



COMPREHENSIVE REPORT

By Jacob White

Senior Research & Policy Manager

360-586-2327

jacob.white@leoff.wa.gov

ISSUE STATEMENT

LEOFF Plan 2 catastrophic disability retirees and their survivors have different health insurance access than survivors of members killed in the line of duty.

OVERVIEW

This report will provide information on health insurance premium reimbursement benefits for survivors of members who are killed in the line of duty and to members who are retired for catastrophic disability.

BACKGROUND AND POLICY ISSUES

Survivor Premium Reimbursement

Legislation enacted in 2001¹ enabled surviving spouses of emergency service personnel killed in the line of duty on or after January 1, 1998, to purchase health care benefits from the Public Employees Benefit Board (PEBB). "Emergency service personnel" for this purpose included fire fighter and law enforcement members of the Law Enforcement Officers' and Fire Fighters' Retirement System and the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension System. Under the 2001 legislation, the cost of the insurance was paid by the surviving spouses and dependent children.

Under legislation enacted in 2006², the retirement allowance paid to survivors of all LEOFF Plan 2 members killed in the course of employment includes reimbursement for the cost of participating in a PEBB health insurance plan. The survivors of members killed in the line of duty prior to January 1, 1998, as well as on or after January 1, 1998, are eligible to participate in the PEBB health insurance plans under the 2006 bill. This benefit (right to reimbursement for the health care insurance costs) is not considered a contractual right, and the Legislature reserved the right to amend or repeal the 2006 act for future reimbursements.

¹ Engrossed Substitute House Bill 1371 (2001)

² Senate Bill 6723 (2006)

Catastrophic Disability Premium Reimbursement

LEOFF Plan 2 does not provide access to health care insurance for any disability retirees. A disability retiree may have access to health care insurance through employer or employee associations or the open market. Catastrophic disability retirees/survivors do not have access to benefits through PEBB unless they were already receiving PEBB benefits through their employer. This means these members are receiving benefits through the federal Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) coverage (18 months only), through coverage offered to retirees through their employer, or individual coverage from the open market. Shopping for private coverage can be challenging and expensive. Tracking and paying a diverse and shifting field of individual providers creates administrative challenges for the Department of Retirement Systems (DRS). The cost for coverage can be much greater under private coverage, then under PEBB³.

Since 2010, LEOFF Plan 2 has provided a reimbursement to the disability allowance of a LEOFF Plan 2 member that is totally disabled in the line of duty that includes reimbursement for any payments made for employer-provided health insurance. This includes health insurance offered under the federal Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and Medicare Parts A and B⁴. The reimbursement is capped at the former employer's current COBRA amount or other employer provided retiree health insurance premium amount⁵. The actual amount reimbursed depends on the health insurance plan selected by the retiree or surviving spouse.

History of Catastrophic Health Insurance Premium Reimbursement

During the 2008 interim, the Board studied options for extending the health care premium assistance to catastrophic retirees and their survivors. At the Board's request, the Legislature introduced HB 1679 in 2009. The 2009 bill proposed including catastrophically disabled LEOFF Plan 2 members, their spouses and dependent children in the PEBB risk pool, with the individuals paying their own PEBB premium until Medicare eligible.

The Health Care Authority fiscal note estimated a total cost of \$1.5 million the first biennium, ramping up to \$4.7 million by the 2013-15 biennium. The fiscal note assumed 14 new catastrophic retirees added on January 1 of each year. The 2009 version of HB 1679 failed.

Experience May Lower Cost of Board's Original PEBB Proposal

Writing a fiscal note requires predicting the future. Sometimes actual experience does not track those predictions. The estimates of future costs for including catastrophic retirees and their families in PEBB may have been overstated, due primarily to an overestimate of the number of catastrophic retirees.

³ In 2019, retiree medical premiums for an individual and spouse in non-Medicare eligible PEBB (Uniform Medical Classic) are \$1,344.

⁴ Medicare Part A is hospital insurance (inpatient) and Medicare Part B is health insurance (outpatient).

⁵ RCW 41.26.470(10).

Both the actuarial and health care authority fiscal notes assumed a higher rate of catastrophic retirements than current experience demonstrates. OSA completed two experience studies since that time showing a lower catastrophic retirement rate.⁶

OSA found that cutting the estimated number of retirees in half reduces the estimated cost of the bill nearly by half. Given that analysis, the lower rate of actual catastrophic retirements indicates a significantly lower cost than estimated in the original fiscal notes. HCA has indicated to the LEOFF Plan 2 Board staff that they would use OSA's assumptions on a new bill.

From 2003 through 2018, there have been a total of 63 (an average of 3.9 approved a year) catastrophic disabilities.⁷ However, the number of catastrophic disabilities may increase as the legislature has continued to add additional presumptive diseases to existing law, which makes it more likely members will qualify for duty and catastrophic disability benefits in the future. OSA is currently working on an updated Demographic and Experience Study which will include a new catastrophic retirement rate assumption.

Catastrophic Retirement Rates: Original vs. Revised vs. Actual	
2009 HCA Assumed Rate	14/year
Current Experience Study Rate	4.5/year
2003 – 2018 Actual Experience	3.9/year

Administrative Process for Reimbursements

The process that a catastrophic disability retiree must navigate in order to find health care coverage and then receive a reimbursement from DRS for that coverage is complex and often exacerbated for members suffering from catastrophic disability conditions. In fact, there are currently four catastrophic disability retirees who have never received a reimbursement, presumably because they either do not have health care coverage or have not completed the process of applying for a reimbursement.

DRS annually sends catastrophic disability retirees a *LEOFF Plan 2 Request for Medical Premium Reimbursement Form* (See Appendix B) in November and again in May. The request for reimbursement is submitted for the previous six months. However, the retiree can submit more frequently if they would like to be reimbursed sooner. The retiree must submit copies of two document types: proof of insurance and proof of payment. If the retiree does not submit the paperwork for reimbursement, DRS reaches out to them via a phone call to see if they can assist them with the reimbursement paperwork. According to DRS, some catastrophic disability

⁶ The most recent OSA Demographic Experience Study is from 2007-2012.

⁷ During that time period one catastrophic disability, which was approved on a temporary basis, was converted to a duty disability.

retirees have told them they have not applied for reimbursement because “it’s not worth it to them, or they don’t want to be bothered with more paperwork.”

This process is simpler if a catastrophic disability retiree is covered by a health insurance provider who has set up vendor pay with DRS. If a retiree is covered by a provider with vendor pay, they are able to skip the process of requesting a reimbursement. Instead DRS makes direct payments to the health insurance provider on behalf of the catastrophic disability retiree.

Determining whether to set up vendor pay is up to the discretion of the health insurance provider. A provider wanting to allow for vendor pay must complete the *DRS Broker/Vendor Packet* (See Appendix C). DRS does not initiate the request for vendor pay, instead the member must do so, unless their health insurance provider already has set up vendor pay. This deduction process is used for other retirees and other types of payments, not just health insurance premiums for Catastrophic Disability Retirees.

If Catastrophic Disability Retirees were enrolled in PEBB, like Line-of-Duty Death survivors, the process would be much simpler for retirees. When LEOFF Plan 2 has a Line-of-Duty Death, a copy of the Labor and Industries approval form is sent to PEBB – informing them who was approved for the duty death benefit and the surviving spouse’s name who will be contacting them for medical benefits. Each month, DRS receives a report detailing the Line-of-Duty Death medical premiums and the funds are transferred to PEBB to pay for the medical premiums. Once signed up with PEBB the spouse and the dependent children are covered and they do not have fill out any additional forms from DRS.

There is not a time limit for a Catastrophic Disability Retiree requesting reimbursement for health insurance premiums. In fact, DRS recently issued a reimbursement of \$73,764.36 to a member who completed their request for reimbursement after almost 10 years of being retired.

POLICY OPTIONS

Option 1: PEBB coverage for Catastrophic Disability retirees

Catastrophic Disability retirees and their families would be covered under PEBB, like Line-of-Duty Death survivors. Catastrophic Disability retirees could no longer choose their own health insurance provider.

Option 2: No change to current law

Catastrophic Disability Retirees would continue to be responsible for finding health insurance coverage and seeking reimbursement for premiums from DRS.

SUPPORTING INFORMATION

Appendix A: OSA Fiscal Note for SHB 1679

Appendix B: LEOFF Plan 2 Request for Medical Premium Reimbursement Form

Appendix C: Broker/Vendor Packet Forms and Instructions

Multiple Agency Fiscal Note Summary

Bill Number: 1679 E HB	Title: Catastrophic disability med
-------------------------------	---

Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Washington State Health Care Authority	0	1,669,985	0	0	0	0
Total \$	0	1,669,985	0	0	0	0

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2009-11			2011-13			2013-15		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.0	2,300,000	2,300,000	.0	2,400,000	2,400,000	.0	2,400,000	2,400,000
Washington State Health Care Authority	.0	363,343	1,669,985	.0	0	0	.0	0	0
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board	.0	0	0	.0	0	0	.0	0	0
Total	0.0	\$2,663,343	\$3,969,985	0.0	\$2,400,000	\$2,400,000	0.0	\$2,400,000	\$2,400,000

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

--

Prepared by: Jane Sakson, OFM	Phone: 360-902-0549	Date Published: Pending Distribution
--------------------------------------	-------------------------------	--

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 24437

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Bill Number: 1679 E HB	Title: Catastrophic disability med	Agency: 035-Office of State Actuary
-------------------------------	---	--

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND					
Total \$					

Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
Fund					
General Fund-State 001-1	1,000,000	1,300,000	2,300,000	2,400,000	2,400,000
Total \$	1,000,000	1,300,000	2,300,000	2,400,000	2,400,000

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: David Pringle	Phone: 360-786-7310	Date: 03/10/2009
Agency Preparation: Nelsen Dave	Phone: 360-786-6144	Date: 04/21/2009
Agency Approval: Matthew M. Smith	Phone: 360-786-6140	Date: 04/21/2009
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 04/21/2009

Request # -2

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.

