

TCS Americas – District Offices Retiree Medical Modeling Tool Instructions & Output Explanation

July 2008

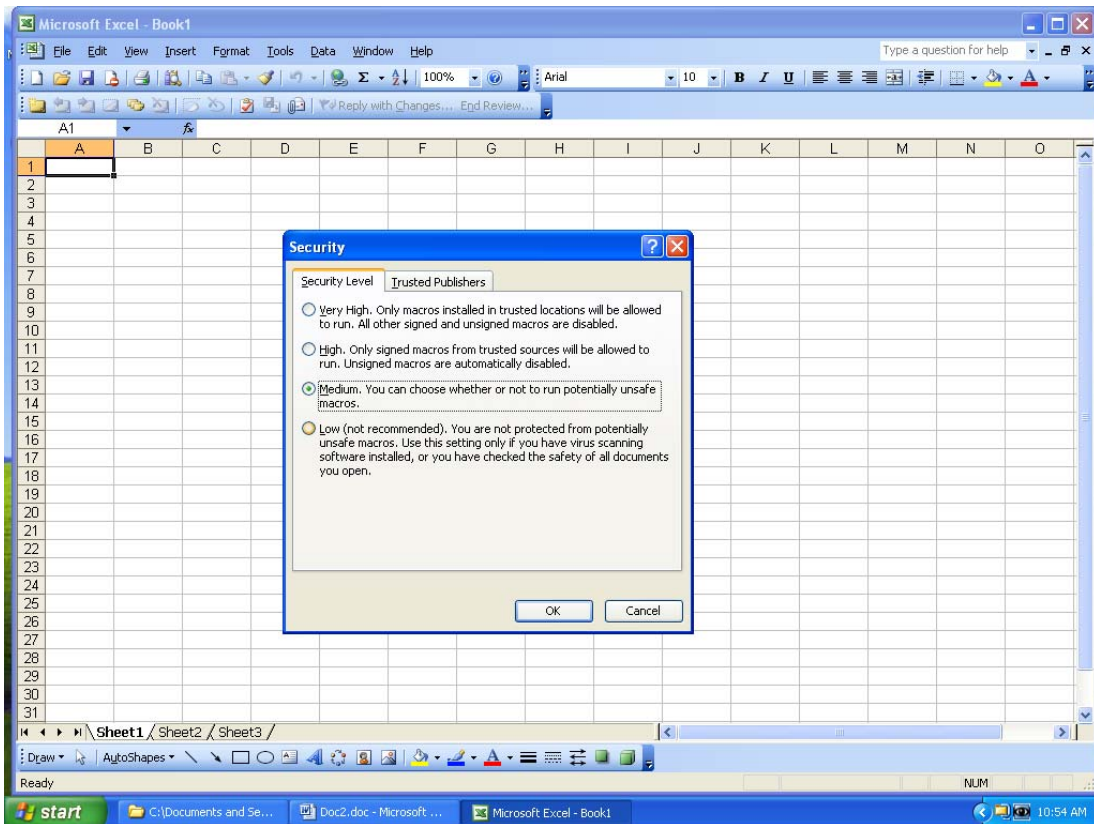
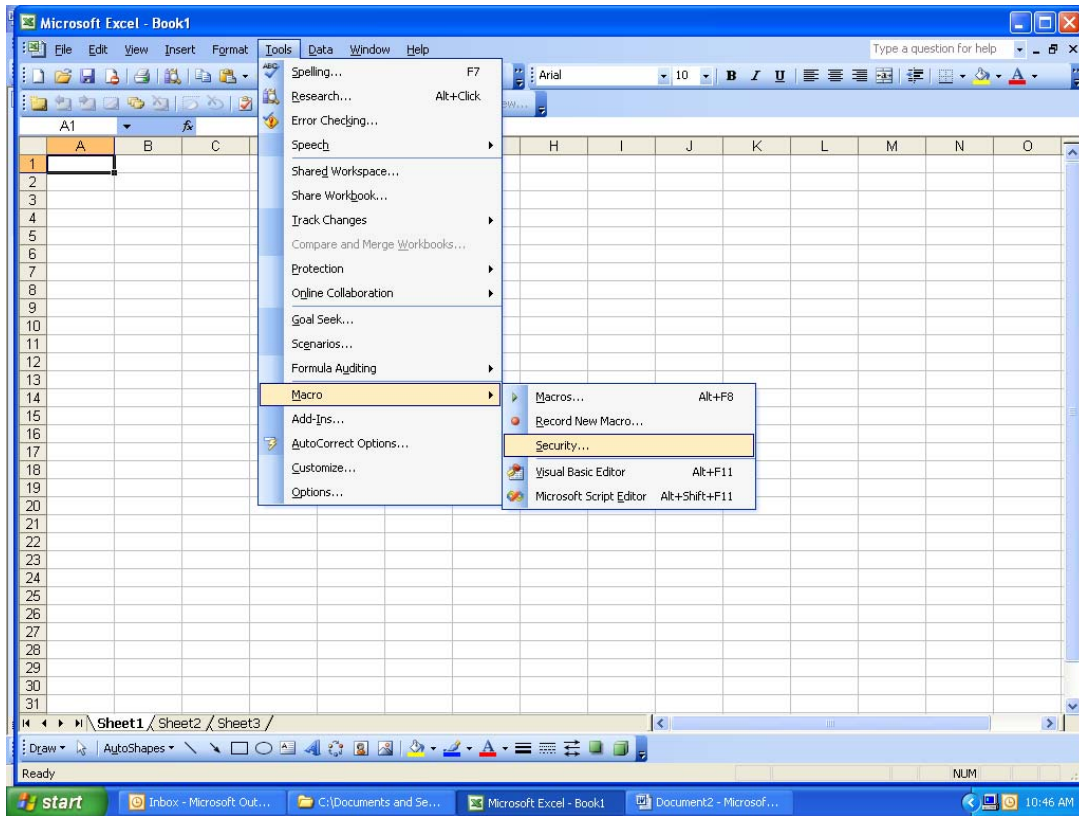
Instructions

