

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' PLAN 2 RETIREMENT BOARD

Survivor Health Care Insurance

Final Proposal

December 8, 2005

1. Issue

At the October 2005 meeting the Board requested additional information regarding health care insurance coverage for the survivors of members killed in the line of duty.

2. Proposal Summary

The LEOFF Plan 2 pension fund will pay for the Public Employees' Benefit Board (PEBB) health care insurance provided to survivors of LEOFF Plan 2 members who are killed in the line of duty.

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4. Members Impacted

The Office of State Actuary has projected that duty-related deaths in LEOFF Plan 2 will occur at a rate of 2 per year on fiscal notes for previous legislation.

5. Current Situation

A LEOFF Plan 2 member that dies before retirement is entitled to a standard death benefit that ranges from a refund of contributions up to a Joint and 100 percent survivor benefit paid to a surviving spouse or minor child. The amount of the benefit is determined by the number of years the member has in the system. If a member dies as a result of an "injury" sustained in the course of employment, a \$150,000 special death benefit may also be paid to the designated beneficiary. Additional State Workers' Compensation and Federal Public Safety Officer Benefits may be available when a member is killed in the line of duty.

Access to PEBB health care insurance is provided to surviving spouses and dependent children of emergency service personnel killed in the line of duty. All benefit costs are paid by the surviving spouses and dependent children.

6. Background Information

Survivors Health Care Access

In 2001 the Legislature passed House Bill 1371¹ which requires the Public Employees Benefits Board (PEBB) to provide access to health insurance to surviving spouses and dependent children of emergency service personnel killed in the line of duty on or after January 1, 1998, including those who die as a result of injuries sustained in the course of employment as determined by the Department of Labor and Industries under Title 51 RCW.

The bill defines "Emergency service personnel" as members of the Law Enforcement Officers' and Fire Fighters' Retirement system and members of the Volunteer Fire Fighters' and Reserve Officers' Relief and Pensions system. All benefit costs are paid by the surviving spouses and dependent children.

PEBB Health Care Costs

Retired or disabled employees of the state, school districts, and participating political subdivisions may purchase health care benefits from the Public Employees' Benefits Board. This coverage is purchased at full cost based on a risk pool, and it includes an additional administrative fee for each participant. Participants eligible for Medicare parts A and B are placed in one risk pool. All other retired or disabled participants are placed in a risk pool with active employees. Both groups are charged based on the per capita costs incurred by the appropriate risk pool, minus a subsidy in the case of Medicare eligible participants.

In 2006, PEBB retiree medical rates, without Medicare coverage, will range from \$1,003 to \$1,238 per month for full family coverage, depending on the medical plan selected. PEBB retiree medical rates, with Medicare coverage, will range from \$397 to \$1,159 per month for full family coverage, depending on the medical plan selected and the number of family members eligible for Medicare. See Appendix A for complete list of 2006 PEBB retiree medical costs.

Labor & Industries Fatality Claims

A report provided by the Department of Labor and Industries stated that between January 1995 and March 2004, there were 26 fatality claims for Law Enforcement Officers and Fire Fighters in Washington State.

Survivor Health Insurance Rights Under Cobra²

The Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) guarantees that the employer of a deceased person must make available to the surviving spouse and their dependent children the same type of health insurance as was provided prior to the person's

¹ ESHB 1371, Chapter 165, Laws of 2001. Codified as RCW 41.05.011(14) and RCW 41.05.080.

² "An Employee's Guide to Health Benefits Under Cobra", <http://www.dol.gov/ebsa/pdf/cobraemployee.pdf>, Viewed 11/2/05

death. Coverage is available for up to 36 months and must be paid by the survivor. There is no provision in the law for the employer to pay for the health insurance.

COBRA eligibility also extends to workers in state and local government, as well as to workers classified as independent contractors. However, the law grants an exemption to the District of Columbia, federal employees, certain church-related organizations and firms employing fewer than 20 people. The IRS has said that employers must figure part-time workers into their employee total to determine if they can claim exemption. Employers with self-funded health plans (generally large corporations) are exempt from state regulation of their plans. Employers that are exempt from federal law because of the number of employees may fall under a state law; sometimes known as “mini-COBRA” that grants broader rights in determining eligibility for coverage.

The deceased officer and the survivors must have actually been covered under an employee health plan at the time of the death to be eligible for COBRA. Coverage offered under COBRA must be identical to the coverage prior to the death. However, employers can offer to let the survivors drop such non-core benefits as dental and vision care to reduce the premium cost. Additionally, if the employer changes its health insurance plan for its current employees, survivors who elected coverage under COBRA will receive the benefits of the new plan. If the COBRA recipient relocates out of the COBRA health plan’s coverage area, COBRA benefits will be lost as the employer is not required to offer a plan in the new area. Premiums under COBRA can be increased only if the cost of the health plan increases for everyone at the workplace and the plan must allow that the premiums can be paid on a monthly basis.

Survivor Health Insurance in Other States

The Concerns of Police Survivors, Inc (COPS) conducted a state by state study of line of duty death benefits available to the survivors of Law Enforcement Officers killed in the line of duty.

