

**Standard HRA Plan**  
**Post-separation HRA Plan**

veba.org



**VEBA Plan Participant Enrollment Kit**



Health reimbursement arrangements for public employees in Washington

## Contents

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This VEBA Plan Participant Enrollment Kit contains the following:

- **VEBA Plan** brochure (page 3) – describes your VEBA Plan benefits and who is covered under your plan
- **Qualified Expenses and Premiums** handout (page 8) – contains common examples of qualified expenses and premiums and a definition of dependent
- **Investment Fund Information** brochure (page 10) – contains important investment information you should know and understand when choosing your investments
- **Investment Fund Overview** (inserted by your employer) – contains historical investment fund performance; updated quarterly and available after logging in online at [veba.org](http://veba.org) or upon request from [customercare@veba.org](mailto:customercare@veba.org) or 1-888-828-4953
- **Enrollment** form (back of kit) – collects required enrollment information

## Availability of Summary Benefit Information

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As a participant in either the Standard HRA Plan or the Post-separation HRA Plan, the benefits available to you under the Plan(s), as well as any limitations, are important. To help you understand the types of benefits provided by the Plan and any applicable limitations, the Plan makes available a Plan Summary and a Summary of Benefits and Coverage (SBC), which summarizes important information about your benefits. Please note, however, that the format and content in the SBC is required by federal regulation and is designed to apply to health insurance plans. Your VEBA account is not a health insurance plan. Therefore, the SBC indicates that some of the information and defined terms are not applicable to VEBA account(s). The Plan Summary is written to address specific information about your Plan(s), including Plan benefits, how to utilize your participant account(s), and your rights as a VEBA Plan participant. The Plan Summary and SBC are both available online after logging in at: [veba.org](http://veba.org) or upon request from [customercare@veba.org](mailto:customercare@veba.org). Paper copies are also available upon request, free of charge, by calling **1-888-828-4953** (a toll-free number).



# Instructions

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Please follow the below instructions when enrolling in the VEBA Plan. You must submit a fully completed and signed **Enrollment** form (enclosed) to become a participant and establish your account. A single Enrollment form will enroll you into either the Standard HRA Plan or the Post-separation HRA Plan, as directed by your employer when making contributions on your behalf.

- 1. Carefully read the informational materials** contained in this VEBA Plan Participant Enrollment Kit: VEBA Plan brochure; Qualified Expenses and Premiums handout; Investment Fund Information brochure; and Investment Fund Overview (inserted by your employer).
- 2. Fully complete and sign the Enrollment form:** Follow the instructions checklist contained on the form to help ensure you complete your form accurately and entirely.
- 3. Return completed Enrollment form to your employer.** Typically, your human resources, payroll, or employee benefits office accepts completed enrollment forms.





## Welcome Packet

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The VEBA Plan will send you a **welcome packet** after receiving both your signed Enrollment form and the first contribution from your employer. Your welcome packet will contain confirmation of your employer's contribution, your participant account number, a Plan Summary, and instructions for online account access. It will also confirm to which VEBA plan your employer has directed its contribution for you and whether you are claims-eligible. If you are not claims-eligible when you enroll, we will send you a **claims-eligibility packet** after receiving notice from your employer that you have become eligible to file claims.



# VEBA Plan

Health reimbursement arrangements for public employees in Washington



Save Tax. Keep More.

veba.org

VEBA Trust<sup>1</sup> offers two separate health reimbursement arrangement (HRA) plan designs: the **Standard HRA Plan** and the **Post-separation HRA Plan**. These plans are designed to stay compliant with applicable federal health care reform regulations and have been adopted by most school districts and nearly every community and technical college in Washington. Visit **veba.org** for more information.

## Health reimbursement arrangement

A health reimbursement arrangement (HRA) is an account-based health plan you can use after becoming claims-eligible, to reimburse your qualified out-of-pocket medical care costs as defined by the IRS. Common qualified expenses include co-pays, deductibles, prescription drugs, retiree insurance premiums, etc. An HRA is not an insurance plan, and you do not pay a premium. Your account is funded with contributions from your employer.

Employer contributions, investment earnings, and withdrawals (claims) are tax-free. Contribution amounts are not required to be included on Form W-2 from your employer, and you will not receive a Form 1099 for earnings or withdrawals (claims).

## VEBA Plan benefits

Benefits of becoming a VEBA Plan participant include the following:

- You save money by paying zero tax on contributions, earnings, and withdrawals (claims)
- You can use your account anytime after becoming claims-eligible<sup>2</sup>
- You can choose how your account is invested
- Your legal spouse and qualified dependents<sup>3</sup> are covered—even if you pass away
- Your unused account balance carries over from year to year
- You can accumulate funds in your account for future use, such as during retirement

## Spouse and dependent coverage

The VEBA Plan covers you, your legal spouse, and qualified dependents<sup>3</sup>. Generally, dependents must satisfy the IRS definition of “qualifying child” or “qualifying relative” as of the end of the calendar year in which expenses were incurred. To learn more, read the **Definition of Dependent** handout available online (log in to your account at **veba.org** and click **Resources**) or upon request from **customercare@veba.org** or 1-888-828-4953.

<sup>1</sup> VEBA Trust was formed in 1984 and is a voluntary employees' beneficiary association (VEBA) authorized under Internal Revenue Code § 501(c)(9). VEBA Trust is managed by a board of trustees appointed by these founding associations: Association of Washington School Principals (AWSP), Washington Association of School Administrators (WASA), and Washington Association of School Business Officials (WASBO). <sup>2</sup> If you have a participant account under the Post-separation HRA Plan and, after separating from service or retiring, become re-employed by the employer that made or is making contributions to that account, you will not be eligible to file claims to your Post-separation HRA Plan account for expenses you may incur while you are re-employed. <sup>3</sup> Your young adult children's expenses incurred through the end of the calendar year in which they turn age 26 are eligible for reimbursement.

