

Health Professionals and Allied Employees, AFT/AFL-CIO



**A SAVINGS PLAN FOR YOUR
RETIREMENT HEALTHCARE NEEDS**

**THE HPAE MEDICAL EXPENSE
REIMBURSEMENT PROGRAM**

**Health Professionals and
Allied Employees, AFT/AFL-CIO**

110 Kinderkamack Road
Emerson, NJ 07630



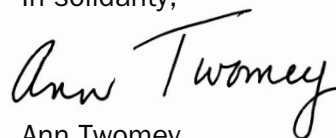
Dear HPAE Member,

HPAE has established a medical expense reimbursement program to help our members pay for their medical costs in retirement. In early October, you will have an opportunity to vote on whether you and other eligible members of the bargaining unit will participate in this program through a payroll deduction of \$.20 per hour. This mail ballot, membership referendum will be run by a neutral agency, the American Arbitration Association (AAA).

The **HPAE Medical Expense Reimbursement Program** is essentially a “healthcare 403B”. You may already have part of your salary put into a 401K or 403B pension account. Like a 401K or 403B, our program allows you to contribute money - on a pre-tax basis – into an individual, Employee Account that you will use when you retire. The advantage of our retiree medical program is that when you get reimbursed for medical expenses after you retire (at 55 years or older), this money is tax-free, unlike 403B or 401K assets, which are taxable.

We strongly encourage you to vote YES to participation in this program. This is just the first step in gaining the retiree health benefits that we, as healthcare professionals, deserve. In future negotiations, we will negotiate to have employers contribute to the program as well. Yet, even this relatively modest savings plan has significant benefits for you. Every dollar you put aside for your future healthcare needs makes your retirement that much more secure.

In solidarity,



Ann Twomey
HPAE President

Shirley Terwilliger
Local 5029 President
Pascack Valley Hospital

Kathi Fonti
Local 5030 President
Palisades Med. Cntr

Joanne Bauman
Local 5147 President
Meadowlands Hosp.

Belinda Shalaby
Local 5029, VP for RNs
Pascack Valley Hospital

Jorge Diaz
Local 5030 Rep
Palisades Med. Center

Andres Seville
Local 5147 Rep
Meadowlands Hosp.

Joan Johnson
Local 5105 President
Virtua Memorial Hospital

Velma Howell
Local 5030 Rep
Palisades Med. Cntr

Jean Lucas
Local 5118 President
Cooper Univ. Hosp.

Claudia Storick
Local 5105 VP
Virtua CNS

Curtis Jeter
MEU President
Meadowlands Hosp.

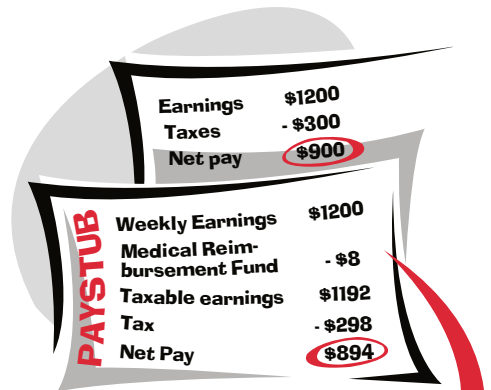
Deb Fahy
Local 5118
Cooper Univ. Hosp.

HOW THE HPAE **MEDICAL EXPENSE REIMBURSEMENT** PROGRAM WORKS

STEP 1 PAYROLL DEDUCTIONS

Your employer will deduct \$.20/hour from your paycheck for the HPAE Medical Expense Reimbursement Program. For example, a full-time employee will have \$8 a week deducted; for a part-time employee who works 20 hours a week the deduction will be \$4 a week. But because the deduction is in pre-tax dollars, the actual reduction in gross wages is smaller: \$6 a week for full-timers and \$3 a week for the part-timer.*

* Assumes the full-timer works 40 hours a week and has a 25% federal tax rate.



STEP 2 MONEY IN YOUR EMPLOYEE ACCOUNT

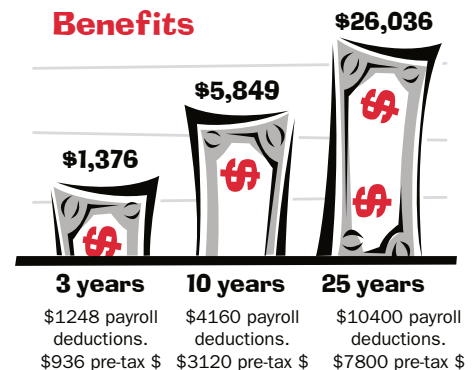
Each month, your employer will send the money deducted from your paycheck to the HPAE Retiree Medical Trust, a jointly run, Union-Employer trust fund. The Trust is a non-profit entity regulated by federal law. Your money will be held in an individual, Employee Account.



