



IAFF MERP MEDICAL EXPENSE REIMBURSEMENT PLAN

Administered by Vimly Benefit Solutions

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INFORMATIONAL BULLETIN FOR INDIVIDUAL ACCOUNT INVESTMENT SELECTION APRIL 2025

A. INTRODUCTION

The purpose of this Informational Bulletin (“Bulletin”) is to explain the different investment portfolios (“Portfolio”) available to you for investment of the funds credited to your Individual Account in the IAFF Medical Expense Reimbursement Plan (the “IAFF MERP”).¹ The Portfolio Selection Form is enclosed with the Notice of Annual Investment Selection Period (“Notice”), that you received from the Trust Office. The Portfolio Selection Form is due to the Trust Office within 30 days of the date listed on the Notice. See Part C of this Bulletin for details on completing and submitting the Portfolio Selection Form.

Your selection of an investment Portfolio for your Individual Account will affect the investment return and risk on your Individual Account balance and may positively or negatively affect the balance in your Individual Account. You should read this Bulletin carefully and obtain independent investment advice if you wish. You can only make investment selections once per year during the 30-day investment selection period (generally in April),² so it is important to read this Bulletin and return the Portfolio Selection Form by the deadline. If you do not return the Portfolio Selection Form by the 30-day deadline, your Individual Account will remain invested in your current investment selection (see Part C2 of this Bulletin for default selections).

The Plan maintains a recordkeeping account, called the “Individual Account,” for participants under various circumstances. Specifically, the Plan maintains an Individual Account for each participant for whom the following events have occurred: transfers of accrued sick and/or vacation leave (at retirement or throughout your active service); and/or other employer Lump Sum

¹ The purpose of this Bulletin is to explain your investment options for your Individual Account within the Plan. For more explanation of the benefits offered by the IAFF MERP and the eligibility requirements, please refer to the Summary Plan Description or the IAFF Medical Expense Reimbursement Plan available from the Trust Office.

² The Board of Trustees has authority to adjust the date of the annual investment selection period in order to most efficiently administer the Plan.

Transfers, such as Option C for San Diego participants. The purpose of this Bulletin is to give you information for directing the investment of that Individual Account.³

B. PORTFOLIOS AVAILABLE FOR INVESTMENT SELECTION

1. Choose a Portfolio Based on Your Individual Situation. You should read the descriptions below and choose a Portfolio that suits your particular health care situation after your retirement. You are entitled to choose the Portfolio in which to invest the assets that are credited to your Individual Account,⁴ but the underlying investments (e.g., individual stocks and bonds), will be chosen and adjusted from time to time by the Portfolio's fund manager.⁵ Also, in making your selection, you should be aware that the volatility for a Portfolio generally rises as the percentage of stock allocation becomes greater. You will be given the opportunity to change your Portfolio selection annually.

2. Target Date Funds. Target Date Funds will gradually transition from more aggressive to conservative asset allocations as the Target Date approaches, without any action on your part. The progression from more aggressive to conservative asset allocation is called the glidepath. You do not need to change your Portfolio as your retirement date (or other date of need for benefits) approaches, because the fund manager will adjust the Target Date Fund asset allocation with the Target Date in mind. You only need to select a new Portfolio if your life situation changes making the Target Date inappropriate for you (e.g., your expected retirement date changes or your expected medical needs change).⁶ A glidepath chart is provided on the IAFF MERP website; the glidepath is the same for all of the target date fund Portfolios in that each target date fund Portfolio attains approximately 50% equities in the target date year. The Vanguard Target Retirement Income Fund is a static fund that does not change its allocation over time. Approximately 7 years after the target date is reached for a dated Target Date Fund, the fund manager will transfer all assets to the Vanguard Target Retirement Income Fund.

a) First American Institutional Prime Obligations Fund

The First American Institutional Prime Obligations Fund (ticker symbol: FPIXX) invests in high-quality short-term debt obligations, including securities issued by the U.S. government, commercial paper, and non-convertible corporate debt securities designed to maximize current income, preserve capital, and maintain liquidity. This is a very conservative Portfolio and should not be expected to earn any significant investment returns. The investment returns on this Portfolio may not exceed the administrative maintenance fee and it is intended for participants who have minimal risk tolerance and/or who will be spending the funds in the near future. The annual investment cost for this Portfolio is

³ You may also receive regular monthly benefits from the pooled account of the Plan, depending on how long contributions were made to the Plan on your behalf.