## HRA advantages

Like most public employees, you're probably struggling to cope with the increasing cost of health care. You may even risk becoming job-locked and forced to keep working instead of retiring because you can't afford to pay for retiree health insurance coverage.

An HRA is one of the best ways to cover your current and future out-of-pocket medical care costs for several reasons:

- Significant tax savings (both federal income tax and FICA taxes)
- No annual "use-it-or-lose-it" requirement
- No annual contribution limits
- Can be used to reimburse retiree medical premiums before and after age 65, including Medicare supplement and Medicare Part B and Part D premiums
- Does not require coverage under a high-deductible health plan (HDHP)

## Coordination with HSAs and Medicare

**Health savings accounts (HSAs):** You can have an HRA and an HSA, and you can use either your HRA (if claims-eligible) or HSA to reimburse your qualified expenses (no ordering rules). But, if you have a claims-eligible HRA and want to become eligible to make or receive contributions to an HSA, you must elect "limited-purpose" coverage. Only certain dental, vision, and orthodontia expenses are covered while coverage is limited. You can switch your HRA account back to full coverage after you stop making or receiving HSA contributions (certain limitations may apply). To learn more, read the **Coordination of Benefits** handout available online (log in to your account at [veba.org](http://veba.org) and click **Resources**) or upon request from [customercare@veba.org](mailto:customercare@veba.org) or 1-888-828-4953.

**Medicare:** Medicare is generally primary to your claims-eligible HRA account if you are retired or separated from the employer that made (or is making) contributions to your HRA account. If you are still working, your HRA is generally primary to Medicare unless you have elected limited-purpose coverage. To learn more, read the **Who Pays First, VEBA or Medicare?** handout available online (log in to your account at [veba.org](http://veba.org) and click **Resources**) or upon request from [customercare@veba.org](mailto:customercare@veba.org) or 1-888-828-4953.

## Premium Tax Credit

**Premium Tax Credit:** If you purchase insurance through a marketplace exchange and want to qualify for the Premium Tax Credit, you should (1) read the **Facts About Premium Tax Credit Eligibility** handout available online (log in to your account at [veba.org](http://veba.org) and click **Resources**) or upon request from [customercare@veba.org](mailto:customercare@veba.org) or 1-888-828-4953; and (2) consider whether you will need to first use up, limit, or waive your VEBA Plan benefits.



## How much will I spend on health care during retirement?

The cost of PEBB-sponsored medical insurance coverage for a retiree and spouse currently averages about \$1,100 per month prior to Medicare. After becoming covered under Parts A and B of Medicare, the average cost may decrease to about \$350 per month. The typical 60-year-old public employee and spouse retiring today may spend over \$290,000 on retiree medical insurance premiums during their retirement years!

If you retire today at:

Projected cost of retiree medical premiums<sup>4</sup>:

Age 55 ..... \$368,000

Age 60 ..... \$294,000

Age 65 ..... \$199,000

<sup>4</sup> These projections are based on current average PEBB-sponsored retiree medical premium amounts for public retirees in Washington. The basic assumptions are: (1) employee and spouse retire at age 55, 60, or 65 and live to age 84; (2) both parties enroll in a PEBB-sponsored retiree medical plan (\$1,125/month current average); (3) reduced PEBB retiree medical premium at age 65 for both parties after becoming eligible for Medicare (\$351/month current average); and (4) annual inflation of 5% for PEBB retiree medical premiums.

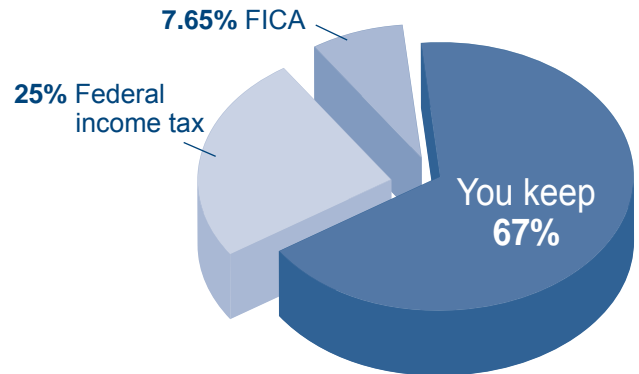
# Common funding sources

In most cases, your employer contributes funds that would otherwise be paid to you as taxable income. VEBA Plan contributions are **tax-free** to both you and your employer. Contributions to **tax-deferred** programs, such as an IRA, 457, 401(k), or 403(b) plan, are subject to FICA tax, and federal income tax is only postponed until you make withdrawals. HRAs are exempt from payroll taxes, federal income tax, and most state income taxes.

Listed below are several of the most common VEBA Plan funding sources. Keep in mind that IRS rules do not permit individual elections; all employee group members defined as eligible must participate.

- Mandatory employee contributions<sup>5</sup>
- Sick, vacation, personal, and other leave cash outs
- Part or all of a future pay raise or COLA
- Other eligible sources

## Taxable Income<sup>6</sup>:



## Tax-free VEBA Plan:



## Submitting claims

You can file claims at anytime for qualified expenses and premiums incurred after you become and remain claims-eligible. Submitting claims (and proof of expense) using our mobile app, **HRago**, or online after logging in at **veba.org** is **recommended**. You can also email, fax, or mail a fully-completed **Claim Form** (and proof of expense) as directed on the form. Standard processing time is **five business days** from the date received. If you're not signed up for direct deposit, remember to allow additional time to receive your paper check in the mail. A list of common **Qualified Expenses & Premiums** is contained on page 8 of this enrollment kit.

**QUICK TIP:**  
Sign up for **direct deposit** when you enroll. It's faster and more secure than waiting for paper checks in the mail.

You can set up automatic reimbursement of your qualified insurance premiums after logging in at **veba.org** or by submitting an **Auto Premium Reimbursement** form.

