

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

116



FROM: Human Resources

SUBMITTAL DATE:
April 14, 2005

SUBJECT: Amendment to Retirement Contract with California Public Employees' Retirement System (CalPERS) to Provide the Indexed Level of 1959 Survivor Pre-Retirement Death Benefit

RECOMMENDED MOTION: (1) Adopt Resolution Number 2005-203, giving notice of the County's intention to approve an amendment to the CalPERS contract, set forth in Attachment A; also certify compliance with Government Code Section 7507, set forth in Attachment B; and (2) Introduce, and on May 17, 2005, adopt Ordinance Number 462.30, set forth in Attachment C, authorizing an amendment of the CalPERS contract.

BACKGROUND: The 1959 Survivor Pre-Retirement Death Benefit provides benefits to survivors of a safety member who dies prior to retirement. As it was designed as a benefit for employees who did not participate in Social Security, this benefit applies only to all of the County's active and non-active safety members and the non-active miscellaneous members who did not have Social Security when they worked for the County. There are 2548 such employees.

The County currently contracts with CalPERS for the First Level of 1959 Survivor Pre-Retirement Death Benefits. This level provides from \$180 to \$430 per month for eligible dependents.

Ronald W. Komers
Asst. County Executive Officer/Human Resources Dir.

FINANCIAL DATA

Current F.Y. Total Cost:	\$ 0	In Current Year Budget:
Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:
Annual Net County Cost:	\$ 0	For Fiscal Year:

SOURCE OF FUNDS:

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

County Executive Office Signature

Policy Policy

Consent Consent

Dept's Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.:

District:

Agenda Number:

3.12

BACKGROUND (continued)

The County contracted for the First Level of 1959 Survivor Pre-Retirement Death Benefits in January 1960. We have a surplus of assets primarily due to employee contributions (\$2.00 per employee per month), favorable experience and conservative ratings; the employer contributions have been 0.0% since approximately 1995. Based on the last valuation, our accrued liability was \$544,150 and the actuarial value of our assets was \$3,200,727, resulting in excess assets of \$2,656,577. Our excess assets are projected to be \$3,123,865 by June 30, 2005 (see Attachment D, Contract Amendment Cost Analysis).

We have been notified by CalPERS that our assets and liabilities will be pooled with the assets and liabilities of other agencies with First and Second Level Benefits with the next annual actuarial valuation unless we change our benefit level to utilize our surplus. As we can only use our surplus to upgrade these benefits, we are proposing to upgrade to the Indexed Level. The Indexed Level provides from \$541 to \$1624 per month for eligible dependents. This new benefit can only apply prospectively.

A comparison of the First Level and Indexed Level is provided in Attachment E, 1959 Survivor Pre-Retirement Death Benefits At-a-Glance. The County currently pays \$0 for the First Level. Our agency's first-year payment for the Indexed Level will be \$0 due to our surplus (without the surplus the first-year Normal Cost would have been \$131,477). Also due to our surplus, our 5-Year Amortization of Unfunded/Excess Liability is (\$210,364). CalPERS has stated that based on current experience, they expect the excess assets should pay all of the employer annual premiums for a minimum of five years, but more realistically for roughly 15 years or more with the Indexed Level. Additionally with the Indexed Level, if the total required premium after amortization of the pool's surplus exceeds \$4.00, the employer and employee will split the total required premium equally. Currently, the cost per member for employees is \$2.00 per month.

This proposal has been reviewed and approved by the Pension Advisory Review Committee. The resulting action does not result in greater pension benefits, but rather represents a reallocation of benefits already paid for, in part, by employee contributions.

