

## **Emeriti Program Q&A**

**Plan Effective Date:** July 1, 2006 for USFFA and ALP members

**Plan Effective Date:** January 1, 2007 for Administrative Staff, Executive Officers and CPS Faculty

### **What is Emeriti Retirement Health Solutions?**

Emeriti Health Solutions is a non-profit consortium serving the higher education community that offers comprehensive retiree medical benefits through:

- tax-advantaged savings and tax-free payout for health care,
- nationally available group health plans incorporating prescription coverage,
- tax-free reimbursements for other qualifying medical expenses.

### **What is the Emeriti benefit?**

It is a tax-advantaged way to invest and accumulate assets exclusively to help meet future retiree medical expenses through the Emeriti Health Account. Upon meeting USF's retiree definition, retirees can have access to a specially designed series of group health insurance options including Medicare Part D pharmacy benefits through the Emeriti Health Options, and a tax-free method to pay for other qualified out-of-pocket medical expenses not covered by Medicare or Emeriti through the Emeriti Reimbursement Benefit.

### **When will I be eligible for this benefit?**

Upon attaining age 40, USF will begin making a contribution to your Emeriti account. At that time you will also begin making the \$10 mandatory contribution. Due to the tax-free nature of this benefit your annual salary will be reduced by \$120 per year (\$10/mo x 12 months). You can at any time elect to contribute after-tax dollars into an Emeriti account as well.

### **When will I be vested?**

You will be vested for the University contribution once you have 10 years of benefits eligible service at USF.

### **What if I leave USF and come back to another benefits eligible position at USF?**

If your break in service is less than 3 years then your prior service will be counted toward your vesting status.

### **What is the difference between an Emeriti plan and a regular 403(b) or 401(k) plan?**

The Emeriti plan is used to fund health insurance premiums and pay for Qualified Medical Expenses (QME) when a participant retires from a university or college, whereas a regular 403(b) or 401(k) is used for any purpose during a participant's retirement. Additionally the Emeriti plan allows the money in your account to grow tax-free. Withdrawals are not taxed as they are with a 403(b) plan. Voluntary contributions to Emeriti are after-tax contributions and voluntary contributions to a 403(b) Plan are pre-tax.

### **What is Fidelity's role?**

Fidelity is the record keeper and investment manager for the Emeriti plans. Fidelity collects the contributions from the plan and participant, and then forwards the health insurance premium payments on to Aetna, who maintains the insurance benefits.

### **What is Aetna's role?**

Aetna maintains the health insurance benefits. Although the enrollment process takes place at Fidelity, all information is transmitted to Aetna, who maintains the health insurance benefits, such as issuing prescription cards.

### **I have many years before retirement and to worry about health insurance. What action would I want to take now and why?**

As an active employee, you currently have the opportunity to save for health insurance premiums you will have to pay later. The earnings will be tax-free and you will receive the benefits of compounding of interest. This is especially important as health care costs are on the rise and the current methods for coverage may not be adequate in the future. All payments of health insurance and QME's from the plan are tax-free.

When your account is first established, you will want to call Fidelity to confirm your investment elections (you will be defaulted in the Fidelity Freedom Funds according to your age), set up a dependent, set up your deferral elections for the voluntary contributions. There is no maximum for your after-tax voluntary contribution.

### **What is a dependent?**

A dependent is an individual who receives over half of his or her support from you, the participant, according to the IRS code 152-A (i.e. financially dependent children, spouses, financially dependent domestic partners). Not all of USF's LDA's would qualify as IRS financial dependents.

A dependent is different from a beneficiary, in that your funds would not be distributed to this person in the event of your death. Instead, they remain in the account and the dependent may be able to use the funds for their health insurance premiums or Qualified Medical Expenses.

If there are no dependents, or if the dependents predecease the employee, the following happens:

- 1) Employer contributions come back to the University and are used to offset future year expenses.
- 2) Voluntary employee contributions are distributed equally among participants who have also made voluntary contributions.
- 3) Mandatory Employee Contributions - because they are immediately vested and because all employees within the Plan are making these contributions, then forfeiture of these dollars would be distributed to all other employees in the Plan making Mandatory Contributions.

**I am getting close to retirement, maybe within the next year. What do I need to do to get signed up for health insurance?**

In order for you to be eligible to sign up for health insurance through the Emeriti program, you must meet certain criteria. First, you need to have met the retirement eligibility requirements of USF, age 60 and 10 years of service or age 65 and 5 years of service. Next, you will have had to be enrolled in Medicare part A and B. You will need your Medicare Part A and B numbers as well as effective dates for your enrollment call to Fidelity. Third, you must be at least 65 with a retired status on Fidelity's system. The status information is received from USF. Once this criteria is met, you would call 866-Emeriti and enroll (establish a dependent if applicable, set up your auto debit from your checking or savings account (ACH)) and choose a health insurance option). Please note: enrollment is effective the following month. If you call in September, your coverage effective date would be for October. You will have 30 days to enroll from your date of retirement.

**If you retire at age 65 or later and do not elect Aetna at that time, you will not be able to enroll in an Aetna plan unless you have a qualifying event.**

If you enroll in an Aetna plan, you may change your plan option annually at open enrollment.

**What is the ACH account for?**

The ACH (auto debit from your checking or savings account) ensures that your health insurance premium bill will be paid in the event that there are not enough funds in your Fidelity account to cover the cost. This is especially important if you are investing in the Fidelity Freedom Funds, as even the most conservative fund, the Freedom Income Fund, is still invested partially into the stock market, which can make your balance fluctuate.

If the premium bill goes un-paid more than two months in a row, your health insurance will be cancelled. At this time, checks and money orders are not accepted methods of payment.

**What about my spouse? Can he/she enroll as well?**

Yes. Under the IRS code, a spouse is considered a dependent. Keep in mind, however, that if your spouse is under the age of 65, he/she must enroll in a pre-65 health insurance option. If your spouse is over 65, he/she must wait until you are eligible for enrollment before they can enroll.

**What about domestic partners?**

They can enroll as well, but there are certain criteria that must be met. A non-dependent Domestic Partner (DP) can enroll in the health insurance plan, but they must pay their premiums through the ACH account. Dependent DP can also enroll, and are able to use the funds in the Fidelity account or through ACH.

**Are there any fees associated with this product?**

Yes. There are 3 different types of fees:

- Fidelity Recordkeeping Fee – \$5 per quarter taken at the beginning of each quarter while you are working. 50% USF Paid/50% Employee Paid.
  
- Participants enrolled in the health insurance plan or who have taken a QME are charged \$18.75.
  
- Emeriti Consortium Fee – taken at the beginning of each month. Each participant with a balance or enrolled in the health insurance plan will be charged \$4.00. 50% USF Paid/50% Employee Paid while working.
  
- QME Fee – charged with each QME claim package submitted. If a participant bundles their claims, only one fee is taken. The fee is \$6.
  
- Fees and expenses associated with the investment options will also apply. Please refer to the mutual fund prospectuses for more information about the investment fees.