According to the study twenty-one states, including Washington State, have mandates to provide health insurance access to survivors. In seven of the twenty-one states, the state or employer is required to pay the full cost of the health insurance coverage and in three states the benefits are paid for in part by the state or employer. The other eleven states require the survivor to pay the full cost of health insurance coverage. In twenty-six states the report indicated that health insurance coverage for survivors varied depending on the benefits available at the local government level. Three states did not have any mandate for survivor health insurance.

Several of the states did have explicit restrictions that a surviving spouse’s benefits would cease upon remarriage or upon coverage by other health care. The restrictions for dependent (children) coverage were usually age based providing health care insurance until a specific age usually in the twenties, coverage by other health care, or marriage. See Appendix B for a comparison table of survivor health insurance in each state.

LEOFF Plan 2 Pension Death Benefits

If a member dies before retirement, whether duty related or not, the designated beneficiary is eligible for certain benefits. The standard death benefit does not make any distinction between death for injury or illness. Regardless of the cause of death, the standard pension benefits will be paid to the beneficiaries.

If the member dies with less than 10 years of service credit and before becoming eligible to retire, the beneficiary receives all of the member's accumulated contributions. If the member has no living beneficiary, the accumulated contributions are paid to the surviving spouse, or if none, to the legal representative of the estate.

If the member dies and has 10 or more years of service credit or was eligible to retire, the surviving spouse, or if none, the guardian of any minor children, may choose between the following two benefits:

1. Payment of 150 percent of the member's accumulated contributions, or
2. A monthly benefit calculated as if the member had:
 - o Elected Joint and 100% Survivor Option, and
 - o Retired on the date of death.

If the member's spouse dies while receiving a survivor's retirement benefit and leaves a minor child or children, the children will continue to receive the benefit which was being paid to the surviving spouse. The benefit will be shared equally among the children and paid until they reach the age of majority (age 18).

If there is no surviving spouse at the time of the member's death, and there are minor children, the children will receive a benefit calculated the same as for a normal retirement, but with the assumption that the member had a spouse of the same age at the time of the member's death. If the member has no surviving spouse or minor children, accumulated contributions will be paid to the member's designated beneficiary. If there is no designated beneficiary or the member fails to file the proper form, the remaining contributions will be paid in a lump sum to the member's legal representative or estate.

These benefits also apply to designated beneficiaries of members who leave LEOFF-covered employment but do not withdraw their contributions.

Duty Related \$150,000 Death Benefit

The 1996 Legislature passed Engrossed Second Substitute Senate Bill 5322, which created a \$150,000 special death benefit for the Law Enforcement Officers' and Fire Fighters' Retirement System and Washington State Patrol Retirement System. The benefit was extended to members in the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS) and School Employees' Retirement System (SERS) under House Bill 1207, passed during the 2003 legislative session and was effective July 27, 2003.

If an active member or disability retiree dies as a result of injuries sustained in the course of employment and the Department of Labor and Industries has determined eligibility for the payment, the Department of Retirement Systems (DRS) will pay a \$150,000 death benefit to the member's designated beneficiary.¹ This is a separate benefit that has no effect on any other benefits payable from LEOFF Plan 2. If an active member or disability retiree dies as a result of injuries sustained in the line of duty as a public safety officer, the benefits received by the member's survivors qualify for non-taxable status under federal and state law.

A person who dies as a result of an illness, such as an occupational disease, is not covered under this law and does not qualify for the special death benefit. This is different from the standard death benefit where a person who dies from either an injury or illness qualifies for the standard death benefit.

Workers' Compensation Death Benefits

The workers' compensation benefit for a surviving spouse in Washington is 60 percent of an employee's wage and up to a maximum of 70 percent for a surviving spouse with children². This is a monthly benefit paid to the surviving spouse and children, if any. The widower and dependent benefits are not taxable. The benefits are not affected by the receipt of Social Security, other workers' compensation benefits, or state pension benefits.

A form of cost-of-living adjustment is made each July to the survivor benefit. The adjustment amount depends upon the percentage change in the state's average wage. A variety of factors exist that could cause a widower or dependent to receive less than the base rate for benefits. Staff at Labor and Industries identified Permanent Partial Deductions (loan against future benefits) and overpayments due to Social Security payments during time loss, as common reasons for reductions to widower benefits.

For an approved claim that was filed after July 1, 1986 and was related to injury or occupational disease, an immediate payment ("first survivor benefit paid") of 100 percent of the average monthly wage in the state of Washington for the preceding year may also be made. Currently, the average monthly wage being used for this calculation is \$3,232.83.³ The "first survivor benefit paid" is not taxable.

A burial benefit is paid when death is directly related to a workplace injury or occupational disease. The maximum burial benefit is 200 percent of the average monthly wage in the state of Washington for the preceding calendar year.

To receive workers' compensation benefits, the surviving spouse must file a claim. The Workers' Compensation Appeals Board determines whether the claim will be paid.

