EB/CAP/00/3

August 8, 2000

To: Members of the Committee on Administrative Policies

From: The Committee Secretary

Subject: **Medical Benefits Plan Administration**

Attached for consideration by the Committee is a paper on the Medical Benefits Plan (MBP) Administration. This paper proposes the revision of eight enrollment-related rules governing eligibility for benefits under the MBP, including the extension of coverage under the MBP to domestic partners. It also clarifies the authority of the Managing Director to make minor changes to the MBP. This paper, together with the Issues Paper—Benefits for Domestic Partners (EB/CAP/00/4, 8/8/00), will be taken up at a meeting of the Committee which is tentatively scheduled for Tuesday, August 22, 2000. A proposed recommendation for submission to the Executive Board appears on pages 13 and 14.

Mr. K. Craig (ext. 38212) and Mr. Humphries (ext. 36178) are available to answer any technical or factual questions related to this paper prior to the Committee discussion.

Att. (1)

Other Distribution:
Members of the Executive Board

INTERNATIONAL MONETARY FUND

Medical Benefits Plan Administration

Prepared by the Human Resources Department

Approved by Margaret R. Kelly

August 8, 2000

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I. Introduction

1. The purpose of this paper is (a) to propose that the Committee on Administrative Policies (CAP) recommend to the Executive Board eight technical changes in rules governing enrollment in the Medical Benefits Plan (MBP) in order to correct inequities and improve competitiveness for staff recruitment and retention; and (b) to clarify the authority of the Managing Director for MBP administration in order to minimize future requests for the CAP and the Executive Board to review necessary and appropriate changes in the administration of the Fund's health insurance plan which do not have significant budget or policy implications.

2. This paper is organized as follows: Section II outlines the proposed changes in MBP enrollment rules and explains their basis; Section III clarifies the authority of the Managing Director for administration of the Medical Benefits Plan; and Section IV provides a proposed recommendation by the CAP to the Executive Board with respect to eight currently contemplated changes in MBP enrollment rules.

II. Enrollment Rules Requiring Revision

3. The Human Resources Department (HRD) conducted an administrative review of the MBP rules governing enrollments in May and June of this year. This review built on the experience of staff in administering the Plan and uncovered a number of enrollment rules requiring amendment or correction to address inequities and to improve competitiveness for staff recruitment and retention. These changes cover rules related to domestic partners, other dependents, spouse and child rights, handicapped children, retirees, divorced spouses, and widows.

Domestic partner benefits[1]

4. Under current MBP rules, staff members cohabiting in a committed, same-sex relationship are not permitted to enroll their domestic partner in the MBP. Same-sex couples are not able to legally marry in any country. Since enrollment in the MBP is limited to the spouse and children of the participant, enrollment in the MBP for the domestic partner is not permitted.

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[1]A discussion paper reviewing the full range of domestic partner issues is being presented to the CAP at the same time as this paper. The issue of MBP coverage for domestic partners is being presented to the Executive Board now for decision because, in this particular benefit area, we are late in taking action as compared to the private sector and some comparator international organizations (IOs) such as the World Bank.

In the context of this paper, domestic partners are two adults of the same sex who have an exclusive, committed, intimate relationship (outside of marriage), and who reside together.

5. Access to health insurance is especially critical for residents of the United States given that there is no national health scheme covering residents under age 65, and that the United States has some of the highest medical costs in the world. While private health insurance is available to legal residents, this coverage usually excludes coverage for any pre-existing medical conditions a person may have had prior to enrolling. In some cases, coverage is simply not available for those with a pre-existing medical condition. As an international organization that aims to recruit staff from all parts of the world, the availability of medical insurance for a domestic partner can be crucial in the decision for a potential staff member to come to the Fund. Similarly, a staff member may opt not to stay with the Fund if his or her domestic partner cannot be enrolled in the MBP.

6. Diversity, established originally in the Fund's Articles of Agreement in terms of geographical representation, has evolved to include other characteristics that make staff unique. In the *Discrimination Review Exercise* dated August 30, 1999, the former Managing Director, Mr. Camdessus, stated, "I want to take this opportunity to reinforce the Fund's commitment to meeting the objectives of equality of treatment for all staff and zero tolerance for discrimination on the basis of personal characteristics, including age, disability, gender, nationality, race, religion, or sexual orientation." In addition, the IMF Code of Conduct requires tolerance, sensitivity, respect and impartiality towards other persons' cultures and backgrounds. Recognizing domestic partners for MBP coverage is consistent with this commitment.

