

Voluntary Employees' Beneficiary Association (VEBA)

Frequently Asked Questions: Sworn Tier 2 and Federated Tier 2B

1. [What is a Voluntary Employees' Beneficiary Association \(VEBA\)?](#)
2. [What is a Health Reimbursement Arrangement \(HRA\)?](#)
3. [Why are HRAs sometimes called VEBAs?](#)
4. [How will the City of San Jose's VEBA work?](#)
5. [Does the VEBA include dental benefits?](#)
6. [How will I know if I am eligible for the VEBA?](#)
7. [What is the contribution rate for Police and Fire Tier 2 or Federated Tier 2B employees \(or previously Tier 2B but are now in the Tier 1 "Classic" plan\)?](#)
8. [What happens to an individual's VEBA contribution if they move into a different bargaining unit or employee unit?](#)
9. [Will an individual be able to contribute more than the required amounts?](#)
10. [Will the City match my VEBA contributions?](#)
11. [Why are employees in Unit 99 not required to make on-going contributions into the VEBA?](#)
12. [How do I log-in to my account and who do I call if I need help?](#)
13. [Will I receive quarterly statements from TASC with my account details?](#)
14. [Why can I not see my VEBA account with I log into Voya?](#)
15. [When would I be eligible to start using the funds in the VEBA to reimburse my eligible medical expenses?](#)
16. [How will an individual's eligible medical expenses be reimbursed?](#)
17. [What are eligible medical expenses?](#)
18. [Can I use the funds for international expenses?](#)
19. [What should a retiree submit to be reimbursed for Medicare Parts B and D?](#)
20. [Is there a VEBA contribution cap?](#)
21. [What are the benefits of a VEBA?](#)
22. [Does this election affect my current healthcare coverage as an active employee?](#)
23. [Can I have a Health Savings Account at the same time as the VEBA?](#)
24. [How do I enroll in the VEBA if I am a sworn Tier 2, Federated 2B or sworn/Federated Classic employee?](#)
25. [Are there fees for the VEBA account?](#)
26. [How are the funds in the VEBA invested?](#)
27. [Is the VEBA an annual "use it or lose it"?](#)
28. [Will my survivors be able to use the funds in the VEBA account?](#)
29. [What will the health plans and rates be for VEBA members?](#)
30. [If I leave City service, can I roll my VEBA balance into another VEBA Plan or another qualified retirement Plan?](#)
31. [Who can I talk to if I have questions?](#)

1. What is a Voluntary Employees' Beneficiary Association (VEBA)?

A VEBA is a tax-exempt trust instrument authorized by Internal Revenue Code 501(c)(9) through which eligible healthcare benefits can be reimbursed. The City's VEBA is set up to reimburse eligible medical expenses in retirement.

2. What is a Health Reimbursement Arrangement (HRA)?

While many people are familiar with the term VEBA and understand it to mean a benefit plan that reimburses healthcare expenses and premiums, these plans are technically health reimbursement arrangements (HRA). An HRA reimburses eligible out-of-pocket healthcare expenses and insurance premiums.

3. Why are HRAs sometimes called VEBAs?

Many people are familiar with the term VEBA and understand it to mean a benefit plan that reimburses healthcare expenses and premiums. The plans are technically HRAs as defined by the IRS, but have more commonly been known as VEBAs. The VEBA is the trust fund that holds the money in an individual's account while the HRA reimburses the individual for their eligible medical expenses in retirement. The City of San Jose's plan is an HRA VEBA, but we refer to it in this document as the VEBA.

4. How does the City of San Jose's VEBA work?

While employed with the City of San Jose, eligible employees will make mandatory ongoing contributions into the VEBA on a pre-tax basis. Reimbursements for medical expenses after retirement are also tax-free. Contribution rates vary based on the employee's bargaining unit and retirement tier. The VEBA account reimburses eligible medical expenses for individuals who have either 1) terminated City service and have reached the required retirement age based on their retirement tier and system or 2) retired for service, service-connected disability, or non-service connected disability. The VEBA reimburses out-of-pocket healthcare costs (including but not limited to insurance premiums, co-pays and deductibles, prescription costs, Medicare Part B premiums, supplemental insurance premiums, and most over-the-counter medications and supplies, etc.) incurred by employees, their spouses, and qualifying dependents. TASC, the VEBA's third party administrator, provides participants with a more comprehensive list of eligible expenses. As a defined contribution plan, the only funds available in the VEBA are the contributions made while employed and any investment returns on those funds. Once the funds in the VEBA are exhausted, the employee will no longer be reimbursed for their eligible healthcare expenses.

5. Does the VEBA include dental benefits?

A VEBA member may use their VEBA funds to reimburse eligible dental costs, but VEBA members will not have a defined benefit retiree dental plan.