Federal Death Benefits – Public Safety Officers' Benefits Program (PSOB)

The Public Safety Officers' Benefits (PSOB) Act (codified at 42 U.S.C. 3796, et seq.) was enacted in 1976 to assist in the recruitment and retention of law enforcement officers and fire fighters. As defined by Congress in Public Law 90-351 (Sec. 1217), a public safety officer

includes individuals serving a public agency in an official capacity, with or without compensation, as a law enforcement officer or fire fighter. State and local law enforcement officers and fire fighters are covered for line-of-duty deaths occurring on or after September 29, 1976.⁴

The PSOB Program provides death benefits in the form of a one-time financial payment to the eligible survivors of public safety officers whose deaths are the direct and proximate result of a traumatic injury sustained in the line of duty. Because determining the eligibility of claimants under the PSOB Program is often time consuming, these benefits are not intended to meet emergency financial needs.

Since October 15, 1988, the PSOB benefit has been adjusted each year on October 1, to reflect the percentage of change in the Consumer Price Index. As of October 1, 2005, the benefit amount is \$283,385³. For each death and disability claim, the award amount is solely determined by the actual date of the officer's death. The act ensures that the benefit will not be subject to execution or attachment by creditors. The Internal Revenue Service has ruled that the benefit is not subject to federal income tax (Revenue Ruling No. 77-235, IRB 1977-28) or to federal estate tax (Revenue Ruling No.79397).

Beneficiaries of the PSOB Death Benefits Program must comply with the PSOB Office's administrative review process by producing sufficient evidence to show that the public safety officer died as the direct and proximate result of a personal injury sustained in the line of duty. The PSOB Act only covers deaths resulting from traumatic injuries sustained in the line of duty. The PSOB Act does not appear to have extensive coverage for occupational diseases. However, heart attack deaths are covered in some instances. Heart attack deaths are covered if the decedent sustained a traumatic injury which contributed to the death to an equal or greater degree than a preexisting coronary condition (arteriosclerotic cardiovascular disease). Such a traumatic injury would include smoke inhalation if the level of carbon monoxide was above 10 percent for a nonsmoker or above 15 percent for a smoker.⁵

7. Policy Options

Policy Option 1: Pay for survivor health care insurance from pension fund.

This option would provide the survivors of LEOFF Plan 2 members who are killed in the line of duty with health care insurance from the Public Employees' Benefit Board (PEBB) which would be paid for from the LEOFF Plan 2 pension fund. Only the premium costs of the PEBB health care insurance provided under statute will be paid for. Health insurance from other sources will not be paid for. This option would include survivors who pay for survivor health care insurance from PEBB, future survivors who pay for PEBB health care insurance, and survivors that existed prior to the 2001 legislation providing survivor health care access if they choose to pay for PEBB health care insurance. This benefit will apply to survivors who receive a monthly retirement allowance and to survivors who receive a lump-sum payment.

³. In 2004, the PSOB benefit amount was \$275,658.

8. Supporting Information

Appendix A: 2006 PEBB Retiree Monthly Rates

Appendix B: Survivor Health Insurance Comparison – Other States

Appendix A: 2006 PEBB Retiree Monthly Rates

Source: <http://www.pebb.hca.wa.gov/oe/rates/51-275.shtml>, Viewed 11/7/05

Retiree Medical Rates (without Medicare)

Medical Plans	Subscriber	Subscriber & Spouse or SSDP	Subscriber & Child(ren)	Full Family
Community Health Plan of Washington	\$430.26	\$852.88	\$747.23	\$1,169.85
Group Health Cooperative	409.05	810.46	710.11	1,111.52
Group Health Options, Inc.	455.18	902.72	790.84	1,238.38
Kaiser Foundation Health Plan of the Northwest	412.53	817.42	716.20	1,121.09
PacifiCare of Washington, Inc.	488.82	970.00	849.71	1,330.89
Regence BlueShield	493.87	980.10	858.54	1,344.77
UMP Neighborhood	369.51	731.38	640.91	1,002.78
Uniform Medical Plan PPO	371.69	735.74	644.73	1,008.78

Retiree Medical rates (with Medicare)

Medical Plans	Sub- scriber	Subscriber & Spouse or SSDP		Subscriber & Child(ren)		Full Family		
		Number eligible for Medicare						
		1	2	1	2	1	2	3
Community Health Plan of Washington	\$228.53	\$651.15	\$449.42	\$545.50	\$449.42	\$968.12	\$766.39	\$670.31
Group Health Cooperative	185.45	586.86	363.26	486.51	363.26	887.92	664.32	541.07
Group Health Options, Inc.	278.16	725.70	548.68	613.82	548.68	1,061.36	884.34	819.20
Kaiser Foundation Health Plan of the Northwest	137.41	542.30	267.18	441.08	267.18	845.97	570.85	396.95
PacifiCare of Washington, Inc.	165.43	646.61	323.22	526.32	323.22	1,007.50	684.11	481.01
Regence BlueShield	308.45	794.68	609.26	673.12	609.26	1,159.35	973.93	910.07
UMP Neighborhood	194.04	555.91	380.44	465.44	380.44	827.31	651.84	566.84
Uniform Medical Plan PPO	194.04	558.09	380.44	467.08	380.44	831.13	653.48	566.84

