SMU | HUMAN RESOURCES

EMERITI

2014
Frequently Asked Questions

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INTRODUCTION

The Emeriti FAQ below are broken down into three separate but related sections: the Emeriti Heath Account, Emeriti Retiree Health Insurance, and the Emeriti Reimbursement Benefit. It is important that you take the time to review this document from beginning to end.

The SMU Department of Human Resources studied employer-sponsored retiree medical trends for a number of years and found that peer universities are either significantly reducing their financial commitment to this benefit or eliminating it altogether. Corporate America has been aggressively eliminating this benefit for years.

- SMU feels strongly that retiree medical coverage is an important benefit that will provide employees greater financial security during their retirement years and has found a way to continue offering this benefit through the Emeriti Program.

- A recent study estimates that a couple retiring in 2014 will require in excess of **$270,000** in savings to cover insurance premiums and other out-of-pocket medical expenses incurred during their retirement years. Medicare Part A and Part B currently cover only a little more than **50%** of average retiree medical expenses. The Medicare Part D standard plan design currently pays about half of the cost of prescription drugs, but will bear more of the cost in future years as a result of healthcare reform initiatives.

    - The Emeriti Health Account will enable eligible employees, with matching contributions from SMU, to save during their working years for out-of-pocket healthcare expenses incurred after retirement.

    - Emeriti Retiree Health Insurance, available to employees who meet specific eligibility criteria when they leave SMU, provides several medical, prescription drug, and dental options at group (vs. individual) rates. SMU currently pays a portion of medical and prescription premiums on behalf of employees who meet SMU's retirement eligibility criteria when they leave SMU.

www.emeritihealth.org
Emeriti Service Center: 1-866-363-7484
8am – 4:30pm Central Time

EMERITI HEALTH ACCOUNT

What are the Emeriti Health Account Participation Requirements?

SMU faculty and staff working 35 or more hours per week are required to begin contributing to an Emeriti Health Account on the first day of the month following their 40th birthday. SMU matching contributions will begin at that time.

- Employees working less than 35 hours per week may contribute on an after-tax basis, although there will be no matching SMU contributions.

Why Are Full-time Employees Required to Contribute at Age 40?

In order to take advantage of the very favorable tax treatment provided under this program, the IRS requires employers to make employee contributions mandatory for full-time employees at a certain age, and that the same contribution is made by all employees required to contribute. While SMU considered larger mandatory contributions - to make the most of the favorable tax treatment – a decision was made to limit monthly contributions to $50 for 2008 - when the Emeriti Health Account was first introduced - in an effort to make contributions as affordable as possible for employees.

- This decision was made with the caveat that employee **and** SMU matching contributions would increase 4% each year. ***The monthly contribution for 2014 is $63.26 (prorated based on your pay schedule).*** The SMU matching contribution is equal to the employee contribution.

How Long Will I Contribute to the Emeriti Health Account?

This depends on how long you are employed with SMU after January 1, 2008. Once you reach age 40, you and SMU will contribute to your Emeriti Health Account for 25 years or until you leave or retire from SMU, whichever is earlier.

How Does the Vesting Provision Work?

Your contributions vest immediately. Vesting of SMU contributions is based on your employment date and the date you leave SMU. SMU matching contributions vest after you complete seven full years of SMU employment.

What are the Tax Advantages of the Emeriti Health Account?

There are many tax advantages, including:

- SMU matching contributions to the Health Account are treated as a tax-free benefit.
- Employee mandatory contributions are made on a pre-tax basis, reducing the average "real cost" of your monthly contribution.
- Emeriti Health Account investment income is tax-free.

- Distributions from the Health Account for qualified health care expenses during retirement years are tax-free.

- If you leave SMU all of your contributions and related investment income, and all ***vested*** SMU contributions and related investment income, belong to you for reimbursement of health care costs in retirement. Keep reading to learn when you will have access to your account for reimbursement of qualified healthcare expenses after you leave SMU.

- Employee voluntary contributions are made on an after-tax basis, but investment earnings and distributions for qualified expenses have the same tax-free treatment as pre-tax contributions.

How Much Will Be Deducted From My Paycheck if I am Paid on a Bi-Weekly Basis or if I Work Less than 12 Months in a Calendar Year?

Contributions will be prorated so that **2014** annual employee contributions and SMU annual matching contributions each equal **$759.16.** *These annual contributions assume you were employed during the entire calendar year.*

What Options Do I Have to Invest My Contributions and the Contributions SMU Makes on My Behalf?

