



Employee
& Retiree
Service Center

Retiring Times

New Directions for MCPS Retirees

VOLUME 1 • NUMBER 3 • SPRING 2004 • OPEN ENROLLMENT EDITION

In this issue:

Retiree Open Enrollment
Announcement

MCPS Introduces United
Health Care POS

How Are Your Insurance
Premiums Determined?

Kaiser Permanente
Service Region

MCPS Prescription Drug
Premiums

MCPS Retirement
Payments Top \$3 million
Per Month

Medicare Prescription
Bill



Retiring Times

Retiree Open Enrollment Announcement

The Montgomery County Public Schools will be conducting the annual retiree benefit plan open enrollment between Monday, May 3 and Friday, May 28, 2004.

During the benefit open enrollment period, MCPS retirees will have the opportunity to make changes to their medical, dental, and prescription plan options, to drop coverage, or under certain circumstances, add coverage that was previously dropped.

The Employee and Retiree Service Center (ERSC) will forward detailed

information in late April.

The mailing will include benefit comparison charts, rate information, and an updated enrollment form to make changes to your benefit plan.

Additionally, four informational health fairs will be held during May. Representatives from ERSC and benefit plan vendors will be available to answer retiree questions.

Please check the ERSC Web site at <http://www.mcps.k12.md.us/departments/ersc/> for up-to-date information throughout open enrollment. ■

| DATE | LOCATION | TIME |
|------------------------|--|------------------------|
| Thursday, May 6, 2004 | CEC Auditorium 850 Hungerford Drive Rockville, MD 20850 | 10:00 a.m. – 1:00 p.m. |
| Tuesday, May 18, 2004 | CEC Auditorium | 10:00 a.m. – 1:00 p.m. |
| Thursday, May 27, 2004 | CEC Auditorium | 12:30 – 3:30 p.m. |
| Thursday, May 13, 2004 | Activity Center Gym at Boherer Park Summit Hall Farm 506 S. Frederick Ave Gaithersburg, MD 20877 | 12:30 – 3:30 p.m. |

How Are Your Insurance Premiums Determined?

In 2003, the Montgomery County Public Schools (MCPS) introduced several changes to the benefit plan for retirees and announced that the cost-sharing arrangement between MCPS and retirees would be established at a flat percentage rate, with MCPS paying 64 percent of the plan cost and retirees paying 36 percent.

Are MCPS retirees being charged outrageous premiums to keep insurance companies profits high? No.

Almost all of MCPS' insurance plans are self-insured and the premiums are determined by MCPS and our consulting underwriters, based on the actual expenses incurred by the plans. The insurance

carriers do not establish MCPS rates.

When your insurance premiums increase by 15 percent, it is the result of MCPS retirees incurring 15 percent more health care costs than in the previous year.

There are a variety of ways retirees can keep their insurance costs low.

- Choosing a healthy diet and lifestyle
 - Taking medications as they are prescribed
 - Using high-priced designer medications only when they are medically necessary
 - Seeking care from in-network providers
- Studies show that when retirees become more proactive health care consumers, they are healthier and this will reduce cost increases. ■

MCPS Introduces UnitedHealthcare POS

Last fall, the Montgomery County Public Schools (MCPS) added a new health plan carrier—UnitedHealthcare (UHC) to administer Point-of-Service (POS) plans for active employees. UHC was offered, in addition to the POS plans offered by CareFirst BlueCross BlueShield (CareFirst).

After a discussion with the Montgomery County Public Schools Retiree Association, MCPS agreed to offer UHC plans to retirees.

As a result, effective July 1, 2004, retirees will be able to choose between CareFirst and UnitedHealthcare for the Standard and High Option POS plans, the Indemnity Medical Plan, and the Medicare Supplement Plan.

The plan designs for these plans remain the same. UHC is a national carrier with a network of participating doctors across the nation. In addition, UHC provides one claim-processing system, regardless of whether your service is provided within the Washington metropolitan area or around the United States.

Please consider several of the following factors before choosing a POS plan option.

- Does your doctor participate in the UHC or Carefirst network?
- Does your local hospital participate in that POS plan's network?
- Is access to a national network beneficial to you /your spouse/ your dependents?
- What is the overall cost of the plan?

Plan details and the specific cost of each plan will be sent to retirees in late April. Information about participating doctors and hospitals can be reviewed at the CareFirst and UnitedHealthcare Web sites.

CareFirst: www.carefirst.com
United Healthcare: www.uhc.com. ■

DID YOU KNOW?

