



# **IAFF** MERP

## MEDICAL EXPENSE REIMBURSEMENT PLAN

# NAVIGATING MERP

SPRING 2023

### **DiMartino Associates**

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# DIMARTINO ASSOCIATES

Employee Benefits Consulting Firm located in Seattle, WA

- Specializing in self-insured Union-Sponsored Trusts, Taft-Hartley Trusts and Association Health Plans
- Joined Brown & Brown Insurance in 2010

Worked with Washington State Council of Fire Fighters (WSCFF) since 1999, to build Union-sponsored benefit programs for their member Locals

- WSCFF Life & Disability Program
- IAFF Medical Expense Reimbursement Plan (previously known as WSCFF MERP)
- IAFF Health & Wellness Trust (previously known as Northwest Fire Fighters Benefits Trust)



# THE IAFF MERP

A ***RETIREE MEDICAL TRUST (RMT)*** IS A PARTIAL SOLUTION TO HELP IAFF MEMBERS PLAN FOR MEDICAL EXPENSES IN RETIREMENT

MERP PROVIDES A TAX-SHELTERED, ***LIFETIME*** MONTHLY BENEFIT TO FIRE FIGHTERS FOR REIMBURSEMENT OF MEDICAL EXPENSES



# WHAT IS A RETIREE MEDICAL TRUST (RMT)?

*Completely Tax-Sheltered*

Entire Bargaining Unit (or Eligible Class) must participate

- No individual election
- Defined Eligible Classes are permissible

Pre-Tax Contributions are made on behalf of active employee

- Employer Contributions
- Mandatory Employee Contributions
- Sick/Vacation Leave Transfer
- Other Lump Sum Transfers



Contributions are pooled and held in a Trust\*

\* Lump sum transfers can be directed to Individual Employee Account rather than to the Pooled Account

Upon retirement, members receive regular benefit payments reimbursement of healthcare expenses which are *non-taxable* to the retiree

***MERP IS A \*LIFETIME\* MONTHLY BENEFIT FOR THE ELIGIBLE RETIREE.***



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# WHAT 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 IRS 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
- Benefits are tax-free under IRS Section 105



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# TRUST HISTORY & GOVERNANCE

Created by the Washington State Council of Fire Fighters (WSCFF) in 1999.

Current governance through a Board of thirteen (13) Fire Fighter Trustees from Participating Locals.

## Partnership with IAFF beginning in 2022

- Trust now referred to as the “IAFF MERP”
- Trust added four (4) appointed Trustee positions (IAFF DVP, Eastern, Western and At-Large)

