



CALIFORNIA FIREFIGHTERS

B E N E F I T T R U S T

A Retiree Health Care Solution By Firefighters For Firefighters

Medical Expense Reimbursement Plan
IRC Section 501(c)(9) Non-Profit

www.FirefighterTrust.org

About the Trust

- Established in 2005 as the San Diego Regional Public Safety Trust
- Managed by Firefighter Trustees with Professional Advisors
- Tax-exempt VEBA Trust (Retiree Medical Trust)
- RMT is a MERP – Medical Expense Reimbursement Plan
- Only multi-employer RMT open to **ALL** California firefighter bargaining groups
- Largest Firefighter-only RMT in California
- Over 2500 active and retired participants
- Designed to provide LIFETIME benefits
- Over \$70M in plan assets dispersing \$1.25M in benefits annually
- Non-profit – Trustees are fiduciaries and not compensated
- Only RMT endorsed by California State Firefighters Association



Board of Trustees

CALIFORNIA FIREFIGHTERS

B E N E F I T T R U S T



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Steve Vanderwalle
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*Plan Sponsors



Trust Consultants



- 70 years as administrator to employee benefit plans
- 22 RMT, Defined Benefit/Contribution funds
- Over 74,000 total fund participants



- 30 years as counsel to employee benefit plans
- Currently represents nearly 30 RMTs nationwide
- San Diego based



- Over \$130B in assets under management
- Investment management for 17 RMTs nationally
- State, Municipal, Union, and Private Sector pension management



- Nationwide audit and tax professional services
- Represent clients from multiple industries



- Actuarial services
- Independent employee benefits advisor



Participating Locals



FALLBROOK, L1622



RIVERSIDE CITY, L1067



SAN DIEGO CITY, L145



CARLSBAD, L3730



CHICO, L2734



LEMON GROVE, L2728



OCEANSIDE, L3736



NATIONAL CITY, L2744



CARPINTERIA-SUMMERLAND, L3368



LA MESA, L4759



PETALUMA, L1415



VISTA, L4107



SONOMA COUNTY, L1401



ATASCADERO, L3600



SANTA BARBARA CITY
L525



RIO VISTA, L1186



HEMET, L2342



ESCONDIDO, L3842



OCEANSIDE MARINE
SAFETY

Pending FFAs



EL CAJON, L4603



STOCKTON, L456



NAPA CHIEF OFFICERS



REDLANDS, L1354



EL CENTRO, L3788



SANTA CRUZ CITY, L1716



ORANGE CITY, L2384



MURRIETA, L3540



WATSONVILLE, L1272



HEALDSBURG, L2604



CHULA VISTA, L2180



SANTA MARIA, L2020



PASO ROBLES, L4148



SONOMA VALLEY, L3593



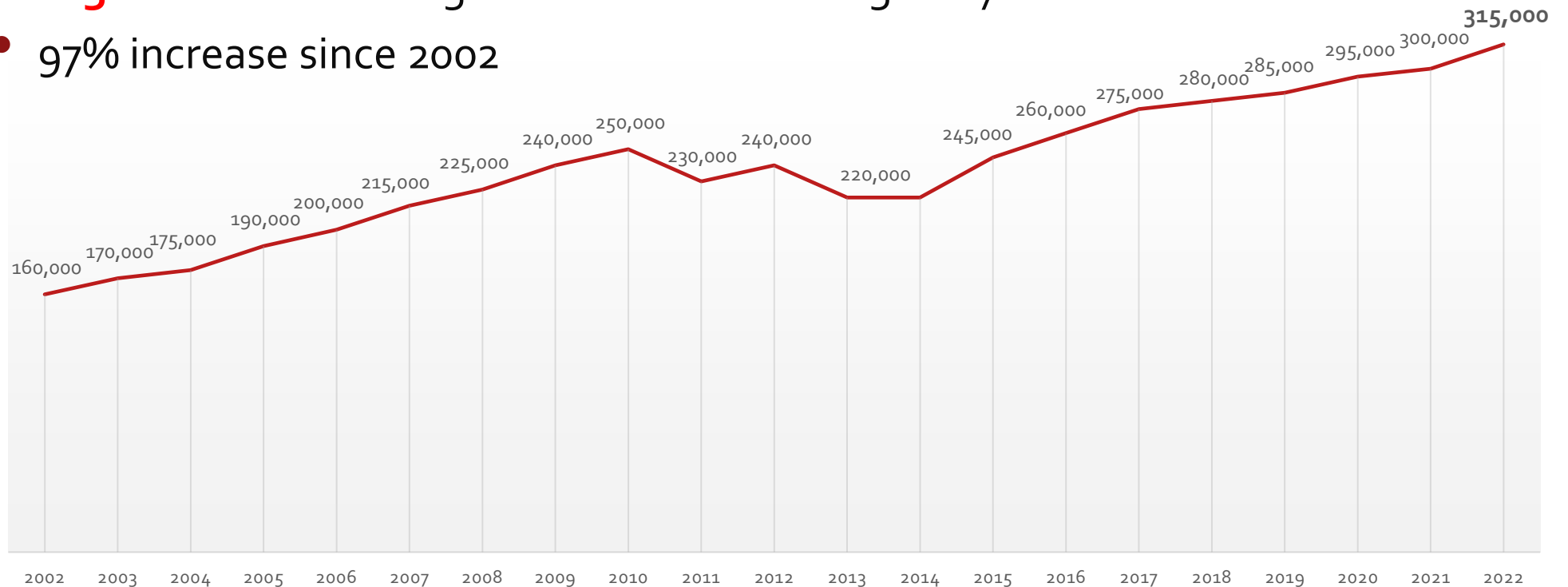
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Retiree Healthcare Cost Estimate

