



**EMERITI**<sup>®</sup>  
RETIREMENT HEALTH SOLUTIONS



**THE EMERITI PROGRAM**  
*for your working years*

The Comprehensive Solution  
to Meeting Your Health Care  
Needs in Retirement

[www.emeritihealth.org](http://www.emeritihealth.org)



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## TODAY'S AGENDA

- Emeriti Program overview
- How your Health Account works during your working years
- Why you need to save
- How your money works for you
- How your Health Account works in retirement
- Your next steps

1-866-EMERITI

# YOUR INSTITUTION'S COMMITMENT



Innovative employee benefit for you  
and your eligible dependents during retirement

- Employer contributions during your working years
- Access to group health insurance in retirement
- Lifetime retiree flexible spending account



# THE EMERITI RELATIONSHIP



- Nonprofit consortium serving higher education community
- Program development and management, plan design, legal framework, communication materials, outreach, and ongoing education
- Generous grant support from the Andrew W. Mellon and William and Flora Hewlett Foundations



- Largest provider of workplace savings plans in the U.S.
- Management of more than \$1.5 trillion in assets on behalf of 24 million individuals\*
- Investment manager and trust administration
- Disbursements for premiums and other qualified medical expenses



- One of the nation's leaders in health care, dental, pharmacy, group life, disability insurance, and employee benefits
- 17.499 million medical members, 14.106 million dental members and 10.968 million pharmacy members\*
- Underwrites Emeriti health insurance, Medicare Part D prescription drug insurance, and dental insurance
- Provides special wellness programs

# CORE PROGRAM COMPONENTS

## ■ **Emeriti Health Accounts**

A **tax-advantaged way** for you to invest and accumulate assets exclusively to help meet future retiree medical expenses

## ■ **Emeriti Health Insurance Options**

**Portable group health insurance options** available to you and your eligible dependents in retirement

## ■ **Emeriti Reimbursement Benefits**

A **tax-free method** for you to pay for other qualified out-of-pocket medical expenses not covered by Medicare or Emeriti



# THE HEALTH ACCOUNTS DURING YOUR WORKING YEARS

## During working years

**Employer  
Contributions**

**Your Voluntary  
Contributions**



Your Emeriti  
Health Account

## During retirement

Emeriti  
Reimbursement  
Benefits

Emeriti Health  
Insurance Premiums



# ADVANTAGES OF EMERITI HEALTH ACCOUNTS

## Tax treatments

- Tax-free employer contributions
- Tax-free withdrawals (to pay for retiree healthcare)
- Tax diversification
- Tax-free compounding of interest

## Flexibilities

- No limits on contributions
- No impact on tax-deferred savings
- No minimum distribution requirement



# EMERITI'S TAX-EFFICIENT HEALTH ACCOUNTS

Contributors	Treatment of Contributions	Treatment of Earnings	Treatment of Payout
Employer*	Tax Free	Tax Free	Tax Free
Employee (voluntary)	After Tax	Tax Free	Tax Free





# TAX ADVANTAGES

## How to pay for \$1,000 Out-of-Pocket Medical Expenses or Health Insurance Premiums

### Emeriti Health Account

- Tax-free withdrawal of \$1,000 as Reimbursement Benefit
- 100 cents on the dollar

### 403(b) Retirement Plan

- Taxable withdrawal of \$1,389
- 72 cents on the dollar in 28% federal income tax bracket





