

VEBA Frequently Asked Questions and Facts

What is a VEBA?

A health reimbursement arrangement (HRA) is a type of health plan that reimburses out-of-pocket healthcare costs (i.e. insurance co-pays and deductibles, prescription costs, Medicare Part B premiums, supplemental insurance premiums, most over-the-counter medications and supplies, etc.) incurred by you, your spouse and qualifying dependents¹. All contributions, investment earnings, and withdrawals (claims) are tax-free. Exchanging taxable wages for tax-free HRA VEBA contributions could have a significant tax-savings. The HRA VEBA Trust was formed in 1990.

The Vote and the Importance of Your Vote

The vote taking place beginning this week will impact the members of this voting pool who plan to retire no later than December 31, 2010. If you are not planning to retire within that timeframe, the outcome of this vote will not impact you.

If this vote passes, all of those in this group (the Non-represented employees' group consists of those who are members of PERS1; PERS2 and PERS3 members who will be 55 years of age no later than December 31, 2010; PSERS members who will be 53 years of age no later than December 31, 2010; and, LEOFF2 members who will be 50 years of age no later than December 31, 2010) will complete a VEBA Enrollment Application shortly before their retirement and submit that to Human Resources. When your final payout is issued, 50% of your eligible sick leave payout will be sent to the HRA VEBA Trust and placed in an account established in your name, per your Enrollment Application.

If this vote passes (a majority of votes cast are "Yes"), this VEBA plan will be in place through December 31, 2009. The next vote will be in September or October of 2010 and the decision will be effective January 1, 2011 – December 31, 2012.

If this vote does not pass (a majority of votes cast are "No"), the soonest we would be able to have another vote is a minimum of one year. Your eligible sick leave payout will remain the same as it was.

Ballots will be sent out electronically on June 3, 2009, to the members of the Non-represented employees' group. If you want your vote to count, you need respond no later than 4:00 PM on Wednesday, June 17, 2009. The tally will be released via email to the Non-represented employees' group by noon on Friday, June 19, 2009.

Reimbursement and the Third Party Administrator

After you have retired and you are ready to submit medical related expenses you will send them to Rehn & Associates. They are the Third Party Administrator (TPA) contracted by the Trust to administer claims for reimbursement. Rehn & Associates was founded in 1961 and has been the TPA for the HRA Trust for the past 20 years. Contact information and Reimbursement forms will be included in your Welcome Packet that you will receive once you are enrolled in the plan. Starting in October of 2009,

Meritain Health will become the TPA. They have over 30 years of related experience, currently administering over 120,000 HRAs, Flexible Spending Accounts, and Health Savings Accounts. They were chosen by the HRA Trust based on several factors, including cost, experience and their ability to provide online enhancements for participants.

Once you are retired and enrolled in the plan, if you have any concerns, or questions, regarding the Third Party Administrator, please contact Sandi Roberts in Risk Management or Shelley Foutz in Human Resources.

Trustees

Who are they? The Trustees Board is made up of representatives from the participating employers. When a position becomes open, the Participants nominate someone they would like to represent them. The remaining Trustees authorize the nomination and then the Participants elect a Trustee to fill the vacant position. There are three representatives from the cities and counties participating in the Trust, and three representatives from the special tax districts (for example the Port of Tacoma) participating in the Trust. The Trustees currently are:

Counties, Cities & Towns: Doug Detling -- City of Medford
Viki Jessop -- City of Tukwila
Debbie Lund -- City of Tumwater

Special Purpose Districts: Andrew Michels -- Port of Tacoma, *President of Trust*
Maureen Murphy -- Kitsap County Health District
Wyatt Scheibner -- Douglas County PUD

The Trustees employ a third-party administrator, legal counsel, and consultant. The Trustees are fiduciaries and have a duty to act prudently and in the best interest of all participants and beneficiaries. The Trustees meet periodically throughout the year with their professional advisors to review plan status, investments, changes in regulations, etc. Each year the Trust is independently audited by a certified public accounting firm.

Miscellaneous Information

If you separate from employment, rather than retire, you are not eligible to enroll in VEBA. To enroll, you must be retiring from Pierce County and activate your retirement with the Department of Retirement Systems. You are considered retired when you have met the required qualifications for service retirement under your State of Washington Retirement System and have elected to receive a service or disability retirement benefit or elected to receive a lump-sum payment in lieu of retirement.

If you have a spouse and dependents (under the IRS definition)¹, you are able to be reimbursed for their eligible medical expenses. Additionally, they can be the Beneficiary to your VEBA account. As of October 1, 2009, per IRS ruling, only spouses or IRS defined dependents are eligible to be Beneficiaries. (This ruling is currently being challenged.) If you do not have a spouse or qualifying dependent (IRS defined) at the time of your death, any of your outstanding medical expenses can be paid from your

VEBA account and then the balance will be re-allocated on a per capita basis to all Participant Accounts from Pierce County government.

Social Security Impact – This is addressed on such an individual basis that it is recommended you contact the Social Security Administration and ask them to review your specific situation and history and advise you what the impact will be on your Social Security payments.

If or when there are changes with the Trust, they will advise participants via special mailing. General information and updates will be included in a newsletter sent out with the January and July statements.

For additional information, go to www.hraveba.org or see the attached HRA VEBA flyers:

- Summary of Benefits
- Investment Fund Overview
- Investment Fund Information.

¹ - Per IRS Publication 503 (2008), **Dependent defined.** A dependent is a person, other than you or your spouse, for whom you can claim an exemption. To be your dependent, a person must be your qualifying child (or your qualifying relative). **Qualifying child.** To be your qualifying child, a child must live with you for more than half the year and meet other requirements. **Physically or mentally not able to care for oneself.** Persons who cannot dress, clean, or feed themselves because of physical or mental problems are considered not able to care for themselves. Also, persons who must have constant attention to prevent them from injuring themselves or others are considered not able to care for themselves. **More information.** For more information about who is a dependent or a qualifying child, see IRS Publication 501.