

☐ \$300,000 Growing Cost

Public employees everywhere are struggling to cope with the rising cost of post-employment health care. The average Washington public employee and spouse retiring today will probably spend **well over \$300,000 of their own money** on healthcare expenses and insurance premiums during retirement. Fortunately, HRA VEBA can help.

HRA VEBA is an account-based health plan you can use to reimburse qualified healthcare expenses and premiums for you and your family.

- You **pay no tax** on contributions, earnings, or withdrawals (claims)
- You can **use your account anytime**
- Your unused account balance **carries over from year to year**
- You can **invest your account** among the available investment options

☐ Tax-free Contributions

Depending on the outcome of your employee group's HRA VEBA decision (group vote), King County will make **tax-free** contributions on behalf of eligible employees and/or retirees using funds that would otherwise be paid as taxable wages. Following are the available HRA VEBA funding sources:

1. Your 35% **sick leave cash out** at retirement
2. **Vacation cash out** at retirement (50% to HRA VEBA; 50% paid as regular taxable wages)
3. **\$50 per month** mandatory employee contribution (union employees only)

\$7,000 Sick Leave Cash Out Estimated tax savings = \$2,286		
	Without HRA VEBA	With HRA VEBA
Contribution	\$ 7,000	\$ 7,000
25% FIT ¹	<1,750>	0
7.65% FICA	<536>	0
You keep	\$ 4,714	\$ 7,000

\$50 Monthly Contribution ² Estimated tax savings = \$16/month		
	Without HRA VEBA	With HRA VEBA
Contribution	\$ 50	\$ 50
25% FIT ¹	<12>	0
7.65% FICA	<4>	0
You keep	\$ 34	\$ 50

¹ Your federal income tax (FIT) bracket could be more or less.

² Union employees only.

Sick leave / vacation cash out. As illustrated above, without HRA VEBA a retiree with a \$7,000 sick leave cash out will keep only \$4,714 after taxes. If the same retiree's employee group has adopted HRA VEBA, King County will contribute the entire \$7,000 to the retiree's HRA VEBA account, saving the retiree about \$2,286 in taxes. Likewise, vacation cash out amounts contributed to HRA VEBA are tax-free.

Mandatory employee contributions (union employees only). Adopting a mandatory employee contribution of \$50 per month allows you to begin accumulating tax-free assets to cover your current and future qualified health care

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costs. If adopted, King County will simply redirect \$50 per month of your salary to HRA VEBA tax-free. All employee group members defined as eligible must participate; no individual elections permitted per IRS rules.

Tax-free Investments

You can invest your account by choosing either one of two options:

Option A: Do-it-yourself. Build your own asset allocation portfolio using funds from among seven individual asset classes.

Option B: Choose a pre-mix. Select any one of four professionally designed pre-mixed asset allocation portfolios with a risk level based on your projected time horizon (i.e. the length of time until you expect to begin filing claims).

Tax-free Withdrawals (claims)

Once your account is established, you can file claims to pay or reimburse qualified out-of-pocket healthcare expenses and insurance premiums at any time. It's easy to file a claim. Payments are processed daily.

Survivor Benefit

If you pass away, remaining funds in your HRA VEBA account may continue to be used by your surviving spouse and qualified dependent(s) to reimburse eligible healthcare expenses.

Administrative Fees & Expenses

Plan expenses include claims processing, printing, postage, legal fees, consulting, local servicing, auditing, etc.

These costs are paid by a \$1.50/month per account fee, plus an annualized fee of approximately 1.25%. The annualized fee is paid by a reduction to investment earnings or, if there are no earnings, charged as a deduction to participant accounts.

Enrollment

You will be asked to submit a completed Membership Enrollment Form to your HR unit when you become eligible to participate. All employee group members defined as eligible must participate per IRS rules; no individual elections permitted.

More Information

In 2008, King County contributed \$1.2 million to HRA VEBA, saving retirees hundreds of thousands of dollars in taxes. HRA VEBA currently serves 30,000+ public employees and retirees from over 270 governmental employers in the Northwest.

To learn more, read your HRA VEBA Frequently Asked Questions (FAQ) handout, contact your local VEBA Service Group, LLC representative, or go to the King County Benefits, Payroll and Retirement Operations website at the following link:

<http://www.kingcounty.gov/employees/benefits/Retirement/VEBA.aspx>.



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