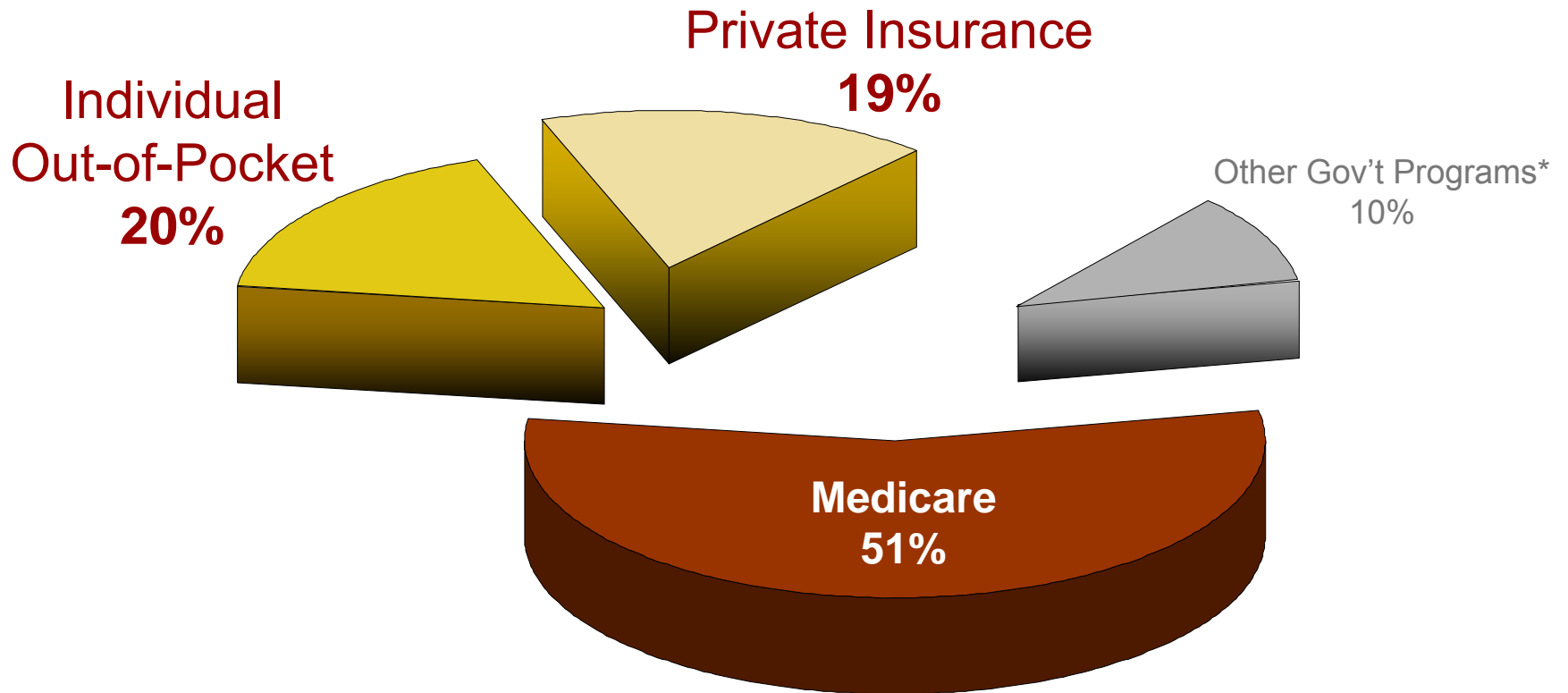
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## WHY SAVING NOW IS IMPORTANT

- Medicare's role
- Your role

# HOW RETIREE HEALTH CARE EXPENSES ARE PAID



Source: The Employee Benefit Research Institute (EBRI) 2006 estimates from the 2003 Medical expenditure survey.



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\*VA/Tricare 4%, Medicaid 4%, Other 2%

## ESTIMATED HEALTH CARE SAVINGS REQUIRED FOR COUPLE RETIRING TODAY

Age at Retirement	Total Savings Needed
55	<b>\$395,000</b>
60	<b>\$310,000</b>
<b>65</b>	<b>\$225,000</b>

*Source: Retiree Health Care Costs: Addressing the Growing Gap, Fidelity Investments, March 2008  
Amounts shown are annual savings required for a couple enrolled only in Medicare. The savings illustrations do not include either employer sponsored group insurance or long-term care insurance coverage.*



# YOUR RETIREMENT INCOME IN RELATION TO HEALTH CARE EXPENSES

Real median income and health care spending  
for older married couples 2010-2030

	<b>2010</b>	<b>2020</b>	<b>2030</b>
Payments as a share of after-tax income (%)	23.8%	29.2%	35.1%

