



**Washington State
Council of Fire Fighters**

MERP

WSCFF's Medical Expense Reimbursement Plan

Winter 2020

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Proprietary & Confidential

MERP is a Retiree Medical Trust (RMT)

- Established to help active employees start funding for retiree medical expenses
- Entire bargaining unit or group must participate – *no individual election*
- Pre-Tax contributions are made on behalf of active employees using Employer dollars (*IRS considers mandatory employee contributions equally permissible*)
- Contributions are pooled and held in a Trust
- Upon retirement, member receives regular benefit payments for healthcare expenses which are non-taxable to the retiree

MERP is a Retiree Medical Trust (RMT)

- Reimburses retirees for out-of-pocket healthcare-related expenses
 - Medical/Medicare/Dental/Vision/Long Term Care Insurance Premiums
 - Lasik eye surgery, hearing aids, prescription drugs
 - ...Any other IRC 213(d) eligible expense
 - May cover retiree, legal spouse and IRS-eligible dependents
- Triple Tax Indemnity
 - Plan is funded with pre-tax money
 - Earnings on Contributions are accrued on a non-taxable basis
 - Plan benefits are tax-free to the employee under IRS Section 105

NCPERS, B. Shana Saichok – Creating a Retiree Medical Trust: How Employers & Employees Can Use Pre-Tax Dollars to Fund Their Retiree Medical Costs

The WSCFF MERP

- Launched in 1999
- WSCFF funded initial start-up costs and projected benefit levels for Trust
- MERP Board Hired Trust Advisors:
 - Shana Saichek – Trust Legal Counsel
 - DiMartino Associates – Trust Consultant
 - Vimly Benefit Solutions – Trust Administrator

All of whom still serve the MERP Board today!

MERP Today

- 141 Participating Locals (over 7,800 members)
 - 115 in Washington
 - 18 in Idaho
 - 3 in Alaska
 - 5 in Montana
- Fund balance is over \$135 Million and growing by approximately \$1,000,000 each month
- Over 1,000 retirees are currently accessing benefits

MERP in Montana

- Bozeman Firefighters
 - Effective 1/1/2012
 - \$100/month
- Big Sky Firefighters Local 4732
 - Effective 7/1/2014
 - \$100/month
- Livingston Firefighters
 - Effective 7/1/2016
 - \$125/month
- Great Falls Firefighters
 - Effective 7/1/2018
 - \$75/month
- Anaconda Fire Fighters
 - Effective 7/1/2019
 - \$75/month

Retirees Accessing MERP Benefits

| Year | # of Retirees* | Total Paid Out |
|-----------------|----------------|--------------------|
| 2006 | 21 | \$20,531 |
| 2007 | 38 | \$57,679 |
| 2008 | 50 | \$98,718 |
| 2009 | 66 | \$130,233 |
| 2010 | 90 | \$169,943 |
| 2011 | 136 | \$240,546 |
| 2012 | 186 | \$368,419 |
| 2013 | 269 | \$575,317 |
| 2014 | 349 | \$768,697 |
| 2015 | 446 | \$917,856 |
| 2016 | 550 | \$1,062,624 |
| 2017 | 655 | \$1,579,965 |
| 2018 | 722 | \$1,838,708 |
| 2019 YTD | 1050 | \$1,992,210 |

Through September 2019

Since 2006, MERP has paid out more than \$9 Million in benefits to Plan Beneficiaries!

MERP is on pace to pay more than \$2.5 Million in 2019!

Who Controls MERP?

- WSCFF Benefit Trust Board of Trustees
- Made up of 9 fire fighters all from separate participating locals
 - 5 are elected at WSCFF Annual Convention
 - Brian Hurley- Tumwater Fire Fighters
 - Jeff Wainwright – Spokane Co. FD #8
 - Craig Soucy – Renton Fire Fighters
 - Kenny Stuart – Seattle Fire Fighters
 - Judson McCauley – Vancouver Fire Fighters
 - 4 are appointed by the WSCFF
 - Dennis Lawson
 - Greg Markley
 - Ricky Walsh
 - Brian Murphy – Anchorage Fire Fighters

Components of MERP

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

Contribution Amount

- Minimum contribution amount is \$75/month
- May increase contribution amount in increments of \$25, with no maximum contribution amount
 - 68 locals have increased contributions since 2009
- Contribution must be the same for the entire bargaining unit or class

How is the MERP benefit determined?