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.

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 2010	FY 2011	2009-11	2011-13	2013-15
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					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$0	\$0	\$0	\$0

Part IV: Capital Budget Impact

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.

ACTUARY'S FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	4/21/09	EHB 1679

WHAT THE READER SHOULD KNOW

The Office of the State Actuary (“we”) prepared this fiscal note based on our understanding of the bill as of the date shown above. We intend this fiscal note to be used by the Legislature during the 2009 Legislative Session only.

We advise readers of this fiscal note to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this fiscal note as a whole. Distribution of, or reliance on, only parts of this fiscal note could result in its misuse and may mislead others.

SUMMARY OF RESULTS

This bill will provide access to insurance products offered by the Public Employees' Benefits Board (PEBB) to members of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 who qualify for a total line-of-duty disability benefit. The cost of the insurance is paid by the member and the LEOFF Plan 2 retirement fund.

Impact on Pension Liability			
<i>(Dollars in Millions)</i>	Current	Increase	Total
Today's Value of All Future Pensions	\$10,507	\$63.3	\$10,570
Earned Pensions Not Covered by Today's Assets	N/A	N/A	N/A

Impact on Contribution Rates: (Effective 9/1/2009)	
2009-2011 State Budget	LEOFF
Employee (Plan 2)	0.21%
Employer:	
Current Annual Cost	0.13%
Plan 1 Past Cost	0.00%
Total	0.13%
State	0.08%

Budget Impacts			
<i>(Dollars in Millions)</i>	2009-2011	2011-2013	25-Year
General Fund-State	\$2.3	\$2.4	\$26.1
Total Employer	\$6.0	\$6.0	\$65.5

See the Actuarial Results section of this fiscal note for additional detail.

WHAT IS THE PROPOSED CHANGE?

Summary Of Benefit Improvement

A member of LEOFF Plan 2 who qualifies for a total line-of-duty disability benefit under RCW 41.26.470 (8) would be eligible to participate in health insurance products offered by PEBB. This eligibility is granted regardless of whether the member was covered by PEBB benefits as an active employee. The spouse and dependents of the member would also qualify for coverage.

The engrossed house bill differs from the original bill in that it requires the LEOFF Plan 2 retirement fund to pay the difference between the premium charged to the recipient and the increased cost to the corresponding risk pool created by adding the disabled members and/or dependents. Additionally, the engrossed bill ends the benefit provisions on July 1, 2011. After this date, new members of LEOFF Plan 2 would not be eligible for the PEBB coverage provided by this bill. Existing eligible retirees and members actively employed prior to July 1, 2011, would retain their eligibility for this benefit coverage after July 1, 2011.

Effective Date: Immediately upon signing.

What Is The Current Situation?

LEOFF Plan 2 members who have coverage under PEBB as active employees are able to purchase PEBB benefits offered to retirees when they choose to retire, whether retiring for service or disability. While all local government employers are eligible to offer PEBB benefits to their employees, not all employers do so.

Who Is Impacted And How?

We estimate this bill could affect all 16,099 active members of LEOFF Plan 2 through improved benefits. Of the 924 retirees and members with disabilities, there are currently four members with total disabilities incurred in the line of duty that would be affected. Furthermore, we expect approximately 16 additional members per year will actually receive improved benefits.

We estimate this bill will increase the benefits for a typical member by providing access to PEBB insurance products, along with the associated healthcare subsidies provided through PEBB.

This bill impacts all 16,099 active Plan 2 members through increased contribution rates.

WHY THIS BILL HAS A COST AND WHO PAYS FOR IT

Why This Bill Has A Cost

PEBB provides subsidized healthcare insurance for certain members of the state's retirement systems. This subsidy generally increases with age. Allowing more retirees to join PEBB increases the number of members receiving the subsidy and increases the associated costs. In addition, the population added under this bill is expected to be less healthy (and more costly) than the average member currently covered under PEBB.

Who Will Pay For These Costs?

The pension system will pay for the subsidies arising from the affected members entering PEBB. The pension system will pre-fund the costs consistent with the approach for retirement benefits. Contribution rates will increase in advance, the money will be invested, and HCA will collect the money when it is due. The contributions will be funded 50 percent by the employees, 30 percent by the employers, and 20 percent by the state.

HOW WE VALUED THESE COSTS

Assumptions We Made

We assumed all members would join the Uniform Medical Plan (UMP). We based this assumption on the fact that the majority of members in PEBB select UMP.

Members who are affected by this bill meet the standard of disability used by the Social Security Administration, which allows access to Medicare Part A after 29 months. We assumed all of the members would enroll in Medicare Part B, which would allow access to PEBB's Medicare risk pool. Therefore, we assumed all members would transfer to the Medicare risk pool after two years, whereas their spouses would transfer to the Medicare risk pool at age 65.

We assumed HCA could charge the pension system for only six of the twenty expected members in the first year. We assumed HCA could charge the pension system for all expected members in years two and beyond.

We assumed all current members are eligible for this benefit regardless of the date of disablement. We believe it is uncertain whether this benefit would be considered contractual, so we have assumed it will continue past the sunset date of July 1, 2011. However, we do assume that the sunset will mean the benefits are not contractual for future entrants to the system.

Otherwise, we developed these costs using the same assumptions as disclosed in both the June 30, 2007, Actuarial Valuation Report (AVR) and the January 1, 2008, Other Post-Employment Benefits Actuarial Valuation Report (OPEB AVR).

How We Applied These Assumptions

We relied on HCA's fiscal note to estimate the cost for full family coverage when both member and spouse are in the non-Medicare risk pool. We assumed the total cost per month was \$3,248 and the total premium paid by the family was \$1,158. We used the 2008 explicit subsidy amount of \$164 per month to value both the member and spouse while they were in the Medicare risk pool. We used implicit subsidy costs consistent with the OPEB AVR to value the cost of the spouse in the non-Medicare risk pool after the first two years.

We placed the members into the UMP. Consistent with the AVR, we used the expected rate of total disablement to determine how many active members would be expected to enroll in PEBB each year (approximately 18 percent of all duty-related disabilities). We flagged the four currently eligible members in the data as they are expected to join PEBB immediately if this bill passes.

Otherwise, we developed these costs using the same methods as disclosed in the AVR.

Special Data Needed

We relied on data provided by DRS to identify the four members that are currently eligible for this bill. We did not audit this data.

Otherwise, we developed these costs using the same assets and data as disclosed in both the AVR and the OPEB AVR.

ACTUARIAL RESULTS

How The Liabilities Changed

This bill will impact the actuarial funding by increasing the present value of future benefits payable as shown below.

Impact on Pension Liability			
(Dollars in Millions)	Current	Increase	Total
Actuarial Present Value of Projected Benefits			
<i>(The Value of the Total Commitment to all Current Members)</i>			
LEOFF 1	\$4,358	\$0.0	\$4,358
LEOFF 2	<u>6,149</u>	<u>63.3</u>	<u>6,212</u>
LEOFF Total	\$10,507	\$63.3	\$10,570
Unfunded PUC Liability			
<i>(The Value of the Total Commitment to all Current Members Attributable to Past Service that is not covered by current assets)</i>			
LEOFF 1	(\$975)	\$0.0	(\$975)
LEOFF 2	<u>(974)</u>	<u>28.0</u>	<u>(946)</u>
LEOFF Total	(\$1,949)	\$28.0	(\$1,921)

Note: Totals may not agree due to rounding.

How Contribution Rates Changed

The rounded increase in the required actuarial contribution rate results in the supplemental contribution rate shown below that applies in the current biennium. However, we will use the un-rounded rate increase to measure the budget changes in future biennia.