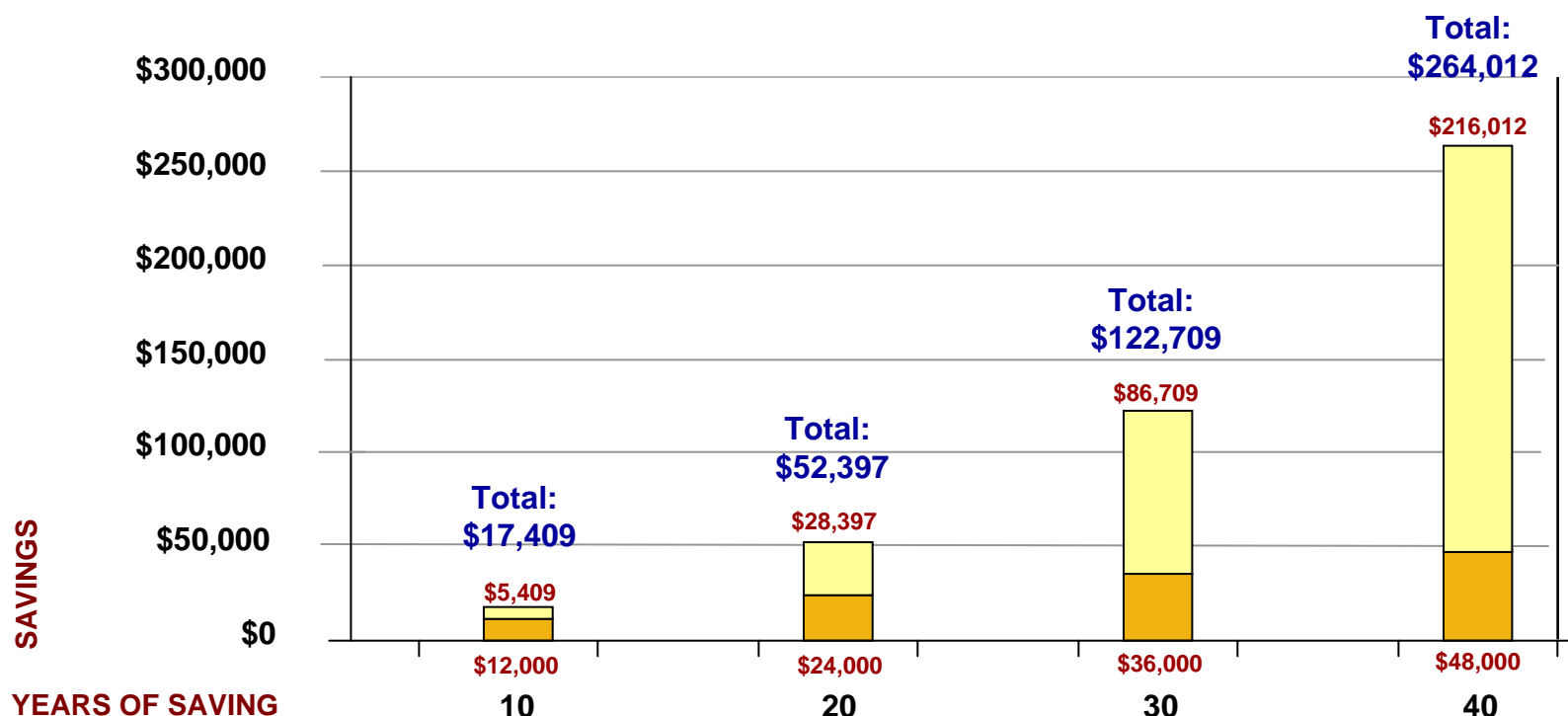
*Source: Will Health Care Costs Erode Retirement Security? by Richard W. Johnson and Rudolph G. Penner. An Issue in Brief from Center for Retirement Research at Boston College, October 2004, Number 23. Baseline Intermediate Assumptions*



# START TO SAVE EARLY

## The power of compounding \$100 is invested monthly

Potential account earnings  
 Contributions



These examples are intended for illustrative purposes and are not a prediction of investment results. Your own Plan account may earn more or less than this example. Actual account balances will be determined by the contributions made and any investment gains or losses. Investing in this manner does not ensure a profit or guarantee against loss in declining markets. These examples do not take fees into account and actual balances will generally be reduced by fees. Contributions and earnings accrue tax-free and are paid out tax-free for reimbursement of qualified health expenses. These examples are based on \$100 contributions made at the beginning of each month and a 7% annual rate of return compounded monthly. Chart balances shown are end-of-year balances.

# SAVE THROUGHOUT YOUR LIFETIME

## ■ During your working years

- Regular deductions from your paycheck
- Periodic lump sums (\$100 or more) from your bank account
- Participation in auto-enrollment, if available

## ■ Upon early termination

- Periodic lump sums (\$100 or more) from your bank account

## ■ In retirement

- Periodic lump sums (\$100 or more) from your bank account
- Regular electronic (ACH) transfers from your bank account for insurance premiums





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## HOW YOUR MONEY WORKS FOR YOU

