Voluntary Employee Beneficiary Association (VEBA)

Program Description

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 qualified out-of-pocket healthcare including but not limited to health, dental, and vision insurance premiums, copays and deductibles, prescription costs, Medicare Parts B & D premiums, Medicare supplement insurance premiums, and qualified Long-Term Care insurance premiums incurred by employees, their spouses, and qualifying dependents. Members of the VEBA plan can use their account assets after retirement to pay for premiums in City of San Jose VEBA 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 become available after (1) a member retires/separates from the City of San Jose and employee reaches minimum retirement age (Age 50 for Sworn and 55 for Federated). 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 the funds, eligible survivors (for example: spouses, domestic partners, and children under the age of 26) 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. 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.

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 were 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 was 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 did 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 are mandated to join the VEBA, with the exception of Unit 99. Unit 99 employees had 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.

Program Opt-in Enrollment Period for Tier 1 or Tier2A

The VEBA Election/Enrollment period was Wednesday, October 18, 2017 through Friday, December 14, 2017.

Initial Contribution to the VEBA for those who opted-in

Each individual employee's VEBA account was 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 was noted on the employee's VEBA Election Form and made available on the "VEBA Self-Service" page on eWay.

Ongoing Contributions to the VEBA for those who opted-in

After the initial funding in early 2018, members in the VEBA are mandated to contribute a specific percentage of their base pay into the VEBA. Unit 99 employees who may have opted-in to the VEBA to receive the one-time contribution of funds into an individual VEBA account from the Retiree Healthcare 115 Trust are not be eligible to contribute a percentage of pay into the VEBA on an ongoing basis.

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

Employee Unit	Retiree Healthcare Defined Benefit Contribution Rate	New VEBA Contribution Rate (for those who opt-in)
Police	8%	4.0%
Fire	8%	4.0%
Federated- Management (CAMP, AEA, AMSP, ALP)	7.5%	2.5%
Federated – Non-Management (MEF, IBEW, OE#3, POPRA ABMEI)	7.5%	3.5%
Unit 99	7.5%	0%

Mandated VEBA for Tier 2B Federated, Tier 2 Police/Fire, and Tier 1 "Classic"

Employees in Tier 2B Federated, Tier 2 Police/Fire, and Tier 1 "Classic" will be automatically placed in the VEBA. Please note that Tier 2B employees in Unit 99 are not able to join the VEBA.

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

Management of individual accounts

One of the benefits of a VEBA plan is your ability to manage your account throughout the course of your employment with the City and once you separate from service. Management of your account allows you to determine your investment allocations and to ensure that your eligible dependent information is up to date.

Prior to your separation from service with the City, you can monitor your account and to allocate your assets across the available investment options within the plan. To assist employees in their overall asset allocations, the City of San José elected to initially mirror the investment options of the City of San José's Deferred Compensation Plan. The VEBA Advisory Committee has the authority to make changes to these investment options. For details on the investment options available to you, please refer to the Investment Page (link is external) of the site. As required by law, all of the assets in your account are held in trust by the plan "trustee." Contributions to your account will be held in the plan's stability of principal investment option until you establish investment allocations for your account.

Claim Filing

In addition to managing your investment options, your online account offers a variety of tools which allow you to manage your account once you separate from service from the City of San José. Your account provides you with the ability to file claims, upload receipts, view a list of eligible expenses, generate statements on demand, print forms, view your account balance information, view your claims history, view payment history, and much more. Specifically, you may use the balance in your account to reimburse yourself for certain qualified health care expenses that you (and your spouse or dependents, if applicable) have incurred as of the effective date you became an eligible participant in the plan. You will receive a separate Welcome Letter with claim filing instructions and eligible expense information once you become claim eligible.

Who Manages the VEBA Program?

The VEBA Advisory Committee, in conjunction with Human Resources staff, administers the VEBA and are responsible for the operations of the VEBA including evaluating and selecting investment options. The VEBA Advisory Committee uses an independent investment consultant to perform tasks such as helping formulate an Investment Policy, provide investment performance reports, conduct manager searches, and attend VEBA Advisory Committee meetings.

Who Administers the VEBA Program?

The City's VEBA plan is administered by Voya Financial®.

Please refer to the VEBA website for more information.