

California Firefighters Benefit Trust

(Formerly Southern California Firefighters Benefit Trust)

Administered By: Benefit Programs Administration

Telephone: (844) 353-7839 (213) 406-2370 | Facsimile: (562) 463-5894

E-Mail – CFBT@bpabenefits.com

www.FirefighterTrust.org

NOTICE TO PARTICIPANTS

TO: All Participants in the Medical Expense Reimbursement Plan of the California Firefighters Benefit Trust

FROM: Board of Trustees, California Firefighters Benefit Trust

RE: Notice of Merger of Trust and Benefit Payment Suspension in July/August

DATE: April 3, 2023

On January 24, 2023, the Board of Trustees of the California Firefighters Benefit Trust (the “CFB Trust”) approved merger of the CFB Trust into the IAFF Medical Expense Reimbursement Plan of the Washington State Council of Fire Fighters Employee Benefit Trust (the “IAFF MERP”).

This merger achieves economies of scale, reducing the percentage of each employee’s contribution that must be spent for Trust operating expenses and leaving more assets for benefit payments. With the partnership of the International Association of Fire Fighters (the “IAFF”) in the IAFF MERP, the IAFF MERP has significant opportunity for growth, which may create even more efficiencies of scale and long-term stability. The merger also provides new Plan design features that were not included in the CFB Trust and likewise the IAFF MERP will be adding some CFB Trust features not currently in their Plan. Additionally, two current CFB Trustees will join the IAFF MERP’s Board of Trustees, which will provide that your interests are still represented in the IAFF MERP. This merger is expected to occur on August 1, 2023.

Upon completion of the merger, your benefits will be provided under the IAFF MERP, which is administered by a different Trust Office than the current CFB Trust Office. The new Trust Office will be operated by Vimly Benefit Solutions, Inc. A future notice will provide you with more details about Vimly Benefit Solutions, Inc. (“Vimly”), their contact information, and the IAFF MERP policies and procedures.

1. *Calculation of Monthly Benefit Levels from IAFF MERP.* In the merger process, we will transfer the contributions that you made to the CFB Trust to the IAFF MERP. The IAFF MERP will recognize 100% of the service credits that you earned in CFB Trust, called Active Service Units (“ASUs”).¹ Similar to the CFB Trust, these ASUs are used by the IAFF MERP to calculate your Monthly Benefit Level after retirement. The IAFF MERP calculates your Monthly Benefit Level based upon the number of ASUs earned during your employment and a Unit Multiplier, set by the IAFF MERP Trustees

¹ After the merger, you will receive one ASU for each \$25 contribution made directly to the IAFF MERP; this is the same ASU value used in CFB Trust. We will work with the Employers to implement payroll contributions to the IAFF MERP.

{14066/A0767528.5}

Dr. 3/27/23

after consultation with the Trust actuary. The IAFF MERP formula is the same as in CFB Trust, as follows:

$$\text{Monthly Benefit Level}^2 = \text{Total Number of ASUs} \times \text{Unit Multiplier (currently 0.41)}^3$$

The Unit Multiplier of CFB Trust is 0.29; thus, Eligible Retirees will get a Benefit Level increase from the merger.

Surviving Spouse Benefits in IAFF MERP. The IAFF MERP previously provided Surviving Spouse benefits only up to Medicare eligibility. After the merger, the IAFF MERP allows new Eligible Retirees to select Surviving Spouse benefits that last for the spouse's lifetime. Because the IAFF MERP Unit Multiplier was set based upon a shorter Surviving Spouse benefit, the IAFF MERP is initiating an actuarial reduction to the Eligible Retiree's Monthly Benefit Level for Eligible Retirees who select a lifetime Surviving Spouse benefit versus a Surviving Spouse benefit that terminates upon the Surviving Spouse attaining Medicare Eligibility. The IAFF MERP actuary prepared the enclosed Lifetime Surviving Spouse Benefit Actuarial Factors Table that is applied based upon the Eligible Retiree's age at first eligibility for benefits. All current Eligible Retirees in CFB Trust will continue with the lifetime Surviving Spouse benefit, as that is the benefit that these Eligible Retirees expected at their retirement. Thus, the actuarial factor applicable to the current Eligible Retiree's age on August 1, 2023, will be applied to calculate their IAFF MERP Monthly Benefit Level.