6. How will I know if I am eligible for the VEBA?

Employees represented by bargaining units in Federated Tier 2B (with the exception of Unit 99) and Police and Fire employees in Tier 2 are required to join the VEBA. Unit 99 employees were given the opportunity to opt-in to the VEBA to receive the one-time contribution of funds into an individual VEBA account from the Retiree Healthcare 115 Trust but are not eligible to contribute

a percentage of pay into the VEBA on an ongoing basis. Employees in Tier 2B who have recently qualified for the Tier 1 "Classic" pension benefit will be automatically placed in the VEBA. Please note that Tier 2B employees in Unit 99 will not be required to join the VEBA.

7. What is the contribution rate for Police and Fire Tier 2 or Federated Tier 2B employees (or previously in Tier 2B but are now in the Tier 1 "Classic" plan)?

Your VEBA contribution rate will be different depending on your bargaining unit or employee unit.

Police/Fire Tier 2, Federated Tier 2B, Tier 1 "Classic" – Mandatory VEBA	
Bargaining Unit	Mandatory Contribution
SJPOA and IAFF, Local 230	4.0%
Federated	2.0%
Unit 99	No contributions

8. What happens to an individual's opt-in VEBA contribution rate if they move into a different bargaining unit or employee unit?

An individual's VEBA contribution rate will be different depending on their bargaining unit or employee unit. For example, if an employee promotes into Unit 99, they would no longer make on-going contributions to the VEBA.

9. Will an individual be able to contribute more than the required amounts?

No, the above stated contribution amounts are the only amounts an employee can contribute into the VEBA. However, an employee may also make contributions into the City's voluntary deferred compensation 457 plan. It is important to note that the 457 plan is not specifically for retirement medical costs and withdrawals from the 457 plan may be subject to taxation, even if used for medical expenses.

10. Will the City match my VEBA contributions?

No, the City will not make any contributions to the VEBA.

11. Why are employees in Unit 99 not required to make on-going contributions into the VEBA?

In order to avoid potential issues under tax laws, new and current employees in Unit 99 will not be mandated to make contributions into the VEBA.

12. How do I log-in to my account and who do I call if I need help?

If you are a current Voya participant with a City of San Jose 457, 401(a) or PTC Plan account, simply log in to : <http://sanjose.beready2retire.com/> and access the Participant Portal using Single Sign-On (SSO) technology.

For those employees who do not have an existing City of San Jose 457, 401(a) or PTC Plan account, you can log-in to the Participant Portal by visiting: <http://www.voya.com/ws/myHRA>.

Click “Access Your Account” then click “Register for online access” on the BPAS Portal. You will need to enter your personal details and the Plan Code: CITSAN2157. If you have trouble logging in or accessing your account, contact Voya Health Account Solutions at HSAInfo@voya.com or Toll-free: (833) 232-4673, with office hours: Monday – Thursday, 5:00 a.m.- 3:00 p.m., PST and Friday, 5:00 a.m. - 2:00 p.m., PST.

13. Will I receive quarterly statements from Voya with my account details?

Voya sends out a quarterly e-mail to your preferred e-mail address (as updated in eWay for active employees) notifying you that a quarterly statement is available. Annually, VEBA participants are mailed a paper statement.

14. When would I be eligible to start using the funds in the VEBA to reimburse my eligible medical expenses?

An individual may start using their VEBA funds once they have retired from the City of San Jose. If they separate from City service before retiring, they may begin reimbursements from the VEBA upon reaching the required retirement age based on the Federated City Employees’ Retirement System (Age 55) or the Police and Fire Department Retirement Plan (Age 50).

15. How will an individual’s eligible medical expenses be reimbursed?

The VEBA’s recordkeeping and administration is provided by Voya.

Once you are eligible to submit claims, claims and any receipts can be submitted by mail, fax, [mobile app](#) or online. If you are a current Voya participant with a City of San Jose 457, 401(a) or PTC Plan account log in to: <http://sanjose.beready2retire.com/> and access the Participant Portal using Single Sign-On (SSO) technology. For those employees who do not have an existing City of San Jose 457, 401(a) or PTC Plan account, you can log-in to the Participant Portal by visiting: <http://www.voya.com/ws/myHRA>. Please see question 12 for log-in instructions.

Through the Participant Portal you can view your account balances, investment allocations, personal performance, fund information, transaction history, claim submissions, and reimbursement history. You can also manage your account making investment elections, fund-to-fund transfers, realign portfolios, and generate a personal statement on demand. You may also file paperless claims online, view claims and payment history and print the forms necessary to manage your account.

Once funds within the VEBA account are exhausted, participants will not be able to make additional contributions, as individuals can only contribute to the VEBA while employed with the City of San Jose.

16. What are “eligible medical expenses”?

You can find a list of eligible medical expenses on the VEBA website at www.sanjoseca.gov/VEBA.