7. In 1998, the World Bank recognized the diverse nature of its staff and changed its enrollment rules to allow domestic partners access to the Bank's Medical Insurance Plan (MIP). The trend in the private sector is that more and more companies are offering health benefits to domestic partners. For example, in June 2000, 450,000 United States employees of General Motors, Ford and Daimler-Chrysler were offered health benefits coverage for domestic partners.

8. HRD proposes that an eligible Fund employee in a domestic partner relationship be able to enroll his or her partner in the MBP with "other dependent" coverage.[2] To be recognized as a valid domestic partnership, the relationship would have to meet criteria such as:

- the couple must be of the same sex, of legal age, and unrelated by blood;
- they must have had an exclusive, committed relationship for a minimum period of six months;
- they must live together in the same residence;

[2]Coverage as "other dependents" would not be available to parents of domestic partners, or to children of the domestic partners who are not legally adopted by the staff member.

- they must not be married to or legally separated from any other person; and

- they must be legally able to consent to a legal contract.

Similar criteria are used by other organizations.

9. There is no direct cost to the Fund to provide these benefits as the other dependent contribution rate is not subsidized by the Fund. Experience in the insurance industry has shown that claims costs for domestic partners are, in general, the same or lower than spouse costs. Fears of many organizations outside the Fund, that allowing open enrollment to same-sex couples would expose medical plans to large claims due to a higher risk of HIV/AIDS-related illnesses, have proven to be unfounded. Contrary to popular belief, HIV-related medical costs are not higher than those for other major medical expenses, such as heart disease or cancer. In addition, enrollment rates for domestic partner coverage tend to be very low. For organizations that offer medical coverage to same-sex domestic partners, the enrollment rate is generally less than 0.5 percent of employees. This level of enrollment was experienced by the World Bank when domestic partner coverage was added.

10. As indicated in paragraph 7, the World Bank provides cost-shared medical coverage for same-sex domestic partners under 'dual' coverage. This change was made administratively, without the specific approval of the Bank's Executive Board. If the CAP wishes to recommend coverage for same-sex domestic partners under 'couple' coverage, the direct cost to the Fund is estimated to be $70,000, excluding the impact on tax allowances. If coverage were to be extended to all domestic partners, the cost would likely not exceed $140,000, excluding the impact on tax allowances. If the CAP recommends extending 'couple' coverage to domestic partners now, this action might set a precedent that could limit the CAP's options in considering the issues presented in the companion paper, EB/CAP/00/4.

"Other Dependent" contribution rate and pre-existing conditions limitation

11. The contribution rate for other dependents is much higher than the rate paid by all other participants including those paying an unsubsidized rate. Other dependents currently includes parents or parents-in-law of the staff member who are legally residing in the United States, living permanently in the staff member's household, and financially dependent upon the staff member. This type of benefit for parents or parents-in-law is commonly available in the international organizations, based on the special needs of an international staff, but is rarely available in the private sector.

12. In 1992, the Executive Board decided that the Fund should not subsidize the contributions for other dependents and their subsidy was phased out in five steps ending in 1995 (EBAP/92/44, dated March 3, 1992; also in EB/CAP/91/5, dated May 29, 1991). From that point forward, this contribution rate has been based on a three-year average reimbursement cost for the other dependents' own claims as a separate group plus administrative costs adjusted for medical inflation. The cost is capped at 8 percent of the

enrollee's salary. The current other dependant rate is \$416.35 per month. In comparison, the maximum single subsidized rate is \$123.63 per month.

13. This has placed an unfair burden upon staff members with other dependents especially given the fact that the other dependent by definition is financially dependent and therefore unable to contribute financially to the staff member's household. Establishing the contribution rate based only on the experience of this small group violates the basic concept inherent in a mutual health coverage plan, of contributing to a common fund to be used for the common good, i.e., to share the risk among diverse risk groups. Insurance underwriting principles would base the contribution rate for this very small group on the insurance claims experience of the entire group.

14. HRD therefore proposes that the contribution rate charged for other dependents be adjusted to the full unsubsidized rate based on the annual claims of all participants, maintaining the 8 percent cap. The current full unsubsidized rate is \$322.69 per month.

