



BRi

HRA VEBA

Part 2: Are you getting the maximum value from your HRA VEBA?

Welcome

Today's Agenda

1. What are the types of funding for HRA VEBA's?
2. How do HRA VEBA's compare?
3. How to avoid your HRA VEBA being discriminatory?
4. Do you understand the role in selecting and maintaining investments tied to HRA VEBA?
5. Have you considered how your HRA VEBA interacts with other pre-tax plans?





Featured Speakers



Darcy L. Hitesman Esq.

Hitesman & Wold, P.A.

Co-author of *Compliance for Health & Welfare Plans*, and is a contributing author towards *Self-Insured Health Plans*



Linda Heuer

Benefit Resource

VP of Business Development



**What are the types of
funding for HRA
VEBAs?**



Sources of HRA Contributions

Source	Collectively Bargained	Non-collectively Bargained
 Flat Dollar Funding <ul style="list-style-type: none"> Can differ between collectively bargained units Can differ for collectively bargained vs. non-collectively bargained 	<ul style="list-style-type: none"> ✓ Same dollar amount ✓ Same % of compensation 	<ul style="list-style-type: none"> ✓ Same dollar amount
 Mandatory Salary Reduction	<ul style="list-style-type: none"> ✓ Same dollar amount ✓ Same % of compensation ✓ No individual choice 	<ul style="list-style-type: none"> ✓ NA
 Leave Conversion	<ul style="list-style-type: none"> ✓ Vacation, sick, PTO ✓ Before entitles ✓ No individual choice 	<ul style="list-style-type: none"> ✓ Vacation, sick, PTO ✓ Before entitled ✓ Employer mandated ✓ No individual choice

REMINDER: All contributions must be employer dollars regardless of whether HRA or HRA VEBA.

How do HRA VEBA's
compare?



How does an HRA VEBA compare?

	HRA	HSA	HRA VEBA
Are the funds held in trust?	No	Yes	Yes
Death of participant?	Spouse, dependent, COBRA, forfeiture	Beneficiary	Spouse, dependent, COBRA, forfeiture
Portability?	No but can provide option for spend down	Yes	No but can provide option to spend down
Annual limit on contributions?	No, can be received after Medicare eligibility	Yes, annual limits	No, can be received after Medicare eligibility
Can funds be invested or earn interest?	No	Yes	Yes
Is substantiation required?	Yes	No	Yes
What can funds be used for?	Qualified health, COBRA and Medicare, LTC premiums	Qualified health, COBRA and Medicare, LTC premiums, Medicare Part B	Qualified health, COBRA and Medicare, LTC premiums

How does an HRA VEBA compare?

	HRA	HSA	HRA VEBA
Is there a health insurance requirement?	Integrated group health plan required	Specific health plan requirements	Group health plan required (for Active); Spend down available (Post-employment)
Who funds the account?	Employer only	Employee or Employer	Employer only
Who do the funds belong to?	Employer	Employee	In trust for employee's benefit
Does the employee keep funds if employment changes?	Varies, not generally	Yes	Yes, generally
Nondiscrimination	Yes, section 105(h)	Yes, but only to employer contribution for comparable employees plus section 125 rules if part of cafeteria plan	Yes, section 105(h)
Roll over	Yes	Yes	Yes
Funds available	Varies by plan whether can access while employed	Yes	Varies by plan whether can access while employed

**How to avoid your
HRA VEBA being
discriminatory?**



Nondiscrimination Testing

General Rule:

If treat people differently,
nondiscrimination *issue* . . .

Then you have to determine
if nondiscrimination *problem*.

Impacts design of plan and operations of plan.