Macro Warning Message:

Please follow the instructions below if you receive the following warning message when you open the modeling tool in Excel ***“Macros are disabled because the security setting is set to high (or “very high”).....”***

- Save the file to your computer
- Reopen excel, select the **Tools** menu option and then select **Macro** and **Security**.
- In the resulting **Security** dialog, check to make sure that the security level is set to **Medium** or **Low**.
- If the setting is **High** or **Very High** you will need to change the setting to **Medium** (recommended) or **Low**.
- Close and reopen Excel.
- If you select **Medium**, when you re-open the modeling tool in Excel you will be asked whether you want to **Disable Macros** or **Enable Macros**. Select **Enable Macros**.

See print screens on next page.



As you navigate through the retiree medical calculation tool, you should remember that no information is stored once you exit the site. You are encouraged to save all of your calculations to a file. You may want to do several calculations that reflect different dates for beginning your retiree medical coverage and varying RMSA drawdown percentages.

Please follow these instructions for data entry on the retiree medical calculation tool:

Employee name: First name/last name.

**“Spouse is covered”
dropdown box:** If you wish to cover your spouse, choose “Spouse is covered.”
Otherwise, choose “No spouse covered.”

Spouse name: First name/last name. Data entry required **only** if you will cover your spouse with Trane retiree medical. The calculation tool does not permit you to select coverage for a dependent child. Contact the Retiree Administration unit at 1-866-897-6676 for the additional cost information for dependent children.

Employee DOB: MM/DD/YYYY.

Spouse DOB: MM/DD/YYYY. Data entry required **only** if you will cover your spouse with Trane retiree medical.

Date of Hire: Date you were employed by the company. If you left the company but returned to work as an eligible employee, your service earned before the break will be restored, but you may have an adjusted date of hire, depending on how long you were gone. Check with your human resources office if you are uncertain whether you have an adjusted date of hire.

Date of Retirement: Date you plan to retire from the company. MM/DD/YYYY. **Note:** This calculation model works only for 2008 retirements planned through December 31, 2008 (first day of retirement January 1, 2009).

**RMSA Account
Balance & Date:** The current balance in your retiree medical subsidy account (RMSA). To get this balance, log in to Fidelity NetBenefits at www.401k.com. Under *Savings & Retirement*, click on *Retiree Medical*, then click on *Online Statement*. Select the latest monthly report, and click on *Retrieve Statement*. Enter the ending balance into the calculation tool. Enter the last date of the statement period into the tool. Company credits are reflected in your account as of the end of the last pay period. Interest is credited at the end of each month.

