LOYOLA UNIVERSITY CHICAGO

Preparing people to lead extraordinary lives

Retiree Health Account Options

A Side-by-Side Comparison of Option B1 and Option B2

Key Features	Option B1: Annuity Funding	Option B2: Access to Account Balance
Retirement Date	Options apply to individuals retiring on or after July 1, 2006	
When You Become Eligible to Receive a Benefit	Regardless of which option you choose, you are eligible to receive a retiree health care benefit when you retire after age 60 with at least 10 years of continuous full-time University service immediately prior to retirement.	
What Your Retiree Health Care Benefit Will Be	You will have access to a Retiree Health Account that you can use to assist with health care expenses during retirement. The account is calculated as follows: You accumulate $2,750 for each year of full-time university service worked after age 50 (15 year maximum), including an interest credit of 3% for each year. **Example:** If you are age 60 with 20 years of full-time service as of July 1, 2006, your account will be valued at approximately $31,500 ($2,750 for each of 10 years of service after age 50 plus 3% interest credit for each year) Upon retirement, you must choose to use the account as either Option B1 or Option B2.	
How You Can Use the Benefit	• **Option B1:** If you choose this option, you will access the account as an annuity—a certain amount of money each year for the rest of your life (and/or your spouse's life)—to offset a portion of monthly premiums for coverage under the University's health plan <u>only.</u> You pay the difference between the annuity amount and the total premium cost. You choose from two types of annuities: a *standard annuity* or an *escalator annuity*. A standard annuity gives you access to the same amount each year. An escalator annuity initially provides a lower amount than the standard annuity, but the amount will increase each year to counter a portion of health care inflation.	• **Option B2:** If you choose this option, you have access to the entire account balance immediately to be reimbursed for eligible health care expenses that are not covered by any other plan. In other words, you may draw down the balance over time to pay for the following: monthly premiums for the University's health plan; monthly premiums for another plan, including premiums for a spouse's health plan; coverage under Medicare and/or Medigap policies; copayments; prescription drug expenses; and more. When the account is depleted, you are responsible for paying 100% of your future health care costs.

<table>
<tr><th>Key Features</th><th>Option B1: Annuity Funding</th><th>Option B2: Access to Account Balance</th></tr>
<tr><td>How the Value Grows</td><td>Option B1: If you access the balance as an annuity, the initial amount is determined by dividing the account balance at retirement by a factor based on your age and the type of annuity you select. Here is a partial set of factors[1]:
<table>
<tr><th>Retirement Age</th><th>Standard Annuity Factor</th><th>Escalator Annuity Factor</th></tr>
<tr><td>60</td><td>192.2188</td><td>275.5858</td></tr>
<tr><td>61</td><td>186.9259</td><td>265.1832</td></tr>
<tr><td>62</td><td>181.6007</td><td>254.9398</td></tr>
<tr><td>63</td><td>176.2545</td><td>244.8694</td></tr>
<tr><td>64</td><td>170.9048</td><td>234.9930</td></tr>
<tr><td>65</td><td>165.5388</td><td>225.2893</td></tr>
<tr><td>66</td><td>160.1691</td><td>215.7724</td></tr>
<tr><td>67</td><td>154.8122</td><td>206.4605</td></tr>
<tr><td>68</td><td>149.4493</td><td>197.3242</td></tr>
<tr><td>69</td><td>144.0799</td><td>188.3597</td></tr>
<tr><td>70</td><td>138.7065</td><td>179.5671</td></tr>
</table>
Option B1 Example: Assume the value of your account is $50,000 when you retire at age 65.

Standard Annuity: Approximately $302 per month, calculated as follows: $50,000 ÷ 165.5388 (age 65 standard annuity factor) = $302

Escalator Annuity: Initial annuity of $222 per month, calculated as follows: $50,000 ÷ 225.2893 (age 65 escalator annuity factor) = $222. This amount increases each year to provide some protection from health care inflation.</td><td>Option B2: If you access the entire balance immediately for reimbursement of qualified expenses, the value of the account grows through annual interest credits at a fixed rate of 3%* on the remaining amount in the account.

*The 3% interest rate may be adjusted in the future.</td></tr>
<tr><td>Whose Expenses May Be Covered</td><td colspan="2">You may pay for the cost of coverage for you, your spouse and any eligible dependents up to age 23, under both options. However, the amount of your Retiree Health Account will not increase if you are married or if you have eligible dependents.</td></tr>
</table>

[1] These factors assume a 3% time value of money and life expectancies according to a unisex version of the RP-2000 Combined Healthy mortality table. See the Society of Actuaries' Web site at **www.soa.org** for additional details.

Key Features	Option B1: Annuity Funding	Option B2: Access to Account Balance
What Happens if You Die	**Option B1:** If you've elected to enroll your spouse in the Loyola University Retiree Medical Plan, and you elect one of the annuity options, he or she will continue to receive the annuity for the rest of his/her life (unless he/she remarries). If your spouse remarries, then he/she is no longer eligible to receive the annuity amount applied towards the total premiums for Loyola's Retiree Medical plan.	**Option B2:** If you choose immediate access to the account balance, your surviving spouse (who you elected as alternate at time of retirement) will continue to have access to any money remaining in the account to pay for eligible health care expenses. If your spouse remarries, then he/she will no longer have access to the account balance.
What Happens if the University Changes the Retiree Health Plan or the Funding Options	If the University needs to make additional changes to the retiree health plan, both Option B1 and Option B2 could be affected to some degree. That's because you participate in one retiree health plan, so changes that are made to coverage levels, deductibles and other areas apply to both funding options. Please note that we don't anticipate changes to the program or the funding in the near future. However, if changes are made, we will notify you and all affected retirees immediately.	
Tax Implications	There are no tax implications, regardless of the option you choose.	
Administration of the Retiree Health Account	Benefit Express (Loyola's retiree billing administrator) will handle the administration of the Retiree Health Accounts for both options. Once your retiree health paperwork has been returned to Human Resources with your elections, you will receive a Welcome Packet from Benefit Express which outlines the details of whichever plan you chose.	
Irrevocable Decision	Regardless of the funding option you choose, your decision will be irrevocable. In order to be sure that you are confident about your decision, be sure to use the tools that the University is providing to you, including one-on-one sessions with our benefits experts. Please contact Human Resources at (312) 915-6175, if you would like to schedule an appointment.	