



2011 Annual Conference

VEBA Basics

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

Presented by:



WASBO is a proud sponsor of VEBA Trust since 1984

Today's presenters and topics

Mike Smolko
Service Representative

- About VEBA Trust

Miriam Woodard
Consultant-Plan Analyst

- Federal reporting; Medicare coordination of benefits
- Recent plan changes
- Future enhancements

Brian Riehs
Service Representative

- Administrative updates/reminders

Dawson Mortimore
Service Representative

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

Tia Gilroy
Service Representative

- Common funding sources
- Adoption process; small groups







- About VEBA Trust



Mike Smolko
Service Representative

What is the VEBA Plan?

Health Reimbursement Arrangement

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




Sponsors and trustees



John Knutson, Puyallup SD
Wayne Leonard, Mead SD



Gordon Grassi, Central Valley SD
Paula Bond, Tacoma SD



Dr. Steve Rasmussen, Issaquah SD
Dr. Polly Crowley, West Valley SD (Spokane)



Service providers




Third-party administrator

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

1-888-828-4953

employersupport@meritain.com



Plan consultant

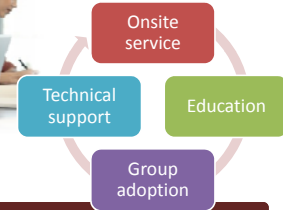
hraconsultants.org



VEBA Service Group, LLC

- 27+ years of experience
- Nationally recognized

1-800-888-VEBA (8322)



VEBA Trust snapshot

veba.org

- **\$174+ million in assets**
- **40,000+ participants**
- **400 employers**
 - 278 SDs and ESDs
 - 30 community and technical colleges
 - 92 state agencies



Fiscal YTD highlights veba.org

- **VEBA Trust remains strong**
 - Added 22 new employee groups
 - Received \$31 million in contributions
 - Paid \$17 million in benefits
 - Served 40,000 participants and their families





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



Dawson Mortimore
Service Representative

How much will you spend?

Find your current age below:



■ Retire at age 65 ■ Retire at age 60

Current Age	Retire at age 65	Retire at age 60
60	\$281k	\$350k
55	\$339k	\$426k
50	\$411k	\$522k
45	\$501k	\$651k
40	\$614k	\$792k



How will you pay for it?

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"Win-win" tax advantage

Employees and employers
Pay No Tax

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Save tax. Keep more.

WITHOUT VEBA:	WITH VEBA:
25% Federal income tax 7.65% FICA You keep 67%	You keep 100%

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Key benefits

You...



- ...pay no tax
- ...can use your account anytime
- ...choose your investments

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Key benefits

Your...



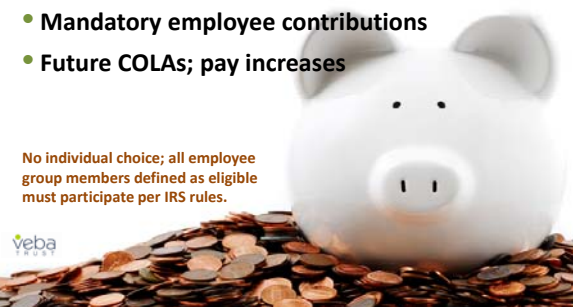
- ...unused balance carries over—*no annual “use-it-or-lose-it”*
- ...spouse and dependents are covered—even if you die

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Getting money in

- **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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Investment options

Option A:
Do-it-yourself

- Six asset classes
- Build your own portfolio

Option B:
Choose a pre-mix

- Four pre-mixes
- 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

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Systematic premium reimbursements

**AUTO
DEDUCT**
from pension
check

+

**DIRECT
DEPOSIT**
from VEBA to
bank account

=

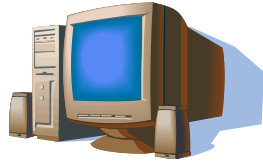
**SIMPLE,
EFFICIENT,
SECURE**

- Systematic Premium Reimbursement Form available online at **veba.org**
- Provides reimbursement to participants for qualified premiums only
- No direct payments to insurance companies or providers

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myVEBA Plan online

- 24-hour participant online account access
- View claims history; look up EOBs
- Update personal/spouse/dependent information, investment selection, address, etc.



