

# HRA VEBA

## Quick Facts



**King County**

Benefits, Payroll and  
Retirement Operations

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### Benefits of an HRA VEBA

- **Save taxes.** Contributions are exempt from Social Security, Medicare and federal income taxes. Investment earnings and withdrawals for qualified health care expenses and insurance premiums are also tax free. For most employees, this is roughly a 30% tax savings (7.65% in FICA, plus federal tax withholding). See the “You Do the Math” worksheet to estimate how HRA VEBA can stretch your sick leave cash-out for health costs.
- **Healthy retirement incentive.** An HRA VEBA provides a financial incentive for maintaining good health so that you accumulate sick leave and increase the amount of tax savings for health care expenses. And, good retiree health contributes to good retiree financial health.

### Eligibility for the VEBA

- **Eligible employees.** Employees are HRA VEBA-eligible when (a) they are members of the PERS, LEOFF 2, PSERS or Seattle City Employees’ Retirement System, and (b) they retire from an employee group that has voted to participate in HRA VEBA. A list of HRA VEBA groups can be found at [www.kingcounty.gov/employees/benefits/VEBAvote](http://www.kingcounty.gov/employees/benefits/VEBAvote). To receive the benefit, employees must initiate retirement procedures before the last day of employment. See *Funding* on the next page.
- **Individual participation not optional.** The Internal Revenue Service (IRS) requires that employees decide in groups (bargaining unit or non-represented employees organized for this purpose) whether to participate in HRA VEBA. Most county employees voted on HRA VEBA in 2006. The decision of the group is binding on all retirees from that group from Jan. 1, 2007 through Dec. 31, 2009. In 2009, employee groups will have an opportunity to reconsider participation in HRA VEBA for a second three-year period.

### Funding Your VEBA

- **Retirement triggers sick leave cash-out benefit.** Most King County employees are eligible to be cashed out for 35% of their sick leave at the time they retire. To receive the sick leave cash-out benefit with or without VEBA and any other retiree benefits, **retiring employees must, before their last day of employment**, advise King County of their intent to retire by completing a Termination Notice and providing a copy the Washington State Department of Retirement Systems (DRS) letter confirming receipt of their application to retire. Employees who fail to notify the county of their intent to retire before their last day of employment will be considered to have terminated employment and will forfeit the sick leave cash-out with or without VEBA.
- **Enrollment in HRA VEBA.** VEBA-eligible employees must complete an HRA VEBA enrollment form in order for the county to transfer sick leave cash-out to a VEBA account in their name. For VEBA-eligible employees, the sick leave cash-out will be deposited tax-free directly into an HRA VEBA account for their use. The IRS requires that even very small amounts be transferred to a VEBA. No direct employee contributions are allowed.

- **Enroll or forfeit.** Retiring employees have up to 12 months from their last day of employment with the county to submit a properly completed HRA VEBA enrollment form. Failure to do so will result in forfeiture of the sick leave cash-out. (Note: You must formally retire before your last day of employment with the county.)

## Using the HRA VEBA

- Funds are deposited into the HRA VEBA account tax-free and are withdrawn as tax-free reimbursements or payments for a broad list of IRS-qualified medical expenses, including health insurance premiums, prescriptions, certain over-the-counter medications, eye glasses and hearing aids. Health insurance premiums are the most commonly reimbursed expense. Automatic reimbursement for health insurance premiums can be arranged. You can find out more about how to use VEBA accounts by visiting <http://www.hraveba.org/claims.asp> or contacting King County Benefits, Payroll and Retirement Operations for a copy of printed material.
- A third-party administrator handles account activity, including participant-directed investment fund allocations and claims. Claims can be submitted electronically or by fax or mail. Payments are made within seven days. Direct-deposit payments are usually made more quickly. Calls for assistance are answered by a person.
- Similar to the county's deferred compensation plan, retirees select from among several investment choices and can change investments easily. Accounts are subject to a \$1.50 monthly account fee and about a 1.0-1.2% fund management fee (depending on the investment choices), but there are no transaction fees.

## About the HRA VEBA Trust

- The HRA VEBA Trust was established in 1990 at the request of the state, counties, cities and special districts to provide an opportunity for public employees to take advantage of the tax savings in HRA VEBAs that stretch their dollars for health care costs. Nearly 200 counties, cities and special purpose districts in Idaho, Oregon and Washington already participate in the HRA VEBA Trust.
- The trust is managed by a participant-elected board of trustees of city, county and special purpose district representatives. The IRS determines how VEBA trust funds are managed and used.
- More information about the trust and its operations is available at [www.hraveba.org](http://www.hraveba.org) or by calling VEBA Service Group at 1-800-422-4023.

## Want more information? Have questions?

- Visit [www.kingcounty.gov/employees/benefits/retirement/veba](http://www.kingcounty.gov/employees/benefits/retirement/veba).
- Call Benefits, Payroll and Retirement Operations at 206-684-1556 weekdays from 9 a.m.-4 p.m.
- E-mail [kc.benefits@kingcounty.gov](mailto:kc.benefits@kingcounty.gov) anytime.