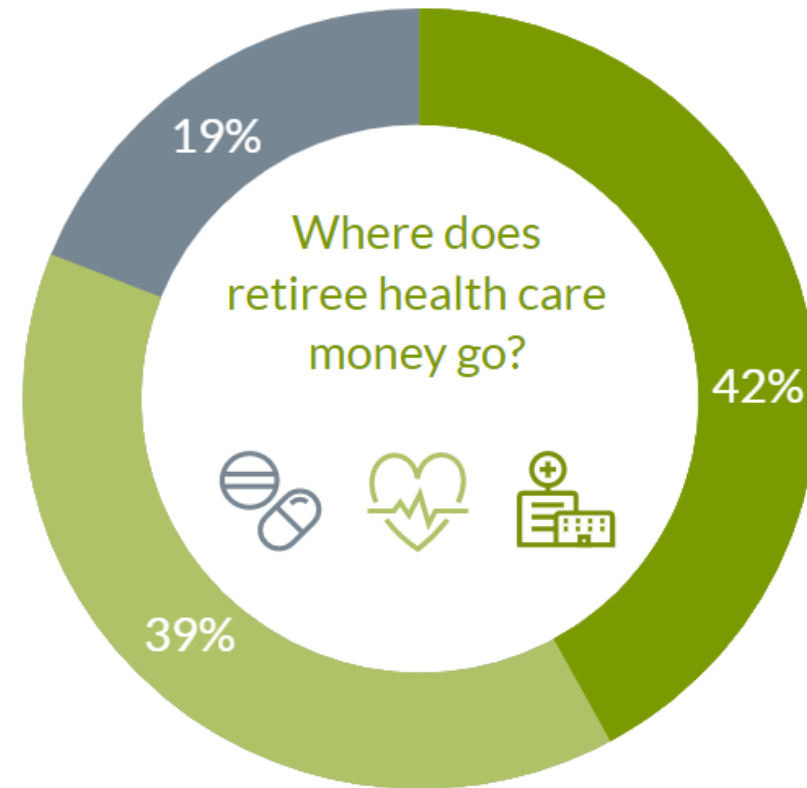
- \$315,000 Per Couple - Retirement Age:65
- **Higher** Cost if Retiring Prior to Medicare Eligibility
- 97% increase since 2002



Retiree Healthcare Spending

Where does retiree health care money go?²

- Other medical expenses including: co-payments, co-insurance, and deductibles for doctor and hospital visits
- Medicare Part B and Part D premiums: Doctor appointments and hospital visits
- Generics, branded drugs, specialty drugs



- Doesn't Include Long Term Care Insurance



Long-Term Care

An American turning 65 today has a 70% chance of needing long-term care

- Men need an average of 2.2 years of long-term care
- Women need 3.7 years on average
- Long-term care is not covered by Medicare
- Average cost of \$172,000 per person on a lifetime basis
- The average annual long-term care insurance premium for a 55-year-old couple today is \$3,050



