

Retiree Health Care Reimbursement Accounts and Health Savings Accounts



JANUARY 23, 2016

There is a difference



- **Health Savings Accounts (HSA)**
 - Can be used in conjunction with an existing Health Plan
 - Pay for premiums and copayments while still Active
 - Unused amounts may be carried over annual until retirement if allowed by the Plan.

- **Retiree Health Care Reimbursement Accounts (RHCRA)**
 - Stand Alone Plans
 - Can not be used while and Active Participant

What is a Retiree Health Care Reimbursement Arrangement?



- A Retiree Health Care Reimbursement Arrangement (RHCRA) is a reimbursement account that's set up and funded by employers. The account may be used to reimburse retired members eligible out-of-pocket medical expenses that they may have during retirement, and if allowed by your plan, eligible expenses for your spouse and qualified dependents.

How does an HCRA work?



- This is how a RHCRA works:
 - Your employer sets up a RHCRA for each retiree.
 - The RHCRA account is funded entirely by employers; employees can not contribute any money.
 - As long as there is money in your account, you can use the funds toward eligible expenses at **retirement**.

What expenses are covered under an HCRA?



- Only eligible expenses can be reimbursed under a RHCRA. These expenses are defined by IRS rules (Publication 502) and the plan (for example SASMI excludes services such as capital expenses, legal fees, lodging and meals).
- Eligible expenses are those that the member pays for out of pocket for medical care that's provided to the member, his spouse, and eligible dependents (SASMI, up to age 27).
- Generally, IRS rules state that medical care includes items and services that are meant to **diagnose, cure, mitigate, treat, or prevent illness or disease**. Transportation that is primarily for medical care is also included. Here are some examples:
 - Health plan deductible (the amount you pay before your plan starts paying a share of your costs)
 - The members share of the cost for doctor's office visits and prescription drugs
 - The members of the cost for eligible dental care, including exams, X-rays, and cleanings
 - The members share of the cost for eligible vision care, including exams, eyeglasses, contact lenses, and laser eye surgery

Important IRS rules you should know about:



- **No double-dipping** – Expenses reimbursed under your HCRA cannot be reimbursed under any other plan or program.
- Only out-of-pocket health care expenses are eligible for reimbursement. Plus, expenses reimbursed under a HCRA may not be deducted when you file your tax return.
- You are not eligible for subsidy under the Affordable Care Act while covered under an HCRA.

What about over the counter medications?



- In certain situation.
 - OTC medicines require a prescription to be an eligible HCRA expense. Any claim submitted must include a the following types of supporting documentation:
 - ✦ A written or electronic OTC prescription along with an itemized cash register receipt that includes the merchant name, name of the OTC medicine or drug, purchase date, and amount
 - ✦ A printed pharmacy statement or receipt from a pharmacy that includes the patient's name, the Rx number, the date the prescription was filled, and the amount
 - ✦ Allergy medication, aspirin and pain relievers, as well as first aid creams and ointments are examples of OTC medicines that require a prescription.

What expenses are not covered under an HCRA?



- Cosmetic surgery and procedures, including teeth whitening
- Herbs, vitamins, and supplements used for general health
- OTC medicines that you don't have a prescription for (except insulin)
- Family or marriage counseling
- Personal use items such as toothpaste, shaving cream, and makeup
- Prescription drugs imported from another country
- Expenses that are reimbursed by another plan or program, including a health care plan
- Any other item or service that isn't used for medical care as defined by IRS rules

How much does an employer put into a HCRA?

- The employer in a single employer plan or a CBA in a multi, designates the contribution rate for your plan.

How often are reimbursements made?

- The Plan chooses the reimbursement schedule.

What is the maximum amount I can be reimbursed by my HCRA?

- The maximum reimbursement amount you can receive is equal to your account balance at the time your reimbursement request is processed. If your reimbursement request is more than the amount you have in your account, the unreimbursed portion will pend.

Are there coverage periods?



- Generally, HCRA funds are not forfeited at the end of a coverage period and may be rolled over into future years. However, the rollover feature is not available for all plans. If unavailable, most often you forfeit the funds in your account after the plan year.
- A HCRA balance cannot be cashed out, rolled over into another plan, or used for any purpose other than reimbursement of eligible medical expenses.

