

VEBA Plan FAQ's

These FAQs provide answers regarding Unified Fire Authority's VEBA Plan.

- **What is a VEBA plan, and what can it be used for?**

A Voluntary Employees' Beneficiary Association (VEBA) plan is a type of tax-exempt trust used to reimburse medical expenses of employees and eligible dependents post-retirement or after separation from UFA. Eligible medical expenses include but are not limited to: health insurance premiums; Medicare Part B and supplemental plans; out-of-pocket medical, dental, prescription, and vision expenses, etc. (cosmetic procedures are excluded). The IRS defines qualifying eligible expenses in [IRS Code – Section 213\(d\)](#), Eligible Medical Expenses. The plan is funded through UFA contributions on the employee's behalf, as described below. For additional information, visit [IRS VEBA- 501 \(c\) \(9\)](#).

The 2020 Utah Retirement Systems Annual Report indicates that firefighters retire at an average age of 53 and civilians retire at an average age of 64 ([2020 URS Annual Report](#)). The VEBA plan is a valuable tool to help employees save for medical expenses occurring post-retirement or after separation. In general, if an individual or couple retires at age 65, financial planners recommend having in savings a minimum of \$150,000 for an individual and/or \$300,000 per couple for medical expenses.

- **What if an employee has Tricare, Medicare, or other coverage and won't have medical expenses after separation or retirement?**

First, consider pharmacy costs. This is where retirees will have the most effective use of VEBA funds. Second, Tricare and Medicare are not entirely "cost-free". The Tricare website shows associated copayments and costs (<https://tricare.mil/Costs/Compare>). Medicare Part B premiums are not covered by Tricare. Additionally, when a retiree on Tricare begins collecting Social Security, the premium will be deducted from their Social Security benefit (if eligible for Social Security). If a retiree on Tricare waits to collect their Social Security benefit until full retirement age or at age 70, the retiree on Tricare will be billed quarterly for the Medicare Part B premiums, which their VEBA funds could be used to pay.

- **How are funds contributed to VEBA?**

UFA has four methods by which contributions can be made to the VEBA account:

- » **VEBA Contribution Per Pay Period**

As of January 1, 2022, UFA will contribute 2% each pay period of base pay into full-time employee's VEBA accounts.

- » **Retirement Payout**

At the employee's request, UFA may deposit all or a portion of the cash value of the vacation/sick leave payment into the employee's VEBA account in accordance with the plan document in effect on the date of retirement.

» Separation Payout

At the employee's request, UFA may deposit all or a portion of the cash value of the vacation leave payment into the employee's VEBA account in accordance with the plan document in effect on the date of termination.

» Sick Leave Buyback Program

Employees will continue to accrue sick leave once they reach their cap of 640 hours, for eligible 8-hour (day shift) non-firefighter employees or 960 hours for firefighter employees. Each year, any hours the employee has accrued above the established caps of 640 or 960 hours, as of January 1st, will be "purchased" by UFA at a rate established by the UFA Board of Directors by resolution. The current rate is 60% of the employee's current rate of pay. The amount will be calculated by the March 25th payroll and deposited into the employee's VEBA account, generally within two weeks. To take advantage of the time value of money, it is to the employee's advantage to save sick leave and reach the "buyback" cap as early in one's career as possible.

- **Why did UFA contribute to the VEBA in lieu of giving a COLA?**

UFA values its employees and continually strives to educate and help them better understand and utilize their benefits, and to be better prepared for a successful retirement. In an effort to increase funds available to employees to use for post-employment medical expenses through their VEBA plan, the Benefits and Compensation Committee, with the support of Local 1696, considered a proposal to channel the increase in employee wages related to a COLA to employees' VEBA accounts.

For FY21/22, the CPI-U is 1.2%. As there are tax savings associated with the VEBA plan for both the employee and the employer, the UFA Finance Committee recommended a 2% VEBA Contribution (1.2% COLA as well as an additional .8%) as part of the plan for all full-time merit employees (firefighter and non-firefighter) that would begin on January 1, 2022. The UFA Board of Directors approved these adjustments in the final budget resolution.

As a matter of information, UFA relies on the CPI-U (U.S. City Average for all Urban Consumer) annual average as the target reference for discussions related to Cost-of-Living Adjustments. This is the same CPI that Utah Retirement Systems relies on to determine adjustments for its retirees.

- **Can an employee contribute to their VEBA Account?**

Under IRS regulations, employees are not allowed to make direct contributions.

- **How do employees know if they have funds in their VEBA account, and how can they review their statement?**

The VEBA Board of Trustees has contracted with CompuSys, also known as "The Trust Fund" as a third-party claims processor that administers our VEBA plan. Statements of employee's individual VEBA account balance and transactions are available online at www.ufaveba.com.

- **When can employees use funds from their VEBA account?**

Funds can be accessed as soon as the employee separates employment with UFA (retirement, resignation, disability, or termination). In addition, there is no limit to the dollar amount of a one-time reimbursement for qualifying expenditures from the employee's VEBA account. Hardship withdrawals may be allowed under IRS regulations.

