



Washington Association of
SCHOOL BUS DRIVERS OFFICIALS

2013 Annual Conference

Brought to you by the WASBO Payroll/Personnel/Retirement Committee

VEBA Basics

Presented by:



VEBA Service Group
a Division of Gallagher Benefit Services, Inc.

WASBO is a proud sponsor of VEBA Trust since 1984



Today's presenters and topics



Tia Gilroy
Client Consultant

- About VEBA Trust
- Growing cost of post-employment health care
- General plan benefits and information



Mike Smolko
Client Consultant

- Common funding sources
- Adoption process; small groups



Brian Riehs
Client Consultant

- Administrative updates/reminders
- Contributions in 2013, 2014 and beyond
- Form W-2 reporting; Coordination of benefits



• About VEBA Trust



Tia Gilroy
Client Consultant



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a Division of Gallagher Benefit Services, Inc.

What is the VEBA Plan?

HRA

Health Reimbursement Arrangement

- “Account-based” group health plan
- Funded by employer
- Tax-free money for future healthcare costs





Sponsors and trustees



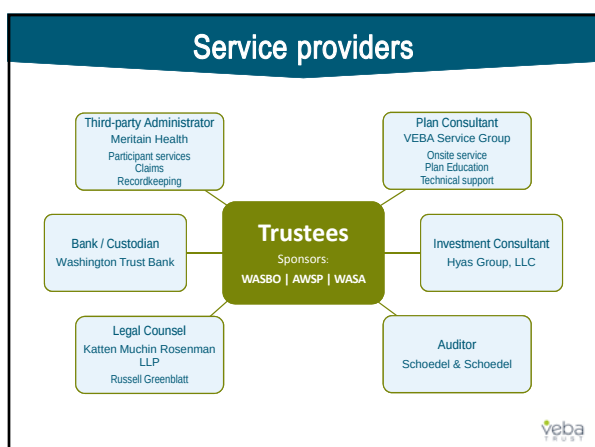


John Knutson, Renton SD
Wayne Leonard, Mead SD

Gordon Grassi, Central Valley SD
Paula Bond, Tacoma SD

Dr. Steve Rasmussen, Issaquah SD
Mike Dunn, Northeast Washington ESD 101





Participant Account Services

Third-party Administrator:

- Claims
- Customer service
- Account administration
 - Contributions
 - Investment changes

1-888-828-4953
employersupport@meritain.com





Plan Education

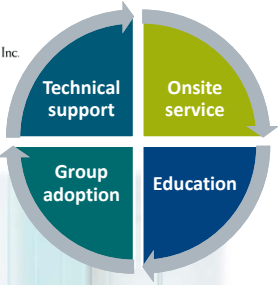
Plan Consultant:



VEBA Service Group
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1-800-888-VEBA (8322)

- Nearly 30 years of experience
- Nationally recognized


VEBA Trust snapshot




\$198 million
in assets



42,724
participants



407 employers

- 284 SDs and ESDs
- 31 community and technical colleges
- 92 state agencies

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- Growing cost of post-employment health care
- General plan benefits and information



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Retiree Healthcare Costs

How much will you spend on health care during retirement?

IF YOU RETIRE
TODAY AT:

PROJECTED COST OF
RETIREE MEDICAL PREMIUMS*:

Age 55\$323,000

Age 60\$256,000

Age 65\$170,000

*These 2012 projections are based on current average PEBB-sponsored retiree medical premium amounts for public retirees in Washington, current standard Medicare Part B premiums, and current average Medicare Part D premiums for subscribers in Washington. The basic assumptions are: (1) employee and spouse retire at age 55, 60, or 65 and live to age 84; (2) both parties enroll in a PEBB-sponsored retiree medical plan (\$1,075/month current average); (3) at age 65, both parties enroll in Medicare Part A (no cost, Part B (\$139.80/month), and Part D (\$78.80/month current average); (4) reduced PEBB retiree medical premium at age 65 for both parties (\$300/month current average); and (5) annual inflation of 5% for PEBB retiree medical premiums and 2% for Medicare Part B and Part D premiums.



