fromhold

Senator Janea Holmquist

Robert Keller
PERS Actives

***Sandra J. Matheson,** Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Ed Murray

***Glenn Olson**
PERS Employers

Senator Craig Pridemore

***Senator Mark Schoesler,**
Vice Chair

J. Pat Thompson
PERS Actives

David Westberg
SERS Actives

*** Executive Committee**

(360) 786-6140

Fax: (360) 586-8135

TDD: 1-800-635-9993

(4) Contribution Rates

Matthew M. Smith, State Actuary, reported on "Contribution Rates." *Discussion followed.*

(5) Disability Retirement

Robert Wm. Baker, Senior Research Analyst, reported on "Disability Retirement." *Discussion followed.*

(6) 2007 Interim Issues

Public Testimony

The following people testified:

Michael Beranbaum - Teamsters

John Kvamme - Washington Association of School Administrators
and Association of School Principals

Paul Neal - Washington State Troopers Association

Leslie Main - Washington State School Retirees' Association

Cassandra de la Rosa - Retired Public Employees Council

Wendy Rader-Konofalski - Washington Education Association

John H. Sannes - ATULC

Jim Justin - Association of Washington Cities

The meeting adjourned at 12:27 p.m.

In Brief

ISSUES

Six separate proposals dealing with survivor benefits have been brought before the SCPP. The proposals concern extending eligibility for existing benefits, increasing the amount of existing benefits, and the eligibility of certain spouses in the pre-LEOFF 1 Firemen's Relief and Pension plan.

BACKGROUND

Two basic types of survivor benefits are provided in Washington plans: lump sums and annuities. Numerous benefits of each type are found in all the plans.

Beneficiaries may be designated by the member or specified in statute.

There are multiple sources of survivor benefits outside the retirement plans, and survivors may receive multiple benefits.

Darren Painter
Research Analyst
360.786.6155
painter.darren@leg.wa.gov

Survivor Benefits

Extending Eligibility

- 1. Allow survivors of certain PERS 1 inactive members to receive a survivor annuity.** *When a PERS 1 member who has left service and is not retired dies, the survivor receives a refund of contributions. Survivors of eligible active members may choose between a refund of contributions or a survivor annuity.*
- 2. Provide the PERS 2 military service death benefit in all plans.** *In 2007, the survivors of PERS 2 members who die while in military service were allowed the option of receiving a refund of 200 percent of the member's contributions and interest. In most plans, and under most circumstances, refunds are generally limited to the member's contributions and interest.*

Increasing Amounts

- 3. Index the \$150,000 death benefit to changes in a CPI.** *The amount of the benefit has not changed since 1996. The 2006 SCPP recommended indexing the benefit to changes in the CPI-W.*
- 4. Provide an enhanced refund of contributions for members who die before retirement.** *Refunds are generally limited to the member's accumulated contributions and interest. Survivor annuities may be provided in some cases.*

Firemen's Relief and Pensions Plan* (FRP)

- 5. Allow survivors in the FRP plan to continue receiving benefits if they remarry.** *Survivors of members who were disabled or who died in the line of duty are no longer eligible for a survivor pension if they remarry.*
- 6. Provide a survivor option in the FRP plan for post-retirement and certain other marriages.** *Currently, to qualify for a survivor benefit, the spouse must have been married to the member five years prior to retirement.*

**Plan closed in 1970 and all active members transferred to LEOFF 1.*



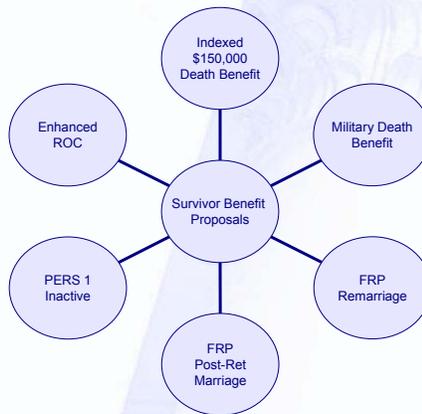
Survivor Benefits

Darren Painter, Research Analyst
July 17, 2007



Goals

- Describe proposals
- Provide context for understanding



Overview

- Understanding survivor benefits
- Understanding the proposals



Understanding Survivor Benefits

- How benefits work
- Types of benefits
- Who receives benefits
- Sources of benefits



How Survivor Benefits Work

- One-time payment or ongoing benefit
- Early access to earned pension benefit
- Distinction between
 - Duty and non-duty death
 - Active, inactive, and retired member death
- May be minimum service requirements
- Multiple benefits provided in plan



Types Of Benefits

- Lump sum (one-time payment)
- Annuity (ongoing payment)
 - May stop at remarriage or age of maturity (child)
- Different purpose for each type
 - Lump sums
 - Address immediate needs
 - Provide temporary assistance during transitional period
 - Annuities
 - Address long-term needs
 - Support standard of living



Examples

- Lump sum (one-time)
 - Fixed dollar amount
 - Percent of accumulated contributions
- Annuity (monthly)
 - Member's accrued pension
 - Fixed percentage of salary
 - Fixed dollar amount

Who Receives Benefits

- Beneficiary - not member
- Two approaches
 - Member designates beneficiary
 - Beneficiary defined in statute
- Statutorily defined beneficiaries
 - Eligibility requirements
 - Married at death
 - Married prior to retirement or death
 - Various for children
 - Public safety plans



Sources

- State
 - Retirement plan
 - Workers' Compensation (L&I)
- Federal
 - Social Security (SSA)
 - Military (DOD)
 - Public Safety Officer (DOJ)
- Life insurance
 - Employer provided
 - Member purchased

Recap

- Two basic types of benefits
 - Lump sums and annuities
 - Different purpose for each type
 - Numerous benefits
- Beneficiaries may be designated or defined
 - Specific eligibility criteria when defined
- Multiple sources of survivor benefits
- Survivors may receive multiple benefits



Understanding The Proposals

- Six proposals
- Three categories
 - Extending eligibility
 - Increasing amounts
 - Spousal eligibility in Firemen's plan
- Most proposals very specific and apply in unique situations



Extending Eligibility

- Survivor annuity for PERS 1 inactive members
- Military service death benefit



PERS 1 Inactive Survivor Annuity

Proposal: Allow survivors of retirement-eligible PERS 1 inactive members to receive a survivor annuity.

- Inactive member dies
 - Survivor receives refund of accumulated contributions
- Active member dies
 - Survivor may have choice
 - Refund of accumulated contributions
 - Survivor annuity (if eligible)
- Annuity is often more valuable than refund - especially if the member was eligible to retire

Military Service Death Benefit

Proposal: Provide the PERS 2 military service death benefit in all plans.

- PERS 2 military service death benefit
 - 200% refund of accumulated contributions for members who die in certain military service
 - Optional
- Provided in PERS 2 in 2007
 - "leap-frogging"
- Most plans limit refunds to 100%
- Plan 3 members don't contribute to DB 

Increasing Benefit Amounts

- Indexing the \$150,000 death benefit
- Enhancing refund of contributions



Indexed \$150,000 Death Benefit

Proposal: Index the \$150,000 death benefit to changes in a CPI.

- \$150,000 lump sum for death from duty-related injury or illness
 - Provided in all plans
 - Amount hasn't changed since 1996
- Studied by SCPP in 2006
- 2007 SCPP legislation
 - Index to cumulative changes in the CPI-W up to 3% a year
 - Indexing provisions removed by Legislature

Enhanced Refund Of Contributions

Proposal: Provide an enhanced refund of contributions for members who die before retirement.

