Mandatory Direct Deposit Bill Passed

All new retirees of the Employees Retirement System including retiring members of the Municipal Employees Retirement System, state police plan, and judicial plan will be required to utilize direct deposit as the result of a bill signed into law by Governor Lincoln Almond. The new law took effect on July 2, 1998.

“The retirement system has long advocated the use of direct deposit,” said Joann E. Flaminio, ERSRI executive director. “It is safer and more convenient for retirees, particularly for those who travel to different locations during the winter months. Direct deposit eliminates the need for the retiree to constantly file address changes with the retirement system.” The director added that replacement of a paper check was not timely and in some cases could take as long as two weeks. With electronic funds transfer, that type of replacement transaction is eliminated.

The June 30th payroll of the retirement system issued over 18,600 checks to all membership groups. Of the 18,628 checks issued, some 7,575 are still receiving a paper check with the remaining 11,053 already utilizing direct deposit.

“The process will be easy,” said Flaminio, “retirees will simply have to indicate a bank routing number and account number on the retirement application. We even encourage those retirees already receiving a check to call and switch to direct deposit. It’s never too late.”

In addition to the direct deposit bill, the Retirement Board supported a number of other bills, which became law during the 1998 legislative session. Following is a brief description of retirement legislation signed into law during 1998.

Public Law 98–411 Active Member
This bill adds the definition of Active Member to the retirement system statutes.

Public Law 98–70 Municipal Liability
This bill provides a mechanism for the proration of municipal liability when a municipal member works for more than one participating municipality during his/her career.

See Laws, Page 3
In early April, our state's pension fund reached a milestone when assets crossed the $6 billion mark, up from $2.9 billion when I took office in January 1993. Despite a few bumps in the road, the growth of the fund has been almost straight up. The fund reached $4 billion in September 1995, and it was only May of 1997 when assets reached the $5 billion level.

The pension fund has been well positioned to capture the outstanding returns in the financial markets over the last several years. Credit should go to the members of the State Investment Commission for their hard work.

At the start of this year, with the fund valued at $5.5 billion, Pensions and Investments magazine ranked it the 142nd largest pension fund in the country. The fund should now be considered a big league player, larger than many corporate pension plans, such as Texaco, RJR Nabisco, Union Carbide, Johnson & Johnson and GTE’s Sprint Communications. The ERSRI fund is also larger than many other state funds, including Louisiana, Idaho, Maine, Oklahoma and Montana. Rhode Island’s assets exceed those of other larger states public employees’ funds because the Rhode Island fund includes the contributions and assets of state employees, public school teachers and many municipal workers.

Recently, the State Investment Commission and my office concluded a search for domestic core equity managers. After much deliberation, the SIC selected both State Street Global Advisors of Boston and J.P. Morgan of New York to manage a core equity portfolio. State Street Global Advisors use a quantitative approach to investing, while J.P. Morgan uses a more traditional analysis of individual companies. Each company will receive approximately $300 million.

In investing, things are seldom as good or as bad as the market portrays in the short run. We invest on behalf of employees who may work in government for thirty years or more. This is a long time and we need to invest patiently, recognizing that market ups and downs are inevitable, but that the trend is up. Just the same, it’s a lot more fun to enjoy the ups, than endure the downs.
Public Law 98-45

Municipal Retiree Health Insurance Deduction

This bill allows retired municipal employees to obtain health insurance (on their own) and then to have a monthly deduction for health insurance sent to the medical carrier. This does not allow municipal retirees to participate in a group health insurance plan administered by the state; it merely allows retirees to enjoy the convenience of a health insurance deduction from their monthly check. At this time, the retirement system has yet to establish procedures with our medical carriers regarding the new law.

1997 Retirement Legislation included the following:

Public Law 97-169 Military Credit

As of July 3, 1997, active members may purchase military service credit for actual military service only. The law eliminated a provision on the statutes for many years that granted six months of service time for each fraction of military service.

Public Laws 97-211 and 97-314

Post-Retirement Employment

Currently, an ERSRI retiree is prohibited from returning to state service. However, this bill allows retired teachers who work at the Davies Vocational School and the Rhode Island School for the Deaf to receive compensation up to $10,000 a year without any effect on their pension benefits.

In addition, the federal Taxpayer Relief Act of 1997 eliminated Maximum Benefit Limitations for police and fire members of the Municipal Employees Retirement System. All state employees, teachers, and general municipal employees are still subject to the Section 415 Maximum Benefit Limitations.

Direct Deposit Availability

If you use Direct Deposit, your monthly benefits will be available to you by 8 am on the last day of the month. If the last day of the month is a Saturday or Sunday, the funds will be available on the first business day of the next month.