## Trust Advisors have served Board since plan inception

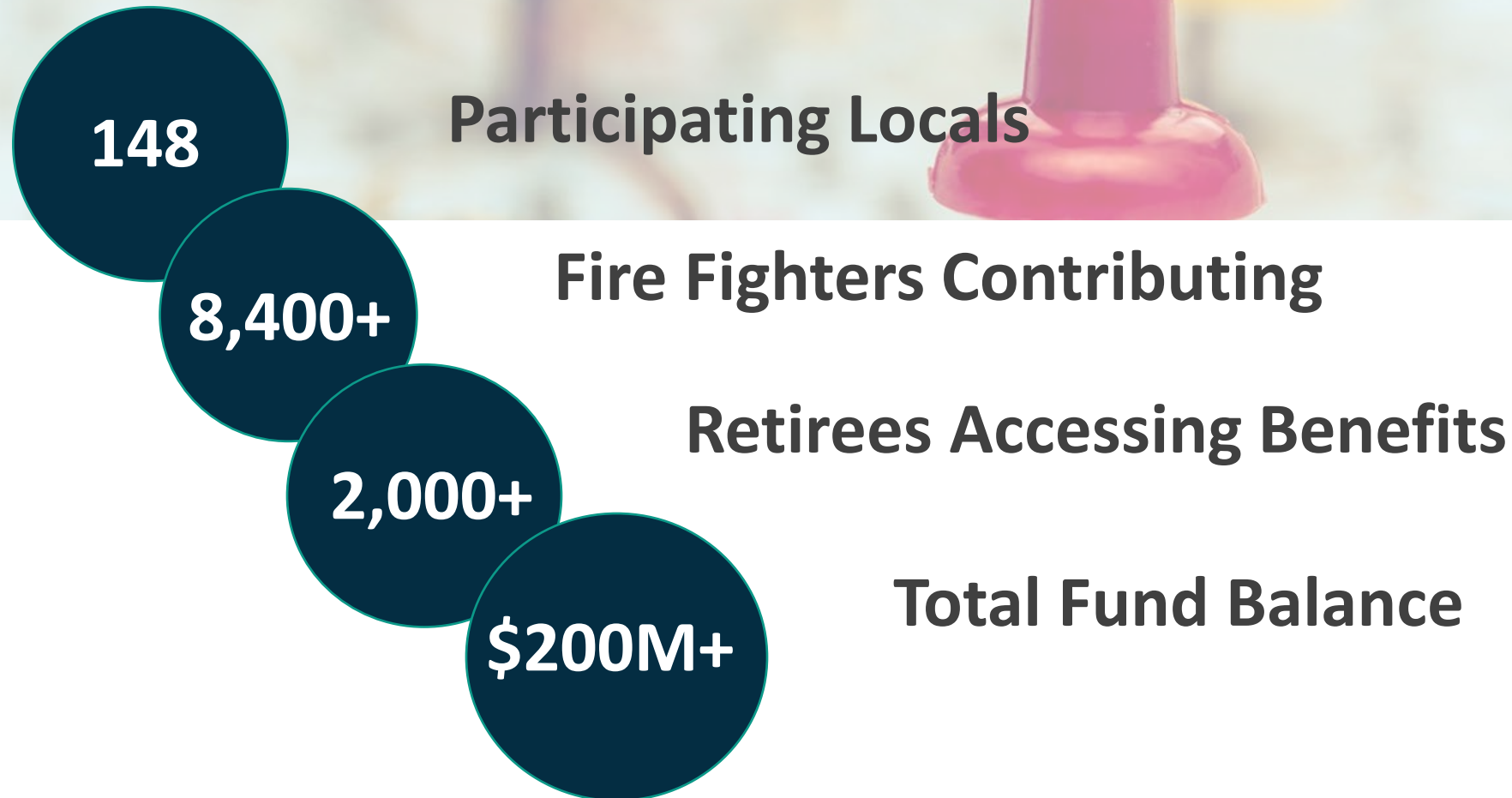
- Trust Consultant – DiMartino Associates
- Legal Counsel – Wagner Law Group
- Trust Administrator – Vimly Benefit Solutions



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# 2023 IAFF MERP PARTICIPATION



# RETIREES ACCESSING 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	1,080	\$2,727,694
<b>2020</b>	<b>1,390</b>	<b>\$3,535,234</b>
<b>2021</b>	<b>1,646</b>	<b>\$4,417,144</b>
<b>2022</b>	<b>1,944</b>	<b>\$5,447,889</b>

MERP paid out almost \$5.5 Million to more than 1,900 retirees in 2022

MERP has paid out more than **\$21 Million** in benefits to Plan Beneficiaries since 2006

*Data through December 2022*



**IAFF Health & Wellness Trust**



# TRUST PARTICIPATION

## Does every member of the Local have to participate?

- Every member of the identified bargaining unit (or defined Eligible Class) must participate – *no individual election*
- There must be a collective bargaining agreement\* that designates contribution levels and makes it mandatory for members in the bargaining unit (or defined eligible class)
- In some instances, you may designate different classes of employees within the bargaining unit (example: date of hire or years of service)

\* Protocols available for Locals without collective bargaining



# TRUST PARTICIPATION

## Contribution Models

- **Level Across Bargaining Unit** – all members contribute same amount
- **Tiered Based on Length of Service** – Contributions increase with income

### Example

- Members with 10 Years of Service: \$150/month
- Members with between 10-20 years of service: \$300/month
- Member with 20 or more years of service: \$400/month
- **By Defined Class** – Contribution levels by Date of Hire

