

***Voluntary Employees' Beneficiary Association – Medical Expense Plan  
(VEBA MEP)***

**PURPOSE**

The purpose of this policy is for [AGENCY] to provide retiring Eligible Employees with a contribution equivalent to 25 percent value of compensable unused sick leave into a health reimbursement arrangement (HRA) in lieu of remuneration, pursuant to [RCW 41.04.340](#). [AGENCY] has elected to participate in a plan called VEBA MEP.

**SCOPE**

This policy applies to all classified and exempt Eligible Employees in an Employee Group.

**DEFINITIONS**

Term

Definition

Eligible Employee

An [AGENCY] employee who is a member of [one of] the employee group[s] and eligible to retire during the current or upcoming Plan Year as determined by the provisions of their particular retirement plan.

Employee Group

[AGENCY] has defined its employee groups as follows:

1. [AGENCY to define. Look to RCW 41.04.340(8) for guidance regarding the types of groups authorized. Some collective bargaining agreements (CBAs) may require the bargaining unit be defined as its own group. Most agencies have one group per bargaining unit, plus an additional group for all non-represented employees.]
2. [More groups, as applicable to your agency]
3. [More groups, as applicable to your agency]

[RCW 41.04.340](#) requires each agency to define the Eligible Employee groups before implementing VEBA MEP. Internal Revenue Service (IRS) regulations require that a group cannot be defined in such a way as to allow an individual employee choice regarding their participation. Otherwise, the contribution to the Plan would be subject to income and employment taxes.

Hold Harmless Agreement	<a href="#">WAC 357-31-375(3)</a> and <a href="#">RCW 41.04.340(9)</a> require that as a condition of participation in the Plan that Eligible Employees sign a Hold Harmless Agreement with the employer. A template Hold Harmless Agreement is provided as the last page of this policy.
Plan Administrator	The Voluntary Employees' Beneficiary Association Trust For Public Employees of the State of Washington (VEBA Trust). The Plan Administrator contracts with various service providers to provide state agencies with program adoption, technical support, employee education, and process reimbursements to retired employees for qualified medical expenses. Local service and support to participating groups is provided by Gallagher Benefit Services, Inc. (Gallagher).
Plan Year	The period from July 1 through June 30 of each year. However, voting is typically conducted on a calendar year basis or is on another regular cadence and is not required to follow the VEBA MEP Plan Year cadence.
VEBA MEP ("The Plan")	The post-retirement health reimbursement arrangement established by the VEBA Trust which is a tax-exempt entity established under Internal Revenue Code §501(c)(9) for the benefit of post-separation employees in Washington State general government agencies and higher education institutions, including <b>[AGENCY]</b> . Eligible Employees who retire can use the funds in their VEBA MEP account to receive reimbursement for post-retirement medical expenses.

## POLICY REQUIREMENTS

### 1. **VEBA MEP Document Must Be in Place in Order to Participate**

The VEBA Trust created the VEBA MEP Plan, a post-separation HRA, for Washington State employees in general government agencies and higher education institutions. It is one of the plans offered by the VEBA Trust. **[AGENCY]** is eligible to participate only if VEBA MEP remains in existence and only after executing a VEBA MEP Employer Adoption Agreement that is accepted by the VEBA Trust.

### 2. **[AGENCY] Will Use the Statewide Agreement**

The Health Care Authority is authorized to enter into a statewide contract implementing a medical expense plan for the benefit of employees covered by chapter [41.06 RCW](#). The Health Care Authority has contracted with VEBA Trust to authorize state agencies and higher education institutions to participate in VEBA MEP. Pursuant to [RCW 41.04.340\(7\)](#), **[AGENCY]** has elected to offer this particular medical expense plan and participate in the statewide agreement. **[AGENCY]** is bound to all requirements for

VEBA MEP established by the Trust, the Plan Administrator, and the Health Care Authority.

### 3. VEBA MEP Responsibility

Neither the State of Washington, [AGENCY], nor any [AGENCY] employee makes any representation as to the tax status of payments made pursuant to the VEBA MEP, nor does the State of Washington, [AGENCY], or any [AGENCY] employee assume any responsibility for the performance or conduct of the VEBA Trust, its Board of Trustees, its employees, or the Plan Administrator.

### 4. Hold Harmless Agreement

Retiring Eligible Employees are required to sign and submit to [AGENCY] [SECTION] a Hold Harmless Agreement. The Hold Harmless Agreement, which is the last page of this policy, shall be available to all Eligible Employees. [AGENCY] is responsible for collecting and maintaining these Hold Harmless Agreements. **Failure of a retiring Eligible Employee in a group, where VEBA MEP is in effect, to sign the Hold Harmless Agreement results in forfeiture by the employee of all unused sick leave eligible for remuneration. Forfeiture may occur if the signed Hold Harmless Agreement is not received by [SECTION] within 90 calendar days of the Eligible Employee's separation date from [AGENCY].**

### 5. VEBA MEP VOTE

**[Note to agencies: the below language is one option for voting procedures. For additional information on other voting procedures, refer to the Plan Adoption and Enrollment Guide or contact your Gallagher representative.]**

- a. For represented employees, participation in and voting procedures for the VEBA MEP is sometimes determined by the terms of the collective bargaining agreement (CBA). To determine whether specific voting frequency and procedures have been negotiated, please see the applicable collective bargaining agreement for the group. Any pertinent language in the CBA trumps the voting procedures in this policy.
- b. Except as provided above, VEBA MEP participation will be determined on an "opt-out" basis by group vote as described below. [AGENCY] has **determined that VEBA MEP is in effect (turned "on") every year unless Eligible Employees in the group vote prior to December 1 to discontinue it for the upcoming calendar year.** If one or more Eligible Employees in a group requests a vote by October 30, [AGENCY] will conduct a vote of Eligible Employees in that group.