Impact on Contribution Rates: (Effective 9/1/2009)	
System/Plan	LEOFF
Current Members	
Employee (Plan 2)	0.205%
Employer:	
Normal Cost	0.123%
Plan 1 UAAL	<u>0.000%</u>
Total	0.123%
State	0.082%
New Entrants*	
Employee (Plan 2)	0.000%
Employer:	
Normal Cost	0.000%
Plan 1 UAAL	<u>0.000%</u>
Total	0.000%
State	0.000%

**Rate change applied to future new entrant payroll and used to determine budget impacts only. Current members and new entrants pay the same contribution rate.*

How This Impacts Budgets And Employees

Budget Impacts	
<i>(Dollars in Millions)</i>	LEOFF
2009-2011	
General Fund	\$2.3
Non-General Fund	<u>0.0</u>
Total State	\$2.3
Local Government	<u>3.7</u>
Total Employer	\$6.0
Total Employee	\$6.0
2011-2013	
General Fund	\$2.4
Non-General Fund	<u>0.0</u>
Total State	\$2.4
Local Government	<u>3.6</u>
Total Employer	\$6.0
Total Employee	\$6.0
2009-2034	
General Fund	\$26.1
Non-General Fund	<u>0.0</u>
Total State	\$26.1
Local Government	<u>39.4</u>
Total Employer	\$65.5
Total Employee	\$65.5

Note: Totals may not agree due to rounding.

The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.

As with the costs developed in the actuarial valuation, the emerging costs of the system will vary from those presented in the AVR or this fiscal note to the extent that actual experience differs from the actuarial assumptions.

HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

To determine the sensitivity of the actuarial results to the best-estimate assumptions or methods selected for this pricing we varied the following assumptions and methods:

- The sunset provision does not remove eligible members from PEBB at July 1, 2011.
- The sunset provision does not stop current members who disable after July 1, 2011, from enrolling in PEBB.

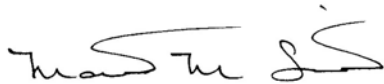
We determined the total liability if members were not allowed PEBB coverage after July 1, 2011, consistent with what we believe to be the bill's intent. The liability increase would be \$0.9 million instead of the expected \$63.3 million. The corresponding rate increase would be 0.003 percent for the member, 0.002 percent for the employer, and 0.001 percent for the state.

ACTUARY'S CERTIFICATION

The undersigned hereby certifies that:

1. The actuarial cost methods are appropriate for the purposes of this pricing exercise.
2. The actuarial assumptions used are appropriate for the purposes of this pricing exercise.
3. The data on which this fiscal note is based are sufficient and reliable for the purposes of this pricing exercise.
4. Use of another set of methods, assumptions, and data may also be reasonable, and might produce different results.
5. We prepared this fiscal note for the Legislature during the 2009 Legislative Session.
6. We prepared this fiscal note and provided opinions in accordance with Washington State law and accepted actuarial standards of practice as of the date shown on page 1 of this fiscal note.

While this fiscal note is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.

A handwritten signature in black ink, appearing to read 'Matthew M. Smith', with a stylized flourish at the end.

Matthew M. Smith, FCA, EA, MAAA
State Actuary

GLOSSARY OF ACTUARIAL TERMS

Actuarial Accrued Liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions (i.e. interest rate, rate of salary increases, mortality, etc.).

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than on an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost.
- Amortization of the unfunded liability.

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Projected Unit Credit (PUC) Liability: The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded PUC Liability: The excess, if any, of the Present Value of Benefits calculated under the PUC cost method over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

Individual State Agency Fiscal Note

Bill Number: 1679 E HB	Title: Catastrophic disability med	Agency: 107-Wash State Health Care Authority
-------------------------------	---	---

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2010	FY 2011	2009-11	2011-13	2013-15
Public Employees' and Retirees Insurance Account-Non-Appropriated 721-6	806,756	863,229	1,669,985		
Total \$	806,756	863,229	1,669,985		

Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
Fund					
General Fund-State 001-1	363,343	0	363,343	0	0
Public Employees' and Retirees Insurance Account-Non-Appropriated 721-6	443,413	863,229	1,306,642	0	0
Total \$	806,756	863,229	1,669,985	0	0

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: David Pringle	Phone: 360-786-7310	Date: 03/10/2009
Agency Preparation: Kim Grindrod	Phone: 360 252-3377	Date: 03/12/2009
Agency Approval: Dennis Martin	Phone: (360) 923-2831	Date: 03/12/2009
OFM Review: Nick Lutes	Phone: 360-902-0570	Date: 03/18/2009

Request # 09-72-01-1

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

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.

See attached narrative

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
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	806,756	863,229	1,669,985		
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$806,756	\$863,229	\$1,669,985	\$0	\$0

Part IV: Capital Budget Impact

See attached narrative

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 engrossed version of this bill directs the PEBB to charge the Law Enforcement Officers and Firefighters (LEOFF) pension plan the value of the implicit subsidy instead of the General Fund-State.

However, in the engrossed version of this bill, Section 1(4) limits the amount of the subsidy that can be charged to the LEOFF pension plan to the number of totally disabled members indentified in the actuarial valuation (RCW 41.26.480 (8) in the period immediately prior to the affected plan year.

In Section 5 of the engrossed version of this bill directs the act to expire July 1, 2011.

This bill amends RCW 41.05.080 and 41.05.195 by expanding the Pubic Employees Benefits Board's (PEBB) eligibility to include:

1. Surviving spouses and dependent children of law enforcement officers and firefighters [LEOFF] who are totally disabled in the line of duty and receiving a retirement allowance as provided under RCW 41.26.470(8).
2. Law enforcement officers and firefighters [LEOFF] who are totally disabled in the line of duty and receiving a retirement allowance as provided under RCW 41.26.470 (8) and their dependents.

The bill provides the same eligibility and premium payment requirements as currently in place for the surviving spouses and dependent children of emergency service personnel killed in the line of duty.

Discussion:

For the period of July 1, 2009 through June 30, 2011, this bill would allow totally disabled (in the line of duty) law enforcement officers and firefighters and their families the option of moving out of their current insurance plans and into the PEBB insurance plans. **We believe the sunset clause in Section 5 of the bill would require the catastrophically disabled LEOFF members to leave the PEBB program on June 30, 2011.** At that time, due to the expected health status of this group, we believe the only likely option for health insurance coverage would be from the Washington State Health Insurance Pool, a high risk insurance pool.

The retirees discussed in this bill are totally disabled, and, therefore we assume the cost of healthcare for these members will significantly exceed the rates charged. The difference between the rate charged and the cost to provide the health care is known as an implicit subsidy. The "true cost" of this population is based on assumptions around greatly increased utilization. In lieu of more specific information regarding the types of disabilities and claims costs affecting these employees, we will use the PEBB Uniform Medical Plan (UMP) rate for a full family to estimate the premium that will be paid monthly by the disabled retiree and we will

HCA Fiscal Note

Bill Number: EHB 1679

Catastrophic Disability Med

HCA Request #: 09-72-01

use the PEBB conversion plan full family rate¹ as a proxy for the increased costs. The difference between the two rates is the value of the subsidy.

The phrases “surviving spouse” and “child/children” are defined in RCW 41.26.030 (6) and (7) regarding the law enforcement officers’ and firefighters’ retirement system. However, the bill amends PEBB eligibility provisions. PEBB benefits provided in RCW 41.05.080 are subject to the terms, definitions and conditions set by the PEB Board. Therefore, under the bill, PEBB would cover any *PEBB-eligible* spouse or child dependent of a totally disabled officer or fire fighter.

The distinction between the 41.26.030 (6)/(7) definitions and PEBB’s 41.05.080 definitions of spouse and dependent children is subtle, but there is a difference. There would most likely be no difference in the definition of spouse (PEBB rules do not allow for ex-spouses, but we have historically allowed LEOFF 2 surviving ex-spouses if they qualified under 41.26.162), but PEBB’s definition of dependent children is a little more broad than the definition in 41.26.030. Specifically, 41.26.030 (7)(b) defines a student as a child up until they turn 21, while PEBB defines a student dependent as eligible up until they turn 24.

Assumptions

The HCA has made several assumptions about this bill. Changes in the assumptions will have impacts on the expenditure estimates. HCA has made assumptions as to how the proposed legislation would be implemented as written. This fiscal analysis was made based upon those assumptions and the costs associated with any different interpretation of the bill are not estimated within this analysis.

- Enrollment: Updated enrollment assumptions have been provided by the Office of the State Actuary and we estimate 20 new “totally disabled” retirees would join PEBB effective July 1, 2009² and an additional 16 “totally disabled retirees would join PEBB effective January 1, 2011 for a total of 36. We assume the new subscriber would request full family coverage. The Office of the State Actuary provided the following enrollment assumptions:

Fiscal Year Ending	# of Expected Total Disabilities	# of Total Disabilities HCA can Charge Pension System
2008	2	N/A
2009	4	N/A
2010	20	6
2011	36	36
Beyond	52+	N/A

¹ PEBB conversion plan rates reflect a population no longer employed for the state and who have exhausted their COBRA benefits which includes right to remain in the community rated risk pool. The rates reflect an increased cost for high utilization of health care.

² Please note: In the earlier version of this fiscal note, we assumed the newly eligible enrollment would begin in January 2010. In this version, we assume the newly eligible enrollment will begin in July 2009.