- Survivors may receive a full refund of member's accumulated contributions
- Other refunds
 - LEOFF 2 provides 150% refund
 - PERS 2 provides 200% refund for death in military service
- Some may receive a survivor annuity instead of a refund
- Plan 3 members don't contribute to DB plan 

Spousal Eligibility In Firemen's Plan

- Remarriage of survivors
- Survivor option for post-retirement marriage



Firemen's Relief And Pensions (FRP)

- Pre-LEOFF 1 plan
 - Covered paid members of a fire department
 - Provided retirement, disability, & survivor benefits
- Plan closed on March 1, 1970
 - All active members transferred to LEOFF 1
 - Members retired prior to 3/1/1970 and survivors remained
- Administered by cities and counties
- Benefits entirely paid from local government funds



FRP Remarriage

Proposal: Allow all survivors in the FRP plan to continue receiving benefits if they remarry.

- Survivors of disability retirees and line of duty deaths are no longer eligible for a survivor pension if they remarry
- Survivors of service retirees continue to receive survivor benefit if they remarry

FRP Post-Retirement Survivor Option

Proposal: Provide a survivor option in the FRP for post-retirement and certain other spouses.

- **Beneficiary is defined in statute**
 - Married to the member at least 5 years prior to retirement to qualify for survivor benefits
- **Survivor option**
 - Allow member to designate as beneficiary
 - Post-retirement spouse
 - Spouse married < 5 years prior to retirement
 - Receive an actuarially reduced benefit
 - Similar to LEOFF 1

Recap: Extending Eligibility

- Allow survivors of retirement-eligible PERS 1 inactive members to receive a survivor annuity
- Provide PERS 2 military service death benefit in all other plans



Recap: Increasing Benefit Amounts

- Index \$150,000 death benefit to changes in a CPI
- Enhance refund of contributions for members who die prior to retirement



Recap: Spousal Eligibility in Firemen's Plan

- Allow all survivors to continue receiving benefits if they remarry
- Provide a survivor option for post-retirement spouses and spouses married less than five years prior to retirement



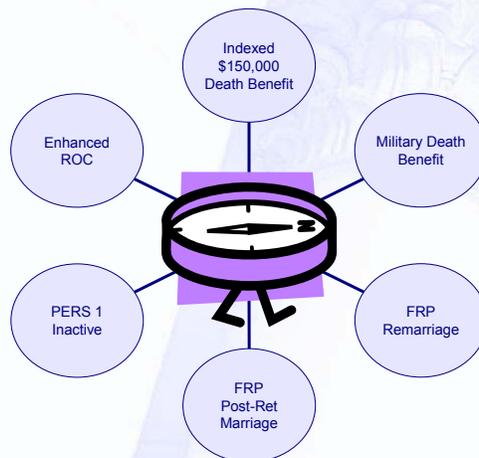
Policy Preview

- Plan consistency
- Equity
- Cost sharing
- Public policy
- Administrative impacts



Next Steps

- What direction?



In Brief

ISSUES

Nine separate proposals dealing with service credit have been brought before the SCPP. The issues fall within three categories: credit for government service outside the Washington State retirement plans, inter-plan service credit transfers, and rules for crediting service for members with alternate work schedules.

BACKGROUND

Service credit is a measure of time in the retirement system. It affects the amount of retirement benefits and when the benefits are received. Service credit is generally granted on a monthly basis. Special rules exist for alternate work schedules.

Service credit is one leg of the “pension triangle”:

$$\begin{aligned} & \text{Multiplier} \\ & \times \text{Service Credit} \\ & \times \text{AFC (salary)} \\ & = \text{Pension} \end{aligned}$$

Laura Harper
Senior Research Analyst,
Manager
360.786.6145
harper.laura@leg.wa.gov

Service Credit Issues

Government Service Outside of Plan

- 1. Allow all members to receive free service credit for time served in the military prior to public employment.** *Members of PERS 1 and WSPRS 1 may receive up to five years of free service credit for military time served prior to public employment.*
- 2. Allow members with 25 years of service to receive interruptive military service credit at no cost.** *All members may currently receive service credit for military service that interrupts public employment by restoring contributions; however members of PERS 1 and WSPRS 1 with 25 years of service may receive up to five years of interruptive military service credit at no cost.*
- 3. Allow Plan 2/3 teachers to purchase out-of-state public education experience after two years of employment.** *Plan 2/3 teachers are required to have five years of service in the plan before they may purchase service credit for out-of-state public education experience.*
- 4. Allow members to purchase service credit for public employment in other states.** *Only TRS 2/3 members have the option to purchase service credit for out-of-state public employment.*

Inter-plan Service Credit Transfers

- 5. Allow Department of Fish and Wildlife (DFW) Enforcement Officers to transfer prior PERS service to LEOFF 2.** *When DFW Enforcement Officers were transferred from PERS to LEOFF 2 in 2003, they became dual PERS/LEOFF members and their PERS service remained in PERS.*
- 6. Stop the automatic transfer of PERS service to SERS upon employment in a SERS position.** *PERS 2 members who are hired into a SERS position have their PERS service credit transferred to SERS. This transfer was originally intended to facilitate the initial*

creation of the SERS system in 2000, but no sunset provision was enacted.

Alternate Work Schedules

- 7. Allow an option for TRS 2/3 members working 630-809 hours to receive a “half-year” (six months) of service credit as long as they work at least five months.** *This proposal is intended to address teachers who work full time but for only part of the year. Currently, teachers working 630-809 hours must work nine months to get six months of service credit under the partial service credit method. PERS and SERS school district employees have similar service credit rules.*
- 8. Allow TRS 2/3 members to retire on July 1 and receive a full year of service credit for the final year of their contract.** *Members who retire on July 1 do not receive service credit for July and August. While most teacher contracts pay salary during July and August, most administrator contracts do not.*
- 9. Allow members employed in multiple positions to receive additional service credit.** *A member may receive at most one month of service credit in a given month - no matter how many hours the member works or positions the member holds.*

O:\SCPP\2007\7-17-07 Full\3.Service_Credit_Issues.doc



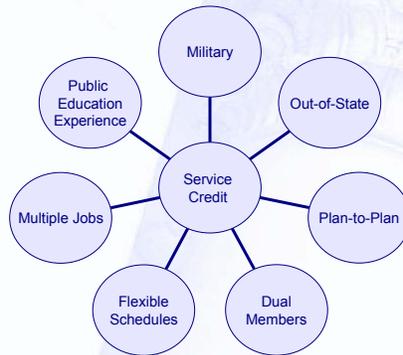
Service Credit Issues

Laura Harper, Senior Research Analyst/Manager
July 17, 2007



Goals

- Provide context for understanding service credit issues
- Describe proposals



Overview

- Understanding service credit
 - How it works, what it affects
- Nine proposals



How Service Credit Works

- Measure of “time” worked in the retirement system
- Expressed in months (or years for TRS 1)
- Based on hours worked
 - One month work = one month service credit
 - Special rules
 - Part-time
 - Educational employees
 - Multiple jobs

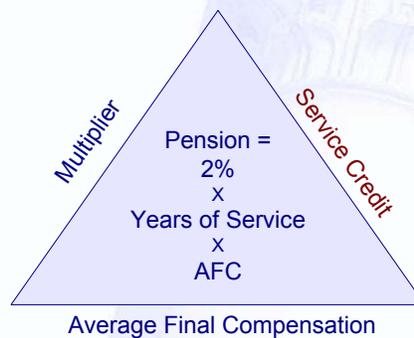


Affects Receipt of Pension

- Right to a benefit (“vesting”)
 - Service credit years
- Timing of benefit (retirement “eligibility”)
 - Age
 - Service credit years

Affects Benefit Amount

“Pension Triangle”



Recap: Understanding Service Credit

- Measure of time worked
- Affects right to a benefit (vesting)
- Affects timing of benefit (eligibility through age and service)
- Affects amount of benefit (benefit formula)



Understanding the Proposals

- Nine proposals
- Three categories
 - Service outside plan
 - Plan-to-plan transfers
 - Alternate work schedules



Service Outside Plan

- Military time
- Public education experience
- Other public employment



Military Service

- May “interrupt” public employment (“interruptive”)
- May occur prior to public employment (“prior”)
- Treated differently under the plans

Military - Interruptive Service

Proposal: Improve the terms for receiving service credit for time in the military that interrupts state employment.

