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## Employer Adoption Documents

*A fully completed and signed Employer Adoption Agreement must be received and accepted by HRA VEBA Trust prior to establishing Participant Accounts. A countersigned copy will be returned to you upon acceptance by HRA VEBA Trust.*

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- Instructions
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  - Schedule C: Agreement Regarding Transfer of Assets (included upon request)
  - Exhibit A: Employer Certification Regarding HRA Integration with a Qualified Group Health Plan
  - What is a Qualified Group Health Plan?

### Plan Consultant:

**Gallagher VEBA, a Division of Gallagher Benefit Services, Inc.**

Home Office

906 West 2nd Avenue, Suite 400 | Spokane, WA 99201

Phone: 1-800-888-8322 | Fax: (509) 838-5613

## HRA VEBA Employer Adoption Agreement

# Instructions

A fully completed and signed Employer Adoption Agreement must be received and accepted by HRA VEBA Trust prior to establishing participant accounts and providing benefits on behalf of your eligible employees. The Employer Adoption Agreement is comprised of several parts:

- Employer Data Page (page 5)
- Provisions (pages 6 - 11)
- Schedule A: Formal Action and Plan Design Documentation (pages 12 - 14)
- Schedule B: Compliance Reminders (pages 15 - 16)
- Schedule C: Agreement Regarding Transfer of Assets (included upon request)
- Exhibit A: Employer Certification Regarding HRA Integration with a Qualified Group Health Plan (page 17)
- What is a Qualified Group Health Plan? (last page)

Following these steps will be helpful when completing your Employer Adoption Agreement.

### 1. **Call your client consultant**

Gallagher VEBA, a Division of Gallagher Benefit Services, Inc. (Gallagher VEBA), has been engaged by the HRA VEBA Trust as the Plan Consultant. Gallagher VEBA is available to help you avoid common mistakes and answer your questions. **Prior to completing and submitting your Employer Adoption Agreement**, all language and documentation related to your HRA VEBA plans that contains employee group-specific details, such as funding methods, contribution calculations, and eligibility requirements (e.g. collective bargaining agreements, memorandums of understanding, other written agreements, employer policies, etc.), should be reviewed by your Gallagher VEBA client consultant. This advance review will help avoid unexpected delays in getting your Employer Adoption Agreement accepted by HRA VEBA Trust.

### 2. **Complete all sections of the Employer Data Page (page 5)**

Employer contact information will be kept on file by Gallagher VEBA and the Plan. This will help Gallagher VEBA and the Plan communicate with the appropriate individual(s) when questions or issues arise. Please immediately notify your Gallagher VEBA client consultant if your primary contact information changes.

### 3. **Complete the Participation section (page 6)**

In this section, please indicate whether you are a New Employer or a Renewing Employer.

**Instructions—continued**

**4. Complete the Employer Plan Design Selections (pages 7-9)**

These sections allow you to make plan design selections regarding participant accounts for each Plan.

**5. Complete the Employer Account section (page 10)**

An employer account can be used to hold assets to offset other post-employment benefit (OPEB) liabilities under Governmental Accounting Standards Board Statement No. 75 (GASB 75).

**6. Complete and sign the Employer Adoption Agreement (page 11)**

Enter the requested information and provide an authorized signature. Please read item 9 for more details.

**7. Complete Schedule A To Employer Adoption Agreement (pages 12-14)**

Schedule A requires that you attach copies of the following items:

- a. **NEW EMPLOYERS:** The **formal employer action** which was executed to approve and adopt the Plans (e.g. resolution or other similar action; sample language available upon request). **RENEWING EMPLOYERS:** The Trust does not require any formal action; however, please provide copies of any such formal employer action, if taken in connection with such renewal, in order for the Trust to maintain current records. Please note that formal employer action is separate and apart from collective bargaining agreements, memorandums of understanding, other written agreements, employer policies, etc. that contain employee group-specific details such as funding methods and eligibility requirements.
- b. **ALL applicable excerpts** of collective bargaining agreements, memorandums of understanding, other written agreements, employer policies, etc. which define the agreed upon funding methods and corresponding eligibility requirements.
- c. **ALL documentation language or provisions** that describe the contribution formulas and eligibility definitions for the HRA VEBA contributions. For example, if an employee group's sick leave or vacation cash out amounts are being redirected to HRA VEBA in lieu of taxable income, **ALL** language which describes and defines the employer's cash out program must be attached.

