

An Overview Of Retiree Health VEBAs

General Characteristics

- Allow debtor or successor company or organization contributions
- Allow after-tax retiree contributions
- Allow tax-exempt investment earnings on plan assets
- Provide non-taxable health benefits
- Assets should be held in trust for exclusive benefit of participants and beneficiaries

Plan Feature	IRC §501(c)(9) VEBA
General Description	Employee benefit plan designed to allow employers to set aside money for payment of post-employment qualified medical expenses and other benefits
Plan Type: Defined Benefit or Defined Contribution	Either or both
Funding Vehicle	Tax-favored IRC §501(c)(9) Voluntary Employee Beneficiary Association (VEBA)
IRS Approval Obtained	IRS approval of tax status under IRC §501(c)(9) Voluntary Employee Beneficiary Association rules is required. <i>NOTE:</i> This ruling only addresses the tax-exempt nature of the trust assets and benefits and not the tax treatment of employer and retiree contributions.
Adoption Procedure	<ol style="list-style-type: none"> 1. Welfare benefit plan document required describing terms and conditions of the benefits provided. 2. Declaration of Trust—creating the VEBA trust to hold plan assets.
Debtor/Successor Responsibilities	None other than funding requirements
Funding Limits	No limits if plan is collectively bargained
Board of Trustees	Detailed in Declaration of Trust.
Eligible Retirees	Determined by Board of Trustees
Eligible Benefits	IRC §213 Retiree Health Benefits. Supplemental benefits can include life insurance, death benefits, dental coverage and Medicare premiums, co-pays and deductibles.
Benefits Provided	Benefits are determined by Board of Trustees or are collectively bargained.
Claims Procedure	Dependent on plans provided. TPAs and/or insurance companies typically provide benefits; subject to ERISA claims and appeals rules.

Plan Feature	IRC §501(c)(9) VEBA
Federal Income Tax Treatment of Contributions: <ul style="list-style-type: none"> – Debtor/Successor contributions – After-tax retiree contributions 	Nontaxable for income Paid with after tax dollars
Federal Tax Treatment of Investment Earnings	Nontaxable for income tax
Investment of Assets	Trustee-directed. Investment Consultant typically works with Trustees to determine investment policy and hiring of appropriate investment managers.

Organizational Issues—Establishing A Retiree Health VEBA

Retain Advisors, including:

- Legal Counsel
- Consultant/Actuary
- Investment Consultant
- Auditor

Choose Between Self-Administration and Outsourcing

- Assessing the advantages and disadvantages of each, issues include:
 - Infrastructure requirements
 - Recruiting and hiring necessary staff
 - Implementing administration work flow processes
 - Selecting and implementing administration tools such as hardware, software, telephone, imaging, Web site

Select Service Providers, including:

- Claims administrators
- Insurance carriers
- Investment managers
- Enrollment administrators
- Pharmacy Benefit Managers
- Subrogation administrators

- Wellness program providers
- COBRA services
- Actuaries
- Auditors
- Lawyers

Create and Distribute Plan Documents, including:

- Agreement and Declaration of Trust (Trust Document)
- Rules and Regulations of the Benefit Plan (Plan Document)
- Summary Plan Description
- Open Enrollment procedures and forms
- Claim Forms
- Investment guidelines and procedures
- Various policies and procedures required by Federal law

Obtain

- Fiduciary Liability Insurance
- Fidelity Bond

Assess Ongoing HIPAA EDI, Privacy, and Security Issues