## Investment Options

You can invest your account by choosing either one of two investment options. **Option A: Choose a pre-mix** allows you to select a pre-mixed asset allocation portfolio designed and managed by investment professionals. **Option B: Do-it-yourself** lets you build your own portfolio using any combination of available funds. Read the **Investment Fund Information** brochure beginning on page 10 of this enrollment kit for more details.

You can change your investment allocation up to once per calendar month. Net investment earnings (or losses) after fund management and plan administrative expenses have been deducted are credited tax-free to your account daily. Fund management fees vary by fund(s) selected and are listed on the **Investment Fund Overview**, which is updated quarterly and available online at **veba.org** or upon request from **customercare@veba.org** or 1-888-828-4953. Fund fact sheets and prospectuses are also available online.

<sup>5</sup> If you need to confirm how mandatory employee contributions (or other contributions) to the VEBA Plan may affect your pension benefit, contact your employer or your state retirement system. <sup>6</sup> Example is for illustrative purposes only and will vary based on your personal tax situation. You should consult a professional advisor regarding your personal tax situation.

# Plan Designs



The main difference between the plan designs has to do with claims eligibility. Under the **Standard HRA Plan**, you can file claims at any time (subject to your employer's plan design). Under the **Post-separation HRA Plan**, you must first separate from service or retire from your employer before becoming claims-eligible. All other terms and conditions are the same.

You do not need to choose a plan. Your employer will automatically direct its contributions for you to either the **Standard HRA Plan** or **Post-separation HRA Plan**. Generally, this will depend upon your eligibility to enroll in your employer's qualified group health plan and whether you are actually enrolled in or covered by your employer's qualified group health plan or another qualified group health plan. It could also depend upon the terms of employer policy, collective bargaining agreements, or other factors that may be unique to your employer's HRA program or your employee group.

- **Standard HRA** — In most cases, your employer will direct its contributions for you to the Standard HRA Plan, so long as you are eligible to enroll in your employer's qualified group health plan and you are either (a) enrolled in or covered by your employer's qualified group health plan or (b) attest in writing to your employer that you are enrolled in or covered by another qualified group health plan. HRA accounts for such participants are considered to be "integrated" with their employer's group health plan. Participants in the Standard HRA Plan can file claims at any time after becoming claims-eligible.
- **Post-separation HRA** — Your employer will direct its contributions for you to the Post-separation HRA Plan if you are not eligible to participate in the Standard HRA Plan or if the Post-separation HRA Plan is utilized for all eligible employees within your employee group. Participants in the Post-separation HRA Plan must first separate from service or retire before becoming eligible to file claims.

You should check with your employer if you are unsure about which plan design applies to you.

## Customer care center

The VEBA Plan's customer care center is ready to help if you have questions about your account, need forms, or have a claims or auto premium reimbursement question. If you have questions about your account, contact the customer care center at:

**[customercare@veba.org](mailto:customercare@veba.org)**  
**1-888-828-4953**

## Plan administrative fees

Plan expenses include claims processing, customer service, account administration, printing, postage, legal, consulting, local servicing, auditing, etc. These costs are paid by a monthly, per participant fee of \$1.50 (if claims-eligible) or \$1.25 (if not claims-eligible), plus an annualized, asset-based fee of approximately 1.25%. Your account value changes daily based on activity, which includes investment earnings/losses, contribution and claims activity, and assessment of the annualized, asset-based fee.

To the extent permitted or required by law, certain fees, taxes or other assessments payable to the federal government under health care reform law may also be deducted from participant accounts<sup>7</sup>.

<sup>7</sup>The Patient-Centered Outcomes Research Institute (PCORI) fee for the 2014-15 plan year is \$2.08 per claims-eligible participant (the fee does not apply to spouses and dependents). The PCORI fee is pro-rated and deducted from claims-eligible participant accounts quarterly (fifty-two cents once every three months). The PCORI fee is imposed on all group health plans by federal health care reform and could increase annually through the 2019-20 plan year.



# Becoming a participant



Typically, when you become eligible to participate and receive contributions, your employer will give you a **VEBA Plan Participant Enrollment Kit** and ask you to complete and return the **Enrollment** form, which will be included with the kit. Your kit will also include important plan information, investment information, and notice of online availability of the Summary of Benefits and Coverage. You must submit a fully completed and signed Enrollment form to become a participant and establish your account<sup>8</sup>. A single Enrollment form will enroll you into either the Standard HRA Plan or the Post-separation HRA Plan, as directed by your employer when making contributions on your behalf.

The VEBA Plan will send you a **welcome packet** after receiving both your signed Enrollment form and the first contribution from your employer. Your welcome packet will contain confirmation of your employer's contribution, your participant account number, a Plan Summary, and instructions for online account access. It will also confirm to which VEBA plan your employer has directed its contribution for you and whether you are claims-eligible. If you are not claims-eligible when you enroll, we will send you a **claims-eligibility packet** after receiving notice from your employer that you have become eligible to file claims.

Paper **participant account statements** are mailed in January and July. If you're signed up for e-communication, you'll receive quarterly email notification as soon as your statements are available for online viewing.

## QUICK TIP:

Sign up for **e-communication** to receive quarterly e-statement notifications, newsletters, EOBs, and notices by email. Check the box on your enrollment form.

### Online services

You can view your account balance, contributions, investments, claims history, and explanations of benefits (EOBs) online. You can also submit claims, name and address changes, and investment changes. Simply log in to your account at **veba.org**.

**E-communication** is recommended in lieu of paper. Instead of waiting to receive private information in the mail, e-communication provides email notification as soon as your participant account statements and explanations of benefits (EOBs) are available online. You can sign up for e-communication when you enroll or after logging in to your account at **veba.org**.

