



## IRS Releases Mortality Table on Lump Sum Calculations

**A**s previously reported, beginning with distributions after December 31, 2007, the Pension Protection Act of 2006 (PPA) changes the way in which the Fund will calculate the lump sum value of your pension benefit. The Internal Revenue Service has finally issued the applicable mortality table and the interest rates for August through October (including the segmented rates) which are required for lump sum distributions in 2008. However, please note that technical guidance has yet to be released. The calculations in Table I and Table II are based on the Plan Actuary's estimate of how the lump sum and benefit limitation under Internal Revenue Code (IRC) §415 work.

The "applicable interest rate" will be determined during the first five years by blending segmented corporate bond rates with the 30-year Treasury rate. The segmented corporate bond rates will be phased in over a 5-year period in increments of 20% each year. Similarly, the 30-year Treasury rate will be phased out over the same five-year period in decrements of 20% each year. In 2012, the entire "applicable interest rate"

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*In case of conflict between the information in this newsletter and the Plan documents, the terms of the Plans shall govern. For more information, contact the Plan Office.*

## Medicare Announces Premiums for 2008

**In the last edition of *BenefitWatch* (p.5), we provided the Medicare Part B premiums for 2007.** Effective January 1, 2008, these premiums will increase. The standard Medicare Part B monthly premium for 2008 will be \$96.40, an increase of \$2.90 or 3.1% from the \$93.50 Part B premium for 2007. The 2008 amount is the smallest percentage increase in the Part B premium since 2001 and is \$2.10 less than the increase in the premium for 2007.

The Centers for Medicare & Medicaid Services (CMS) has indicated that growth in certain areas of Medicare's fee-for-service program, including the home health services, physician-administered drugs, ambulatory surgical center services, durable medical equipment, independent lab and physician's office lab services were contributing factors to the rise in premiums.

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## IRS Mortality Table

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will be determined using only the segmented corporate bond rates. These rates will be published monthly by the Secretary of the Treasury.

In 2008 for Participants under age 65, the PPA method of calculating a lump sum will produce a smaller lump sum than using the regulations in effect for 2007. As mentioned above, the new law requires that the PPA interest rates be “phased in” over a 5-year period. This “phase in” results in a dampening of PPA’s impact in the early years, with the full impact not being realized until 2012. As a result, the lump sum value of your benefit is provided with some level of protection from the new law, but this protection will decline over



time. As mentioned earlier, a new mortality table was also issued.

Based on this information, the Plan Actuary has calculated lump sum factors using the interest rate corresponding to the months of August, September, and October and the “applicable mortality table.” The lump sum factors determined using the

month of October currently result in the most favorable lump sum for Plan Participants planning retirement during 2008. Unless the interest rate for November or December produces more favorable lump sum factors, the Pension Plan’s 2008 lump sum factors will be based on those corresponding to October.

**Table I - Lump Sum Factors**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Participant Age at Distribution Date	Annual Annuity at Distribution Date	2007 Lump Sum Factors (Monthly Annuity)	Lump Sum for \$50K Annuity in 2007 – 2007 Regulations (Pre-PPA)	2008 Lump Sum Factors Ignoring PPA Lump Sum Provisions	Lump Sum for \$50K Annuity in 2008 Ignoring PPA Lump Sum Provisions	Actuary's Estimate of 2008 Lump Sum Factor – Updated Mortality and Blended October Interest Rates	Lump Sum for \$50K Annuity in 2008 Using Column (G) Factor
50	\$50,000	195.842	\$816,009	193.739	\$807,244	190.059	\$791,911
51	\$50,000	193.074	\$804,477	191.037	\$795,989	187.609	\$781,703
52	\$50,000	190.210	\$792,543	188.240	\$784,332	185.049	\$771,039
53	\$50,000	187.252	\$780,215	185.348	\$772,284	182.383	\$759,930
54	\$50,000	184.199	\$767,494	182.362	\$759,842	179.613	\$748,386
55	\$50,000	181.047	\$754,363	179.278	\$746,992	176.736	\$736,402
56	\$50,000	177.802	\$740,842	176.100	\$733,751	173.772	\$724,048
57	\$50,000	174.469	\$726,956	172.835	\$720,144	170.731	\$711,381
58	\$50,000	171.058	\$712,743	169.490	\$706,210	167.601	\$698,336
59	\$50,000	167.575	\$698,230	166.074	\$691,973	164.378	\$684,909
60	\$50,000	164.020	\$683,415	162.584	\$677,432	161.063	\$671,094
61	\$50,000	160.397	\$668,322	159.026	\$662,609	157.662	\$656,923
62	\$50,000	156.721	\$653,004	155.414	\$647,558	154.194	\$642,474
63	\$50,000	152.995	\$637,479	151.751	\$632,295	150.659	\$627,747
64	\$50,000	149.237	\$621,821	148.055	\$616,895	147.080	\$612,835
65	\$50,000	145.449	\$606,039	144.328	\$601,366	143.436	\$597,650