⁴ When a retiree's or survivor's Individual Account balance drops to \$1,000 or less, the Trust Office will stop allocating investment returns to the Individual Account.

⁵ The investments within each investment Portfolio will be managed by the fund manager (e.g., Vanguard).

⁶ Please consult with your investment advisor to determine which Portfolio is right for you based upon your current retirement plans and/or healthcare needs.

disclosed as the expense ratio on the fact sheet for the First American Institutional Prime Obligations Fund (available on the IAFF MERP website).⁷ The fund fees are charged against returns by the fund manager prior to reporting the returns.

b) Dodge & Cox Income Fund

The Dodge & Cox Income Fund (ticker symbol: DODIX) will be invested 100% in a diversified allocation of fixed income investments. Generally, this Portfolio is a somewhat more aggressive investment than the First American Institutional Prime Obligations Fund but is generally less aggressive than the Portfolios with allocations to stocks. This Portfolio is designed for participants with a modest risk tolerance or those who will be spending the funds and exhausting their Individual Account within the next few years. This Portfolio is intended to offer a potentially higher yield than the First American Institutional Prime Obligations Fund but can experience moderate changes in value from period to period and can experience negative returns on occasion. The annual investment cost for the Dodge & Cox Income Fund is disclosed as the expense ratio on the fact sheet for the Dodge & Cox Income Fund (available on the IAFF MERP website).⁸ The fund fees are charged against returns by the fund manager prior to reporting the returns.

c) Vanguard Target Retirement Income Fund

The Vanguard Target Retirement Income Fund (ticker symbol: VTINX) is an investment that is somewhat more aggressive in its allocation than the Dodge & Cox Income Fund. The Vanguard Target Retirement Income Fund allocates some assets to stocks, which makes it more aggressive and more volatile than the Dodge & Cox Income Fund (DODIX). However, due to the allocation of some assets to stocks, the Vanguard Target Retirement Income Fund also has a higher return potential than the DODIX. The objective of this Portfolio is to provide current income and some capital appreciation. The approximate asset allocation, which remains fairly static, is 30% equity and 70% fixed income.⁹ You can see the allocation of underlying funds to stocks and bonds in the fact sheet posted on the IAFF MERP website. This Portfolio is intended for participants who intend to begin using the funds in their Individual Account soon and exhaust their Individual Account within 4–10 years. If you will retire soon, but do not expect to use the funds in your Individual Account upon retirement (e.g., because of medical coverage from a spouse, etc.), then you might choose an investment selection with a longer time horizon, such as the Vanguard Target Retirement 2030 Fund. The annual investment cost for the Vanguard Target Retirement Income Fund is disclosed as the expense ratio on the fact sheet for the Vanguard Target Retirement Income Fund (available on the IAFF MERP website).¹⁰

⁷ The actual investment cost could change throughout the year as the investment manager adjusts the portfolio composition.

⁸ The actual investment cost could change throughout the year as Dodge & Cox adjusts the portfolio composition.

⁹ The asset allocation is continually rebalanced as new monies are added to the fund.

¹⁰ The actual investment cost could change throughout the year as Vanguard adjusts the portfolio composition.

d) Vanguard Target Retirement 2030 Fund

The Vanguard Target Retirement 2030 Fund (ticker symbol: VTHR) is a target date fund that is somewhat more aggressive in its allocation than the Vanguard Target Retirement Income Fund. Because it is a target date fund, the allocation of assets will change over time. The fund manager will periodically adjust the asset allocation to become more conservative as the target date year 2030 nears, with the intent to attain 50% equity and 50% fixed income in the target date year. You can see the allocation of underlying funds to stocks and bonds in the fact sheet posted on the IAFF MERP website. This Portfolio is for participants who intend to retire in or around the year 2030, begin using the funds in their Individual Account at that time and/or exhaust their Individual Account within 10 years of the target date. If you will retire earlier than 2030 but do not expect to use the funds in your Individual Account upon retirement (e.g., because of medical coverage from a spouse, etc.), you may choose this Portfolio based upon the date that you expect to start using the funds (or exhaust your account) rather than your retirement date. The annual investment cost for the Vanguard Target Retirement 2030 Fund is disclosed as the expense ratio on the fact sheet for the Vanguard Target Retirement 2030 Fund (available on the IAFF MERP website).¹¹