SASMI and the HCRA Benefit



What is SASMI?



- A Trust Fund designed to assist our union brothers and sisters during times of unemployment or underemployment during their careers in the Sheet Metal Industry.
- We also offer Benefits to our retired union brothers and sisters.
- SASMI was created in 1973 and has always been financed by employer contributions. SASMI is one single Trust, with two separate Plans (Active and Retiree).

Health Care Reimbursement Account (HCRA)



After the Trustees were forced to discontinue the Severance Benefit, there was an attempt to start a “Vacation” Benefit, whereby a participant may have received a small Benefit related to his/her work record.

The “Vacation” announcement was poorly received by SASMI participants and Local Union officials, so the Trustees therefore replaced it with a much more generous and well-received HCRA Benefit.

Qualify for the HCRA Benefit



- Cease work with all SASMI Employers after January 1, 2010, including total and permanent disability; and
- Must be at least age 55 or older with ten (10) years of service at the time of retirement, or at least age 65 with five (5) years of service at the time of retirement, or have been found eligible for Social Security Disability at any age with ten (10) years of service; and
- Be eligible for and receiving a pension from the Sheet Metal Workers National Pension Fund or another SMART Local Union Pension Fund.

Qualify for the HCRA Benefit_(continued)



Past Service Credit is given for each year of SMWIA membership before gaining initial SASMI eligibility. Each year of Past Service returns 1% (or 1/2% per Stabilization Period).

Future Service Credit is given for each Stabilization Period, after the Stabilization Period in which you gained initial eligibility, and remained a SASMI participant and SMWIA member in good standing.

- Future Service is credited at 4% per year.
- The maximum combined number of years (Past and Future) is 37. The maximum number of years of Past Service is 23.

Calculation: Total contributions multiplied by the applicable percentage, less: all prior Benefits and your anticipated Severance amount.

Please note that no HCRA Benefits will be issued until your account is credited. Generally six (6) months from your pension effective date.

Estimated SASMI Severance Benefit Calculation (Accrual through 12/31/09)

Participant:

Stala, Michael

Local Union

058

20.0	Years of Future Service Credit	@	4.00%	80.00%
3.5	Years of Future Service Credit	@	4.50%	15.75%
0.0	Years of Future Service Credit	@	5.00%	0.00%
0.0	Years of Past Service Credit	@	1.00%	0.00%

Total Service Credit

95.75%

Multiplied by SASMI Contributions:

\$38,932.58

\$37,277.95

Less: Total Benefits Issued (including Retiree Health)

\$4,158.39

Amount Remaining

\$33,119.56

Estimated Severance Benefit:

\$33,119.56

SASMI is required to withhold Federal Taxes, FICA and Medicare from Severance checks.

Estimated SASMI HCRA Benefit Calculation

29.5	Years of Future Service Credit	@	4.00%	118.00%
0.0	Years of Past Service Credit	@	1.00%	0.00%

Final Contribution Amount

\$51,188.04

Contributions (after 2009):

\$12,255.46

Total Service Credit

118.00%

Multiplied by Total Contributions

\$51,188.04 = \$60,401.89

Less: Estimated Severance Benefit:

\$33,119.56

Less: Total Benefits Issued (excluding Retiree Health)

\$4,158.39

Estimated HCRA Benefit:

\$23,123.94

SASMI is not required to withhold any taxes from HCRA checks because it is a direct reimbursement of actual expenses.



Stabilization Agreement of the Sheet Metal Industry

8403 Arlington Boulevard, Suite 310
Fairfax, Virginia 22031

Phone: (800) 858-0354 • Fax: (703) 549-9613

To: All SASMI Participants with SASMI Contribution's after January 1, 2010

SASMI is pleased to announce a new, improved benefit for eligible SASMI participants. As you know, SASMI provides a variety of important *active benefits* designed to protect our members during times of involuntary underemployment or unemployment. These important benefits include Supplemental Unemployment and Underemployment (SUB) Benefits, the advance payment Health Benefit to help maintain your health and welfare coverage, Travel Benefits and the inactive Severance Benefit. SASMI also offers *retiree benefits* including the existing Retiree Health Premium Benefit and now a new Retiree Health Care Reimbursement Account ("HCRA") benefit, which will be combined in a new separate retiree plan and benefit summary.