Source:
U.S. Department of Health and Human Services
American Association for Long-Term Care Insurance



Challenges for FFAs and Employers

- Employers divesting from retiree medical obligations
- Employer GASB45 Reporting Requirements – OPEB Liabilities
- Bargaining units with multiple member benefit tiers
- Most FFA MOUs lack retiree medical benefits
- Health Insurance premiums outpacing inflation - 5.4% Annually
- CalPERS unfunded liability
- Firefighters experience a longer coverage gap from retirement to Medicare eligibility
- PEPRA



The Solution

CALIFORNIA FIREFIGHTERS

B E N E F I T T R U S T

- Designed to provide a **LIFETIME** monthly tax-free benefits to offset retirement medical expenses similar to defined benefit pension plan
- Can receive recurring **pre-tax Employee and/or Employer contributions** including **Vacation - Sick Leave** buy outs and **Health Insurance opt-out funds**
- **Tax-Exempt VEBA Trust** – Completely independent from employer or FFA.
No employer OPEB Liability
- **Better Alternative to 457 Plans** when used for retiree health care expenses
- Offers higher aggregate benefits than individual RHSA/HRA style accounts
- Assets can only be used for benefits and plan administration



Two Ways to Participate

Pooled Trust Account

All members participate

- Automatic payroll contributions
 - Employee contributions
 - Employer contributions
- Contribution level(s) determined by bargaining group
- Employee contribution may be adjusted by bargaining group
- Access lifetime benefits after meeting eligibility rules:
 - 60 months of contributions
 - Age 50 (45 if disabled)
 - Retired