**Retiree Medical Plan
Pre 65:**

If unsure which option you will enroll in when you retire, select the option in which you are currently enrolled as an active employee since the active and retiree options are very similar. Leave blank if both you and your spouse are over age 65. Please note that enrollment in certain

options is limited to retirees living in the Lexington, Tyler and La Crosse service areas. The Aetna Basic PPO is not available to retirees.

Retiree Medical Plan Post 65:

Your company-provided retiree medical beginning at age 65 is offered through Aetna.

Effective date of retiree medical coverage:

The date your retiree medical coverage will begin. This date may be the first of the month following (or coincident with) your date of retirement, but there are a number of reasons why you may want to choose a later date (see the retiree medical choice guide). The calculation tool does not permit you to enter a different date for your spouse.

Please refer to the retiree medical choice guide about late enrollments in the medical plan and the option you may have to elect COBRA before enrolling in Trane's retiree medical coverage.

Life Expectancy (age):

A life expectancy of age 85 has been pre-populated. You can change it to an age of your choice if you wish. You can also choose a different age for your spouse.

RMSA Drawdown %:

You must choose the amount you wish to withdraw tax-free from your RMSA account each month to be applied toward the cost of your retiree medical coverage through Trane. You can choose to withdraw 25%, 50% or 75% of the total cost of coverage. Although you can change this prospectively through open enrollment, the Tool only allows you to enter one percentage.

Assumptions made for this retiree medical calculation tool:

- **The 2008 interest credit for the RMSA of 4.67% and a 5% interest credit assumption for future years. Both company credits and interest accumulate and are withdrawn tax free.**
- **A health care inflation rate of 8% in 2009, and then reduced by ½% per year in subsequent years, eventually holding at 4.75% beginning in 2016**
- **No future changes in medical plan design**
- **Out of pocket costs, such as copays, deductibles and coinsurance, are not included.**

Modeling Tool Output Explanation

The last page of the calculation tool uses your data inputs to calculate and help you decide whether the transition alternative or the retiree medical subsidy account best works to your financial advantage in helping pay for retiree medical coverage.

Input Summary – Summarizes the data you entered into the tool for yourself (and your spouse if you want spouse retiree medical coverage).

Retiree Medical Cost Summary – Gives the projected total cost of your retiree health care and the company’s contribution as a percentage of the total cost under both the RMSA and transition alternative. The projections start with the year you will begin company-provided coverage and end with the year you plan to terminate coverage (your life expectancy date or some earlier date of your choosing, such as age 65). **This summary does not include your costs for COBRA coverage under Trane’s active employee medical plan, plan deductibles, coinsurance or copays under the Trane retiree plan or Medicare premiums, deductibles, coinsurance or copays.**

Next Table – Based on your data inputs, this table projects annual retiree medical costs for company-provided retiree medical coverage, excluding plan out-of-pocket costs such as deductibles, copays or coinsurance. It also projects the amount of the company subsidy for each year under both the RMSA (*Retiree Medical Subsidy Account Drawdown*) and the transition alternative (*Net Company Contribution Under Transition Alternative*) to help you evaluate which retiree medical choice is best for you.

Explanation of Column Headings

Year/Your Age/ Your Spouse’s Age – Your age, and your spouse’s age, starting in the year you begin company-provided retiree medical coverage and continuing through your and/or your spouse’s age 85 (or another age if you changed the “life expectancy” input or only model coverage until age 65).

Health Care Cost for You/Health Care Cost for Your Spouse – The projected annual company-provided health care cost for you (and a separate amount for your spouse) for each year you elect retiree medical coverage. These amounts include both your contribution and any company subsidy, and exclude plan out-of-pocket costs such as deductibles, copays or coinsurance.

Total Health Care Cost – Total cost for you **and** your spouse.

The next two columns pertain only to the retiree medical subsidy account

Retiree Medical Subsidy Account Drawdown – The dollar value of the RMSA drawdown based on the percentage you chose as one of your inputs (example: 50%). You could also have selected 25% or 75%.

Your Health Care Contribution Under the RMSA – The remainder of the projected total annual health care cost (See *Total Health Care Cost*) after the RMSA drawdown. This cost is your responsibility.

The next two columns pertain only to the transitional alternative

Transition Alternative Company Subsidy – The annual company subsidy that reduces your retiree medical contribution **only** if you retire in 2008.

Your Health Care Contribution Under Transition Alternative – The remainder of the projected total annual health care cost (See *Total Health Care Cost*) after the company's transitional subsidy. This cost is your responsibility.