RESOLUTION 2005-203

**RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide Section 21574.5 (Indexed Level of 1959 Survivor Benefits) for local miscellaneous members and local safety members.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

By: _____
Presiding Officer

Title

Date adopted and approved

FORM APPROVED
COUNTY COUNSEL

APR 15 2005
BY Wanda Jewster



EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Board of Supervisors
County of Riverside

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective April 1, 1945, and witnessed December 26, 1944, and as amended effective February 1, 1948 September 1, 1949, January 1, 1952, February 1, 1954, January 1, 1960, February 1, 1960, July 1, 1961, January 2, 1963, December 1, 1964, October 3, 1968, February 5, 1970, March 28, 1974, June 6, 1974, October 10, 1974, March 10, 1977, April 7, 1977, July 14, 1977, October 1, 1977, February 1, 1980, July 23, 1981, September 17, 1981, November 26, 1982, February 17, 1983, September 1, 1984, November 21, 1985, March 13, 1986, June 6, 1986, January 15, 1987, August 25, 1988, December 25, 1992, June 30, 1995, December 1, 1995, December 19, 1996, December 24, 1998, April 6, 2000, September 1, 2000, June 28, 2001, January 11, 2002 and July 11, 2002 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

Pursuant to Government Code sections 20460.1, 20469.1, subdivision (b), and 71624, this contract is hereby amended to add the Trial Court of Riverside County, hereinafter referred to as Trial Court, as a contracting party. Trial Court shall participate in the Public Employees' Retirement System from and after the implementation date of the Trial Court Employment Protection and Governance Act pursuant to the terms and conditions of this contract, making its employees members of said System subject to all conditions of this contract, making its employees members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for in this contract and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency."

PLEASE DO NOT SIGN "EXHIBIT ONLY"

A. Paragraphs 1 through 13 are hereby stricken from said contract as executed effective July 11, 2002, and hereby replaced by the following paragraphs numbered 1 through 13 inclusive:

1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 60 for local miscellaneous members and age 50 for local safety members.
2. Public Agency shall participate in the Public Employees' Retirement System from and after April 1, 1945 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.
3. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:
 - a. Local Fire Fighters (herein referred to as local safety members);
 - b. County Peace Officers (included as local safety members);
 - c. Employees other than local safety members (herein referred to as local miscellaneous members);
4. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:
 - a. **CROSSING GUARDS HIRED ON OR AFTER JULY 23, 1981;**
 - b. **SERVICE AIDE I, II, AND III HIRED ON OR AFTER JULY 23, 1981;**
 - c. **REGISTERED NURSE I AND III – PAID ON A PER DIEM BASIS;**
 - d. **LICENSED VOCATIONAL NURSE II – PAID ON A PER DIEM BASIS, HIRED ON OR AFTER JULY 23, 1981;**
 - e. **PSYCHIATRIST I AND II – PAID ON A PER DIEM BASIS, HIRED ON OR AFTER NOVEMBER 26, 1982;**
 - f. **PHYSICIAN – PAID ON A PER DIEM BASIS, HIRED ON OR AFTER NOVEMBER 26, 1982;**
 - g. **DENTIST – PAID ON A PER DIEM BASIS, HIRED ON OR AFTER NOVEMBER 26, 1982;**

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- h. PROGRAM ASSISTANTS HIRED ON OR AFTER SEPTEMBER 1, 1984;**
 - i. RESIDENT PHYSICIANS AND SURGEONS HIRED ON OR AFTER NOVEMBER 21, 1985;**
 - j. REGISTERED NURSE II – PAID ON A PER DIEM BASIS, HIRED ON OR AFTER MARCH 13, 1986; AND**
 - k. ALL MEDICAL OR DENTAL PERSONNEL, PAID ON A PER DIEM BASIS HIRED ON OR AFTER JUNE 6, 1986.**

- 5. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member in employment before and not on or after July 11, 2002 shall be determined in accordance with Section 21354 of said Retirement Law subject to the reduction provided therein for Federal Social Security (2% at age 55 Modified and Full).

- 6. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member in employment on or after July 11, 2002 shall be determined in accordance with Section 21354.3 of said Retirement Law subject to the reduction provided therein for Federal Social Security (3% at age 60 Modified and Full).