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Recommended electronic services

- **Direct deposit**
 - Faster, more secure than paper check reimbursements
- **e-Communication**
 - Quarterly e-statements
 - e-EOBs



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VEBA Service Group, LLC

- Common funding sources
- Typical group adoption process; small groups



Tia Gilroy
Service Representative

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



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



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
 - Safer (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



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



Mandatory employee contributions

VEBA eligibility and contribution calculation

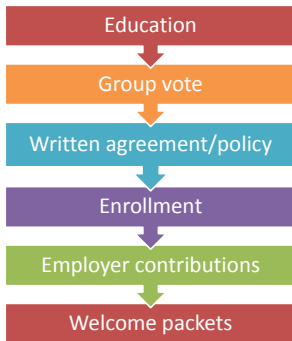
- Per district policy or written agreement
- No individual choice
- Flat dollar amount
- Move % of pay to flat dollar amount

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



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Small group guidance

- Avoid groups with less than five voting members
- Combine small groups into a single, larger group for VEBA purposes

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Written agreements; policies

- Provide copies to VSG (IRS recommendation)
- Use model language in handbook
- Creative language usually a problem

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• Administrative updates/reminders



Brian Riehs
Service Representative

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



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



New Claim Form

- Updated 12/2010 to comply with new federal reporting rules (i.e. Medicare secondary payer)
- Effective **March 1, 2011**, claims received on outdated forms are being denied
- Standard claims processing takes up to **seven business days** (i.e. five business days from date of receipt to process, plus two business days to execute the necessary investment fund trades)



Claim Form
 Claim for reimbursement for services and/or supplies for the participant's medical expenses
 (attach supporting documents - please print clearly)

Fill in the following information
 Name (Last, First, Middle Initial) _____
 Address _____
 City _____ State _____ Zip _____
 Telephone _____
 Fax _____

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 Veterans' Educational Benefits Association
 10000 Old Orchard Road, Suite 100, Dallas, TX 75243-1001 • Phone: (972) 412-8800 • Fax: (972) 412-8801 • E-mail: info@veba.org

2. PARTICIPANT INFORMATION

Name _____ SSN _____ Date of Birth _____ Registered Participant for a VA Claim _____

Is this claim for: ☐ Self ☐ Self/Spouse ☐ Self/Spouse/Child ☐ Self/Spouse/Child/Spouse ☐ Self/Spouse/Child/Spouse/Child

Is this claim for: ☐ Self ☐ Self/Spouse ☐ Self/Spouse/Child ☐ Self/Spouse/Child/Spouse ☐ Self/Spouse/Child/Spouse/Child

3. PAYMENT CHOICE (MANDATORY INFORMATION REQUIRED)

NOTE: Payment Option 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731

Participant Status Change Form

- Submit **Participant Status Change Form** when active employees/participants
 - **Separate/retire** (other than for gross misconduct)
 - 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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Persistent Status Change Form

Termination / Separation / Retirement / Reduction of hours or COBRA notice

E-mail, fax, or mail completed form to third-party administrator : Fidelity services available online at veba.org

VEBA Third-Party Administrator

Member Health | P.O. Box 27316 | Minneapolis, MN 55427-0316 | Fax: (952) 835-4971 | E-Mail: participant@vdba.net

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

- 1 Is voluntarily or involuntarily terminated other than for gross misconduct (e.g., apparent effort, retirement, etc.)
- 2 Experiences a reduction of hours affecting eligibility, or
- 3 Expires entry.

If any of these events may constitute a COBRA qualifying event for the employer/participant days receiving employer contributions in which they or their qualified beneficiaries would have otherwise been entitled (e.g., ongoing monthly contributions), it is complete with federal COBRA regulations; employers must notify the third-party administrator (TPA) within 30 days when a COBRA qualifying event occurs. Refer to Section I for your rules regarding handbook for more details.

NOTE: DOWNE Complete this form for employees who are becoming new VDBA Plan participants due to receipt of contribution of termination/separation leave benefit, as required. Report information for those employees on your enrollment forms.

I EMPLOYER INFORMATION

(2) AUTHORIZED SIGNATURE (required)

Employer Name _____

Employer ID No. _____

X Authorized Signature _____

Date _____

Printed Name _____ Title _____

Area Code and Phone Number _____

E-Mail Address _____

A PARTICIPANT SEPARATION - REDUCTION OF HOURS - COBRA EVENT DETAIL

Participant Last Name	First Name	M/I	Participant Act In or Out?	Date of Event	Is type A or B?		If yes, check the appropriate qualifying event descriptor and explain below.			
					Involuntary Termination	Voluntary Termination	Reduction of Hours	Coverage Continuation	Death of Participant	Permanent Disability
				On Day Chg	No	Yes	No	No	No	No
				Off Day Chg	No	Yes	No	No	No	No
				On Day Chg	No	No	Yes	No	No	No
				Off Day Chg	No	No	Yes	No	No	No
				On Day Chg	No	No	No	Yes	No	No
				Off Day Chg	No	No	No	Yes	No	No
				On Day Chg	No	No	No	No	Yes	No
				Off Day Chg	No	No	No	No	Yes	No
				On Day Chg	No	No	No	No	No	Yes
				Off Day Chg	No	No	No	No	No	Yes

