

# VEBA BASICS

## **What is this VEBA?**

Our VEBA or “Voluntary Beneficiary Employees Association” is a corporation created to establish and operate a plan that is funded by the City, to reimburse retired and disabled former city employees, on a tax-sheltered basis, for health care expenses incurred in the first five to ten years following their retirement.

## **Where did it come from?**

In the fall of 2016 the City of Madison Employees Associations asked the City to fund a new VEBA benefit to help employees with post-retirement healthcare expenses. City of Madison Employees Local 6000 (Local 6000) and the City Attorneys Association (MCAA) have jointly developed and established a VEBA plan.

## **How is it funded?**

The City agreed to fund, effective December 2016, any legally established VEBA program in an amount equal to 1.25% of a compensation group’s wages paid annually. The City also agreed that the future annual contribution amount would increase by the same percentage that wages increase in future years.

## **Who is eligible?**

All current employees from the covered compensation groups who retire or become disabled on or after December 1, 2016, and who are eligible for a WRS or Social Security annuity, and who meet minimum service requirement of ten (10) years, are eligible to apply for post-retirement benefits from the VEBA. The covered compensation groups (16, 20, 23, 31, 32, 33 and 83) are the same as those covered by Local 6000 and the City Attorneys Association.

## **How do I apply for the benefits?**

Participants must submit a claim form, along with a copy of receipt(s) for eligible medical on or by February 15 for expenses incurred in the previous calendar year.

## **When will benefits be paid?**

By April 15<sup>th</sup> of each year for expenses incurred during the previous calendar year.

## **When does it start?**

In early 2018, employees who retired or became disabled after December 1, 2016 may apply for reimbursement of healthcare expenses incurred in 2017.

**What is the benefit?**

In 2017, eligible disabled or retired persons may request reimbursement for up to \$5000 for healthcare expenses incurred as detailed below.

4.1 For the 2017 Plan Year, the maximum amount of Benefits for which a Participant is eligible, pursuant to the procedure for claiming Benefits described in Section V of the Plan, is five thousand dollars (\$5,000). For subsequent Plan Years, the maximum amount of Benefits for which a Participant is eligible, pursuant to the procedure for claiming Benefits described in Section V of the Plan, is five thousand dollars (\$5,000), unless determined otherwise by the Corporation.

4.3 Benefits shall be paid for five (5) consecutive years if, on the date the Participant retires or separates from employment due to Disability, the Participant has at least ten (10) years but less than fifteen (15) years of employment with the Employer.

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**What kinds of healthcare costs can be reimbursed?**

Generally, premiums and out of pocket expenses for medical, dental and vision care are covered. Common expenses include co-pays, coinsurance, deductibles, and prescriptions. Common insurance premiums include medical, dental, vision, Medicare Part B, Medicare Part D, and Medicare supplement plans. Go to [veba.org](http://veba.org) or see Internal Revenue Code § 213(d) to view a more extensive list. Expenses solely for cosmetic reasons generally are not eligible (e.g. facelifts, hair transplants, hair removal, etc.).

**Can the plan change?**

Yes, the plan is governed by a board of directors, composed of eligible participants of the plan, that is charged with overseeing and, if necessary, modifying all aspects of the reimbursement plan.

**Where is the fine print?**

This document is intended solely as a general summary of the VEBA corporation and plan outlines for communication with Local 6000 and MCAA represented employees and is not a promise or guarantee any benefits. For details see the City Employees Voluntary Employees' Beneficiary Association, Inc. - Post Retirement Benefits Plan or the By-Laws of the City Employees Voluntary Employees Beneficiary Association, Inc.