- 7. The percentage of final compensation to be provided for each year of credited prior and current service as a local safety member shall be determined in accordance with Section 21362.2 of said Retirement Law (3% at age 50 Full).

- 8. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 20436 ("County Peace Officer" shall include employees of a sheriff's office who were employed to perform identification or communication duties on August 4, 1972 and who elected to be local safety members).

 - b. Section 20437 ("County Peace Officer" shall include constables, deputy constables, marshals and deputy marshals as described in Government Code Section 20437).

 - c. Section 21222.1 (One-Time 5% Increase - 1970). Legislation repealed said Section effective January 1, 1980.

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- d. Section 21222.2 (One-Time 5% Increase - 1971). Legislation repealed said Section effective January 1, 1980.
- e. Sections 21624 and 21626 (Post-Retirement Survivor Allowance).
- f. Section 20042 (One-Year Final Compensation) for local miscellaneous members and county peace officers only.
- g. Section 21325 (One-Time 3% to 15% Increase for or on behalf of those County peace officers and local miscellaneous members Who Retired or Died Prior to January 1, 1974). Legislation repealed said Section effective January 1, 2002.
- h. Section 21326 (One-Time 1% to 7% Increase for or on behalf of those county peace officers and local miscellaneous members Who Retired or Died Prior to July 1, 1974). Legislation repealed said Section effective January 1, 2002.
- i. Section 20439 ("County Peace Officer" shall include county jail, detention or correctional facility employees as described in Government Code Section 20439).
- j. Section 20438 ("County Peace Officer" shall include probation officers, deputy and assistant probation officers, juvenile hall employees, and persons employed as peace officers pursuant to Section 830.5 of the Penal Code as described in Government Code Section 20438).
- k. Section 20440 ("County Peace Officer" shall include bailiffs as described in Government Code Section 20440).
- l. Section 21548 (Pre-Retirement Optional Settlement 2 Death Benefit) for local safety members only.
- m. Section 21024 (Military Service Credit as Public Service).
- n. Section 20692 (Employer Paid Member Contributions Converted to Payrate During the Final Compensation Period) for local miscellaneous members and local safety members in the following groups:

Law Enforcement Management Unit, Miscellaneous Law Enforcement Management Unit, Safety.

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- o. Section 20903 (Two Years Additional Service Credit) for local miscellaneous members only.
 - p. Section 21023.5 (Public Service Credit for Peace Corps, AmeriCorps VISTA, or AmeriCorps Service).
 - q. Section 21574.5 (Indexed Level of 1959 Survivor Benefits).
9. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on April 7, 1977. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.
10. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members and local safety members of said Retirement System.
11. Public Agency shall also contribute to said Retirement System as follows:
- a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574.5 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members and local safety members.
 - b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.
 - c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.
12. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

13. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE

BY _____
LORI MCGARTLAND, ACTING CHIEF
ACTUARIAL & EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

FORM APPROVED
COUNTY COUNSEL

APR 15 2005

BY Winkatjewski

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Division
Public Agency Contract Services
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

**CERTIFICATION OF COMPLIANCE WITH
GOVERNMENT CODE SECTION 7507**

I hereby certify that in accordance with Section 7507 of the Government Code the future annual costs as determined by the System Actuary and/or the increase in retirement benefit(s) have been made public at a public meeting of the

_____ of the
(governing body)

_____ of the
(public agency)

on _____ which is at least two weeks prior to the adoption of the
(date)

Resolution / Ordinance.

Clerk/Secretary

Title

Date _____

ORDINANCE NO. 462.30

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE
AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN ITS BOARD OF
SUPERVISORS OF THE COUNTY OF RIVERSIDE AND THE BOARD OF ADMINISTRATION
OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

The Board of Supervisors of the County of Riverside does ordain as follows:

Section 1. That an amendment to the contract between the Board of Supervisors of the County of Riverside and the Board of Administration, California Public Employees' Retirement System is hereby authorized, a copy of said amendment being attached hereto, marked Exhibit, and by such reference made a part hereof as though herein set out in full.