### Example

- Members hired on or before January 1, 2010: \$150/month
- Members hired after January 1, 2010: \$300/month



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# CONTRIBUTION AMOUNT

## How much is the Monthly Contribution Amount?

- Generally, contributions are in increments of \$25\*
- Minimum contribution is \$75/month. There is no maximum monthly contribution limit.
- Contribution amount must be the same across the entire bargaining unit (or Defined Eligible Class)

Monthly Contributions by Group (\$)									
\$50	\$75	\$100	\$125	\$150	\$175	\$200	\$225	\$250	\$300
3	57	28	6	29	3	9	5	4	4

\* Trust can accommodate contributions that are *not* in multiples of \$25



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# ACTIVE SERVICE UNITS

## How is the Monthly Benefit determined?

Your monthly benefit is based on the total number of Active Service Units (ASU) accrued throughout your career.

One (1) ASU is earned for every \$25 contributed to the plan on your behalf.

Example: \$100/month contribution = 4 ASU per month (or 48 ASU per year)



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# THE UNIT MULTIPLIER

## How is the Monthly Benefit determined?

The Unit Multiplier (UM) is actuarially determined based on plan design/assumptions, contributions, administrative expenses, plan demographics and investment performance.

The UM can, and will, change over time.

$$\text{Your Monthly Benefit} = \text{ASU} \times \text{UM}$$

Effective 7/1/2015, the UM is \$0.41



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# SAMPLE MERP BENEFITS

Estimated Monthly Benefit (UM = 0.41)					
<u>Monthly Contribution</u>	<u># of ASU per Month</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
\$125	5	\$246.00	\$369.00	\$492.00	\$738.00
\$150	6	\$295.20	\$442.80	\$590.40	\$885.60
\$200	8	\$393.60	\$590.40	\$787.20	\$1,180.80
\$225	9	\$442.80	\$664.20	\$885.60	\$1,328.40
\$250	10	\$492.00	\$738.00	\$984.00	\$1,476.00
\$275	11	\$541.20	\$811.80	\$1,082.40	\$1,623.60
\$300	12	\$590.40	\$885.60	\$1,180.80	\$1,771.20



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# SAMPLE CALCULATIONS

Fire Fighter #1 - \$75 contribution for 11 years

$\$75 = 3 \text{ ASU per month} \times 12 \times 11 \text{ years} = 396 \text{ ASU}$

$396 \times .41 = \$162.36$  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

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

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

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

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

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

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



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# CONTRIBUTION VS BENEFIT PAYOUT

Fire Fighter #1 – Contributed \$9,900 throughout their career and receives a benefit of \$162.36/month.

$$\$9,900 / \$162.36 = 61 \text{ months}$$

Fire Fighter #2 – Contributed \$19,500 throughout their career and received a benefit of \$319.80/month.

$$\$19,500 / \$319.80 = 61 \text{ months}$$

Fire Fighter #3 – Contributed \$43,500 throughout their career and receives a benefit of \$713.40/month.

$$\$43,500 / \$713.40 = 61 \text{ months}$$

Based on the current UM (\$0.41), if you access your full benefit for *just over five (5) years*, you will receive 100% of your active monthly contributions\* back in benefit payout.

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



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# LIFETIME BENEFIT ELIGIBILITY

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

- Be at least 53 years old\*,
- Have at least five (5) years [or 60 months] of contributions, and
- Have separated service from the participating employer group

**\*Early Benefit Access:** MERP allows early access (prior to age 53) of benefit with the following criteria:

- You must meet your State's definition of Retirement or Disability Retirement.
- Your Early Benefit will be based on an actuarial table which reduces your lifetime monthly benefit - actuarial value of the benefit is the same as if you had waited until age 53
- Electing to take your MERP benefit early is optional – members can choose to wait until age 53 when their benefit will be whole



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# LIFETIME BENEFIT ELIGIBILITY

What if Retiree doesn't have five (5) years of participation?