A simple majority of votes received will prevail unless there are less than 5 votes cast. In the event of a tie vote or less than 5 votes cast, VEBA MEP will remain in effect. If no Eligible Employee requests a vote by October 30, no vote will be held and VEBA MEP will remain in effect.

- c. Results will be announced to Eligible Employees and posted to the [PLATFORM]

**6. Enrollment of Employees**

- a) [AGENCY] [SECTION] is responsible for providing Eligible Employees with current VEBA MEP plan information or other materials. [SECTION] is also responsible for collecting a signed Hold Harmless Agreement from each enrolling individuals in VEBA MEP, processing VEBA MEP paperless enrollment or individual enrollment forms, and for sending contributions to the VEBA Trust.
  - i. Each retiring Eligible Employee in a group where VEBA MEP is in effect must be enrolled via the paperless option or sign a VEBA MEP Enrollment Form in order to participate in the VEBA MEP.
  - ii. In accordance with Section 4., each retiring Eligible Employee in a group where VEBA MEP is in effect must sign the Hold Harmless Agreement, which is the last page of this policy. [AGENCY] is responsible for maintaining these forms.

**7. Relevant Law and Other Resources**

- a. [RCW 41.04.340](#)
- b. [WAC 357-31-375](#)
- c. [WAC 357-31-150](#)
- d. [IRS Code Section 501\(c\)\(9\)](#)

For additional information about VEBA MEP, visit <https://www.veba.org/> or contact your Gallagher representative.

Action By:	Action:
<p>[AGENCY] [SECTION]</p> <p><i>[Note to agency: each agency must ensure that the actions match the voting procedures it adopted above in Section 5 VEBA MEP Vote.]</i></p>	<p>If any Eligible Employees in an eligible group call for a vote regarding non-participation in the VEBA MEP by October 30 of any calendar year, the [AGENCY] [SECTION] staff or Designee shall distribute ballots to the Eligible Employee group and a vote shall take place. The results of the vote shall determine participation status in the VEBA MEP for the upcoming calendar year.</p> <p>If the VEBA MEP is voted out, that vote is only for the upcoming year. VEBA MEP automatically goes back into place the following year unless another vote is requested for that year.</p>

	<p>The voting process will be completed, and a final decision will be made by the first week of December. [AGENCY] [SECTION] will publish the results.</p>
[AGENCY] [SECTION]	<p>The paperless enrollment process is recommended for Agencies to manage enrollments.</p> <p>If the [AGENCY] [SECTION] does not use the paperless enrollment process, the [AGENCY] [SECTION] staff or designee will assist the retiring Eligible Employee in obtaining a VEBA MEP Enrollment Form and any other documents required for enrollment in the VEBA MEP.</p> <p>In addition, the [AGENCY] [SECTION] staff or Designee will provide notice to retiring Eligible Employee that all forms and documents must be returned and fully executed within a specific timeframe.</p>
<p>Eligible Employee</p> <p><i>Failure to execute all the documents required for enrollment by the employee will result in the forfeiture of all sick leave eligible for remuneration and preclude participation in the VEBA MEP.</i></p>	<p>As part of the process to retire from employment, the Eligible Employee must:</p> <p>(1) be enrolled via the paperless enrollment process OR execute a VEBA MEP Enrollment Form,  (2) execute the Hold Harmless Agreement (attached), and;  (3) execute any other documents required for enrollment in the VEBA MEP.</p> <p><i>Please have these forms completed 30 days prior to your effective retirement date if at all possible.</i></p>
[AGENCY] [SECTION]	<p>Upon receipt of all documents necessary for enrollment in the VEBA MEP, [AGENCY] [SECTION] will contribute the Eligible Employee's sick leave credit to the Plan Administrator.</p>

## HOLD HARMLESS AGREEMENT

I hereby elect to become a Participant of the VEBA Medical Expense Plan (Plan). I realize that the parties involved in this Plan (including, but not limited to, my employer, the Health Care Authority, its agents, my bargaining representative and the trustees) cannot guarantee any federal or state tax or investment results.

I acknowledge that any benefits to which I may become entitled to are subject to the terms and conditions of the governing Plan documents and applicable law, and that the Plan or its agents may withhold from such benefits (and may transmit to the government) any tax, charge, penalty or assessment which is determined to be attributable to or allocable to such benefits or on account of the operations of the Plan and to hold the Plan and its agents harmless with respect to such actions taken in good faith.

Employee Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Please return this form to [AGENCY] [SECTION] prior to your retirement date.**

Received by [AGENCY] [SECTION] (Name and Date)

Name: \_\_\_\_\_

Date: \_\_\_\_\_