

Important information about retiree health coverage

All benefit-eligible employees of Colorado College have a vested interest in retiree health coverage. Faculty and staff age 40 and above already participate in the Emeriti® program, and employees under age 40 should note that while the program may not be relevant to them now, it will be when they reach age 40.

In July 2005, with the recommendation of the President's Task Force on Health, Colorado College implemented the Emeriti® program to help faculty and staff create savings for retirement health care costs not covered by Medicare. The Emeriti® plan replaced the \$60 per month contribution to retired employee and spouse that had been in place since 1995. The Colorado College Emeriti® program has three components:

- Emeriti® Grantor Trust Account (Fully Insured Account - FIP) – Administered by Fidelity
- Emeriti® Health Account (Voluntary Employees' Beneficiary Association - VEBA) – Administered by Fidelity
- Emeriti® Health Insurance Plan Options – Underwritten by Aetna

Emeriti® Grantor Trust Account – FIP

In July 2005, the college made a one-time lump sum deposit into a Grantor Trust Account for employees (age 48 and above with at least 3 years of service) who were employed as of July 1, 2005. The Grantor Trust Account is used exclusively to pay for the Emeriti® Health Insurance coverage offered through Aetna upon reaching retirement status from the college and age 65.

Emeriti® Health Account- VEBA

How is the Emeriti® Health Account funded?

The Emeriti® Health Account may be funded in three ways, (i) mandatory employer contributions, (ii) mandatory employee contributions, and (iii) voluntary after-tax employee contributions. Because the college has opted to make employee contributions mandatory as a condition of employment, they are not taxable to the employee. The employee may add voluntary after-tax contributions to assist in creating a savings account sizable enough to partially offset the estimated retirement health care costs.

Current estimates for employee-paid health-related expenses not payable by Medicare are \$210,000* per person. The \$210,000 number assumes a person will live to age 90 after beginning coverage by Medicare.

* Employee Benefit Research Institute Brief No. 271, July 2004: Paul Fronstin and Dallas Salisbury

What can the Emeriti® Health Account – VEBA funds be used for?

The funds can be used for payment of Qualified Medical Expenses upon reaching age 55 and no longer employed by the college. In some situations, the funds may be accessed prior to age 55 or while still an active employee.

What is considered a qualified medical expense (QME)?

Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and the costs for treatments affecting any part or function of the body. They include the costs of equipment, supplies, and diagnostic devices needed for these purposes. They also include dental expenses.

Medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness; this includes co-pays, deductibles, over-the-counter medications, and prescriptions. They do not include expenses that are merely beneficial to general health, such as vitamins or a vacation, nor will expenses for cosmetic surgery qualify.

Medical expenses include the premiums you pay for insurance that covers the expenses of medical care.

Medical expenses also include amounts paid for qualified long-term care services and limited amounts paid for any long-term care insurance contract.

A complete list of qualified medical expenses may be found in IRS publication 502.

What is retirement eligible?

Retirement eligibility under the Emeriti® plan is age 55 and at least 10 years of service OR age 60 and at least 5 years of service.

What happens to my Emeriti® Health Account if I leave CC before I am retirement eligible?

If you did not meet the college's criteria for retirement eligibility, you will not be able to enroll in Emeriti® Health Insurance coverage (Aetna Health Insurance), but you will still be able, starting at age 55, to use the employer's contributions, mandatory contributions, and any voluntary contributions that you have made to pay for qualified out-of-pocket medical expenses, all other health insurance premiums including Tricare, through the VEBA, Emeriti® Reimbursement Benefit.