### Survivor benefit

If you pass away, remaining funds in your account (if any) may continue to be used by your surviving legal spouse and qualified dependents to reimburse their eligible medical care expenses and premiums. Surviving spouses and dependents enjoy the same tax advantages as participants.

In the unlikely event you pass away with an unused account balance and have no eligible survivors, the executor of your estate can spend down your account by filing claims for any unreimbursed medical care expenses you may have incurred prior to your death. Remaining funds (if any) after all final claims have been reimbursed would then be forfeited and re-contributed per the terms of the Plan document or otherwise applied as directed by your employer. IRS Revenue Ruling 2006-36 does not permit the payment of benefits to non-dependent heirs.

<sup>8</sup> Failure to complete the required Enrollment form will result in the forfeiture of funds that would have otherwise been contributed on your behalf. IRS rules do not permit individual choice; all employees defined as eligible must participate.

# Qualified Expenses and Premiums

## Common Examples

The below list of qualified expenses and premiums is not a complete list, but it does contain many examples of the types of expenses and premiums eligible for reimbursement from your VEBA account. The most common include co-pays, coinsurance, deductibles, retiree insurance premiums (including Medicare Part B and Part D and Medicare supplement plans), and tax-qualified long-term care insurance premiums (subject to annual IRS limits).

Internal Revenue Code § 213(d) defines qualified expenses, in part, as “medical care” amounts paid for insurance or “for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body...” Expenses solely for cosmetic reasons generally are not considered expenses for medical care (e.g. facelifts, hair transplants, hair removal (electrolysis)). Expenses that are merely beneficial to your general health, such as gym memberships, are not medical care expenses.

### Questions?

1-888-828-4953

[customercare@veba.org](mailto:customercare@veba.org)

[veba.org](http://veba.org)

### General expenses

- Acupuncture
- Alcoholism and drug treatment center costs
- Birth control pills
- Chiropractic
- Christian Science
- Contact lenses, solutions, etc.
- Co-pays
- Coinsurance
- Deductibles
- Dental
- Eye glasses
- Fertility treatments
- Gynecology/Obstetrics
- Hearing aids & batteries
- Immunizations
- Laser eye surgery
- Lifetime care at medical facility
- Medical supplies and equipment
- Naturopathic
- Organ transplants
- Orthodontia
- Osteopathy
- Physical therapy
- Prescription medicines
- Preventive care
- Psychiatric
- Retirement home (costs allocable to medical care)
- Stop smoking programs
- Transportation (subject to IRS limits)
- Vaccines
- Vasectomy
- Vision
- Wheelchair

### Over-the-counter (OTC)

#### **PRESCRIPTION REQUIRED (medicines and drugs):**

- Acne medications
- Allergy medicines
- Antacids
- Aspirin
- Cold medicines
- Cough suppressants
- Dietary supplements
- Eye products (e.g. Visine®)
- First aid creams/liquids
- Herbal medicines
- Nicotine gum/patches
- Pain relievers
- Sinus medications
- Sleeping aids
- St. John's Wort
- Weight loss drugs

#### **NO PRESCRIPTION REQUIRED (non-medicine items):**

- Bandages
- Crutches
- Insulin
- Diagnostic devices (e.g. blood sugar kits)

#### **OTC ITEMS NOT ELIGIBLE:**

- Cosmetics; face creams
- Medicated shampoos
- Tooth brushes (including electronic)
- Vitamins (most cases)

### Insurance premiums

- Medical\*
- Dental
- Vision
- Long-term care (tax-qualified; subject to IRS limits)
- Medicare Part B
- Medicare Part D
- Medicare supplement plans

\*Includes marketplace exchange premiums that are or will not be subsidized by the Premium Tax Credit.

### Medicare

- Co-pays
- Coinsurance
- Deductibles
- Home health care
- Hospice care
- Hospital stay
- Outpatient hospital services
- Skilled nursing facility stay

### Military retiree coverage

- Deductibles
- Medicare Part B premiums
- Medicare Part D premiums
- Office visit copays
- Miscellaneous medical, dental, and vision expenses
- TRICARE premiums (medical and dental plans)

# Important Notices

Proper documentation is required when requesting reimbursements. Submitting claims using our mobile app, **HRAGO**, or online after logging in at **veba.org** is recommended. You can also email, fax, or mail a fully-completed **Claim Form** (and proof of expense) as directed on the form. To learn more, read the **How to File a Claim** handout available online (log in to your account at **veba.org** and click **Resources**) or upon request from **customercare@veba.org** or 1-888-828-4953. Please note the following:

1. Only qualified expenses and premiums incurred after you become and remain a claims-eligible participant may be submitted for reimbursement.
2. If you are covered by a Section 125 healthcare flexible spending account (FSA), you must exhaust available FSA benefits before submitting eligible claims.
3. Qualified insurance premiums are reimbursable beginning with the month in which you become a claims-eligible participant.
4. **IRS regulations provide that insurance premiums paid by an employer, or premiums that are or could be deducted from your paycheck pre-tax through your employer's Section 125 cafeteria plan, are not eligible for reimbursement.** When requesting reimbursement of premiums deducted from your paycheck after tax, you should include a letter from your employer that confirms a pre-tax option for the deduction of such premiums is not available to you. Premiums deducted from your spouse's paycheck after tax may be eligible for reimbursement.
5. Auto reimbursement of recurring qualified insurance premiums may be set up online after logging in to your account or by submitting an **Auto Premium Reimbursement** form.

**Regarding OTC drugs and medicines:** To be eligible for reimbursement, federal healthcare reform requires that OTC medicines and drugs (except insulin and contact lens solution) be prescribed by a medical professional or accompanied by a note from a medical practitioner recommending the item or service to treat a specific medical condition. Thus, OTC medicines and drugs such as aspirin, antihistamines, and cough syrup must be prescribed. The prescription requirement applies only to medicines and drugs, not to other types of OTC items such as bandages and crutches.