How will you pay for it?

Common money sources during retirement:

- 403(b)
- 457
- IRA
- HSA

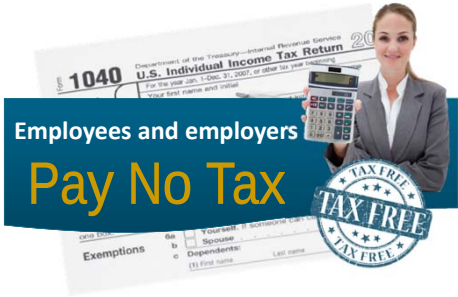
Other
savings

- Pension
- Social
Security

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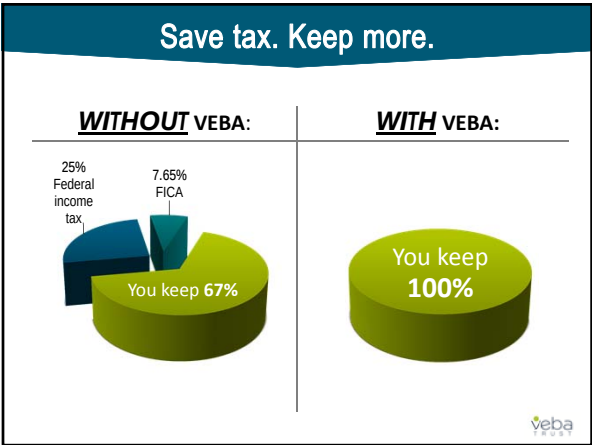


"Win-win" tax advantage



Employees and employers
Pay No Tax

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FUND



Key benefits



You...

- ...pay no tax
- ...can use your account anytime
(after becoming claims eligible)
- ...choose your investments

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Key benefits

Your...

...unused balance carries over
(no annual "use-it-or-lose-it")

...spouse and dependents are covered
(even if you die)



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Getting money in

Common funding sources

- Leave cash outs *(sick leave, vacation, personal, other)*
- Mandatory employee contributions
- Future COLAs; pay increases



No individual choice; all employee group members defined as eligible must participate per IRS rules.

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Participant-directed Investments

Which option is right for you?

Are you comfortable making your own investment decisions?

YES →

NO →

Option A:
 Do-it-yourself

- Individual asset classes
- Build your own portfolio

Option B:
 Choose a pre-mix

- Pre-mixed portfolios
- Professionally managed



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Getting money out



Who's covered?

- You
- Spouse
- Dependent(s)



Expenses

- Deductibles
- Copays
- Prescriptions



Premiums

- Medical, dental, vision
- Long-term care
- Medicare plans

NOTE: Premiums deducted pre-tax by an employer through a Section 125 cafeteria plan are not eligible for reimbursement.



Systematic premium reimbursements

AUTO DEDUCT
from pension check or bank account

+

DIRECT DEPOSIT
from VEBA to bank account

=

SIMPLE, EFFICIENT, SECURE

- ✓ Systematic Premium Reimbursement Form available online at **veba.org** or, go paperless after logging in to **myVEBAPlan online**
- ✓ Provides reimbursement to participants for qualified premiums only
- ✓ No direct payments to insurance companies or providers



Recommended electronic services

- ✓ **Direct deposit**
 - o Faster, more secure than paper check reimbursements
 - o Participants sign-up during enrollment or online
- ✓ **e-Communication**
 - o Quarterly e-statements
 - o e-EOBs,
 - o Participants sign-up during enrollment or online
 - o Employer News, Participant News

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- Common funding sources
- Adoption process; small groups



Mike Smolko
Client Consultant



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Retirement/Separation sick leave cash out

