

# MERP

## WSCFF's Medical Expense Reimbursement Plan for Retirees

Presented by:

DiMartino Associates, Inc.

Karni Adamson [karni@dimarinc.com](mailto:karni@dimarinc.com)

206/623-2430 800/488-8277

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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

# Medicare's Financial Woes

- In 2008, Medicare paid out more than it brought in from taxes
- Will be insolvent by 2019 without changes to benefits or taxes
- Deductibles and premium for Parts A and B index up every year

# Things to consider

- Since 1950, life expectancy (82 for men and 85 for women) has increased roughly 10 years for both males & females in US
- A typical 65-year-old today will live to age 83\*
  - 1 in 4 65-year-olds will live to age 90\*
  - 1 in 10 65-year-olds will live to age 95\*
- One in every 10,000 individuals in the U.S. reaches the age of 100. There are currently an estimated 60,000 centenarians in the U.S. with up to 70 beyond the age of 110. \*\*
- This is all great news . . . Unless you run out of money.

\*[www.medicare.gov](http://www.medicare.gov)

\*\*Scientific American

# \$200,000 in Today's Dollars

Longevity has its benefits . . . . Yet even with coverage from Medicare, Fidelity Investments projects that a 65-year-old couple will need about \$200,000 to cover 20 years of health costs. That doesn't even include the cost of over-the-counter drugs, dental services or long-term care.\*

What about Fire Fighters who retire long before 65?

\*USA Today and Fidelity Investments

# Begin thinking about

- Your best options for medical coverage when you retire will likely be very expensive
  - COBRA
  - Other employer coverage
  - Individual coverage
- Once you are eligible for Medicare, you will still have out of pocket expenses
  - Deductibles: Part A \$1,068; Part B \$110 for 2009
  - Premium for part B is \$96.40 per month for 2009
  - Medicare Supplement plans - \$250 to \$400/monthly *currently*

# MERP

## Medical Expense Reimbursement Plan

Reimburses you – *for your lifetime* – for:

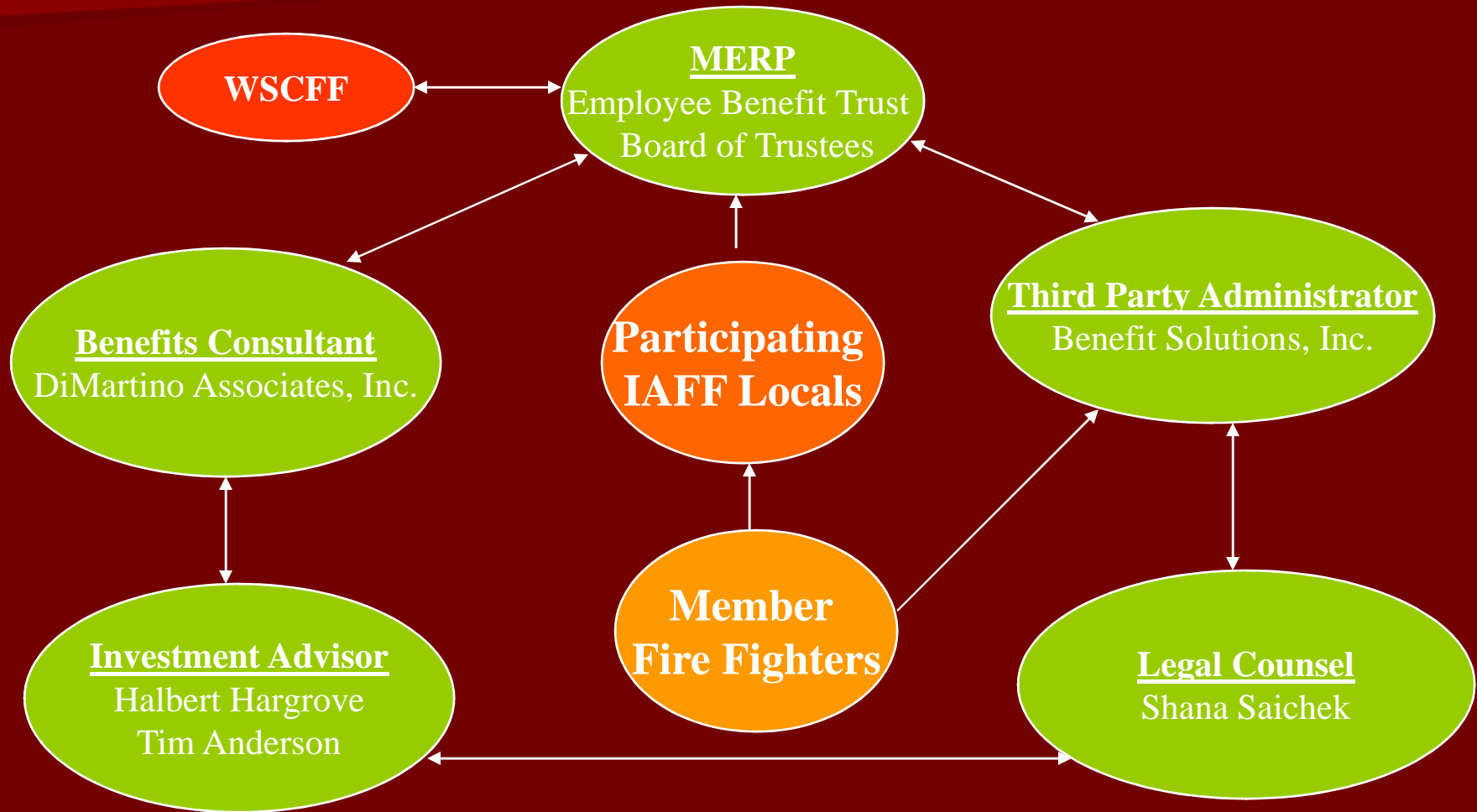
- Premiums for medical, dental, vision, long term care coverage for you and your family (spouse/domestic partner and IRS dependent children)
- Other medical, dental and vision expenses (that aren't covered by insurance) for prevention, diagnosis, and/or treatment of a medical situation for you and your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