## COBRA

- Post-tax, self-payments for up to 18 months

## Short-Timer Benefits / Limited Beneficiary

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

## Lump Sum Transfers

- Lump Sum Transfer (ex: sick / vacation leave) can be converted into Active Service Units (Requires Local bargaining language)
- One (1) Year of "Active Service" = 36 ASU



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# LUMP SUM TRANSFERS

Local may add contractual language allowing for Lump Sum Transfers into MERP *tax-free*.

Eligible Lump Sum Transfers include:

- Non-Elective Sick or Vacation Leave
- Any other Lump Sum Transfer on behalf of Eligible Employee (or Retiree) that is pursuant to a Collective Bargaining Agreement or other similar written agreement

Employee (or Retiree) must be prohibited from receiving any portion of the Lump Sum Transfer in cash



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# LUMP SUM TRANSFERS

Example: Sick / Vacation Leave Transfer

Local can define % of Sick / Vacation Leave – same rule must apply to all members while language is in place

- Leave may be transferred annually or at separation
- Leave may be used to purchase COBRA at \$25/ASU
- Local may offer members a choice between transfer to MERP or to Deferred Comp (or VEBA, if available) – a cash out option can not be offered



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# LUMP SUM TRANSFERS

Lump Sum Transfers may come across to MERP in two ways (elected by individual at the time of transfer):

**Option 1:** Conversion to ASU - The cost per ASU is determined by member's age at the time of conversion. This option *increases* the Lifetime Monthly Benefit.

**Option 2\*:** Lump Sum Transfer to **Individual Employee Account**. Funds in the Employee Account can be accessed immediately following retirement.

**\*Lump Sum Transfers do not purchase "time" in MERP**

## **DEFAULT - if Not Positively Elected**

- **Under Age 40 at time of Transfer:** Full amount will be converted to ASU using the age conversion table
- **Age 40 or older at time of Transfer:** Full amount of Lump Sum will be transferred to the Accumulated Benefit account.



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# SICK / VACATION LEAVE TRANSFER

Age at Time of Conversion	Cost per ASU	Age at Time of Conversion	Cost per ASU
24	\$9.84	40	\$27.59
25	\$10.49	41	\$29.43
26	\$11.19	42	\$31.38
27	\$11.94	43	\$33.47
28	\$12.73	44	\$35.70
29	\$13.58	45	\$38.07
30	\$14.48	46	\$40.60
31	\$15.45	47	\$43.30
32	\$16.48	48	\$46.18
33	\$17.57	49	\$49.26
34	\$18.74	50	\$52.53
35	\$19.99	51	\$56.02
36	\$21.32	52	\$59.75
37	\$22.74	53	\$63.72
38	\$24.25	54	\$63.00
39	\$25.87	55	\$62.23



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# SICK / VACATION LEAVE TRANSFER

**Example:** FF with \$15,000 (tax-free) of leave to convert into MERP, retiring at age 53, with active contributions of \$150 / month at the time of separation

## Option 1: Convert leave into ASU

- Retiree elects COBRA @ \$150 / month for 18 months:  $\$2,700 / \$25 = 108$  ASU
- **Remaining Cash Value to Convert:**  $\$12,300 / \$63.72^* = 193$  ASU
- Fire Fighter receives 301 additional ASU from sick leave cash value; equates to another \$123.41 added onto the Lifetime Monthly Benefit

## Option 2: Lump sum transfer to Individual Employee Account

- Retiree would have access to the entire \$15,000 cash value on day 1 of retirement

## Option 3: Hybrid Conversion / Lump Sum Transfer Option

- Retiree elects COBRA for 18 months using \$2,700 to purchase 108 ASU
- Remaining \$12,300 is transferred into the Individual Employee Account
- Lifetime Monthly Benefit is increased by \$44.28 / month



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# INDIVIDUAL EMPLOYEE ACCOUNTS

Your Lifetime Monthly Benefit will be paid out of the Trust's Pooled Account.