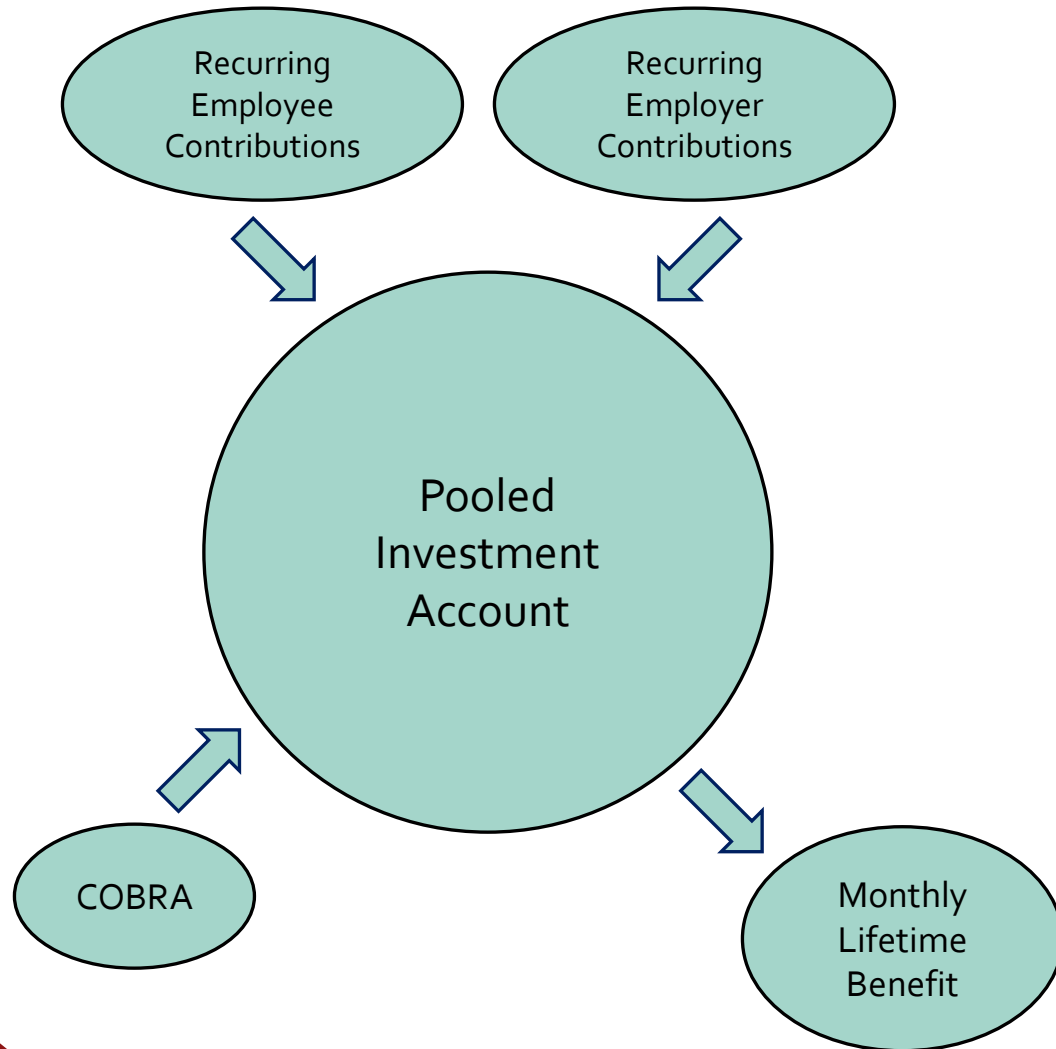
Individual Employee Accounts

Optional Participation

- Funded by:
 - **Sick/Vacation Leave** and/or employer lump sums
 - Transfers of participant's unused Pooled benefit
 - Participant's contributions that don't meet eligibility
- 6 investment option choices
- *Option to transfer Individual Account funds to Pooled Account for greater lifetime defined benefit*



Pooled Trust Account



- Funded by regular payroll contributions from all CFBT participants
- Pays **Monthly Lifetime Benefit**
 - (Like a defined benefit pension plan)
- Remains fully invested
- No reduction in benefits at Medicare
- Survivor continuance
- Can accept HC opt-out incentive and surplus cafeteria/flex funds
- No "Use it or Lose it"



Pooled Benefit Calculation

\$25 contributed earns 1 **Active Service Unit (ASU)**

Unit Multiplier (UM) determined by **Actuarial Study**

Effective 3/1/2022 UM=\$0.29

3/1/2019 – 2/28/2022 UM=\$0.23

3/1/2016 – 2/28/2019 UM=\$0.22

Inception – 2/29/2016 UM=\$0.21

ASUs x UM = Monthly Lifetime Benefit

50% Lifetime spousal survivor continuance*

*75% survivor continuance with dependent children



Monthly Pooled Benefit Examples

Monthly Contribution	UM	10-Year Participation	20-Year Participation	30-Year Participation
\$100	.23	\$110.40	\$220.80	\$331.20
	.29	\$139.20	\$278.40	\$417.60
\$200	.23	\$220.80	\$441.60	\$662.40
	.29	\$278.40	\$556.80	\$835.20
\$300	.23	\$331.20	\$662.40	\$993.60
	.29	\$417.60	\$835.20	\$1252.80
\$400	.23	\$441.60	\$883.20	\$1324.80
	.29	\$556.80	\$1113.60	\$1670.40

*This is presented as information only and is not a guarantee of benefits. See official Summary Plan Description (SPD) and other plan documents for current binding plan information.
The Trustees reserve the right to modify the plan as needed to maintain financial sustainability.*



What if I don't have 5 years of participation?

COBRA

- Post-tax, (or pre-tax with leave conversion) self-payment for up to 18 months

Sick / Vacation Leave Conversion

- Convert the cash value of sick and/or vacation leave into "Active Service Units" to reach ASU equivalent of 5 years
- Requires bargaining language for leave transfers to the Trust