**8. Complete and sign Exhibit A (page 17)**

Enter the requested information and provide an authorized signature to certify the provisions of Exhibit A on behalf of the employer.

**Instructions—continued**

**9. Return completed and signed documents**

Please return your completed and signed documents and any attachments to your Gallagher VEBA client consultant as shown below (email is preferred). If you are unsure who your client consultant is, you may call Gallagher VEBA’s home office in Spokane at 1-800-888-8322 to confirm.

<b>Email:</b>	Brian Riehs	brian_riehs@ajg.com
	Chase McCarthy	chase_mccarthy@ajg.com
	Emily Spencer	emily_spencer@ajg.com
	Kristen Faris	kristen_faris@ajg.com
	Rich Dickman	rich_dickman@ajg.com

**Fax:** (509) 838-5613

**Mail:** ATTN: EAA Review  
Gallagher VEBA  
906 W 2nd Ave Ste 400  
Spokane, WA 99201

Gallagher VEBA will review the submitted documents and, if properly completed, will accept and countersign the documents on behalf of HRA VEBA Trust. Upon acceptance, a countersigned copy will be returned to you for your files. Gallagher VEBA will keep a countersigned copy on file for the benefit of HRA VEBA Trust and Plan.

**10. After this initial Plan adoption, provide future changes/renewals in advance**

Submit a fully-completed and signed **Plan Design Change** form to Gallagher VEBA prior to adopting and implementing future changes that may occur after your initial plan adoption, including any changes relating to participant eligibility or contribution methods or policies. Also, when groups renew participation without making any changes, please provide copies of applicable collective bargaining language or other documents to Gallagher VEBA. The **Plan Design Change** form is available after logging in online at [www.hraveba.org](http://www.hraveba.org), or by request from your Gallagher VEBA client consultant, or the HRA VEBA Plan’s customer care center at [customercare@hraveba.org](mailto:customercare@hraveba.org) or 1-888-659-8828.

If you have any questions or need assistance when completing your Employer Adoption Agreement, please contact your Gallagher VEBA client consultant.

Spokane  
**1-800-888-8322**

Tacoma/Bellevue  
**1-800-422-4023**

Oregon  
**1-877-695-3945**

Tri-Cities  
**1-855-565-2555**

HRA VEBA Employer Adoption Agreement

# Employer Data Page

Employer contact information will be kept on file by Gallagher VEBA and the HRA VEBA Plan. This will help Gallagher VEBA and the Plan communicate with the appropriate individual(s) when questions or issues arise. **Please immediately notify your Gallagher VEBA client consultant if your primary contact information changes.**

SECTION 1: EMPLOYER INFORMATION			
Employer Name: _____			
Employer Address: _____			
Street Address	City	State	Zip
Employer Phone: _____		Employer Fax: _____	
Estimated number of newly-enrolling employees within the next 12 months: _____			
Plan Effective Date: _____			
Employer Tax Identification Number: _____		Total Number of FTEs: _____	

SECTION 2: CONTACT INFORMATION	
<b>a) Contact for General Plan Communications:</b> Please identify the primary business or administrative contact who should receive official Plan communications (such as amendments) and other time sensitive administrative and operational communications and information. This person will receive your counter-signed Employer Adoption Agreement and employer welcome kit.	
Contact Name: _____	Contact Title: _____
Mailing Address (if different than above): _____	
Telephone: _____	E-mail: _____
<b>b) Contact for Enrollment/Payroll Contribution Matters:</b> Please identify the person who is generally responsible for facilitating participant enrollment and employer contribution remittance.	
Contact Name: _____	Contact Title: _____
Mailing Address (if different than above): _____	
Telephone: _____	E-mail: _____