## Definition of Dependent

Generally, dependents must satisfy the definition of **Qualifying Child** or **Qualifying Relative** as of the end of the calendar year in which expenses were incurred to be eligible for benefits. These requirements are defined by Internal Revenue Code § 105(b) and summarized below. To learn more, read the **Definition of Dependent** handout available online (log in to your account at **veba.org** and click **Resources**) or upon request from **customercare@veba.org** or 1-888-828-4953.

### Qualifying child

A **Qualifying Child** is a person who: (1) is the participant's son or daughter, stepchild, or foster child; and (2) is a citizen, national, or resident of the U.S. or a resident of Canada or Mexico; and (3) either under age 26 at the end of the calendar year in which expenses were incurred or is permanently and totally disabled. Other individuals are subject to additional requirements.

**Qualifying Child of Divorced or Separated Parents.** A participant's child is treated as the dependent of both parents for the purposes of health plan coverage if during the calendar year in which expenses were incurred: (1) the participant's child is in the custody of the participant or their other parent for more than half the year; and (2) the participant's child receives over half of his or her support during the year from the participant or their other parent.

### Qualifying relative

A **Qualifying Relative** is a person who: (1) is the participant's son or daughter, stepchild, foster child, or other relative as defined by the IRS (e.g. father, mother, brother, sister, niece, nephew, aunt, uncle or any other person (other than the participant's legal spouse) who lived with the participant all year as a member of the household if such relationship did not violate local law; and (2) will not be a Qualifying Child of any other person as of the last day of the calendar year in which expenses were incurred; and (3) received over half of his or her support for the calendar year from the participant; and (4) has a gross income for the year that is less than the maximum identified in IRS Publication 501; and (5) is a citizen, national, or resident of the U.S. or a resident of Canada or Mexico.

### Which option is right for you?

Are you comfortable making your own investment decisions?

NO

Option A:

**Choose a pre-mix.** Select a pre-mixed asset allocation portfolio designed and managed by investment professionals.

YES

Option B:

**Do-it-yourself.** Build your own portfolio using any combination of available funds.

### What You Should Know Before Choosing Your Investments

#### Asset allocation

Choosing the right combination of investments for your portfolio is called asset allocation. This is an important step that can help you reach your retirement goals. When you allocate your assets, you spread out your savings among stable value, bond, and stock investments in amounts that are reflective of your investment goals. Aggressive investors with long-term goals may prefer portfolios with more stocks, while more conservative investors are likely to use more stable value and bonds. As you build your investment portfolio, consider your personal situation. Your asset allocation decisions should be based on:

- When you will begin to file claims
- The amount of time you have to reach your goal
- Your own tolerance for risk
- Your other savings and investments

#### Determine your proper asset allocation strategy

Before making your investment decision, you should define your asset allocation strategy. A proper asset allocation strategy (i.e. choosing the right blend of asset classes for your financial situation) can help reduce risk and increase potential return over time.

#### What kind of investor are you?

Determining what kind of investor you are will help you define your asset allocation strategy. In other words, are you most interested in growing your account or preserving your account? If you are most interested in growing your account, you must be willing to tolerate more risk and accept potentially large fluctuations in value. Preserving your account generally involves less risk and should result in less fluctuation in value but with reduced potential for long-term returns.

#### What is your time horizon?

Your time horizon is the length of time until you anticipate filing claims. Investors with longer time horizons are often able to tolerate more risk; investors with shorter time horizons tolerate less risk.

Time is very important when determining your asset allocation strategy. Investments may increase in value over time assisted by the power of compounding, and time can help smooth the ups and downs of the financial market. Your asset allocation strategy should depend heavily on how much time you have until you expect to begin filing claims.

#### Risk vs. potential reward

Risk is generally thought of as the possibility of losing money on investments. If your investment's value fluctuates significantly down and up, and you make a withdrawal for a qualified medical expense during a down market investment period, you may experience loss. You also need to consider inflation risk, the chance that your investments will not earn enough to keep pace with the rising cost of living which, in this case, is increasing healthcare costs. Consider the following general principles of risk:

- Reducing one type of risk generally requires you take on more of another
- The higher the risk, the higher the potential for reward; the lower the risk, the lower the potential for reward
- The shorter the time horizon you have for investing, the more you should reduce investment risk



## Importance of rebalancing

Over time, some of your investment fund selections may grow more quickly than others. Some may even lose value and cause your portfolio to become out of alignment with your original allocation percentages.

Rebalancing periodically redistributes the assets in your account to your most recent allocation percentages. This process aids in maintaining the level of risk you are willing to take and helps you achieve the goals and objectives of your asset allocation strategy.

Periodic rebalancing is optional if you choose to build your own portfolio under **Option B: Do-it-yourself**. The pre-mixed asset allocation portfolios under **Option A: Choose a pre-mix** are managed to stay on their respective target allocations. Each fund maintains its growth- or income-oriented asset mix; you never have to rebalance to keep your strategy on track.

## Asset class

Asset classes consist of three general types: stocks, bonds, and short-term investments (stable value). Your overall investment strategy will help you determine what percentage you should allocate to each asset class.

## Diversification

You've heard the old saying, "Don't put all your eggs in one basket." With investing, this is known as diversification. It's the process of spreading your money among different asset classes. Mutual funds are diversified. If you invest your money in a stock mutual fund, you will hold stock in many different companies. Even if a few companies perform poorly, their losses may be offset by companies that perform well.

## No guarantees

Keep in mind that the use of asset allocation or diversification as part of an investment strategy does not guarantee a profit or guarantee against a loss.

Funds are not FDIC insured, are not guaranteed by a bank, and may lose value. Even the most conservative investment fund option may lose value.

## More information

Go to [veba.org](http://veba.org) for more information, including historical fund performance, fund fact sheets, and prospectuses.