Effective January 1, 2012, TIAA-CREF replaced Fidelity as the investment manager for your Emeriti Health Account. *Full-time employees enrolled on a mandatory basis at age 40 will default to the age-appropriate TIAA-CREF Lifecycle Fund.* You can change future investment allocations at any time by logging into your account at tiaa-cref.org or by calling the Emeriti Service Center (1-866-363-7484, press option #3).

- The TIAA-CREF Lifecycle Funds are “targeted retirement class” funds, designed to offer a simple yet diversified approach to long-term investing. Each Lifecycle Fund invests in a diversified portfolio of well-established, actively managed TIAA-CREF mutual funds. Over time, the investment mix becomes more conservative as each Fund approaches its targeted retirement year. The Lifecycle funds automatically rebalance.

- The TIAA-CREF Money Market Fund is designed to provide a stable investment and is not subject to market volatility. It seeks to assure the value of your investment at $1 per share.

    - Money market funds invest in Treasury bills, certificates of deposit, and other stable, short-term investments. They help investors reach short-term financial goals because they usually deliver a fixed, modest return over a short period of time. Similar to bond funds, money market funds are sometimes referred to as "fixed-income" funds.

What Do I Need To Keep In Mind About Managing My Investment Options?

- SMU's contributions and your own future contributions will be directed to the default age-appropriate TIAA-CREF lifecycle fund **until you decide to change future allocations**, which you may do at any time by calling the Emeriti Service Center.

- You may make fund transfers among investment options at any time in amounts of $1,000 or more, or the full value of your account if less than $1,000.

- To change your investment allocation, log into your Emeriti Health Account at www.tiaa-cref.org, or call the Emeriti Service Center at 1-866-EMERITI (1-866-363-7484) and select option 3.

Does It Make Sense To Begin My Contributions Early - Even Though There Is No SMU Contribution Prior To Age 40?

If you are less than age 40 and a full-time employee, you may contribute to an Emeriti Health Account on an ***after-tax*** basis. If you are age 40+ and making mandatory pre-tax contributions, you may also make additional un-matched contributions to your account on an after-tax basis. As with age 40+ pre-tax contributions, investment income is tax-free and distributions made after retirement are tax-free.

- **IMPORTANT:** You must keep in mind that your Health Account is available only for your health care expenses – and the expenses of your spouse, qualified domestic partner, and qualified eligible dependents – after you leave SMU. After your death, your account will continue to be available to your spouse, qualified same-sex domestic partner, and any qualified dependents, for their health care expenses.

- At the point when no qualified dependents remain, any balance remaining in your account reverts in part to current SMU participant accounts and in part to SMU (for future Emeriti expenses), ***not to your heirs***. With this in mind, another option would be to increase contributions to your SMU 403(b) Retirement Plan account, which is "willable", or to another investment vehicle. *This is an issue you should discuss with a financial advisor, particularly if you are considering making voluntary after-tax contributions to your Emeriti Health Account.*

What Happens To My Health Account When I Leave SMU?

You will have access to your vested Health Account assets when you terminate employment or retire. Your Health Account assets can be used for reimbursement of qualified health care expenses for yourself and your eligible dependents, and your distributions will not be taxed. ***If you leave before satisfying the 7-year vesting requirement, SMU contributions will be forfeited.***

- Your Emeriti Health Account balance **must** remain with TIAA–CREF after you leave SMU. TIAA-CREF will continue to manage your account until funds are depleted. Transfer of funds to a Roth IRA or other investment vehicle is **not** allowed under IRS/SEC regulations

due to the special tax advantages and specific purpose (i.e., reimbursement of qualified healthcare expenses) of the Emeriti Health Account.

IMPORTANT: SMU pays all fees related to administration of the Emeriti Health Account – for active participants and for SMU retirees. ***Participants who leave SMU without meeting SMU's retirement eligibility criteria (age 60/10 years of SMU employment) will be responsible for these administration fees.*** See *Are There Fees That I Should Be Aware Of?* Below.

- ***If your vested account assets are <u>less than</u> $5,000 when you leave SMU***, you will have immediate access to your account for reimbursement of qualified health care expenses – with the same tax-free distribution treatment.

- ***If your vested account assets are <u>greater than</u> $5,000 when you leave SMU,*** you will have immediate access to ***up to $5,000 of your balance*** for reimbursement of qualified health care expenses – with the same tax-free distribution treatment.

- **IMPORTANT:** All assets must be moved from the Lifecycle Funds to the Money Market prior to submitting expenses for reimbursement. You may do this by calling the Emeriti Service Center (1-866-363-7484, press option #3).

