

**WALLA WALLA COMMUNITY COLLEGE
VEBA MEDICAL BENEFITS PLAN
ADMINISTRATIVE PROCEDURE 5420**

I. INTRODUCTION

- A.** This Administrative Procedure is written to implement the Board of Trustees Policy that provides for participation in the VEBA Plan. Walla Walla Community College has adopted the health reimbursement arrangement (HRA) plans offered and administered by the Voluntary Employees' Benefit Association Trust for Public Employees in the State of Washington (collectively the "Plans"): the **Standard HRA Plan**, which shall be integrated with the Employer's or another qualified group health plan and to which the Employer shall remit contributions only on behalf of eligible employees who are enrolled in or covered by such qualified group health plan and any other contributions that may be permitted under applicable law from time to time; and the **Post-separation HRA Plan** to which the Employer may remit contributions on behalf of eligible employees, including eligible employees who are not enrolled in or covered by the Employer's or another qualified group health plan, and which shall provide benefits only after a participant separates from service or retires.
- B.** The VEBA Medical Benefits Plan is a pre-retirement and post-retirement health reimbursement account, also referred to as an "HRA." The VEBA Plan allows tax-free contributions to be made into a VEBA Trust account on an employee's behalf using cash out of compensable unused sick leave at retirement, salary contributions while employed, or vacation leave cash out upon separation. ⁽¹⁾
- C.** Because money is transferred to VEBA accounts tax free, there are strict IRS guidelines on how employers participate in these plans. To meet the requirements of the federal tax code, the decision to participate in the VEBA Medical Benefits Plan must be a group rather than an individual decision. The decision to participate is determined by a vote of eligible employees. There is no individual option for participation.

II. APPLICABILITY

- A.** This Administrative procedure applies to Classified, Faculty, and permanent Administrative/Exempt employees.
- B.** Temporary Administrative/Exempt employees are not included in the Administrative/Exempt employee group.

III. FUNDING OPTIONS

- A.** The following funding options are available:
 - 1.** Retirement Sick Leave Cash Out – Retiring employees receive a cash out of 25% of their unused compensable sick leave balance based upon the employee's base salary at the time of retirement. This payment, subject to Federal Income tax and Social Security tax, is paid to employees on their final paycheck. If adopted for an employee group, compensable sick leave cash out payments will be transferred to a VEBA trust, tax free.
 - 2.** Vacation Leave Cash Out – Separating employees receive a cash out of 100% of their vacation leave balance. This payment, subject to Federal Income tax and Social

⁽¹⁾ Available only to employee groups not covered by state-wide collective bargaining.

Security tax, is paid to employees on their final paycheck. If adopted for an employee group, vacation cash out payments will be transferred to a VEBA trust, tax free.

3. **Mandatory Group Compensation** – If adopted for an employee group, monthly contributions will be transferred to a VEBA trust, tax free. Employees will vote on whether they want to contribute a flat rate (dollar amount) or a percentage of gross salary. If adopted for an employee group, salary contribution payments will be transferred to a VEBA trust, tax free.

IV. PARTICIPATION REQUIREMENTS

- A. As a condition of participation, each employee must sign an agreement with the College. This agreement shall contain the following provisions:
 1. A provision to hold the College harmless should the United States (US) government find that the College or the employee is indebted to the US as a result of:
 - a) The employee not paying income taxes due on the equivalent funds placed into the plan; or,
 - b) The College not withholding or deducting a tax, assessment, or other payment on funds placed into the plan as required by federal law.
- B. If an employee refuses to sign the required agreement, the employee forfeits his/her plan funds to the College.

V. CONSUMER DIRECTED HEALTH PLANS (CDHP)

- A. If an employee elects a Consumer Directed Health Plan (CDHP) with a Health Savings Arrangement (HSA), the employee will need to limit their VEBA Plan coverage.

VI. PARTICIPATION RESULTS, MEMBERSHIP AND BENEFIT INFORMATION AND FORMS

- A. The Human Resource department will post group participation results annually and will include this information in the New Employee information packets. Employees may also obtain membership and benefit information and forms from the Human Resource department; the Payroll department; or, from the third party administrator: Meritain Health, P.O. Box 27810, Minneapolis, MN 55427-0810, 1-888-828-4953.

VII. VOTING REQUIREMENTS

- A. Classified employee participation is subject to the terms and conditions of their collective bargaining agreement.
- B. Faculty employee participation is subject to the terms and conditions of their collective bargaining agreement.
- C. Administrative/Exempt employees are subject to the following voting requirements:
 1. The funding options elected by the employee group will continue in effect for successive calendar years unless an absolute majority⁽²⁾ of eligible employees indicate a desire to:
 - a) Change a funding option;
 - b) Add a funding option; and/or
 - c) Suspend a funding optionfor a specific calendar year. In the event the group votes to suspend a funding option for a year, the plan will be suspended for that year and then the funding option will automatically be reinstated unless suspended again the following year.

⁽²⁾ An absolute majority means that more than half of all the members of a group, including those not voting, must vote in favor of a proposition in order for that proposition to be passed.

2. In October of each year, Administrative/Exempt employees will receive information about the VEBA Medical Expense Plan from the Human Resources department, as well as notification of a two week period when eligible employees may request a vote.
 - a) If 10% of the eligible employees within the group request a revote, an election will be held in November to determine if a funding option will be in effect during the upcoming year. The Human Resource office will conduct all elections. The percentage of vote required for adoption is an absolute majority.
 - b) If less than 10% of the eligible employee within the voting group request a revote, the funding options in place will automatically renew the next calendar year.
3. To be an eligible employee for the purposes of a Retirement Leave Cash Out funding revote, an employee must:
 - a) Be eligible to retire; and,
 - b) Have expressed in writing to the Human Resources Director their intent to retire during the upcoming calendar year.

If fewer than five (5) employees express their intent to retire, the Retirement Leave Cash Out option(s) in place will remain in effect.
4. Should the vote of the Administrative/Exempt employees require third party intervention, the following process will be utilized:
 - a) A three member panel will be convened to hear the arguments of the parties.
 - b) The panel will consist of one (1) member selected by each party and/or side to the dispute. These two (2) panel members will select a third, for a total of three (3) panel members.
 - c) The panel is charged with issuing a decision to continue or discontinue the funding option for the next calendar year.
 - d) The panel's decision is final and binding.

VIII. AUTHORITY

The authority for this Administrative Procedure comes from the Board of Trustees Policy approved December 20, 2006. This Administrative Procedure supersedes the Memorandum of Understanding between the Board of Trustees and the Administrative & Exempt employees dated June 30, 2000.

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| <p>Policy Contact: <u>VP of Human Resources</u></p> <p>Approved by (Department/Body): <u>Administrative Council</u></p> <p>Date Originally Approved: <u>April 2, 2007</u></p> <p>Last Reviewed/Revised on: <u>11/26/07, 3/3/08, 10/17/11</u></p> |
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