# Option A: Choose a Pre-mix (managed by professionals)

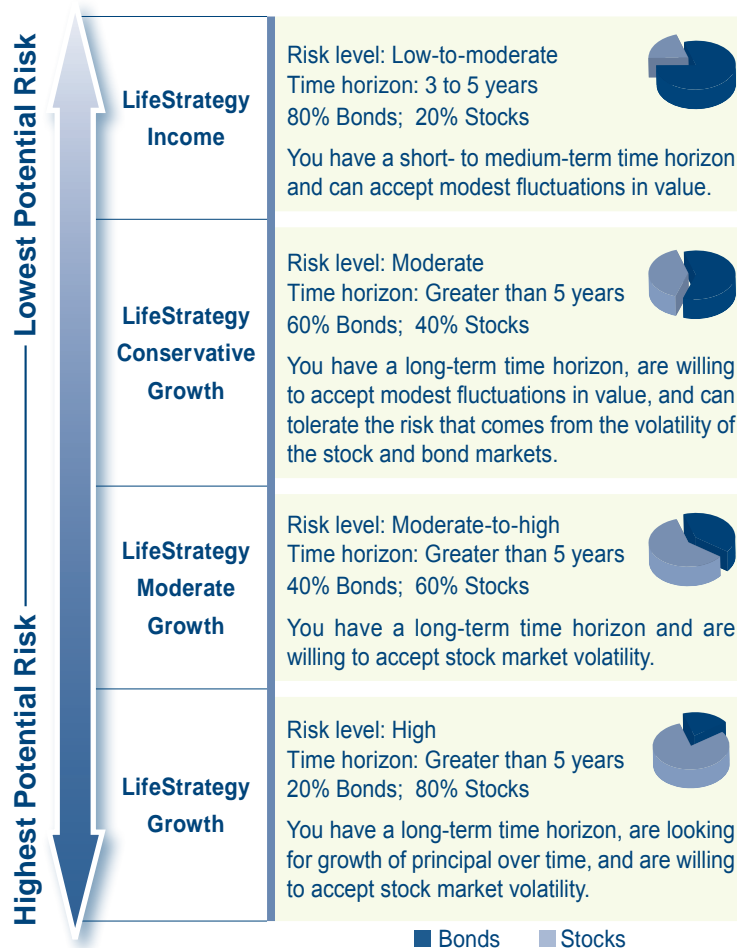
VEBA Trust offers a suite of low-cost Vanguard LifeStrategy® Funds to accommodate a variety of asset allocation strategies from conservative to aggressive. Many investment advisors recommend the use of pre-mixed portfolios because they are well diversified, designed to meet specific goals and objectives, and are automatically rebalanced.

The Vanguard LifeStrategy Funds are broadly diversified. Underlying funds invest in thousands of U.S. and international stocks and bonds to help spread out risk. The Vanguard LifeStrategy Funds are managed to stay on their respective target allocations. Each fund maintains its growth- or income-oriented asset mix; you never have to rebalance to keep your selected strategy on track.

### Which Vanguard LifeStrategy Fund is right for you?

The Vanguard LifeStrategy Funds are built to help you achieve any medium- or long-term goal. The four funds, each with a different allocation between stocks and bonds, target various risk-based objectives. Descriptions of the type of investor who may want to consider a given fund are contained in the chart to the right. You should carefully read these descriptions when deciding which fund is right for you.

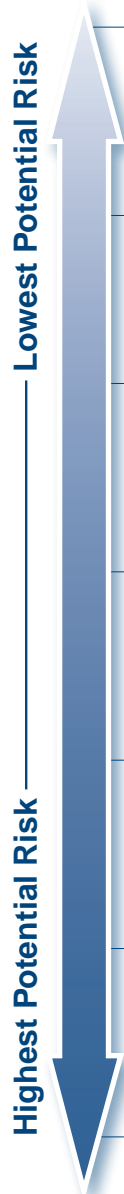
Your allocation to a Vanguard LifeStrategy Fund must be 100%; allocations less than 100% are not allowed. Performance results are contained on the **Investment Fund Overview**, which is updated quarterly and available online at [veba.org](http://veba.org).



Not FDIC insured. No bank guarantee. May lose value.

# Option B: Do-It-Yourself (build your own portfolio)

Listed below are the available asset classes and funds you can use to build your own portfolio. Performance results are contained on the **Investment Fund Overview**, which is updated quarterly and available online at **veba.org** or upon request from **customer care@veba.org** or 1-888-828-4953.



<b>Stable Value</b>	<p><b>GSAM Separate Account</b>  <a href="http://www.gsam.com/stablevalue">www.gsam.com/stablevalue</a>            Seeks to provide a stable rate of return with preservation of principal and liquidity.  <i>NOTE: GSAM Separate Account is the most conservative investment fund choice.</i></p>
<b>Total Return Bond</b>	<p><b>Metropolitan West Total Return Bond</b>  <a href="http://www.mwamllc.com">www.mwamllc.com</a>            Seeks to maximize long-term total return.</p>
<b>Large Cap Equity</b>	<p><b>Vanguard Institutional Index (S&amp;P 500)</b>  <a href="http://www.vanguard.com">www.vanguard.com</a>            Seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks.</p>
<b>Mid Cap Equity</b>	<p><b>Scout Mid Cap</b>  <a href="http://www.scoutinv.com">www.scoutinv.com</a>            Seeks to provide long-term growth of capital by investing in a diversified portfolio consisting primarily of equity securities of mid-cap companies.</p>
<b>Small Cap Equity</b>	<p><b>Champlain Small Company Fund</b>  <a href="http://www.cipvt.com">www.cipvt.com</a>            Seeks capital appreciation by investing mainly in small-capitalization U.S. common stocks.</p>
<b>International Equity</b>	<p><b>American Funds EuroPacific Growth</b>  <a href="http://www.americanfunds.com">www.americanfunds.com</a>            Seeks to provide long-term growth of capital by investing in companies of all sizes based primarily in Europe and the Pacific Basin.</p>



