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

<table>
<thead>
<tr>
<th>Plan Feature</th>
<th>IRC §501(c)(9) VEBA</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Description</td>
<td>Employee benefit plan designed to allow employers to set aside money for payment of post-employment qualified medical expenses and other benefits</td>
</tr>
<tr>
<td>Plan Type: Defined Benefit or Defined Contribution</td>
<td>Either or both</td>
</tr>
<tr>
<td>Funding Vehicle</td>
<td>Tax-favored IRC §501(c)(9) Voluntary Employee Beneficiary Association (VEBA)</td>
</tr>
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</table>
| IRS Approval Obtained                | IRS approval of tax status under IRC §501(c)(9) Voluntary Employee Beneficiary Association rules is required.  
  NOTE: 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                   | 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. |
<p>| 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. |</p>
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<td>Federal Income Tax Treatment of Contributions:</td>
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<tr>
<td>– Debtor/Successor contributions</td>
<td>Nontaxable for income</td>
</tr>
<tr>
<td>– After-tax retiree contributions</td>
<td>Paid with after tax dollars</td>
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<tr>
<td>Federal Tax Treatment of Investment Earnings</td>
<td>Nontaxable for income tax</td>
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<tr>
<td>Investment of Assets</td>
<td>Trustee-directed. Investment Consultant typically works with Trustees to determine investment policy and hiring of appropriate investment managers.</td>
</tr>
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**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**