Appendix B: Survivor Health Insurance Comparison – Other States

Source: Concerns of Police Survivors, Inc.; <http://www.nationalcops.org/deathbenefits.htm>, Viewed 11/2/05

1. Alabama	Varied depending upon local government employer benefits.
2. Alaska	<p>Besides the other benefits described, major medical insurance coverage is available to survivors who are receiving monthly PERS benefits and their dependents. This coverage ends when the benefit recipient dies or is no longer eligible to receive monthly PERS benefits.</p> <p>Members first hired under the PERS after June 30, 1986, and their survivors can obtain the coverage for themselves and their spouses and eligible dependents by electing to be covered and paying the full monthly premium, if the member or survivor is under age 60; or one-half of the monthly premium, if the member or survivor is over age 60, but under age 65.</p> <p>Coverage is provided at no cost for members and their survivors if they were first hired under PERS before July 1, 1986. Additional insurance may be purchased for Dental-Vision-Audio coverage and/or Long Term Care coverage.</p>
3. Arizona	<p><u>Health Insurance Premium Subsidy (A.R.S. §38-857)</u> For PSPRS retirees or survivors who have elected group health and accident insurance coverage provided and administered by this state or another PSPRS employer, the PSPRS may pay up to \$320 for single coverage and \$730 for family coverage depending on service area, retirement eligibility, and Medicare eligibility.</p>
4. Arkansas	Varied depending upon local government employer benefits.
5. California	<p>Provides that the employing agency will continue to provide the same health benefits to survivors as those they received while their officer was alive. Children will be covered until age 22. The state or agency will pay the required employer contributions. The survivor pays the total cost of benefits less the amount contributed by the employer.</p>
6. Colorado	Varied depending upon local government employer benefits.
7. Connecticut	<p>Connecticut provides health insurance coverage for the surviving spouse and dependent children of any law enforcement officer killed in the line of duty. Children's coverage terminates at age 18; remarriage will not terminate spousal coverage. The group medical plans offered to survivors are the same plans that are available to state retirees. Currently, available plans range from no cost to nominal cost.</p>
8. Delaware	<p>Varied depending upon local government employer benefits.</p> <p>As of July, 2005, Delaware provides a survivor of a state trooper killed in the line of duty with health insurance coverage. Coverage is handled through the Pension office.</p>

9. Florida	F.S. 112.19(h)1. Any employer who employs a full-time law enforcement, correctional, or correctional probation officer who, on or after January 1, 1995, suffers a catastrophic injury, in the line of duty shall pay the entire premium of the employer's health insurance plan for the injured employee, the injured employee's spouse, and for each dependent child of the injured employee until the child reaches the age of majority or until the end of the calendar year in which the child reaches the age of 25 if the child continues to be dependent for support, or the child is a full-time or part-time student and is dependent for support. The term "health insurance plan" does not include supplemental benefits that are not part of the basic group health insurance plan. If the injured employee subsequently dies, the employer shall continue to pay the entire health insurance premium for the surviving spouse until remarried, and for the dependent children, under the conditions outlined in this paragraph.
10. Georgia	Varied depending upon local government employer benefits.
11. Hawaii	The state health fund benefits are earned or paid for benefits. Benefits are dependent upon the monies paid in by the officer.
12. Idaho	Varied depending upon local government employer benefits.
13. Illinois	<p>The 1997 Regular Session of the Illinois Legislature enacted Public Act 90-535 also known as the Public Safety Employee Benefits Act. (820 ILCS 320/10)</p> <p>Section 10. Required health coverage benefits.</p> <p>a) An employer who employs a full-time law enforcement, correctional, or correctional probation officer, or firefighter, who, on or after the effective date of this Act suffers a catastrophic injury or is killed in the line of duty shall pay the entire premium of the employer's health insurance plan for the injured employee, the injured employee's spouse, and for each dependent child of the injured employee until the child reaches the age of majority or until the end of the calendar year in which the child reaches the age of 25 if the child continues to be dependent for support or the child is a full-time or part-time student and is dependent for support. If the injured employee subsequently dies, the employer shall continue to pay the entire health insurance premium for the surviving spouse until remarried and for the dependent children under the conditions established in this section.</p> <p>However:</p> <p>1) Health insurance benefits payable from any other source shall reduce benefits payable under this section.</p> <p>b) In order for the law enforcement, correctional or correctional probation officer, firefighter, spouse, or dependent children to be eligible for insurance coverage under this Act, the injury or death must have occurred as the result of the officer's response to fresh pursuit, the officer or firefighter's response to what is reasonably believed to be an emergency, an unlawful act perpetrated by another, or during the investigation of a criminal act.</p>
14. Indiana	Varied depending upon local government employer benefits.