- Minimum standards set by federal Law (USERRA)
- Available to all members
 - Repayment of contributions required
 - Exceptions: PERS 1, LEOFF 1 & WSP 1
- Free interruptive service in other plans?
- Other cost relief?

Military - Prior Service

Proposal: Allow more members to receive prior military service credit.

- Governed by state law
- PERS 1 and WSP 1 only
 - Up to 5 years free (interruptive, prior or combo)
 - 25 years service credit in plan required
 - Meet state's definition of "veteran"
- Extend to other plans?
- Other cost relief?

Public Education Experience

Proposal: Allow Plan 2/3 teachers to purchase credit for service outside the plan after two years in TRS.

- After five years in TRS, members may purchase service for “public education experience” outside the plan
 - Teaching in public schools
 - Other states or federal
 - Up to seven years
- Member pays full actuarial cost
- Make purchase opportunity available to teachers after two years?

Other Public Employment

Proposal: Allow members to purchase service credit for public employment in other states.

- Currently two approaches, only in TRS
- Purchase “public education experience”
 - One-time purchase at full actuarial cost
 - Treated like any other service credit
- Use out-of-state service credit for eligibility only
 - No “purchase” or increase in benefit amount
 - Actuarial reduction for early retirement
- Extend either approach to other plans?

Plan-To-Plan Transfers

- Fish & Wildlife officers
- SERS auto-transfer



Fish & Wildlife Enforcement Officers

Proposal: Allow Fish & Wildlife Enforcement Officers to transfer prior PERS service to LEOFF 2.

- Enforcement Officers originally in PERS
- Moved to LEOFF 2 in 2003
- PERS service stayed in PERS
- Members can use dual membership to combine service
- Move all service to LEOFF 2 and pay benefit from only one plan?

SERS “Auto-Transfer” Provision

Proposal: Stop automatic transfer of PERS service to SERS upon employment in a SERS position.

- Example: PERS 2 member gets a part-time SERS position
 - All PERS service is automatically transferred to SERS
- “Auto-transfer” was designed for initial creation of SERS
 - School employees transferred from PERS to SERS when plan opened
 - No “sunset” clause
- Was this the intended effect?
- Should the practice end?

Dual Membership Implications

- Optional program for members of multiple plans
 - Combine service for eligibility
 - Use highest base salary to calculate benefits from each plan
- Fish & Wildlife transfer would “by-pass” dual membership
- Ending SERS “auto-transfer” would be consistent with dual membership



Alternate Work Schedules

- TRS 2/3 “half-year” contracts
- TRS 2/3 final year contracts
- Service credit for multiple positions



TRS 2/3 Half-Year Contracts

Proposal: Change “half year” service credit provisions to better accommodate job-sharing.

- Special rules to accommodate teaching schedules
 - 810 hours and 9 months = 12 months of service
 - 630 hours and 9 months = 6 months of service
 - Less than 9 months = month by month
- Under full-time job-sharing, member hits 630 hours in five months
- Create a new option for awarding a “half year” of service credit?

TRS 2/3 Final Year Contract

Proposal: Allow TRS 2/3 members to retire on July 1 and receive a full year of service credit.

- Service is based on a school year (9/1- 8/31)
- Service (teaching) is usually completed by end of June
- Lose service credit if retire July 1
 - Receive 10 months for final school year instead of 1 year
 - Can't be retired and earn service credit
 - Some TRS members paid in July/August, some not
- Change service credit provisions?

Multiple Positions

Proposal: Allow members simultaneously employed in multiple positions to receive additional service credit.

- General rule: No more than 1 month service in a month
- Multiple positions
 - Pool hours for service credit (1 mo. max. still applies)
 - Pool compensation for AFC
 - AFC "side" of the pension triangle is increased
 - Multiplier x Service Credit x AFC = higher benefit
- Change the 1-month maximum for members with two jobs?

Recap: Service Outside Plan

- Extend the more favorable military service credit provisions found in certain closed plans to other plans.
- Consider a shorter eligibility requirement for purchasing credit for public education experience outside of TRS 2/3 (from five years to two).
- Create new options for utilizing service earned for out-of-state public employment.



Recap: Inter-plan Transfers

- Allow DFW Enforcement Officers to transfer PERS service to LEOFF 2 (in lieu of dual membership).
- Stop the automatic transfer of credit from PERS to SERS (consistent with dual membership).



Recap: Alternate Work Schedules

- Change service credit provisions affecting TRS 2/3 “half-year” contracts to better accommodate job sharing.
- Allow TRS 2/3 members retiring July 1 to receive a full year of service instead of 10 months.
- Allow additional service credit for members working two jobs simultaneously.



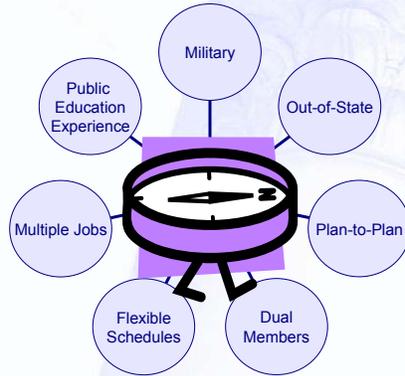
Policy Preview

- Plan consistency vs. need for unique benefits
- Equity
- Cost-sharing policies
- Cost controls
- Public policies
- Human resource issues
- Administrative impacts
- Compliance



Next Steps

■ What direction?



In Brief

ISSUE

Access to health insurance has become a major retirement issue. Health insurance is a significant expense and a stable source of insurance may help maintain the adequacy of retirees' retirement benefits.

Two proposals are before the SCPP this interim. One seeks to expand the class of members eligible for PEBB insurance; the other seeks an additional enrollment window for retirees currently ineligible for PEBB insurance.

These proposals touch on two major benefit policies: who should receive a benefit, and when should they receive it.

Each proposal has fiscal impacts outside the retirement plans.

Robert Wm. Baker
Senior Research Analyst
360.786.6144
Baker.Robert@leg.wa.gov

Retiree Access To PEBB

Current Situation

Access to health insurance, and its cost, has become a significant issue for retirees, particularly for those who leave employment before Medicare eligibility at age 65. The cost of health insurance continues to rise faster than the average change in consumer prices. As a result, it absorbs an ever-greater share of retirees' income, and can diminish the adequacy of their remaining retirement benefits. Access to health insurance has also diminished over time as some insurers have stopped offering coverage in certain geographic regions, leaving policy holders with less choice in their health insurance.

Two proposals regarding access to health insurance have been brought to the SCPP this interim. One proposal would expand the class of members eligible to access the Public Employees' Benefits Board (PEBB) health insurance. The other proposal would provide an additional enrollment window for retirees currently ineligible for PEBB health insurance. These proposals broach two major policy issues – who should have access to PEBB health insurance, and when they should receive that access. To help the SCPP decide whether to study these issues in greater depth, this paper includes the following elements:

- ◆ A description of PEBB;
- ◆ Descriptions of the current policies governing retiree access to PEBB health insurance;
- ◆ Descriptions of two proposals brought to the committee; and,
- ◆ Policy framework and questions for discussion.

What is PEBB?

The state of Washington, through the PEBB program, provides medical, dental, life, and long-term disability coverage (and offers optional insurances) through private health insurance plans, and the Uniform Medical Plan (UMP), to eligible state and higher-education employees as a benefit of employment.