STEP 3 YOUR EMPLOYEE ACCOUNT INCREASES

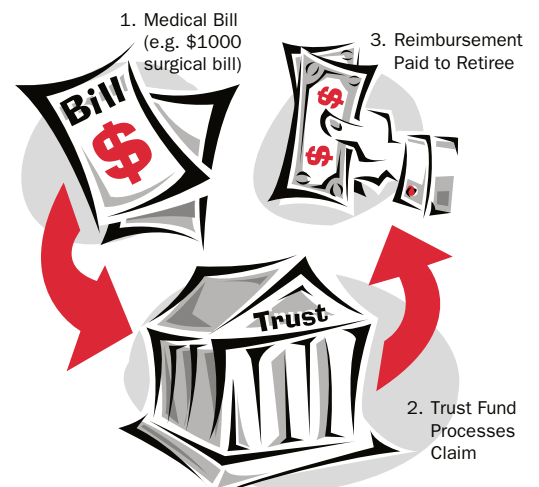
The more years you put money into your Employee Account, the more money will be available for your retiree health needs. In addition, your money earns interest.* With payroll deductions of \$.20/hour, here is what you will have available for medical reimbursements after putting this money into your Employee Account after 3, 10, and 25 years.

* In a report prepared for HPAE, an actuarial firm, EFI, estimated that the rate of return for Trust assets will be 6.5%.



STEP 4 YOU RECEIVE REIMBURSEMENTS

When you are 55 years or older, and have left your employer, you will be eligible to use the money in your account. You will submit your bills/receipts for medical expenses to the Trust office. You will then receive a reimbursement check. You will be able to get reimbursed up to the amount that you have in your Employee Account. For example, if you have \$5625 in your account when you retire, you will be able to receive \$5625 in reimbursements, plus any interest earned while you are retired, until you have nothing left in your account.



ADDITIONAL INFORMATION ON THE HPAE MEDICAL EXPENSE REIMBURSEMENT PROGRAM: Q&A

What kind of benefits will be available to participants in the program? The program will reimburse you for insurance premiums, out of pocket costs, deductibles, co-pays, etc. Medical expenses are broadly defined: it includes insurance for medical and or hospital expenses, dental or vision care, hearing aid and prescription drug expenses and long term care. Over the counter drugs (e.g. Tylenol) can be reimbursed as well.

What happens to my benefits if I leave my current hospital to go to work at a non-union hospital or leave the health care field entirely? Any money that you put into the program will continue to accrue interest and, when you reach age 55, you will be able to take reimbursements from your Employee Account, based on the money that you contributed plus interest.

Are there survivor benefits? Yes, the program includes benefits to surviving spouses and domestic partners. The benefit level is 50% of the deceased retiree's benefit. If there is no surviving spouse or domestic partner, surviving dependents may receive the surviving spouse benefits so long as they are within the age limits for dependents.

May an individual employee elect whether or not to participate (like a 401k plan)? No, if your bargaining unit votes in favor of the Medical Expense Reimbursement Program, then all full-time and part-time employees will have payroll deductions of \$.20/hour. If your bargaining unit votes against participation, then no one can participate. It's all or nothing. The tax advantages of the program depend on the absence of individual election.

Money from payroll deductions will be sent to the HPAE Retiree Medical Trust. Who runs the Trust? The Trust is controlled and administered by a Board of Trustees, composed of an equal number of HPAE representatives and management representatives. The Board administers the program, selects investment vehicles, and decides on distribution options. The Board will hire a professional investment manager to provide advice regarding investments of program assets and a Third Party Administrator (TPA), who will process claims and send out reimbursements.

How can I be sure that the money will be handled properly? The Trust is regulated by federal law, and the Trustees are charged with the fiduciary responsibility to administer the program for the "exclusive benefit" of the participating employees. If the Trustees fail to do so, they will be subject to civil and criminal penalties.

Do other unions have this type of program? Yes. Unions such as the United Federation of Teachers (UFT) in New York City, the Communications Workers of America (CWA) at Verizon, and the United Auto Workers (UAW) at GM all have similar retiree medical programs.

More questions about the HPAE Medical Expense Reimbursement Program?

Go to www.hpae.org/retireehealth or email any questions to Mike Slott at msslott@hpae.org.