Aetna Dental Maintenance Organization (DMO) benefit plan members must reside in the service area to continue coverage in the DMO plan. Please contact Aetna (1-800-843-3661) to confirm that you are in the local service area if you want to participate in the DMO plan.

Kaiser Permanente Service Region

The Montgomery County Public Schools (MCPS) provides coverage with Kaiser Permanente (Kaiser) of the Midatlantic. Kaiser is a health maintenance (HMO) provider with 29 medical centers throughout the Mid-Atlantic service region and visiting member privileges throughout California, Colorado, Georgia, Hawaii, Ohio, Oregon, and Washington state.

When an MCPS employee retires, it is possible that an active employee who was covered by the Kaiser HMO medical plan (while employed) will not be eligible for Kaiser at retirement, since they no longer live in the Kaiser service area.

Kaiser members must either live or work in the Kaiser Mid-Atlantic service area to participate in the Kaiser HMO medical plan.

For retirees who reside in Kaiser's service area, Kaiser currently has a "zero dollar" co-pay plan for non-Medicare members.

When a retiree or their dependent becomes eligible for Medicare, MCPS requires the retiree/dependent to enroll in Medicare Parts A and B. Kaiser members eligible for Medicare are covered by the Kaiser Medicare Plus plan. Kaiser Medicare Plus Plan has a \$5 co-pay for medical services.

MCPS will send you a letter requesting a copy of your Medicare card one month before your 65th birthday. Medicare is your primary insurance and Kaiser is now your Medicare supplemental plan (secondary insurance).

The Medicare plan transition generally is seamless to the Kaiser member. Kaiser requires Medicare-eligible retirees to complete an additional enrollment form prior to beginning Medicare coverage. To obtain the form, please contact Kaiser directly at 1-800-777-7902. Please complete and return the form to Kaiser.

Kaiser Medicare Plus has a smaller service area than the area available for Kaiser members who are not yet eligible for Medicare. When a Kaiser member becomes Medicare-eligible, it is possible that they are no longer residing in the Kaiser Medicare Plus service area, even though they have not relocated. In this event, at the

MCPS Prescription Drug Premiums

From 1999 to 2003, Montgomery County Public Schools (MCPS) retiree prescription costs rose by more than 15 percent each year. Most retirees were paying 70 percent of the prescription plan cost. It was becoming increasingly difficult for retirees to manage the rising premiums associated with the prescription drug plan.

In response, MCPS and the Montgomery County Public Schools Retiree Association designed two new prescription drug plan options, providing a competitive prescription drug benefit, while lowering retiree premiums.

The first seven months of experience with the new plans reflect that cost increases have slowed significantly. As a result, the overall premium for the prescription drug benefit will not increase for the 2004–2005 plan year. However, retirees will see a modest increase in the prescription cost as MCPS transitions the retiree contribution rate to 36 percent.

There were anticipated savings associated with the changes to the retiree prescription plan last year, and MCPS

agreed that retirees would not be charged 36 percent of the lower cost. Instead, MCPS kept cost constant and returned all savings to retirees in the form of lower premium payment with the understanding that the contribution rate would be transitioned to 36 percent over a three-year period.

During the 2003–2004 plan year, retirees who enrolled in prescription Option A paid approximately 28 percent of the plan cost, while retirees enrolled in prescription Option B paid approximately 15 percent of the plan cost.

Here's what will take place over the next two years:

2004–2005 Plan Structure:

In the 2004–2005 plan year, retirees will pay 30.5 percent of the plan cost for Option A and 21.7 percent of the plan cost for Option B.

2005–2006 Plan Structure:

During the 2005–2006 plan year, retirees will pay 33.3 percent of the plan cost for Option A and 28.8 percent of the plan cost for Option B.

The retiree contribution rate will reach 36 percent for both plans in the 2006–2007 plan year and beyond. ■

Comparative Employer Cost for 15 mg Prevacid—90-day supply



Comparative Employer Cost for 40 mg Lipitor—90-day supply



time of Medicare coverage, the retiree will be required to enroll in another medical plan through MCPS.

When a retiree/dependent becomes eligible for Medicare and they are enrolled in the Kaiser Medicare Plus plan, the retiree/dependent who is not yet eligible for Medicare will continue with Kaiser's non-Medicare member plan. ■

DID YOU KNOW?

The Caremark Mail Order Pharmacy now refills prescriptions from their largest distribution center in San Antonio, Texas. Mail order forms with the Ft. Lauderdale, Florida address will be forwarded to Texas. Please allow additional time to receive your prescription if using the Florida forms.