PEBB provides insurance to eligible active and retired state, K-12, higher-ed, and other public employees

Eligible retirees, former employees, and employees who are temporarily not in pay status may apply for most PEBB coverage on a self-pay basis. In addition, K-12 school districts and other political subdivisions may also choose to provide PEBB coverage to their employees and retirees.

The Public Employees Benefits Board, created within the Washington State Health Care Authority (HCA), establishes eligibility requirements and approves employee premium contributions and the benefits of all participating health care organizations.

Under current policies PEBB health insurance is provided to eligible employees as a benefit of employment, and to eligible retirees at subsidized rates.

Two Proposals

Two proposals regarding PEBB health insurance access were forwarded to the Select Committee from active and retiree representatives. These proposals relate to who should receive a benefit and when they should receive it.

Plan 2 Term-Vested PEBB Access

Proposal: Provide PEBB access to Plan 2 term-vested members age 55 with ten years of service.

The first proposal is from active member representatives and is related to who may access PEBB health insurance. Member representatives propose allowing Plan 2 members who terminate employment at age 55 or later, and who have at least ten years of member service, to have access to PEBB health insurance.

Current policy: Active members and retirees have access to PEBB health insurance.

Term-vested members are not employed in an eligible position and are not receiving a retirement benefit.

Plan 2 members who terminate employment at age 55 with ten years of service would be classified as "terminated-vested" members. Terminated-vested members are inactive – not currently employed in an eligible position. They are vested and meet the minimum service to qualify for a benefit. However, they are not receiving a retirement benefit, either because they do not yet meet the age requirements, or they chose to defer receiving a benefit. As of the 2005 actuarial valuation, there were 24,120 term-vested members in the Plans 2 (see Figure 1, next page).

Figure 1				
Terminated Vested Members by System and Plan				
System	Plan 1	Plan 2	Plan 3	Total
PERS	2,833	17,941	1,793	22,567
TRS	1,328	2,536	3,158	7,022
SERS	---	3,073	2,491	5,564
LEOFF	7	570	---	577
WSPRS	44	0	---	44
Total	4,212	24,120	7,442	35,774

Source: 2005 Actuarial Valuation Report

Plan 3 members may receive an actuarially reduced benefit at age 55 with ten years of service.

Since current policy provides for PEBB health insurance access at retirement for all systems and plans, what is significant about age 55 with ten years of service? That can be answered by distinguishing when a member is eligible to retire in the various plans. While a member who is age 55 with ten years of service does not qualify for a retirement benefit in any of the Plans 1 or Plans 2, that member would qualify to receive an actuarially reduced early retirement benefit in the Plans 3 (see Figure 2).

Figure 2	
Earliest Retirement Eligibility by System and Plan	
System / Plan	Age / Service Requirements
PERS 1 & TRS 1	Any age / 30 years
PERS 2, SERS 2, & TRS 2	Age 55 / 20 years
PERS 3, SERS 3, & TRS 3	Age 55 / 10 years
PSERS	Age 53 / 20 years
LEOFF 2	Age 50 / 20 years
WSPRS	Any age / 25 years
Higher Education	Age 55 / 10 years

Because the age and service requirements for retirement differ by system and plan, the age and service at which a retiree may access PEBB health insurance will also differ. Beyond the age and service requirements are other

differences between the plans in how a retiree is defined; these differences are based on the underlying retirement policy.

What is a Retiree?

Plans 1 and Plan 2 members must be in receipt of a benefit to be considered retired.

Under the systems and plans that provide a defined benefit (DB) – the Plans 1 and Plans 2 – a retiree is a member in receipt of a retirement benefit. These plans were meant to provide full benefits at the end of a member's public career (Plans 1), or at the end of a member's working life (Plans 2). This characterization also applies in the Higher Education defined contribution (DC) plans.

Under the Plans 3, the hybrid DB-DC plans, a retiree is a member who separates from employment and is eligible to receive a retirement benefit. A member does not actually have to be receiving a benefit to be classified as a retiree.

Plans 3 members do not have to receive a benefit to be considered retired.

Why the Difference?

Why are Plan 3 retirees different from other plan retirees? The distinction can be traced back to the reasons behind the creation of the Plans 3. Beginning in 1990 the Joint Committee on Pension Policy (JCPP) undertook a major study of the retirement age policy in the Plans 2. After studying Washington's retirement age policy, population demographics and projections, as well as employee, employer, and taxpayer concerns with the Plan 2 retirement age, the JCPP published the [Plan 2 Retirement Age Report](#). Based on this study, the JCPP developed policies and plan designs that culminated in the creation of the Plans 3.

The following policies were born from this process:

- ◆ Retirees should have more flexibility in determining the form and timing of their benefit
- ◆ Plan design should be as neutral as possible in its effect on employees:
 - It should not inhibit employees from changing careers or employers.
 - Employees should not be encouraged to stay in jobs they consider highly stressful.
 - Employees should not be encouraged to seek early retirement.

The intent section of the legislation that created the first of the Plans 3, TRS 3 (Chapter 239, Laws of 1995) stated...

"It is the legislative intent to create a new public retirement system that balances flexibility with stability, provides both increased employee control of investment and responsible protection of the public's investment in employee benefits, and encourages the pursuit of public sector careers without preventing employees from transitioning into other public or private sector employment."

The Plan 3 design was not designed to facilitate earlier retirement, but rather was meant to help facilitate a member's transition from career to career throughout their working life. As a result, the Plans 3 have distinctive provisions that afford members that flexibility. For instance, members may receive:

The Plans 3 were not designed for earlier retirement, but to help members transition into other public or private sector employment.

- ◆ An actuarially reduced early retirement benefit at age 55 with at least ten years of service.
- ◆ A deferred indexed defined benefit at age 55 with at least 20 years of service.

An example of member flexibility would be a Plan 3 member "retiring", accessing their DC account, and deferring receipt of their defined benefit. The DC account could be used as a bridge benefit while the member engages in a new career and ages into a lesser reduction in their defined benefit.

The question becomes: is access to PEBB health insurance for Plan 3 members at age 55 with ten years of service a purposeful product of the retirement plan design, or just an arbitrary mixing of statutorily defined benefits? If such health insurance access is by design, what would be the rationale for extending that to the Plans 2? If such access is arbitrary, what would be the rationale for not extending the same access to the Plans 2?

Is there any rationale for extending or not extending PEBB access to Plan 2 members at 55 years of age with 10 years of service?

Policy Implications

Under current policy, active members and retirees have access to PEBB health insurance. Under the active member proposal, term-vested Plan 2 members who were age 55 with at least ten years of service would be eligible for PEBB health insurance. The policy implications of this proposal are:

- ◆ It would establish a new policy allowing select inactive members, other than retirees, access to PEBB health insurance.
- ◆ It would provide access to PEBB health insurance to those who may have access to health insurance through other employment.
- ◆ It would provide access to PEBB health insurance at the same age and service for Plan 2 members as Plan 3 members.
- ◆ It would provide Plan 2 members with greater flexibility in determining when and how they retire.
- ◆ It may be a recruitment tool for employers, but could discourage retention.

Health insurance benefits are financed outside the retirement systems and will not have a direct cost to the retirement plans but will still have a cost to the state.

Fiscal Implications

Because health insurance benefits are financed outside the retirement systems, changes in the policies and benefits will not necessarily have a direct cost to the retirement plans. This assumes these benefits do not result in members taking earlier retirement. But any changes that add members to eligibility will have a cost to the State because of the implicit subsidy for those retiring before Medicare eligibility. This subsidy is a result of retirees paying active member premiums and therefore paying less than they would otherwise.

The cost to provide subsidized insurance to term-vested Plan 2 members is outlined in the HCA fiscal note prepared for HB 1284 / SB 5427. This legislation was before the 2007 legislature and would have granted PEBB access to separated members of the Plans 2 who were age 55 with ten years of service credit. PEBB access would have been prospective for members of TRS and SERS, and retroactive to March 1, 2002, for members of PERS. The HCA estimated total costs of approximately \$11.0 million in 2007-09, \$15.9 million in 2009-11, and \$15.9 million in 2011-13.