Individual Employee Accounts will be funded, as applicable, by:

- Lump Sum Transfers (except those converted to ASU)
- Retiree Contributions (must be bargained or similar)
- Investment Earnings/Losses on the Employee Account

**MERP has six (6) established investment options**

Selection of investment option occurs during the annual investment selection period.

\* Initial investment selection made within 30 days of Employee Account being established



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# ACCELERATED BENEFIT OPTIONS

One-time choice at retirement to select a “Level Benefit” of one of three different “Accelerated Benefit” options

- Accelerated Benefit options will pay a larger benefit pre-65 and a reduced benefit post-65
- Calculated using an age-adjustment factor based on your age at retirement – all options are actuarially equivalent

## 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

Retired Age 57  
15 years in MERP  
@ \$75 / month



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# SURVIVOR BENEFIT

Survivor Benefit Amount: 50% of Eligible Retiree Benefit – must be paid to a tax dependent

**\*NEW\*** Survivor Benefit Options:

**Option A: Lifetime Surviving Spouse Benefit** – Under this option, the Eligible Retiree's Monthly Benefit Level is actuarially reduced based on Retiree's age at retirement.

**Option B: Limited Surviving Spouse Benefit** – Surviving Spouse benefit payable to Medicare Eligibility of the Surviving Spouse without an actuarial reduction to Eligible Retiree's Monthly Benefit Level.



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# SURVIVOR BENEFIT - EXAMPLE

## Option A – Lifetime Survivor Benefit

<b>Option 1: Level Benefit</b> Constant Benefit Level = \$210.33 <i>*Default Option</i>	<b>Option 2: Accelerated Benefit</b> Pre-65 Benefit Level = \$252.21 Post-65 Benefit Level = \$168.14
<b>Option 3: Accelerated Benefit</b> Pre-65 Benefit Level = \$280.10 Post-65 Benefit Level = \$140.05	<b>Option 4: Accelerated Benefit</b> Pre-65 Benefit Level = \$314.92 Post-65 Benefit Level = \$104.97

## Option B – Limited Survivor Benefit (to age 65)

<b>Option 1: Level Benefit</b> Constant Benefit Level = \$221.40 <i>*Default Option</i>	<b>Option 2: Accelerated Benefit</b> Pre-65 Benefit Level = \$265.49 Post-65 Benefit Level = \$176.99
<b>Option 3: Accelerated Benefit</b> Pre-65 Benefit Level = \$294.84 Post-65 Benefit Level = \$147.42	<b>Option 4: Accelerated Benefit</b> Pre-65 Benefit Level = \$331.49 Post-65 Benefit Level = \$110.50

Retired Age 57  
15 years in MERP  
@ \$75 / month



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# SURVIVOR BENEFIT

Survivor Benefit is payable when:

- Fire Fighter would have otherwise been eligible for the Lifetime Monthly Benefit (i.e.; age 53 for full benefit)
- If FF was not yet eligible for Lifetime Benefit, Survivor is entitled to a 24-month Bridge Benefit; benefit then suspended until FF would have attained Lifetime Benefit eligibility
- Survivor of a “Short Timer” has access to 100% of FF’s contributions for reimbursement of eligible medical expenses



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# 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 monthly, quarterly, annually or as needed
- Trust Administrator will verify that expense is eligible for reimbursement and direct deposit funds to Fire Fighter's account of choice
- Any unused benefit amounts will credit to your Accumulated Benefit account for later use, whenever you need them. Indefinitely.
  - Anything remaining in your **Accumulated Benefit** account following your death will be passed on to your Survivor for complete spend down



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# THE TRUST ADMINISTRATOR

## Vimly Benefit Solutions is the Trust Administrator

- Monthly Billing + Eligibility Administration
- Retiree Benefit Administration
- Benefit Calculation Assistance
- MERP Online Portal

WSCFF Medical Expense Reimbursement Plan

**Calculate Estimated Monthly Benefit Amount at Retirement**

Applies to members with existing **pooled account benefits only**. To calculate your estimated monthly benefit amount upon retirement, enter or select your expected retirement date below and click calculate. Desired Sick Leave/Vacation amount is only offered by some employers. Please follow up with your employer if you are unsure about whether this applies to you.