Retiring Times

MCPS Retirement Payments Top \$3 million Per Month

A letter to retirees from Kenneth K. Muir, MCPS retiree and pension trustee.

The first month after retiring, there may be a little apprehension; will the check really arrive? The retirement check arrives and soon, you don't even think twice about the retirement check arriving. The check arrives in your mailbox, after the initial period is automatically deposited into your bank account monthly. MCPS—and Aetna who handles the disbursements—have been in practice together for 36 years.

The MCPS Employees' Retirement and Pension System (The Plan) was created in 1968 and serves as a retirement supplement for retirees who are members of the Maryland Teachers Retirement (and Pension) system, and as a complete retirement system for those not eligible for the state system. The Plan was created by then-Finance Director Brian Benson, who later served as president of the Maryland Retired Teachers Association after retiring from MCPS.

As of December 31, 2003, The Plan had assets of nearly \$672 million. The Plan receives funds from employee contributions, taxpayer contributions through the MCPS operating budget, and by the careful investment of those funds.

A Board of Investment Trustees oversees The Plan's assets. The Board of Investment Trustees has a formal Trust Agreement, Bylaws, and investment policy to guide their actions. The trustees, appointed by the Board of Education, include five MCPS staff who serve as a result of their jobs (i.e., the chief operating officer, Larry Bowers, who is the trustees' chair), and four "citizen" trustees recommended by groups who represent active and retired members.

The Trustees meet four times each year to review quarterly financial statements, monitor the activities of the 12 fund managers, and set investment policy. Additionally, they may meet at other times to interview potential new fund managers. The board is assisted by an actuary (to determine the level of contribution and investment returns needed to pay current and future retirement obligations); an attorney (to prepare legal documents); and a pension consultant (to monitor and report on fund managers' performance).

Currently, the Board's asset allocation (percentage of funds in various types of investments) targets the investments of

46% of funds in domestic equities (U.S. stocks); 14% in international equities (foreign stocks); 20% in domestic fixed income (U.S. bonds); 6% in international fixed income (foreign bonds); 8% in real estate; and 6% cash for payment of expenses and monthly retirement and pension payments.

Like many other retirement plans, the MCPS Plan was in great shape in June 2000; its \$751 million in assets was more than enough (102%) to meet all future obligations. But, as was the case with most other retirement plans during the U.S. recession and stock market implosion, assets shrank to only \$601.6 million by June 2003. This did not mean that retiree payments were at risk. The long-term investment strategy of the pension fund is diversified, which helps it weather times when the market returns are lower. Conversely, during prior years when returns were above average, assets grew and stayed in the fund. As the latter half of 2003 was marked by strengthened economic conditions and stock market gains. By December 2003, asset values increased back to \$671.9 million.

As one of the Board of Investment Trustees newest members, and the only trustee who is a beneficiary of the system, I have been impressed by my fellow members' expertise and diligence in protecting and growing our retirement and pension funds. The Board members are fiduciaries, meaning they are legally responsible for acting in a prudent manner. ■

Medicare Prescription Bill

President George W. Bush signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 into law on December 8, 2003. This law establishes a prescription drug benefit under Part D of the Medicare plan, beginning in 2006. The standard prescription drug benefit for 2006 features a \$250 deductible and 25 percent coinsurance for drug claims up to \$2,250. Coverage is not provided for drug claims between \$2,250 and \$3,600, and 95 percent coverage for drug expenses in excess of \$3,600 in a play year.

The Montgomery County Public Schools (MCPS) provides prescription drug coverage to retirees. MCPS will have the option to continue providing prescription drug coverage to retirees and also be eligible for a tax-free subsidy that

represents Medicare's share of the cost to the plan. The subsidy represents 28 percent of the qualifying retiree's allowable drug costs for plan years ending in 2006.

The Medicare Act contains several ambiguities that are to be clarified by future regulations. In addition, the calculations of cost savings will require detailed actuarial and underwriting analysis.

MCPS plans to work with the Montgomery County Public Schools Retirees Association over the next several months to analyze the provisions of the Medicare prescription bill and identify the best way to provide prescription drug benefits to retirees, in coordination with Medicare.

It is MCPS' expectation that any savings realized would be shared with retirees in the form of lower premiums. We will provide periodic updates to retirees between now and the 2006 effective date. ■

Retiring Times

News from the Employee and Retiree Service Center

Larry Bowers
Chief Operating Officer

Susanne G. DeGraba
Chief Financial Officer

G. Wesley Girling, Director
Benefits Strategy and Vendor Relations

Elaine R. Freedman
Communications Specialist and Editor

