

PENSION UPDATE



Volume 2004.06, June 2004
Dallas Police & Fire Pension System



Is There a Solution to the Health Insurance Question? Message From the Chairman

Trends in health insurance, both locally and nationally, look ominous. Health care costs are going up, and there seems to be no relief in sight. Recent attempts by the federal government to add a prescription drug program to Medicare and the spiraling costs associated with insurance coverage for both prescription drugs and general medical coverage have made health insurance a hot topic at educational conferences attended by Pension System representatives.

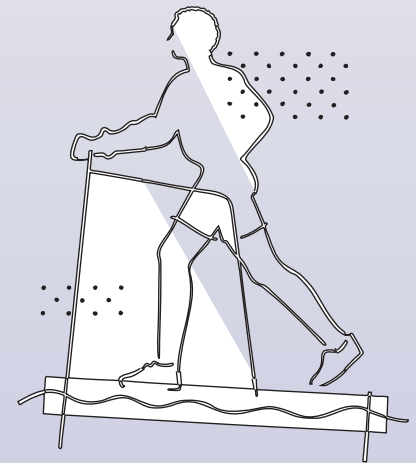


*Gerald Brown,
Chairman of
the Board &
Fire Trustee*

Experts have said that health insurance has gone from a desired benefit in the 1960s to a necessary benefit today. As health care costs have skyrocketed, efforts to reduce cost have focused on cutting drug costs. Some of the solutions being considered include (a) buying drugs from Canada, (b) issuing drug discount cards, (c) mandating mail order for all repetitive drug prescriptions, (d) lowering fraud and abuse, and (e) educating doctors to write prescriptions for the correct drug and using generic drugs when appropriate.

Other proposed solutions to the health care problem address fundamental philosophies of health care usage. Some employers, such as the City of Dallas, are moving to higher deductibles. Others may limit insurance to catastrophic coverage to hold down costs. In another approach, your Pension System encourages staff members to modify their behavior to improve general health through exercise and a healthy diet. This will lessen the need for health care and thus the cost of insurance. Similarly, a more judicious use of health care services and greater reliance on generic drugs will help immensely. Even socialized medicine, an idea repugnant to most Americans, may become a necessity.

The National Conference of Public Employee Retirement Systems (NCPERS) has pursued another avenue to reduce the impact of health insurance costs, proposing federal legislation to pro-



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Health Insurance, continued from page 1

vide relief to public employees through measures, such as allowing retirees to use funds from their pension benefits to pay for health care costs on a pre-tax basis.

None of the proposed solutions will resolve the problems on their own. Many of these attempts to lower costs would only work for a short period of time. For instance, the Canadian government has warned doctors in Canada to write prescriptions only for patients that they have seen, and Canada does not have sufficient drug supplies to meet U.S. needs. Fraud accounts for less than 5% of all costs. Other solutions, such as socialized medicine, may be pills that are too bitter to swallow.

Many pension plan members have asked their pension systems to step in and provide an answer to the health insurance question. However, federal rules greatly restrict the use of pension fund dollars, effectively prohibiting their use to pay health insurance costs. Also, the poor economic conditions in the early 2000s eroded the financial health of many pension systems and their sponsoring government agencies. These conditions tended to increase unfunded pension liabilities (difference between the cost of future benefits and the dollars on hand to pay them) and reduce the ability of the pension sponsors to absorb additional financial responsibilities.

Your Pension System, after having first studied this issue in the mid 1980s, realized the difficult and costly prospects of changes. In response, the System added the Benefit Supplement for retirees older than age 55. The intent of the Benefit Supplement was to assist with the high cost of

health insurance. Over the years, the benefit has increased from the 1980s level and today is \$75 per month or 3% of your benefit, whichever is greater.

For example, Members leaving with a benefit of \$3,000 per month have a benefit supplement of \$90 per month added to their benefits upon attaining age 55. This is almost 50% of the current cost of a retiree's under-age-65 coverage cost (\$189 per month). This does not include the

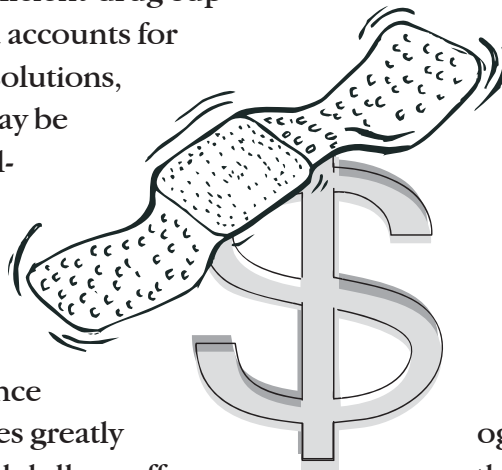
spouse's costs. The over-age-65 coverage cost depends on the options selected, but is generally less than \$165 per month for the retiree's coverage.

Clearly, the cost of health insurance is a problem that will not be easy to resolve. Contact your local, state, and federal representatives, and urge them to recognize the problem and work together to solve it. You future and the future of your children depend on it.

The Board will continue researching various aspects of the health insurance question. If you have suggestions, ideas, or want to discuss other issues concerning health insurance and a relationship to your pension benefit, please call me or any of your other Trustee representatives.



—Gerald Brown,
Chairman of the Board & Fire Trustee



Can You Find the DFD and DPD Members?



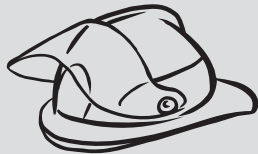
Four of the characters in the above photo are active or retired DPD or DFD members. Can you find Stan McNear, DPD retired; Johnnie Baker, DPD active; Mike Faulkenberry, DFD active; and Blaine Danyluck, DFD active?

The Lawdogs Motor Cycle Club, made up of Dallas-area law enforcement and firefighters, on May 5, 2004, at the National Rally in Hot Springs, Arkansas. There are 14 national chapters (four in Texas), www.lawdogsnt.com.

Congratulations Retirees!

Fire Department

William D. Boyce
Louie B. McKay, Jr.
Robert P. McMahan
Robert L. Rogers
Roger D. Schuelke
Robert E. Sears
Curtis L. Starlin
Richard G. York



Police Department

Walter D. Elsey
Forrest L. Fenwick
Ronald D. Gullion
Joe S. Huey
George A. Mabry
Paul W. Ronyak



Pension System Calendar

- July 5—Independence Day Holiday, Pension System office closed
- July 8—Board of Trustees meeting
- July 15—Board of Trustees meeting
- July 31—Back the Blue Cannon Ball Run
- August 12—Board of Trustees meeting
- September 6—Labor Day, Pension System office closed
- September 9—Board of Trustees meeting

June 2004

- **Is There a Solution to the Health Insurance Question?**
- **Lawdogs Motorcycle Club**
- **New Retirees**
- **Pension System Calendar**

**Back the Blue
Cannon Ball Run and Walk
10k and 5k**

Date: July 31, 2004

Place: Gilley's Dallas
1135 South Lamar

Needed: Participants and volunteers

More info: Rob Byers, 214.647.1105
backthebluerun@comcast.com
www.backthebluerun.com

*Proceeds go to the Assist the Officers
Foundation, which helps officers who
are injured or killed in the line of duty
and their families.*

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