- Eligibility at **retirement**
 - Must immediately begin receiving monthly pension benefit
- Eligibility at **separation** (*SDs only*)
 - Must be at least age 55 with:
 - 15 years of service under TRS, PERS, or SERS Plan 2; or
 - 10 years of service under TRS or SERS Plan 3
- VEBA contribution calculation
 - 25% of up to 180 days
 - No individual choice



Retirement/Separation sick leave cash out

- Who typically votes
 - Those age 50 and older
- Failure to sign state-required hold harmless
 - Recommend “all-or-none” ruling (1990)
 - Employee forfeits entire cash out
 - Safe (more conservative)
 - “Excess sick leave forfeiture” ruling (1993)
 - Employee forfeits “excess” sick leave (up to 12 days, or more if VEBA agreement exceeds 12 months in duration)
 - Remaining balance paid as taxable wages



Annual sick leave cash out

●

VEBA eligibility requirements

- Must have 180 (or more) earned sick leave days on August 31
- Do not include unearned sick leave days (e.g. September front load)
- Leave sharing and usage may affect eligibility from year to year
- If not VEBA-eligible, can still cash out or accrue per state rules

●

Who typically votes?

- All **eligible** group members, if five or more
- All employee group members, if less than five eligible voters

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Annual sick leave cash out

●

VEBA contribution calculation

- 25% of days earned, but unused, during previous calendar year (up to 12-day maximum)
- No individual choice (if eligibility is met)
- Cannot accrue VEBA-eligible sick leave days for future use
- Cannot receive cash in lieu of VEBA contribution
- Hold Harmless Agreement as required by law included on VEBA Plan Enrollment Form

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Vacation, personal, other leave cash outs

●

VEBA eligibility and contribution calculation

- Per district policy or written agreement
- No individual choice

●

Who typically votes?

- All **eligible** group members, if five or more
- All employee group members, if less than five eligible voters

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Mandatory employee contributions

● VEBA eligibility and contribution calculation

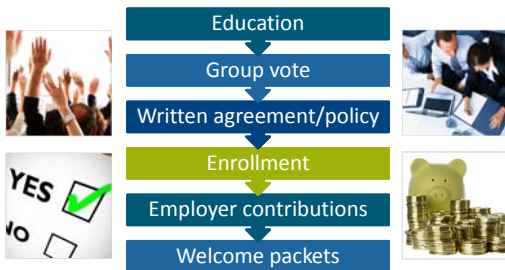
- Per district policy or written agreement
- No individual choice
- Flat dollar amount
- Move % of pay to flat dollar amount

● Who typically votes?

- All **eligible** group members, if five or more
- All employee group members, if less than five eligible voters



Typical group adoption process



Small group guidance

Avoid groups with less than five voting members

Combine small groups into a single, larger group for VEBA purposes



Written agreements; policies

• Provide copies to VSG
(IRS recommendation)

• Use model language in handbook

• Creative language usually a problem



• Administrative updates/reminders



Brian Riehs
Client Consultant



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Online employer portal

- ✓ Login at **veba.org**
- ✓ View posted contributions
- ✓ Upload contribution reports
- ✓ View and print employer reports
- ✓ Access the VEBA Employer Handbook
 - Step-by-step adoption/renewal process [Section 4.5](#)
 - Sample language [Sections 4.8 to 4.9](#)
 - Electronic remittance instructions [Sections 6.3 to 6.4](#)
 - Applicable laws and rules [Section 9](#)



Contribution remittance

Electronic process *(recommended)*

- Submit contribution data reports via **online employer portal**
- Submit contributions via **ACH** or **wire transfer**
- Electronic contributions are visible to participants online within **five business days** from receipt



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Contribution remittance

Paper process

- Mail contribution data reports to **Meritain Health, not the lockbox**
- Trust incurs additional fees when contribution data reports are mailed to the lockbox
- Mail **paper check** contributions to the lockbox
- Paper check contributions are visible to participants online within **nine business days** from receipt