## Other Investment Information

Contributions	Contributions received are allocated per your current investment allocation election on file with the Plan. If no investment allocation election is on file, funds will be allocated to the Stable Value fund.
Investment allocation changes	You may transfer among the investment funds as often as once each calendar month. You can make investment allocation changes after logging in to your account online or by submitting a completed and signed <b>Investment Change</b> form. Investment allocation changes are generally effective within two to three business days. If you have more than one account and submit an Investment Change form without entering a participant account number, your requested change will be applied to each of your accounts. If you do enter a participant account number on the form, your investment allocation change will apply only to the specified account.
Withdrawals	If your account is allocated among multiple investment funds, withdrawals (claims) from your account will be made proportionately based on your fund allocation election on file with the Plan unless you request otherwise.
Investment risk	<p>The Stable Value fund is the most conservative fund choice. The remaining funds are invested in securities and bonds that will fluctuate in value on a daily basis, and withdrawals from these funds may be worth more or less than your original employer contribution. Prior to submitting your Enrollment form or Investment Change form to the Plan, please carefully review your selected investment fund choice(s).</p> <p>Should your investment objectives change, you should reevaluate your fund selection(s) and make appropriate changes. Remember, any investment that contains stock market investments entails the risk of loss. We must stress that investment returns, particularly over shorter time horizons, are highly dependent on trends in various investment markets. Thus, investing in stocks and bonds is suitable primarily as a longer-term strategy and should not be used by participants who will begin filing claims immediately.</p>
Using multiple investment funds	You may use a single fund or multiple funds when building your own portfolio. You may choose only one pre-mixed portfolio. You may not choose both a do-it-yourself portfolio and a pre-mixed portfolio.
Fund management expenses	Fund management expenses vary from fund to fund. Each investment fund's expense ratio can be found on the Investment Fund Overview updated quarterly at <a href="http://veba.org">veba.org</a> , or by visiting each fund's respective website.
Investment advice	Please read this information carefully and consult with your personal financial advisor before making an investment decision. The trustees, plan consultant, and Trust service providers do not give investment advice.

## Investment Terms

**Asset Allocation:** An investment strategy with a goal of balancing risk and reward by investing a portfolio's assets according to an investor's predetermined goals, risk tolerance, and time horizon. Money invested is allocated among different asset classes that do not all react the same to events in order to meet the investment goals of the individual investor.

**Bond:** A debt investment in which an investor loans money to an entity (corporate or government) that borrows the funds for a defined period typically at a fixed interest rate. Bonds may also have variable interest rates. The bondholder does not have ownership rights to the bond issuer unlike a stockholder. Bonds offer a higher level of credit protection than stocks and therefore are a more conservative investment.

**Capitalization:** The collective market value of the stock of a corporation. The market price of a share of stock, multiplied by the number of shares outstanding, equals the market capitalization of a corporation.

**Diversification:** Mixing a wide variety of investments within a portfolio.

**Large Cap:** Refers to companies with a "large market capitalization," generally with capitalization valued at more than \$10 billion.

**Mid Cap:** Refers to companies with market capitalization of between \$2-\$10 billion.

**Mutual Fund:** Investment vehicle made up of a pool of money collected from different investors to invest in securities. Mutual funds are operated by money managers who invest the fund's capital and attempt to produce capital gains and income for the fund's investors.

**Principal Value:** The amount of the original investment.

**Prospectus:** Document that provides details about an investment offering for sale to the public. Required by Securities Exchange Commission (SEC).

**Rebalancing:** The process of buying or selling assets in a portfolio to maintain the investor's desired levels of investment allocation between asset classes.

**Security:** An instrument representing ownership, a debt agreement, or the rights to ownership. Examples of a security are Treasury Bills, Commercial Paper, Certificates of Deposit (CDs), bonds, stocks, and derivative contracts.

**Separate Account:** A private investment account opened through a brokerage or financial advisor that is used to buy individual assets.

**Stock:** A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

**Time Horizon:** The length of time over which an investment is made or held before it is liquidated.

**Total Return:** The actual rate of return of an investment over a given evaluation period, includes interest, capital gains, dividends, and distributions.

**Volatility:** Statistical measure of dispersion of returns for a given security or market index.

## Helpful Reminders ✓

- ❑ Your **Enrollment** form is two-sided. Please fully complete both sides; missing information often results in enrollment delays.
- ❑ **Sign your Enrollment form and return it to your employer.** Make a copy for your records.
- ❑ Sign up for **e-communication** on your Enrollment form. It's faster and more convenient than waiting to receive paper documents in the mail.
- ❑ Sign up for **direct deposit** on your Enrollment form. It's faster and more convenient than waiting to receive paper check reimbursements in the mail.
- ❑ The **Investment Fund Overview** (updated quarterly and available online at **veba.org**) contains historical investment performance and fund management fees, which vary by fund(s) selected. Links to investment fund fact sheets and prospectuses are available at **veba.org**.
- ❑ Be watching for your **welcome packet**, which we will send within five days after your Enrollment form and contribution from your employer have been received.
- ❑ If, according to your employer's plan design, you are claims-eligible when you enroll, your **claims-eligibility date** will be included in your welcome packet. If you are not claims-eligible when you enroll, your claims-eligibility date will be provided to you in a claims-eligibility packet sent to you after we receive notice from your employer that you have become eligible to file claims.





# VEBA Plan Enrollment

Fillable version available online at [veba.org](http://veba.org).



## PARTICIPANT:

Please note that if you do not sign and submit this Enrollment form, you will: (a) not become a participant in any VEBA Plan; and (b) not be entitled to receive remuneration to which you may have otherwise been entitled after implementation of the current Plan(s).

