



c/o Benefit Programs Administration, 1200 Wilshire Blvd Fifth Floor
Los Angeles, CA 90017 (844) 353-7839
www.FirefighterTrust.org

**BULLETIN RE
CONVERSION OF EMPLOYEE ACCOUNT FUNDS TO
ACTIVE SERVICE UNITS**

Mailing Date: _____

A. Introduction.

The purpose of this Bulletin is to explain the conversion option in the Medical Expense Reimbursement Plan (hereafter, the “Plan”) of the Southern California Firefighters Benefit Trust.

Due to accrued leave transfers or other lump sum contributions made on your behalf, you may have earned both a monthly benefit payment, as well as an Employee Account. You may elect to convert a portion or all of your Employee Account balance to Active Service Units (ASU). There are two reasons you might want to do this:

- 1) In order to attain eligibility for monthly benefits (if you have not already done so).
- 2) In order to increase your monthly benefit level (if you have already achieved eligibility for it).

You must make this election in writing using the Conversion Election Form provided with this packet. This Bulletin was designed to provide detailed information about the conversion option in order for you to determine if conversion is appropriate for your situation. **Please read this Bulletin carefully; a conversion election is irrevocable after the Trust Office receives your signed Conversion Election Form.**

B. Difference between Monthly Pooled Account Benefits and Employee Account Benefits.

1. Monthly pooled account benefits. The monthly benefit levels from the pooled account in the Plan are generally funded by your regular payroll contributions to the Trust, set in your collective bargaining agreement. The benefit level is set with the intention for the monthly benefits to last for your lifetime.¹ That is, the

¹ The Plan is currently written to provide benefits for Regular Beneficiaries until death. However, this is not guaranteed. The Trustees reserve the right to modify, limit, or terminate benefits as necessary to preserve the financial soundness of the Plan. The monthly benefit payments are not guaranteed at a

(March 2019 dr.)



pooled account in the Plan reimburses you for up to a set amount each month. The advantage of the pooled account benefit is that it is designed to last for your lifetime, and the lifetime of your spouse. (The pooled account also provides a surviving spouse benefit for the spouse's lifetime at 50% of your benefit level – these benefits start when you would have reached age 50 – or immediately upon death if you were over age 50.)

The disadvantage of the pooled account benefit is that it generally may not cover your entire medical expenses in any given month. Consider, for example, if your premium cost is higher than your set monthly benefit; the pooled account benefit will only provide you with a set amount per month.

Note that the Trust's professional investment manager makes the investment decisions on the pooled account, while you make the investment decisions on the Employee Account.

2. Employee Account benefits. Your Employee Account is generally funded by mandatory transfers of your sick or vacation leave into the Trust, or Option C transfers if you are an eligible San Diego Fire employee, pursuant to your collective bargaining agreement. You can spend your Employee Account as quickly as you like (as long as you have medical expenses to reimburse). The advantage of the Employee Account is that there is no monthly limit on benefit payments and so it is useful to pay for large medical expense all at once. In addition, your Surviving Spouse can use your Employee Account balance for reimbursement of large medical expenses and premiums after your death until the Employee Account balance reaches zero. The disadvantage of the Employee Account is that it may run out before you (or your spouse) die.

You can have both a monthly pooled account benefit and an Employee Account, depending upon whether you elect to transfer your entire Employee Account balance to the pooled account, or elect to retain some funds in your Employee Account.

C. Electing Conversion to Attain Eligibility for the Minimum Monthly Pooled Account Benefit.

You need to earn 5 years of Active Service for eligibility for monthly benefits from the pooled account under Plan Section 2.1(a)(1). If you have not earned five years of Active Service, you may convert a portion² of your Employee Account funds to Active Service Units to meet the minimum Active Service threshold for eligibility for pooled account monthly benefits. The Trust Office can help you calculate the amount of your Employee

particular level; 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.

² You can convert an amount less than \$3000.00 for the purpose of attaining the minimum Active Service threshold for pooled account monthly benefits.



Account balance that you would need to convert to attain the minimum Active Service eligibility threshold.³ Contact the Trust Office at (844) 353-7839.

D. Electing Conversion to Increase Your Monthly Pooled Account Benefit.

Another reason you might elect to convert all or part of your Employee Account is to increase your monthly pooled account benefit. This is because your monthly pooled account benefit is calculated based on how much you have contributed to the Plan over your career. So the Employee Account money can be added to the amount you contributed from payroll deductions, to increase your monthly benefit.

E. Election is Irrevocable.

The election to convert a portion of your Employee Account balance to Active Service Units is an **irrevocable election**; the funds cannot be transferred back to your Employee Account after the election is submitted to the Trust Office. When the election is submitted to the Trust Office, the Trust will transfer the funds subject to the election to the pooled account. When you later separate from employment or retire, the Trust will convert your transferred funds into Active Service Units using the Contribution Conversion Table. The date that your Conversion Election Form is received at the Trust Office is important for determining your conversion rate and thus how many Active Service Units you will receive for your transfer.

F. Coordination of COBRA Election with Conversion Election

After you retire or separate service, you have the right to make COBRA contributions and purchase Active Service Units at the regular payroll rate of \$25 per Active Service Unit (for the equivalent of up to 18 months of COBRA contributions). This is generally a lower rate than the Contribution Conversion Table rate. So, **before** conversion of your entire Employee Account balance, you may want to use a portion of your Employee Account funds to pay COBRA contributions, so you can either: 1) earn additional Active Service for eligibility; or 2) earn higher monthly benefits. You should consider coordinating your COBRA election with your conversion election.