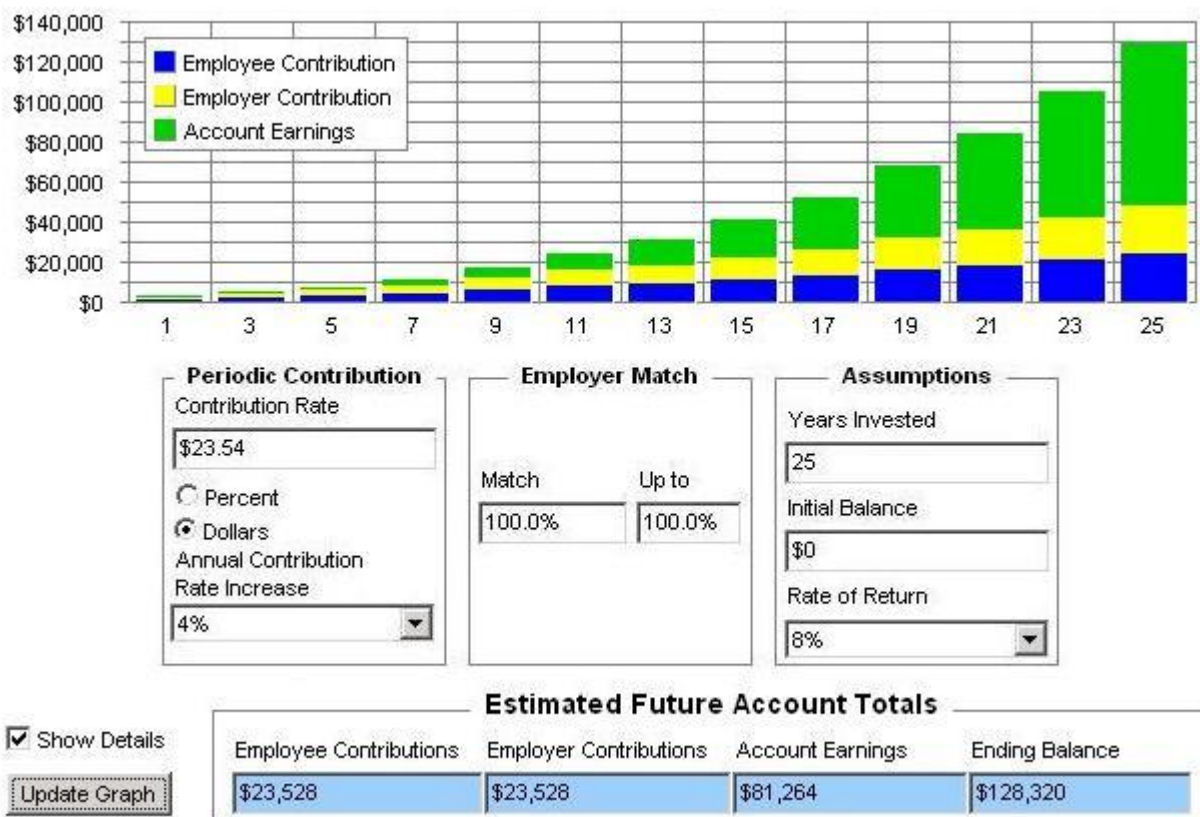
If the participant ceases to be employed by CC prior to attaining retirement eligibility and the aggregate balance of the VEBA account is less than \$5,000.00 then the participant is immediately eligible to use the VEBA account for qualified medical expenses.

Can I access my Emeriti® Health Account while still employed by CC?

Normally, you cannot obtain reimbursement from the Emeriti® Health Account for qualified medical expenses prior to the eligibility date described above. However there are two exceptions available while employed: (1) terminal illness or injury situations and (2) catastrophic expense situations.

How much could accumulate in my Emeriti® Health Account over time?

If the employee contributes \$23.54 per pay period (adjusted annually by 4%) for 25 years, the accumulation would be about half the amount needed to cover medical costs in retirement.



What are the tax advantages of the Emeriti® Health Account?

There are many tax advantages, including:

- CC contributions to the Health Account are not taxable.
- Employee mandatory contributions are not taxable, thereby reducing the true cost of contribution. Payments from your account also are not taxed when incurred for medical expenses.
- Employee voluntary contributions are made on an after-tax basis, but investment earnings grow tax-free. Distributions to pay for qualified medical expenses from this account also are not taxed.
- Investment income is also not taxable.

If you leave CC prior to retirement, all of the contributions (employer, mandatory, and voluntary) and related investment income belong to you and may be used for qualified health care expenses for yourself and any qualified dependent.

Why are employees required to contribute?

Because IRS policy specifies that only mandatory --not voluntary-- employee contributions may be made pre-tax, CC chose to take advantage of the favorable tax treatment by requiring employee contributions. CC established a rate of contribution sufficient to cover 50 percent of projected medical costs for an employee who participates for 25 years and retires at age 65, if the invested funds return an average of 8 percent per year. Therefore, mandatory contributions began at age 40.

What happens to my Grantor Trust Account and/or Emeriti® Health Account if I die?

Your funds remain in the account and your qualified dependent(s) may be able to use the funds for their health insurance premiums or qualified medical expenses.

If there are no dependents, or if the dependents die before the employee, the following happens:

If the participant did not identify individuals who qualify as dependents prior to their death (so there was no spouse or dependents on record at the time of death,) the spouse or child would still be added to participant's account (within 90 days from participant's death) by providing Fidelity with proof of spouse or dependent status, such as a marriage certificate or birth certificate. If an eligible spouse or dependent fails to contact Fidelity in a timely manner to have themselves added to participant's account or if there are no eligible dependents, all funds in the account will be forfeited and may be used by the employer to offset its future contribution requirement. To summarize:

1. Employer contributions, if not consumed by the employee, his or her qualified spouse or dependents, are used to reduce future employer contribution obligations.
2. Employee funded (i.e., voluntary after-tax) contributions may be used to pay for medical expenses of the employee, spouse, and dependents or, to the extent not consumed as of the employee's date of death, these after-tax contributions, following the death of the employee, will be distributed equally among participants who have also made voluntary after-tax contributions.