Proposal: Provide a PEBB enrollment window for members retired prior to 1/1/2001 who can provide proof of continuous health insurance coverage.

Second Chance PEBB Enrollment

The second proposal is from retiree member representatives and is related to when members may access PEBB health insurance. Retiree representative propose to provide a second PEBB health insurance enrollment window for all state and K-12 members who

retired prior to January 1, 2001, and who can provide proof of continuous health insurance coverage.

Retirees may enroll, or defer enrollment, in PEBB health insurance within 60 days after retirement.

The policies governing retiree health insurance access have changed over time. Originally, school retirees did not have access to PEBB health insurance. In 1993, legislation granted school employees and school retirees access to PEBB health insurance and provided an enrollment window for those who were currently retired and for those who would retire during the enrollment window.

Member eligibility for PEBB insurance and PEBB deferral policies have changed over time.

Not all retirees chose to participate during the enrollment window. Those who did not likely chose to remain with insurance coverage that was, at the time, less costly than the available PEBB premiums. Over time, however, that original cost advantage may have disappeared. It may have disappeared for a number of reasons: as members age they are at greater risk of illness which adds to the cost of insurance; they may be in a shrinking risk-pool which would also add costs; and their original insurer may have stopped providing policies in their geographic region which diminishes members' choices and adds costs.

Retiree Deferred Enrollment

PEBB's deferral policy changed as a result of a policy decision by the board.

The other retiree health insurance policy that has changed relates to deferred enrollment. Deferring enrollment means a member does not have to enroll immediately upon retirement, but may wait until a later date. This may allow the member to participate in health insurance through another employer or under their spouse's policy. Until January 1, 2001, retirees were not allowed to defer enrollment in PEBB health insurance. Retirees who wanted to participate in PEBB health insurance simply enrolled within 60 days after retirement.

When is legislative action required to change PEBB insurance access policy?

After release of the Retiree Access Study in March of 1998, PEBB decided to increase retiree access to health insurance by establishing a deferral policy. This change was not mandated by legislation, it was purely a policy decision on the part of the Board. This leads to several questions. How much can the Board change health insurance access policies? When is legislative action required to change PEBB health insurance access policy?

Since January 1, 2001, retirees have been able to defer coverage if they were enrolled in comprehensive employer-sponsored medical coverage, and they sent the

Continuous enrollment is an assurance of insurability.

appropriate enrollment form to PEBB requesting deferral. Retirees who have deferred enrollment can enroll in PEBB health insurance in the future by sending the appropriate enrollment form and providing proof of continuous enrollment in comprehensive employer-sponsored coverage. Having continuous insurance coverage is a standard among insurers providing assurance that those who enroll are insurable.

Policy Implications

Current Policy: Retirees may enroll, or defer enrollment, in PEBB health insurance within 60 days after retirement.

Under the retiree proposal, school employees who retired prior to January 1, 2001, and who can provide proof of continuous health insurance coverage, would be allowed to enroll in PEBB health insurance during a second enrollment window. The policy implications of this proposal are:

- ◆ Retirees would be allowed to select insurance coverage after-the-fact.
- ◆ It would add higher-cost retirees to the PEBB risk-pool.
- ◆ It would provide past retirees with options similar to those available to current retirees.
- ◆ It may result in requests to provide other second chance windows for other benefits for other employee groups.

Fiscal Implications

Any changes that add members to eligibility will have a cost to the state.

Because health insurance benefits are financed outside the retirement systems, changes in the policies and benefits affecting retirees will not have a direct cost to the retirement plans. This assumes these benefits do not result in members taking earlier retirement. But any changes that add members to eligibility will have a cost to the State because of the implicit subsidy provided to those retiring before Medicare eligibility and the explicit subsidy provided to those who are Medicare eligible. The implicit subsidy is a result of retirees paying active member premiums and therefore paying less than they would otherwise. The explicit subsidy is a fixed dollar amount that

is adjusted each year, and is available to members covered under Medicare Parts A and B.

Legislation was introduced in the 1999 session that would have granted PEBB access to retired or disabled school district or educational service district employees, or retired state employees, who did not participate in the original 1993 PEBB enrollment window (HB 2023 / SB 5807). Because of the date of this legislation, and changes in the retiree proposal, no fiscal impact data are available at this time.

Policy Questions

Who should be eligible for a benefit, and when should they receive it?

Benefit policies tend to be based on several fundamental considerations – who should receive the benefit, and when they should receive it. Both of these Retiree PEBB Access issues broach those very policies. Other policy considerations center on whether any new policy is a significant departure from existing policy or is in conflict with other policies.

SCPP members may want to consider the following questions during their decision-making process:

- ◆ Should retirement system members other than actives and retirees have access to PEBB health insurance?
- ◆ When should members have access to PEBB health insurance?
- ◆ Should all plans have similar PEBB access provisions?
- ◆ Should retirees and term-vested members have the same or similar options regarding their health insurance benefits as active members?

Stakeholder Input

Washington Association of School Administrators (WASA), Association of Washington School Principals (AWSP) [see attachment].

Washington State School Retirees Association (WSSRA) [see attachment].

Conclusion

Access to health insurance is a major issue facing retirees.

Health insurance has become a major issue facing retirees. The cost and access to health insurance has a significant impact on the adequacy of retirement benefits. Many public employees have access to PEBB health insurance as a benefit of employment, and are able to access PEBB health insurance in retirement at subsidized rates.

Does the Committee want to study the Retiree PEBB Access issue, or either of these proposals, in greater depth?

Two proposals are before the SCPP: one would allow plan 2 terminated-vested members age 55 and older with a minimum of ten years service to have access to PEBB health insurance coverage; the other would provide school employees who retired prior to January 1, 2001 an additional enrollment window to participate in PEBB health insurance. These proposals seek to change who may access PEBB health insurance, and when that access is granted. These proposals raise questions regarding who should have access to PEBB health insurance, and when should members have access? Each has policy implications and fiscal impacts to the State.

The Executive Committee of the SCPP will consider whether the Retiree PEBB Access issue, or either of these proposals, warrants further study.

O:\SCPP\2007\7-17-07 Full\4.Retiree_Access_to_PEBB.doc



Retiree PEBB Access

Robert Wm. Baker, Senior Research Analyst
July 17, 2007



Office of the State Actuary
"Securing tomorrow's pensions today."

Presentation Elements

- Background
- What is PEBB?
- Current PEBB access policies
- Two Proposals
- Process question



Office of the State Actuary
"Securing tomorrow's pensions today."

O://SCPP/2007/7-17-07 Full/4.Retiree_Access_to_PEBB.ppt

1

Background

- SCPP Briefed in 2004
- Health insurance cost and access a significant retiree concern
 - Cost rising faster than other consumer prices
 - Access diminishing as some insurers stop offering policies

Pension Benefits & Retiree Health Benefits

- Retiree health benefits paid outside the retirement plans
 - Retiree health benefits are "retirement" benefits
 - Retiree health benefits are not "pension" benefits
- Active and retiree health benefits administered by HCA
 - Coordinated with DRS for payment purposes
- Health care issues before other Legislative committees

What Is PEBB?

- Public Employees Benefits Board
 - Under the Washington State Health Care Authority (HCA)
- Provides medical, dental, life, and long-term disability coverage through private health insurance and the Uniform Medical Plan (UMP)



Who Has Access To Insurance Through PEBB?

- State employees
- K-12 employees
- Higher Education employees
- Certain employees of political subdivisions



When Do Members Have Access?