SECTION 3: FOR INTERNAL USE ONLY – To be completed by Gallagher VEBA	
Gallagher VEBA Client Consultant: _____	Phone: _____
E-mail: _____	

**HRA VEBA  
EMPLOYER ADOPTION AGREEMENT**

**VEBA TRUST FOR PUBLIC EMPLOYEES IN THE NORTHWEST**

Provisions:

**1. Participation.** [check one only]

(a) [  ] New Employer. Employer is a newly-adopting Employer, with a plan effective date of \_\_\_\_\_ [enter intended plan effective date]. This Employer Adoption Agreement may be amended only in writing as executed by authorized officers of all parties hereto.

or

(b) [  ] Renewing Employer. Employer is a currently-participating Employer and wants to renew and ratify or amend its participation in the Plan and the Trust (as defined below). This Employer Adoption Agreement supersedes all prior Employer Adoption Agreements, if any, and may be amended only in writing as executed by authorized officers of all parties hereto.

**2. Formal Authorization of Employer.** The Employer, by formal action of its governing body or other authorized action, has formally established an employee benefit plan or arrangement pursuant to which it desires to make one or more contributions to the following health reimbursement arrangement (“HRA”) plans or plan versions (as each may be amended, restated, supplemented, or offered under one or more alternative plan document versions from time to time and referred to herein individually or collectively, as applicable, as the “Plan” or the “HRA VEBA Plan”) offered by the Voluntary Employees’ Beneficiary Association Trust for Public Employees in the Northwest (as the same may be amended or restated from time to time, the “Trust”), including, without limitation, the following Plan versions:

(a) VOLUNTARY EMPLOYEES’ BENEFICIARY ASSOCIATION STANDARD HEALTH CARE REIMBURSEMENT PLAN FOR PUBLIC EMPLOYEES IN THE NORTHWEST (also referred to as the “HRA VEBA Standard HRA Plan”), which is designed to be exempt from the annual limits restrictions under the Public Health and Safety Act (“PHSA 2711”), as amended by the Patient Protection, Affordability, and Care Act of 2012 (“PPACA”), based upon integration with another group health plan in accordance with PHSA 2711 and applicable PPACA regulatory guidance. The HRA VEBA Standard HRA Plan may accept only contributions made on behalf of Participants who are enrolled in the Employer’s group health plan or another group health plan that provides minimum value, as defined by applicable PPACA regulatory guidance (a “Qualified Group Health Plan”)<sup>1</sup>

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<sup>1</sup> For a description of the types of plans that can be considered to be Qualified Group Health Plans, refer to “What is a Qualified Group Health Plan?” enclosed herewith or available online at [www.hraveba.org](http://www.hraveba.org).

## Employer Adoption Agreement—continued

- (b) VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION POST-SEPARATION HEALTH CARE REIMBURSEMENT PLAN FOR PUBLIC EMPLOYEES IN THE NORTHWEST (also referred to as the "HRA VEBA Post-separation HRA Plan"), for which payment or reimbursement of benefits are available only after an eligible Participant has retired from employment or otherwise separated from service with his or her Employer. The HRA VEBA Post-separation HRA Plan may accept contributions on behalf of all Participants, including Participants who are not enrolled in a Qualified Group Health Plan, as directed by the Employer pursuant to (i) this Employer Adoption Agreement, (ii) a Plan Design Change Form, (iii) contribution reports for the Post-separation HRA Plan submitted with Participant contributions, or (iv) other written instructions from the Employer.
- Contributions on behalf of Participants who are not enrolled in a Qualified Group Health Plan at the time the contribution is earned or credited on the Employer's records must be submitted by the Employer into the Post-separation HRA Plan and included only in the Employer's contribution report for the Post-separation HRA Plan.**