**Table II – IRC 415 Limits**

(A)	(I)	(J)	(K)	(L)
Participant Age at Distribution Date	Benefit Limitation under IRC §415 for Lump Sum Distribution during 2007 (Old Law)	Actuary's Estimate of Benefit Limitation under IRC §415 for Lump Sum Distribution during 2008	Benefit Limitation under IRC §415 for Annuity Distributions During 2007	Benefit Limitation under IRC §415 for Annuity Distributions During 2008
50	\$1,146,356	\$1,178,200	\$77,276	\$79,422
51	\$1,207,101	\$1,240,632	\$82,402	\$84,691
52	\$1,271,333	\$1,306,647	\$87,947	\$90,390
53	\$1,339,319	\$1,376,522	\$93,955	\$96,565
54	\$1,411,340	\$1,450,544	\$100,477	\$103,268
55	\$1,487,674	\$1,528,999	\$107,569	\$110,557
56	\$1,568,696	\$1,612,271	\$115,297	\$118,500
57	\$1,654,840	\$1,700,808	\$123,734	\$127,171
58	\$1,746,626	\$1,795,144	\$132,964	\$136,657
59	\$1,844,610	\$1,895,850	\$143,085	\$147,060
60	\$1,949,348	\$2,003,496	\$154,209	\$158,493
61	\$2,061,535	\$2,118,800	\$166,464	\$171,088
62	\$2,182,061	\$2,242,673	\$180,000	\$185,000
63	\$2,134,103	\$2,193,384	\$180,000	\$185,000
64	\$2,085,537	\$2,143,469	\$180,000	\$185,000
65	\$2,036,388	\$2,092,955	\$180,000	\$185,000

In Table I, each hypothetical participant is assumed to retire with a \$50,000 pension annuity, payable immediately at the distribution date. The ages provided in column A are the assumed ages at the distribution date. For example, a participant with a \$50,000 annuity who took a distribution in 2007 at age 61 would have received a lump sum distribution of \$668,322 (Column D). Using the factors corresponding to the month of October (the “most favorable” so far), a participant with a \$50,000 annuity who receives a distribution when he reaches age 61 in 2008 will collect a lump sum of \$656,923 (Column H).

Table I illustrates that for Participants under age 65, the actuaries are projecting that the PPA method of calculating your lump sum will produce a slightly smaller lump sum than

using the regulations in effect for 2007. However, in making your retirement decision, you should also consider other factors, including increased accruals, changes in final pay, and the impact of the changes in the benefit limitation under IRC 415, which increased from 2007 to 2008. We include the old lump sum limitations and the Plan Actuary’s estimate of the new lump sum limitations in Table II in columns I & J, respectively. Annuity limits for 2007 and 2008 are in Table II, columns K and L.

We also include in Table I in Columns E & F the calculation of the participant’s lump sum for 2008 if the changes required by PPA were not to take effect in 2008. A bill was recently introduced in the United States House of Representatives to delay the effective date of the lump sum provisions of PPA until 2009.

# Vacation Benefits Avoid the Year-End Rush

Apply for Vacation and Port Relief Benefits early to avoid the year-end rush.

**OUTPORTS:** The deadline for issuing checks dated in 2007 in the Outport offices is **Thursday, December 27, 2007 at 2:00 p.m. EST.**

**BALTIMORE PLAN OFFICE:** The deadline for issuing checks at the Plan Office in Baltimore is **Thursday, December 27, 2007 at 5:00 p.m. EST.**

It is always wise to plan ahead, so you may want to verify your specific Outport holiday schedule with the Plan Office Representative.

## Split Your Vacation Payments Between 2007 and 2008

You can submit an Application for Vacation Pay prior to the end of the year and request that the payment of your vacation benefits be split. Two checks will be issued to you, one in 2007 and a second in 2008. The vacation benefits paid in this manner **MUST** be a continuous vacation period.

