



A funded Health Reimbursement Arrangement for Washington State employees in general government agencies and higher education institutions



VEBA Medical Expense Plan (MEP) for sick leave cash out contributions at retirement

The **VEBA MEP** is a great way to cover retiree insurance premiums and other out-of-pocket medical expenses. It's easy to use, and it helps you pay less in taxes.





It all started more than 30 years ago when a retired public employee in Washington expressed concern over the growing cost of his retiree medical insurance. This led to development of the nation’s first multiple-employer HRA programs for public employees. Today, the VEBA MEP¹ has been adopted by more than 100 Washington State agencies, including every state university.

Here’s how it works:

- 1 Your employer sends in your sick leave cash out when you retire.
- 2 You invest those funds.
- 3 You use your HRA to reimburse medical expenses.

Health Reimbursement Arrangement

An HRA is a type of health plan that puts **you in control**. It’s a savings account for your family’s medical care expenses, including retiree insurance premiums. The money comes from your sick leave cash out at retirement.

Investment Options

You get to put your money to work by choosing from a menu of available investment funds. To learn more, read our **Investment Fund Information** brochure. Also, our **Investment Fund Overview** contains quarterly performance data for each fund. To get the most current versions of these items, go to **veba.org** and click **Investments**.

Keep More for Yourself — tax free

Here’s the really neat part: **Your HRA is tax-free!** This includes federal income tax and FICA taxes (Social Security and Medicare). By paying less in taxes, you get to keep more for yourself. Money goes in tax-free, is invested tax-free, and comes out tax-free. That’s the best tax advantage you can get — *even better than tax-deferred programs like 457, 401(k), and 403(b) plans!*



Instead of starting out with a \$10,000 sick leave cash out and ending up with just \$7,000 after taxes, **you get to keep the whole \$10,000 in your HRA!** You could save up to \$3,000 or more in taxes for every \$10,000 your employer puts in your HRA².

¹The VEBA MEP is offered by the VEBA Trust, a voluntary employees’ beneficiary association (VEBA). VEBA Trust is managed by a board of trustees appointed by these founding associations: Association of Washington School Principals (AWSP); Washington Association of School Administrators (WASA); and Washington Association of School Business Officials (WASBO). ²Example is for illustrative purposes only and will vary based on your personal tax situation. Your tax savings may be more or less.

HRA Advantages

This section gets kind of technical, but don't worry! The point is that the **VEBA MEP** offers several advantages over other types of medical expense accounts, such as health savings accounts (HSAs) and flexible spending accounts (FSAs).

- Use any health insurance plan — *no high-deductible health plan (HDHP) required*
- No IRS contribution limits
- Other coverage doesn't impact contribution eligibility
- Reimburses medical premiums before and after age 65, including Medicare and Medicare supplement premiums
- Unused balances carry over — *no annual "use-it-or-lose-it" or limits on carryover amounts*



In addition, the **VEBA MEP** can provide many other benefits.

- **Tax-free**, not tax-deferred
- Participant-directed investments, similar to your 457, 401(k), or 403(b) plan
- Spouse and qualified dependents are covered — *even if you pass away*³
- Can be transferred to a beneficiary, if you pass away with no surviving spouse or dependents

³Your young adult children are covered through the end of the calendar year in which they turn age 26.

Common Medical Care Expenses

The growing cost of health care is a huge concern for most active employees and retirees in Washington. Insurance premiums, copays, and deductibles continue to rise while coverage levels are dropping, and the cost of medical care keeps going up. As these problems worsen, employees struggle to cope. Many Washington public employees are working past retirement age because they can't afford \$1,000 per month or more for medical insurance.

Fortunately, the **VEBA MEP**, helps cover your out-of-pocket medical care expenses during retirement. There are lots of different types of qualified medical care expenses. Several of the most common are listed below.

- Copays
- Deductibles
- Prescriptions
- Preventive care
- Chiropractic
- Dental
- Vision
- Orthodontia
- Laser eye surgery
- Retiree insurance premiums (medical, dental, vision)
- Medicare Part B
- Medicare Part D
- Medicare supplement
- TRICARE
- Tax-qualified long-term care (subject to IRS limits)

Internal Revenue Code Section 213(d) outlines qualified medical care expenses and premiums. For quick reference, read our **Qualified Expenses & Premiums** handout available upon request or online after logging in at veba.org and clicking **Resources**.

Employer Contributions

Your compensable unused sick leave cash-out at retirement, which would otherwise be paid to you as taxable wages, will be contributed to the VEBA MEP if: (1) your collective bargaining agreement, other written agreement, or employer policy, whichever applies, provides for such contributions; and (2) you enroll as a condition of VEBA MEP participation.

Having your sick leave cash-out at retirement contributed to the VEBA MEP will not reduce your monthly pension amount from Department of Retirement Systems.

Keep in mind that IRS rules do not permit individual elections. All retirees defined as eligible must participate. Also, state law does not provide the authority for annual January sick leave cash-out funds to be contributed to the VEBA MEP. However, you may choose to not cash-out your unused sick leave annually and instead accumulate your sick leave time, which would increase your cash-out at retirement.



Enrollment Process

When you get ready to retire, your employer will provide you with information and instructions for either completing a paper Enrollment Form or enrolling online. We will send a welcome packet to you after your enrollment is complete and we have received a contribution from your employer.

Your welcome packet will contain your account number, claims-eligibility status, investment allocation, and online registration instructions.

Using Your HRA

You may be thinking to yourself, “All of this sounds great, but how hard is it to manage my account and get my money out?” Well, we’ve got great news for you! Using your HRA is now easier than ever!

- 24-hour online account access at **veba.org**
- Automatic reimbursement of retiree medical premiums (*available upon request*)
- HRAgo® (mobile app)
- Online claims submission
- Benefits card (debit card)
- E-communication in lieu of paper
- Direct deposit of reimbursements
- Paper forms—*just in case you like doing things the old-fashioned way!*



Last but not least, our award-winning customer care team is located right here in Washington. We’re just a call or email away if you need help. You can contact us at **1-888-828-4953** or **customer care@veba.org**. Any one of our friendly representatives will be happy to answer your questions and help you sort out any problems.

Survivor Benefit

If you pass away, your surviving spouse and qualified dependents can continue using your remaining funds on a tax-free basis. You can name one or more beneficiaries in the event you have no surviving spouse or dependent. This is an important benefit most other HRA plans can’t provide!

Fees

Plan expenses include claims processing, customer service, account administration, printing, postage, legal, consulting, local servicing, auditing, etc. To cover these costs, a monthly per-participant fee of \$1.50, plus an annualized asset-based fee of approximately 1.25%, is charged to your account. The monthly fee is waived if your account balance is more than \$5,000. In addition, a 0.25% asset-based fee discount applies to any portion of your account balance in excess of \$10,000.

To the extent permitted or required by law, certain fees, assessments, or other amounts payable to the federal government may also be deducted from your account.

Investment fund manager fees and other fund expenses vary by fund. To view these fees, refer to our **Investment Fund Overview**. Go to **veba.org** and click **Investments** to get a current copy.



Customer Care Center

1-888-828-4953
customer care@veba.org
www.veba.org



Download our mobile app, HRAgo®, today!



Local Service

Plan education and local service provided by:



To learn more about the **VEBA MEP**, or to schedule a group presentation, contact a Gallagher office near you.

1-800-422-4023 Tacoma/Bellevue
1-800-888-8322 Spokane
1-855-565-2555 Tri-Cities