QUESTIONS AND ANSWERS ABOUT EMERITI AND THE COLLEGE'S SPEND-DOWN PLAN
November 2015

EMERITI RETIREMENT HEALTH SOLUTIONS

What is the Emeriti Retirement Health Solutions program?

Emeriti Retirement Health Solutions is a consortium of higher education institutions and related nonprofit organizations that have partnered with TIAA-CREF, Aetna Insurance Company and Savitz to provide a program of health care benefits in retirement for employees of member institutions, such as Harvey Mudd. The college provides a monthly contribution to eligible employee's account with TIAA-CREF. The contribution, earnings on accumulations and payout for qualified medical expenses in retirement are tax-free. Employees may make voluntary after tax contributions to their account at TIAA-CREF as well. Investment earnings on accumulations of employee contributions and payout for qualified medical expense in retirement are also tax free.

THE DECISION TO TERMINATE THE COLLEGE'S PARTICIPATION IN THE EMERITI PROGRAM

1. Why is the College terminating this benefit?

The decision to terminate the Emeriti program was made after College administration and the Board of Trustees considered a number of factors, all of which were presented to the Faculty Budget Committee, the Faculty Executive Committee and the Board's Compensation and Personnel Policy Committee. The primary factors that were considered are:

- Low participation in the Aetna medical insurance benefit and medical expense reimbursement benefit
    - Since 2006, only four retirees have elected to enroll in a medical plan offered by Emeriti
    - Only 6% of eligible terminated and retired staff with account balances are drawing on their accounts
- High administrative fees
    - $6.67 in administrative fees are deducted each month from the College's contribution to active employees
    - $11.67 in administrative fees are deducted from each terminated/retired employee's balance
- Low participation in employee post-tax voluntary contributions
    - No active employees currently make voluntary contributions to their Emeriti accounts
    - Since 2006 only four employees have elected to make voluntary contributions to their Emeriti accounts
- Restrictions on being rehired after retirement
    - If a retired employee is enrolled in health insurance through Emeriti and/or submitting reimbursements to their Emeriti reimbursement account, they are not allowed to work for Harvey Mudd College. They either have to stop working or stop using their accounts and/or drop their health insurance.
    - It is not unusual for retired faculty and staff to be rehired at the College in a temporary capacity. Faculty return as adjuncts to teach periodically, and staff return to assist with transitions or provide back-up services.

2. When will the College stop making contributions to employee Emeriti accounts?

The College's final contribution will be in November. This will allow the Human Resources Office time to reconcile account balances and provide a final balance to employees who will be eligible to participate in the Two-Step Spend-Down Plan.

3. I made voluntary contributions to my Emeriti account. What happens to my contributions?

Any employee who made voluntary contributions to their Emeriti account will be refunded the balance in their account because it is the employee's money; not the College's.

4. Is the Emeriti Retirement Health Solutions program linked to the Academic Retirement Program and will that change as a result of the decision to terminate Emeriti?

The short answer is "no." The Academic Retirement Program is a 403(b) benefit and is separate and different from the Emeriti program which is also known as a VEBA trust. The two benefits are not linked and the change in the Emeriti program does not impact the Academic Retirement Program.

5. Are the other Claremont Colleges terminating their Emeriti programs?

The Emeriti program is a Harvey Mudd College benefit and it is not offered by all of the other Colleges. Only Claremont McKenna College has an Emeriti plan, but it is separate from Harvey Mudd's plan and managed by CMC.

6. Is this program being eliminated for both faculty and staff or just staff?

The Emeriti program is being eliminated for faculty and staff.

THE COLLEGE'S TWO-STEP SPEND-DOWN PLAN AND ELIGIBILITY TO PARTICIPATE

1. What will happen with the funds in current Emeriti accounts?

There is a substantial balance in active employee accounts and College administration wanted to benefit as many faculty and staff as possible with how the funds could be used and thus "spend-down" the balance. Staff in Human Resources and Business Affairs consulted with legal counsel about what is permissible vs. prohibited, especially since Health Reimbursement Accounts are highly regulated. The final decision was to implement a two-step spend-down plan because it will benefit the majority of active faculty and staff:

- Step 1 – From January 1 through December 31, 2016, eligible active and terminated faculty and staff will be able to spend down their accounts by submitting reimbursements for qualified medical expenses from their Health Reimbursement Account.

- Step 2 – Unspent funds as of December 31, 2016 will be pooled and used to pay the employee's portion of medical insurance beginning January 1, 2017 and ending December 31, 2017 or until the funds are exhausted, whichever occurs first.

2. Who can participate in the spend-down plan?

Active Faculty and Staff

To be eligible to spend down a Health Reimbursement Account in 2016 and have medical insurance premiums paid in 2017, an active faculty and staff member must meet the following conditions:

- Complete five years of service on or before December 31, 2015, and
- Be enrolled in a **medical** insurance plan through Harvey Mudd College

Terminated Faculty and Staff

To be eligible to spend down a Health Reimbursement Account in 2016, terminated faculty and staff must have completed five years of service at Harvey Mudd College by the date of their termination. They will be eligible to spend down their Health Reimbursement Account in 2016, but will not be eligible for Step 2 in 2017.