Through this Employer Adoption Agreement the Employer applies for participation in the Plan and the Trust, to be effective with respect to any Plan only when both of the following have occurred with respect to such Plan: (i) the Trust has accepted this Employer Adoption Agreement and (ii) the Employer has made a contribution or transfer into the Plan on behalf of one or more Participants. With respect to each Plan, the Employer shall be considered to be a sponsor of such Plan and the party responsible for administering the Plan with respect to the eligibility and contributions for its individual Employees and shall have adopted and become subject to the provisions of such Plan and the Trust only upon acceptance by the Trust and the funding by the Employer of any contributions or transfer of assets into such Plan. The Employer acknowledges that it understands and agrees that: (a) neither the Plan, the Trust, nor the Plan/Trust's auditor performs audit work or otherwise examines to assure that any contribution from the Employer to the Trust is in accordance with the Employer's plan or arrangement and that this determination is the sole responsibility of the Employer; and (b) in the event the Employer's plan or arrangement for contributions is determined by the IRS to be discriminatory in favor of highly compensated individuals or to permit individual Employee elections and thereby results in taxable income to affected Employees or results in disqualification of the Plan or Trust, the Employer shall hold harmless and indemnify each Plan, Trust, and their agents for liability which may result therefrom.

3. **HRA VEBA Standard HRA Plan - Plan Design Selections.** Pursuant to collective bargaining agreements, other written agreements, or Employer benefits policies, whichever is applicable, the Employer hereby elects the following options under the Plan:
- (a) **Participant Accounts.** [check one only, unless Employer is establishing more than one type of Participant Account;<sup>1</sup> **if no option is selected, the default election will be 3(a)(i) – In-service and post-separation coverage; 100% vested**]

<sup>1</sup> In almost all cases employer will select only one participant account option. However, more than one option may be selected if employer wants to (1) establish more than one type of participant account per employee or (2) establish different types of participant accounts across multiple employee groups. **Example 1**—Employer wants to establish two types of participant accounts per employee within the Standard HRA Plan: one that permits in-service and post-separation benefits and is 100% vested, and one that permits post-separation benefits only subject to vesting. **Example 2**—Employer wants to establish different types of participant accounts for certain employee groups. For Employee Group A, employer wants to establish participant accounts that are subject to vesting. For Employee Group B, employer wants to establish participant accounts that are 100% vested. If employer selects more than one participant account option, language must be attached that clearly describes, by employee group, which type(s) of participant account(s) are to be established for each eligible participant.

## Employer Adoption Agreement—continued

Commencement of Benefits shall be as directed below by Employer or, for Employees whose assets have been transferred by Employer from a prior plan, Employer may additionally direct in writing that the commencement of Benefits shall coincide with the Employee's benefits eligibility date under the prior plan, provided the Employee becomes a Participant as defined by the Plan.

The Employer's intention may be to make all contributions to the HRA VEBA Standard HRA Plan. Nevertheless, the Employer may have Employees from time to time who do not meet the integration requirements under the terms of the Standard HRA Plan. The Employer should direct contributions for such Employees to the Post-separation HRA Plan. A default Post-separation HRA Plan Participant account will be automatically established by the Plan to accommodate contributions on behalf of any Employees who do not meet the Standard HRA Plan's integration requirements from time to time. This may result in some eligible Employees within the same group receiving contributions into the Standard HRA Plan and other eligible Employees receiving contributions into the Post-separation HRA Plan.

- (i)  In-service and post-separation coverage; 100% vested. Participants shall immediately be eligible to file claims for qualified expenses and premiums incurred any time after a Participant Account is established with respect to such Employee.

or

- (ii)  Post-separation coverage only; 100% vested. Participants shall be eligible to file claims for qualified expenses and premiums incurred after separation from service. Employer must notify the Plan of such Employees' separation dates. Notification can be provided via the Employer's online employer portal (preferred method) or by submitting a Participant Status Change form. Forms are available after logging in online or can be requested from the HRA VEBA Plan's customer care center.

or

- (iii)  In-service and post-separation coverage; subject to vesting. Participants shall be eligible to file claims for qualified expenses and premiums incurred while in-service and post-separation after having met any vesting requirements. Employer must notify the Plan of such Employees' claims eligibility dates, separation dates, and/or vested account percentages. Notification can be provided via the Employer's online employer portal (preferred method) or by submitting a Participant Status Change form. Forms are available after logging in online or can be requested from the HRA VEBA Plan's customer care center.

or

- (iv)  Post-separation coverage only; subject to vesting. Participants shall be eligible to file claims for qualified expenses and premiums incurred post-separation and after having met any vesting requirements. Employer must notify the Plan of such Employees' separation dates and vested account percentages.