Section 2. The Chairman of the Board of Supervisors is hereby authorized, empowered, and directed to execute said amendment for and on behalf of said County.

Section 3. This Ordinance shall take effect thirty (30) days after the date of its adoption, and prior to the expiration of fifteen (15) days from the passage thereof shall be published at least once in the Press-Enterprise, a newspaper of general circulation, published and circulated in the County of Riverside, and thenceforth and thereafter the same shall be in full force and effect.

Adopted and approved the _____ day of _____ 2005.

BOARD OF SUPERVISORS OF THE COUNTY
OF RIVERSIDE, STATE OF CALIFORNIA

By: _____
Chairman, Board of Supervisors

Attest:

NANCY ROMERO
Clerk of the Board

By: _____
Deputy

(SEAL)

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 ACTUARIAL AND EMPLOYER SERVICES DIVISION
 CONTRACT AMENDMENT COST ANALYSIS
 Valuation Basis: June 30, 2003

Employer Name: COUNTY OF RIVERSIDE

Employer #: 67

Coverage Group(s): 70001, 70101,
74001, 77001, 77002

Section 21574.5 -The Indexed Level of 1959 Survivor Benefit Program for Local Members

The table on the following page shows the change in the liabilities and costs for adopting the Indexed Level 1959 Survivor Benefit for the coverage group(s) indicated above. The amounts are determined using the Entry Age Normal Method. Under this method, the accrued liability is equal to the present value of future benefits minus the present value of future normal costs. The annual normal cost is equal to a portion of the total cost allocated to the current year.

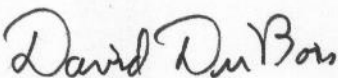
The assets and liabilities for public agencies are pooled for each of the Third, Fourth and Indexed Levels. Assets and liabilities are kept individually by agency coverage group(s) for Levels One and Two. When a group contracts for the Indexed Level, the unfunded liability plus five years of normal cost, both calculated at the Indexed Level, must be paid. The five-year normal cost requirement is necessary to prevent inequitable depletion of the pool's current surplus by agencies who have not contributed to that surplus. The assets used to determine the unfunded liability are equal to the assets for the individual coverage group(s) if they are moving from Levels One or Two. For coverage group(s) moving from the Third Level Pool, assets are allocated in accordance with a formula based on various factors including the length of time in the current level pool, the pool's current funded ratio (assets as a percent of liabilities) and the number of covered active members as of the valuation date. Agencies will be allowed to amortize this unfunded liability over a period of five years. **Your agency's first-year payment is \$0.** Payments for years two through five will be recalculated each year, and will vary according to the number of covered active members and the pool's revised normal cost. At the end of five years, the group(s) become part of the pool and the cost will be the cost of the pool. If there are excess assets rather than an unfunded liability, the excess will be used to offset the normal cost payments to the extent possible.

For the Indexed Level 1959 Survivor Benefit, the CalPERS Board of Administration approved a fiscal year 2004-2005 employer normal cost rate of \$4.30 per covered active member, per month. Based on current experience, we expect excess assets in the Indexed Level Pool will pay employer annual premiums for at least another year. Be aware that there could be a cost within five years, depending on the actual experience and the rate at which the existing surplus is used to pay the ongoing annual premiums. Additionally, in accordance with Section 20581 of the Public Employees' Retirement Law, should the total required premium after amortization of the pool's surplus exceed \$4.00, the employer and employee shall split the total required premium equally. Currently, the per member, per month cost for employees is \$2.00.

Should you choose to amend and payments are due, annual payments will be in level dollar amounts and will not be expressed as a percentage of your covered payroll. **If payments are due, your agency will be set up on a five-year amortization payment schedule. The first invoice will be sent in June, and your first payment is due by June 30.** In addition, if you currently have a positive 1959 Survivor rate for Level One or Two incorporated into your pension costs (expressed as a percentage of your covered payroll), that positive piece of your total pension rate will go to zero unless you have remaining group(s) at that level that incur a cost.