e) Vanguard Target Retirement 2040 Fund

The Vanguard Target Retirement 2040 Fund (ticker symbol: VFORX) is a target date fund that is somewhat more aggressive in its allocation than the Vanguard Target Retirement 2030 Fund. Because it is a target date fund, the allocation of assets will change over time. The fund manager will periodically adjust the asset allocation to become more conservative as the target date year 2040 nears, with the intent to attain 50% equity and 50% fixed income in the target date year. You can see the allocation of underlying funds to stocks and bonds in the fact sheet posted on the IAFF MERP website. This Portfolio is for participants who intend to retire in or around the year 2040, begin using the funds in their Individual Account at that time and/or exhaust their Individual Account within 10 years of the target date. If you will retire earlier than 2040 but do not expect to use the funds in your Individual Account upon retirement (e.g., because of medical coverage from a spouse, etc.), you may choose this Portfolio based upon the date that you expect to start using the funds (or exhaust your account) rather than your retirement date. The annual investment cost for the Vanguard Target Retirement 2040 Fund is disclosed as the expense ratio on the fact sheet for the Vanguard Target Retirement 2040 Fund (available on the IAFF MERP website).¹²

¹¹ The annual cost estimate is based on the costs from the prior plan year. The actual investment cost could change throughout the year as Vanguard adjusts the portfolio composition.

¹² The annual cost estimate is based on the costs from the prior plan year or the fund prospectus. The actual investment cost could change throughout the year as Vanguard adjusts the portfolio composition.

f) Vanguard Target Retirement 2050 Fund

The Vanguard Target Retirement 2050 Fund (ticker symbol: VFIFX) is a target date fund that is somewhat more aggressive in its allocation than the Vanguard Target Retirement 2040 Fund. Because it is a target date fund, the allocation of assets will change over time. The fund manager will periodically adjust the asset allocation to become more conservative, with less equities, as the target date year 2050 nears, with the intent to attain 50% equity and 50% fixed income in the target date year. You can see the allocation of underlying funds to stocks and bonds in the fact sheet posted on the IAFF MERP website.

This Portfolio is intended for new hires and participants who intend to retire in or around the year 2050, begin using the funds in their Individual Account at that time and/or exhaust their Individual Account within 10 years of the target date. If you will retire earlier than 2050 but do not expect to use the funds in your Individual Account upon retirement (e.g., because of medical coverage from a spouse, etc.), you may choose this Portfolio based upon the date that you expect to start using the funds (or exhaust your account) rather than your retirement date. This is the most aggressive investment Portfolio offered at this time. If you expect to retire after 2050, you will have the option to move the funds in your Individual Account to a Vanguard Target Retirement 2060 Fund in approximately 10 years.¹³ The annual investment cost for the Vanguard Target Retirement 2050 Fund is disclosed as the expense ratio on the fact sheet for the Vanguard Target Retirement 2050 Fund (available on the IAFF MERP website).¹⁴

Fact sheets that describe each of the investment Portfolios outlined above are posted on the IAFF MERP website. Each of these investment Portfolios is a publicly traded investment and you can use the ticker symbols listed to further research these funds. A glidepath chart is also provided on the IAFF MERP website; the glidepath is the same for all of the target date funds listed above and attains approximately 50% equities in the target date year.

C. MAKING YOUR INVESTMENT SELECTION

You received the Notice of Annual Investment Selection Period (the “Notice”) because you have an annual opportunity to direct the investment of the balance of your Individual Account in IAFF MERP into one of the above-mentioned investment options. You will not have another opportunity to select an investment option until the IAFF MERP’s next annual investment selection period, which is expected to occur in April each year.¹⁵ The Portfolio Selection Form is due to the Trust Office within 30 days of the date on the Notice of Annual Investment Selection Period. Please return the Portfolio Selection Form to the Trust Office at the following address, email, or via the IAFF MERP website:

¹³ The IAFF MERP’s investment advisor will advise the Trustees on the best timing to add a new Portfolio (Target Date 2060) for new hires.

¹⁴ The actual investment cost could change throughout the year as Vanguard adjusts the portfolio composition.

¹⁵ The Board of Trustees has authority to adjust the date of the annual investment selection period in order to most efficiently administer the Plan.

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In selecting the Portfolio for investment of your Individual Account, you should consider the application of the Portfolio's characteristics to your individual situation. For example, you may consider such items as your expected retirement date, the date you expect to start using the funds in your Individual Account to reimburse medical expenses, the date you expect to exhaust the funds in your Individual Account, your risk tolerance, and other assets and income available to you for payment of medical expenses. We also suggest you seek the advice of your personal investment advisor or accountant.