15. As the Fund is not subsidizing this coverage, there is no direct cost to the Fund, but there is a small indirect cost due to the reduction in MBP income. If the other dependent rate were adjusted down to the unsubsidized rate, the MBP would receive less income per month for each of the 87 current participants. The total loss in income would be roughly \$97,000 per year, of which the Fund's share would be \$73,000. (The Plan's projected income for FY2001 is \$28,000,000.)

16. Other dependents who enroll in the MBP more than 30 days after the entry-on-duty date of the staff member are not covered for pre-existing medical conditions for a period of three years from the date of their enrollment. Other dependents usually join the household of the staff member more than 30 days following the entry-on-duty date because there is normally no need for the parents or parents-in-law to be supported by the staff member at the time the person is hired. This usually occurs years later when the parents or parents-in-law become ill or infirm due to advancing age.

17. Under the United States immigration law, parents or parents-in-law of G-4 visa holders are granted visas to take up residence in the United States in the staff member's household only if, for reasons of age, health or change in circumstances beyond his or her control, the parent or parent-in-law is incapable of maintaining or reestablishing an independent household. This stringent requirement is often not met at the time of the entry-on-duty date of the staff member.

18. Those staff members that decide to enroll the parent or parent-in-law and wait the three-year period until coverage for the pre-existing conditions begins, may face a heavy financial burden and bear a financial risk during this period. In effect, the staff member must self-insure the parent for the pre-existing medical condition until the three-year waiting period has ended. A staff member may decide to leave the Fund rather than risk the potentially disastrous consequences of bearing the full medical cost for a pre-existing condition of an ill parent or parent-in-law for three years.

19. This pre-existing condition provision was put into place in 1984 to prevent abuse of the MBP by staff members who enrolled their other dependents, only to immediately claim benefits for them for expensive medical procedures. Once the procedure was paid for by the MBP, the staff member would drop the other dependent from coverage and the dependents would return to their home country. The other dependent category at that time included members of the household such as nephews and nieces and was much more open to potential abuse. The introduction of the waiting period for pre-existing conditions did protect the MBP from minimal abuse. However, this was at a high cost to staff members who had legitimately enrolled their parents or parents-in-law in the MBP (see above).

20. Abuse of the MBP in this manner for expatriate staff at headquarters is possible but not probable given the stringent requirements of the United States immigration law. The staff member would need to file false statements to circumvent the United States immigration regulations in order to ultimately abuse the MBP. For staff members who are United States citizens, there is a slightly higher risk of abusing the Plan as they are not subject to any such scrutiny. However, the parents and parents-in-law of these staff members are likely to have access to the United States Medicare system and are therefore less likely to enroll in the MBP.

21. HRD proposes that the pre-existing conditions limitation for other dependents be eliminated and future enrollments be subject to normal enrollment requirements. This proposal brings the MBP in line with the other international organizations offering other dependent coverage.

22. To protect the plan from staff who might enroll other dependents only for a short time to get expensive medical care and then drop coverage, it is recommended that a cost disincentive be imposed upon the staff member. It is recommended that the staff member be required to pay the monthly contribution rate of the other dependent for a minimum period of three years (unless the other dependent dies within the three-year period). This amount would be payable regardless of whether the other dependent lost eligibility, e.g., by leaving the staff member's home or by exceeding the income threshold, or if the staff member left the Fund. For the 87 other dependents currently enrolled, 67 have been in the MBP for more than three years. Dropping the pre-existing conditions limitation on the remaining 20 other dependents with less than three years of MBP participation would allow full coverage for their pre-existing medical conditions which could result in higher claims costs. CareFirst Administrators, the claims administrator for the residents of the United States, estimates that the impact of this change would be less than 1 percent of the total expected MBP expenditure for calendar year 2000.

Spouse and child rights to MBP coverage

23. There are two MBP problems concerning spouses and children. First, staff members have complete control over the enrollment of family members and can enroll or drop them from coverage at will. Staff may use this control over the enrollment of family members in

the MBP as a weapon against a spouse in divorce proceedings by canceling, or threatening to cancel, the coverage, thereby leaving the spouse in financial jeopardy.