Nondiscrimination Testing

Key Considerations

- Code Section 105 is what makes the benefits not taxable
- Code Section 105(h) requires that eligibility and benefits be nondiscriminatory
 - Per se discriminatory if based on age, years of service, or compensation
 - Exception for collectively bargained employees where bargained
 - Exception where only medical premiums reimbursed
- Target group for testing – highly compensated individuals
 - In general, top 25% of employees based on pay (excluding collectively bargained)
 - Plus 5 highest paid officers and 10% or more shareholders
 - Certain groups can be disregarded if not able to benefit
- Eligibility Testing
 - Enough non-highly compensated individuals need to be eligible to participate
 - Formula test; not one to one
- Benefits Testing
 - Once have nondiscriminatory eligibility group
 - All benefits provided to highly compensated individuals are provided to all other participants
- Consequences of Failure
 - Benefits to highly compensated individuals lose all or part of tax favored status



Do you understand
your investment
responsibilities?



Fiduciary Responsibilities

- Persons **entrusted** to handle other people's money held to a higher standard of care
- You are the fiduciary if:
 - Have discretionary authority or responsibility in administering the plan
 - Exercise any discretionary control over management of plan assets
 - Render investment advice
- Employers subject to ERISA must follow ERISA
 - ERISA does not apply to governmental employer plans.
 - Some states have own fiduciary statutes (e.g. California); other state look to ERISA for guidance. .



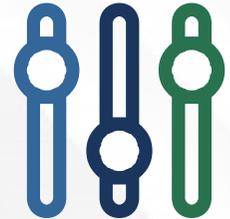
Retiree Vehicle

- Fund post-employment medical premiums and expenses
- Hold health care “reserves” for future medical expenditures
- Availability disqualifies person from subsidized coverage at Exchange. Must opt-out to preserve eligibility



Hidden Fees

- **Two types of fees generally apply to HRA VEBAs:**
 - Monthly plan administration fees (typically charged to the employer for active employees)
 - Plan asset fees (charged against plan assets)
- **What makes them hidden?**
 - Plan asset fees are not generally required to be disclosed.
 - Basis points (bp) fees are charged on participant assets
 - Typically range from 50bp to 300bp (100bp=1%)



Have you considered
how your HRA VEBA
interacts with your
other pre-tax plans?



HRA VEBA's and HSAs

Generally, an HRA VEBA will make an individual ineligible to contribute to an HSA, unless it is an HSA-compatible plan.

HSA-compatible plan approaches

- Post-deductible HRA VEBA
- Limited HRA VEBA
- Post-deductible and Limited HRA VEBA
- Retirement HRA VEBA



HRA VEBA Administration Considerations



HRA VEBAs and FSAs



Participant Considerations

- **Accessing funds**
 - Will the same options be available for accessing funds? (i.e. Claims and card programs)
- **Payment interactions**
 - Will payments cross-over both plan types?
 - Which plan will pay first?
- **Eligible expenses**
 - Are all the same items eligible?



Employer Considerations

Elections /Funding of Plans

Will funding occur on the same frequency? Will the same processes and delivery methods be used?

Coordination of Benefits

How are plans managed? How will discrimination testing be handled?

Client Support

Who is available for assist clients? What expertise is available?

Leveraging Technology for Improved Participant Experience



ALL IN ONE

One Debit Card
One Website
One Customer Service
One Account Manager



FLEXIBILITY

Options to *invest cash balances* instead of cash only



RATES

Stable value at *guaranteed 3%* rate

What does BRI offer for HRA VEBA administration?

- **Single, Multi-Account Platform**
 - Card Integration, including HRA VEBA, FSA, HSA and transit options
 - Centralized website and customer support
- **Robust Investment Options**
 - Open architecture
 - Ability to match funds to retirement plan
 - Investment advisory services-ERISA 3(38)
 - Serves as co-fiduciary with client (Assumes risk)
 - Lower asset fees
- **COBRA/Retiree Billing Provider with Employer Single Sign On**
 - Unique continuation requirements for public sector
- **Extensive Experience** with public sector/HRA VEBA clients

Thank You

Comments | Questions

Check out our HRA VEBA eBook.

*Contact your assigned BRI Representative or email
info@benefitresource.com.*