The valuation has been performed in accordance with standards of practice prescribed by the Actuarial Standards Board, and the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law. The valuation has been prepared in accordance with generally accepted actuarial practice.

This valuation is valid until June 30, 2005.



David Du Bois
 Senior Pension Actuary, CalPERS

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 ACTUARIAL AND EMPLOYER SERVICES DIVISION
 CONTRACT AMENDMENT COST ANALYSIS
 Valuation Basis: June 30, 2003

Employer Name: COUNTY OF RIVERSIDE

Employer #: 67

Coverage Group(s): 70001, 70101,
74001, 77001, 77002

Impact of Amendment

The table below shows the impact of an amendment to the Indexed Level 1959 Survivor Benefit for the specified coverage group(s).

		Pre-Amendment	Change Due to Plan Amendment	Post-Amendment
1.	Accrued Liability	\$544,150	\$1,612,854	\$2,157,004
2.	Market Value of Assets ⁽¹⁾	\$2,909,752		\$2,909,752
3.	Actuarial Value of Assets as a percentage of Market Value of Assets	110.00%	-0.51%	109.49%
4.	Actuarial Value of Assets (2) x (3)	\$3,200,727	(\$14,840)	\$3,185,887
5.	Unfunded Liability / (Excess Assets) (1) - (4)	(\$2,656,577)	\$1,627,694	(\$1,028,883)
6.	Unfunded Liability / (Excess Assets) projected forward to June 30, 2005	(\$3,123,865)	\$2,212,855	(\$911,010)
7.	Funded Ratio ⁽²⁾	588.21%	-399.61%	188.60%
8.	Employer Normal Cost, Per Member, Per Month	\$ 0.00	\$ 4.30	\$ 4.30
9.	Number of Members	2548		2548
10.	First-Year Employer Normal Cost ⁽³⁾ (8) x (9) x 12	N/A	N/A	\$131,477
11.	Five -Year Amortization of Unfunded Liability / (Excess Assets)	N/A	N/A	(\$210,364)
12.	First-Year Employer Cost (10) + (11) Not to be Less Than Zero	N/A	N/A	\$0
13.	Current Employee Monthly Cost	\$ 2.00	\$ 0.00	\$ 2.00

(1) Individual actuarial value of assets at Levels 1 and 2, allocated assets for the 3rd and Indexed Levels.

(2) Total assets as a percent of total liability for the entire pool as of the most recent valuation date for the 3rd and Indexed Levels. For Levels 1 or 2, this is the individual ratio and will, therefore, equal the preceding amount [(4) / (1)].

(3) Annual Employer Normal Cost for Levels 1 and 2 are as of the most recent annual valuation.

**1959 SURVIVOR PRE-RETIREMENT DEATH BENEFITS
AT-A-GLANCE**

Summary of Contract Amendment Provisions

	First Level (Current)	Indexed Level (Proposed)
Funded Ratio	588.21%	188.60%
Accrued Liability	\$ 544,150	\$2,157,004
Actuarial Value of Assets*	\$3,200,727	\$3,185,887
Unfunded Liability/ (Excess Assets)	(\$2,646,577)	(\$1,028,883)
First Year Employer Cost	N/A	\$0
Five Year Cost	N/A	\$0
Subsequent Cost	\$0	\$0 for approx 15 years (until the pool's surplus is depleted)

Comparison of Benefits Levels

	First Level (Current)	Indexed Level** (Proposed)
Spouse with two or more eligible children	\$430	\$1624
Spouse with one eligible child; or two eligible children only	\$360	\$1082
One eligible child only; or surviving spouse at age 62 or older; or dependent parents age 62 or older	\$180	\$541

*The actuarial value of assets is subject to change when contracts are amended.

**The Indexed Level also provides an automatic two percent cost-of-living feature for both beneficiaries already receiving the benefit and for potential beneficiaries of members who die in the future.