What is a dependent?

In general, a dependent is an individual who received over half of his or her support from you. This term is defined in Internal Revenue Code section 152 and may include children, parents, spouses, domestic partners, and a variety of other relatives.

What is the difference between the Emeriti® Health Account and the CC 403(b) Tax-Deferred Annuity Plan? The Emeriti® Health Account (VEBA) is used exclusively to pay for health insurance premiums, Medicare part B & D premiums, and any other out-of-pocket health care expenses incurred during retirement or upon termination of employment and age 55 or above. Distributions from your VEBA are not subject to income taxes. Your 403(b) savings are available for any purpose during your retirement years, but your distributions are subject to income taxes for the year of distribution.

Do contributions to my Emeriti® Health Account affect the amount I can contribute to CC's 403(b) Plan?

Contributions to your Emeriti® Health Account have no effect on your annual 403(b) contribution limits. Your pre-tax contributions to the Emeriti® Health Account are limited to \$545.04 for the 2007-2008 fiscal year; however, there is no IRS limit on the after-tax contributions to the Emeriti® Health Account. The annual contribution to the Emeriti® Health Account will increase 4 percent each fiscal year. In 2008, you may contribute up to \$15,500 to your 403(b) Plan account.

Emeriti® Health Insurance Option

What are the Emeriti® Health Insurance Plan Options?

The Emeriti® Health Insurance Plan Options, underwritten by Aetna Life Insurance Company, provide enhanced pharmacy benefits and catastrophic coverage. These offerings complement Medicare and are available nationally.

Under what circumstances will I and my spouse have access to the Emeriti® Health Insurance after I retire?

As long as you have met the CC eligibility requirements under the Emeriti plan at retirement, you will have access to Emeriti® Health Insurance, which is administered by Aetna.

If you have a balance in your Emeriti® Health Account or your Emeriti® fully-insured account, your account will be debited each month to cover your share of the premium.

If you deplete your Emeriti® account you still have coverage through Aetna. Fidelity will contact you to set up monthly transfers from your savings or checking account.

Do I have to enroll in the Aetna plans offered under the Emeriti® Health Insurance Plan Options?

You do not have to enroll in the Aetna plans offered under the Emeriti® Health Insurance Plan Options. If you elect another carrier for your health insurance needs, you can submit those expenses for reimbursement through the Emeriti® Reimbursement Benefit. If you select another insurance provider, you may not be allowed into the Emeriti® Health Insurance Plan at a later date.

The Emeriti® Grantor Trust Account is for the exclusive purchase of Emeriti® Health Insurance Plan Options.

What is the timeline to enroll in the Emeriti® Health Insurance?

The enrollment window for Emeriti® insurance runs 90 days from the date that you terminate service from the college, attain age 65, and enroll in Medicare Parts A and B. If you do not sign up for Emeriti® during this period, you may not have another opportunity. Please note: if you are working and have group health insurance, if you are covered under your spouse's group plan, or you experience a qualifying event, you may be able to enroll in the Emeriti® insurance beyond the timeframe of this initial eligibility.

What is the premium for the Emeriti® Insurance?

The premiums for the health insurance vary based on age and zip code. The product line includes four medical plans; two are Medicare Supplement plans and the others are Private-Fee-For Service plans. In addition, there are three prescription plans to choose from; two are enhanced plans and one is a basic plan, slightly richer than the Medicare Standard Part D design. The Emeriti® program has a total of 12 medical and drug combinations to allow you to design coverage specific to your needs. All of the Aetna products are available nationally.

The following rates* are for 2008 for the 80903 zip code per month:

Medical Options	Age-Banded Rate		
	65-69 yrs	70-74 yrs	75+ yrs
Medical Supplement Plan 1	\$91.01	\$123.55	\$161.86
Medical Supplement Plan 2	\$77.57	\$105.41	\$137.5

	Private Fee-for-Service Rate
	Private Fee-for-Service Plan 1
Private Fee-for-Service Plan 2	\$26.20

Prescription (Rx) Options (Medicare-approved Part D)

	Rx Rate
Rx Plan 1	\$145.70
Rx Plan 2	\$115.20
Rx Plan 3	\$29.70

*Under current assumptions, premiums will be increasing each year.