HCA Fiscal Note

Bill Number: EHB 1679

Catastrophic Disability Med

HCA Request #: 09-72-01

We assume there will be no disabled LEOFF member enrollment effective July 1, 2011 due to the expiration clause in Section 5

- **Risk Pool:** We assume the disabled retiree will be in the non-Medicare community rated risk pool. Many LEOFF members are exempt from contributing to the federal Social Security and Medicare programs. Due to this exemption, we assume the members are not eligible to join Medicare Parts A and B, and, therefore may not be moved to the PEBB Medicare community rated risk pool. A different set of assumptions and subsidies apply to the Medicare risk pool but are not considered in this analysis.
- **Plan Selection and Rate:** We assume the disabled retiree will select the Uniform Medical Plan. This is currently the lowest cost PEBB offering. In Calendar Year (CY) 2009 the Uniform Medical Plan Full Family paid to plan rate is \$1,158 per month. The PEBB Conversion Plan 1 full family rate is \$3,248 per month. Based on the current trend provided by our actuaries, we assume the rates will increase 7% per year.
- We assume it is not the intent of this legislation to pass the cost of the subsidies for this group on to the current PEBB employers and employees. Therefore, based on direction provided in the bill, we assume the implicit subsidy for six members will be charged to the LEOFF pension plan in FY 2010, and the implicit subsidy for the remaining members will be paid through a direct transfer from the General Fund-State into the PEBB fund in FY 2010. In FY 2011, we assume the entire implicit subsidy will be charged to the LEOFF pension plan.
- The proposed method of collecting funding for the subsidy will require tracking and reporting but can be accomplished within available resources.
- The bill broadens eligibility to include a small number of people and will require revisions to communications materials and amending WAC 182-12-250. This can be accomplished within existing resources.

II. B – Cash Receipts Impact

The following chart shows the expected increased revenue receipts from Fiscal Year (FY) 2010 through FY 2015, in the Public Employees' and Retirees' Insurance Account (Fund 721).

Cash Receipts	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
721 Benefits	\$ 806,756	\$ 863,229	\$ -	\$ -	\$ -	\$ -
Total	\$ 806,756	\$ 863,229	\$ -	\$ -	\$ -	\$ -

II. C - Expenditures

The following table shows the expected expenditures from FY 2010 through FY 2015. The amount shown in the State Share: General Fund - State row reflects the cost of the implicit subsidy for 6 subscribers in FY 2010. The amount shown in the LEOFF 2 Pension Plan row reflects the amount of the implicit subsidy for 14 subscribers in FY 2010 and 36 subscribers in

HCA Fiscal Note

Bill Number: EHB 1679

Catastrophic Disability Med

HCA Request #: 09-72-01

FY 2011. The amount shown in the LEOFF Disabled Retirees row reflects the premiums to be paid by subscriber.

Expenditures	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
State Share: General Fund State	\$ 363,343	\$ -	\$ -	\$ -	\$ -	\$ -
LEOFF 2 Pension Plan	\$ 155,718	\$ 555,396	\$ -	\$ -	\$ -	\$ -
LEOFF Disabled Retirees	\$ 287,694	\$ 307,833	\$ -	\$ -	\$ -	\$ -
Total	\$ 806,756	\$ 863,229	\$ -	\$ -	\$ -	\$ -

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

WAC 182-12-250 will need to be amended

Individual State Agency Fiscal Note

Bill Number: 1679 E HB	Title: Catastrophic disability med	Agency: 124-Department of Retirement Systems
-------------------------------	---	---

Part I: Estimates

☒ No Fiscal Impact

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: David Pringle	Phone: 360-786-7310	Date: 03/10/2009
Agency Preparation: Michelle Hardesty	Phone: 360-664-7193	Date: 03/10/2009
Agency Approval: Cathy Cale	Phone: 360-664-7305	Date: 03/10/2009
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 03/10/2009

Request # 09-057-1

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.

This bill expands access to health care benefits, available through the Health Care Authority, to Plan 2 members of the Law Enforcement Officers' and Fire Fighters' Retirement System who are totally incapacitated in the line of duty and receiving a retirement benefit as provided in RCW 41.26.470(8). The benefits are also expanded to their surviving spouses and eligible children.

The engrossed version of the bill changes how the additional cost of the health care benefit would be funded, and it adds an emergency clause and an expiration date (of July 1, 2011).

The bill does not have a fiscal impact on the Department of Retirement Systems.

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.

No impact.

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.

No impact.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

No impact.

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.

No impact.

Individual State Agency Fiscal Note

Bill Number: 1679 E HB	Title: Catastrophic disability med	Agency: 341-LEOFF 2 Retirement Board
-------------------------------	---	---

Part I: Estimates

☒ No Fiscal Impact

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: David Pringle	Phone: 360-786-7310	Date: 03/10/2009
Agency Preparation: Dianna Wilks	Phone: (360) 664-7666	Date: 03/10/2009
Agency Approval: Steve Nelsen	Phone: 360-586-2323	Date: 03/10/2009
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 03/10/2009

Request # -1

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.

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.

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 IV: Capital Budget Impact



LEOFF Plan 2 Request for Medical Premium Reimbursement

This form is for Law Enforcement Officers' and Fire Fighters' Retirement System retirees to use to request their medical premium payments be reimbursed.

Send completed form to:
Department of Retirement Systems
PO Box 48380
Olympia, WA 98504-8380
www.drs.wa.gov • 800.547.6657
360.664.7000 • TTY: 711

Important Information

Please fill in all sections of this form. Incomplete forms will be returned.

Insurance Information: If you are eligible for Medicare and want to receive reimbursements, you must enroll in and stay enrolled in Medicare Parts A and B. You must submit proof of both your premium payment and insurance rate for each insurance type you have. More information is on the back of this form.

If you qualify for automatic payment directly to your insurance company, you will receive a separate notice with instructions.

Retiree Information

Retiree Name (Last, First, Middle)		Social Security Number	
Mailing Address	City	State	ZIP
Email Address		Phone Number	

Insurance Information

Insurance Types You Have (Check All That Apply)			
<input type="checkbox"/> COBRA (Coverage Ends [mm/dd/yyyy] _____)		<input type="checkbox"/> Spouse or Registered Domestic Partner Employer	
<input type="checkbox"/> Medicare Parts A and B		<input type="checkbox"/> DRS Direct Pay to Insurer	
<input type="checkbox"/> Self-Pay			
Retiree's Last Employer		Contact Name	Contact Phone Number
Primary Insurance Provider		Phone Number	
Mailing Address	City	State	ZIP
Secondary Insurance Provider		Phone Number	
Mailing Address	City	State	ZIP
Premium Payment Schedule <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Yearly		Premium Payment Amount \$	Date This Rate Took Effect

Please complete the other side of this form as well.



Your Social Security number is needed so DRS can report to the IRS any funds paid to you. DRS will not disclose your Social Security number unless required to do so by law. See IRC sections 6041(a) and 6109.



Instructions

Insured Information: List each family member, including yourself if applicable, in this section.

Proof of Coverage and Payment: We require proof of insurance coverage and payment for each type of insurance coverage you have. Please send in copies of documents that include your or your spouse's or registered domestic partner's name, the name of your insurance provider, payment amount, and payment date. Do not send originals; they cannot be returned. Write your name and the last four digits of your Social Security number on all documents.

Insured Information (if insured, include yourself first below)

Name (Last, First, Middle)		Social Security Number
Relationship to Retiree	Date of Birth (mm/dd/yyyy)	Gender <input type="checkbox"/> Female <input type="checkbox"/> Male
Name (Last, First, Middle)		Social Security Number
Relationship to Retiree	Date of Birth (mm/dd/yyyy)	Gender <input type="checkbox"/> Female <input type="checkbox"/> Male
Name (Last, First, Middle)		Social Security Number
Relationship to Retiree	Date of Birth (mm/dd/yyyy)	Gender <input type="checkbox"/> Female <input type="checkbox"/> Male
Name (Last, First, Middle)		Social Security Number
Relationship to Retiree	Date of Birth (mm/dd/yyyy)	Gender <input type="checkbox"/> Female <input type="checkbox"/> Male

Proof of Insurance and Payment

Check and submit copies of two document types: one proof of insurance and one proof of payment. Or move to the right-hand column and check and submit a copy of a document type that proves both.

Proof of Insurance <input type="checkbox"/> Invoice from Insurance Provider <input type="checkbox"/> Certificate from Insurance Provider Showing Premium Amount <input type="checkbox"/> Invoice from Medicare <input type="checkbox"/> Social Security Form SSA-1099	Proof of Payment <input type="checkbox"/> Letter from Medicare <input type="checkbox"/> Bank or Credit Card Statement Showing Insurance Payment <input type="checkbox"/> Receipt from Insurance Provider <input type="checkbox"/> Copies of Both Sides of Cashed Check <input type="checkbox"/> Letter from Social Security Showing Amount Deducted	Proof of Both <input type="checkbox"/> Premium Deduction Authorization, Which Your Insurance Provider Sends to You (Only Available If DRS Is Paying Provider Directly) <input type="checkbox"/> Copy of Spouse's or Partner's Pay Stub Showing Amount Deducted for Insurance
--	---	---

Retiree Signature

The statements in this document, including my full name and Social Security number, are correct. I know I must provide proof of the premium payment amount and that I paid it. I know that only documents listed on this form will be accepted as proof.

If a change to my premium amount or covered persons occurs, I must inform the Department of Retirement Systems immediately about the change by submitting a new *Request for Medical Premiums Reimbursement* form.