**Please contact the Vacation Plan staff in Baltimore at 800-811-6322 or 410-547-9111 if you have any questions.**



## COBRA-Continuing Coverage by Self-Payment

COBRA allows employees and qualified dependents to temporarily continue their Plan medical and dental coverage by self-payment in certain instances when regular employee coverage under the Plan would end. COBRA also allows qualified dependents of pensioners to temporarily continue their Plan medical coverage in certain instances after their pensioner coverage under the Plan would otherwise end.

## 2008 COBRA Rates A Positive Change

As we reported in the last issue of BenefitWatch, the actions taken by the Trustees in late 2005 and early 2006 have had a positive impact on the Medical Plan's finances. This favorable experience is a factor which has resulted in decreased COBRA rates for 2008. The 2008 monthly COBRA rates appear in the following chart.

COVERAGE TYPE	2008 Monthly COBRA RATE
Active – Single COBRA Coverage <ul style="list-style-type: none"> <li>Medical and Prescription</li> <li>Medical, Prescription, Dental and Vision</li> </ul>	\$ 271.61 \$ 309.65
Active – Family COBRA Coverage <ul style="list-style-type: none"> <li>Medical and Prescription</li> <li>Medical, Prescription, Dental and Vision</li> </ul>	\$ 899.80 \$1,025.74
Retiree – Single COBRA Coverage <ul style="list-style-type: none"> <li>Medical, Prescription and Vision</li> </ul>	\$ 277.33
Retiree – Family COBRA Coverage <ul style="list-style-type: none"> <li>Medical, Prescription and Vision</li> </ul>	\$ 918.74

These rates will go into effect on January 1, 2008. The new rates will benefit participants and/or dependents who are already on COBRA as well as participants and/or dependents that begin COBRA during 2008.

Remember that your MEBA Medical Plan is not an insurance company. The sole purpose of the Plan is to provide you and your family members with benefits. We invite you to do a little homework in researching the costs of comparable plans in the marketplace either by using the Internet or through an insurance agent or broker. Please use caution as you research and weigh the benefits and rates of other plans. These plans could have an entirely different benefit arrangement than what the MEBA Medical Plan offers.

## Medicare Part D Prescription Coverage

### For Medicare-Eligible Retirees

Medicare Part D prescription drug coverage is about to begin its third year. The open enrollment period for 2008 began on November 15 and ends December 31, 2007. If you are eligible for Medicare, you probably have received information from the plans in your region.

The following tables summarize your choices, the consequences of your choices and the actions you should take.

#### Retirees with 20 or More Years of Pension Credit

OPTIONS	CONSEQUENCES	ACTION STEP NECESSARY
Stay with the MEBA Medical Plan in 2008 for prescription drug coverage.	Your prescription drug coverage meets and exceeds Medicare Part D requirements and the benefits offered by most Medicare Part D Plans	Nothing
Sign up with a Medicare Part D Plan for 2008	<ul style="list-style-type: none"> <li>No decrease in your contribution to MEBA Medical Plan</li> <li>Your out-of-pocket expenses for prescription drugs alone may be higher</li> <li>Depending on the plan, you may have a monthly premium in addition to your contribution to the MEBA Medical Plan</li> </ul>	You need to enroll in a Medicare Part D plan between November 15 and December 31, 2007.
You are in a Medicare Part D Plan in 2007 and drop it for 2008	You can re-enroll in the MEBA Medical Plan; your coverage begins January 1, 2008.	You must notify the Plan Office in writing and document that you've dropped the other coverage.

#### Retirees with Fewer than 20 Years of Pension Credit and Retirees Who Have Opted Out of the MEBA Medical Plan

CURRENTLY	ACTION STEP NECESSARY	CONSEQUENCE OF NOT DOING SO
You don't have prescription drug coverage under the MEBA Medical Plan	Best to enroll in a Medicare Part D Plan before the end of 2007	<ul style="list-style-type: none"> <li>You may be unable to enroll until 2009.</li> <li>You may incur a monthly premium penalty when you finally do enroll.</li> </ul>

## Part B Medicare Monthly Premiums by Income Level

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As required in the Medicare Modernization Act, beginning in 2007, the Part B premium a beneficiary pays each month is based on his/her annual income. Specifically, if a beneficiary's "modified adjusted gross income" is greater than the legislated threshold amounts (\$82,000 in 2008 for a beneficiary filing an individual tax return or married and filing a separate return, and \$164,000 for a beneficiary filing a joint tax return), the beneficiary is responsible for a larger portion of the estimated total cost of Part B benefit coverage. Social Security defines "modified adjusted gross income" to be the combination of your adjusted gross (taxable) income plus any tax-exempt interest income. You can find more information about this on Social Security's website at [www.ssa.gov](http://www.ssa.gov). The 2008 premiums by income level appear in the accompanying chart.