1. Effective Date of Investment Selection. New investment selections made during the annual investment selection period will become effective July 1. In order for your investment selection to be implemented on July 1, the Trust Office must receive your Portfolio Selection Form within 30 days of the date on the Notice of Annual Investment Selection Period. Failure to return the Selection Form within the 30-day selection period and make an investment selection will result in your current investment selection remaining in place.¹⁶ You will not begin accruing investment returns in your Individual Account attributable to the investment you select until your funds are invested into that option on approximately July 1.

2. Default Selections. If you did not return the Portfolio Selection Form to the Trust Office when your account was initially invested, the default selection based on your age was implemented. Your current investment selection is available on the IAFF MERP web portal or by calling the Trust Office.

3. Note Regarding Administrative Maintenance Fees Charged to Individual Accounts. All plan participants share the costs of operating the IAFF MERP (e.g., auditing, claims administration, insurance, legal advice, etc.) The Pooled Account generally pays all operating expenses. However, Account Beneficiaries with an Individual Account who are not currently participating in the Pooled Account (either through current monthly contributions or monthly benefits) are required to pay an administrative maintenance fee deducted from the Individual Account balance to pay for their proportionate share of the operating expenses of the IAFF MERP. Based upon the estimated costs to operate the IAFF MERP, the Trustees have set the administrative maintenance fee for Account Beneficiaries, *who do not have any participation in the Pooled Account*, at \$8 per month, effective August 1, 2023. Other Account Beneficiaries with an Individual Account, who are also currently participating in the Pooled Account, are required to pay an administrative maintenance fee that reflects the extra costs of administering Individual Accounts. These Account Beneficiaries, *who are also currently participating in the Pooled Account*, will be assessed an administrative maintenance fee of \$3 per month for the costs of maintaining the

¹⁶ If you did not make an initial investment selection, your Individual Account was invested in accordance with the default selection that applies to you based upon your age. See Section C2, below.

Individual Account, effective August 1, 2023.¹⁷ The Trust Office will show the administrative maintenance fee as a line item in the Individual Account transactions on the IAFF MERP web portal.¹⁸

D. ALTERNATIVE TO INVESTMENT SELECTION: CONVERTING YOUR INDIVIDUAL ACCOUNT BALANCE TO ACTIVE SERVICE UNITS DURING THE ANNUAL INVESTMENT SELECTION PERIOD (ACTIVE EMPLOYEE PARTICIPANTS ONLY)

Instead of selecting one of the above Individual Account investment options, if you are an active employee participant, you can convert your Individual Account balance to Active Service Units to increase your Monthly Benefit Level at retirement.¹⁹ You must make this conversion election within 30 days of the date on the Notice of Investment Selection Period. This is an irrevocable election; the funds cannot be transferred back to your Individual Account after the conversion election is submitted.

Individual Account funds will be converted to Active Service Units, but this conversion does NOT earn additional Active Service or “time” towards the 60-month contribution requirement to attain the lifetime monthly benefit. Your Individual Account funds are converted using the Lump Sum Transfer Conversion Table in Appendix C to the IAFF MERP Plan document. In certain circumstances (i.e., based on your 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 closer to retirement, which does not allow the funds to grow in investment in the Pooled Account prior to drawing benefits. For specific age-based Active Service Unit values, refer to *Appendix C – Lump Sum Transfer Conversion Table* available on the IAFF MERP website.

NOTE: THIS INFORMATIONAL BULLETIN IS NOT INTENDED AS INVESTMENT ADVICE. PLEASE CONSULT A QUALIFIED INVESTMENT ADVISOR FOR INVESTMENT ADVICE IN MAKING YOUR INVESTMENT DECISIONS.

¹⁷ This is because participants in the Pooled Account pay their portion of the IAFF MERP operating expenses through payment of operating expenses from the Pooled Account. However, there are extra administrative expenses needed to operate Individual Accounts that participants in the Pooled Account, who do not have an Individual Account, are not required to subsidize.

¹⁸ The Trustees have the authority to adjust the administrative maintenance fee up or down at any time based upon the actual operating expenses of the IAFF MERP. The Trustees also have the authority to determine whether to charge the administrative maintenance fee monthly, quarterly or annually.

¹⁹ A particular Monthly Benefit Level after retirement is not guaranteed; the Board of Trustees reserves the right to adjust the Unit Multiplier up or down at any time for some specified groups or for all current and/or future Beneficiaries.