## Employer Adoption Agreement—continued

Notification can be provided via the Employer's online employer portal (preferred method) or by submitting a Participant Status Change form. Forms are available after logging in online or can be requested from the HRA VEBA Plan's customer care center.

4. **HRA VEBA Post-separation HRA Plan – Plan Design Selections.** Pursuant to collective bargaining agreements, other written agreements, or Employer benefits policies, whichever is applicable, the Employer hereby elects the following options under the Plan:

- (a) Participant Accounts. [check one only, unless Employer is establishing more than one type of Participant Account;<sup>(1)</sup> **if no option is selected, the default election will be 4(a)(i) – Post-separation coverage; 100% vested**]

Commencement of Benefits shall be as directed below by Employer or, for Employees whose assets have been transferred by Employer from a prior plan, Employer may additionally direct in writing that the commencement of Benefits shall coincide with the Employee's benefits eligibility date under the prior plan, provided the Employee becomes a Participant as defined by the Plan.

- (i) [  ] Post-separation coverage; 100% vested. Participants shall be eligible to file claims for qualified expenses and premiums incurred after separation from service. Employer must notify the Plan of such Employees' separation dates. Notification can be provided via the Employer's online employer portal (preferred method) or by submitting a Participant Status Change form. Forms are available after logging in online or can be requested from the HRA VEBA Plan's customer care center.

or

- (ii) [  ] Post-separation coverage; subject to vesting. Participants shall be eligible to file claims for qualified expenses and premiums incurred post-separation and after having met any vesting requirements. Employer must notify the Plan of such Employees' separation dates and vested account percentages. Notification can be provided via the Employer's online employer portal (preferred method) or by submitting a Participant Status Change form. Forms are available after logging in online or can be requested from the HRA VEBA Plan's customer care center.

5. **Forfeitures.** In the event any funds within a Participant Account are forfeited in accordance with the terms of the Plan documents, such forfeited funds will be transferred to a temporary suspense account held within the Trust on behalf of the deceased or forfeiting Participant's Employer to be re-contributed as future contributions or otherwise applied for the benefit of all Participants of the Employer within the Trust, as directed by the Employer, but in all cases subject to applicable law, the terms of the Plan document, and the rules, policies and procedures established by the Administrator.

**Employer Adoption Agreement**—*continued*

**6. Employer Account.** [check one only]

An Employer Account can be used to hold assets to offset other post-employment benefits, such as OPEB liabilities as defined by Governmental Accounting Standards Board Statement No. 75 (GASB 75) accounting rules. An Employer Account is not required in order to receive forfeitures as described in paragraph 5. All forfeitures will be deposited into a temporary suspense account but may be subsequently transferred from the temporary suspense account into an Employer Account at the direction of the Employer.

(a)  Employer is not establishing any Employer Account.<sup>1</sup>

or

(b)  Employer is establishing one or more Employer Accounts.

**7. Compliance Certification.** The Employer acknowledges that the qualification of the HRA VEBA Standard HRA Plan as an integrated HRA Plan depends in part upon the Employer's compliance with the contribution restrictions under the Standard HRA Plan and described in paragraph 2(a) above. The Employer hereby agrees to comply with these requirements and, upon request (but not more frequently than annually), to execute and deliver to the Trust a certificate substantially in the form of Exhibit A hereto, as the same may be revised from time to time as required by law in order to maintain the qualification of the HRA VEBA Standard Plan as an integrated HRA Plan.

[The remainder of this page is intentionally left blank]

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<sup>1</sup>Most employers do not establish an employer account unless they want to deposit unallocated funds to offset OPEBs under GASB 75. An employer account can be added later if needed.

**Employer Adoption Agreement**—*continued*

IN WITNESS WHEREOF, the Employer has approved this Employer Adoption Agreement, as evidenced by the signature below of its authorized officer, to be effective when accepted by signature below on behalf of HRA VEBA Trust.