The purpose of this announcement is to explain how the new HCRA benefit will replace the Vacation Benefit (effective 1/1/2010 and terminated 12/31/2013) and give a brief explanation of how the HCRA benefit will work.

The new Retiree Health Care Reimbursement Account will become effective January 1, 2014. The HCRA benefit calculation will reach back for anyone who retires after 2009, who has not otherwise received payment of their Vacation Benefit, and eliminate the prior Vacation Benefit. Thus, if you are active in SASMI as of January 1, 2014, your old credits in the Vacation Benefit will be converted to the new HCRA Benefit. Those participants who were eligible for payment of Vacation Benefits before 1/1/2014 (but were not paid those benefits) will be entitled to a transitional option to receive the Vacation Benefit in lieu of having a HCRA. ¹

The Trustees are happy to announce the new HCRA, in place of Vacation, as it is a more in line with the benefit level of the former Severance Benefits as participants will earn credits in a similar way to the former Severance Benefit calculation.

HCRA:

The HCRA calculation will be done at each participant's actual retirement date. The HCRA account is based on and includes all contributions made on your behalf over your career, multiplied by all Service Credit (equal to 4% for each year of Future Service and 1% for each year of Past service), less all SASMI Benefits previously paid.

Participants who had contributions made after 2009 and received the maximum percentage of 150% for the 2009 calculated Severance would have a larger calculated HCRA (based on the actual separation date) because the amount of contributions has increased.

Example:

Total contributions of \$100,000 at 12/31/2009		
Severance calculation at 150%	=	\$150,000.00
Total Contributions of \$125,000 at 12/31/2015		
HCRA calculation of 150%	=	\$187,500.00
Less	Severance Payable	= \$150,000.00
Equals	HCRA Account Balance	= <u>\$37,500.00</u>



6700 FARMHILL BOULEVARD, SUITE 510
 Fairfax, Virginia 22031
 Phone: (800) 858-0354 • Fax: (703) 549-9613

The *new* Retiree Health Care Reimbursement Account will become **effective January 1, 2014**. The HCRA benefit calculation will **reach back for anyone who retires after 2009**, who has not otherwise received payment of their Vacation Benefit, and eliminate the prior Vacation Benefit. Thus, if you are active in SASMI as of January 1, 2014, your old credits in the Vacation Benefit will be converted to the new HCRA Benefit. Those participants who were eligible for payment of Vacation Benefits before 1/1/2014 (but were not paid those benefits) will be entitled to a transitional option to receive the Vacation Benefit in lieu of having a HCRA. As of December 31, 2009, the Fund was required to discontinue the prior Severance Benefit. The Trustees, therefore, created a Vacation Benefit to provide a benefit that would provide periodic payments to participants that worked regularly, whether or not they received other SASMI benefits. After a period in which the Trustees received feedback and comment from Local Unions and participants, it was determined that the Vacation Benefit was too complex and misunderstood. Accordingly, the Trustees have replaced the Vacation Benefit with a new Retiree Healthcare Reimbursement Account that is **designed to provide credits, in amounts similar to the amounts that were provided under the prior Severance Benefit that may be used by eligible participants after retirement to reimburse medical, hospital and other eligible expenses.**

Example:

Total contributions of \$100,000 at 12/31/2009		
Severance calculation at 150%	=	\$150,000.00
Total Contributions of \$125,000 at 12/31/2015		
HCRA calculation of 150%	=	\$187,500.00
Less Severance Payable	=	\$150,000.00
Equals HCRA Account Balance	=	<u>\$37,500.00</u>



4700 FARMHILL BOULEVARD, SUITE 510
Fairfax, Virginia 22031

Phone: (800) 858-0354 • Fax: (703) 549-9613

The eligible “HCRA Medical Expenses” are expenses incurred on or after January 1, 2014, which are not otherwise the responsibility of an insurance carrier, a group health plan or other third party, and which would be deductible **under Section 213 of the Internal Revenue Code (IRC)** (without regard to any percentage of income limitation), with certain exceptions. These expenses are summarized in IRS Publication 502 (2012), Medical and Dental Expenses, which you can find on the Internet at www.irs.gov/publications/p502/index.html. HCRA medical expenses include medical home services which satisfy the other rules with adequate documentation of the medical expense under IRC rules and regulations or, in lay terms, **items not covered 100% by your insurance provider** as well as the **premiums** you pay for coverage to an insurance carrier, **deductibles**, and **copayments**.