24. The second issue relates to the staff member being paid all reimbursements for family members' claims regardless of who incurred the cost or paid the bill. Spouses who are separated from staff members sometimes lose their reimbursements for medical claims because staff members are paid the reimbursement for all claims and do not turn this money over to the spouse. Spouses going through a divorce or spouses and/or children living separately from the staff member must submit medical claims through the staff member for signature. Reimbursements are then paid to the staff member even if claims are for the spouse or children. In some cases, most notably when a divorce is pending, staff members have kept the reimbursement, causing financial hardship to the spouses who actually paid the medical bills. HRD takes action on all cases that are brought to its attention.

25. When a spouse or a child is terminated from the MBP but remains eligible for MBP coverage, the spouse is not able to take advantage of the MBP extension option.[3] In some cases, the spouse is left in a situation where coverage is lost and substitute coverage may not be available from another source as a result of poor health. This exposes the spouse to serious financial risk and could lead to unpaid bills, which could ultimately reflect badly upon the Fund through adverse publicity.

26. Dropping a spouse or a child without making arrangements for substitute coverage or keeping a reimbursement due to the spouse or child is inconsistent with the spirit of the Fund's Code of Conduct which requires a staff member to maintain a standard of conduct compatible with his or her position as an international civil servant.

27. HRD proposes that staff members not be permitted to drop MBP coverage for spouses and minor dependent children (under 18) unless proof of other coverage is provided, or, in the case of the spouse, the spouse grants permission to drop coverage. This proposal has no direct cost to the Fund.

28. HRD proposes that spouses of staff members be permitted to file claims and receive reimbursements directly upon the authorization of the staff member or upon a legal separation. This recommended provision is not available in other private sector employers, but addresses the unique circumstances of an international staff. This feature is available to spouses under the World Bank's MIP. This proposal has no direct cost to the Fund.

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[3]The MBP extension option provides up to 18 months of MBP coverage for those participants that have lost eligibility for coverage. When a spouse or child is dropped by the staff member from MBP coverage but otherwise remains eligible for coverage, the extension option is not available to them.

Coverage for handicapped children over the age of twenty-four

29. Under current enrollment rules, unmarried children over age 24 who are or become handicapped and dependent upon the staff member are not permitted to enroll in the MBP. However, staff with handicapped children who were enrolled before age 24, and were handicapped at age 24, can continue enrollment in the MBP beyond their twenty-fourth birthday.

30. Barring handicapped children from enrolling in the MBP after age 24 may present a problem recruiting and retaining staff members. This rule does not allow the flexibility needed to address the changing needs of an international staff and could force a desirable candidate to decline a position at the Fund.

31. HRD proposes that totally handicapped unmarried children, fully dependent upon the staff member, be permitted to be enrolled in the MBP at any age subject to normal enrollment requirements. This type of provision, which allows flexibility in the enrollment of handicapped children, is seen in other international organizations.

32. This proposal has both direct and indirect costs to the Fund, both of which are expected to be minimal.

33. The direct cost to the Fund would be the Fund's share of the higher contribution rate for any new handicapped child enrollments over the age of 24, i.e., for those who move from single or couple coverage to one-parent or two-parent family coverage, the contribution will increase, and the Fund will pay its share on that increase. For those who currently are enrolled in family coverage, the cost will not increase.

34. The indirect cost of the proposal would be the potentially higher claims costs. Our experience has shown that claims for this group have not been much higher than the general population and only rarely have claims reached the catastrophe clause limit of 7 percent of net salary. However, the potential for high claims is greater for those with chronic illness. Currently, there are only 18 handicapped children over the age of 24 enrolled in the MBP.[4]

Enrolling family members after retirement

35. Retired staff members cannot add new family members to the MBP with one limited exception.[5] Family members enrolled before retirement can continue in the MBP following the staff member's retirement subject to the usual eligibility rules. The inability to add family members to the MBP has, in some cases, caused hardship to former staff members. Retired staff members who marry or have children are faced with the situation where they have

[4]The current MBP enrollment is approximately 8,800 participants .

[5]A newborn may be enrolled in the first ten months following retirement.

excellent worldwide coverage for themselves, but may not be able to provide coverage for their family members due to the lack of availability of private insurance coverage in many parts of the world.

36. The staff member earns an entitlement to continuation of MBP coverage into retirement by his or her years of service with the Fund. The staff member also earns the continuation of family members' coverage by his or her service regardless of the number of family members covered. The benefits earned by the retired staff member through his or her many years of dedicated service to the Fund should be flexible enough to meet the needs of changing life circumstances, including marriage after retirement.