***** OR *****

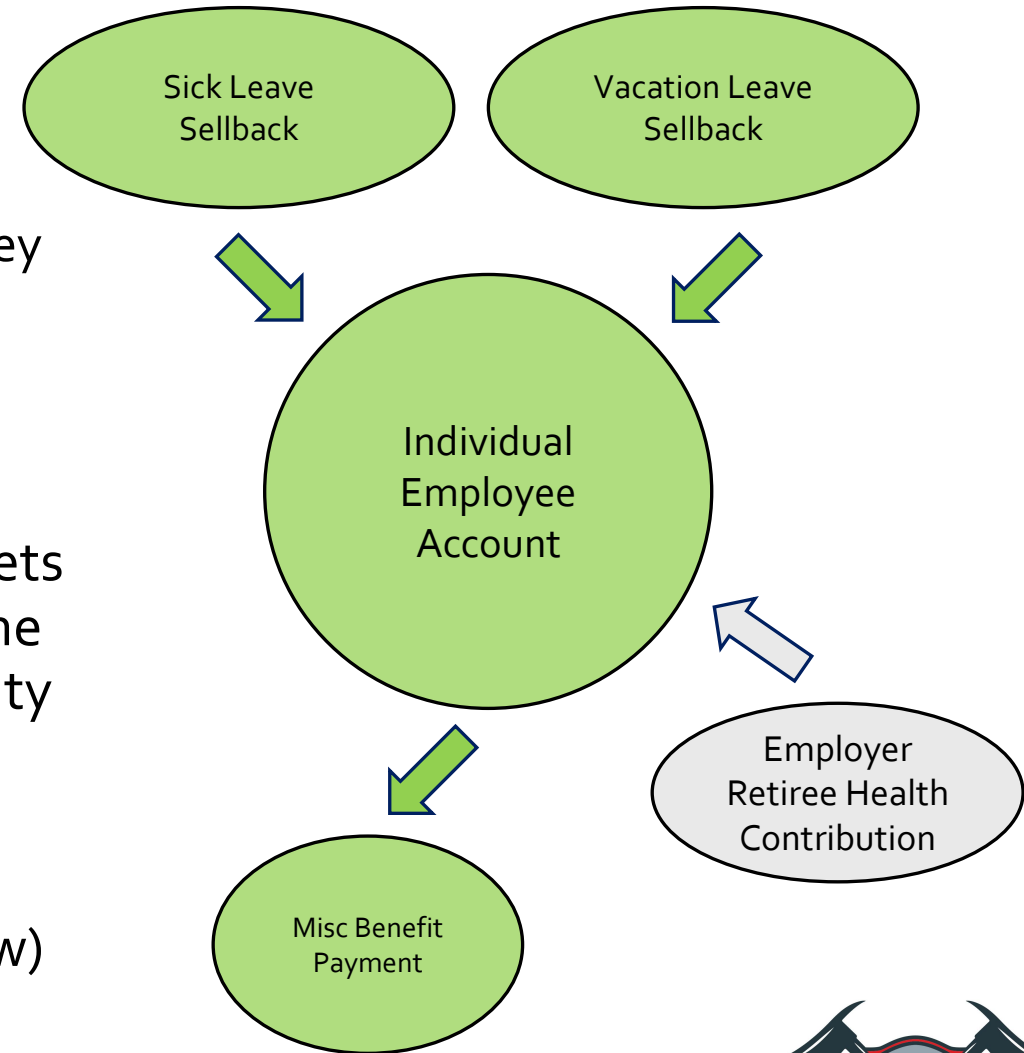
Individual Employee Account / Limited Beneficiary

- You have access to benefits for the reimbursement of Covered Expenses until you have recouped the contributions made to the plan on your behalf.
- There is no lifetime benefit
- Benefits may start immediately upon separation

