



MERP

WSCFF's Medical Expense Reimbursement Plan for Retirees

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Do Something . . .

- Now, instead of at retirement time
- To plan – specifically – for healthcare expenses in retirement
- To take advantage of all current and future IRS tax advantages to assist in this planning
- Do not wait for a national healthcare plan to save you from this burden

MERP

Medical Expense Reimbursement Plan through a Retiree Medical Trust (RMT)

- Reimburses you – *for your lifetime* – for:
- Premiums for medical, dental, vision, long term care coverage for you and your family (spouse/domestic partner and IRS dependent children)
- Other medical, dental and vision expenses (that aren't covered by insurance) for prevention, diagnosis, and/or treatment of a medical situation for you and your dependents. (Defined by IRC 213(d).)

Status of MERP

- 112 participating locals (over 5,000 members)
 - 102 in Washington
 - 10 in Idaho
 - 1 in Alaska (Fairbanks eff. 1/1/2012)
- Fund balance is over 30 million and growing by approximately \$370,000 each month
- 141 retirees are currently accessing benefits

Who controls MERP?

- WSCFF Benefit Trust Board of Trustees
- The Board of Trustees is made up of 7 fire fighters all from separate participating locals on staggered terms
 - 4 are elected at WSCFF Annual Convention
 - Pat McElligott - Tacoma
 - Jeff Wainwright – Spokane Co. FD #8
 - Rich Knight – SeaTac
 - Craig Soucy – Renton Firefighters
 - 3 are appointed by the WSCFF
 - Kelly Fox
 - Greg Markley
 - Ricky Walsh

Components of MERP

– *The Board of Trustees may adjust the components of this Plan. This is only a summary of the plan and does not replace the specifics of the plan document.*

- Participation
- Contribution Amount *TAX FREE*
- Eligibility for Benefit
- Active Service Credit and Unit Multiplier
- Reimbursable Expenses
- Receiving your Benefit *TAX FREE*
- Duration of Benefits

Contribution Amount

- Effective 9/1/2009, Locals can increase their contribution amount in MERP
- New contribution amount must be a multiple of \$25; and there is a maximum contribution amount limit
- Contribution amount is the same for all in the bargaining unit

How Is My Retiree Benefit Determined?

- When you retire, your benefit will be based on the total number of Active Service Units (ASU) you've accrued during your career
- You receive 1 ASU for each \$25 contributed on your behalf into the Trust
- The higher the contribution amount and the longer you contribute, the higher your retiree benefit

What Is The Unit Multiplier (UM)?

- UM is actuarially determined based on contributions to the plan, investment income, administrative expenses and demographics.
- This amount may change over time.
- Your Active Service Units (ASU) multiplied by a Unit Multiplier (UM) = Your Monthly Benefit for reimbursable expenses at retirement

Determining Your Benefit

Effective 7/1/12, the Unit Multiplier is \$0.39

Fire Fighter #1 - \$75 contribution for 10 years

\$75 = 3 ASU per month X 12 X 10 years = 360 ASU

360 X .39 = **\$140.40** monthly benefit

Fire Fighter #2 - \$100 contribution for 20 years

\$100 = 4 ASU per month X 12 X 20 years = 960 ASU

960 X .39 = **\$374.40** monthly benefit

Fire Fighter #3 - \$75 contribution for 7 years; Local votes to increase contribution to \$100 and FF contributes this for 18 years; 25 total years of contributions

3 X 12 X 7 years = 252 ASU

4 X 12 X 18 years = 864 ASU

252 + 864 = 1,116 total ASU X .39 = **\$435.24** monthly benefit

Contributions vs. Benefit Payout

Based on the .39 Unit Multiplier, it will take 5 years and 4 months of accessing your full monthly benefit amount for you to receive all your contributions back in benefit payout.

- FF #1 contributed \$9,000 and receives \$140.40 in monthly benefits: $9,000 / 140.40 = 64.1$ months
- FF #2 contributed \$24,000 and receives \$374.40 in monthly benefits: $24,000 / 374.40 = 64.1$ months
- FF #3 contributed \$27,900 and receives \$435.24 in monthly benefits: $27,900 / 435.24 = 64.1$ months

Eligibility for Benefits

- Participate in the Plan at least 5 years (60 contribution months)
- Cease working for the bargaining unit
- Attain age 53

What if I don't have 5 years participation?

