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Introducing ... Public Employees Retiree Medical Trust

A Retiree Medical Expense Reimbursement Plan for
Employees of Public Employers



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What is a Retiree Medical Trust™ ?



- ❑ Legally a separate entity from Assn or employer
- ❑ Lifetime stream of monthly benefit payments
- ❑ Reimburses healthcare premiums & expenses
- ❑ Funded by employer and/or employee contributions
- ❑ Collectively bargained for mandatory participation, i.e., all employees in a bargaining group must participate

Tax Advantages of a Retiree Medical Trust™

- Accepts pre-tax contributions
- Provides tax-free earnings
- Allows tax-free reimbursement of qualified out-of-pocket healthcare expenses under IRC section 213
 - Insurance Premiums
 - Medical, Dental and Vision (premiums and expenses)
 - Prescriptions
 - Long term care insurance (*not misc. expenses*)

What does “tax-free” really mean?

- Better than a “*tax-deferred*” pension plan (e.g., defined benefit 401(a) plan, 457 plan, etc.), which provide two tax advantages:
 - 1) Pre-tax contributions, and 2) tax free earnings.
 - Postpone federal income tax, but it will taxed at time of distribution
- *Tax-free* RMT plan provides three tax advantages:
 - Non-taxable 1) contributions, 2) earnings, and 2) distributions
 - Save up to \$300 or more in taxes for every \$1,000 contributed to the plan

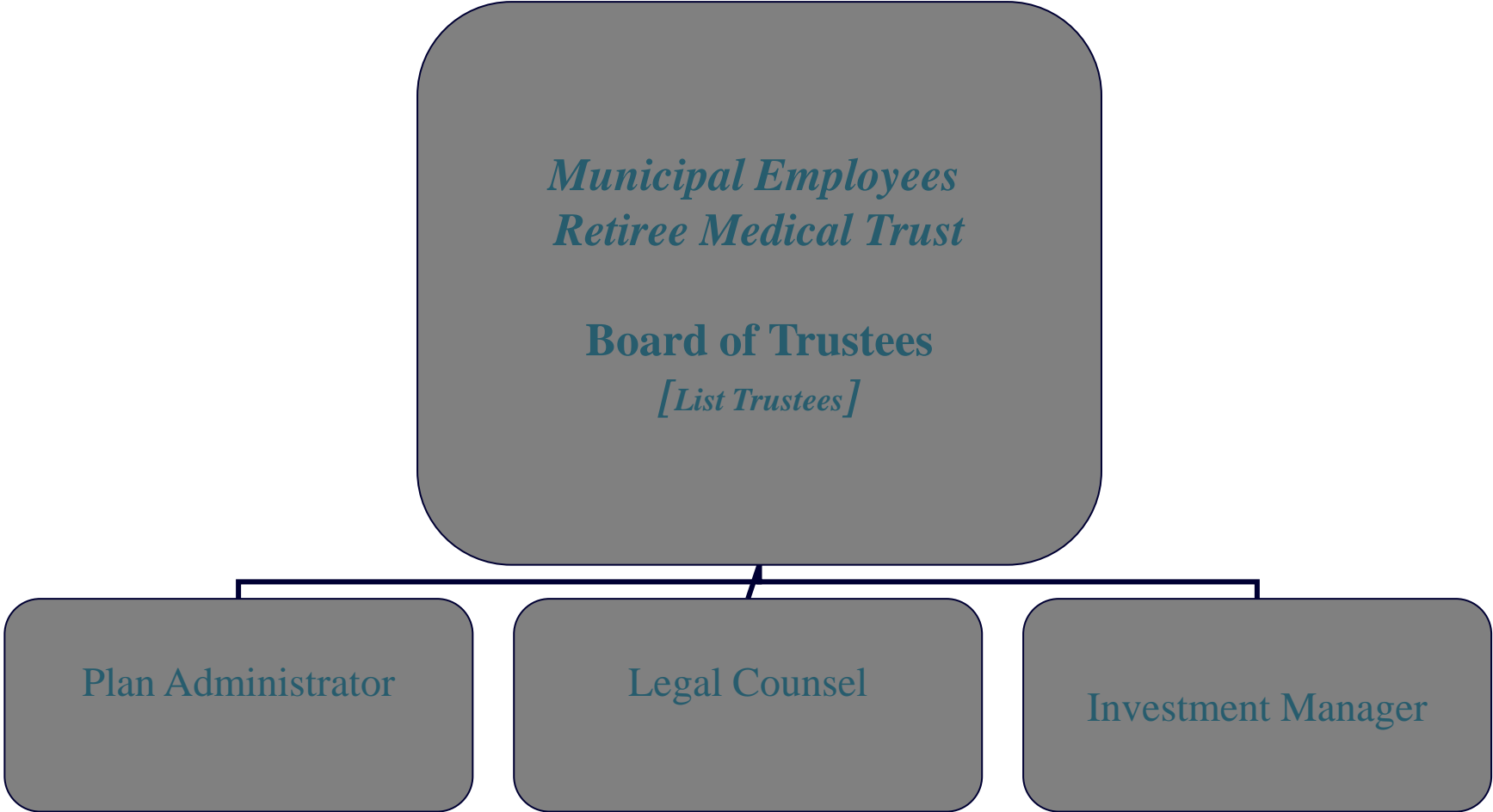
Additional Features of a Retiree Medical TrustTM