37. Many Fund staff members and their families travel frequently following retirement. They often maintain residences in multiple countries. Comprehensive worldwide medical coverage is essential for the staff member and their family members. HRD proposes that retired staff members be permitted to enroll eligible family members during retirement.[6]

38. The direct cost of this change would be minimal. By the time a staff member retires, the Fund has set aside or pre-funded the Fund's future cost of the MBP coverage for the retired staff member and any enrolled dependents until the time they would lose eligibility, e.g., a child reaches age 24.[7] If a retiree divorces, or his or her spouse dies before age 85, the value of that benefit has already been funded. If the staff member subsequently remarries and decides to enroll the new spouse, the only net additional direct cost to the Fund would be the actuarially-adjusted cost of the Fund's share, based on the difference in the new spouse's age. If the staff member was not married at the time of retirement, the additional cost would be the Fund's three-quarter share of the additional cost for the spouse's enrollment, which would not have been pre-funded.

39. The indirect cost to the Fund to allow a retiree to enroll a spouse following retirement would be the higher medical claims costs. Given the small numbers that are expected to be added, the additional cost when compared to the total cost of the MBP scheme is expected to be minimal.

40. For children not enrolled at the time of retirement, the Fund's cost would be three-quarters of the cost of the additional coverage. It is important to note that contributions paid on behalf of children typically are greater than benefits paid out. Therefore, allowing more children into the plan is positive for the MBP.

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[6]This flexibility to enroll family members after retirement is available in the United States Federal Employees Health Benefits Program (FEHBP).

[7]As required by the International Accounting Standards (IAS 19)

Extension option coverage for former spouses

41. Following a divorce, former spouses of active or retired staff members are permitted only 18 months of extension option coverage (see footnote 2). Based on the experiences of spouses, 18 months of extension option coverage is often not sufficient time to make other medical coverage arrangements due to the legal, financial, and emotional demands of a divorce.

42. HRD proposes that former spouses be permitted to retain MBP coverage under the extension option for up to 36 months. U.S. employers are generally required to provide 36 months of extended coverage for divorced spouses. This proposal would bring the MBP's former spouse coverage in line with the local standard.

43. Extension option contribution rates are not shared by the Fund. As there is no cost-sharing for the extension option coverage, there will be no additional cost to the Fund.

MBP coverage for surviving spouses of Fund retirees who remarry

44. Surviving spouses of retired staff members who are receiving a benefit under the Staff Retirement Plan (SRP) lose MBP coverage upon remarriage. The loss of MBP coverage upon remarriage may place the spouse at great financial risk at an age where medical costs are high and alternative coverage may be unavailable. In some cases, this rule may influence the widow/widower not to remarry or to not report the change in marital status.

45. HRD proposes that surviving spouses of retired staff members who are receiving a benefit under the SRP retain the option for MBP coverage, regardless of marital status. This practice is standard in the U.S. insurance market. In July 1984, the SRP was changed to allow surviving spouses of retired staff members to continue to receive their SRP benefit upon remarriage. It follows that MBP coverage should also continue for surviving spouses who remarry. This coverage would not be extended to the surviving spouse's new family members.

46. As the cost of the surviving spouse's coverage has been pre-funded (based on the assumption of not remarrying), this proposal will have no additional cost to the Fund.

Summary of costs

47. The cost of the proposals outlined above varies from those with no cost to others that will have a small impact. The precise impact is difficult to estimate because the number of Plan participants who may use the new provisions is, in many cases, unknown. However, the cost impact of the changes is sufficiently small that it will not have an impact on the FY2001 budget, and can be absorbed without changing the current contribution MBP rates.

III. Clarification of Management Authority for MBP Administration

48. Article XII, Section 4 (b) of the Fund's Articles of Agreement provides: "The Managing Director shall be chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Board, the ordinary business of the Fund. Subject to the general control of the Executive Board, he shall be responsible for the organization, appointment, and dismissal of the staff of the Fund." In practice, this shared responsibility has been exercised by the Executive Board in matters relating to the enrollment rules and coverage of the MBP. However, responsibility for approving changes in the MBP may also be attributed to the Managing Director by the Executive Board. Previously, authority has been attributed to management to approve changes in education allowances ceilings [EB/CAP 96/6 (EBAP96/90, 8/22/96)]. In the World Bank, which has provisions in its Articles of Agreement essentially the same as provisions in the Fund's Articles of Agreement, the practice has been that management exercises the administrative authority to modify the health insurance plan without Board approval unless the changes involve significant policy or budgetary implications. According to the United Nations Consultative Committee on Administrative Questions (CCAQ), the management of international organizations in the UN "common system," generally have similar authority to administer their health insurance plans, which is also consistent with principles of organization management and health insurance plans administration in the private sector.