- Benefit is based on total number of Active Service Units (ASU's) you've accrued throughout your career
- You get 1 ASU for each \$25 contributed on your behalf to the Trust
 - Example: \$100/month = 4 ASU

The Unit Multiplier (UM)

- UM is actuarially determined based on contributions to the plan, investment income, administrative expenses and plan demographics
- UM may change over time (and it has)
- Active Service Units (ASU) x Unit Multiplier (UM) = Your Monthly Benefit
- Effective 7/1/15, the Unit Multiplier is \$0.41

Sample MERP Benefits

| <u>Monthly Contribution</u> | <u># of ASU's per Month</u> | <u>Estimated Monthly Benefit (UM = 0.41)</u> | | | |
|-----------------------------|-----------------------------|--|-----------------|-----------------|-----------------|
| | | <u>10 Years</u> | <u>15 Years</u> | <u>20 Years</u> | <u>30 Years</u> |
| \$75 | 3 | \$147.60 | \$221.40 | \$295.20 | \$442.80 |
| \$150 | 6 | \$295.20 | \$442.80 | \$590.40 | \$885.60 |
| \$200 | 8 | \$393.60 | \$590.40 | \$787.20 | \$1,180.80 |

ASU/Month x # of Months x # of years = Total ASU's

Total ASU's x Unit Multiplier = Monthly MERP Benefit

NEW: Use the MERP web portal to estimate your Monthly Retiree Benefit

Sample Benefit Calculations

FF Smithy #1 - \$75 contribution for 17 years

$\$75 = 3 \text{ ASU per month} \times 12 \times 17 \text{ years} = 612 \text{ ASU}$

$612 \times .41 = \mathbf{\$250.92}$ monthly benefit

Fire Fighter #2 - \$75 contribution for 11 years; Local votes to increase contribution to \$200 and FF contributes this for 4 years; 15 total years of contributions

$3 \times 12 \times 11 \text{ years} = 396 \text{ ASU}$

$8 \times 12 \times 4 \text{ years} = 384 \text{ ASU}$

$396 + 384 = 780 \text{ total ASU} \times .41 = \mathbf{\$319.80}$ monthly benefit

Fire Fighter #3 - \$75 contribution for 11 years; Local votes to increase contribution to \$200 and FF contributes this for 14 years; 25 total years of contributions

$3 \times 12 \times 11 \text{ years} = 396 \text{ ASU}$

$8 \times 12 \times 14 \text{ years} = 1,344 \text{ ASU}$

$396 + 1,344 = 1,740 \text{ total ASU} \times .41 = \mathbf{\$713.40}$ monthly benefit

Contribution vs. Benefit Payout

Based on the \$0.41 Unit Multiplier, it will take just over 5 years of accessing your full monthly benefit amount for you to receive all your contributions back in benefit payout.

- FF #Smith contributed \$15,300 and receives \$250.92 in monthly benefits: $15,300 / 250.92 = 61$ months
- FF #2 contributed \$19,500 and receives \$319.80 in monthly benefits: $19,500 / 319.80 = 61$ months
- FF #3 contributed \$43,500 and receives \$713.40 in monthly benefits: $43,500 / 713.40 = 61$ months

** Does not apply to converted sick/vacation leave*

Eligibility for Lifetime Benefit

In order to be eligible for the Lifetime Benefit, you must:

- Be at least 53 years old*
- Have at least 5 years (or 60 months) of contributions
- Separate service from participating employer group

*Early access of benefit is allowed if you meet your state's definition of Retirement or Disability Retirement, however your benefit will be based on an actuarial table which reduces your lifetime benefit. The actuarial value of your benefit is the same as if you waiting until age 53 to access it.

What if you don't have 5 years of Participation?