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Annual Employer Review

- Help ensure you have a clear understanding of how your plan may be affected by evolving regulatory requirements
- VEBA Trust must exercise higher level of diligence with respect to eligibility criteria and contribution methods
 - No individual choice
 - Don't discriminate in favor of highly compensated employees
- VEBA Trust cannot administer non-compliant plan designs



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Participant Status Change Form

- Submit **Participant Status Change Form** when active employees/participants
 - **Separate/retire**
 - Experience **COBRA qualifying events** (e.g. reduction of hours) which affect their receipt of future contributions, such as monthly contributions
 - **Pass away**



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Participant Status Change Form

Termination / Separation / Retirement / Reduction of Hours / COBRA Notice

Please print or type in all fields.

Submit completed form to:

participant@veba.com

or fax: (763) 522-1477

6500 New York Avenue, Suite 200, Minneapolis, MN 55412-0803

NEED HELP? participant@veba.com

1-800-828-4854

Use this form to notify the third-party administrator (TPA) when a currently enrolled employee/participant:

1. Is voluntarily or involuntarily terminated or is separated, retirement, etc.
2. Experiences a reduction of hours affecting monthly contributions.
3. Passes away.

One or more of the above events may constitute a COBRA qualifying event if the employee/participant stops receiving employer contributions to which they or their qualified beneficiaries would have otherwise been entitled (e.g. ongoing monthly contributions). To comply with federal COBRA regulations, participants must notify the TPA within 60 days of a COBRA qualifying event. Refer to section 2.2 in your online employee handbook for more details.

NOTE: This form is for use by employees who are becoming new Veba TRUST participants. Due to changes in contributions or beneficiaries, participants may need to re-enroll. Repeat information for these employees on their enrollment form.

1. EMPLOYEE INFORMATION				2. AUTHORIZING SIGNATURE (REQUIRED)			
EMPLOYEE NAME				SIGNATURE			
EMPLOYEE ID NUMBER				DATE			
EMPLOYEE ADDRESS				DATE			
EMPLOYEE PHONE NUMBER				DATE			
3. EMPLOYMENT INFORMATION / SEPARATION / RETIREMENT / REDUCTION OF HOURS / COBRA NOTICE				4. IF YOU CHECK THE APPROPRIATE BOXES, YOUR EMPLOYER AND Veba TRUST WILL AUTOMATICALLY ENROLL YOUR BENEFICIARIES.			
EMPLOYEE NAME	FIRST NAME	LAST NAME	ACCOUNT NUMBER OR ID	EMPLOYEE ADDRESS	EMPLOYEE PHONE NUMBER	EMPLOYEE EMAIL ADDRESS	EMPLOYEE SIGNATURE
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							

* Beneficiary for your enrollment is not a COBRA qualifying event.

Thank you for your participation in the Veba TRUST plan.

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Participant effective dates

- Enrollment Form permits employer to specify a newly-enrolling participant's effective date
- If no date is specified employee shall become a participant the latter date upon which both an Enrollment Form and contribution have been received



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Contributions in 2014 and beyond

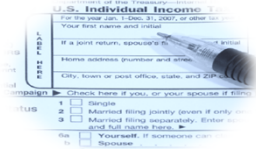
- Continue making contributions to the **current plan** for employees who **are** enrolled in your group medical plan
- Redirect contributions to the new **retiree-only plan** for employees who **are not** enrolled in your group medical plan



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Form W-2 reporting

- Do not report contributions or value of coverage on Form W-2
- IRS Notices 2011-28 and 2012-9
 - Value of health reimbursement arrangement (HRA) coverage exempt from Form W-2 reporting until further notice



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Coordination of Benefits



Health Savings Account (HSA)

Must elect "limited purpose" coverage if you have an HRA and want to become eligible to make (or receive) contributions to an HSA

Only certain dental, vision, and orthodontia expenses may be reimbursed while coverage is limited



Medicare

Medicare pays first if you are retired or separated from the employer that made (or is making) contributions to your HRA



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Conclusion

- Final questions
- Please complete workshop evaluation



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