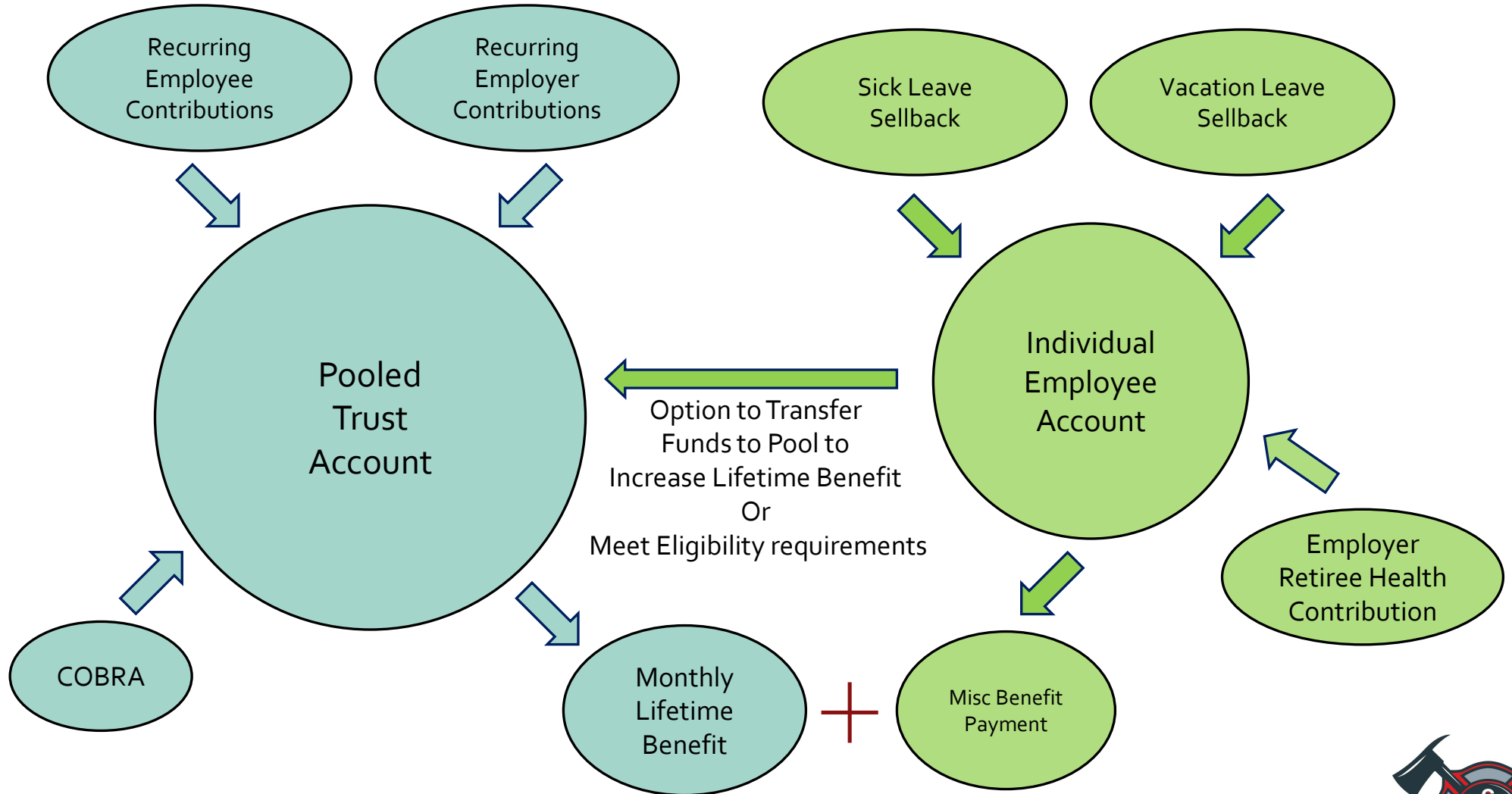


Individual Employee Accounts

- Funded by Sick / Vacation / Lump Sums
- Self-directed investment options:
Target Date (2030, 2040, 2050) – Bond – Money Market – Conservative Growth Fund
- Participant determines reimbursement amount (Like RHSA, HSA, HRA, 457 plans)
- Option to transfer **Individual Account** assets to **Pooled Trust Account** to increase lifetime monthly benefit or meet 60-month eligibility (see slide 19 for examples)
- Receives unused monthly **Pooled Benefit**
- Employer Retiree Health Contribution (New)
 - ▶ Established for *Limited Beneficiaries*



Trust Funding



Optional Transfer from *Individual Account* to Increase *Monthly Pooled Benefit**

Example 1: 35 y/o PEPRA member transfers \$5,000 to Pooled Account – Retires at 57 y/o
22 years deferral – ASU Value **\$18.50** = $5000/18.50 = 270$ ASUs $\times 0.29 =$
\$78.38 added to monthly lifetime benefit Return of Contributions: **64 months**

Example 2: 40 y/o Classic member transfers \$5,000 to Pooled Account – Retires at 55 y/o
15 years deferral – ASU Value **\$26.75** = $5000/26.75 = 187$ ASUs $\times 0.29 =$
\$54.20 added to monthly lifetime benefit Return of Contributions: **92 months**

Example 3: 45 y/o Classic member transfers \$5,000 to Pooled Account – Retires at 55 y/o
10 years deferral – ASU Value **\$34.25** = $5000/34.25 = 146$ ASUs $\times 0.29 =$
\$42.34 added to monthly lifetime benefit Return of Contributions: **118 months**

*See Actuarial *Conversion Chart* at www.FireFighterTrust.org > Plan Documents/Forms