Employer  
Name: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized signature Printed name  
\_\_\_\_\_  
Title Date

Accepted by HRA VEBA Trust:

Gallagher VEBA, a Division of Gallagher Benefit Services, Inc. on behalf of the Voluntary Employees' Beneficiary Association Trust for Public Employees in the Northwest.

By: Authorized HRA VEBA Plan Representative

\_\_\_\_\_  
Authorized signature Date

**SCHEDULE A:**  
**FORMAL ACTION AND PLAN DESIGN DOCUMENTATION**

Most items contained in this Schedule A require Employer to submit supporting documentation. The most common and preferred method of providing the required information is to simply attach ALL applicable excerpts from collective bargaining agreements, memorandums of understanding, other written agreements, Employer policies, etc. that relate to the HRA VEBA Plan.

**NOTE:** After employer completes and submits its Employer Adoption Agreement, Employer must complete and submit a **Plan Design Change Form prior to the adoption and implementation of future changes**. Future changes include adding new participating employee groups; adding new funding methods; changing existing funding methods; adding an employer account, etc. The required form is available online after logging in at [www.hraveba.org](http://www.hraveba.org), or it can be requested from your Gallagher VEBA client consultant when needed.

Also, when groups renew or ratify participation without making any changes, **please send copies of such collective bargaining language or other documents to Gallagher VEBA**. This will help Gallagher VEBA keep current employer information on file.

**PLAN ADOPTION**

1. Formal Employer Action.

Attached to this Schedule A is a copy of the formal action taken by Employer to adopt the HRA VEBA Plan<sup>1</sup>.

**DESCRIPTION OF ELIGIBILITY PROVISIONS AND FUNDING METHODS**

2. Participating Employee Groups. [check one only]

(a)  Attached to this Schedule A (preferred method); or

(b)  Set forth below

is information which lists the name(s) of all Employee group(s) currently eligible or becoming eligible to participate in the Plans pursuant to collective bargaining agreements, Employer policy, etc., whichever is applicable.


<sup>1</sup> Formal employer action is commonly a **resolution or similar action** (sample language available upon request), which is separate and apart from collective bargaining agreements, memorandums of understanding, other written agreements, employer policies, etc., that contain employee group-specific details such as funding methods and corresponding eligibility requirements. For renewing employers, the Trust does not require any formal action; however, please provide copies of any such formal employer action, if taken in connection with such renewal, in order for the Trust to maintain current records.

**Schedule A—continued**

3. Employer Contribution Methods and Eligibility Requirements. [check one only<sup>2</sup>]

(a) \_\_\_\_\_ Attached to this Schedule A (preferred method); or

(b) \_\_\_\_\_ Set forth below

is information which:

(i) describes, by Employee group, the Employer contribution method(s) applicable to each; and

(ii) defines the corresponding eligibility requirements.

<sup>2</sup> In most cases, employers select **option 3(a)** and supply the required information by attaching the cover page and ALL applicable excerpts from collective bargaining agreements, memorandums of understanding, other written agreements, employer policies, etc., which relate to the HRA VEBA Plan, and that contain clear descriptions of employer contribution methods and corresponding definitions of eligibility.

If such documents do not exist, **select option 3(b)** and complete the table on the next page by entering the name, size, contribution method(s), and eligibility requirements for each participating employee group.

**EXAMPLE:**

Employee Group Name	Group Size (# of members)	Contribution Method(s)	Eligibility Requirement(s)
Bargaining Unit A	15	\$100/month mandatory employee contribution	All active employee group members
Bargaining Unit B	27	Sick leave & vacation leave cash out	All active employee group members who separate from service

Regardless of which option is selected, **option 3(a) or 3(b)**, employer must attach copies of ALL language and documentation that describes the contribution formulas and eligibility definitions that provide the basis for its HRA VEBA contributions. For example, if an employee group's sick leave or vacation cash out amounts are being redirected to HRA VEBA in lieu of taxable income, ALL language and documentation that describes and defines the employer's cash out program must be attached.