- Please refer to the Emeriti Reimbursement section of this document for more information.

Are the Emeriti Health Account and the SMU 403(b) Retirement Plan Related?

No, these are two separate retirement savings programs!

- The Emeriti Health Account is used exclusively to pay for health insurance premiums, Medicare premiums, and other out-of-pocket health care expenses incurred during retirement (or following termination of SMU employment under the specific circumstances explained above). All distributions from the Health Accounts are tax free. Also, unlike the 403(b), there are no mandatory distribution requirements for Emeriti Health Account assets.

Do Contributions To My Emeriti Health Account Affect The Amount I Can Contribute To My 403(b) Retirement Plan?

Contributions to your Emeriti Health Account have no impact on your annual 403(b) contribution limits.

Who Will Have Access To My Health Account After I Die?

Your spouse and other eligible dependents will have access to your account.

- Eligible dependents can use the vested assets in your account until they die, or reach majority in the case of dependent children. ***This includes a qualified same-sex domestic partner, but only if the domestic partner is financially dependent on you and satisfies the IRS dependent criteria.***

Who Is Considered An Eligible Dependent?

An eligible dependent includes your spouse, a qualified same-sex domestic partner, and any other dependent relatives who meet the criteria established by the IRS.

- This would include relatives who live in your home and are dependent on you for 50% of their financial needs: a child (if, (a) under age 19 at the end of the year, (b) under age 24 at the end of the year if a full-time student, or (c) any age if permanently and totally disabled), parent, grandparent, grandchild, aunt/uncle, niece/nephew, etc. Access to detailed information regarding IRS qualified dependents can be found on the Emeriti website.

- A qualified domestic partner, as defined by the IRS, receives over half of his or her support from you, resides with you, and is a member of your household. ***A same-sex domestic partner is eligible for reimbursement of qualified health care expenses from your Emeriti Health Account <u>only</u> if the IRS criteria are met.***

Can I Continue Contributing To My Health Account After I Retire?

Not at this time. Emeriti is working with TIAA-CREF so that participants will be able to make contributions after retirement through an ACH transfer.

Are There Fees That I Should Be Aware Of?

Following is a summary of the various fees associated with the Emeriti Health Account:

- There is a monthly recordkeeping fee of $0.67 to cover participant enrollment, the processing of contributions to the Health Accounts, participant education and services, and other administrative support. ***SMU pays this fee on behalf of active employees and individuals who have met the age 60/10 years of SMU employment criteria at retirement.***

- There is an Emeriti fee of $5 per month for participant education and communications, and the ongoing oversight, administration, evaluation, and enhancement of the Emeriti Program's products and services. ***SMU pays this fee on behalf of active employees and individuals who have met the age 60/10 years of SMU employment criteria at retirement.***

- There is a monthly reimbursement and insurance enrollment fee of $1.00 for active employees and $6.00 for retirees. ***SMU pays this fee on behalf of active employees and individuals who have met the age 60/10 years of SMU employment criteria at retirement.***

- SMU does **<u>not</u>** pay fees for those who leave SMU without meeting the age 60/10 years of SMU employment retirement criteria.

- Fees and expenses associated with certain investment options may also apply. ***These fees are the responsibility of the participant.*** Please contact TIAA-CREF for additional information.

How Can I Keep Track of My Health Account?

To view your Emeriti Health Account and make investment changes, log-in to your Emeriti Health Account at www.tiaa-cref.org. You will find your Health Account Information by clicking on the "Plan Balance" tab.

EMERITI HEALTH INSURANCE

Under What Circumstances Will I Have Access To Emeriti Health Insurance After I Leave SMU?

As long as you have met the SMU eligibility requirements at retirement – at least age 60 and at least 10 years of SMU employment – you will have access to Emeriti Health Insurance, which is underwritten by Aetna, when you reach age 65 and have enrolled in Medicare Parts A & B.

What If I Meet The Retirement Criteria But Retire Before Age 65?

If you have not yet reached age 65, you will remain in the BCBSTX medical option you are enrolled in at the time you retire. When you reach 65, you will have an opportunity to enroll in Emeriti Health Insurance.

What If I Meet The Retirement Criteria But Was Not Enrolled In A SMU Medical Plan During The 5-Year Period Preceding Retirement?

As long as you meet the age 60 and 10 years of employment criteria you will have access to the Emeriti Medical and prescription coverage when you reach age 65 and enroll in Medicare Parts A and B, ***but you will not be eligible for the SMU premium subsidy discussed below.*** You will, however, have access to the contributions you made and the vested contributions SMU made to your Emeriti Health Account during your active years - to pay for premiums and other eligible health care expenses after retirement.