- Fidelity Freedom Funds<sup>®</sup>
- Fidelity Retirement Money Market



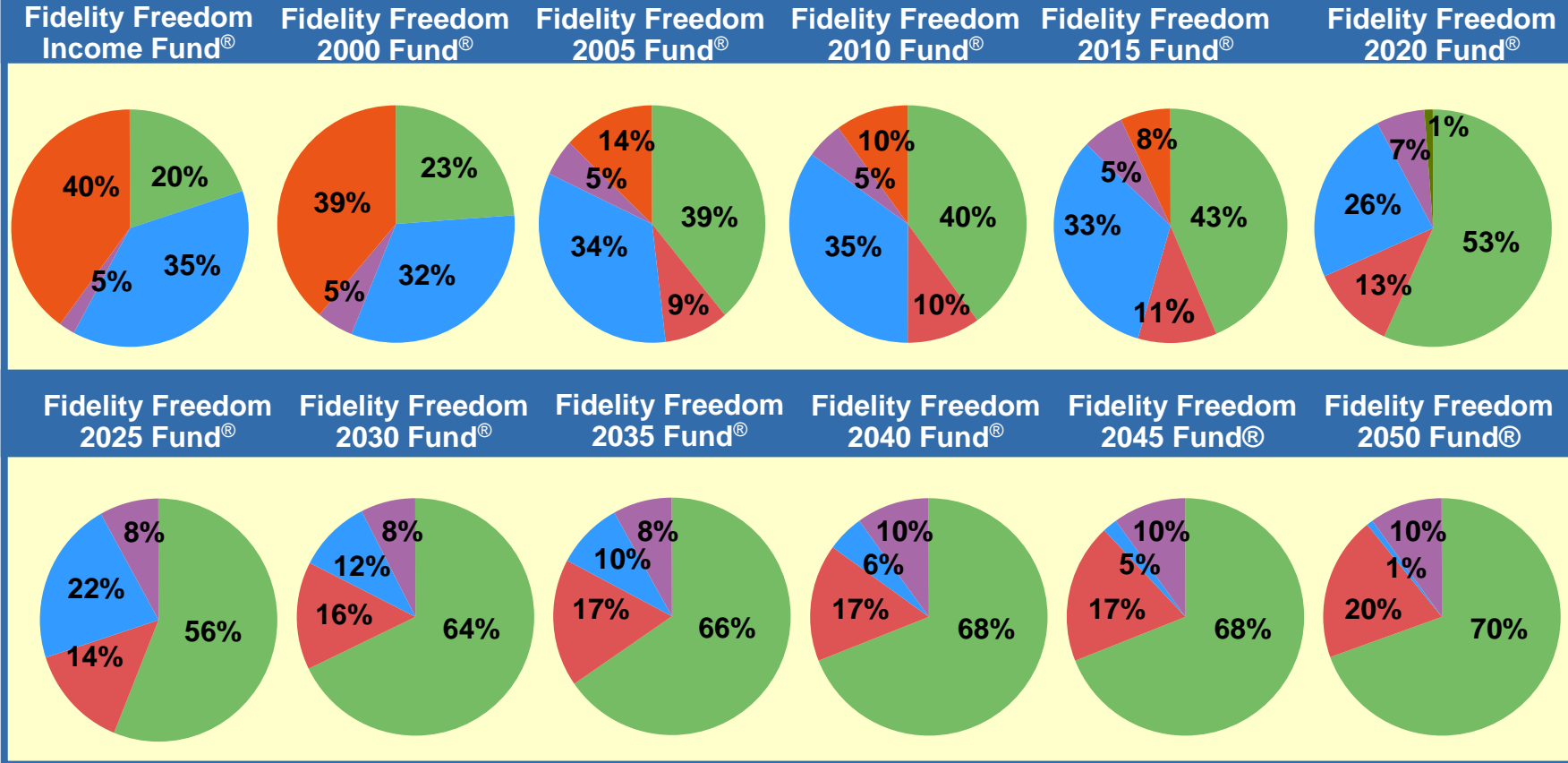
# ADVANTAGES OF THE FIDELITY FREEDOM FUNDS®

- Lifecycle funds geared toward retirement
- Asset diversification among stocks, bonds and money market funds
- Automatic rebalancing over your lifetime
- More conservative allocations as you move closer to retirement



# FIDELITY FREEDOM FUNDS®

## A Family of Funds



■ Domestic Equity ■ International Equity ■ Investment Grade ■ High Yield ■ Short-term Investments



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The percentages represent anticipated target asset allocation as of September 30, 2008. Total Allocations may sometimes be over or under 100% due to rounding. Strategic Advisers, Inc., a subsidiary of FMR LLC manages the Fidelity Freedom Funds.