I agree to repay any overpayment issued on my behalf.

Retiree Signature	Date
-------------------	------

Please fill in all sections of this form. Incomplete forms will be returned.

Procedure DD-01-01

BROKER/VENDOR PACKET FORMS and INSTRUCTIONS

Page 2-9 Ins. Providers Covering Public Safety Officer (PSO) Retirees as Broker/Vendors

Page 10-17 Insurance Providers Covering NON-PSO Retirees as Broker/Vendors

Page 18-25 Union/Voluntary Payment Broker/Vendors

SAMPLE PSO INSURER BROKER/VENDOR REQUEST LETTER FROM DRS TO VENDOR

January 15, 2016

Name
Address
City State Zip

Dear Insurance Provider:

On behalf of your insured client(s) wanting to participate in the Public Safety Officer (PSO) tax savings program, the federal Pension Protection Act of 2006, please review the DRS pension deduction requirements and procedures for setting up automated health, accident and long term care insurance premium deductions from their Department of Retirement System retirement allowance. We're happy to guide you through the deduction process.

To begin, please follow these eight steps:

1. Send your request for this service to us in writing along with contact information for the person in your organization who will administer the process. We require at least one contact person, but back-ups are highly encouraged.
2. Please review the samples and guidelines with this letter.
3. The enclosed sample request letter details what we need from you to set up the deductions. Fill in the necessary information and have it signed by the appropriate authority.
4. We prefer that you use the *Retirement Health Insurance Deduction Authorization* form provided. If you modify the form or develop your own, you must include all of the "hold harmless" text.
5. We will provide you with a Broker ID and Vendor ID once your request is approved.
6. Return the completed, signed Insurance Deduction Authorization form(s). Once we set up the deductions in our system, you'll have the option to send us changes electronically (updates for 20 or more participants must be submitted electronically) or by email.
7. Follow the guidelines in the *Health Care Premium Deduction Requirements and Procedures* to begin the automatic deduction process.
8. The last enclosure, *Vendor Insurance Premium Deduction Reporting Process*, lists what we need from you when you submit the initial participant list and rates, and provides instructions about submitting electronic or email reports for periodic updates.

I encourage you to contact the Deductions Desk at any time if you have questions. You can reach us at 1-800-547-6657, ext. 47059 or (360) 664-7059.

Sincerely,

Office Assistant 3 - Deductions Desk
1-800-547-6657 ext. 47059 or (360) 664-7059
Deductions@drs.wa.gov

SAMPLE REQUEST LETTER FROM VENDOR TO DRS ON THEIR LETTERHEAD

(Date)

Washington State Department of Retirement Systems
Retirement Services Division
P. O. Box 48380
Olympia, WA 98504-8380

Subject: Initiate automatic insurance premium deductions

This letter is to request that automatic health, accident and long term care insurance premium deductions be initiated for (Broker's Company Name).

Name and address where monthly premiums will be sent:

Broker: (Broker/Organization Name and Mailing Address for payment register)

(Contact Person, Phone, E-mail address, FAX number)

Vendor information (list vendors receiving deduction services under this request):

Vendor: (Complete Vendor Name – contact information is not needed/required)

Enclosure Required: Broker Authorization Form for Direct Deposit

We will use the DRS Retirement Insurance Premium Deduction Authorization form (or we will use our own premium deduction authorization form with the required DRS language. A sample is enclosed.)

By signing this request letter (Name of Representative) on behalf of (Broker Company Name) and any subsidiary relationships are agreeing to all terms and conditions laid out in the Deduction Requirements and Procedures, and Vendor Deduction Reporting Process. We acknowledge as such that these two policies regarding Deduction Requirements and Procedures and Vendor Deduction Reporting Process are subject to change.

Sincerely,

(Name and Title)



RETIREMENT HEALTH INSURANCE PREMIUM DEDUCTION AUTHORIZATION

P.O. Box 48380 Olympia, WA 98504-8380 • www.drs.wa.gov
Toll Free: 800.547.6657 • Olympia Area: 360.664.7000 • TTY: 711

Complete, sign and send to your insurance company.

Retiree Information

Retiree Name	Social Security Number
--------------	------------------------

Retirement System/Plan Code (check one):

<input type="checkbox"/> P1 = PERS 1	<input type="checkbox"/> T1 = TRS 1	<input type="checkbox"/> E2 = SERS 2	<input type="checkbox"/> L1 = LEOFF 1	<input type="checkbox"/> S1 = WSPRS 1	<input type="checkbox"/> U1 = JUDICIAL
<input type="checkbox"/> P2 = PERS 2	<input type="checkbox"/> T2 = TRS 2	<input type="checkbox"/> E3 = SERS 3	<input type="checkbox"/> L2 = LEOFF 2	<input type="checkbox"/> S2 = WSPRS 2	<input type="checkbox"/> J1 = JUDGES
<input type="checkbox"/> P3 = PERS 3	<input type="checkbox"/> T3 = TRS 3	<input type="checkbox"/> N2 = PSERS 2			

I authorize the Department of Retirement Systems (DRS) to regularly deduct a sufficient amount from my retirement benefit to pay the premiums for my insurance coverage. I will not hold DRS responsible for any problems on coverage or premium charges that occur between the insurance carrier and myself.

The deductions will continue until:

- I write to the insurance company and DRS, asking for my deductions to stop; or
- I terminate the insurance plan.

I understand that DRS cannot answer questions about my insurance.

Authorization and Signature

Policy in the Name of	
Retiree Signature	Date

.....

Insurance Broker/Vendor Use Only

Broker Name		Phone Number	
Address		City	State ZIP
Deduction Starts (payroll date)	Vendor ID	Amount	

DRS MS 418 (8/12)



Health Care Premium Deduction Requirements and Procedures

We want to remind you of the following:

- Retirees' requests for premium deductions must go through the broker's administrative process before being sent to DRS with a properly executed premium deduction authorization form. ***We must have this form on file for each individual retiree before beginning deductions.*** The insurance broker determines eligibility and coverage. DRS will refer any related questions to the broker.
- The premium deduction authorization form must include a hold harmless agreement and be on file with DRS.
- The broker must notify DRS by the 15th day of the month of any additions, deletions or individual rate changes to ensure processing for the end of the month vendor payment. This may be sent as a "secure" e-mail attachment or "secure" e-mail, listing name, last 4 of the Social Security Number and new rates. If an e-mail attachment is used, please secure the file with a password, and then provide the password to DRS by a separate e-mail message.
- DRS will not reconcile or pay premiums based on carrier billings. A deduction register will be issued to the Broker by the 15th of the month following the month in which deductions were taken. You may choose to receive your deduction register as an alphabetical listing by name, or the last 4 of the Social Security Number order along with the premium amount.
- Premiums erroneously withheld and paid to a Broker will be refunded to the retiree by the Broker, except in the case of death of a retiree or deduction errors made by DRS. Those incidents will be adjusted on subsequent deduction registers by DRS. If there is not sufficient balance in subsequent vendor payments, DRS will seek recovery of overpayment.

Broker/Vendor Authorization for Direct Deposit



VENDOR/BROKER AUTHORIZATION FOR DIRECT DEPOSIT

PO Box 9018 Olympia, WA 98507-9018 ♦ www.drs.wa.gov
Toll Free: 800.547.6657 ♦ Olympia Area: 360.664.7000 ♦ TTY: 711

Vendor/Broker Information				
Vendor/Broker Name				Vendor/Broker ID
Mailing Address	City	State	ZIP	Phone Number
Contact Name				Contact Phone Number
Email Address				

Financial Institution Information		
Name of Financial Institution		Transit/Routing Number
Phone Number	Account Type <input type="checkbox"/> Checking <input type="checkbox"/> Savings	Account Number

By signing this form, I authorize and request:	
<ul style="list-style-type: none"> • The Department of Retirement Systems (DRS) to transfer the full amount of authorized payments and/or deductions to the designated financial institution for deposit. • The designated financial institution to provide information to DRS regarding address changes and/or account information, to ensure proper and timely processing of deposit transactions. • The designated financial institution to refund to DRS any overpayments or payments made in error. 	
Authorized Representative Name	
Authorized Representative Signature	Date



Vendor Insurance Premium Deduction Reporting Process

For those not covered under the Public Employees' Benefit Board (PEBB)

Benefit carriers, insurance providers and retiree associations not covered under PEBB will use the following process to report initial deduction rates and rate changes to the Department of Retirement Systems (DRS).

Reports, updates and changes for less than 20 participants may be submitted by email. If you have 20 or more participants, you must submit them electronically. Reports or changes must be received by the 15th day of the month to ensure processing that month. Due to the sensitive nature of the information being reported, files sent by e-mail must be sent as a "password protected" attachment or sent by secure e-mail. Provide the password to DRS by a means separate from the transmitted e-mail.