If your yearly income is		You pay
File individual tax return	File Joint Tax Return	
\$82,000 or less	\$164,000 or less	\$ 96.40
\$82,001-\$102,000	\$164,001-\$204,000	\$122.20
\$102,001-\$153,000	\$204,001-\$306,000	\$160.90
\$153,001-\$205,000	\$306,001-\$410,000	\$199.70
Above \$205,000	Above \$410,000	\$238.40



You can find more information about the Part B premium paid by the beneficiary on Social Security's website at [www.ssa.gov](http://www.ssa.gov).

## BENEFIT BRIEFS

### Did You Complete the Medical Plan Verification Form?

The 2007 Medical & Benefits Plan Verification form and a self-addressed postage-paid envelope went out to all participants earlier this year. Although a majority of participants have returned the completed forms, many have not.

If you have not already done so, please review the information on the form.

If changes are necessary, please make them on this form. Sign and date it and return it to the Plan Office in the self-addressed postage-paid envelope. If the information is correct, we also ask that you indicate so, sign and date the form and return it to the Plan Office.

For questions about the information on the Medical & Benefits Plan verification form, please contact the Member Services Department at the Plan Office at: 410-547-9111 or 800-811-6322.

### When do Retiree Benefits become Effective?

When retiring, Pensioner medical coverage begins on the effective date of your pension and Active coverage ends. Certain benefits, such as dental, are no longer available after the effective date of your retirement. This is important to remember when planning for retirement. If you have any questions regarding Pensioner medical coverage, please contact the Member Services Department at the Plan Office at: 410-547-9111 or 800-811-6322.

# Why **You** Need a Will

## *There's More Than Just Your Life Benefit and Your Retirement Benefits*

In past issues of *BenefitWatch*, we have addressed the importance of naming a beneficiary for your Life Benefit under the Medical Plan, choosing a Pension Option to protect your spouse in the event of your death before retirement, and naming a beneficiary for your MPB and 401(k) benefits. Under the MEBA Benefit Plans, these benefits, if applicable, will be payable in accordance with the elections you have made. In the event that you have not made your election in writing, the governing provisions of the individual Plan documents will prevail.

Now that you've taken care of your MEBA benefits, it's time to think about your other assets. You work hard. You probably own your own home, possibly some stock or other real estate. When you die, you probably want your property and other assets to go to those you want to receive it.

Without a will, known as dying "intestate," state law determines the allocation of your property and assets. Generally, intestacy laws favor your relatives, the closer the relationship, the greater the portion. Intestacy laws vary from state to state, so you have to be aware of the law where you live or have real property in order to predict what will happen.

With a will, you may make bequests to distant relatives, friends, charities, your church, to whomever you want, and in the shares or amounts that you decide. In most states, however, you cannot completely disinherit a spouse or dispose of a spouse's interest in community property.

You can also specify who you want to act as guardian of your minor children in the event of your death. Otherwise, the state will appoint one without your

input. Furthermore, you can designate an executor of the estate and an alternate in case the former cannot serve. Once again, if you fail to do so, the court will appoint a representative (usually called an administrator). Also, in a will, if you wish, you can probably waive a surety bond for your representative and cut expenses.

### **Do you need a lawyer?**

The answer is probably yes. Clearly you should consider a lawyer if:

- Your assets are substantial and are subject to state and/or federal estate taxes
- You are a business owner
- You have a dependent child or adult with a handicap or special needs who may require a guardian

If you don't know a lawyer, ask your local or state bar association for a referral.

If your estate is modest and uncomplicated, you may be able to draw up your own will by using computer software designed for do-it-yourselfers. Nolo.com's WillMaker is one example. Then ask a lawyer who is familiar with estate planning to review it.

There are requirements for the effective signing or execution of a will; having a beneficiary as a witness can create problems. An attorney overseeing the signing also provides some assurance the will is valid.

