



## Medical Expense Reimbursement Plan

*Administered by Benefit Programs Administration*

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### INFORMATIONAL BULLETIN to the INDIVIDUAL ACCOUNT INITIAL ENROLLMENT PACKET

The purpose of this Bulletin is to explain the different investment options available to you for investment of the funds credited to your Individual Account of the PORAC Retiree Medical Trust. Selection of an investment option for your Individual Account will affect the investment return and risk on your contributions and may positively or negatively affect the balance in your Individual Account. You should read this Bulletin carefully and obtain independent investment advice if necessary.

**Background.** The PORAC Retiree Medical Trust was created to help members of participating Associations of PORAC to save money on a tax favored basis for retiree medical costs. This Trust was established to hold the money that you and other employees have contributed during employment, to pay for medical expenses during retirement. The Board of Trustees, made up of your fellow public safety officers, has adopted the “Medical Expense Reimbursement Plan” (hereafter, the “Plan”), which sets forth the rules for obtaining reimbursement towards your retiree medical expenses.

**Operation of Retiree Pooled Health Plan.** Your contributions from salary are mainly held in a Pooled Account within the Trust and invested by a professional investment manager hired by the Board of Trustees. Further, these plan assets are invested according to an investment policy that is set by the Board of Trustees. This Pooled Account will be used to reimburse you for post-retirement covered medical expenses (such as co-pays, deductibles, and health insurance premiums) that you have paid after becoming an “Eligible Retiree” as defined in the Plan.<sup>1</sup> Your monthly benefit level from the Pooled Account will be set by the Board of Trustees.

**Individual Accounts.** The Plan also maintains a separate Individual Account for record keeping purposes for each participant in which transfers of accrued leave (e.g., sick leave) and certain other contributions are deposited.<sup>1</sup>

You are receiving this Bulletin because an Individual Account has been established on your behalf within the Trust. All participants with an Individual Account in the Plan have three options for investment of the funds contributed to an Individual Account. You need to choose one of these investment options.<sup>2</sup>

### INVESTMENT PORTFOLIOS

There are three Portfolios available from which you can choose: the Money Market Portfolio, the Bond Portfolio and the Pooled Stock/Bond Portfolio.

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<sup>1</sup> 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 Plan and eligibility requirements, you may request a copy of the Summary Plan Description of the entire “Medical Expense Reimbursement Plan of the PORAC Retiree Medical Trust” from the Trust Office. <sup>2</sup> Such contributions to the Individual Account must be made pursuant to a mandatory requirement in your bargaining group’s MOU.

**Choose a Portfolio based on your individual situation.** You should read the descriptions below and choose a Portfolio that suits your particular retirement plans and health care situation. You are entitled to choose the Portfolio in which to invest the assets that are credited your Individual Account, but the underlying investments, e.g., individual stocks and bonds, will be chosen and adjusted from time to time by the Trust's professional investment manager. You will be given the opportunity to change your Portfolio selection annually.

The relative investment in equity, fixed income, and cash differs for each investment option. The three options available are listed below in the order from most conservative to aggressive:

1) Money Market Portfolio

This Portfolio is a static investment, i.e., the percent allocation of assets will not change over time. The Money Market Portfolio will be invested 100% in a money market fund designed to maintain a constant price and generate yields competitive with other similar instruments. This is a very conservative investment option and should not be expected to earn high investment returns. This choice is intended for participants who are retired or very close to their expected retirement date. This option is intended for participants who have minimal risk tolerance and/or who will be spending the funds in the near future.

2) Bond Portfolio

The Bond Portfolio is a static investment, i.e., the allocation of assets will not change over time. The Bond Portfolio will be invested 100% in a diversified allocation of fixed income investments, including a 20% allocation to a money market fund. Generally, this Portfolio is a somewhat more aggressive investment than the Money Market Portfolio. This selection would be appropriate for an individual drawing down an account in a short time frame or who is seeking a lower level of principal fluctuations. This Portfolio is intended to offer a potentially higher yield than the Money Market Fund but can experience moderate changes in value from period to period.

3) Pooled Stock/Bond Portfolio

Selecting this option would allow you to invest the assets credited to your Individual Account with the assets held in the Pooled Account of this Trust, i.e., contributions from your salary made pursuant to an MOU (see above "Operation of Retiree Pooled Health Plan"). Assets in the Pooled Stock/Bond Portfolio are generally invested 60% in equities (i.e., stocks) and 40% in fixed income (i.e., bonds or cash). In making your selection, you should be aware that the volatility and risk of this Portfolio is greater than the Bond Portfolio because it includes an allocation to equities. Generally, this Portfolio is a more aggressive investment than the Bond Portfolio. This choice is designed for participants with a tolerance for risk or those who will not be accessing funds in the near future.

## **MAKING YOUR INVESTMENT OPTION SELECTION**

You are receiving the enclosed Portfolio Selection Form because you have recently retired and an Individual Account has been established on your behalf. **You must complete and return the Portfolio Selection Form no later than 30 days from the date on the notice.**

Please return the Portfolio Selection Form to the Trust Office at the following address:

PORAC Retiree Medical Trust  
c/o Benefit Programs Administration  
1200 Wilshire Blvd., Fifth Floor  
Los Angeles, CA 90017

In selecting an investment choice for your Individual Account, you should consider the application of the Portfolio's characteristics to your individual situation. For example, you should 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, your risk tolerance, and other assets and income available to you for payment of medical expenses.

**Default Selections.** If you do not return the Portfolio Selection Form to the Trust Office **within 30 days**, your Individual Account will be invested in the general default selection - the Money Market Portfolio.

**Open Enrollment.** You may only change your Portfolio selection one time per year, during open enrollment. Open enrollment occurs every year from **April 1st – April 30th**. If you would like to change your investment selection, you may do so by filling out a new Portfolio Selection Form and timely submitting it to the Trust Administrator.

If you have any questions about completing the Portfolio Selection Form, please contact the Trust Administrator at (877) 808-5994.

***This Informational Bulletin is not intended as investment advice. Please consult a qualified investment advisor for investment advice in making your investment decisions.***