Email reporting for changes affecting fewer than 20 people or for single rates:

Rates or rate changes for fewer than 20 people, or where a single rate applies to all covered individuals, may be reported to DRS in an email report or in the electronic format specified below. When submitting an email report, please provide the following information:

- Vendor (ID)
- Effective date of change
- Name, Social Security number, Retirement System/Plan, and new deduction amount for each individual

Send email reports to:

Deductions@drs.wa.gov

If you have questions about email reporting, please contact the Deductions Desk at (800) 547-6657, ext. 4-7059, or (360) 664-7059 or by e-mail at Deductions@drs.wa.gov

Electronic reporting for changes affecting 20 people or more:

Rates or rate changes for 20 people or more must be reported to DRS electronically. When submitting an electronic report, please follow these guidelines and submit your file with the information and format as outlined here:

- Use a CD or password protected e-mail attachment
- Make sure the file is in text format
- Provide all of the information indicated on the third page of this enclosure: *File Specifications for Electronic Insurance Premium Deduction Reporting*.
- Label the CD with your organization's name, contact person and phone number, and the effective month of the file or rate change. Send the CD to:
Washington State Department of Retirement Systems

ATTN: Binh Tran, Information Service Division

P. O. Box 48380

Olympia, WA 98504-3830
- If using e-mail, ensure the file name identifies the organization and effective month, and insert the contact person's name and phone number in the file.

If you have questions about electronic reporting, please contact Binh at (800) 547-6657, ext. 47957, or (360) 664-7957, or by e-mail at binh.tran@drs.wa.gov.

File Specifications for Electronic Insurance Premium Deduction Reporting

Please note: The electronic file must be a **text** file in the following format:

Start-End	Field	Length	Type	Comments
1-8	Vendor ID (Code)	8	Numeric	Use the vendor ID (code) as assigned by DRS. Enter leading zeroes to fill the field.
9-9	Action Code	1	Alpha	Valid codes are: C=Create a new deduction U=Update an existing deduction D=Delete/Cancel deduction
10-17	Effective Date	8	Numeric	Format the date as follows: YYYYMMDD
18-26	Payee SSN	9	Numeric	Enter the entire payee SSN
27-56	Payee Name	30	Alpha	Enter the payee's last name, first and middle names Ex: Tran, Binh V Add trailing blanks as needed to fill the field.
57-58	System Plan/Code	2	Alpha/Numeric	Valid codes are: P1= PERS 1 P2=PERS 2 P3= PERS 3 T1=TRS 1 T2=TRS 2 T3=TRS 3 E2=SERS 2 E3=SERS 3 L1=LEOFF 1 L2=LEOFF 2 N2=PSERS 2 S1=WSP 1 S2=WSP 2 U1=JUDICIAL J1=JUDGES
59-68	Deduction Amount	10	Numeric	Do not use a decimal point to indicate cents. Enter leading zeroes to fill the field.

SAMPLE NON-PSO BROKER/VENDOR INSURER REQUEST LETTER FROM DRS TO VENDOR

January 15, 2016

Name
Address
City State Zip

Dear Insurance Provider:

On behalf of your insured client(s) wanting to deduct insurance premiums from their pensions, please review the DRS premium deduction requirements and procedures for setting up automated health, accident and long term care insurance premiums, and auto/home insurance deductions from their Department of Retirement System retirement allowance. We're happy to guide you through the deduction process.

To begin, please follow these eight steps:

1. Send your request for this service to us in writing along with contact information for the person in your organization who will administer the process. We require at least one contact person, but back-ups are highly encouraged.
2. Please review the samples and guidelines with this letter.
3. The enclosed sample request letter details what we need from you to set up the deductions. Fill in the necessary information and have it signed by the appropriate authority.
4. We prefer that you use the *Retirement Health Insurance Deduction Authorization* form provided. If you modify the form or develop your own, you must include all of the "hold harmless" text.
5. We will provide you with a Broker ID and Vendor ID once your request is approved.
6. Return the completed, signed Insurance Deduction Authorization form(s). Once we set up the deductions in our system, you'll have the option to send us changes electronically (updates for 20 or more participants must be submitted electronically) or by email.
7. Follow the guidelines in the *Health Care Premium Deduction Requirements and Procedures* to begin the automatic deduction process.
8. The last enclosure, *Vendor Insurance Premium Deduction Reporting Process*, lists what we need from you when you submit the initial participant list and rates, and provides instructions about submitting electronic or email reports for periodic updates.

I encourage you to contact the Deductions Desk at any time if you have questions. You can reach us at 1-800-547-6657, ext. 47059 or (360) 664-7059.

Sincerely,

Office Assistant 3 - Deductions Desk
1-800-547-6657 ext. 47059 or (360) 664-7059
Deductions@drs.wa.gov

SAMPLE REQUEST LETTER FROM VENDOR TO DRS ON THEIR LETTERHEAD

(Date)

Washington State Department of Retirement Systems
Retirement Services Division
P. O. Box 48380
Olympia, WA 98504-8380

Subject: Initiate automatic insurance premium deductions

This letter is to request that automatic health, accident and long term care insurance premium deductions be initiated for (Broker's Company Name).

Name and address where monthly premiums will be sent:

Broker: (Broker/Organization Name and Mailing Address for payment register)

(Contact Person, Phone, E-mail address, FAX number)

Vendor information (list vendors receiving deduction services under this request):

Vendor: (Complete Vendor Name – contact information is not needed/required)

Enclosure Required: Broker Authorization Form for Direct Deposit

We will use the DRS Retirement Insurance Premium Deduction Authorization form (or we will use our own premium deduction authorization form with the required DRS language. A sample is enclosed.)

By signing this request letter (Name of Representative) on behalf of (Broker Company Name) and any subsidiary relationships are agreeing to all terms and conditions laid out in the Deduction Requirements and Procedures, and Vendor Deduction Reporting Process. We acknowledge as such that these two policies regarding Deduction Requirements and Procedures and Vendor Deduction Reporting Process are subject to change.

Sincerely,

(Name and Title)



RETIREMENT HEALTH INSURANCE PREMIUM DEDUCTION AUTHORIZATION

P.O. Box 48380 Olympia, WA 98504-8380 • www.drs.wa.gov
Toll Free: 800.547.6657 • Olympia Area: 360.664.7000 • TTY: 711

Complete, sign and send to your insurance company.

Retiree Information

Retiree Name	Social Security Number
--------------	------------------------

Retirement System/Plan Code (check one):

<input type="checkbox"/> P1 = PERS 1	<input type="checkbox"/> T1 = TRS 1	<input type="checkbox"/> E2 = SERS 2	<input type="checkbox"/> L1 = LEOFF 1	<input type="checkbox"/> S1 = WSPRS 1	<input type="checkbox"/> U1 = JUDICIAL
<input type="checkbox"/> P2 = PERS 2	<input type="checkbox"/> T2 = TRS 2	<input type="checkbox"/> E3 = SERS 3	<input type="checkbox"/> L2 = LEOFF 2	<input type="checkbox"/> S2 = WSPRS 2	<input type="checkbox"/> J1 = JUDGES
<input type="checkbox"/> P3 = PERS 3	<input type="checkbox"/> T3 = TRS 3	<input type="checkbox"/> N2 = PSERS 2			

I authorize the Department of Retirement Systems (DRS) to regularly deduct a sufficient amount from my retirement benefit to pay the premiums for my insurance coverage. I will not hold DRS responsible for any problems on coverage or premium charges that occur between the insurance carrier and myself.

The deductions will continue until:

- I write to the insurance company and DRS, asking for my deductions to stop; or
- I terminate the insurance plan.

I understand that DRS cannot answer questions about my insurance.

Authorization and Signature

Policy in the Name of	
Retiree Signature	Date

.....

Insurance Broker/Vendor Use Only

Broker Name	Phone Number		
Address	City	State	ZIP
Deduction Starts (payroll date)	Vendor ID	Amount	

DRS MS 418 (8/12)



Health Care Premium Deduction Requirements and Procedures

We want to remind you of the following:

- Retirees' requests for premium deductions must go through the broker's administrative process before being sent to DRS with a properly executed premium deduction authorization form. ***We must have this form on file for each individual retiree before beginning deductions.*** The insurance broker determines eligibility and coverage. DRS will refer any related questions to the broker.
- The premium deduction authorization form must include a hold harmless agreement and be on file with DRS.
- The broker must notify DRS by the 15th day of the month of any additions, deletions or individual rate changes to ensure processing for the end of the month vendor payment. This may be sent as a "secure" e-mail attachment or "secure" e-mail, listing name, last 4 of the Social Security Number and new rates. If an e-mail attachment is used, please secure the file with a password, and then provide the password to DRS by a separate e-mail message.
- DRS will not reconcile or pay premiums based on carrier billings. A deduction register will be issued to the Broker by the 15th of the month following the month in which deductions were taken. You may choose to receive your deduction register as an alphabetical listing by name, or the last 4 of the Social Security Number order along with the premium amount.
- Premiums erroneously withheld and paid to a Broker will be refunded to the retiree by the Broker, except in the case of death of a retiree or deduction errors made by DRS. Those incidents will be adjusted on subsequent deduction registers by DRS. If there is not sufficient balance in subsequent vendor payments, DRS will seek recovery of overpayment.

