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A tax-free health reimbursement arrangement for community & technical college employees

VEBA Plan for CTC

# Summary of Benefits

## \$300,000 Growing Cost

Do you know the average community & technical college employee and spouse retiring today will probably spend well over \$300,000 in post-employment health care costs and premiums? Health care expenses for active employees are increasing as well. *Are you doing what is necessary to begin preparing for this growing need?*

## Is there a solution?

Yes. The VEBA Plan is a *tax-free* health reimbursement arrangement (HRA) that can be used anytime to pay or reimburse qualified out-of-pocket health care costs and premiums for yourself, your spouse, and your IRS qualified dependents.

## What does “tax-free” really mean?

*All contributions, earnings, and withdrawals are 100% tax-free!* You could save up to \$300 or more in taxes for every \$1,000 contributed to the VEBA Plan. Unlike your *tax-deferred* investments (TSAs, IRAs, 457s, etc.) which are subject to Social Security and Medicare taxes and only postpone the payment of federal income tax, your VEBA Plan account is *exempt* from all of these taxes.

## Tax-free Contributions

Tax-free funding of a VEBA Plan account through your employer could come from a variety of sources:

1. Mandatory employee contributions (no individual elections permitted);
2. Sick leave cash-out at retirement;
3. Vacation leave cash-out (for employees not covered by state-wide collective bargaining agreements); and
4. Other eligible sources.

Example A: Leave Cash-Out

	Cash Out Amount	25% Income Tax	7.65% FICA Taxes	Net Amount
Without VEBA Plan	\$10,000	<\$2,500>	<\$765>	\$6,735
With VEBA Plan	\$10,000	n/a	n/a	\$10,000

**VEBA Plan saves \$3,265 in taxes!<sup>1</sup>**

Example B: Monthly Payroll Contributions

VEBA Plan Contribution	Tax Savings <sup>1</sup>	Take-Home-Pay Difference	Annualized Tax Savings <sup>1</sup>
\$50	\$15	\$35	\$180
\$100	\$30	\$70	\$360
\$150	\$45	\$105	\$540

<sup>1</sup>Tax savings are approximate.

## Tax-free Investments

You can invest your account by choosing either one of two options: 1) Option A: Do-it-yourself allows you to build your own asset allocation portfolio using funds from among six individual asset classes; or 2) Option B: Choose a pre-mix lets you select one of four professionally designed pre-mixed asset allocation portfolios with a risk level based on your projected time horizon (i.e. the length of time before you expect to begin filing claims).

Example C: Growth

Starting Age	Monthly VEBA Plan Contribution	Account Value at Age 65 <sup>2</sup>
25	\$100	\$148,856
35	\$100	\$81,870
45	\$100	\$40,746
55	\$100	\$15,499

<sup>2</sup>Based on average annualized earnings of 5.00%.

## Tax-free Withdrawals Anytime

You don't have to wait until you retire to use your VEBA Plan account. You can file claims to pay or reimburse qualified out-of-pocket health care expenses and premiums at any time. It's easy to file a claim and payments are processed daily from Spokane.

## Death Benefit

If you pass away, remaining funds in your VEBA Plan account may continue to be used by your surviving spouse, qualified dependents, or heirs to reimburse eligible health care expenses.

NOTE: IRS Revenue Ruling 2006-36 requires the VEBA Plan to discontinue providing reimbursements to heirs for expenses incurred on or after July 1, 2009. This ruling only affects benefits paid to heirs; benefits on behalf of a surviving spouse or dependent(s) will continue to be available.

## Enrollment

When your employee group adopts the VEBA Plan and you become eligible to participate, you will be asked to complete a Membership Enrollment Form and submit it to your employee benefits office. All employee group members defined as eligible must participate per IRS rules.

## More Information

To learn more, visit the VEBA Trust website at [www.veba.org](http://www.veba.org) or contact the VEBA Service Group, LLC regional office nearest you. In Western Washington call 1-800-422-4023. In Eastern Washington call 1-800-888-VEBA (8322).