15. Iowa	All health care benefits cease upon death. Survivors can elect to stay in group health plan until age 65. The premiums would be paid by the surviving family.
16. Kansas	Varied depending upon local government employer benefits.
17. Kentucky	Varied depending upon local government employer benefits.
18. Louisiana	Varied depending upon local government employer benefits.
19. Maine	Health benefits are offered to the surviving spouse and dependent children, but the survivors would pay the premiums.
20. Maryland	Spouses of state and county officers may elect to continue to participate in the same benefit program in effect at the time of the officer's death.
21. Massachusetts	M.G.L. 32B Sec. 9G To continue Group Health and Dental Insurance, surviving spouse must pay 50% of the premium, the Governmental unit shall contribute the remaining 50% of said premium. MSP and some Municipalities Dental benefits are covered by the union and not State coverage. Benefits will continue until the remarriage or death of the surviving spouse.
22. Michigan	Varied, depending upon the individual municipal or county department. Benefits for spouse and children may expire within days of an officer's death.
23. Minnesota	Varied depending upon local government employer benefits.
24. Mississippi	Health benefits are not supplemented by state to surviving spouse, and/or dependent children.
25. Missouri	Varied depending upon local government employer benefits.
26. Montana	Statute Reference: 7-32-4117 If a law enforcement officer dies in the line of duty, the surviving spouse may remain on the employer's group health plan on a self-pay basis.
27. Nebraska	Varied depending upon local government employer benefits.
28. Nevada	In 1999 Nevada Revised Statute 287.021 and 287.0477 were passed which requires Nevada Police and Fire Agencies to offer continued insurance coverage for spouses and children after line-of-duty deaths. The agency is responsible for the entire cost of the premiums. This law also applies to the continued participation in the Nevada State Retirement System.
29. New Hampshire	Varied depending upon local government employer benefits.
30. New Jersey	Premiums are paid by the State for coverage of the member's surviving spouse and surviving children under the <i>Police and Firemen's Retirement System</i> or the <i>State Police Retirement System</i> . Actual health benefits depend on the department's health plan.
31. New Mexico	Varied depending upon local government employer benefits.

32. New York	<p>Varied depending upon local government employer benefits.</p> <p>The surviving family of members of the New York State Police will have health coverage extended at no cost for 3 months. At the end of this time period the family will be offered to continue the coverage at local city's group rate which is substantially lower than an individual rate.</p>
33. North Carolina	Varied depending upon local government employer benefits.
34. North Dakota	Varied depending upon local government employer benefits.
35. Ohio	Surviving spouses and dependent children are eligible to receive health care benefits on a self-pay basis.
36. Oklahoma	Varied depending upon local government employer benefits.
37. Oregon	<p>O.R.S. 243.005 requires that every police officer in service of a public employer in the State of Oregon be issued a life insurance certificate in the amount of \$10,000 on his life, covering death caused by "injury or disease" sustained during working hours as a police officer, firefighter or volunteer firefighter, or death resulting from such an "injury or disease" within 365 days. This coverage shall be provided by the public employer at no expense to each police officer, firefighter, and volunteer firefighter not later than July 1, 1973.</p> <p>In addition to providing the required coverage, an option is available for each police officer, firefighter, or volunteer firefighter to expand the job related occupational disease and injury death benefits to full Group Term Life Insurance. In addition, an option to purchase Dependents Life Insurance is also available. The additional premium for this coverage will be paid by the employee through the public employer.</p>
38. Pennsylvania	<p>Varied depending upon local government employer benefits.</p> <p>State Police Survivor benefits: Eligible dependents of State Police members retain Blue Cross, Blue Shield, Major Medical, prescription drug, dental, vision, doctor office visit and emergency counseling and referral benefits for a period of five years after a member is killed in the line of duty. A spouse loses the benefits if they remarry within the five year period.</p>
39. Rhode Island	Varied depending upon local government employer benefits.
40. South Carolina	<p>On June 27, 2003, Governor Sanford signed a bill that extends health insurance benefits for survivors of a law enforcement officer killed in the line of duty.</p> <p>New paragraph F of Section 1-11-730 states: "A spouse or dependent of a person covered by the (state health and dental insurance) plans who is killed in the line of duty after December 31, 2001 shall receive equivalent coverage under the plans for a period of twelve months and the State shall be responsible for paying the full premium costs. After the twelve-month period, a spouse or dependent is eligible for state-paid premiums. A spouse is eligible for state-paid premiums under this subsection <i>until the spouse remarries</i>. A dependent is eligible for state-paid premiums under this subsection until the dependent's eligibility for coverage under the plans <i>would ordinarily terminate</i>."</p>