Can My Spouse or Domestic Partner Also Enroll In Emeriti Health Insurance?

If you are age 65 or older when you retire but your spouse or domestic partner is less than 65, you will enroll in Emeriti Health Insurance and your spouse will remain in the BCBSTX PPO option they are enrolled in at the time you retire. At age 65, he or she will be added to your Emeriti Health Insurance.

- If your spouse or domestic partner is age 65 or older at the time you retire, but you have not yet reached age 65, you and your spouse or domestic partner will remain in the BCBSTX PPO option you are enrolled in at the time you retire. When you reach 65, you will both have an opportunity to enroll in Emeriti Health Insurance.

Does SMU Pay Any Portion Of My Retiree Medical Premiums?

SMU will pay a portion of retiree Medical and Prescription premiums if:

- *You were hired prior to January 1, 2008* and *you were age 40 or older on January 1, 2008.*
- You meet the age 60 and 10 years of SMU employment criteria when you retire, **and**
- You were enrolled in an SMU Medical plan for the 5-year period immediately preceding retirement.

The SMU premium subsidy also applies to your spouse or qualified same-sex domestic partner, ***even if he/she was not enrolled in an SMU Medical plan during the 5-year period preceding your retirement.*** The **2013** SMU monthly subsidy for an eligible retiree **and** spouse or qualified domestic partner enrolled in Emeriti medical and prescription plans is:

- Age 65-69: $119
- Age 70-74: $140
- Age 75+: $169

In the year 2023, SMU's premium subsidy will be frozen at the amount in effect at that time.

Who Is Eligible For Emeriti Dental Coverage?

Emeriti Dental coverage is also administered by Aetna. If you are age 65 at retirement and have at least 10 years of SMU employment, you and your spouse or domestic partner may enroll in the Emeriti Dental Plan. SMU does not contribute to the cost of Dental coverage.

- ***If you are not enrolled in a Dental Plan when you retire, there will be a 12-month waiting period before Major dental expenses will be covered under the Emeriti Dental Plan.*** However, the waiting period will be waived if there is no more than a 3 month break in coverage and proof of prior coverage is provided.

- If you are wish to enroll in Emeriti Dental coverage you must also enroll in Emeriti Medical and Prescription coverage.

What If I Decide Not To Enroll In Emeriti Health Insurance? Will I Ever Have An Opportunity To Opt Back In?

Generally, if you decide not to enroll in Emeriti Health Insurance, you cannot enroll at a later time. However, if you decide not to enroll because your spouse or domestic partner has coverage elsewhere, and he/she later loses that coverage, you will have an opportunity to enroll in Emeriti Health Insurance, ***although you will <u>not</u> be eligible for the SMU premium subsidy***.

You will also have an opportunity to opt back in if you experience a qualified "life change" event such as marriage or divorce, ***although you will <u>not</u> be eligible for the SMU premium subsidy***.

How Will I Pay Health Insurance Premiums Once I Retire?

Emeriti Health Insurance premiums are administered by Savitz. If you have a balance in your Emeriti Health Account, your account will be debited each month to cover your share of the premium. If you have met the SMU retirement eligibility criteria described above, the SMU premium subsidy will be deposited into your account on a monthly basis, and then withdrawn when the premium is due to be paid to Aetna.

- When you enroll in the Emeriti Health Plan, Savitz will work with you to set up Electronic Funds Transfer (EFT) from your personal bank account. If you deplete your Emeriti Health Account, Savitz will draw from your bank account (via EFT) only the funds needed to cover your share of the monthly premium.

- **Important:** You don't have the option to pay your monthly premiums by check. You must provide Savitz with your banking information so that, in the event there are no funds remaining in your Health Account, your share of the premiums can be deducted electronically from the savings or checking account that you designate. The SMU premium subsidy will continue to be deposited into your Emeriti Health account on a monthly basis.

Are There Fees That I Should Be Aware Of?

Following is a summary of the various fees associated with the Emeriti Health Account and the Emeriti Health Insurance Program:

- There is a monthly recordkeeping fee and a monthly fee to process claims reimbursements and manage insurance premium payments. This fee covers the cost of enrolling you and your eligible dependents in Emeriti Health Insurance and the Reimbursement Benefit, and processing premium payments and ACH transfers from your personal Bank account**.** ***SMU pays this fee on behalf of individuals who have met the SMU retirement eligibility criteria at the time they leave SMU.***

- There is also a monthly Emeriti fee for participant education and communications, including newsletters and campus workshops; the ongoing oversight, administration, evaluation, and enhancement of the Emeriti Program's products and services. ***SMU pays this fee on behalf of individuals who have met the SMU retirement eligibility criteria at the time they leave SMU.***

- Fees and expenses associated with certain investment options may also apply. ***These fees are the responsibility of the participant.*** Please contact TIAA-CREF for additional information.