# FIDELITY RETIREMENT MONEY MARKET

- A money market mutual fund
- Seeks to provide a high level of current interest income consistent with the preservation of principal and liquidity
- Seeks to assure the value of your investment at \$1 per share\*
- You may want to invest if you anticipate using a portion of this money soon and are looking for a stable investment\*

\* An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in these options.

\* Yields will vary.



# MANAGING YOUR INVESTMENT CHOICES



- We will automatically default you into an age-appropriate Freedom Fund until you make a decision
- You can change the fund at any time
- You can reallocate your investments
- You can monitor and change your investments online or by phone

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## USING YOUR EMERITI HEALTH ACCOUNT IN RETIREMENT

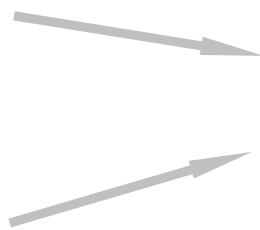
- Reimbursing yourself for qualified medical expenses
- Paying for Health Insurance options

# USING YOUR HEALTH ACCOUNT DURING RETIREMENT

During working years

Employer Contributions

Your Voluntary Contributions

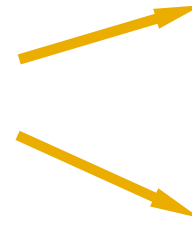


Your Emeriti Health Account

During retirement

**Emeriti Reimbursement Benefits**

**Emeriti Health Insurance Premiums**



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# WHAT CAN YOU DO WITH YOUR REIMBURSEMENT BENEFIT

## Partial list:

- Pre-65 health insurance premiums
- Medicare premiums and cost shares
- Emeriti post-65 insurance premiums, deductibles, and co-insurance
- Other post-65 insurance premiums (if Emeriti coverage is not elected)
- Long-term care insurance
- Medical expenses associated with nursing or in-home health care services
- Over-the-counter drugs
- Vision, dental, hearing care
- Medical equipment

Visit [www.emeritihealth.org](http://www.emeritihealth.org) for details.



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*NOTE: 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.*

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# ADVANTAGES OF YOUR REIMBURSEMENT BENEFIT

- earnings disbursed **tax free** for qualified medical expenses
- residual balance rolls over each year, continues to grow tax free
- first four bundled reimbursement submissions each calendar year are free
- convenient and easy-to-use
- form available on [www.emeritihealth.org](http://www.emeritihealth.org)





# WHEN CAN YOU USE YOUR REIMBURSEMENT BENEFIT

Once you meet vesting requirements of your institution:

- In Retirement

- Age 55 or older

- Exception After You Cease Employment

- Small account distributions for medical expenses

- Early Access for Special Circumstances

- Terminal illness
- Catastrophic expenses beyond insurance coverage



# WHO CAN USE YOUR EMERITI HEALTH ACCOUNT FOR REIMBURSEMENTS IN RETIREMENT



- You (participant must be enrolled before eligible dependents can enroll)
- Your dependents:
  - Your spouse (pre- or post-65)
  - Your dependent domestic partner (pre- or post- 65)\*
  - Your dependent children (before majority)
  - Permanently disabled children\*\*
  - Eligible dependent relative\*

*NOTE: Your employer's plan establishes specific rules for vesting in the Emeriti account balance and retirement eligibility for the Emeriti insurance.*

Access to employer funds (vesting)

Last-to-die rights

*\* Only if elected by your institution.*

*\*\*Determination of permanent disability also confers access to post-65 insurance for these individuals.*



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# WHAT ARE YOUR EMERITI HEALTH INSURANCE OPTIONS

## MEDICAL COVERAGE

Choose from among four different plans:

- Two Medicare supplement plans
- Two PFFS plans

## PRESCRIPTION DRUG COVERAGE

Choose from among four different plans:

- Three open formulary plans
- One closed formulary plan

## DENTAL COVERAGE

Can be added to Medical and/or Rx



# ADVANTAGES OF EMERITI INSURANCE

- Builds on the foundation of Medicare
- Continuing guaranteed issue group health insurance coverage *(no pre-existing condition criteria)*
- Portable, nationwide access
- A menu of options to fit your personal needs
- Catastrophic protection
- Prescription drug coverage
- Foreign urgent or emergency care
- Preventive care
- Any provider who accepts Medicare (no networks)

**Annual choice  
among options**



# WHEN CAN YOU ACCESS YOUR EMERITI HEALTH INSURANCE

- After you have reached age 65
- When you have retired and,
- After you have enrolled in Medicare Parts A and B



