

IAFF MEDICAL EXPENSE REIMBURSEMENT PLAN

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**BULLETIN REGARDING CONVERSION OF LUMP SUM  
TRANSFER FUNDS TO ACTIVE SERVICE UNITS  
(FOR ACTIVE EMPLOYEES)**

**Mailing Date:** \_\_\_\_\_

The purpose of this Bulletin is to explain the conversion option in the IAFF Medical Expense Reimbursement Plan (hereafter, the “Plan”) of the Washington State Council of Fire Fighters Employee Benefit Trust.

You recently received a “Lump Sum Transfer” to the Plan from the Employer on your behalf (this could be an accrued leave transfer, an Option C transfer, or another funds transfer from your employer other than regular payroll contributions). The Trust Office is sending you this Bulletin so that you can elect whether to convert the entire amount of this Lump Sum Transfer into either: (i) Active Service Units (“ASUs”); or (ii) a credit to the balance of your Individual Account. The Trust Office will implement your election for the full amount of the Lump Sum Transfer (i.e., you *cannot* elect to convert only a portion of the Lump Sum Transfer to ASUs).

**Please read this Bulletin carefully;** 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.

**A. Increasing Your Monthly Benefit Level Through Conversion**

The reason you might want to convert your entire Lump Sum Transfer to ASUs is to increase your Monthly Benefit Level after you retire (provided you achieve eligibility for the monthly benefit. This is because your Monthly Benefit Level is calculated based on how much you have contributed to the Plan over your career. So, ASUs earned from conversion of Lump Sum Transfers can be added to the ASUs you earned from payroll contributions to increase your Pooled Account monthly benefit.

You can exercise this election now, or annually during the Investment Selection period, which is normally in April, or at retirement/separation from employment. It is important for you to note that: (i) an election is irrevocable after the Trust Office receives your signed Conversion or Individual Account Election Form (the “Election Form”), and (ii) the applicable conversion calculation formula is more favorable to you at a younger age due to the increased time for investment before drawing benefits. The cost per ASU via conversion is generally lower at a younger age. See enclosed Lump Sum Transfer Conversion Table.

**NOTE ABOUT TIMING OF CONVERSION ELECTION:** If you elect conversion now during active employment, you will *not* receive additional years of Active Service toward eligibility for the monthly benefit. If you instead elect to credit the Lump Sum Transfer to your Individual Account and you have not attained eligibility through monthly payroll and COBRA contributions at retirement or separation from employment, then you can convert all, or a portion, of your Individual Account balance and any leave transfer funds received by the Trust at your retirement/separation in order to attain sufficient years of Active Service for eligibility for the monthly benefit.<sup>1</sup> Conversion of the Lump Sum Transfer now, while actively employed with a Participating Employer, **will not** increase your years of Active Service, but conversion **will** increase your Monthly Benefit Level by increasing your total ASUs, and depending upon your age, the ASUs may be significantly lower in cost than at retirement/separation.

**Default Selections.** If the Trust Office does not receive a completed Election Form from you *within 30 days of the Mailing Date of this Bulletin* (above), then the Trust Office will implement the default selection. The default selection is based on your age on the date of the deadline for response to this Bulletin. If you do not respond and you are 40 years or older on the date of the deadline to submit the Election Form, the Trust Office will credit the entire Lump Sum Transfer to an Individual Account held by the Trust for you. If you are under age 40, the Trust Office will use the current Leave Conversion Table to convert the Lump Sum Transfer to ASUs. The default selection is irrevocable on the day after the Election Form deadline.

## **B. Difference Between Monthly Pooled Account Benefits and Individual Account Benefits**

1. **Monthly Pooled Account Benefits.** The Monthly Benefit Level from the Pooled Account in the Plan is generally funded by your regular payroll contributions to the Trust, set in your collective bargaining agreement. The Monthly Benefit Level is set with the intention for the monthly benefits to last for your lifetime.<sup>2</sup> That is, the Pooled Account in the Plan reimburses you for up to a set amount each month.<sup>3</sup>

The advantage of the Pooled Account benefit is that it is designed to last for your lifetime. The disadvantage of the Pooled Account benefit is that it may not cover

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<sup>1</sup> Note that retirement/separation from employment is the *only* time when you can (1) convert less than your entire Individual Account balance and/or leave transfer, and (2) receive additional years of Active Service toward attaining eligibility for monthly benefits. When you retire, the Trust Office can help you determine the Lump Sum Transfer conversion amount required for you to attain the minimum Active Service eligibility threshold for monthly benefits.

<sup>2</sup> 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.

<sup>3</sup> The monthly benefit payments are not guaranteed at a 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.

your entire medical expenses and premiums in any given month. For example, if your monthly premium cost exceeds your Monthly Benefit Level, then you must pay the remainder of your monthly premium out of pocket.