# Status of MERP

- 100 participating locals (nearly 5,000 members)
  - 94 in Washington
  - 6 in Idaho
- Fund balance is over 15 million and growing by approximately \$300,000 each month
- 53 retirees are currently accessing benefits



# Who is MERP?



# 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
  - 3 are elected at WSCFF Annual Convention
    - Pat McElligott - Tacoma
    - Jeff Wainwright – Spokane FD #8
    - Rich Knight - SeaTac
  - 4 are appointed by the WSCFF
    - Kelly Fox
    - Greg Markley
    - Ricky Walsh
    - Open – new appointment will be made before end of year

# Role of Trustees

As required by Employee Retirement Income Security Act of 1974 (ERISA), the Trustees shall discharge their duties and administer the Trust Fund assets solely in the interest of the participating employees and their beneficiaries and for the exclusive purpose of (a) providing benefits to participating employees and their beneficiaries and (b) defraying reasonable expenses of benefit plan administration.

# 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
- Standard Benefit Amount (SBA)
- Reimbursable Expenses
- Receiving your Benefit                      *TAX FREE*
- Duration of Benefits

# Participation

- Must be member of a Local that has negotiated participation in the plan with their employer via a bargaining agreement or memorandum of understanding (MOU)
- All members of the bargaining unit must participate, no individual election per IRS rules
  - Leoff 1 members, as a group, can choose to participate or not.

# Contribution Amount

- Currently \$75 per member per month *PRE-TAX*
- Contributions transferred to money manager for investment and pooled with all other participating group's contributions
- Pool of contributions invested in Frank Russell Funds. One fund out of which benefits are paid, no individual accounts.
- Earnings grow *TAX FREE*

# Standard Benefit Amount (SBA)

- SBA based on contributions to the plan, investment income, administrative expenses and demographics
- At retirement, your specific benefit amount is determined by:  $4\% \times \# \text{ of years of contributions} \times \text{SBA}$

# Standard Benefit Amount

Currently SBA is \$410 per month. Effective 8/1/09 the SBA will be \$375.

For example:

5 years of participation = 20% of SBA (\$82)

10 years of participation = 40% of SBA (\$164)

25 years of participation = 100% of SBA (\$410)

30 years of participation = 120% of SBA (\$492)

There is no maximum on the % of the SBA for which you may be eligible.



# 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

Attained Age at Time of Conversion Of Sick Leave	Annual Cost of Sick Leave Conversion @ Attained Age
Up to and through age 40	\$900
age 41	\$960.64
age 42	\$1,032.69
age 43	\$1,110.14
age 44	\$1,193.40
age 45	\$1,282.90
age 46	\$1,379.12
age 47	\$1,482.56
age 48	\$1,593.75
age 49	\$1,713.28
age 50	\$1,841.78
age 51	\$1,979.91
age 52	\$2,128.40
age 53	\$2,288.03
age 54	\$2,259.26
age 55	\$2,228.63

# 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 until they turn 18 or 23 if a full-time student

# 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

# Rollover of Expenses

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

# 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 4% of SBA
- FF may delay - in full year increments - for as long as they desire

# Future Goals

- Create WSCFF retiree medical plan
- Fund other retiree programs

# Mission Statement

It is the mission of the WSCFF Employee Benefit Trust to provide the best possible plan benefits to its participating members and to enhance the plan as greater benefit options become available in the dynamic health care industry