Your institution's  
retirement eligibility



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*NOTE: Your employer's plan establishes specific rules for vesting in the Emeriti account balance and retirement eligibility for the Emeriti insurance.*

# WHO CAN USE YOUR EMERITI HEALTH INSURANCE



- You (participant must be enrolled before eligible dependents can enroll)
- Your dependents:
  - Your spouse (pre- or post-65)
  - Your dependent or independent domestic partner (pre- or post- 65)\*
  - Your dependent children (before majority)
  - Permanently disabled children\*\*

**NOTE:** Your employer's plan establishes specific rules for vesting in the Emeriti account balance and retirement eligibility for the Emeriti insurance.

**Post-65 spouse must enroll in same plan as participant**

*\*Domestic partners' coverage is available only if elected by your institution. Independent domestic partners pay for insurance through ACH transfers.*

*\*\*Determination of permanent disability also confers access to post-65 insurance for these individuals. Disability must occur before age of majority.*



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# EMERITI'S COMMITMENT

## ■ Ongoing communication

- **Emeriti Service Center**  
1-866-EMERITI (1-866-363-7484) Open 8:00 am - 9:00 pm ET Monday through Friday
- On-campus workshops
- Periodic newsletters
- **Robust website**  
[www.emeritihealth.org](http://www.emeritihealth.org)
- Educational materials and enrollment kits

## ■ Transparency of fees (working years)

- Emeriti service fee: \$4.00/month
- Fidelity recordkeeping fee: \$1.67/month
- Fidelity investment management fee (please refer to the mutual fund prospectuses for more information about investment fees)



# YOUR NEXT STEPS



**NO PAPERWORK!**  
Takes one phone call

**Your health account is already established.**

**Call 1-866-EMERITI**  
**(1-866-363-7484)**

- Start your voluntary contributions
- Make your investment choices
- Name your eligible dependents



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# DO YOU HAVE ANY QUESTIONS?

**We're here to help!**

**If you would like us to clarify something,  
please let us know.**



Visit [www.emeritihealth.org](http://www.emeritihealth.org) to download this presentation.



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Emeriti Retirement Health Solutions provided this information and is responsible for its content.

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The full name of Emeriti Retirement Health Solutions is The Emeriti Consortium for Retirement Health Solution, an Illinois Nonprofit Corporation.

Emeriti Retirement Health Solutions is not an insurance company, insurance broker or insurance provider.

**Summary Plan Description (SPD)**

This presentation is intended to provide you with a brief summary of some of the details of your Employer's Emeriti Plan and the Emeriti Program. For a full summary of the terms of your Employer's Emeriti Plan you must consult the SPD, which will be provided to you upon enrollment or upon request.

**A benefit program of, by, and for colleges, universities, and higher education-related tax-exempt organizations.**



## Investment Adviser Status

Emeriti Retirement Health Solutions is a registered investment adviser for purposes of selecting the range of investment options for the Emeriti Program, selecting the investment manager for employer and voluntary employee contributions, and providing these and other impersonal educational materials to plan participants. Emeriti does not provide advice to participants about their individual investment selections.

The participation interests in the voluntary employee contribution VEBA trusts associated with the Emeriti plans (the "Interests") may be treated as securities under various state securities laws. The offering of these Interests is subject to compliance with any applicable state law. For residents of Georgia, the Interests are being offered in reliance on paragraph 13 of Code Section 10-5-9 of the Georgia Securities Act of 1973, as amended (the "Georgia Act"). The Interests may not be sold or transferred except in a transaction which is exempt under the Georgia Act or pursuant to an effective registration under the Georgia Act.

## Investment Decisions

It is your responsibility to select and monitor your investments to make sure they continue to reflect your financial situation, risk tolerance and time horizon. Most investment professionals suggest that you reexamine your investment strategy at least annually or when your situation changes. In addition, you may want to consult an investment adviser regarding your specific situation.

Unless otherwise noted, transaction requests confirmed after the close of the market, normally 4 p.m. Eastern time, or on weekends or holidays, will receive the next available closing prices.

Recordkeeping and shareholder services for the Emeriti Program are provided by Fidelity Investments Tax-Exempt Services Company, a division of Fidelity Investments Institutional Services Company, Inc.

Strategic Advisers, Inc., a subsidiary of FMR Corp., manages the Fidelity Freedom Funds

***Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, call or write Fidelity for a free prospectus. Read it carefully before you invest.***

***An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in these funds.***



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