Example Monthly Benefit Level Calculation: For a current Eligible Retiree with 1500 ASUs, who is age 60 on August 1, 2023, the IAFF MERP Trust Office will calculate that Eligible Retiree's Monthly Benefit Level as follows:⁴

$$\begin{aligned} &\text{Total ASUs} \times \text{Unit Multiplier} \times \text{Lifetime Surviving Spouse Factor} = \text{Monthly Benefit Level} \\ &1500 \text{ ASUs} \times 0.41 \text{ (UM)} \times 0.938 \text{ (lifetime Surviving Spouse Factor)} = \$576.87 \\ &[\text{Compare to CFB Trust Benefit Level} = 1500 \text{ ASUs} \times 0.29 \text{ (UM)} = \$435.00] \end{aligned}$$

For future Eligible Retirees who become eligible for benefits on or after the merger date on August 1, 2023, the IAFF MERP offers four Options to calculate your Monthly Benefit Level. Option 1 is a flat Monthly Benefit Level that remains constant throughout your lifetime (CFB Trust provided a flat monthly benefit level).⁵ Options 2-4

² This formula is for Option 1 (flat benefit level); Options 2-4 (explained below) add an additional factor to the formula for calculating the benefit pre and post-65.

³ The IAFF MERP Trustees reserve the right to increase or decrease the Unit Multiplier at any time for some or all current and/or future Beneficiaries.

⁴ The calculation for current Eligible Retirees of CFB Trust uses Option 1 (flat benefit level). See information on Options 2-4 benefit levels below. All current Eligible Retirees will have their Monthly Benefit Level calculated using Option 1, as that is most similar to their current benefit.

⁵ Option 1 Monthly Benefit Levels are still subject to changes in the Unit Multiplier, which the Trustees have authority to change at any time for current and/or future Beneficiaries. Option 1 {14066/A0767528.5}

offer an increased Monthly Benefit Level prior to age 65 with a corresponding decrease at age 65. Option 2 has the most modest increase in Monthly Benefit Level pre-65, and the highest post-65 benefit level of Options 2-4. Option 2 has a higher Monthly Benefit Level pre-65 than the flat Option 1 benefit level and Option 2 has a lower Monthly Benefit Level post-65 than the flat Option 1 benefit level. Option 4 has the highest Monthly Benefit Level pre-65 of all of the Options, but the lowest Monthly Benefit Level post-65 of all of the Options. Future Eligible Retirees will receive a packet from IAFF MERP Trust Office when they separate from employment. The packet includes a letter providing the retiree's own individualized Monthly Benefit Level under each of the Options both pre- and post-65; the letter will also provide a comparison of each Option with and without the lifetime Surviving Spouse benefit. All current CFB Trust Eligible Retirees will receive the flat Option 1 Monthly Benefit Level in the merger.

2. *IAFF MERP Eligibility Requirements.* Most of the eligibility requirements in IAFF MERP are the same as the eligibility requirements in CFB Trust. Eligibility requires five years of Contributions to the IAFF MERP, Contributions for all periods of Active Service with a Participating Employer, and separation from employment with all Participating Employers. The following are differences in the eligibility requirements:

- The eligibility age for benefits from the IAFF MERP is 53.⁶
- IAFF MERP provides an actuarially reduced Monthly Benefit Level for Employees who retire with a service retirement or disability retirement prior to age 53 (or the retiree can defer benefits until age 53 and receive the regular Monthly Benefit Level without an actuarial reduction).⁷

CFB Trust participants who are eligible for benefits from the CFB Trust before August 1, 2023, will not need to attain the IAFF MERP eligibility requirements. CFB Trust participants who are not eligible for benefits by July 31, 2023, will need to attain the IAFF MERP eligibility requirements in order to receive benefits from IAFF MERP.

The IAFF MERP reimburses the same tax-deductible medical expenses and insurance premiums that the CFB Trust reimbursed.

3. *Final Benefit Claim Payments From CFB Trust.* The CFB Trust administrator will pay all benefit claims received by June 5, 2023, in the last benefit payment distributed on June 15, 2023. Covered Expenses that you do not submit to the Trust Office by June 5, must be submitted to the IAFF MERP for reimbursement.

Monthly Benefit Levels are also still subject to actuarial reduction for Eligible Retirees who select a lifetime Surviving Spouse benefit.