EXPECTED RETIREMENT DATE  
05/05/2022

☐ Anticipated sick leave / vacation

**Calculate**

**My Account Balance (Individual)**

An employee account is maintained by the Trust in the name of an employee. This account reflects certain contributions made to the Trust per your bargaining agreement. Please see the Summary Plan Description for additional information.

Balance \$0.00

**My Accumulated Benefit**

Unused Benefit \$0.00

**View My Statement**

**Active Service Units (ASUs) History**

The list below only shows the last 60 months of ASUs earned.

Authority	ASUs
Puget Sound Regional Fire Authority	6
Puget Sound Regional Fire Authority	6
Puget Sound Regional Fire Authority	6
Puget Sound Regional Fire Authority	6

### Calculate Estimated Monthly Benefit Amount at Retirement

Applies to members with existing **pooled account benefits only**. To calculate your estimated monthly benefit amount upon retirement, enter or select your expected retirement date below and click calculate. Desired Sick Leave/Vacation amount is only offered by some employers. Please follow up with your employer if you are unsure about whether this applies to you.

EXPECTED RETIREMENT DATE  
05/05/2022

☐ Anticipated sick leave / vacation

**Calculate**

MONTHS UNTIL RETIREMENT (OPTION 1)	
AGE AT RETIREMENT	62yr 11mo
CONTRIBUTIONS TO DATE	\$15,750.00
ESTIMATED ADDITIONAL CONTRIBUTIONS BY RETIREMENT	\$1,200.00
ESTIMATED EARNED ASUBS BY RETIREMENT	48
ESTIMATED TOTAL EARNED ASUBS BY RETIREMENT	678
LIFETIME ESTIMATED MONTHLY BENEFIT	

ACCELERATED ESTIMATED BENEFIT	
OPTION 2	
PSE-45	\$383.39
POST-45	\$255.59
OPTION 3	
PSE-45	\$473.14
POST-45	\$236.57
OPTION 4	
PSE-45	\$617.90
POST-45	\$205.97

**DISCLAIMER:** All the information presented in regard to the calculator is for educational and resource purposes only. This calculator is a tool you can use to render an estimate based on the date you provide for commencement of MERP benefits, as well as current Plan terms. It may not represent what you will eventually receive as your final monthly benefit amount. Estimates rendered by this calculator are not binding on the Trust. These estimated calculations use the current Unit Multiplier and current Plan requirements. The Board of Trustees reserves the right to adjust the Unit Multiplier for calculating monthly benefit levels up or down at any time for some or all current and/or future Beneficiaries. The Trustees also have authority to modify the terms of the Plan at any time.



# PROMOTED OUT MEMBERS

## Special Agreement for Promoted-Out Members

Under this Special Agreement, promoted-out members may continue contributing to MERP

- Promoted-out individual(s) must have started in MERP as a bargaining unit member(s)
- No individual election amongst promoted-out members after the agreement effective date
- Promoted-out members are limited to same contribution amount as bargaining unit members



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# REVIEW OF FUNDING MECHANISMS

MERP can be funded in the following ways:

## Regular Monthly Contributions

- Mandatory Monthly contributions made by the employer of behalf of each Eligible Member
- Mandatory Monthly contributions made by the employee via pre-tax payroll deduction

Lump Sum Transfers converted to Active Service Units using the Leave Conversion Table (or transferred dollar-for-dollar into the Individual Employee Account)

- Mandatory Sick/Vacation Leave Transfer
- **\*NEW\*** Mandatory Retiree Contributions – can also be set up as monthly



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# HOW TO JOIN THE IAFF MERP

Locals with Collective Bargaining: MERP must be bargained into your contract.

- Master Application
- Joinder Agreement
  - 3-way signed agreement: Trust, Employer and Local
- Copy of bargaining language or MOU
- Enrollment for each Eligible Member (forms or census enrollment)

All bargaining unit members within the Defined Eligible Class must participate. Non-Local members cannot be excluded.