Broker/Vendor Authorization for Direct Deposit



VENDOR/BROKER AUTHORIZATION FOR DIRECT DEPOSIT

PO Box 9018 Olympia, WA 98507-9018 ♦ www.drs.wa.gov
Toll Free: 800.547.6657 ♦ Olympia Area: 360.664.7000 ♦ TTY: 711

Vendor/Broker Information				
Vendor/Broker Name				Vendor/Broker ID
Mailing Address	City	State	ZIP	Phone Number
Contact Name				Contact Phone Number
Email Address				

Financial Institution Information		
Name of Financial Institution		Transit/Routing Number
Phone Number	Account Type <input type="checkbox"/> Checking <input type="checkbox"/> Savings	Account Number

By signing this form, I authorize and request:	
<ul style="list-style-type: none"> • The Department of Retirement Systems (DRS) to transfer the full amount of authorized payments and/or deductions to the designated financial institution for deposit. • The designated financial institution to provide information to DRS regarding address changes and/or account information, to ensure proper and timely processing of deposit transactions. • The designated financial institution to refund to DRS any overpayments or payments made in error. 	
Authorized Representative Name	
Authorized Representative Signature	Date



Vendor Insurance Premium Deduction Reporting Process

For those not covered under the Public Employees' Benefit Board (PEBB)

Benefit carriers, insurance providers and retiree associations not covered under PEBB will use the following process to report initial deduction rates and rate changes to the Department of Retirement Systems (DRS).

Reports, updates and changes for less than 20 participants may be submitted by email. If you have 20 or more participants, you must submit them electronically. Reports or changes must be received by the 15th day of the month to ensure processing that month. Due to the sensitive nature of the information being reported, files sent by e-mail must be sent as a "password protected" attachment or sent by secure e-mail. Provide the password to DRS by a means separate from the transmitted e-mail.

Email reporting for changes affecting fewer than 20 people or for single rates:

Rates or rate changes for fewer than 20 people, or where a single rate applies to all covered individuals, may be reported to DRS in an email report or in the electronic format specified below. When submitting an email report, please provide the following information:

- Vendor (ID)
- Effective date of change
- Name, Social Security number, Retirement System/Plan, and new deduction amount for each individual

Send email reports to:

Deductions@drs.wa.gov

If you have questions about email reporting, please contact the Deductions Desk at (800) 547-6657, ext. 4-7059, or (360) 664-7059 or by e-mail at Deductions@drs.wa.gov

Electronic reporting for changes affecting 20 people or more:

Rates or rate changes for 20 people or more must be reported to DRS electronically. When submitting an electronic report, please follow these guidelines and submit your file with the information and format as outlined here:

- Use a CD or password protected e-mail attachment
- Make sure the file is in text format
- Provide all of the information indicated on the third page of this enclosure: *File Specifications for Electronic Insurance Premium Deduction Reporting*.
- Label the CD with your organization's name, contact person and phone number, and the effective month of the file or rate change. Send the CD to:
Washington State Department of Retirement Systems

ATTN: Binh Tran, Information Service Division

P. O. Box 48380

Olympia, WA 98504-3830
- If using e-mail, ensure the file name identifies the organization and effective month, and insert the contact person's name and phone number in the file.

If you have questions about electronic reporting, please contact Binh at (800) 547-6657, ext. 47957, or (360) 664-7957, or by e-mail at binh.tran@drs.wa.gov.

File Specifications for Electronic Insurance Premium Deduction Reporting

Please note: The electronic file must be a **text** file in the following format:

Start-End	Field	Length	Type	Comments
1-8	Vendor ID (Code)	8	Numeric	Use the vendor ID (code) as assigned by DRS. Enter leading zeroes to fill the field.
9-9	Action Code	1	Alpha	Valid codes are: C=Create a new deduction U=Update an existing deduction D=Delete/Cancel deduction
10-17	Effective Date	8	Numeric	Format the date as follows: YYYYMMDD
18-26	Payee SSN	9	Numeric	Enter the entire payee SSN
27-56	Payee Name	30	Alpha	Enter the payee's last name, first and middle names Ex: Tran, Binh V Add trailing blanks as needed to fill the field.
57-58	System Plan/Code	2	Alpha/Numeric	Valid codes are: P1= PERS 1 P2=PERS 2 P3= PERS 3 T1=TRS 1 T2=TRS 2 T3=TRS 3 E2=SERS 2 E3=SERS 3 L1=LEOFF 1 L2=LEOFF 2 N2=PSERS 2 S1=WSP 1 S2=WSP 2 U1=JUDICIAL J1=JUDGES
59-68	Deduction Amount	10	Numeric	Do not use a decimal point to indicate cents. Enter leading zeroes to fill the field.

SAMPLE UNION/VOLUNTARY DUES BROKER/VENDOR REQUEST LETTER FROM DRS TO VENDOR

□
January 15, 2016

Name
Address
City State Zip

Dear Union/Organization Representative:

On behalf of our mutual client(s), we are providing information and procedures for setting up automated union/organization dues deductions from their Department of Retirement System retirement allowance. We're happy to guide you through the deduction process.

To begin, please follow these eight steps:

1. Send your request for this service to us in writing along with contact information for the person in your organization who will administer the process. We require at least one contact person, but back-ups are highly encouraged.
2. Please review the samples and guidelines with this letter.
3. The enclosed sample request letter details what we need from you to set up the deductions. Fill in the necessary information and have it signed by the appropriate authority.
4. We prefer that you use the *Deduction Authorization* form provided. If you modify the form or develop your own, you must include all of the "hold harmless" text.
5. We will provide you with a Broker ID and Vendor ID once your request is approved.
6. Return the completed, signed Insurance Deduction Authorization form(s). Once we set up the deductions in our system, you'll have the option to send us changes electronically (updates for 20 or more participants must be submitted electronically) or by email.
7. Follow the guidelines in the *Premium Deduction Requirements and Procedures* to begin the automatic deduction process.
8. The last enclosure, *Vendor Deduction Reporting Process*, lists what we need from you when you submit the initial participant list and rates, and provides instructions about submitting electronic or email reports for periodic updates.

I encourage you to contact the Deductions Desk at any time if you have questions. You can reach us at 1-800-547-6657, ext. 47059 or (360) 664-7059.

Sincerely,

Office Assistant 3 - Deductions Desk
1-800-547-6657 ext. 47059 or (360) 664-7059
Deductions@drs.wa.gov

SAMPLE REQUEST LETTER FROM VENDOR TO DRS ON THEIR LETTERHEAD

(Date)

Washington State Department of Retirement Systems
Retirement Services Division
P. O. Box 48380
Olympia, WA 98504-8380

Subject: Initiate automatic insurance premium deductions

This letter is to request that automatic health, accident and long term care insurance premium deductions be initiated for (Broker's Company Name).

Name and address where monthly premiums will be sent:

Broker: (Broker/Organization Name and Mailing Address for payment register)

(Contact Person, Phone, E-mail address, FAX number)

Vendor information (list vendors receiving deduction services under this request):

Vendor: (Complete Vendor Name – contact information is not needed/required)

Enclosure Required: Broker Authorization Form for Direct Deposit

We will use the DRS Retirement Insurance Premium Deduction Authorization form (or we will use our own premium deduction authorization form with the required DRS language. A sample is enclosed.)

By signing this request letter (Name of Representative) on behalf of (Broker Company Name) and any subsidiary relationships are agreeing to all terms and conditions laid out in the Deduction Requirements and Procedures, and Vendor Deduction Reporting Process. We acknowledge as such that these two policies regarding Deduction Requirements and Procedures and Vendor Deduction Reporting Process are subject to change.

Sincerely,

(Name and Title)



Union Premium Deduction Form

Send completed form to:
Department of Retirement Systems
PO Box 48380 • Olympia, WA 98504-8380

www.drs.wa.gov • 800.547.6657
360.664.7000 • TTY: 711

Check the Retirement System:

☐ PERS ☐ SERS ☐ TRS ☐ LEOFF ☐ PSERS ☐ WSPRS ☐ JUDICIAL ☐ JUDGES

Check the Retirement Plan:

☐ 1 ☐ 2 ☐ 3

Broker Information

Broker Name	Phone Number		
Address	City	State	ZIP
Retiree's Name	Social Security Number		
Policy is in the name of:			

Member Information

At my own risk, I authorize DRS to regularly deduct a sufficient amount from my retirement allowance to pay the amount required for my union/organization dues at my request, under this program. I hold DRS harmless for any problems or charges that occur between the union/organization and myself.

Deductions will continue until the deduction plan is canceled through the union/organization office.

I understand that DRS cannot answer questions about my union or organization.