- ❑ Lifetime stream of benefits, generally for longer term participation in Plan
- ❑ Allows individual accounts funded by leave (pre-tax) for those employees close to retirement
- ❑ Employer avoids GASB defined benefit reporting obligation
- ❑ Allows each bargaining unit to select its contribution level
- ❑ Assets are invested and managed by a professional investment manager

Flexible vehicle for retiree medical costs

- ❑ Can be managed by all-union, all-employer or joint labor-management board of trustees
- ❑ Can allow for “Pooled Account” that provides lifetime benefit stream; or for individual “Employee Accounts” for each retiree; or both Pooled and Employee Accounts.
- ❑ Can be constructed to allow for multiple/new groups, each at their own contribution level.

Trust Organizational Structure



Board of Trustees

- ❑ Trustees will be elected by participating employees and/or appointed by labor associations, or by management; this is political decision, not legal.
- ❑ Trustees have fiduciary responsibility under federal law, which means that they have strict legal obligations to make decisions that are in the best interests of the employees (not of the plan sponsors).

Benefits from Pooled Account

- ❑ Monthly “Benefit Amount” set by Trustees, based actuarial projections, length of service, etc.
- ❑ Retiree gets payment (up to “Benefit Amount”) for reimbursement of medical expenses
- ❑ Benefit Amount is variable, not vested, to respond to investment returns
- ❑ Intended to last lifetime, or until Medicare
- ❑ Trustees can build in surviving spouse benefit

Individual Employee Accounts

- Sick leave transfer annually permissible into individual Employee Account in the Trust
 - Contributed pre-tax to “Employee Account”
 - Assn chooses level for group, e.g., 25%, 25 hours
 - Will earn tax-free interest
 - Incentive to manage leave (employer benefit)
- No election, must be done for entire assn
- Sick leave cash transfer at retirement (up to 100%)
- Vacation leave transfer at retirement

Benefits from Individual Employee Account

- ❑ Can collect when you separate from service – don't need to wait until retirement
- ❑ No monthly limit, entire balance available for permissible “covered expenses”
- ❑ When balance reaches zero, no more benefits

Flexible Distributions (Claims)

- Systematic (automatic) payment of post-employment premiums available
- Direct deposit of reimbursements allowable
- Required claims documentation
 - Itemized bill or statement from provider
 - Itemized receipts for prescriptions and OTC medications
 - Detailed co-pay or office visit receipts



Conclusion

The Retiree Medical Trust™ is an innovative, tax-advantaged and effective method to mitigate escalating health care costs, which employees and their families will face after retirement.

About Shana Saichek, Esq., and the Saichek Law Firm, which represents dozens of retiree medical trusts

- Education
 - University of California at San Diego, history, B.A., summa cum laude
 - University of Washington, J.D., 1978
- Admitted to bar
 - District of Columbia, California, and New York, and numerous federal district courts
- A distinguished and dedicated career encompassing
 - Extensive research and analysis
 - Lobbying and speaking on behalf of trust funds
 - 29 years as counsel to employee plan trustees
- Saichek Law Firm, APC
 - Attorneys have represented hundreds of employee benefit trusts
 - A team of six attorneys with over 100 years of combined experience in employee benefits, tax and labor law