3. What if I have five years of service as of December 31, 2015, and resign or retire from the College in 2016? Will I have access to my account?

As long as you are eligible to participate in the spend-down program you will be able to submit reimbursements for qualified medical expenses through December 31, 2016. However, since you will no longer be an active employee with the College in 2017 and enrolled in a College medical insurance plan, you will not be eligible for payment of the employee share of medical insurance.

4. I don't have medical insurance through the College. Why can't I participate in the spend-down of my account?

To receive reimbursement for qualified medical expenses in your Health Reimbursement Account, you must be enrolled in a medical insurance plan offered by the College. The Affordable Care Act requires an HRA to be integrated with an employer's medical plan.

5. To be reimbursed for dental and vision expenses, do I have to be enrolled in a dental and/or vision plan offered by the College.

No – you do not have to be enrolled in a dental and/or vision plan to receive reimbursement from your HRA for these expenses; however, you must be enrolled in a medical plan through HMC (see question #2).

6. Who can be reimbursed for medical expenses through a Health Savings Account?

Active employees and their dependents who are covered by a medical insurance plan offered by the College are eligible to be reimbursed for qualified medical expenses.

Terminated employees may receive payment/reimbursement for qualified medical expenses for themselves and their dependents. Terminated employees may also receive reimbursement for health insurance premiums as well as other qualified expenses that are not covered by insurance.

Note: The IRS does not consider a domestic partner to be a spouse under federal tax law, regardless of state laws. Therefore, a domestic partner will not have access to HRA funds unless the domestic partner is a "qualified tax dependent" as defined by the IRS.

HEALTH REIMBURSEMENT ACCOUNTS

1. What is a Health Reimbursement Account?

A Health Reimbursement Account (HRA) is an IRS-approved, employer-funded, tax-advantaged plan that reimburses employees for eligible out-of-pocket medical expenses. HRAs are one of several programs authorized by the Internal Revenue Service (IRS) that give individuals tax advantages to offset health care costs.

2. How do Health Reimbursement Accounts work?

Employers choose the amount of HRA allowances to provide to employees (monthly or annual allowances). These funds are available for employees and their dependent(s) to receive reimbursement for eligible medical expenses that are NOT paid for by their medical, dental and vision insurance plan (e.g. a $20 copay for a doctor's visit). Once employees have eligible medical expenses, they either submit a reimbursement request to the plan's administrator, or if they are issued a debit card they can pay for the expenses with the card.

3. What is the difference between a Health Reimbursement Account, a Health Savings Account (HSA) and Flexible Spending Account (FSA)?

An HRA, HSA, and FSA are all IRS-approved plans where funds are used to pay for qualified medical expenses that are not paid by a health insurance plan on a pre-tax basis. However, there are some key differences:

- **HRA**: An HRA is funded by the employer.
- **HSA:** An HSA is a financial account and can be funded by the employer and/or the employee, as well as any other person (such as a family member). Contributions, other than employer contributions, are deductible on the eligible individual's tax return whether or not the individual itemizes deductions.
- **FSA:** An FSA account is typically funded 100% by employees.

4. What qualified medical expenses can be reimbursed through a Health Reimbursement Account?

A number of out-of-pocket medical expenses (what your medical plan does not cover) qualify for reimbursement. The following are examples of what qualifies; the list is not all-inclusive. More information will be available when the College finalizes its agreement with the third-party administrator who will manage reimbursements and account balances.

Acupuncture	Hearing Aids
Ambulance service	Hospital services
Contact lenses	Prescribed medicines
Dental treatment (includes orthodontia)	Surgery
Eyeglasses	Therapy

5. Can the College use the Emeriti fund balance for other benefits or compensation, e.g. make a contribution to the Academic Retirement Plan, pay for dependent tuition scholarships, give cash bonuses?

The short answer is "no." IRS regulations, the Affordable Care Act, and other regulations that govern Health Reimbursement Accounts prohibit the use of funds for other benefits and cash bonuses. The College was obligated to provide a "permissible benefit" that would benefit the majority and not favor one group of employees over another.

6. When the Emeriti plan is terminated, who will manage employee accounts?

The College is in the process of contracting with SelectAccount, a new third party administrator to manage accounts and reimbursements. Information on how to receive payment/reimbursement for qualified medical expenses will be made available to employees who are eligible to participate in the spend-down plan.

RETIREE HEALTH INSURANCE

When the plan terminates, retirees will not be able to enroll in medical insurance through Emeriti. What other choices do retirees have for medical insurance?

The Emeriti program offered several Medicare insurance plans to retirees age 65 and older with coverage available nationwide. While the Emeriti plans will no longer be offered, there are other options available to retirees that include the Kaiser Senior Advantage group plan offered by The Claremont Colleges, numerous plans for those who wish to remain in California, and over 1,900 Medicare plans offered nationwide. Staff in HMC's Human Resources Office and CUC Benefits Administration are available to help retirees in selecting a plan. There are also local programs that offer free retiree benefit counseling services and the HR Office will help with making meeting arrangements with a counselor in person or on the phone.