Retiree's Signature	Date
---------------------	------

Broker/Vendor Use Only

Deduction Starts	Vendor ID	Amount
------------------	-----------	--------



Union Deduction Requirements and Procedures

We want to remind you of the following:

- Retirees' requests for premium deductions must go through the broker's administrative process before being sent to DRS with a properly executed premium deduction authorization form. ***We must have this form on file for each individual retiree before beginning deductions.*** The broker determines eligibility and coverage. DRS will refer any related questions to the broker.
- The premium deduction authorization form must include a hold harmless agreement and be on file with DRS.
- The broker must notify DRS by the 15th day of the month of any additions, deletions or individual rate changes to ensure processing for the end of the month vendor payment. This may be sent as a "secure" e-mail attachment or "secure" e-mail, listing name, last 4 of the Social Security Number and new rates. If an e-mail attachment is used, please secure the file with a password, and then provide the password to DRS by a separate e-mail message.
- DRS will not reconcile or pay premiums based on billings. A deduction register will be issued to the Broker by the 15th of the month following the month in which deductions were taken. You may choose to receive your deduction register as an alphabetical listing by name, or the last 4 of the Social Security Number order along with the premium amount.
- Premiums erroneously withheld and paid to a Broker will be refunded to the retiree by the Broker, except in the case of death of a retiree or deduction errors made by DRS. Those incidents will be adjusted on subsequent deduction registers by DRS. If there is not sufficient balance in subsequent vendor payments, DRS will seek recovery of overpayment.

Broker/Vendor Authorization for Direct Deposit



VENDOR/BROKER AUTHORIZATION FOR DIRECT DEPOSIT

PO Box 9018 Olympia, WA 98507-9018 ♦ www.drs.wa.gov
Toll Free: 800.547.6657 ♦ Olympia Area: 360.664.7000 ♦ TTY: 711

Vendor/Broker Information				
Vendor/Broker Name				Vendor/Broker ID
Mailing Address	City	State	ZIP	Phone Number
Contact Name				Contact Phone Number
Email Address				

Financial Institution Information		
Name of Financial Institution		Transit/Routing Number
Phone Number	Account Type <input type="checkbox"/> Checking <input type="checkbox"/> Savings	Account Number

By signing this form, I authorize and request:	
<ul style="list-style-type: none"> • The Department of Retirement Systems (DRS) to transfer the full amount of authorized payments and/or deductions to the designated financial institution for deposit. • The designated financial institution to provide information to DRS regarding address changes and/or account information, to ensure proper and timely processing of deposit transactions. • The designated financial institution to refund to DRS any overpayments or payments made in error. 	
Authorized Representative Name	
Authorized Representative Signature	Date



Vendor Deduction Reporting Process

For those not covered under the Public Employees' Benefit Board (PEBB)

Benefit carriers, insurance providers and retiree associations not covered under PEBB will use the following process to report initial deduction rates and rate changes to the Department of Retirement Systems (DRS).

Reports, updates and changes for less than 20 participants may be submitted by email. If you have 20 or more participants, you must submit them electronically. Reports or changes must be received by the 15th day of the month to ensure processing that month. Due to the sensitive nature of the information being reported, files sent by e-mail must be sent as a "password protected" attachment or sent by secure e-mail. Provide the password to DRS by a means separate from the transmitted e-mail.

Email reporting for changes affecting fewer than 20 people or for single rates:

Rates or rate changes for fewer than 20 people, or where a single rate applies to all covered individuals, may be reported to DRS in an email report or in the electronic format specified below. When submitting an email report, please provide the following information:

- Vendor (ID)
- Effective date of change
- Name, Social Security number, Retirement System/Plan, and new deduction amount for each individual

Send email reports to:

Deductions@drs.wa.gov

If you have questions about email reporting, please contact the Deductions Desk at (800) 547-6657, ext. 4-7059, or (360) 664-7059 or by e-mail at Deductions@drs.wa.gov

Electronic reporting for changes affecting 20 people or more:

Rates or rate changes for 20 people or more must be reported to DRS electronically. When submitting an electronic report, please follow these guidelines and submit your file with the information and format as outlined here:

- Use a CD or password protected e-mail attachment
- Make sure the file is in text format
- Provide all of the information indicated on the third page of this enclosure: *File Specifications for Electronic Insurance Premium Deduction Reporting*.
- Label the CD with your organization's name, contact person and phone number, and the effective month of the file or rate change. Send the CD to:
Washington State Department of Retirement Systems

ATTN: Binh Tran, Information Service Division

P. O. Box 48380

Olympia, WA 98504-3830
- If using e-mail, ensure the file name identifies the organization and effective month, and insert the contact person's name and phone number in the file.

If you have questions about electronic reporting, please contact Binh at (800) 547-6657, ext. 47957, or (360) 664-7957, or by e-mail at binh.tran@drs.wa.gov.

File Specifications for Electronic Insurance Premium Deduction Reporting

Please note: The electronic file must be a **text** file in the following format:

Start-End	Field	Length	Type	Comments
1-8	Vendor ID (Code)	8	Numeric	Use the vendor ID (code) as assigned by DRS. Enter leading zeroes to fill the field.
9-9	Action Code	1	Alpha	Valid codes are: C=Create a new deduction U=Update an existing deduction D=Delete/Cancel deduction
10-17	Effective Date	8	Numeric	Format the date as follows: YYYYMMDD
18-26	Payee SSN	9	Numeric	Enter the entire payee SSN
27-56	Payee Name	30	Alpha	Enter the payee's last name, first and middle names Ex: Tran, Binh V Add trailing blanks as needed to fill the field.
57-58	System Plan/Code	2	Alpha/Numeric	Valid codes are: P1= PERS 1 P2=PERS 2 P3= PERS 3 T1=TRS 1 T2=TRS 2 T3=TRS 3 E2=SERS 2 E3=SERS 3 L1=LEOFF 1 L2=LEOFF 2 N2=PSERS 2 S1=WSP 1 S2=WSP 2 U1=JUDICIAL J1=JUDGES
59-68	Deduction Amount	10	Numeric	Do not use a decimal point to indicate cents. Enter leading zeroes to fill the field.



PEBB Coverage for Catastrophic Retirees

Comprehensive Report
November 20, 2019

Issue

- **LEOFF Plan 2 catastrophic disability retirees and their survivors have different medical insurance access than survivors of members killed in the line of duty**

PEBB

- Public Employees Benefit Board (PEBB) purchases and coordinates insurance benefits for eligible public employees and retirees
- PEBB is the largest health care purchaser in the state
- Some LEOFF members/retirees have access to PEBB through their employer

Members not eligible for Medicare (or enrolled in Part A only)	Subscriber	Subscriber and spouse	Subscriber and child(ren)	Subscriber, spouse, and child(ren)
Kaiser Permanente NW2 Classic	\$715.66	\$1,426.25	\$1,248.60	\$1,959.20
Kaiser Permanente NW2 CDHP	\$608.85	\$1,206.99	\$1,072.04	\$1,611.85
Kaiser Permanente WA Classic	\$752.15	\$1,499.24	\$1,312.47	\$2,059.55
Kaiser Permanente WA CDHP	\$610.16	\$1,210.10	\$1,074.70	\$1,616.32
Kaiser Permanente WA SoundChoice	\$618.49	\$1,231.92	\$1,078.57	\$1,692.00
Kaiser Permanente WA Value	\$675.71	\$1,346.36	\$1,178.70	\$1,849.35
UMP Classic	\$679.72	\$1,354.37	\$1,185.71	\$1,860.37
UMP CDHP	\$608.35	\$1,206.48	\$1,071.53	\$1,611.34
UMP Plus–Puget Sound High Value Network	\$644.97	\$1,284.88	\$1,124.91	\$1,764.82
UMP Plus–UW Medicine Accountable Care Network	\$644.97	\$1,284.88	\$1,124.91	\$1,764.82

Line of Duty Death Benefit

- Survivors are covered by PEBB and their premiums are paid by LEOFF 2
 - Survivors do not have a choice to get different health care coverage and have those premiums paid for or reimbursed by LEOFF 2

Catastrophic Retiree Benefit

- Catastrophic disability retirees health care premiums are reimbursed by LEOFF 2
 - No access to PEBB unless their employer offered PEBB

Administrative Process

- **Line of Duty Death Survivor – No reimbursement process**
 - DRS makes direct payments to HCA for PEBB premiums
- **Catastrophic Disability Retiree – Complex reimbursement process**
 - 4 retirees have never received a reimbursement
 - Retiree recently received reimbursement for 10 years of premiums (\$73,764)
 - Retirees have told DRS: “it’s not worth it to them, or they don’t want to be bothered with more paperwork.”

Legislative History

- 2009 LEOFF 2 Board bill proposed including catastrophically disabled LEOFF Plan 2 retirees in PEBB
- Health Care Authority Fiscal Note - \$4.7 million for the 2013-15 biennium

Catastrophic Retirement Rates: Original vs. Revised vs. Actual	
2009 HCA Assumed Rate	14/year
Current Experience Study Rate	4.5/year
2003 – 2018 Actual Experience	3.9/year

Policy Considerations

- **Pros**

- Ensure all catastrophic retirees have access to quality health care coverage
- Ease administrative burden for the member and DRS

- **Cons**

- Costs to LEOFF Plan 2
- Removes option to choose different health care provider and receive reimbursement

Policy Options

Option 1: PEBB coverage for catastrophic disability retirees

- Catastrophic Disability retirees and their families would be covered under PEBB, like Line-of-Duty Death survivors. Catastrophic Disability retirees could no longer choose their own health insurance provider.

Option 2: No change to existing law

Next Steps

- No further action at this time
- Move policy option forward to final report
 - Staff will draft bill language and update Fiscal Note



Thank You

Jacob White

Senior Research & Policy Manager

(360) 586-2327

jacob.white@leoff.wa.gov