

PERSPECTIVES

Retired
Member
Edition

Q&A: PERS health insurance 2008 cost increases

Question: Why did PERS health insurance premiums increase so much for 2008?

Answer: PERS health insurance rates are developed using a number of factors including medical trends (including technological advances), reimbursement for Medicare coverage, and paid claims. Medicare reimbursements have not increased and the number of claims by PERS health insurance members has increased, especially in prescription drug coverage.

Question: Are increases tied to the age of the PERS health insurance population?

Answer: Age does impact costs. The average age of PERS health insurance enrollees is 74, so the annual cost and the number of medical incidents each year increases. Additionally, the types of services being delivered tend to be increasingly expensive.

Many of those enrolled in the non-Medicare plans have retired with some type of disability and are not yet Medicare eligible. Although the non-Medicare population enrolled is small, this group generally has more severe medical problems. The PERS Health Insurance Program does not have a younger group of members to help offset the higher usage of medical services like many employers might.

When an insurance plan pays out more in medical claims than it brings in, the premiums must increase to meet the increased cost. This is especially true for PERS plans: our carriers do not have high profit margins and administrative costs are carefully monitored and are as low as possible.

Question: I don't remember seeing any information about the increase until I received my January 1, 2008 retirement benefit check. Did you communicate with retirees about the increase?

Answer: Yes. We mailed the new PERS Health Insurance Program Member Handbook in late summer 2007 to all PERS health insurance members. The Handbook contained information about plan changes and enhancements, provided health benefit line-item

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Annual financial report

PERS' 2007 Comprehensive Annual Financial Report (CAFR), for the period July 1, 2006 through June 30, 2007, is posted on the PERS website (<http://oregon.gov/PERS>) in the Financials section.

Highlights include:

- PERS' assets exceeded its liabilities at the close of fiscal year 2007, with \$66,009.3 million held in trust.
- Net assets increased by \$9,454.5 million, or 16.7 percent, during the fiscal year, due primarily to continued strong investment returns.
- As of December 31, 2006, the date of the latest actuarial valuation, the funded ratio of the defined benefit pension plan was 110.5 percent. In general, this means that for every dollar of pension benefits due, PERS had approximately \$1.10 of net assets available for payment as of the valuation date.
- Revenues (additions to net assets) for fiscal year 2007 rose 43.2 percent to \$12,318.5 million, which includes member and employer contributions of \$1,249.3 million and net gains from investment activities totaling \$11,066.3 million.

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Working for a PERS-covered employer after retirement for Tier One/Tier Two members receiving a monthly benefit

NOTE: Tier One/Tier Two members are those who established membership before August 29, 2003. The 2007 Oregon Legislature added some exemptions to the 1,039-hour work after retirement rules.

Oregon statute imposes certain restrictions on members who work for PERS-covered public employers after retirement. The following paragraphs describe these rules for service retirees.

If you return to employment with a private employer or non-PERS covered public employer, your PERS retirement benefits will continue unchanged. PERS does not limit the hours you may be employed or the amount of money you can earn from a private or non-PERS covered employer.

If you are a Tier One/Tier Two member who elects a service retirement allowance, you may be employed by a participating public employer without loss of benefits as long as the period or periods of employment by one or more participating employers does not exceed 1,039 hours in a calendar year.

By keeping under the 1039-hour limit or working under an exception to the rule, you will retain your status as a PERS retired member and will continue to receive monthly retirement benefits. You will not accrue any new benefits under either PERS or OPSRP for employment while you retain your status as a retired member.

Please note that hours are counted in the year in which you performed

the service, not in the year in which the hours were reported.

If you are a Tier One/Tier Two retiree receiving a monthly retirement allowance and are reemployed as follows, the 1,039-hour limitation does not apply to that employment and you may work any number of hours.

Unless noted otherwise, these exceptions are not available to members who took early retirement:

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Health Insurance

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comparisons, and all Medicare and non-Medicare premium rates.

The packet also included a letter highlighting changes to health care benefits. The PERS Health Insurance Program Member Handbook is sent to participants every year in late summer.

Question: What else is important to know?

Answer: PERS members receive health insurance information when they retire. The PERS health insurance staff travels throughout the state in late September and all through October each year, providing informational meetings regarding PERS health insurance plans.

We understand that many retirees are on a fixed income and are concerned when costs increase for goods and services, including health care.

PERS negotiates with health insurance companies to provide the best coverage to our retirees and beneficiaries at the lowest cost possible.

Strunk case attorney fees/costs

The Oregon Supreme Court awarded fees and costs to the member's attorneys for the *Strunk* case in October 2007. The court's decision affects approximately 21,000 PERS benefit recipients whose cost-of-living adjustments (COLAs) were frozen by the 2003 legislation.

The March 2005 *Strunk* decision voided the COLA freeze (effective August 1, 2003) for Tier One members who retired under the Money Match calculation with effective retirement dates on or after April 1, 2000, and before April 1, 2004.

At the direction of the Oregon Supreme Court, the attorneys representing this group of retired members are entitled to \$763,367, to be paid out of the restored COLA adjustments.

In accordance with the court's direction, PERS will calculate the COLA amount each recipient would have received July 1, 2004.

The attorney fee award amount will then be allocated in proportion to the amount of the increase each person would have received. For example, retiree A, who would have received a \$60 COLA, pays a higher proportion of the award than retiree B, whose COLA was \$30.