41. South Dakota	Varied depending upon local government employer benefits.
42. Tennessee	Varied depending upon local government employer benefits.
43. Texas	<p>The surviving spouse and surviving dependents of Texas law enforcement officers killed in the line of duty are entitled to purchase continued health insurance benefits. The surviving spouse is entitled to continue to purchase health insurance coverage until the earlier of:</p> <p>(1) the date the surviving spouse remarries; (2) the date the surviving spouse becomes eligible for group health insurance through another employers; or (3) the date the surviving spouse becomes eligible for federal Medicare benefits.</p> <p>Surviving dependent minor children are entitled to continue health insurance coverage until the dependent: (1) reaches the age of 21 years; or (2) becomes eligible for group health insurance through another employer.</p> <p>Surviving dependents who are not minor children are entitled to continue health insurance coverage until the earlier of: (1) the date the dependent marries; (2) the date the dependent becomes eligible for group health insurance through another employer; or (3) the date the dependent becomes eligible for federal Medicare benefits.</p> <p>Survivors may elect to continue coverage at any level of benefits currently offered by the employing entity to dependents of an active employee. Eligible survivors who are entitled to continued coverage are entitled to purchase the coverage at the group rate for that coverage that exists at the time of payment.</p>
44. Utah	Effective May 1, 2000, the survivors of law enforcement officers employed by the State of Utah have health insurance provided by the State. The surviving spouse is entitled to coverage until remarriage and coverage is provided for unmarried children to the age of 26. This benefit is retro-active to all survivors who meet these qualifications regardless of the officer's date of death. County and local agencies <i>may</i> provide this benefit but are not required to.
45. Vermont	Health and Dental coverage normally terminates, but can be continued under COBRA with the beneficiary paying the full premium.

46. Virginia	<p>Survivors of all Virginia law enforcement officers killed in the line of duty on or after April 8, 1972, are entitled to health insurance coverage. For spouses, continued health insurance will terminate upon such spouse's death or coverage by alternate health insurance. For dependent children, coverage will terminate upon the dependent's death, marriage, coverage by alternate health insurance, or 21st birthday. Continued health care insurance will be provided beyond the dependent's 21st birthday if the dependent is a full-time college student and will continue until such time as the dependent ceases to be a full-time student or reaches his 25th birthday, whichever occurs first. Continued health care insurance shall also be provided beyond the dependent's 21st birthday if the dependent is mentally or physically disabled, and such coverage will continue until three months following the cessation of the disability.</p> <p>The State Comptroller will provide forms to law enforcement agencies so that survivors can make a claim for this benefit, which will be paid by the State. Reference Virginia State Statute 2.1-133.7:1.</p>
47. Washington	<p>The Public Employees Benefits Board (PEBB) provides access to health insurance to surviving spouses and dependent children of emergency service personnel killed in the line of duty on or after January 1, 1998, including those who die as a result of injuries sustained in the course of employment as determined by the Department of Labor and Industries under Title 51 RCW. "Emergency service personnel" means members of the Law Enforcement Officers' and Fire Fighters' Retirement system and members of the Volunteer Fire Fighters' and Reserve Officers' Relief and Pensions system. All benefit costs are paid by the surviving spouses and dependent children.</p>
48. West Virginia	<p>Varied depending upon local government employer benefits.</p>
49. Wisconsin	<p>Health insurance coverage will continue for surviving spouses if, at the time of death, the officer was an active employee and had family coverage in place. The spouse can continue the coverage, but must pay the insurance premiums.</p>
50. Wyoming	<p>Varied depending upon local government employer benefits.</p>

¹ The Department of Retirement Systems (DRS) has created a beneficiary form that pertains only to the \$150,000 benefit. When a covered employee or retiree dies, the beneficiary is to notify DRS. DRS provides the beneficiary with an Application for Death Benefit. Upon receipt of the application and death certificate, DRS submits the documents and necessary information to the Department of Labor and Industries (L&I) for determination whether the covered employee's or retiree's death is a result of injuries sustained in the course of LEOFF covered employment.

² If the person had minor children, an additional 2% per child is paid. The total benefits paid cannot exceed the maximum allowable benefits.

³ Currently Labor and Industries is using the state average wage from 2003. In July 2005, Labor and Industries will begin using the state average wage from 2004.

⁴ http://www.ojp.usdoj.gov/BJA/grant/psob/psob_main.html, viewed 2/15/05

⁵The levels of carbon monoxide must be confirmed by medical evidence such as toxicology tests. Therefore, for heart attack deaths only, the PSOB requests a toxicology report, identifying the exact percentage of carboxyhemoglobin, to obtain evidence that carbon monoxide may have precipitated the heart attack. Blood toxicology may be performed at the time of admission to the hospital or at the time of death. PSOB will consider the number of minutes oxygen was administered from the time of collapse at the fire scene until the time the toxicology blood was drawn. By taking the blood carbon monoxide percentage and applying the number of minutes oxygen was administered from the time of collapse until the time the blood sample was drawn, PSOB can determine the approximate blood carboxyhemoglobin level at the time of collapse. The application of oxygen dissipates carbon monoxide in the blood.

OLIVER CONSULTING

CONSULTING ACTUARIES

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December 7, 2005

Law Enforcement Officers' & Firefighters' Plan 2 Retirement Board
P.O. Box 40918
Olympia, Washington 98504-0918

Re: Actuarial Review: Duty Death Survivor Medical Benefits

Chairman Fox and Members of the Board:

There follow the results of our actuarial review of the LEOFF 2 contribution rate increases contained in the memo of December 7, 2005 of the Office of the State Actuary.

Background

Currently, spouses of members who die in the line of duty can elect medical and dental coverage for themselves and their dependents through the Public Employees Benefit Board (PEBB).