APRIL 01, 2012

*Enter the projected monthly contribution amount that would have otherwise been contributed had the COBRA-qualifying event not occurred.

Participant effective dates

- Enrollment Form permits employer to specify a newly-enrolling participant's effective date as long as such date is
 - Not prior to participant's hire date
 - Not prior to September 1, 2010
- If no date is specified on Enrollment Form, employee shall become a participant the latter date upon which both an Enrollment Form and contribution have been received



Enrollment Form

This form is to be completed by the applicant or a family member, and must be submitted to the Department of Social Services, 1000 North 1st Street, Room 100, Tallahassee, Florida 32304.

FOR COMPLETION BY APPLICANT **Section 1a to 1c**

1. **APPLICANT'S NAME:** **Section 1a**

2. **DATE OF BIRTH:** **Section 1b**

3. **DATE OF DEATH:** **Section 1c**

APPLICANT'S SIGNATURE: **Section 1d**

WITNESS SIGNATURE: **Section 1e**

2. EMPLOYEE, SPOUSE, DEPENDENT INFORMATION

2a. If you are an employee, please provide the following information as completely as possible. If you are not, please leave the spaces for dependent information to be completed by the dependent.

First Name	Last Name	Job Title	Employer	Spouse Security Number

2. EMPLOYEE CONTACT INFORMATION

2a. If you are an employee, please provide the following information as completely as possible.

2b. If you are not an employee, please provide the following information as completely as possible.

2c. If you are not an employee, please provide the following information as completely as possible.

3. APPLICANT'S EDUCATION

3a. If you are an applicant, please provide the following information as completely as possible.

3b. If you are not an applicant, please provide the following information as completely as possible.

4. APPLICANT'S EMPLOYMENT HISTORY

4a. If you are an applicant, please provide the following information as completely as possible.

4b. If you are not an applicant, please provide the following information as completely as possible.

5. APPLICANT'S SOCIAL SECURITY NUMBER

5a. If you are an applicant, please provide the following information as completely as possible.

5b. If you are not an applicant, please provide the following information as completely as possible.



- Federal reporting; Medicare coordination of benefits
- Recent plan changes
- Future enhancements



Miriam Woodward
Consultant-Plan Analyst

Form W-2 reporting

- Do not report contributions or value of coverage on Form W-2
- IRS Notice 2011-28
 - Health reimbursement arrangement (HRA) coverage exempt from Form W-2 reporting

Medicare coordination of benefits

Medicare first, then VEBA if:

- The VEBA participant is separated; or
- The VEBA participant's account balance is and stays under \$1,000; or
- The VEBA participant has elected limited VEBA Plan coverage.

VEBA first, then Medicare if:

- The VEBA participant is still working for the employer that made, or is making, contributions to their account; and
- The person on Medicare is not covered by a group medical plan.

Group medical first, then VEBA, then Medicare if:

- The person on Medicare is covered by the group medical plan.



Medicare coordination of benefits

- Potential actions to improve coordination of benefits with Medicare
 - **Enroll in a group medical plan** sponsored by employer
 - **File eligible claims** to keep VEBA account balance under \$1,000
 - **Elect limited VEBA Plan coverage**



Over-the-counter (OTC) medicines and drugs

- Still covered
- Prescription or note from medical practitioner required beginning January 1, 2011
 - Applies only to medicines and drugs (except insulin); not to other types of OTC items like bandages, crutches, etc.
- See **Qualified Expenses and Premiums** handout for more details



Extended dependent coverage

- Effective September 1, 2010
- Young adult children covered through end of calendar year in which they turn age 26
- Other health plans may have different effective dates or eligibility criteria
- See **Definition of Dependent** for more details



Possible administrative enhancements

- Toll-free fax number for submitting claims
- Online claims submission
- Online enrollments
- Secure electronic communication with Meritain Health; ability to upload documents online
- Participant ability to view direct deposit information online



Conclusion

- Final questions
- Please complete workshop evaluation