2. Individual Account Benefits. Your Individual Account is generally funded by: (i) Lump Sum Transfers from employers, including leave transfers, unless conversion to ASUs is elected; (ii) future Retiree Contributions, if included in your bargaining agreement; and (iii) investment earnings (and losses). You can spend your Individual Account as quickly as you like (as long as you have medical expenses to reimburse). The advantage of the Individual Account is that there is no monthly limit on benefit payments and so it is useful for reimbursement of a large medical expense. You could also use the Individual Account balance to reimburse the remainder of your monthly premium that exceeds your Monthly Benefit Level. In addition, your Surviving Spouse can use your Individual Account balance for reimbursement of large medical expenses and premiums after your death until the Individual Account balance reaches zero. The disadvantage of the Individual Account is that it may run out during your (and your spouse's) lifetimes.

You can qualify for both an Individual Account and a Pooled Account monthly benefit under the Plan, although you will not receive a monthly benefit until you meet certain eligibility requirements (i.e., cease employment with the Employer (i.e., retire) and attain the required age).

### C. Election is Irrevocable

The election to either convert your entire Lump Sum Transfer to ASUs or retain it as a credit to the balance of your Individual Account is an *irrevocable election*; the election cannot be modified by you in any way after you submit the Election Form (enclosed) to the Trust Office.

If you elect to convert your entire Lump Sum Transfer to ASUs, when your election is received at the Trust Office, the Trust Office will transfer the entire amount of the Lump Sum Transfer to the Pooled Account. The Trust Office will then convert your transferred funds into ASUs using the applicable Conversion Factor in the Lump Sum Conversion Table enclosed with this Bulletin.<sup>4</sup> The date that your Election Form is received at the Trust Office is important for determining the number of ASUs that you receive for your Lump Sum Transfer, because that date determines the applicable Conversion Factor.

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<sup>4</sup> The Lump Sum Conversion Table is also available for you to review as Appendix C to the Plan document.

**D. Instructions for Making Election**

If you are: (i) age 40 years or older and want to convert your entire Lump Sum Transfer to ASUs; **or** (ii) under age 40 and want to retain your entire Lump Sum Transfer as a credit to the balance of your Individual Account, there is a Election Form enclosed (also available on the Trust website) for that purpose. **You have 30 days from the Mailing Date on page one of this Bulletin<sup>5</sup> to deliver your Election Form to the Trust Office.**

To make the election, complete and sign the enclosed Election Form and return it to the Trust Office at the address or email printed on the Form, before the applicable deadline.

For questions or another copy of the current Lump Sum Transfer Conversion Table and Election Form, please contact the Trust Office c/o Vimly Benefit Solutions, Inc. at (425) 367-0743 or [iaff-merp@vimly.com](mailto:iaff-merp@vimly.com).

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<sup>5</sup> Conversion packets are mailed when the Trust receives a new Lump Sum Transfer on your behalf.

### CONVERSION OR INDIVIDUAL ACCOUNT ELECTION FORM

Name \_\_\_\_\_

Address \_\_\_\_\_

Date of Birth \_\_\_\_\_

\_\_\_\_\_ (*Initials*) Check and initial this box to convert entire Lump Sum Transfer into Active Service Units

\_\_\_\_\_ (*Initials*) Check and initial this box to credit entire Lump Sum Transfer to your Individual Account

- ❖ By my signature below, I acknowledge receipt of the bulletin entitled “Bulletin re Conversion of Lump Sum Transfer Funds to Active Service Units (Dr. 7/04/23) (the “Bulletin re: Conversion”), which provides detailed information regarding this conversion option.
- ❖ I understand that I am eligible now to convert all of my Lump Sum Transfer into additional Active Service Units in order to earn a higher Monthly Benefit Level. I understand that I can make only one conversion election annually.
- ❖ I understand that I must deliver this Form to the Trust Office within 30 days of the Mailing Date on page one of the Bulletin Regarding Conversion or the default selection explained in the Bulletin will be made on my behalf.
- ❖ I understand that in certain circumstances (i.e., based on my age at the time of conversion) Active Service Units may be more expensive when purchased through conversion than when earned through monthly payroll contributions. This higher rate is due to the timing of conversion at or close to retirement, which does not allow the funds to grow in investment in the Pooled Account prior to drawing benefits.
- ❖ **I understand that my election made above is irrevocable and cannot be reversed after this signed Election Form is received by the Trust Office (i.e., if I elect to convert the entire Lump Sum Transfer into Active Service Units, the Trust Office cannot return the funds to my Individual Account; if I elect to deposit the funds to my Individual Account, I will not get another opportunity to convert the funds until the next annual investment selection period and my conversion factor may be higher).**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

**Return completed Election Form to IAFF Medical Expense Reimbursement Plan, c/o Vimly Benefit Solutions, Inc., P.O. Box 6, Mukilteo, WA 99275 or [iaff-merp@vimly.com](mailto:iaff-merp@vimly.com).**

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IAFF MERP

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For additional information, call the Trust Office c/o Vimly Benefit Solutions, Inc. at (425) 367-0743.