Under the proposal, LEOFF Plan 2 would pay for these health premiums. The provision would be applied retroactively to the LEOFF Plan 2 inception date.

The recommended contribution rate increases calculated by the Office of the State Actuary are shown below.

Employee	0.03%
Employer	0.02%
<u>State</u>	<u>0.01%</u>
Total	0.06%

Results of Review

Assumptions

Assumptions include rates of increase in medical and dental premiums, medical and dental plans elected, percent of duty deaths having survivors, election of dependent coverage and duration of that coverage, and numbers of survivors from prior deaths newly electing PEBB coverage.

Though we may have chosen somewhat different individual assumptions in this regard (for instance: higher long-term increases in medical premiums, but election by some survivors of lower premium medical plans, such as Kaiser), we agree that the assumptions used by the Office of the State Actuary are reasonable in the aggregate for pricing this benefit.

Contribution Rates

We independently calculated the increases in the LEOFF 2 Actuarial Present Value of Projected Benefits and the resulting contribution rate increases. Our results fell within a reasonable range of the State Actuary's results.

Conclusions

Contribution rates shown in the fiscal note of the Office of the State Actuary are appropriate for costing the contemplated benefit improvements.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Sincerely,



Marilyn M. Oliver, F.S.A., M.A.A.A.
Actuary and Principal
Oliver Consulting
Contractor



John E. Bartel, A.S.A., M.A.A.A.
President
Bartel Associates, LLC
Peer Review

Cc.

Steve Nelsen, Executive Director
Matthew M. Smith, State Actuary



WASHINGTON STATE LEGISLATURE
Office of the State Actuary

December 7, 2005

TO: Steve Nelsen, Executive Director
LEOFF 2 Retirement Board

FROM: Marty McCaulay, FSA, EA, MAAA, Senior Pension Actuary *PMM*
Office of the State Actuary

CC: Matt Smith, FCA, EA, MAAA, State Actuary
Office of the State Actuary

RE: **LEOFF 2 DUTY-DEATH SURVIVOR MEDICAL AND DENTAL BENEFITS**

This memo presents the results of pricing the proposed medical and dental benefits for survivors of members following duty-related deaths. The eligibility for this proposed benefit is the same as the eligibility for the existing \$150,000 duty-death benefit. Currently, survivors of members killed in the line of duty have access to medical benefits through the Public Employees Benefits Board (PEBB) at their own expense. This proposal would provide 100 percent of the PEBB medical and dental premiums for duty-death survivors for life and dependents while eligible.

The proposal would increase contribution rates by a total of 0.06 percent (employee 0.03 percent, local employer 0.02 percent, state 0.01 percent) and have a total employer cost of \$0.8 million for 2007-2009.

Members Impacted

We expect an average of approximately three duty-related deaths per year. Our current assumed duty-related death rate is 0.0002 for all ages; or two duty-related deaths for every 10,000 active members. We assume that there are approximately 24 current survivors as the result of prior duty-related deaths. A typical survivor impacted by this proposal would receive medical benefits with a current value of \$308 to \$859 per month plus dental benefits with a current value of \$44 to \$87 per month depending on age and family status.

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Assumptions

We assumed that the eligibility requirement would be the same as the current eligibility requirement for the \$150,000 duty-death benefit. We assumed that 100 percent of active members were married. We used the duty-death assumption of 0.002 at all ages for the pre-retirement mortality assumption. We assumed that survivors would elect the most expensive medical plan under PEBB, which is currently Regence Blue Shield. We assumed survivors would elect the most expensive dental plan, which is currently Regence Blue Shield: Columbia Dental Plan. We assumed that PEBB premiums would decrease at age 65 because survivors would be enrolled in Medicare at age 65. We assumed that future survivors and half of the survivors in pay status would elect coverage for the subscriber and children for the first ten years and the subscriber only thereafter. We assumed that the other half of the survivors in pay status would elect coverage for the subscriber only.

2006 PEBB Retiree Monthly Premiums: Regence Blue Shield*			
	Medical		Dental
	Pre-Medicare	Enrolled in Medicare	Before/After Medicare
Subscriber Only	\$493.87 / month	\$308.45 / month	\$43.46 / month
Subscriber and Children	\$858.54 / month	\$673.12 / month	\$86.92 / month

* Full dental plan name is Regence Blue Shield: Columbia Dental Plan.

We assumed that the trend rate for medical inflation is 13.5 percent the first year, decreasing by 1.0 percent per year to an ultimate rate of 3.5 percent. The remaining assumptions were the same as those discussed in the 2004 actuarial valuation report for the pension plan.

To approximate the number of current duty-death survivors, we derived an estimated 24 survivors by starting with two methods to develop a best-estimate range of 9-42 survivors, then selected the number 24 near the midpoint of the range as our best single-point estimate. The low end of the range was based on the number of duty-death survivors currently in PEBB. The high end of the range was derived by retroactively applying our duty-death assumption since the inception of the plan. Additionally, our data shows 19 survivors receiving annuities from the pension plan. To calculate the liability for the estimated five unknown current duty-death survivors, we took the ratio of (24/19 -1) times the liabilities for medical benefits in PEBB for the 19 known survivors in the data. We assumed that the medical benefits would be paid for the surviving spouse and dependent children and not for future spouses if surviving spouses remarry.

