

# Tax Advantages

The Trustees have structured the Plan to obtain three separate tax breaks:

- (1) Contributions to the trust are not taxable wages
- (2) The Trust itself will accrue earnings on a non-taxable basis
- (3) Benefits will not be taxed when received by retirees

### *Can an individual participant choose to contribute more?*

No individual increase in contributions is allowed. However, the Plan will accept deposits of accumulated sick and vacation leave payouts if negotiated in the MOU at a uniform mandatory level.



## Funding of the Plan

The Trustees have set contribution rates which the Associations and Employers must negotiate in order to join the Trust. The contribution rates have been set at \$50 increments starting at \$100/month with a maximum of \$400/month. Each bargaining group must select a contribution rate within that range to participate.

## Benefit Levels

The benefit level for your Association will correlate with the contribution rate, i.e., the benefit level for a retiree will depend upon the contribution rate selected by his or her Association.

### **If you have questions, please contact:**

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# PORAC Retiree Medical Trust

## Medical Expense Reimbursement Plan

Tax Favored Method to Aid  
Retirees with Health Care Costs





# What is the Retiree Medical Trust?

PORAC set up the Trust as a vehicle for current employees to put away money while they are working to pay for medical expenses after retirement. Pre-tax contributions are invested by the Trust, and after retirement, a tax-free monthly stipend will reimburse participants for covered medical expenses and health insurance premiums. Each member Association of PORAC has the opportunity to join the Trust as a bargaining unit.

## Eligibility & Benefits

### *How can our Association enroll in the Trust?*

In order to comply with IRS guidelines and maintain our tax-exempt status, enrollment must be done as a bargaining unit. This would be accomplished by MOU agreement with your employer to either make employer contributions on behalf of every employee in the bargaining group and/or make a pre-tax deduction from every employee's paycheck to pay into the Trust. The amount of contribution on behalf of each employee must be the same within the bargaining unit.

### *How do participants become eligible for benefits?*

Eligibility for benefits is open to any participant who becomes an Eligible Retiree by: (1) earning 5 years of Active Service in the Plan (10 years for employees hired after joining the Trust); (2) attaining age 55 (58 for non-safety members); (3) being eligible to receive retirement benefits from your employer's retirement plan; and (4) having contributions made to the Plan on your behalf for all years of Active Service in the Plan.



### *How long will benefits last?*

It is PORAC's intent that the Plan be designed so that benefits for Eligible Retirees will last until death. However, the Trustees will have the authority to reduce or terminate benefits earlier to preserve the soundness of the Plan for all participants.

### *What happens to the benefits when a participant dies?*

The Plan includes benefits to surviving spouses and dependents of an Eligible Retiree. The benefit level of a surviving spouse is 50% of the benefit level of the deceased retiree. If there is a surviving spouse and surviving dependents, the benefit is 100%.