- **How can employees use funds from their VEBA account?**

Following separation, the employee can submit qualifying medical expenses to CompuSys for processing and receive a reimbursement check drawn from their VEBA account balance.

Employees can file for reimbursement by visiting www.ufaveba.com and submitting a paper claim or by using the CompuSys Partner phone app.

Employees can download the CompuSys app for their chosen mobile device from the Apple App Store or Google Play and login using the username and password they use to access the consumer portal. Once downloaded and logged in, employees can snap a photo of a receipt and submit a new or existing claim. The Eligible Scanner can be used to scan items to determine if they are qualified medical expenses and enter and view expense information and receipts.

All claims submitted for reimbursement by the end of the month will be paid on or around the 10th of the following month.

- **How can employees log in to their VEBA account for the first time?**

To access the website, visit www. and click on the link for the consumer portal.

The login ID is (first initial, last name, last 4 of social security number, i.e., wsmith1234) and the password is (CompuSys).

Then click Login. There will be a prompt to change the initial password on the first login attempt.

- **Do employees pay taxes on the money UFA puts into their account?**

No. Employees do not pay taxes on contributions to their VEBA account, nor is the money counted as part of their gross income.

- **Do employees pay taxes on qualified withdrawals?**

No. If employees withdraw funds to pay for [IRS Section 213\(d\)](#) expenses for the employee, spouse, or a tax dependent, the employee will not pay taxes on those funds. This is because both the contributions and the growth are tax-free.

- **How are the VEBA funds invested?**

The VEBA Board of Trustees has contracted with Wells Fargo Bank Advisors which handles the investment of the VEBA funds under the direction of the UFA VEBA Board of Trustees. The VEBA Trustees determine the Investment Policy Statement.

All funds/contributions are pooled together for investment purposes but are allocated as individual accounts for tracking and personal distributions. Any investment gains or losses in the plan are tracked at an individual account level. These gains or losses are posted quarterly and reflected on each beneficiary's online statement.

- **Who sits on the VEBA Board of Trustees?**

The VEBA Board of Trustees is comprised of the UFA Chief Financial Officer, Human Resources Director, Chief Legal Officer, and two full-time sworn UFA employees designated by the President of IAFF Local 1696. In addition, one UFA retired employee, one full-time UFA civilian employee, and two Chief Officers of UFA are designated by the UFA Fire Chief to serve as Trustees.

The current Trustees are:

- » Trustee Board Chair – Chief Officer Representative Assistant Chief Riley Pilgrim
- » Trustee Board Vice-Chair – Union Representative David Banner
- » Trustee Board Secretary – Chief Financial Officer Tony Hill
- » Human Resource Director - Kiley Day
- » Chief Legal Officer - Brian Roberts
- » Union Representative - Jeremy Robertson
- » Retiree Representative - William Brass
- » Civilian Employee Representative - Karla Rickards
- » Chief Officer Representative – Assistant Chief Dominic Burchett

- **Why are funds pooled vs. being individually invested?**

The VEBA Board chose to pool funds instead of individual investments because of cost savings, investment advantage, fiduciary risk, and outcome-focused vs. opportunistic investment strategy.

Cost Savings: Cost savings directly benefit every participant in the plan. By pooling the funds, the UFA VEBA can access economies of scale to reduce the plan's individual participant expenses and the investment expenses associated with the funds.

Investment Advantage: There is truth in saying that it takes money to make money. Pooling the funds gives the VEBA Board a much broader pool of investment vehicles to put the trust funds to work for the employees. Funds can be diversified into different instruments that are not available in a self-directed plan and access investments that would not be available to individual investors.

Fiduciary Risk: All trusts that benefit a group like the VEBA are governed by regulatory laws. By pooling the plan, the VEBA Board has been given access to professional money managers and

fiduciary specialists who must benefit the employees of the trust before themselves, the department, and the UFA Board. This means every decision is guided not only by the VEBA Board, but also by professionals who have a legal obligation to look out for employees on the VEBA plan.

Outcome Focused vs. Opportunistic Investment Strategy: The pooled funds allow the portfolio to focus on achieving the most consistent returns possible. Unlike an individual retirement account that can focus on the biggest opportunity for gains and take the largest risk of loss; these funds are guided by an investment policy statement designed to outline the appropriate mix of assets to achieve the goal of making sure employees have the funds to support their retirement medical expenses after separation with UFA.

- **Do employees pay an Administrative Fee?**

Yes, there is a \$6.00 quarterly administrative fee withdrawn from the employee's account and reflected with an "Administrative Expense" transaction code on their online statement.

- **If employees still have money in their VEBA account and they pass away, what happens?**

The employee's spouse or other tax dependents** may continue to use the VEBA account for tax-free reimbursement in the same manner.

If the employee passes away and has no spouse or other eligible tax dependents**, the money will revert to the VEBA Trust for equal redistribution.

A VEBA cannot be willed or given to anyone under IRS regulations; the funds can only be reimbursed to eligible survivors for eligible expenses as described above.

- **A **tax dependent** is a child or relative whose characteristics and relationship to the employee allow the employee to claim them under IRS regulations.