IMPORTANT: Participants who leave SMU without meeting SMU's retirement eligibility criteria (age 60/10 years of SMU employment) will be responsible for all administration fees. With that in mind, you should begin using the funds in your Health Account as soon as you are eligible to do so after leaving SMU.

EMERITI REIMBURSEMENT BENEFIT

What is the Emeriti Reimbursement Benefit?

The Emeriti Reimbursement Benefit enables you to use the available assets from your Emeriti Health Account to pay for (on a tax-free basis) qualified medical expenses not covered by Medicare or other health insurance, i.e., other insurance premiums (pre-65 health insurance, COBRA premiums, or post-65 coverage outside of the Emeriti Program); and certain over-the-counter non-formulary drugs. Call 1-866-EMERITI (1-866-363-7484), or visit www.emeritihealth.org for more information about which expenses qualify.

When Can I Start Using the Reimbursement Benefit?

If you leave SMU and are least age 55, you will have immediate access to up to $5,000 of your vested Health Account assets for reimbursement of qualified out-of-pocket medical expenses. When you turn age 65, you will have access to all of your vested Health Account assets.

Who Has Access to the Reimbursement Benefit?

You, your spouse, qualified same-sex domestic partner, dependent children, and dependent relatives can be designated by you as eligible to use the assets in your Health Account for reimbursement of eligible out-of-pocket health expenses. Qualified dependents can be added when you submit a claim for reimbursement.

What is Considered a Qualified Health Expense?

Below is a partial list of qualified expenses. A wide range of health care expenses are eligible for tax-free reimbursement as long as they satisfy the requirements of Section 213(d) of the IRS Code. Please contact Emeriti if you have questions.

- Medicare premiums and cost shares
- Supplemental insurance deductibles, co-insurance, co-pays
- Vision, dental, hearing care
- Over-the-counter and non-formulary drugs (with a prescription from doctor)
- Medical equipment
- Long-term care insurance
- Medical expenses associated with nursing or in-home health care services
- Other post-65 and pre-65 insurance premiums (if Emeriti Health Insurance coverage is not elected)

How Are Reimbursements Processed?

Reimbursement claims are being processed by Savitz. Claims can be faxed or mailed to Savitz (see Contact Information at the end of this document).

- Claims can only be paid from assets invested in the TIAA-CREF **Money Market Fund**. **If you do not have a sufficient balance in the Money Market Fund, reimbursements cannot be made**.

- ✓ To make sure that you have allocated sufficient assets in the Money Market Fund to cover your claim(s), please contact a TIAA-CREF representative at 1-866-EMERITI (1-866-363-7484) and press “3” for assistance. You may also log-in to the TIAA-CREF secure website at www.tiaa-cref.org. You will find details about your Emeriti Health Account under the "PLAN BALANCE" tab. You can also transfer assets to the Money Market Fund through the TIAA-CREF website.

- ❖ Rather than have your reimbursement mailed to you by check, you may elect to have your reimbursement deposited directly into your personal bank account. To activate this option, contact the Emeriti Service Center at 1-866-EMERITI and press “2” to obtain a Banking Information Form, if you have not yet submitted this form.

IMPORTANT CONTACT INFORMATION

Emeriti Service Center

Customer Service: 866-363-7484
Monday – Friday, 8am – 4:30pm Central Time

- **Press Option #1** to speak to an **Aetna** specialist if you have specific questions about the Emeriti Health Insurance options.
- **Press Option #2** to speak to a **Savitz** specialist if you have specific questions about the Reimbursement Benefit.
- **Press Option #3** to speak to a **TIAA-CREF** specialist if you have questions about your Emeriti Health Account (i.e., investment options, how to move assets from the Lifecycle Funds to the Money Market Account, or vice versa).

Emeriti Website: www.emeritihealth.org

TIAA-CREF Website: www.tiaa-cref.org

Emeriti Health Account Reimbursement

Reimbursement claims are processed by Savitz. Claims can be faxed or mailed.

- **Fax to:** 215-563-9943
- **Mail to:** Savitz
  Attn: Emeriti Benefits Center
  1845 Walnut Street, 14th Floor
  Philadelphia, PA 19103