- COBRA Self-Payments – you have the option to make up to 18 months of post-tax COBRA payments
- Short Timer MERP Benefits
- Sick Leave or Vacation Conversion

Sick / Vacation Leave Conversion

- As a Local, you can choose to convert sick and/or vacation leave cash value into MERP *tax-free*
- Local defines % of sick leave to convert and applies to all members with sick or vacation leave value when they separate service (plan can also accommodate annual transfers)
 - Local can offer members choice of converting to MERP or VEBA, however no cash out option may be given
- The cost of conversion is determined by member's age at the time of conversion

Sick / Vacation Leave Conversion

Age at Time of Conversion

Cost of One (1) Active Service Unit

| | |
|--------------------------|----------------|
| Up to and through age 40 | \$26.02 |
| age 41 | \$27.84 |
| age 42 | \$29.79 |
| age 43 | \$31.88 |
| age 44 | \$34.11 |
| age 45 | \$36.49 |
| age 46 | \$39.05 |
| age 47 | \$41.78 |
| age 48 | \$44.71 |
| age 49 | \$47.84 |
| age 50 | \$51.19 |
| age 51 | \$54.77 |
| age 52 | \$58.60 |
| age 53 | \$62.70 |
| age 54 | \$62.10 |
| age 55 | \$61.46 |

Sick / Vacation Leave Conversion

Example:

- C. Smith with \$24,358 (tax-free) of sick leave to convert into MERP, retiring at age 54
- $\$24,358 / \$62.10 = 392 \text{ ASU}$
- Curtis receives 392 additional ASU from sick leave cash value; equates to another \$160.72 added onto the monthly lifetime benefit (\$411.64)

Accelerated Benefit Options

- One-Time Choice at retirement to select a “Level Benefit” or one of three Accelerated Benefit options
- Accelerated Benefit will pay a larger benefit pre-65 years of age and smaller benefit post-65
- Calculated using an age-adjustment factor based on month of retirement to determine appropriate pre- and post-65 benefit levels

Accelerated Benefit Options

Example: Employee Participates in MERP for 15 years at \$75/month and retires in June 2019 at age 57.

Option 1: Level Benefit

Constant Benefit Level = \$221.40

**Default Option*

Option 2

Pre-65 Benefit Level = \$267.42

Post-65 Benefit Level = \$178.28

Option 3

Pre-65 Benefit Level = \$298.46

Post-65 Benefit Level = \$149.23

Option 4

Pre-65 Benefit Level = \$337.68

Post-65 Benefit Level = \$112.56

Actuarial value of benefits is consistent regardless of option chosen

Benefit Duration & Survivor Benefit

- MERP was developed to provide the fire fighter a benefit until death
- If you die at 53 or older with at least 60 contribution months, spouse can access 50% of the benefit amount until age 65
 - If there is no spouse, eligible dependents would receive 50% of the benefit until age 26
 - Benefit payable upon such time that Eligible Member would have been age 53
- Spouse of “Short Timer” can spend down all Member contributions for reimbursement of Covered Expenses
- No spouse or dependents? Money stays in Trust and is paid out to other plan beneficiaries

Survivor Bridge Benefit

Question: What if deceased member was under 53 at the time of death?

- Survivor is entitled to a “bridge benefit” of 24 months starting from the month after the death of the Member
- If the deceased Member would have turned 53 years old during the 24-month bridge benefit, then benefits would continue to the Survivor
- If the deceased Member would not have attained age 53 by the end of the 24-month bridge benefit, Survivor benefits will be suspended after 24 months, until such time that the deceased Member would have turned age 53.

Survivor Bridge Benefit – Line of Duty

Question: What if deceased Member died in the Line of Duty?

- Survivor is entitled to make an election for benefits
 - Monthly Benefit to start immediately, regardless of deceased's age at time of death, until Survivor turns age 65 (*age 26 for dependent children*), or
 - Runout of contributions made for reimbursement of Covered Expenses
 - Decision is irrevocable.
- Suspension of benefits for pre-age 53 death shall not apply (*see previous slide*)

How are Benefits Received?

- You must incur an expense and have proof of the expense
- Submit proof of expense to the Trust Administrator via online portal, fax, email or mail
 - Can batch expenses quarterly or annually...or whenever
 - Recurring claims
- Trust Administrator will verify that expense is eligible for reimbursement and direct deposit funds to fire fighter'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.

What happen 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

The Trust Office

Vimly Benefit Solutions is the Trust Office for the WSCFF MERP and is your main point of contact for questions regarding your MERP benefits

- Benefit Calculation Assistance
- Claim Inquiries /Status
- Personal Information Updates

Upon Retirement...

Once the Trust Office is notified of your impending retirement, you will receive a packet in the mail which will include the following:

- Retiree Options Letter
- COBRA Election Notice
- Direct Deposit Form
- MERP Claim Reimbursement Form

You should contact the Trust Office with *any* questions about this packet at 425-367-0743 or WSCFFMERP@vimly.com.

Your Contacts...

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