**Schedule A**—continued

Complete the following table if option 3(b) is selected. When entering the required information, follow the example contained in footnote 2 on page 13.

Employee Group Name	Group Size (# of members)	Contribution Method(s)	Eligibility Requirement(s)

4. Vesting Requirements. [check one only]

- (a) \_\_\_\_\_ All Employer contributions are 100% vested at all times (most common); or
- (b) \_\_\_\_\_ Attached to this Schedule A; or
- (c) \_\_\_\_\_ Set forth below

is information which includes a description, by Employee group, of any vesting requirements applicable to Participant Accounts which must be satisfied before a Participant becomes eligible to file claims for qualified expenses incurred on or after the date upon which the Participant becomes vested.

If vesting applies, Employer is responsible for tracking when an Employee becomes eligible to file claims after having met the Employer’s vesting requirements and providing such notification to the Plan. Notification shall include what percentage of the Participant’s account balance is vested (e.g. 100% vested; 50% vested, 0% vested, etc.). Notification can be provided via the Employer’s online employer portal (preferred method) or by submitting a Participant Status Change form. Forms are available after logging in online or can be requested from the HRA VEBA Plan’s customer care center.

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## **SCHEDULE B:** **COMPLIANCE REMINDERS**

### **1. HSA Participation**

- (a) Employees/Participants can have both a health savings account (HSA) and a health reimbursement arrangement (HRA), such as HRA VEBA. But, for a Participant or his or her spouse to become eligible to make or receive contributions to an HSA, the Participant will need to elect limited purpose coverage.
- (b) If you currently make HSA contributions on behalf of eligible Employees, you may want to consider offering HRA VEBA contributions in lieu of HSA contributions for Employees who are ineligible for HSA contributions, such as those covered under their spouse's medical plan, health flexible spending account (FSA), etc.
- (c) Your Gallagher VEBA client consultant is available to help you determine what Employee/Participant educational communication may be warranted regarding HSA participation and coordination of benefits.

### **2. No Individual Choice or Discrimination in favor of Highly Compensated Individuals (HCIs)**

- (a) Applicable law governing the tax-exemption of the HRA VEBA Plans does not permit individual choice with regards to participation (eligibility) or contribution amounts. All Employee group members defined as eligible (in Schedule A of this Employer Adoption Agreement) must participate. If an eligible Employee refuses or fails to complete the required Enrollment Form, the Employee may receive no other remuneration in lieu of the HRA contribution.
- (b) Indirect cafeteria plan funding is not permitted. This means an Employee's salary reduction election cannot affect (increase) their HRA contribution. (IRS Notice 2002-45)
- (c) Federal law prohibits you from providing more favorable contributions, benefits, or eligibility for your HCIs (such as your more senior employees, administrators, and executives). Please refer to the HRA VEBA 105(h) Employer HRA Guidelines for assistance in structuring the eligibility, contributions, and benefits for your participating groups.

### **3. Form W-2 Reporting Requirements**

- (a) Form W-2 reporting is not required for HRAs. This is not expected to change unless the IRS publishes further guidance. (IRS Notice 2012-9)

### **4. Summary of Benefits and Coverage Requirements**

- (a) Newly-enrolling Participants may access a Summary of Benefits and Coverage document after logging in online. The HRA VEBA Participant Enrollment Kit directs enrolling Participants to the website, or they can contact the HRA VEBA Plan's customer care center and request a free, paper copy.