49. Nevertheless, since the onset of rapid escalation in health care costs during the 1980s, the staff of the Human Resources Department (formerly part of the Administration Department) has followed a complex and time-consuming procedure to obtain approval for a wide range of needed, but generally routine, administrative changes to the MBP. This procedure has required the preparation of a paper for consideration by the CAP, which, after meeting to discuss the paper, then forwards a recommendation for approval to the Executive Board. This process has proven to be both inefficient and burdensome, and has resulted in delayed implementation of necessary and appropriate adjustments.

50. Minor administrative adjustments to enrollment rules and/or benefits are necessary on a regular basis to update MBP provisions or to address inequities. Under current procedures, HRD normally does not bring small proposed changes to the Executive Board. It normally waits until a number of issues can be dealt with at the same time. The delay involved in collecting a number of issues for Executive Board consideration impedes staff from resolving plan issues as they arise. The current paper, containing eight technical changes in enrollment policy, illustrates this phenomenon.

51. The MBP is one of the highest cost benefit programs of the Fund and it is important that it be properly managed. The Staff Benefits Division, part of the new Human Resources Department (HRD), has professional expertise in the medical benefits area and closely monitors MBP claims and finances, as well as the Plan's design relative to the market. The assumption of authority by management to approve administrative changes in the MBP would permit HRD staff to make timely, technically appropriate adjustments to the MBP, based on cost considerations and other factors, negating the need to bring the "ordinary

business" of MBP administration before the CAP or the Executive Board. The Executive Board should not be burdened with purely administrative matters or other MBP changes, unless they have significant policy or budget implications that warrant the attention of the Board.

52. The Fund's contribution to the MBP is included in the annual Administrative Budget. This permits the Executive Board the opportunity to take up MBP issues annually in connection with overall Plan costs. This, together with a continuation of the practices of requiring Board approval of changes involving significant policy issues or budgetary costs, permits adequate oversight of the MBP by the Board.

53. The health insurance plans of most international organizations are under the operational control of the management of each organization, subject to budgetary control and broad policy oversight by the respective policy-making boards. This is the approach taken, for example by the World Bank's Board, which is generally not involved in changes in enrollment rules or similar administrative decisions.

54. The attribution of authority to management will free the Board from reviewing minor administrative matters while retaining the same broad policy oversight as in other international financial institutions.

55. In the future, management would approve minor changes to the MBP, but would seek Board approval for changes that would have a substantial effect on the scope of coverage or the cost of the plan.

IV. PROPOSED RECOMMENDATION

It is proposed that the Committee recommend that the Executive Board approve the following decision.

The rules of the Medical Benefits Plan are amended so that

- a same-sex domestic partner is permitted to join the MBP under the category of other dependent upon satisfying the criteria for an eligible relationship;
- the contribution rate charged for other dependents is adjusted to the full unsubsidized rate based on the annual claims of all participants;
- the pre-existing conditions limitations for other dependents is eliminated subject to normal enrollment rules;
- staff members are not permitted to drop MBP coverage for spouses and minor dependent children (under 18) unless proof of other coverage is provided, or, in the case of the spouse, the spouse grants permission to drop coverage. Spouses of staff members are permitted to file claims and receive reimbursements directly upon the authorization of the staff member or upon a legal separation;
- totally handicapped, unmarried children, fully dependent upon the staff member, are permitted to enroll in the MBP at any age subject to normal enrollment requirements;
- retired staff members are permitted to enroll eligible family members during retirement, subject to the current enrollment guidelines and limitations for staff;

- former spouses are permitted to retain MBP coverage under the "Extension Option" for up to 36 months; and

- widowed spouses of retired staff members who are receiving a benefit under the SRP may retain MBP coverage regardless of marital status.

Hereafter, management shall approve modifications to the Medical Benefits Plan so long as such modifications would not substantially affect the scope of coverage or the cost of the Plan, in which case modifications shall be presented to the Executive Board for approval.

These changes will be effective September 1, 2000.