- When working as a benefit of employment
- When “retired” at subsidized premiums



Two Proposals

Proposals seek to expand member eligibility for health insurance access



Member Proposal

Allow terminated-vested PERS 2, TRS 2, and SERS 2 members who are at least age 55, and have at least 10 years of service, to access health insurance through PEBB.



Current PEBB Policy

Who may access PEBB health insurance when they leave employment?

- Retirees
- Elected members leaving public office



Terminated - Vested Plan 2 Members

- Inactive
- Vested (5 years of service)
- Not receiving a retirement benefit



Earliest Retirement Eligibility

System / Plan	Age / Service Requirements
PERS 1 & TRS 1	Any age / 30 years
PERS 2, SERS 2, & TRS 2	Age 55 / 20 years
PERS 3, SERS 3, & TRS 3	Age 55 / 10 years
PSERS	Age 53 / 20 years
LEOFF 2	Age 50 / 20 years
WSPRS	Any age / 25 years
Higher Education	Age 55 / 10 years

What Is Retirement for PEBB Purposes?

- Plans 1, Plans 2, and Higher Ed plans
 - When a member is in receipt of a retirement benefit
- Plans 3
 - When a member has separated and is **eligible** to receive a retirement benefit



Plan 3 Legislative Intent

"... a new public retirement system that balances flexibility with stability, ... encourages the pursuit of public sector careers without preventing employees from transitioning into other public or private sector employment."

Plan 3 Retirement Scenario

- Access DC account as bridge benefit
- Defer DB to age into a lesser reduction or accrue an “indexed” benefit



Term-Vested PEBB Access Policy Considerations

- It would provide access to Plan 2 members who are neither active nor retired
- It may provide access to those who have access to health insurance through other employment
- It would provide access at the same age and service for Plan 2 members as is provided Plan 3 members
- It may provide Plan 2 members with greater flexibility in determining when and how they retire
- It could be a recruitment tool but may discourage retention

Fiscal Considerations

- No cost to retirement plans
 - If no changes in retirement behavior
- Cost to State to provide health insurance subsidy to pre-Medicare retirees
 - Older members pay active member premiums and therefore pay less than they would otherwise
 - Costs determined by HCA



Retiree Proposal

- Provide a PEBB health insurance enrollment window for state and K-12 members who retired prior to January 1, 2001, and who can provide proof of continuous health insurance coverage



Current PEBB Policy

When may retirees access PEBB health insurance?

- Members may enroll, or defer enrollment, within 60 days after retirement



Changes in PEBB Access

- School retirees added in 1993
 - Enrollment window
 - Legislative mandate
- Retirees allowed to defer enrollment in 2001
 - Retiree PEBB Access Study
 - PEBB Policy decision



Individual Retiree Health Insurance Cost Factors

- Increased age = increased risk
- Possible diminishing size of risk-pool
- Possible loss of original insurer
- Health care inflation



Second Chance Policy Considerations

- After-the-fact selection
- Adding high-cost retirees to risk pool
- Rolling "windows"
- Consistency
 - Annual open enrollment for active members
 - Deferred coverage for current retirees

Fiscal Considerations

- No cost to retirement plans
 - If no changes in retirement behavior
- Cost to State to provide health insurance subsidies
 - Retirees under age 65 pay active member premiums and therefore pay less than they would otherwise.
 - Retirees enrolled in Medicare parts A and B receive a statutorily defined dollar amount
 - Costs determined by HCA



Presentation Review

- Background
- What is PEBB?
- Current PEBB access policies
- Two proposals



SCPP Process Question

- What role, if any, should the SCPP take in regards to retiree health benefits?
 - Input to PEBB
 - Coordinate with health care committees
 - Endorse legislation
 - Recommend legislation



WASA & AWSP Tentative 2007 Interim Retirement Issues

- **Plan 3 Vesting:** Take away the age requirement for vesting in Plan 3. Make vesting available after five years of service like other retirement plans. HB 1941 from the 2007 session would accomplish this issue. We recommend that the SCPP recommend such legislation.
- **Survivor Benefits:** Provide improved survivor benefits to members of TRS, SERS and PERS in Plans 1, 2 and 3. As a start provide survivor benefits to those members that are qualified to retire under early or regular retirement in each of the plans. HB 1838 from the 2007 session was one attempt at getting started with this issue. It would have provided the survivors of Plan 1 TRS or PERS both the employee and employer contributions plus interest if the member had at least 30 years of service. Another approach would be to provide the survivor 200% of the employee's contributions similar to what was done in an amendment to 2SHB 1266, death benefit bill, from the 2007 session. We recommend that the SCPP study this whole issue and make recommendations to the 2008 session.
- **Plan 3 Improvement:** Many Plan 3 members felt short-changed in the 2007 session bill EHB 2391, gain-sharing trade-off. Probably SERS 3 members received the smallest trade since more than a majority of these members will not attain 30 years in the system and, therefore will not benefit from the new early retirement reductions. Also, any Plan 3 member that is already retired receives no trade and that retiree loses the benefit of future gain-sharing distributions. We recommend that the SCPP examine this issue during the interim and make recommendations for improved trade-off for some of these Plan 3 members and retirees.
- **Plan 1, 2 & 3 Military Service:** Allow Plan 1 TRS members after 25 years of service to purchase up to five years of service credit for uninterrupted military service. During the 2007 session HB 1843 and SB 5695 were introduced. Presently PERS Plan 1 members receive this service credit without paying for it. HB 1843 and SB 5695 lower the cost of the Plan 1 military bills significantly by requiring the member to pay one-half of the actuarially equivalent value of the increase in the member's benefit. Also during the 2007 session SB 6009, Plan 2 Military Service Credit, was introduced and received a hearing in Senate Ways and Means. It called for PERS members with 25 years of creditable service to receive, without cost up, to five years of service credit for interrupted or uninterrupted military service. We recommend that the SCPP review these military service credit issues and approve recommendations to the 2008 legislature.
- **Plan 2 & 3 Final Year Contract:** Make provision so that TRS Plan 2 and 3 members can receive a full year (12 month) service credit for their final year's work when retiring on July 1. We recommend that the SCPP review this issue and make recommendation regarding any possible legislation that could alleviate this situation.
- **Out of State Service:** Allow TRS Plan 2 and 3 members to purchase out-of-state service credit after serving two years in this state instead of five as proposed in SHB 1200 from the 2007 legislative session. We recommend that the SCPP make recommendation regarding this issue.
- **Plan 2 Access to PEBB:** Allow Plan 2 members access to the Public Employee Benefit Board (PEBB) health plans upon separation (not just retirement) from service at age 55 with at least 10 years of service. HB 1284/SB 5427 from the 2007 legislative session would accomplish this issue.

RECEIVED

MAY 22 2007

Office of
The State Actuary

Hyde, Elizabeth

From: LESLIE MAIN [LESLIE@WSSRA.ORG]
Sent: Wednesday, June 27, 2007 3:43 PM
To: Office State Actuary, WA
Subject: Amendment of WSSRA's Request Regarding a PEBB 2nd Chance Window



Washington State School Retirees' Association



MEMORANDUM

TO: Select Committee on Pension Policy (SCPP)

FROM: Larry Scholl, WSSRA Legislative Committee Chair
 Ester Wilfong, WSSRA Legislative Committee Vice Chair
 Leslie Main, WSSRA Legislative Coordinator

DATE: June 27, 2007

SUBJECT: Amendment of WSSRA's Request Regarding a PEBB 2nd Chance Window

During the full meeting of the Select Committee on Pension Policy (SCPP), held on June 19th, the Washington State School Retirees' Association (WSSRA) offered testimony regarding its legislative objectives for 2007-08. One objective that WSSRA requested the SCPP address this Interim is: **"A "2nd chance" Public Employees Benefits Board (PEBB) enrollment window for those who missed their one-time enrollment opportunity."** Subsequent to the meeting of the full Committee, the SCPP's Executive Committee took action to place this issue among those to be addressed under the category of retiree health insurance access.