Participants who had contributions made after 2009 and received the maximum percentage of 150% for the 2009 calculated Severance would have a larger calculated HCRA (based on the actual separation date) because the amount of contributions has increased.

Example:

Total contributions of \$100,000 at 12/31/2009		
Severance calculation at 150%	=	\$150,000.00
Total Contributions of \$125,000 at 12/31/2015		
HCRA calculation of 150%	=	\$187,500.00
Less Severance Payable	=	\$150,000.00
Equals HCRA Account Balance	=	<u>\$37,500.00</u>



6700 FARMHILL BOULEVARD, SUITE 510
Fairfax, Virginia 22031
Phone: (800) 858-0354 • Fax: (703) 549-9613

Payment will only be made on application and submission of documentation of an HCRA Medical Expense that is sufficient to satisfy Internal Revenue Service requirements for payment of an unreimbursed medical expense that is not subject to federal income tax under the IRC. The reason for this is that the payment from the HCRA account is a reimbursement and therefore not subject to taxes. Yes, **reimbursement's are made tax free under current law.**

calculation will reach back for anyone who retires after 2009, who has not otherwise received payment of their Vacation Benefit, and eliminate the prior Vacation Benefit. Thus, if you are active in SASMI as of January 1, 2014, your old credits in the Vacation Benefit will be converted to the new HCRA Benefit. Those participants who were eligible for payment of Vacation Benefits before 1/1/2014 (but were not paid those benefits) will be entitled to a transitional option to receive the Vacation Benefit in lieu of having a HCRA. ¹

The Trustees are happy to announce the new HCRA, in place of Vacation, as it is a more in line with the benefit level of the former Severance Benefits as participants will earn credits in a similar way to the former Severance Benefit calculation.

HCRA:

The HCRA calculation will be done at each participant's actual retirement date. The HCRA account is based on and includes all contributions made on your behalf over your career, multiplied by all Service Credit (equal to 4% for each year of Future Service and 1% for each year of Past service), less all SASMI Benefits previously paid.

Participants who had contributions made after 2009 and received the maximum percentage of 150% for the 2009 calculated Severance would have a larger calculated HCRA (based on the actual separation date) because the amount of contributions has increased.

Example:

Total contributions of \$100,000 at 12/31/2009		
Severance calculation at 150%	=	\$150,000.00
Total Contributions of \$125,000 at 12/31/2015		
HCRA calculation of 150%	=	\$187,500.00
Less Severance Payable	=	\$150,000.00
Equals HCRA Account Balance	=	<u>\$37,500.00</u>



4700 FAIRFAX BOULEVARD, SUITE 510
Fairfax, Virginia 22031

Phone: (800) 858-0354 • Fax: (703) 549-9613

Claim for reimbursement of HCRA Medical Expenses with SASMI **within two (2) years of the date that the expense was incurred** (or a shorter period, if required by IRS rules). Claims may only be submitted for HCRA Medical Expenses incurred for an eligible **Retiree and his or her Spouse or Dependents** at the end of the year (December 31) for which claims are filed.

The purpose of this announcement is to explain how the new HCRA benefit will replace the Vacation Benefit (effective 1/1/2010 and terminated 12/31/2013) and give a brief explanation of how the HCRA benefit will work.

Due to other legal requirements, **you cannot submit a claim for expenses incurred while you are actively at work**, even if your pension is not suspended and there is no option to cash out the account.

The Trustees are happy to announce the new HCRA, in place of Vacation, as it is a more in line with the benefit level of the former Severance Benefits as participants will earn credits in a similar way to the former Severance Benefit calculation.

HCRA:

The HCRA calculation will be done at each participant's actual retirement date. The HCRA account is based on and includes all contributions made on your behalf over your career, multiplied by all Service Credit (equal to 4% for each year of Future Service and 1% for each year of Past service), less all SASMI Benefits previously paid.

Participants who had contributions made after 2009 and received the maximum percentage of 150% for the 2009 calculated Severance would have a larger calculated HCRA (based on the actual separation date) because the amount of contributions has increased.