In the most recent constitutional review of this case by the U. S. District Court, the court stated that only those union plaintiffs with vested rights would be eligible to receive a pension. The court equated vesting with the completion of age and service requirements and consequently held that only those ‘vested rights’ members had a secure property right to a retirement benefit.

Under this analysis, the court established four classes of plaintiffs: those who were already retired as of 1994; those who met age and service requirements as of 1994; those plaintiffs who were not yet vested; three remaining plaintiffs with special circumstances. Practically, the court expelled thirteen of the union plaintiffs from the retirement system while allowing the remainder continued membership and rights in the system.

In its appeal, General Treasurer Mayer and the retirement board will continue to argue for the eviction of the remaining eleven union members from the retirement system.

Appeal Taken in NEA Case
Special Retirement Board Meeting Held

At a Special Retirement Board held on June 30, 1988, General Treasurer Nancy J. Mayer and the Retirement Board voted to appeal the decision of the federal court in the case of National Education Association vs. the Retirement Board of the Employees Retirement System.

As you may recall, this case involves the eviction of union plaintiffs from the retirement system as a result of legislation passed by the General Assembly in 1994. In 1987, the General Assembly passed Rhode Island General Law 36-9-33 that granted full-time union employees membership in the retirement system.

Public Laws 97-211 and 97-314

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ERSRI
Group Medical Coverage

Health plan open enrollment will take place in October. This is when covered retirees (except municipal retirees) will be able to transfer from one health plan to another. ERSRI will send out health plan information packets in September, and plans will be effective in January.

HEALTH PLAN SEMINARS
Friday, September 25, 11 am to 4 pm
RIPTA Garage
O'Connell Hwy., Newport R.I.

Tuesday, September 29, 9 am to 3 pm
CCRI Knight Campus, Warwick R.I.
Conference Room "E"

Representatives from ERSRI and all medical carriers will be at these seminars. You are invited to stop by and ask questions.

Frequently, ERSRI staff is asked to help compare different health care options. Consider the following questions when choosing a health care plan.

✓ Is there a period of time when a pre-existing medical condition will not be covered?
✓ Are prescriptions paid?
✓ Are there any limits or maximums that the insurance plan or HMO has? For example, many of the “zero premium” HMO Medicare plans have a maximum they will pay toward prescriptions. Once you hit the maximum, you are fully responsible for the cost of prescriptions.
✓ What is the co-payment when I go to the doctor?
✓ If I visit the doctor frequently, will my co-payments end up costing me more than the monthly premium of another plan that has no co-payments or lower co-payments?
✓ If my doctor is part of the HMO plan, will my doctor treat me any differently than before because of the HMO’s rules and regulations?
✓ Will I be traveling much in the next year or so? If so, will I be covered for routine care or emergency care? Will there be any restrictions for such care?
✓ If I move, what happens?

The answers to these questions will help you make the choice that’s right for you. Contact the carrier directly for more information. We have provided a list of phone numbers below.

Blue Cross Classic Blue,
State Blue or Plan 65
(401) 831-6550 or (800) 327-6152
Hearing impaired: (401) 831-2202

Blue Cross Blue CHIP (under 65)
(401) 274-3500 or (800) 564-0888

BlueCHIP for Medicare
(800) 505-2583

Harvard Pilgrim's PPO
(800) 742-8326
Hearing impaired: (800) 634-4889

Harvard Pilgrim's HMO
(888) 333-4742
Hearing impaired: (800)637-8354

Harvard Pilgrim First Seniority
(800) 238-6420
Hearing impaired: (800) 421-3599

United HealthCare's
Choice Plus PPO or Select HMO
(800) 422-1404
Hearing impaired: (800) 807-1757

United HealthCare's Medicare Complete
(800) 448-4481
Hearing impaired: (800) 587-5188

Tufts' Health Plan HMO
(800)462-0224
Hearing impaired: (800) 815-8580

When calling the plans, let the representative know you’re an ERSRI retiree.
Some Things You Should Know.

Below is a chart of the monthly premiums of the different health plans available through ERSRI, and the base that the state will pay towards that coverage for eligible state retirees.