17. Can I use the funds for international expenses?

Yes. Expenses for medical diagnosis and treatment as well as prescription drugs outside of the US are reimbursable medical expenses.

Universal healthcare premiums are reimbursable provided that they are truly “premiums” and are not a tax.

18. What should a retiree submit to be reimbursed for Medicare Parts B and D?

Retirees should submit the “Recurring Individual Premium Reimbursement Request” form available on the City’s VEBA website: www.sanjoseca.gov/VEBA. This form should be submitted to Voya annually with a “Summary of Coverage” provided by the Social Security Administration.

19. Is there a VEBA contribution cap?

There is no IRS limit on the amount that an employee can contribute to a VEBA on an annual basis. An employee is only limited by the agreed-upon, mandated contribution rate.

20. What are the benefits of a VEBA?

The VEBA allows employees to make tax-free contributions to save for retiree healthcare expenses. An individual will not pay tax on their contributions, earnings, or reimbursements for claims.

21. Does the VEBA affect my current healthcare coverage as an active employee?

No. The election only applies to Retiree Healthcare. If an employee elects to opt-in to the VEBA, they will remain eligible for healthcare coverage as an active employee.

22. Can I have a Health Savings Account at the same time as the VEBA?

Yes. An employee can have both an HSA and the VEBA. The HSA can be used for eligible medical expenses at any time. The assets in the VEBA cannot be used until the employee reaches the required retirement age and retires from City service. Please note that the HSA is subject to applicable laws and contribution limitations.

The City offers high deductible plans with a Health Savings Account (HSA) options. If an employee chooses a high deductible plan with an HSA while an active employee, they can also participate in the VEBA plan.

23. How do I enroll in the VEBA if I am a Police/Fire Tier 2, Federated Tier 2B, or Classic employee?

Employees who are not subject to the irrevocable election will be automatically enrolled in the VEBA upon hire or rehire.

24. Are there fees for the VEBA account?

There is a recordkeeping fee of 0.03% daily asset charge associated with the VEBA account as well as a monthly flat fee. Each Active City Employee/non-claim active VEBA member will pay a monthly fee of \$0.50 that will be automatically deducted from their VEBA account. Claims active participants will pay a monthly fee of \$2.50 that will be automatically deducted from their VEBA account.

Additionally, the performance numbers listed in [this report](#) (posted on the City’s Deferred Comp site) reflect the total Separate Account charges associated with each investment option. The

City also charges a daily asset fee of 0.15% to support the administration of the plans' operating expenses.

25. How are the funds in the VEBA invested?

VEBA participants are initially enrolled in the Target Date Fund. Target Date funds are designed to gradually shift their emphasis from more aggressive investments to more conservative ones based on its target date. The year in the Fund name refers to the approximate year (the target date) when an investor in the Fund would retire and leave the workforce. Participants can self-direct the investment in their individual VEBA accounts by selecting their portfolio based on the investment options provided.

26. Is the VEBA an annual "use it or lose it"?

No, an individual's account balance carries over from year to year.

27. Will my survivors be able to use the funds in the VEBA account?

If an individual passes away with funds remaining in their VEBA, the funds may continue to be used by their surviving designated spouse/domestic partner and qualified dependents (children under the age of 26) for eligible medical expenses. If an individual passes away and has no eligible survivors, the remaining funds would be forfeited and redistributed to the VEBA plan members. The executor of their estate may spend down any remaining funds for any unreimbursed medical claims they may have incurred prior to their death.

28. What are the VEBA health plans and rates be for VEBA members?

The City's health and dental plan provide special rates for VEBA members who wish to participate in the City's health and dental plans. Please be aware that these VEBA plan rates may be significantly higher than the rates for the Defined Benefit Retiree Healthcare plans. [Federated VEBA Rates](#) and [Sworn VEBA Rates](#) can be found on the Office of Retirement Services website.

If you leave the City and do not have health or dental insurance, you can enroll in COBRA within 60 days of your separation for benefits continuation for eighteen (18) months. The City's internet website has more information about COBRA: <https://www.sanjoseca.gov/your-government/departments/human-resources/benefits/cobra>

In addition to the COBRA option, VEBA participants who retire or separate from the City with at least 5 years of service will have the option to enroll in City health and dental plan options as well as voluntary retiree benefits. As noted above, these rates will likely be significantly higher than the Defined Benefit Retiree Healthcare rates and getting healthcare coverage through Covered California may also be an option worth exploring.

29. If I leave City service, can I roll my VEBA balance into another VEBA Plan or another qualified retirement Plan?

No, the funds in your VEBA account must remain in the City plan and are not available until the employee reaches the claim-eligible age.

30. Who can I talk to if I have questions?

We encourage employees to review the information available on the VEBA Information page at <https://www.sanjoseca.gov/your-government/departments-offices/human-resources/benefits/veba>. You may also contact veba@sanjoseca.gov or 408-535-VEBA (8322).