REMINDER: K-12 retirees gained access to PEBB sponsored health insurance plans in 1993. K-12 and state retirees received PEBB health plan enrollment materials via the Department of Retirement Systems. However, for various reasons, a significant number of retirees failed to take advantage of the opportunity to enroll in PEBB plans within established enrollment periods. Two frequently cited examples include retirees who received misinformation from their school districts regarding the "one-time" nature of PEBB access, and retirees who had access to other health insurance coverage upon retirement, but now want to enroll in PEBB plans. In January of 2001 the PEBB amended the Washington Administrative Code (WAC) to allow retirees to defer PEBB coverage. Those who retired prior to establishment of the PEBB deferral policy (1/1/01), and missed their one-time enrollment opportunity, continue to be forever excluded from access to PEBB health insurance plans.

WSSRA's intentions through the years has been, and continues to be, to capture a PEBB 2nd chance window for those who failed to enroll during their initial enrollment period. However, by specifying "those who retire on or after 10/1/93," WSSRA's 6/19/07 proposal unintentionally omitted reference to those retired on or prior to 9/30/93 from participating in the 2nd chance window as well as the ability of post 1/1/01 retirees to defer their enrollment in PEBB health plans. Therefore, **WSSRA requests that parameters of the PEBB 2nd chance window being considered by the SCPP be amended as follows: WSSRA proposes that those retired on or before 1/1/01, who can provide proof of continuous health insurance coverage, be granted a "2nd chance" opportunity to join PEBB plans.** This amended proposal would include all state and K-12 retirees who retired prior to 1/1/01 (when the PEBB enrollment deferral was established) and

6/27/2007

missed their initial enrollment period.

WSSRA appreciates your attention to this issue and looks forward to working with you on retiree health insurance access and other pension issues this Interim. If you have any questions regarding WSSRA's legislative objectives for 2007-08, please contact the WSSRA office by calling 1-800-544-5219 / 360-413-5496. Thank you.

cc: Matt Smith, State Actuary, Office of the State Actuary (via e-mail)
Robert Baker, Senior Research Analyst, Office of the State Actuary (via e-mail)

Individual State Agency Fiscal Note

Bill Number: 1284 HB	Title: Retirement plan 2 members	Agency: 107-Wash State Health Care Authority
-----------------------------	---	---

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2008	FY 2009	2007-09	2009-11	2011-13
Public Employees' and Retirees Insurance Account-Non-Appropriated 721-6	3,031,765	7,949,731	10,981,496	15,899,462	15,899,462
Total \$	3,031,765	7,949,731	10,981,496	15,899,462	15,899,462

Estimated Expenditures from:

Fund	FY 2008	FY 2009	2007-09	2009-11	2011-13
General Fund-State 001-1	344,127	902,119	1,246,246	1,804,238	1,804,238
General Fund-Federal 001-2	51,737	135,626	187,363	271,252	271,252
General Fund-Private/Local 001-7	5,487	14,385	19,872	28,770	28,770
Public Employees' and Retirees Insurance Account-Non-Appropriated 721-6	2,630,414	6,897,601	9,528,015	13,795,202	13,795,202
Total \$	3,031,765	7,949,731	10,981,496	15,899,462	15,899,462

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/22/2007
Agency Preparation: Kim Grindrod	Phone: 360 923 2749	Date: 01/22/2007
Agency Approval: Megan Atkinson	Phone: 360 923 2806	Date: 01/25/2007
OFM Review: Nick Lutes	Phone: 360-902-0570	Date: 02/01/2007

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached narrative and detail sheets.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached narrative

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	3,031,765	7,949,731	10,981,496	15,899,462	15,899,462
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$3,031,765	\$7,949,731	\$10,981,496	\$15,899,462	\$15,899,462

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

See attached narrative.

Part II: Narrative Explanation**II. A - Brief Description Of What The Measure Does That Has Fiscal Impact**

The eligibility standard for participation in Public Employees' Benefits Board (PEBB) retiree coverage is tied to the eligibility standard for retirement and definition of member in the respective retirement systems. It is also tied to the definition of separated employee in RCW 41.05.011(13). Generally, unless an individual fits the definition of separated employee they must actually begin to receive a monthly pension benefit (full or reduced) in order to be eligible for PEBB retiree coverage. Currently, only Public Employees Retirement System (PERS) 3, Washington School Employees Retirement System (SERS) 3 and Teachers' Retirement System (TRS) 3 members are included in the definition of separated employee. From a retiree insurance coverage point of view the benefit of being included in the definition of separated employee is the ability to access PEBB retiree coverage without taking receipt of retirement benefits. This means that an individual could separate at the earliest age (fifty-five) with the least years of service (ten) and maintain eligibility for PEBB retiree coverage without taking an actuarially reduced pension benefit.

This bill proposes to **prospectively** expand the definition of "separated employees" in RCW 41.05.011(13) to include:

- Members TRS Plan 2 and SERS Plan 2 who have separated from employment; and
- Are at least age 55 and have at least 10 years of service credit.

In addition, this bill proposes to **retroactively** expand the definition of "separated employees" in RCW 41.05.011(13) to include:

- Members of the PERS Plan 2 who have separated from employment; and
- Are at least age 55 and have at least 10 years of service credit on or after March 1, 2002.

Including Plan 2 members in the definition of "separated employees" would remove the requirement for Plan 2 members to:

- Retire before they are eligible for PEBB-sponsored retiree coverage.
- Immediately begin receiving a retirement allowance upon separation.

Operational Impact:

By retroactively expanding the definition for PERS Plan 2 members, this bill will provide an additional enrollment opportunity for members who have already separated from employment and would not otherwise be eligible for PEBB retiree coverage. Because of this, we expect an initial increase in retiree enrollment elections. In addition, all Plan 2 members will require information about the new eligibility.

It is likely that:

- The PEBB program's Outreach and Training Unit will see an increase in the number of new retirees, and a higher demand for retiree seminars at the open enrollment benefits fairs.

HCA Fiscal Note

Bill Number: HB 1284

Retirement Plan 2 Members

HCA Request #: 07-06

- PEBB Benefits Services staff and Outreach and Training staff would require training/orientation on the change and implementation process.
- PEBB's health plans would need to be informed of the change.
- Outreach and Training staff would need to update the DRS pre-retirement seminar and coach DRS presenters on this change.
- Outreach and Training staff would need to update its K-12 retiree presentation to reflect the change.
- The Outreach and Training Unit would also need to communicate this change to three of its key customer groups including personnel and payroll staff at state agencies, K-12/Educational Service Districts (ESDs), and higher-education/community and technical colleges, so they can appropriately respond to questions and assist separated employees.
- The PEBB program would have to work with Department of Retirement Systems' (DRS) to identify separated employees who meet the age and years of service credit requirements. PEBB would need to create new communication materials specifically for this population.

Assumptions

HCA expects no change in future retirement rates for plan 2 members due to this bill. Since participation in the PEBB benefit plans is currently available to all PERS, SERS, and TRS Plan 2 members who retire, this fiscal note does not assume an impact to the Public Employee's and Retiree's Insurance Account (Fund 721) due to the **prospective** expansion of the definition of a "separated employee". HCA assumes this revision will not impact an employee's future decision to enroll or defer enrollment in PEBB plans.

The impact of the **retrospective** expansion of the definition of PERS plan 2 separated employee **will** impact the Public Employee' and Retirees' Insurance Account (Fund 721). The Office of the State Actuary (OSA) has identified 1,045 PERS plan 2 people who are vested and have separated from state service since March 2002. These people will have the opportunity to enroll in or defer PEBB retiree coverage. Of the 1,045, we assume 50 percent will decide to enroll in PEBB in Calendar Year (CY) 2008 and 25 percent will choose to defer enrollment because of their eligibility for other employer sponsored coverage. We assume that those who choose to defer coverage will enroll in PEBB retiree coverage by CY 2009.

