

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
HEALTH PREMIUM REIMBURSEMENT ACCOUNT ADMINISTRATOR RFP

QUESTIONS & ANSWERS

November 30, 2006

- 1.) Q. Is/are there a contractor(s) that have previously provided the services requested in the RFP? Is so, can you please provide their name.
A. ***There has been no prior contractor. The services requested would be a new feature of the VMERS Plan.***
- 2.) Q. Under the second service model would VMERS accept the services of a passive, directed trustee, at the vendor's expense, to serve as trustee/custodian of the assets of the HPRA?
A. ***VMERS would consider the use of a passive directed trustee.***
- 3.) Q. In the event of the death of a participant, will the use of funds for dependents be considered the same as for a surviving spouse?
A. ***No, VMERS currently plans to offers only the surviving spouse the ability to continue to access the fund balance for premium reimbursements until his or her death. However, premium reimbursements may be made for an existing family coverage plan that includes other dependents.***
- 4.) Q. What is envisioned to be in the annual "Statement of Plan Benefits"? Will this be account information or plan benefit information?
A. ***Only individual account activity such as deposits, withdrawals, and interest earnings will be displayed in the annual statements. Plan benefit information will not be included in annual statements.***
- 5.) Q. What are VMERS estimates for ongoing plan contributions?
A. ***Unknown. It is important to reiterate that there is no guarantee that there will be future plan contributions.***
- 6.) Q. What is the proposed effective date of the arrangement?
A. ***July 1, 2007.***
- 7.) Q. Is there any interest in an arrangement that would link the health plan options offered to the retirees directly to the HPRA process so the retirees would not have to submit separate requests for premium reimbursement to the HPRA?
A. ***The VMERS does not currently offer any type of health plan benefits to retirees. Linking other retiree health plan options directly to the HPRA is open for discussion, but not if it might incur additional costs to the plan administration.***

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- 8.) Q. In order to determine potential cost saving features to include in our response, please describe projected one-time and ongoing expenses the State expects to incur as a result of establishing and administering an IRS Section 115 Trust.
- A. *One-time cost would be primarily printing and mailing of informational materials at an expense that is projected to be under \$10,000. On-going expenses to the VMERS will be minimal.*
- 9.) Q. Does VMERS intend to establish a health retirement arrangement (HRA) in compliance with IRS Rev. Rul. 2005-24 and Rev. Rul. 2006-36? (These have been attached for your reference.)
- A. *The plan is designed to comply with all IRS rulings, including those cited. The plan differs from the cited rulings because it will reimburse only insurance premiums that are excludable from income under Section 106 of the Internal Revenue Code. The cited rulings involve plans that reimburse medical benefits excludable under Section 105 of the Code.*
- 10.) Q. Does VMERS anticipate having more than one employee group? If so, does VMERS anticipate contributions will be different for each group?
- A. *No, VMERS does not anticipate having more than one employee group. Although there are 4 distinct group plans in the VMERS, all active and retired members will be treated as a single employee group for purposes of the HPRA.*
- 11.) Q. Would VMERS distinguish eligibility for the plan between collectively bargained and non-collectively bargained groups?
- A. *No.*
- 12.) Q. Does VMERS anticipate seeking a private letter ruling under Model 1?
- A. *No.*
- 13.) Q. Would it be VMERS' preference for the bundled solution in Model 2 to include a plan design that has already received a determination letter?
- A. *The plan design is outlined in the RFP. If the vendor has received private letter rulings that support its services, these should be noted in the proposal.*
- 14.) Q. Will participation be mandatory?

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- A. *Yes, once an employee has reached vested status (5 years of service).*
- 15.) Q. What are the scenarios under which a participant can withdraw from membership prior to commencement of retirement?
- A. *The health premium reimbursement account will be available only for individuals who receive a retirement income benefit from VMERS. A participant may withdraw from membership in VMERS at any time after separation from service with a participating employer by requesting a refund of his/her retirement contributions with accumulated interest.*
- 16.) Q. Is providing protection from creditors a feature that VMERS would like have as a feature of the plan.
- A. *Yes.*
- 17.) Q. Is it VMERS' intention to continue contributing to accounts of current retirees? If so, what types of employer contributions are being considered for retirees?
- A. *Yes, when funding occurs, the available contributions will be evenly distributed to all active and retired members who are eligible for the program. Future funding will come from re-allocating a specific percentage of future employer contributions to the HPRA program if the Board determines that the assets in the VMERS are sufficient to support the re-allocation.*
- 18.) Q. Does VMERS anticipate making future contributions to retirees?
- A. *If future contributions are made, they will be distributed between active and retiree accounts. However, it must be restated that there is no guarantee that VMERS will be able to make future contributions*
- 19.) Q. Would contributions to retirees be for health care premiums only?
- A. *Contributions made to both active and retiree accounts will be for eligible health care premium reimbursements only.*
- 20.) Q. Will the plan permit reimbursements to qualified dependents as well as the spouse?
- A. *No, reimbursements will not be made to dependents other than the spouse. However, insurance premium reimbursements to the retiree or surviving spouse may be for family coverage, which would include other dependents. See Q/A 3.).*

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- 21.) Q. Under what circumstances are contributions forfeited by a participant?
- A. *If the participant withdraws from membership in VMERS prior to commencement of retirement benefits, or if the participant and spouse die with an unused account balance, the account balance will be forfeited.*
- 22.) Q. Is it the intention of VMERS to request finalist presentations and best and final offers from specific vendors selected as a result of this RFP?
- A. *The Treasurer's Office reserves the right to request oral presentations but has not made a decision at this time. There may be no best and final offer procedure. Therefore, the proposal should be submitted on the most favorable terms that the bidder can provide.*