



NPFBA™



NATIONAL PEACE OFFICERS AND
FIRE FIGHTERS BENEFIT ASSOCIATION™

NOTICE OF CHANGES TO LONG TERM CARE PLAN

(Effective September 1, 2016)

National Peace Officers and Fire Fighters Benefit Association (“NPFBA”) is providing this 60-day Notice of Plan Amendment to you as a Member in the NPFBA Long Term Care Plan (the “Plan”). The Plan is periodically reviewed by an actuary for financial adequacy and actuarial soundness. Based on its most recent actuarial review, the NPFBA actuary has recommended the following adjustments to the Plan. These adjustments are described below and will affect existing Members who have not fully paid for coverage costs and new members and are effective September 1, 2016 or as specified below. (The terms used in this Notice are defined in the Plan document.)

- 1. Rate Increase.** The Coverage Costs for Members will be increased by **12% on July 1, 2017** for those Members who have not fully paid their Coverage Costs due at the time of the increase.

As provided in Section 10.4, the monthly Coverage Cost may not be increased for any Member until the one-year anniversary of that Member’s Coverage Effective Date.

- 2. Inflation Protection. Effective September 1, 2016 for existing Members the annual Benefit increase percentage will be 3% compounded and the time period for the annual increases will increase from 15 years to 25 annual adjustments.** This change will occur prospectively and will not apply to reduce or eliminate increases that have already occurred. As an example, if a Member has been in the Plan and has accrued one or more 5% compounded increase for past periods, these increases will remain in place. **Future increases will accrue at the 3% compounded annual rate for up to the balance of a total of 25 annual adjustments.** Benefit increases will be limited to the maximum Benefit increase that would have occurred if the Member had received 15 annual adjustments at the 5% compounded rate. Accordingly, and as an example, the covered Nursing Home Daily Maximum amount under the \$130 Plan for a Member who accrues the maximum number of annual increases would be \$272 per day and for the \$150 Plan it would be \$315 per day.

Please contact the Plan Administrator at LTCQuestions@NPFBA.org if you have any questions or require any further information. In the event of any inconsistency between this notice and the Plan document, the terms of the Plan document will control. If you require a copy of the Plan document or Summary Plan Description, please contact the Plan Administrator.

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NPFBA PLAN CHANGES QUESTIONS & ANSWERS

Q: Why did the Trustees amend the Plan?

A: The Plan is routinely reviewed by a professional actuary to maintain the sound status of the Plan and to protect the interests of the Plan Members. The actuary bases its recommendations for Plan adjustments on the funds necessary to provide for all future benefits. The 2015 actuarial projections were calculated through 2095. Based on the actuary's projections and recommendations, the NPFBA Trustees were required to enact a rate increase and adjust the Compounded Inflation Benefit to ensure the continued financial and actuarial soundness of the Plan.

Definition of Actuary: A person who uses mathematical expertise, statistical knowledge, and economic and financial analyses to help benefit companies determine how much to charge members for coverage based on an analysis of potential claims for benefits. NPFBA's actuaries are members of the American Academy of Actuaries.

Q: How and why do the NPFBA Trustees make changes to the Plan?

A: In accordance with the terms established in the Plan Document, the Trustees may make any necessary changes to the Plan. Please refer to Section 17.3 of your Plan Document. The Trustees make changes to the Plan to maintain the actuarial soundness of the Plan. The changes the Trustees make are based on prudent, professional recommendations and comprehensive actuarial reviews. The Trustees strive to continue providing excellent benefits to the Plan Members with the least impact on the Members while avoiding substantial rate increases.

Q: Is the Plan financially stable and actuarially sound?

A: The NPFBA Plan currently has over \$76 million in assets. Based on prior actuarial analysis, applicable actuarial standards, reasonable assumptions, and the data used, as of 6/30/2015, the funds held by the NPFBA LTC Plan are expected to satisfy adequately its contractual obligations.

Q: How does this affect my payment amount?

A: Your payment will increase on July 1, 2017 by 12%, which will be reflected on your first billing cycle that includes July 2017. Please remember that depending on your billing cycle you may experience multiple billing cycles where different amounts are due.

Q: Why is the Compounded Inflation Benefit being changed to 3% Compounded and earned Plan Years 2 to 26?

A: The Compounded Inflation Benefit has been changed to make the Plan actuarially sound without substantial rate increases. The extension of the Compounded Inflation to Plan Year 26 allows the Plan to provide Members with higher benefit amounts than the 5% Compounded for 15 years allowed. Your benefits will be increased by 6% at the cap – a substantial enhancement to your Plan.

Q: How will the change in Compounded Inflation affect the benefits I have already earned?

A: You will keep all benefits earned at 5% Compounded before September 1, 2016. From September 1, 2016 on you will earn benefits at 3% Compounded until you reach \$315 per day for nursing home care for the 150/70/50 Plan or \$272 per day for nursing home care for the 130/70/50 and 130/50/50 Plans.

Q: Can I upgrade my coverage?

A: No. The option to upgrade coverage is not available. In order to change coverage, you would need to cancel your existing Plan and reapply for a different Plan. This would mean that you would lose all previously earned compounded inflation increases and start at Plan Year 1 under your new Plan. Additionally, your application would be underwritten based on your current answers to the medical questions on the application, which could lead to the denial of coverage if your health has changed in the intervening years.

Q: Can I cancel my Plan?

A: Yes, you may cancel your Plan by submitting a written request to the Plan Administrators. See the NPFBA Plan Document Section 9 for specifics. You are encouraged to analyze the availability, benefits, and rates of the other long term care providers in California prior to cancelling your Plan.