

General Information on The Medical Expense Reimbursement Program of the HPAE Retiree Medical Trust



A New Benefit for HPAE Members



HPAE Members Need Retiree Health Benefits

- As we get older, our medical costs increase.
- The average retiree spends **22%** their income on health care costs.
- Even if we have coverage through health insurance, we will still face significant costs from deductibles and co-pays, and out-of-pocket costs.
- A couple that retires today will spend **\$600/month** on medical costs **not** covered by Medicare.



Retiree Health Care Benefits: Results of the 2006 Negotiations

- **Bayonne** – Employer contribution of \$.20/hour to HPAE Retiree Medical Trust effective 1/1/08
- **Christ Hospital, Cooper, Englewood, Meadowlands, Palisades, & Virtua** – Employee contribution of \$.20/hour after membership votes in favor of participation. Effective 1/07.



The HPAE Medical Expense Reimbursement Program

- Provides reimbursement for costs of premiums, deductibles and co-pays, and out-of-pocket costs (Rx drugs, over-the-counter medications, dental, etc.)
- Funded by employer contributions that are negotiated by each local union (option to negotiate mandatory employee contributions)
- Contributions go to the *HPAE Retiree Medical Trust*, which is jointly administered by Union and Employer Trustees
- All contributions to the Trust are in pre-tax dollars and the benefits received are not taxed.



What Medical Costs are Reimbursed?

- Health insurance premiums, including for long-term care
- Deductibles and co-pays
- Out-of-pocket costs
- Hospital expenses
- Doctors' Fees
- Dental
- Prescription Drug
- Vision Care
- Hearing aids
- Over-the-counter drugs (e.g. Motrin)

How is the Medical Reimbursement Program Funded?



- **Employer contributions** (e.g. \$.40/hour for each employee in the bargaining unit)
+ these options...
- Employee contributions (mandatory for all employees if negotiated by the local)
- Conversion of accrued sick time to Retiree Medical contributions



Where does the Money Go?

HPAE Retiree Medical Trust

- A non-profit trust [501c(9)] under the IRS code
- Joint Union and Employer Trustees
- The Trustees hire professionals to administer the Program: accountant, attorney, actuary, financial investor, etc.
- Based on an actuary's report, the Trustees determine the maximum benefit amounts
- The Trustees have a legal responsibility under ERISA to administer the funds properly

Tax Advantages of the Program

- Contributions to the Trust are in “pre-tax” dollars for both the employer and the employee, +
- Interest earned on the money in the trust is not taxed, +
- When a retiree receives reimbursements, this money is tax free.





Eligibility for Benefits: Employer Contributions

- Has 5 or more years of “active service” credit
- 55 years or older
- No longer working for a participating employer

Will receive a monthly benefit. The benefit amount will be determined by the Joint Trustees. Any money not used in one month can be “rolled over.”



Eligibility for Benefits: Survivors

- Spouse, or
- Domestic Partner (limited under IRS rules), or
- Surviving Dependent (within the age limits for dependents)

A surviving spouse or dependent receives $\frac{1}{2}$ of the deceased retiree's benefit



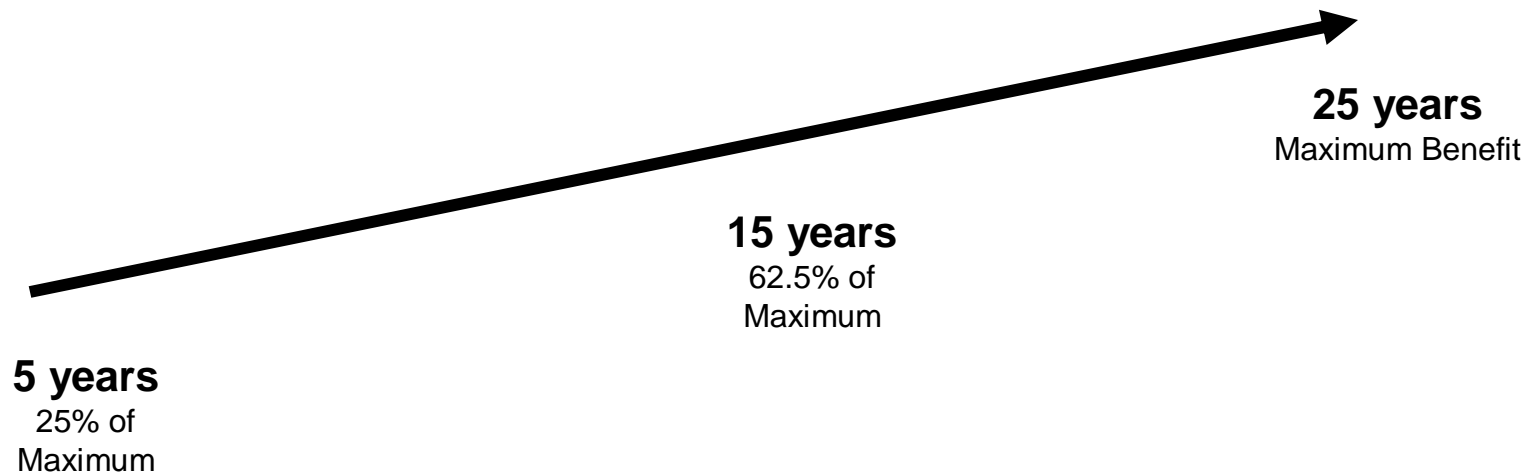
How will Benefit Amounts be Determined for Employer Contributions?

1. Years of “**Active Service**”
 - Full-time employees – For each year, credited with 1 year of active service
 - Part-time employees – For each year, credited with .5 years of active service
 - Per diem/limited/pool/casual/etc. – May receive full or partial credit, depending on # of hours worked.
2. **Contribution amount** made on the employee’s behalf (may vary by local)
3. The “**maximum monthly benefit**” established by the Joint Trustees, based on an actuarial analysis



Active Service and the Maximum Benefit

- To earn the maximum monthly benefit, a retiree must have 25 years of active service credits
- To earn the minimum monthly benefit, a retiree must have 5 years of active service credits.
- From 5 to 25 years, the monthly benefit will be pro-rated.





Example of a Monthly Benefit

“Jim Talbot”

- He has 15 years of active service credits when he retires at 61.
- UMDNJ has been contributing \$.40/hour to the HPAE Retiree Medical Trust.
- Based on an actuarial analysis, the Trustees determine that the maximum monthly benefit for the \$.40/hour contribution is \$400.

- His monthly benefit is .6 (15 years/25 years) x \$400 = **\$240**





How Does Jim Talbot Receive the Monthly Benefit?

- Jim has available \$240 each month for reimbursement of medical costs.
- Jim submits receipts for these costs.
- If Jim does not need \$240 in reimbursements in any month, the money not used will be available in his individual account. You don't “use it or lose it.”
- All reimbursements are tax free.