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# SAMPLE BARGAINING LANGUAGE

## SAMPLE MOU LANGUAGE FOR LEAVE TRANSFER TO IAFF MERP

1. **DEFINED CLASS OF EMPLOYEES RECEIVING CONTRIBUTIONS.** For this Section \_\_ of the Memorandum of Understanding, the "Defined Class" of employees receiving contributions to the Medical Expense Reimbursement Plan (hereafter, the "MERP") of the WSCFF Employee Benefit Trust (hereafter, the "Trust"), as set forth below, consists of all employees *[or all employees hired after xx/xx/xx or all employees employed in X job classification]* of \_\_\_\_\_ (hereafter, the "Employer") represented by the \_\_\_\_\_ (hereafter, the "Local").

2. **EMPLOYEE CONTRIBUTION AMOUNT.** The Employer and the Local agree that the Employer shall withhold a mandatory contribution of \$X00\* per month *[or per pay period]* on a pre-tax basis from the pay of every employee in the Defined Class who is a member of the bargaining unit represented by the Local and shall transmit such contributions to the Trust pursuant to the requirements in Section 3 below. No employee in the Defined Class shall be permitted to opt-out of the mandatory contributions or receive any portion of the contribution in cash.

3. **SICK AND/OR VACATION LEAVE TRANSFER.** The Employer and the Local agree that the Employer will make the following mandatory transfers, on a pre-tax basis, to the Trust on behalf of every employee who is represented by the Local:

- a. **Mandatory Accrued Leave Contribution to Trust at Retirement.** For every employee who is represented by [Local], the Employer shall, upon the employee's retirement from the Employer and on behalf of the employee, irrevocably contribute to the Trust on a pre-tax basis, an amount equal in value to X% of the payments that would otherwise be paid to the employee for unused sick *[and/or vacation]* leave under this Memorandum of Understanding. *[If less than 100%, add: The remaining Y% of the accrued leave payout entitlement under this Memorandum of Understanding shall continue to be paid in cash to the employee upon retirement.]*
- b. **No Individual Employee Election.** The employee shall not have the option to receive a cash payout for the value of the accrued leave contributed to the Trust in lieu of making contributions to the Trust. In addition, the employee shall not have the option to contribute a larger or smaller percentage of accrued leave than the percentage indicated in Section 3(a) above.

[ALTERNATIVE SECTION 3 LANGUAGE TO ALLOW OPTION BETWEEN TAX DEFERRED PLANS]

3. **SICK AND/OR VACATION LEAVE TRANSFER.** The Employer and the Local agree that the Employer will make the following mandatory transfers, on a pre-tax basis, on behalf of every employee who is represented by the Local. The employer will make the following mandatory transfers of accrued leave to the plan selected by the

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IAFF MERP  
Sample MOU Language  
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employee, ~~as long as~~ the employee provides written notice of the selection at least \_\_\_\_ days prior to retirement date. The employee can select from the following plans for transfer of accrued leave: MERP; employee's deferred compensation account; or employee's \_\_\_\_\_ VEBa account. If an employee fails to timely notify the Employer's payroll department of the employee's election for the transfer, then the Employer will transfer all accrued leave, as designated below, to the MERP. If the employee selects to transfer the following accrued leave to the deferred compensation account, but all or a portion of the transfer exceeds the maximum allowable transfer to the deferred compensation plan, then the Employer will transfer that portion that exceeds the maximum deferred compensation contribution to the MERP.

a. **Mandatory Accrued Leave Contribution to Trust at Retirement.** For every employee who is represented by [Local], the Employer shall, upon the employee's retirement from the Employer and on behalf of the employee, irrevocably contribute to the Trust on a pre-tax basis, an amount equal in value to X% of the payments that would otherwise be paid to the employee for unused sick *[and/or vacation]* leave under this Memorandum of Understanding. *[If less than 100%, add: The remaining Y% of the accrued leave payout entitlement under this Memorandum of Understanding shall continue to be paid in cash to the employee upon retirement.]*

b. **No Individual Employee Election.** The employee shall not have the option to receive a cash payout for the value of the accrued leave designated for contribution to a plan pursuant to this Section. In addition, the employee shall not have the option to contribute a larger or smaller percentage of accrued leave than the percentage indicated in Section 3(a) above.