**Cost Per Month — Plans Available for Retirees Not Medicare Eligible (Under 65 Plans)**

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Monthly Premium</th>
<th>State Pays Base Plan*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Classic Blue</td>
<td>$249.60</td>
<td>$188.23</td>
</tr>
<tr>
<td>Family Classic Blue</td>
<td>$788.30</td>
<td>$188.23</td>
</tr>
<tr>
<td>Individual United Choice PPO</td>
<td>$157.14</td>
<td>$157.14</td>
</tr>
<tr>
<td>Family United PPO</td>
<td>$350.38</td>
<td></td>
</tr>
<tr>
<td>Individual Harvard/Pilgrim PPO</td>
<td>$188.23</td>
<td></td>
</tr>
<tr>
<td>Family Harvard/Pilgrim HMO</td>
<td>$279.94</td>
<td></td>
</tr>
<tr>
<td>State Pays up to</td>
<td></td>
<td>$188.23</td>
</tr>
<tr>
<td>Individual Harvard/Pilgrim PPO</td>
<td>$213.14</td>
<td>$213.14</td>
</tr>
<tr>
<td>Family Blue Chip HMO</td>
<td>$591.63</td>
<td></td>
</tr>
<tr>
<td>State Pays Base Plan*</td>
<td></td>
<td>$188.23</td>
</tr>
<tr>
<td>Individual United Select HMO</td>
<td>$127.68</td>
<td>$127.68</td>
</tr>
<tr>
<td>Family United Select HMO</td>
<td>$279.94</td>
<td></td>
</tr>
<tr>
<td>State Pays up to</td>
<td></td>
<td>$127.68</td>
</tr>
<tr>
<td>Individual Harvard/Pilgrim PPO</td>
<td>$283.96</td>
<td>$283.96</td>
</tr>
<tr>
<td>Family Harvard/Pilgrim HMO</td>
<td>$790.03</td>
<td></td>
</tr>
<tr>
<td>State Pays up to</td>
<td></td>
<td>$127.68</td>
</tr>
</tbody>
</table>

**Cost Per Month — Plans Available for Retirees with Medicare A & B (Usually Retirees Over 65 Plans)**

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Monthly Premium</th>
<th>State Pays up to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue Cross Plan 65</td>
<td>$100.55</td>
<td>$100.55</td>
</tr>
<tr>
<td>State Pays up to</td>
<td></td>
<td>$100.55</td>
</tr>
<tr>
<td>United HMO &gt;65</td>
<td>$46.00</td>
<td>$46.00</td>
</tr>
<tr>
<td>State Pays up to</td>
<td></td>
<td>$46.00</td>
</tr>
<tr>
<td>Harvard/Pilgrim First Seniority</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>State Pays up to</td>
<td></td>
<td>$0.00</td>
</tr>
<tr>
<td>Blue Chip HMO &gt;65</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>State Pays up to</td>
<td></td>
<td>$0.00</td>
</tr>
</tbody>
</table>

What is an Early Retiree?

For the purpose of medical coverage, an “early retiree” is a retiree under the age of 65. It does not mean a member who retired with an incentive.

Can a spouse have different coverage?

A retiree and his/her spouse can select different carriers and different plans if they so choose. A spouse may be covered individually even if the retiree does not opt for coverage.

What does “Base Plan” mean?

If you are a state retiree (not a teacher) and the state pays toward your medical coverage, the state will pay a percentage of a base plan amount. If you select a plan that costs more than a base plan, the state will not pay more than $188.23 and the retiree will pay the difference.

What about prescriptions? Are they covered?

For early retirees, all of the plans have prescription coverage where the plan pays 80%. Classic Blue coverage has $175 deductible before the carrier begins to pick up the 80%. For Medicare-eligible retirees, Plan 65 has no coverage; Blue CHiP for Medicare pays up to a $500 annual limit; and United HealthCare’s Medicare Complete pays up to a $500 annual limit. Harvard Pilgrim’s First Seniority has no prescription coverage as of January 1, 1999.

*See Health Things, Page 7*
Preparing for Retirement
It's Not Too Early to Start

If you're thinking of retiring within the next three years, it's not too early to start taking steps to make the retirement process an easy one. Knowing what to do and when to do it will make the retirement process less stressful for you.

One to Three Years Before You Retire

Pre-retirement seminars are a great way to start your planning. Each fall, the Retirement System offers workshops at several locations in Rhode Island for various membership groups. Here, you'll find out about the different retirement options available, and learn important information regarding cost-of-living adjustments, taxation, and health insurance. Contact your employer, or call the Member Services Department at ERSRI, to find out what's on the schedule for pre-retirement seminars near you.

Twelve Months Prior to Retirement

Get an idea of what’s coming to you. An appointment with an ERSRI counselor to review your file will provide you with very important information. Has all my service time been credited to my account? What can I expect for pension options, and approximately how much money will I be receiving? Even though it’s still early, ERSRI counselors can estimate your benefits and inform you of pension options. You will be provided with an estimate of the benefits for each payment option, so that you can consider what will be best for your personal situation. Counseling sessions are scheduled daily at the main office in Providence, and also at outreach locations near you. Contact Member Services to schedule your appointment.

Six Months to Go...

If you've made the decision to retire and tentatively set a retirement date, you should have visited with your ERSRI counselor. If you haven't, make an appointment now. Member Services will send you a packet of information to review prior to your appointment. Make sure you have a retirement application form completed, and have read all the information on the form before filling it out. During your counseling, you will be provided with an estimate which you can take with you to use as a reference if you wish to complete the form at home.