This fiscal note assumes an enrollment increase of 522 Plan 2 early retirees in CY 2008 and an additional 262 early retirees in CY 2009 for a total increase in early retiree enrollment of 784 in the Non-Medicare risk pool.

HCA assumes no impact to the Medicare risk pool.

In addition to the administrative processes that need to be developed, PEBB contracts are already in effect for CY 2007, so HCA assumes enrollment for the affected PERS Plan 2 employees, who have already separated from state employment, would be offered during the next open enrollment period in the fall of 2007 and coverage would be effective January 1, 2008.

HCA Fiscal Note

Bill Number: HB 1284

Retirement Plan 2 Members

HCA Request #: 07-06

HCA assumes the administrative process changes can be accomplished within existing resources.

II. B – Cash Receipts Impact

Adding early retirees to the PEBB non-Medicare risk pool that are currently not receiving PEBB benefits will increase the overall cost of providing benefits.

In Fiscal Year (FY) 2008, the increased cash receipts to the Public Employees' and Retiree's Insurance Account (Fund 721) would be \$3,031,765.

In FY 2009, the increased cash receipts to Fund 721 would be \$7,949,731.

II. C - Expenditures

In FY 2008, the increased costs to Fund 721 would be \$3,031,765. This represents six months of increased costs. The table below shows the estimate of the increased cost for each group that participates in the PEBB non-Medicare risk pool. While the early retirees will contribute the majority of the cost, an implicit subsidy is also assumed because adding older members, who generally use more health care services than younger members, increases the cost to all groups in the risk pool. Due to the implicit subsidy the state's share of the costs in FY 2008 will be \$783,889. This increase would require an increase to the funding rate of \$0.59 per month in FY 2008.

In FY 2009, the increased costs to Fund 721 would be \$7,949,731. This represents 12 months of increased costs. This increase would require an increase to the funding rate of \$1.55 per month in FY 2009.

	FY 2008	FY 2009
State Share	\$ 783,889	\$ 2,054,943
Employee Share (1)	106,894	280,220
Other Enrollment	251,636	659,828
Early Retirees	1,889,346	4,954,740
Medicare Retirees	-	-
Total	\$3,031,765	\$ 7,949,731

Based on a headcount model provided by the Office of Financial Management, the following table describes the source of the revenue for the state share of the increased costs.

State Share Source	FY 2008	FY 2009
GF-State	\$ 344,127	\$ 902,119
GF-Federal	51,737	135,626
GF-Local	5,487	14,385
Other Appropriated	142,668	374,000
Non Appropriated	239,870	628,813
Total Active revenue	\$ 783,889	\$ 2,054,943

HCA Fiscal Note

Bill Number: HB 1284

Retirement Plan 2 Members

HCA Request #: 07-06

HCA assumes future fiscal year costs will be the same as FY 2009 costs.

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

The PEBB program would need to amend retiree and surviving dependent eligibility rules to comply with this legislation.

HCA Fiscal Note

Bill #: HB 1284

PEBB-UMP Impact

HCA Request: 07-06

	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13
Expenditure change						
721 Benefits	3,031,765	7,949,731	7,949,731	7,949,731	7,949,731	7,949,731
418 Administration	-	-	-	-	-	-
Total	3,031,765	7,949,731	7,949,731	7,949,731	7,949,731	7,949,731

Revenue change						
State Share	\$ 783,889	\$ 2,054,943	\$ 2,054,943	\$ 2,054,943	\$ 2,054,943	\$ 2,054,943
Employee Share (1)	106,894	280,220	280,220	280,220	280,220	280,220
Other Enrollment	251,636	659,828	659,828	659,828	659,828	659,828
Early (Non Medicare) Retirees	1,889,346	4,954,740	4,954,740	4,954,740	4,954,740	4,954,740
Medicare Retirees	-	-	-	-	-	-
Total	\$3,031,765	\$ 7,949,731				

State Share Source						
43.9%	GF-State	\$ 344,127	\$ 902,119	\$ 902,119	\$ 902,119	\$ 902,119
6.6%	GF-Federal	51,737	135,626	135,626	135,626	135,626
0.7%	GF-Local	5,487	14,385	14,385	14,385	14,385
18.2%	Other Appropriated	142,668	374,000	374,000	374,000	374,000
30.6%	Non Appropriated	239,870	628,813	628,813	628,813	628,813
100.0%	Total Active revenue	\$ 783,889	\$ 2,054,943	\$ 2,054,943	\$ 2,054,943	\$ 2,054,943

Cover Sheet Fund 721 Expenditures(2) \$2,630,414 \$ 6,897,601 \$ 6,897,601 \$ 6,897,601 \$ 6,897,601 \$ 6,897,601

Employer Funding rate impact						
	Enrollment					
MCO	37,151					
UMP	68,411					
Waivers	5,211					
	110,773	\$ 0.59	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55

Notes:
 1) This fiscal note assumes that state employees pay an average of 12% of the cost of medical premiums in CY 07 and following years.

Bill #: HB 1284
 Enrollment Scenario:
 Take-up rate CY08
 Take-up rate CY09

PEBB Detail
 1,045 PERS plan 2 retrospective subscribers
 522 50% enroll 25% defer
 784 75% enroll no deferral

HCA Request: 07-06

Non-Medicare	Projected Increased Enrollment	Cost	Annualized CY 08	FY 08 (6 mos.)	Annualized CY 09	FY 09 (12 mos.)
CY 08 Implicit Subsidy MCO Retirees	146	\$ 436.76	\$ 766,225			
CY 08 Implicit Subsidy UMP Retirees	376	\$ 336.75	\$ 1,518,613			
CY 09 Implicit Subsidy MCO Retirees	220	\$ 482.24			\$ 1,270,653	
CY 09 Implicit Subsidy UMP Retirees	564	\$ 359.43			\$ 2,434,491	
Impact to Funding Rate/K-12 Remittance Convert to Fiscal Year Costs			\$ 2,284,837	\$ 1,142,419	\$ 3,705,145	\$ 2,994,991
CY 08 Average Non- Medicare Retiree Contribution (MCO)	146	\$ 607.89	\$ 1,066,455			
CY 08 Average Non- Medicare Retiree Contribution (UMP)	376	\$ 601.43	\$ 2,712,237			
CY 09 Average Non- Medicare Retiree Contribution (MCO)	220	\$ 669.72			\$ 1,764,639	
CY 09 Average Non- Medicare Retiree Contribution (UMP)	564	\$ 644.63			\$ 4,366,149	
Cost to new non-Medicare retirees Convert to Fiscal Year Costs			\$ 3,778,692	\$ 1,889,346	\$ 6,130,788	\$ 4,954,740
Non Medicare Total				\$ 3,031,765		\$ 7,949,731
Total Impact to Benefits Budget				\$ 3,031,765		\$ 7,949,731

Expenditures, FY Basis	FY 08	FY 09
Non Medicare Benefits	\$ 3,031,765	\$ 7,949,731
Medicare Benefits	\$ -	\$ -
721 Benefits	\$ 3,031,765	\$ 7,949,731
Admin	\$ -	\$ -
Grand Total Expenditures	\$ 3,031,765	\$ 7,949,731

Assumptions

- Premium is weighted average on Rates and Stats tab in Leg Projection Model 1.8
- Implicit Subsidy rate is consistent with K-12 remittance tab in Leg Projection Model 1.8
- Take-up rate 1025 K-12 subscribers joining on January 1, 2008 and remain during the measured period
- Projected 2008 Enrollment distribution

	CY 2008	Distribution %
Non-Medicare Retirees MCO	2,913	28%
Non-Medicare Retirees UMP	7,488	72%
	10,401	100%