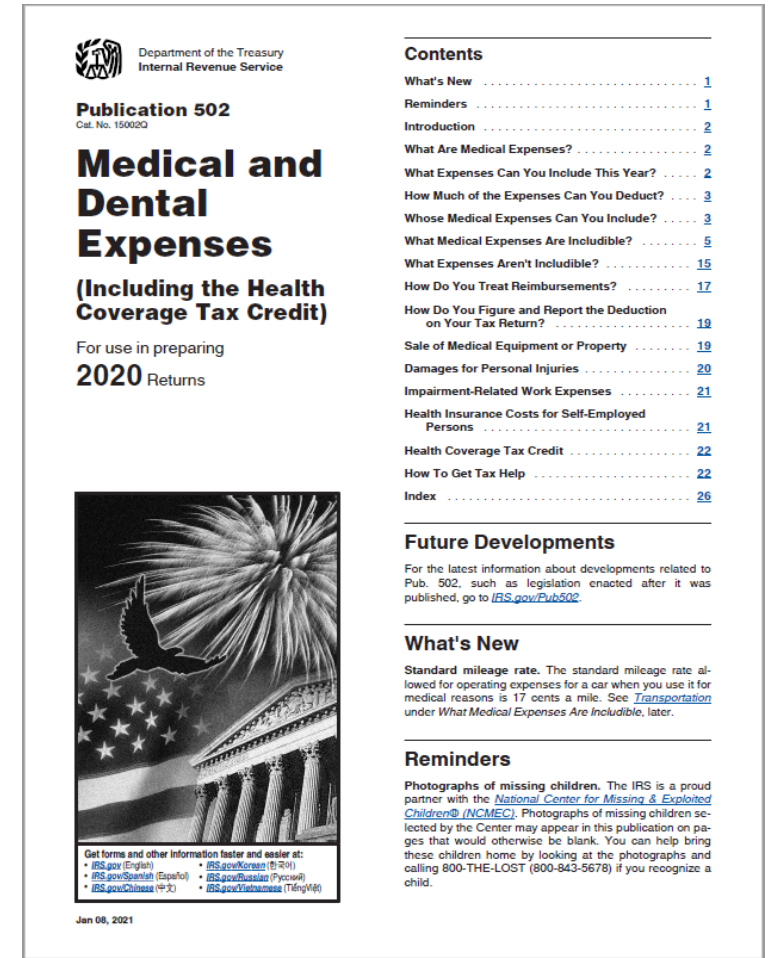
CFBT Compared to RHSA/PEHP



Tax-Free Contributions/Growth/Distributions	YES	YES
Mandatory Participation	YES	YES
Individual Accounts with Investment Options	YES	YES
Benefits Payable to Survivor/Eligible Dependents	YES	YES
Employer Contributions May Required Vesting Period	NO	YES
Can be Self-Funded through COBRA	YES	NO
Separate Entity from Employer	YES	NO
Governed by Participants (FF Labor Groups)	YES	NO
Lifetime Benefit Payments	YES	NO
Option to Annuitize Individual Account Funds	YES	NO
Paid Sales Representatives	NO	YES

What Can Be Reimbursed?

- Premiums for medical, dental, LTC and vision coverage for you and your family
- Co-pays, deductibles and prescriptions
- Medical, dental and vision expenses that aren't covered by insurance as defined by IRC 213d
- Identical to FSA expenses
- IRS Publication 502



Why is this good for Firefighters?

- **Superior Alternative to 457** to address retirement healthcare expenses in a more tax-advantaged manner
- **California's Largest Firefighter-Only RMT** committed to state-wide growth to maximize participant benefits
- Members may **Continue Participation After Promoting** out of represented bargaining unit
- **Multi-Employer Plan Design** opens RMT access to smaller FFAs
- **Lifetime** tax-free benefits
- Benefits extend to **Spouse and Dependents**
- **No Reduction** in benefits at Medicare age
- **No Cost or Liability to Employer**



How To Join

- Bargaining unit votes to join the Trust
- Determine contribution level and whether leave or other funding sources will be contributed into the Trust
- Participation acknowledged in MOU or Side Letter of Agreement
 - Sample MOU Language Provided
- Bargaining Unit representative and Employer sign Joinder Agreement
- Joinder fee - \$50/Participant - Covers Trust's administrative onboarding costs
- Administrator coordinates with employer for contributions and reporting
- Trustee will support association and employer representatives



Questions?



"The more annuitized resources retirees have at their disposal, the slower they draw down their wealth"
- Boston College Center for Retirement Research

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What's Next?



Washington State
Council of Fire Fighters



- Merger March 2023
- IAFF MERP
- Over 12,000 Firefighters
- Nationwide Plan