Two Months — Almost There!

You should have completed your retirement application, and gathered birth certificates for your beneficiaries. The direct deposit section of the application is most important - make sure you’ve written in the correct account and bank routing numbers. You can now file the retirement application and accompanying birth certificates with ERSRI. If you retire before filing your application, make sure to get the application and appropriate birth certificates into ERSRI as soon as possible after your last work day, to ensure prompt benefits payment. Pension payments are effective the first of the month after acceptance of your application if received after your retirement date. Allow 2-3 months after you retire to receive your first pension check. Enjoy your retirement!
ERSRI's Member Services counselors will provide you with an estimate of your retirement benefit, before you retire. The estimate sheet you receive lists the available options, and the amount of your pension check each month under each option.

So just how accurate will your estimate be? That depends on several things. For one, we rely on information you provide to us. If you 'guesstimate' your final years' average salary, it may be different than the final verification we receive from your employer after you retire. The service credit will be rechecked before you actually receive your pension, and occasionally there may be a difference in the numbers used for the estimate and the verified numbers used for the final pension figuring.

The more accurate numbers you can provide at the time of the estimate, the more accurate the estimate will be. In all cases, it is important to remember that the estimate you receive is just that - an estimate.

What if I live out of state?
If you live outside of the State of Rhode Island for more than three months during the year, the only plans available if you are under 65 are Harvard Pilgrim PPO, United Choice PPO, Blue Cross State Blue PPO or Blue Cross Classic; and for retirees age 65 and over, the only plan available is Blue Cross Plan 65.

Are there any vision or dental benefits?
For early retirees, the vision and dental benefits have been separated from the basic plan as of July 1, 1997. Only disability retirees are eligible to continue the vision and dental benefits after the separation.

For Medicare eligible retirees, Blue CHiP, Harvard Pilgrim First Seniority and United Medicare Complete cover vision at 100% after you pay $5/visit for routine or medically-necessary eye exams and lenses with frames or lenses only (one set per calendar year). Blue CHiP and United Medicare Complete cover dental basic services at 100% (Harvard Pilgrim will cover dental basic services after January 1, 1999), with a co-payment. Call the individual carriers for more specific information.

What is a Qualifying Event?
Retirement and turning age 65 are considered "qualifying events" that allow you to change your medical coverage, without waiting for an open enrollment.

I'm on a Disability Pension - what about me?
If you have a disability retirement through ERSRI, you are eligible to receive the same medical coverage as the active state employee which includes prescription coverage, with an option for vision and dental benefits. However, if you are eligible for Medicare A and B, the cost of your medical coverage will be dramatically lower if you choose a Medicare Risk contract plan over the active state employee plan. See the Comparison of Benefits folder for the difference in benefits and costs.

From Our Counselors
Please be on time for your counseling appointment, as it affects the appointments of others if you are late.

If you need to cancel or reschedule a counseling appointment, kindly notify us 24 hours in advance.

Your cooperation is greatly appreciated.

See Health Things, Page 8
Health Things Continued from page 7

I'm over 65 with no Medicare Part B, by choice. What do I do?

If you are eligible for Part B of Medicare but decided to forego Part B at age 65, you must have started the process to accept Part B in January. Medicare allows recipients who forego Part B to enroll only during January 1st through March 31st each year. Subsequent coverage would be effective as of July 1st. Even though you sign up for Part B in January, Part B will not be effective until July 1 and retirees with a medical plan generally for retirees under 65 will be able to maintain that “under-65 plan” until July 1.

Is there a penalty for taking Part B after age 65?

Yes. If you decided not to accept Part B when you turned 65 and then (at a later date) accept Part B, there would be a surcharge of 10% additional each month for each year that you did not accept Part B. For example, if you decided at 65 not to accept, and then at age 68 did accept, you would have to pay an additional 30% (68-65=3 x 10% = 30%) each month. If Part B costs $46.00 per month; then, in this case, it would cost 30% more or $59.80 per month.

I'm over 65 and not eligible for Medicare. Can I keep my under-65 plan?

If you never contributed to Social Security (or are not eligible for Social Security due to insufficient quarters) and thus not eligible for Medicare, then you may maintain the “under-65 plan.” You must provide ERSRI with a copy of your denial letter from the Social Security Administration. Call the Social Security Administration at 1-800-772-1213 for your denial letter.

Dropping Medical Coverage

If you wish to drop medical coverage, please call ERSRI and ask for an ERSRI “Health Care Cancellation Form.”

Questions?

ERSRI is happy to answer your questions regarding the different options available to you and the cost of the health care option you elect. Questions regarding the exact type of coverage you will receive should be directed to the individual carrier (telephone numbers listed in the sidebar on Page 4).