Costs

The proposal will impact the actuarial funding of LEOFF 2 by increasing the present value of benefits payable under the plan and the required actuarial contribution rate as shown below:

\$ in Millions	Cost Summary		
	Current	Increase	Total
Increase in Present Value of Fully Projected Benefits	\$4,800	\$8	\$4,808
Increase in Present Value of Unfunded Credited Projected Benefits	(\$426)	\$6	(\$420)

Increase in Contribution Rates: (Effective 9/1/2006)	
Current Members	
Employee	0.03%
Employer	0.02%
State	0.01%
New Entrants*	
Employee	0.02%
Employer/State	0.02%

**Rate change applied to future new entrant payroll and used for fiscal budget determinations only. A single supplemental rate increase, equal to the increase for current members, would apply initially for all members or employers.*

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Duty-Death Medical Benefits	
Costs (in Millions)	
2006-2007	
State:	
General Fund	\$0.1
Non-General Fund	<u>\$0.0</u>
Total State	\$0.1
Local Government	\$0.2
Total Employer	\$0.3
Total Employee	\$0.3
2007-2009	
State:	
General Fund	\$0.2
Non-General Fund	<u>\$0.0</u>
Total State	\$0.2
Local Government	\$0.6
Total Employer	\$0.8
Total Employee	\$0.8
2006-2031	
State:	
General Fund	\$5.9
Non-General Fund	<u>\$0.0</u>
Total State	\$5.9
Local Government	\$10.0
Total Employer	\$15.9
Total Employee	\$15.9

These estimates are based on assumptions regarding the current number of duty-related survivors, the medical plans selected, the number of dependents covered, and health care inflation. The actual costs will be different if these assumptions are not realized.

WAC 182-12-250

Insurance Eligibility For Surviving Dependents of Emergency Service Personnel Killed In The Line of Duty.

Surviving dependents of emergency service personnel who were killed in the line of duty on or after January 1, 1998, are eligible to participate in health plan coverage administered by the HCA.

(1) This section applies to the dependents of emergency service personnel "killed in the line of duty" as determined consistent with Title [51](#) RCW by the department of labor and industries.

(2) "Emergency service personnel" means law enforcement officers, fire fighters and reserve officers, fire fighters as defined in RCW [41.26.030](#) and [41.24.010](#).

(3) "Surviving dependent" means:

(a) A lawful spouse or ex-spouse as defined in RCW [41.26.162](#); and

(b) Dependent children. The term "children" includes unmarried natural children, stepchildren and legally adopted children under the age of twenty or under the age of twenty-four for a dependent student attending high school or registered at an accredited secondary school, college, university, vocational school, or school of nursing. Disabled dependents as defined in RCW [41.26.030](#)(7) are eligible at any age.

(4) Premium rates will be subsidized consistent with rates established by PEBB for non-Medicare retirees under RCW [41.05.022](#) and for Medicare-entitled retirees under RCW [41.05.085](#).

(5) Surviving dependents that are Medicare-entitled must enroll in both parts A and B of Medicare.

(6) The surviving dependent must send a completed enrollment application to PEBB no later than sixty days after:

(a) The last day of any coverage extended by the employing agency of the emergency service employee who died in the line of duty; or

(b) The last day of coverage extended through the Consolidated Omnibus Budget Reconciliation Act (COBRA) from any employing agency.

(7) Surviving dependents must choose one of the following two options for maintaining eligibility for participation under PEBB health plan coverage:

(a) Enroll in PEBB health plan coverage:

(i) Enrollment in the medical portion of PEBB health plan coverage is required.

(ii) Enrollment in the dental portion of PEBB health plan coverage is optional. Once enrolled in dental coverage the person must maintain enrollment in dental coverage for a minimum of two years before dental coverage can be dropped.

(iii) Dental only coverage is not available.

(b) Defer enrollment:

(i) Surviving dependents may defer enrollment in PEBB health plan coverage if they are enrolled in employer sponsored medical through their employment.

(ii) Surviving dependents may enroll in PEBB health plan coverage when their employer sponsored coverage ends. Proof of continuous enrollment in other comprehensive employer sponsored coverage must be submitted with the application for enrollment to the HCA within sixty days after the date that their coverage ended.

(8) Enrollees may change their health carrier selection during open enrollment. In addition to open

enrollment, enrollees may change health carriers if they move out of their health carrier's service area or into a service area where a health carrier that was not previously offered is now available.

(9) Surviving dependents will forfeit their right to enroll in PEBB health plan coverage if they:

(a) Do not make application to PEBB before the date specified in subsection (6) of this section; or

(b) Do not maintain continuous comprehensive employer sponsored medical coverage during the deferral period, as provided in subsection (7)(b)(i) of this section.

[Statutory Authority: RCW [41.05.160](#) and [41.05.165](#). 04-18-039, § 182-12-250, filed 8/26/04, effective 1/1/05.]