⁶ The eligibility age from the CFB Trust was 50.

⁷ The CFB Trust provided eligibility at age 45 for disability retirements. There was no difference in Monthly Benefit Level for disability retirees.

4. *Start Of Benefit Payments From IAFF MERP.* The IAFF MERP Trust Office will be working to set up all of the CFB Trust retirees in their system for benefit payments. Benefit payments will resume from the IAFF MERP to current CFB Trust retirees after the data upload is complete. We currently expect benefit payments to resume on September 12, 2023, but this is an estimate at this stage of the merger process. Your benefit payments will resume from the IAFF MERP after the setup process is completed, and the IAFF MERP has uploaded your information into their system. Please note that the IAFF MERP Trust Office will pay benefits monthly on the 12th of each month and the IAFF MERP Trust Office must receive your claim documentation by the 25th of the prior month.

No benefit payments will be paid to CFB Trust Eligible Retirees from June 16 through September 11, 2023. However, all Covered Expenses that you could have submitted to the CFB Trust Office during that period will be paid by the IAFF MERP Trust Office with the first claims payment (expected on September 12, 2023), as long as you submit those claims to the IAFF MERP Trust Office and they are received by August 25, 2023. You will receive additional correspondence that informs you about how to submit claims to the new Trust Office, Vimly, upon completion of the merger.

5. *Carryover Of Unused Benefits and Claims Deadlines.* Monthly Benefit Levels from the IAFF MERP do not expire at the end of each month, i.e., the rule is not “use it or lose it.” In CFB Trust, unused monthly benefits were rolled into your individual Employee Account at the end of the plan year – this is not how unused benefits are handled in IAFF MERP. If your Monthly Benefit Level from IAFF MERP is not fully used in one month, then the unused portion carries over to the next month and is credited to a benefit bank called the “Accumulated Benefit.” These unused monthly benefits carryover indefinitely from month to month, and you will be able to view your Accumulated Benefit on the Trust web portal. Before the merger, the CFB Trust Office will credit your current individual Employee Account with your unused benefits from the plan year ended February 28, 2023. Records of your unused benefits from March 1 to July 31, 2023, will be transmitted to the IAFF MERP Trust Office and they will credit those funds to your Accumulated Benefit as soon as the merger data is fully loaded.

Claims from Covered Expenses that you paid in the 2022-23 plan year (March 1, 2022 to February 28, 2023), but that have not yet been reimbursed, must be submitted to and received by the IAFF MERP Trust Office by August 25, 2023, in order to be paid. Claims from Covered Expenses that you paid from March 1, 2023 through July 31, 2023 (provided merger is effective August 1, 2023), must be submitted to, and received by, the IAFF MERP Trust Office by March 31, 2024. The regular claims deadline for IAFF MERP is March 31st for all Covered Expenses paid during the prior calendar year.

6. *Investment Selection Options for Individual Employee Accounts Are Changing August 1, 2023.* The CFB Trust will administer the annual investment selection period from April 15 to May 15, 2023, using the current CFB Trust investment selection options. However, the Informational Bulletin will provide information on the IAFF MERP investment selections and how the current CFB Trust investment selections will transfer to those IAFF MERP investment selections in the merger. You should

review this information carefully and consider the IAFF MERP investment selection that your selection will transfer into. We expect the first annual investment selection period in IAFF MERP to be in April 2024; that is the next time that you will be able to change your investment selection.

CFB Trust participants who receive a new Lump Sum Transfer, such as an accrued sick or vacation leave transfer or San Diego Option C transfer, on or after May 1, 2023, will be sent investment selection packets and subsequently be invested directly into the IAFF MERP investment selection options. We expect that investment to occur on August 1, 2023. The IAFF MERP Trust Office is currently implementing the processes for investment of individual Employee Account assets. The IAFF MERP does not currently offer Employee Accounts, which means that this plan design feature is being implemented as a result of the merger. We will provide more information when the CFB Trust receives your Lump Sum Transfer.

7. *Employee Account Statements From IAFF MERP.* The CFB Trust Office will mail you a final Employee Account Statement with your balance as of July 31, 2023, on approximately August 15, 2023. The IAFF MERP Trust Office will provide all Employee Account balance information via the IAFF MERP web portal. After the merger is completed, you will receive a packet from the IAFF MERP which will include information on how to login to the IAFF MERP web portal.