Example:

Total contributions of \$100,000 at 12/31/2009			
Severance calculation at 150%	=	\$150,000.00	
Total Contributions of \$125,000 at 12/31/2015			
HCRA calculation of 150%	=	\$187,500.00	
Less Severance Payable	=	\$150,000.00	
Equals HCRA Account Balance	=	<u>\$37,500.00</u>	

SASMI Short List of IRC 213 Expenses

- Abdominal supports
- Abortion
- Acupuncture
- Alcoholism treatment
- Ambulance
- Anesthetist
- Arch supports
- Artificial limbs
- Autoette (when used for relief of sickness/disability)
- Birth Control Pills (by prescription)
- Blood tests
- Blood transfusions
- Braces
- Cardiographs
- Chiropractor
- Contact Lenses
- Contraceptive devices (by prescription)
- Convalescent home (for medical treatment only)
- Crutches
- Dental Treatment
- Dental X-rays
- Dentures
- Dermatologist
- Diagnostic fees
- Diathermy
- Drug addiction therapy
- Drugs (prescription)
- Elastic hosiery (prescription)
- Eyeglasses
- Gum treatment
- Gynecologist
- Hearing aids and batteries
- Hospital bills
- Insulin treatment
- Lab tests
- Metabolism tests
- Neurologist
- Nursing (including board and meals)
- Obstetrician
- Operating room costs
- Ophthalmologist
- Optician
- Optometrist
- Oral surgery
- Organ transplant
- Orthopedic shoes
- Orthopedist
- Osteopath
- Oxygen and oxygen equipment
- Pediatrician
- Physician
- Physiotherapist
- Podiatrist
- Postnatal treatments
- Practical nurse for medical services
- Prenatal care
- Prescription medicines
- Psychiatrist
- Psychoanalyst
- Psychologist
- Psychotherapy
- Radium Therapy
- Registered nurse
- Special school costs for the handicapped
- Spinal fluid test
- Splints
- Sterilization
- Surgeon
- Therapy equipment
- Transportation expenses (relative to health care)
- Ultra-violet ray treatment
- Vaccines
- Vasectomy
- Vitamins (if prescribed)
- Wheelchair
- X-rays

Excluded expenses include lodging expenses; transportation or travel; meals; construction, repair, alternation or renovation of residential or other premises; or legal fees even if deductible in whole or in part under Internal Revenue Code Section 213.

HCRA-B



- Concept being studied by the Trustees that would offer a single benefit in **ONLY** the Retiree Plan.
- Members would participate in **ONLY** the HCRA benefit.
- Value of the benefit would be based on contributions remitted and interest credits based on years of service.

SASMI TRUST FUND 8403 ARLINGTON BLVD, 3rd FLOOR FAIRFAX, VA 22031



HEALTH CARE REIMBURSEMENT ACCOUNT APPLICATION

PERSONAL DATA: (Please Print All Answers)

IA No.: _____

Name: _____
Last First Middle

Home Local Union No.: _____

Address: _____
Street Address

Social Security No.: _____

_____ City State Zip Code

Date of Birth: _____

Initiation Date: _____

Last Month/Year Worked: _____ Retirement Date: _____

Please attach a copy of your Pension approval from your Local Pension Fund and/or the National Pension Fund.

HCRA benefits may be payable to, or on behalf of, a participant's spouse or dependent children. Please provide:

Spouse: Name: _____ Social Security No.: _____ Birthdate: _____

Child 1: Name: _____ Social Security No.: _____ Birthdate: _____

Child 2: Name: _____ Social Security No.: _____ Birthdate: _____

Child 3: Name: _____ Social Security No.: _____ Birthdate: _____

Child 4: Name: _____ Social Security No.: _____ Birthdate: _____

If applicable, indicate all dates, after your initiation, when you were not a member of the Sheet Metal Workers' International Association (Withdrew, Suspended, etc.).

Retiree Health Insurance Provider (please check all that apply):

____ Private Insurance Carrier

Name of Carrier: _____

Address of Carrier: _____

____ SMWIA Local Union ____ Welfare Fund

Name of Local Union Welfare Fund: _____

Address of Local Union Welfare Fund: _____

Questions?



SASMI TRUST FUND OFFICE

703-739-7250

WWW.SASMI.ORG