However, alternatively, you could use after-tax dollars from your personal bank account to purchase up to 18 months of ASUs at \$25 per ASU, pursuant to a COBRA election. Then, you could still elect to convert your entire Employee Account balance to purchase more ASUs. You can call the Trust Office to discuss how these two methods of COBRA contribution payments would affect your final Benefit Level. (See also the current Contribution Conversion Table for cost per ASU based on your age and COBRA Notice of Right to Elect (Notice E) for information on COBRA contributions and election.)

³ You must meet all other requirements for eligibility under Plan Section 2.1(a), such as the age requirement. In this situation, you may also be eligible to make after-tax COBRA payments to attain the Active Service eligibility requirement.



G. Tools to Help You Learn More About Conversion.

You can contact the Trust Office at (844) 353-7839 with any questions about conversion of Employee Account funds to Active Service Units. See also Trust website at www.firefightertrust.org, in Appendix C to the Restated Plan, “Sample Calculations of Conversion of Employee Account balance into Active Service Units (ASUs).” Appendix C gives several examples of use of Employee Account conversion to increase your monthly benefits. If you make this election in writing using the Conversion Election Form provided in this packet, your Employee Account funds are converted into Active Service Units at separation from service using the Contribution Conversion Table in effect on the date the Trust Office receives your signed Conversion Election Form. The current Contribution Conversion Table is also available on the Trust website.

The conversion rate also depends upon your age, and the number of full years from the date of receipt of the signed Conversion Election Form to your date of separation from employment with a Participating Employer.

H. Instructions for Electing Conversion.

If you want to convert a portion or all of your Employee Account balance to Active Service Units, there is a Conversion Election Form on the Trust website for that purpose. You must convert a minimum of \$3,000 with each conversion election. You can elect multiple conversions during your active employment, but no more than one time per calendar year. If you are retired or separated from service, you have 60 days from the date of mailing of this packet to deliver your Conversion Election Form to the Trust Office.

To make the election, complete and sign the enclosed Conversion Election Form and return it to the Trust Office at the address or email printed on the Form. You are not limited to the annual investment selection period for converting Employee Account funds to Active Service Units. If you are an active employee, you can exercise the election to convert Employee Account funds to Active Service Units at any time during the year, but only one time per calendar year. Conversion is not automatic; the Trust Office will not convert Employee Account funds to Active Service Units without a written election from you each time you wish to convert funds, i.e., you must fill out a new Conversion Election Form for each conversion.

For questions, please contact the Trust Office c/o Benefit Programs Administration at (844) 353-7839.



CONVERSION ELECTION FORM

Name _____

Address _____

Date of Birth _____

_____ (Initials) Check and initial box to transfer entire Employee Account balance

OR - Insert amount to transfer \$ _____ and initial here: _____

(amount selected cannot exceed 90% of Employee Account balance – if you want to transfer entire Employee Account balance, check box above)⁴

- ❖ By my signature below, I acknowledge receipt of the bulletin entitled “Bulletin re Conversion of Employee Account Funds to Active Service Units” (March 2019 dr.), which provides detailed information regarding this conversion option.
- ❖ I understand that I am eligible to transfer a portion or all of my Employee Account funds (with a minimum transfer amount of \$3,000) into the Pooled Account to be converted to Active Service Units at my retirement in order to earn a higher monthly benefit level and/or attain eligibility for the monthly benefit.
- ❖ I understand that I can make this election at any time, but no more frequently than one time per calendar year.
- ❖ I further acknowledge receipt of current investment return and fee information for the Pooled Account via the Trust website at www.firefightertrust.org and the current “Contribution Conversion Table,” which the Trust will use to calculate the number of Active Service Units earned from my transfer to the pooled account.
- ❖ I understand that Active Service Units are more expensive when purchased through conversion than when earned through monthly payroll contributions, or due to my COBRA rights.⁵ This higher rate is due to the timing of conversion at retirement, which does not allow the funds to grow in investment in the pooled account prior to drawing benefits.
- ❖ **I understand that the Trust Office will transfer my Employee Account funds into the Pooled Account effective the first of the month following the date this signed Conversion Election Form is received at the Trust Office and my Employee Account will earn investment returns (gains or losses) through the last day of the month that the Conversion Form is received at the Trust Office.**

⁴ You can convert an amount less than \$3000.00 for the purpose of attaining the minimum Active Service threshold for pooled account monthly benefits. Please call the Trust Office to discuss your intentions prior to submitting your Form.

⁵ See COBRA Notice of Right to Elect (Notice E).



- ❖ I understand the Trust Office will calculate the actual conversion to Active Service Units after my separation from employment. The Trust Office will base the conversion rate on: (1) my age on the date that the Trust Office receives this Form; (2) the Contribution Conversion Table in effect on the date this signed Form is received at the Trust Office; and (3) the number of full years from the date of receipt of this Form to my date of separation from employment with a Participating Employer.
- ❖ I understand that each time I want to convert funds into the Pooled Account, I must complete this Conversion Election Form.
- ❖ **I understand that this conversion election is irrevocable and cannot be reversed after a signed Conversion Election Form is received by the Trust Office, i.e., the Trust Office cannot return the funds to my Employee Account.**

Signature

Date

Return completed Conversion Election Form to SCFBT c/o Benefit Programs Administration (BPA), 1200 Wilshire Blvd, 5th Floor, Los Angeles, CA 90017 or scfirefighters@bpabenefits.com.

For additional information, call the Trust Office c/o BPA at (844) 353-7839.