**Schedule B**—*continued*

**5. Medical opt-outs**

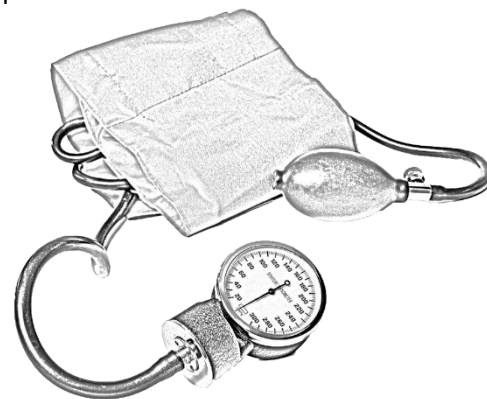
- (a) Employers may not provide Employees with HRA contributions to purchase individual medical plans in lieu of offering their Employees an Employer-sponsored group health plan. (HIPAA rules)
- (b) Employers may provide medical opt-out HRA contributions (*i.e.* contributions made for any Employee who has elected to not participate in the Employer's group health plan) only if (i) the Employee is enrolled in another Qualified Group Health Plan (other than Medicare; see (d) below) or (ii) such contributions are directed only to the Post-separation HRA Plan. (HIPAA and PPACA rules)
- (c) The only medical opt-out HRA contributions that may be made to the Standard HRA Plan are those on behalf of Employees who are covered under another Qualified Group Health Plan, not an individual policy.
- (d) Employers may not offer medical opt-out HRA contributions to Employees age 65 or older, unless such Employee has primary coverage other than Medicare. Medicare Secondary Payer (MSP) rules prohibit Employers from providing incentives to Employees to drop Employer-sponsored coverage, which would otherwise be primary to Medicare (MSP rules).





# What is a Qualified Group Health Plan?

In September 2013, the IRS issued guidance under the Affordable Care Act (ACA) in the form of Notice 2013-54 that explained the types of health plan coverage employers may consider when determining an employee's eligibility for contributions to the Standard HRA Plan versus the Post-separation HRA Plan. Under the new guidance, an employee may receive contributions to the Standard HRA Plan if they are (1) eligible to enroll in the employer's group health plan and (2) actually enrolled in or covered by the employer's group health plan or another qualified Group Health Plan (GHP) as defined below. Employers should make contributions to the **Post-separation HRA Plan** for any eligible employees who do not meet **both** of these requirements.



In order for a plan to be considered a qualified GHP, it **must be a group health plan as defined by the ACA and related regulations**. Individual plans, including those accessed through a marketplace exchange, are not considered group health plans.

Based upon current regulatory guidance, the following types of plans can generally be considered GHPs, when determining which employees are eligible for contributions to the Standard HRA Plan:

- |  |  |
|--|--|
| <ol style="list-style-type: none"> <li>1. Plans sponsored by an employer or group of employers, including group health plans available to participants through their employer;</li> <li>2. Plans sponsored by employee groups or labor unions;</li> <li>3. Association plans;</li> </ol> | <ol style="list-style-type: none"> <li>4. Coverage through a former employer, including state-sponsored retiree coverage;</li> <li>5. Taft-Hartley plans; and</li> <li>6. Group plans available to small businesses through the SHOP Marketplace.</li> </ol> |
|--|--|

The types of plans listed below are likely not GHPs, and based upon current regulatory guidance, should not be accepted when determining which employees are eligible for contributions to the Standard HRA Plan:

- |   |   |
|---|---|
| <ol style="list-style-type: none"> <li>1. Individual plans (purchased through the Health Insurance Marketplace (exchange) or otherwise);</li> <li>2. Medicare;</li> <li>3. Medicaid;</li> </ol> | <ol style="list-style-type: none"> <li>4. VA coverage;</li> <li>5. CHIP;</li> <li>6. TRICARE;</li> <li>7. Indian Health Services coverage; and</li> <li>8. Indemnity coverage.</li> </ol> |
|---|---|

Notice 2013-54 permits employers to rely upon written certification (attestation) from employees as to whether they are enrolled in a GHP and indicates that certification at the time of enrollment and annually thereafter would be permissible in order to confirm integration and eligibility for contributions to the Standard HRA Plan.

Employers should consult with their own counsel before making contributions to the Standard HRA Plan for eligible employees who have other coverage that may not technically meet the definition of GHP. HRA VEBA Trust and its advisors do not provide tax or legal advice.

**HRA VEBA Employer Adoption Agreement Attachment**

Schedule A

3)a. Employer contribution methods and eligibility requirements.

Employee Group Name	Group Size	Contribution Methods	Eligibility Requirements
All city employees	9	Sick Leave cash out Vacation Leave cash out \$30/month mandatory employee contribution \$20/month employer contribution Cash in-lieu of medical payments	All active employees