### **Cost**

Some lawyers charge by the hour, others a flat fee. A ballpark figure for a husband and wife with two minor children is in the \$900 to \$1500 range,





according to Kiplinger's. This estimate includes a will and durable powers of attorney for finances and health care.

### When to revisit your will

Consider modifying your will if you come into significant property, marry, divorce, add a dependent, etc. If the change is not significant, you may be able to add an amendment or codicil to your current will (which needs to be signed according to will requirements).

### Property not covered by a will

According to a state bar association, the following property is outside your will and passes without a will:

- Life insurance goes to the beneficiaries you have designated – unless you name your estate as such
- Retirement plans – unless you fail to name a beneficiary(s) or the beneficiary dies first
- Joint property – the surviving co-owner(s) will receive your share
- Living trusts

To control what happens to your property, it's important to keep your beneficiary designations up to date. The Plans' forms for naming a beneficiary for your life insurance benefits, Money Purchase Benefit and 401(k) Plan and to elect a Survivor Option for your Defined Benefit Pension are on the Plans' website at [www.mebaplans.org](http://www.mebaplans.org). Click on the Forms button. **Please note that payments of death benefits, if any, under the MEBA Plans will be governed by the Plan documents and the beneficiary designations on file at the Plan Office, without regard to your will.**

# Shopping For a Hearing Aid?



A hearing aid can be as expensive as a diamond ring, even more so if you need two. Shop wisely.

## Diagnosis

Make sure your problem is diagnosed properly. A hearing loss could be a symptom of a more serious medical condition.

According to federal law, a hearing aid seller must inform you that it is in your best interest to have a medical exam by a licensed physician. In fact, the MEBA Medical Plan requires a recommendation from a legally qualified physician when you submit your claim for a hearing aid. Have your hearing tested first. Then ask your doctor what's causing the hearing loss and what to do about it.

## What kind of doctor?

The choice of doctors is up to you, but the U.S. Food and Drug Administration recommends an ear, nose and throat specialist (otolaryngologist), an ear specialist (otologist) or any licensed physician.

## Hearing aid benefit

The MEBA Medical Plan offers hearing aid coverage every three years. The Plan pays reasonable and customary charges up to \$1,250 for the hearing aid at 80% (a maximum benefit of \$1,000), and charges for related examinations up to \$50 at 80% (maximum benefit of \$40). The three-year period begins on the date you receive hearing aid services and runs for 156 consecutive weeks after that date.

## Look for the right provider

Once your doctor verifies that you need a device, you'll also need a fitting. Hearing aids can be tough to fit and may require more than one adjustment. Fitting entails rigorous testing of hearing loss and choosing the right aid. You want a provider who will be responsive, who will teach you how to use the device, to adjust the volume and be available to service it. Ask your doctor or friends for a referral.

## Who's qualified to fit hearing aids?

State law varies, but generally:

- Audiologists have a master's degree in audiology from an accredited university. They must fulfill a period of supervised professional practice based on state law and pass a national exam.
- Hearing aid dispensers must be high school graduates and have completed six months of training under a licensed hearing aid dispenser. They must pass both written and practical state exams.
- Medical doctors, especially otologists and otolaryngologists, who are licensed by the state, may also fit hearing aids.

# Important Dates

**November 7th:** The Plan Office sent Certificates of Creditable Coverage/Non Creditable Coverage under Medicare Part D to Medicare Eligible Retirees for Calendar year 2008. If you didn't receive one, contact the Plan Office.

**November 15th – December 31st:** Medicare Part D Open Enrollment.

**December 25th:** Plan Office and Outport Offices closed for Christmas.

**December 31st:** Deadline for Pensioners making quarterly medical payments by check to submit their payments.

*NOTE: Because of the need to submit January 2008 eligibility files to MEDCO and CareFirst BCBS on December 26th, we recommend that you send your payment to arrive by December 21st to avoid any disruption of eligibility during the first few days of the New Year.*

**January 1st:** Plan Office and Outport Offices closed in celebration of New Year's Day.

**January 7th:** Deadline for Pension application for submission to the February 2008 Trustees' Meeting.

# Got a question? LET US KNOW!

If you have any questions, concerns or topics you would like us to cover in future issues of *BenefitWatch*, please send your comments to the Plan Office in Baltimore or by e-mail to [benefitwatch@mebaplans.org](mailto:benefitwatch@mebaplans.org).

For more information, visit our website at [www.mebaplans.org](http://www.mebaplans.org)



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