The amount deducted will be based on a benefit recipient's July 1, 2004 benefit payment and the COLA amount effective July 1, 2004 (payable August 1, 2004). The one-time deduction for *Strunk* case attorney fees and costs will affect the July 1, 2008 PERS benefit that is payable August 1, 2008. The average one-time deduction is \$36. PERS will send a letter to each affected benefit recipient showing the amount of the one-time reduction.

The Oregon Supreme Court's decision regarding the *Strunk* case attorney fees/costs is posted in the Retiree section of the PERS website (<http://oregon.gov/PERS>).

Notify PERS of a death

Please remember that you must notify PERS of the death of a member, alternate payee, and/or beneficiary receiving PERS benefits. Send a copy of the death certificate to:

PERS
P.O. Box 23700
Tigard, OR 97281-3700

Perspectives is published quarterly by the Oregon Public Employees Retirement System for the benefit of PERS/OPSRP members and employers. Address all correspondence to **PERS, P.O. Box 23700, Tigard, OR 97281-3700**. PERS headquarters office is at **11410 SW 68th Parkway, Tigard, Oregon**. Phone **503-598-PERS** or toll free **888-320-7377**; TTY: **503-603-7766**. Telephone hours are 8:30 a.m. to 5:00 p.m., Monday through Friday, except holidays. PERS' Internet address is <http://oregon.gov/PERS>.

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Long term care meetings continue. Pre-registration is not required.

Long term care is the type of care received when someone needs assistance with daily living activities, either at home or in a facility. This can be due to an accident, an illness, or advancing age. The need for long term care is not limited to the elderly. Anyone who cannot function independently may need the protection of long term care insurance. Accidents and unexpected illness can happen at any time and at any age. These meetings explain the options available to PERS retirees and do not require pre-registration.

Date	Location	Meeting Time	Seats
Apr 7	Rivershore Grill 1900 Clackamette Dr. Oregon City Please park in hotel parking lot	9:30 - 10:30 a.m.	70
May 12	Roth's Hospitality Center 1130 Wallace Rd. NW Salem	9:30 - 10:30 a.m.	75
June 9	Benton County Fairgrounds 110 SW 53rd St., Corvallis	9:30 - 10:30 a.m.	70
June 30	Seaside Convention Center 415 First Ave., Seaside	9:30 - 10:30 a.m.	50
July 14	Rivershore Grill 1900 Clackamette Dr. Oregon City Please park in hotel parking lot	9:30 - 10:30 a.m.	70

2008 schedule to mail retiree monthly benefit checks from Salem

2008 Paydate	Date check mails from printing facility in Salem...
April 1	March 31 (Monday)
May 1	April 30 (Wednesday)
June 1	May 30 (Friday)
July 1	June 30 (Monday)
August 1	July 31 (Thursday)
September 1	August 29 (Friday)
October 1	September 30 (Tuesday)
November 1	October 31 (Friday)
December 1	November 28 (Friday)

Work after retirement (continued from page 2)

- As a teacher or administrator employed by a community college district or school district located in a county with a population of not more than 35,000 inhabitants. Members who took early retirement are eligible for this exception provided they are not employed in the position until at least six months after their effective retirement date.
- As a teacher or administrator employed by an education service district (ESD), and the primary duties of the retired employee are performed in a county with 35,000 or less inhabitants. Members who took early retirement are eligible for this exception provided they are not employed in the position until at least six months after their effective retirement date.
- As a speech-language pathologist or speech-language pathologist assistant employed by a school district or ESD. Members who took early retirement are eligible for this exception provided they are not employed in the position until at least six months after their effective retirement date.
- By the sheriff of a county with a population of fewer than 75,000 inhabitants.
- By the municipal police department of a city with less than 15,000 inhabitants.
- By the State or a county for work in a correctional institution located in a county with less than 75,000 inhabitants.
- By the Oregon State Police for work in a county with less than 75,000 inhabitants.
- By the Black Butte Ranch Rural Fire Protection District, the Black Butte Ranch Service District or the Sunriver Service District.
- By any participating employer if the retired member is employed to temporarily replace an employee serving in the National Guard or in a reserve unit of the United States Armed Forces who is called to federal active duty.
- Is on active state duty in the organized militia and has reached normal retirement age.
- As director of the Department of Human Services or assistant director if the Governor approves the exception for the specific person in the position.
- The retired member is a nurse and employed as a nurse or to teach nursing during a nursing workforce shortage declared by the Governor or Legislative Assembly.
- The retired member is a registered nurse employed as a nursing instructor.
- By the Legislative Assembly or the Oregon State Police for service during a legislative session.
- By the Department of Public Safety Standards and Training to provide training under ORS 181.610 – 181.712.
- By a road assessment district organized under ORS 371.405-.535.

You can work for a PERS-participating employer in a position that is excluded from the 1,039 rule and work simultaneously for another PERS-participating employer under the 1,039 rule. However, when the combined total of hours worked with both employers reaches 1,039 hours in the calendar year, you must stop working for the employer for which the 1,039-hour limit is in effect or you will become an active member again. You can continue to work for the employer excluded from the 1,039 rule without affecting your benefit payments.

For more information, visit the Retiree page of the PERS website: <http://oregon.gov/PERS>.