



## Voluntary Employee Beneficiary Association (VEBA) Program Description

**IMPORTANT: Before deciding whether to sign the VEBA Election Form, employees are encouraged to carefully read the information regarding VEBA on both the front and back of the VEBA Election Form and this Program Description in its' entirety.**

### **What is a VEBA?**

A VEBA is an individual, self-directed, tax advantaged savings plans with portability and survivorship benefits, which may be used to pay for post-retirement healthcare premiums, prescriptions, co-pays, and other healthcare related expenses. Members of the VEBA plan can use their account assets after retirement to pay for premiums in City of San Jose healthcare and dental plans. These assets may also be used for any other expenses permitted by the plan, including paying premiums for other plans nationwide or internationally.

Amounts contributed under the VEBA generally are portable, which means the funds are available after (1) a member retires from the City of San Jose, (2) a member leaves City of San Jose and retires using reciprocity, the funds will be available when he/she retires from the reciprocal system, or (3) if a member leaves City of San Jose and doesn't claim reciprocity, the funds will be available when the former employee reaches minimum retirement age. The VEBA provides the employee with access to the VEBA account in accordance with IRS regulations. If an employee or former employee passes away prior to using all of the funds, eligible survivors can use the funds in accordance with IRS rules. VEBA funds may only be used for eligible medical expenses for the employee and/or eligible dependents.

### **Eligibility for VEBA**

As a part of the Alternative Pension Reform Frameworks, employees who are a part of the current Defined Benefit Retiree Healthcare plan will be provided with a one-time irrevocable opportunity to voluntarily choose to opt-in to the VEBA or stay in the Defined Benefit Retiree Healthcare plan. This is an irrevocable election. An election to opt-in to the VEBA means that an employee will no longer be eligible for and will have waived any entitlement to receive any Defined Benefit Retiree Healthcare plan benefits to which he/she may have been entitled.

Employees who do not sign the VEBA Election Form will remain covered by the Defined Benefit Retiree Healthcare plan under the currently applicable collective bargaining agreement or compensation plan. You may find more information about the Defined Benefit Retiree Healthcare plan at: <https://www.sjretirement.com/Fed/Insurance/Medical.asp> (Federated) or <https://www.sjretirement.com/PF/Insurance/Medical.asp> (Police/Fire).

All full-time Federated Tier 2B and Police and Fire Tier 2 employees will be mandated to join the VEBA, with the exception of Unit 99. Unit 99 employees may 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 will not be eligible to contribute a percentage of pay into the VEBA on an ongoing basis.

### **Program Enrollment Period**

The VEBA Election Form must be submitted during the enrollment period: **Wednesday, October 18, 2017 through Friday, December 1, 2017**. Forms must be submitted to Human Resources Attn: HR-VEBA by **5:00p.m.** on **Friday, December 1, 2017**.

### **Initial Contribution to the VEBA**

Each individual employee's VEBA account will be initially funded by a contribution from the City from the Retiree Healthcare 115 Trust in an amount estimated to be equal to the individual employee's contributions made into the current Defined Benefit Retiree Healthcare plan. This amount will be noted on the employee's VEBA Election Form and available on the "VEBA Self-Service" page on Peoplesoft.

### **Ongoing Contributions to the VEBA**

After the initial funding, members in the VEBA will be mandated to contribute a specific percentage of their base pay into the VEBA. Unit 99 employees may 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 will not be eligible to contribute a percentage of pay into the VEBA on an ongoing basis.

The mandated contribution percentage, or amount, will vary by Employee Unit as shown below:

<b>Employee Unit</b>	<b>Current Retiree Healthcare Defined Benefit Contribution Rate</b>	<b>NEW Retiree Healthcare Defined Benefit Contribution Rate (after VEBA Implementation)</b>	<b>New VEBA Contribution Rate (for those who opt-in)</b>
Police	9.51%	8%	4.0%
Fire	9.74%	8%	4.0%
Federated- Management (CAMP, AEA, AMSP, ALP)	8.76%	7.5%	2.5%
Federated – Non-Management (MEF, CEO, IBEW, OE#3, ABMEI)	8.76%	7.5%	3.5%
Unit 99	8.76%	7.5%	0%

**Who Manages the VEBA?**

The City Manager has been designated as the Trustee for the VEBA Plan until the Employee Units establish a VEBA Advisory Committee that will administer the VEBA and be responsible for the operations of the VEBA including evaluating and selecting investment options. The Employee Units expect to have this Committee in place in the first quarter of 2018. The VEBA Advisory Committee will use Conduent Consultants as their investment consultant. Conduent Consultants will perform tasks such as helping formulate an Investment Policy, provide investment performance reports, conduct manager searches, and attend VEBA Advisory Committee meetings.

**Irrevocable Election**

In order to opt-in the VEBA (and voluntarily terminate participation in the Defined Benefit Retiree Healthcare plan), each eligible employee will need to complete a VEBA Election Form. An employee must complete, sign, and deliver the VEBA Election Form to Human Resources Attn: HR-VEBA within the election period in order to participate in the VEBA. The employee may revoke their election within seven (7) calendar days of signing the Election Form. After the seven (7) calendar day window, participation in the VEBA becomes irrevocable.

If an employee does not complete, sign, and submit the VEBA Election Form, the employee will continue to be covered by the Defined Benefit Retiree Healthcare plan currently applicable under collective bargaining agreements or compensation plans.

**Review the Materials Carefully with Financial, Tax, and Legal Advisors**

If an employee is interested in participating in the VEBA, he/she should review all related materials and consider the options carefully with the help of his/her personal financial, tax, and legal advisors.

Additionally, the City has contracted with an independent benefits consultant, Parallel Advisors, to provide individual and group counseling regarding the decision to continue in the Defined Benefit Retiree Healthcare plan or opt-in to the VEBA. These services are provided at no cost to the employee. We encourage employees to take advantage of this service and attend one of the VEBA presentations listed on the VEBA Information page at [www.sanjoseca.gov/VEBA](http://www.sanjoseca.gov/VEBA) or to schedule a 1-1 appointment with their staff by contacting [veba@sanjoseca.gov](mailto:veba@sanjoseca.gov).

In addition, each employee should carefully review the front and back of the VEBA Election Form before completing it.

**Subject to Approval from Internal Revenue Service**

Final implementation of the VEBA accounts is subject to IRS approval of both the pre-tax nature of the mandatory contribution and IRS approval of the transfer of assets from the 115 Trust to the VEBA. Although we do not yet have final approval from the IRS, we are holding the opt-in pending the final IRS approval, as the opt-in needs to be held in the calendar year 2017 in order to be effective in calendar year 2018. Please note that implementation of your election is subject to the City's receipt of this IRS approval.