4. **EMPLOYER CONTRIBUTION AMOUNT.** The Employer shall make a mandatory contribution of \$X00\* per month *[or per pay period]* on a pre-tax basis for every employee in the Defined Class. No employee in the Defined Class shall be permitted to opt-out of the mandatory contributions or receive any portion of the contribution in cash.

*[Employer contribution amount does not have to match employee contribution amount.]*

5. **REMITTANCE OF CONTRIBUTIONS.** The Employer shall remit the above accrued leave contributions directly to the Trust for the duration of the Memorandum of Understanding. Those contributions shall be remitted directly to the custodian of the Trust within 30 days of the date the payment would have been payable to the employee.

The Employer hereby acknowledges receipt of the Trust Agreement governing the Trust and will comply with rules set by the Trust Office in regard to reporting and depositing the required contributions set forth herein.

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IAFF MERP  
Sample MOU Language  
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*[The Local negotiating team should deliver a copy of the Trust Agreement to the Employer, and keep evidence of doing so, e.g., a signed receipt from the employer.]*

6. **REPORTING TO TRUST OFFICE.** The Employer shall electronically submit to the Trust Office a monthly *[or per pay period]* report of contributing employees for each contribution sent to the Trust, in the format requested by the Trust, and received by the Trust Office within five (5) days of receipt of the contribution funds.

The Employer shall also provide an initial report of information for all contributing employees, as reasonably requested by the Trust; and shall send updates to this information to the Trust Office whenever the Employer has notice of changes to the information.

7. **MODIFICATION OF EMPLOYEE CONTRIBUTION AND LEAVE AMOUNTS.** The Employer and the Local agree that the Local has the right, subject to approval of its members according to the Local's internal rules, to prospectively modify the amount of the mandatory employee monthly contribution (Section 2), or the percent of the mandatory employee leave contribution (Section 3) ~~during the course~~ of this Agreement, so long as the modification is mandatory for all employees covered by this Agreement.

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**IAFF MERP**  
**MEDICAL EXPENSE**  
**REIMBURSEMENT PLAN**

# HOW TO JOIN THE IAFF MERP

Locals without Collective Bargaining:

Contributions can be made PRE-TAX or POST-TAX

- If PRE-TAX, there must be a Special Agreement in place between the Trust and the Local that makes contributions mandatory for all employees within the Eligible Class
- If POST-TAX, no Special Agreement is needed with Employer, however a Joinder with the Local and the Trust will be needed, committing to contributions on behalf of all employees within the Eligible Class



**IAFF MERP**  
MEDICAL EXPENSE  
REIMBURSEMENT PLAN

# HOW TO JOIN THE IAFF MERP

Locals without Collective Bargaining:

Contributions can be Employer-funded or Member-funded, however the type of funding will dictate *who* is eligible to participate.

- If Employer-funded, participation can be limited to Local members only, or non-Local members may also be included (no individual opt outs)
- If Member-funded, contributions must be restricted to members who are dues-paying Local members. Non-Local members would be excluded from participating.



**IAFF MERP**  
MEDICAL EXPENSE  
REIMBURSEMENT PLAN



# NEXT STEPS

If you're interested in trying to get MERP into your Local, we suggest the following next steps:

- Set up a meeting with the Trust and your Local Executive Board to review the plan again
- Determine what contribution strategies will work best for your Local and whether any carve-outs of the population would be beneficial
- Draft proposed contract language or MOU for upcoming negotiations
- Develop plan for educating members on the program and its benefits – can include virtual and/or in-person meetings, station visits, etc.
- Use the Trust Consultants as a resource to help you through each of the above steps



**IAFF MERP**  
MEDICAL EXPENSE  
REIMBURSEMENT PLAN



# GET MORE INFORMATION

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