8. *Pending ASU Conversion Calculations.* The CFB Trust conversion chart for converting individual Employee Account assets (from leave transfers and San Diego Option C transfers) into ASUs provides an actuarial conversion factor based upon your age at the election to convert to ASUs and the full years from that election date to actual retirement. There are CFB Trust participants who have elected to convert individual Employee Account assets into ASUs, but who have not yet retired. These participants will have their conversion election implemented and calculated prior to the merger so that the conversion is completed based upon the CFB Trust conversion chart, instead of the IAFF MERP conversion chart, which provides a conversion factor based solely upon the age at which the Lump Sum Transfer is received. The CFB Trust Office will calculate these pending CFB Trust conversions using the following methodology depending upon the age of the Plan participant on August 1, 2023.

(1) Participants who are younger than age 53 on August 1, 2023: Using the conversion chart in effect on the date of the conversion election, the Trust Office will convert the funds that you elected to convert using the conversion factor for your age on the date of the conversion election and the number of full years of deferral that you would have earned by your 53rd birthday.⁸

(2) Participants who are age 53 or older on August 1, 2023: Using the conversion chart in effect on the date of the conversion election, the Trust Office

⁸ Age 53 is used to match the age eligibility for benefits under IAFF MERP.
{14066/A0767528.5}

will convert the funds that you elected to convert using the conversion factor for your age on the date of the conversion election and the number of full years of deferral that you have earned as of August 1, 2023 (the date of the merger).

9. *Last Opportunity to Convert Current Employee Account Funds to Active Service Units.* If you wish to convert some or all of your current Employee Account balance⁹ in the CFB Trust to ASUs, you must submit a conversion election form to the CFB Trust Office and the CFB Trust Office must receive your ASU conversion election form no later than July 31, 2023. The IAFF MERP will not permit any Employee Account balances that are transferred from the CFB Trust into the IAFF MERP to be converted to ASUs under the IAFF MERP. The IAFF MERP will only permit elections to convert to ASUs for lump sum transfers that are received on or after August 1, 2023. Any funds transferred into the Employee Account prior to the merger must be converted in the CFB Trust prior to the merger on August 1, 2023.

The CFB Trust will be hosting a live Zoom webinar on the merger on April 26, 2023, at 9:00am. If you cannot attend the live webinar, the webinar will be recorded and available to watch on the Trust website at <https://www.firefightertrust.org>. The information to join the Zoom webinar is as follows:

Copy and paste the following link into your browser:

<https://us02web.zoom.us/j/83213418418?pwd=V1lCN1hWTEFvUmxQdS8yYXh2QkVKQT09>

Or, use mobile phone number: 309.205.3325

When prompted, insert:

Webinar ID: 832 1341 8418

Passcode: 384176

The above Zoom webinar information is also posted on the Trust website at <https://www.firefightertrust.org> with additional phone numbers and clickable links. If you have any questions about the merger or the webinar, please call or email one of the Trustees below.

Brandon Lucore
Phone: 760.497.2430
Email: brandon.lucore@gmail.com

Greg Wilson
Phone: 760.845.2886
Email: greg.cfbt@gmail.com

⁹ Minimum conversion amount is \$3,000.

Factor to Convert Temporary to Permanent Spouse Benefit	
Age in Years	Factor
40	0.985
41	0.984
42	0.983
43	0.982
44	0.980
45	0.979
46	0.977
47	0.976
48	0.974
49	0.972
50	0.970
51	0.968
52	0.965
53	0.963
54	0.960
55	0.957
56	0.953
57	0.950
58	0.946
59	0.942
60	0.938
61	0.933
62	0.929
63	0.924
64	0.919
65	0.913
66	0.908
67	0.902
68	0.897
69	0.891
70	0.886
71	0.880
72	0.874
73	0.868
74	0.861
75	0.854
76	0.848
77	0.840
78	0.833
79	0.826
80	0.818

These factors were based on the actuarial assumptions used in the benefit study of the WSCFF plan as of December 31, 2020, including an assumed rate of return of 6.75%, and using the Public Safety 2010 Healthy Annuity headcount-weighted mortality tables, with generational mortality improvements projected from 2010 using Projection Scale MP-2017 using an assumed annuity start date in 2023. A 95% / 5% male-to-female blending was used, to approximate the sex distribution of the current active population.