- You have the option to make additional 18 months of contributions under COBRA in order to get to the minimum 60 months of contributions.

If you can't get to 60 months, then:

- Take a "reduced benefit level" – access all the contributions you've made into the plan for reimbursement of expenses beginning right after separation.

Sick Leave Conversion into MERP

- As a local, you can choose to convert sick leave cash value tax free
- Local defines % of sick leave to convert, and then applies to all members with sick leave value when they separate service (or have yearly cash outs)
- The cost of sick leave conversion is determined by member's age at time of conversion

Sick Leave Conversion into MERP

Age at Time of Conversion

Cost of One (1) Active Service Unit

Up to and through age 40	\$24.32
age 41	\$26.02
age 42	\$27.85
age 43	\$29.79
age 44	\$31.88
age 45	\$34.11
age 46	\$36.50
age 47	\$39.06
age 48	\$41.79
age 49	\$44.71
age 50	\$47.84
age 51	\$51.19
age 52	\$54.78
age 53	\$58.61
age 54	\$57.94
age 55	\$57.23

Determining Sick Leave Conversion

- Fire fighter with \$15,000 (tax free) of sick leave to convert into MERP and retires at age 53
- $\$15,000$ divided by $\$58.61 = 256$ ASU
- This fire fighter receives 256 additional ASU from his sick leave cash value

MERP in Alaska

- MERP has the ability to carve out Tiers by:
 - Participation
 - Contribution Amount
 - Sick Leave Conversion
- MERP can accommodate administrative personnel who are covered under the bargaining unit

Benefit Duration

- Plan was developed to provide fire fighters a benefit until death
- When a fire fighter dies at any age, spouse can access 50% of the benefit regardless of spouse's age and until spouse reaches Medicare eligible age (currently 65 for everyone)
- If you and your spouse die, eligible dependents would receive 50% of the benefit through age 25

How Do I Receive My Benefit?

- You must incur an expense and have proof of the expense
- Submit proof of expense to BSI via fax or mail
 - You can batch your expenses and send in quarterly (for example) or submit them as they occur
- BSI will verify expense is eligible for reimbursement and cut a check to fire fighter or direct deposit to firefighter's account

Rollover of Expenses

- Once you begin accessing your benefit but in any particular month don't use your entire monthly benefit, the leftover amount does not rollover.
- Conversely, if expenses exceed your benefit amount, then the expense DOES rollover to any subsequent month that you have leftover benefit amount to apply until expense is completely reimbursed, or firefighter dies.

What Happens If I Leave Employment At My Local?

- If you go to another local participating in MERP, your participation accrual continues
- If you go to another job (or another local not in MERP), your months/years of participation in MERP are frozen and you may access your benefit when you reach age 53
 - If you have less than 60 months in the plan, you may access your reduced benefit right after separation

Delayed Commencement of Benefit

- Available to FFs with 5 years participation in the plan when they separate service
- If FF who is otherwise eligible for a benefit, chooses to “delay” accessing their benefit for a full year, they receive another year of Active Service Units
- FF may delay - in full year increments - for as long as they desire

Where can I find Retiree Medical Insurance?

- Tier 4 members will face this....
- Tier 1-3 members will still have out of pocket costs
 - Copays, Coinsurance, Deductibles, Prescriptions
 - Dental / Vision / Audio Premiums
 - Long-Term Care Premiums
 - Premium for 60-year old retiree: \$92 - \$237/month

<u>2012 PERS Retiree Costs</u>	Medical Plan	Dental/Vision/Audio
Employee Cost	\$807	\$69
Employee + Spouse	\$1,615	\$136
Employee + Children	\$1,140	\$123
Employee + Family	\$1,948	\$194

Where can I find Retiree Medical Insurance? (cont.)

Aside from purchasing the PERS Retiree Plan, other options for individual health coverage in Alaska are listed below.

A 55 year old non-smoking male could expect to pay today:

	United Health One		Aetna		ODS		Premera		Celtic	
	FF	FF/SP	FF	FF/SP	FF	FF/SP	FF	FF/SP	FF	FF/SP
\$500 Deductible										
\$1,000 Deductible	\$640	\$1,097			\$960	\$1,891	\$1,238	\$2,353		
\$1,500 Deductible	\$561	\$960			\$772	\$1,277			\$608	\$1,127
\$2,500 Deductible	\$458	\$783	\$615	\$1,228	\$645	\$1,271	\$619	\$1,175	\$489	\$906