This is a two-sided form. Please carefully complete all sections on both sides. Missing information often results in enrollment delays, which could affect your ability to file claims and receive reimbursement of your qualified medical care expenses and insurance premiums. When completing this Enrollment form, remember to do the following:

- Choose your investment allocation (section 4). You can select either Option A: Choose a pre-mix or Option B: Do-it-yourself.
- Sign up for e-communication and direct deposit (sections 5 and 6). These recommended services are faster and more convenient than waiting to receive items like participant account statements and paper checks in the mail.
- Sign and date the hold harmless agreement (section 3). Make a copy of your completed form for your records. Return completed original to your employer. Your employer will submit your Enrollment form and a contribution to your account.

We will send you a welcome packet after receiving both your Enrollment form and a contribution from your employer. Your welcome packet will contain confirmation of your employer's contribution, your participant account number, a Plan Summary, and instructions for online account access. It will also confirm to which VEBA Plan your employer has directed its contribution for you and whether you are claims-eligible.

## EMPLOYER:

Please fully complete this section.

Missing information often results in enrollment delays, which could affect your employee's ability to file claims and receive reimbursement of their qualified medical care expenses and insurance premiums. Make a copy of this completed form for your records.

Employer ID Number: \_\_\_\_\_  
(as assigned by the Plan)

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

Authorized Employer Signature: \_\_\_\_\_

Submit completed form to:

Email - [enroll@veba.org](mailto:enroll@veba.org)

Fax - (206) 577-3020

Mail - VEBA Plan, PO Box 80587, Seattle, WA 98108

Enrolling employee is:

Active or  Separating/retiring on: \_\_\_\_\_

Specified Claims Eligibility Date (optional; Standard HRA Plan only):

You may specify the enrolling employee's Participant effective date, provided such date is not prior to the employee's hire date (or eligibility date). If no date is specified below, the employee shall become a Participant when a completed and signed VEBA Plan Enrollment form and contribution have both been received by the VEBA Plan.

Claims Eligibility Date: \_\_\_\_\_

QUESTIONS? 1-888-828-4953 | [customercare@veba.org](mailto:customercare@veba.org) | [veba.org](http://veba.org)

## 1 PARTICIPANT, SPOUSE, DEPENDENT INFORMATION (REQUIRED)

Fully complete the below information, including Social Security number, for each covered individual. Federal law requires us to have on file the full name, SSN, gender, and date of birth of all covered individuals. Your spouse and qualified children and dependents are eligible for coverage under this plan. List any additional dependents on an attached sheet of paper.

FIRST NAME	M.I.	LAST NAME	GENDER	DATE OF BIRTH MM / DD / YYYY	SOCIAL SECURITY NUMBER
PARTICIPANT			<input type="checkbox"/> Male <input type="checkbox"/> Female		
SPOUSE			<input type="checkbox"/> Male <input type="checkbox"/> Female		
CHILD / DEPENDENT 1			<input type="checkbox"/> Male <input type="checkbox"/> Female		
CHILD / DEPENDENT 2			<input type="checkbox"/> Male <input type="checkbox"/> Female		
CHILD / DEPENDENT 3			<input type="checkbox"/> Male <input type="checkbox"/> Female		

## 2 PARTICIPANT CONTACT INFORMATION

AREA CODE and PHONE NUMBER \_\_\_\_\_ EMAIL ADDRESS (use personal email address) \_\_\_\_\_

MAILING ADDRESS \_\_\_\_\_ CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

## 3 REQUIRED PARTICIPANT SIGNATURE AND HOLD HARMLESS AGREEMENT

I hereby become a Participant of the VEBA Trust and Plans and certify that my legal spouse, children, and dependents listed on this form are qualified dependents as defined under the terms of the Plan. I understand that if I provide fraudulent information on this form, my employer may be notified and my Plan participation could be terminated. I realize that the parties involved in the Trust and any Plan in which I am a Participant (the "Plan"), including, but not limited to, the Plan, my employer, my bargaining representative, the Trustees, and the agents of each (collectively referred to as the "Plan and its agents") cannot guarantee any federal or state tax results or investment results. I acknowledge that any benefits to which I may become entitled are subject to the terms and conditions of the governing Plan documents and applicable law, and that the Plan and its agents may withhold from such benefits (and may transmit to the government) any tax, charge, penalty, assessment, or other amount, which is determined to be attributable to or allocable to such benefits or on account of the operations of the Plan and to hold the Plan and its agents harmless with respect to such actions taken in good faith. I have received, reviewed and understand the Plan and investment information provided in the Plan Benefits and Investment Fund Information brochures. "By my signature I adopt and agree to the above statements."

I authorize my spouse listed above to be an authorized contact who may discuss my account and account activity and submit certain account changes on my behalf. Claim Forms must be signed by me, the participant. Authorized contacts may be changed or revoked by me at any time.

X  
PARTICIPANT SIGNATURE \_\_\_\_\_ DATE MM / DD / YYYY \_\_\_\_\_ PHONE NUMBER WHERE I CAN BE REACHED \_\_\_\_\_

**4 INVESTMENT ALLOCATION SELECTION**

Select and complete **OPTION A or OPTION B**, but not both. If you make no selection, your entire account will be allocated to the Stable Value fund. You should carefully read the **Investment Fund Information** brochure available at [veba.org](http://veba.org) or by contacting the customer care center. If you have more than one account and submit an **Investment Change** form without entering a participant account number, your requested change will be applied to each of your accounts. If you do enter a participant account number on the form, your investment allocation change will apply only to the specified account.

**OPTION A: CHOOSE A PRE-MIX**

Select and complete this option if you want your asset allocation portfolio designed and managed by professionals. **Choose only one pre-mix.** If you select multiple funds your entire account will be invested in the most conservative fund selected. Read the **Investment Fund Information** brochure included with your Participant Enrollment Kit or available online at [veba.org](http://veba.org) for more information.

The pre-mixed asset allocation portfolios are managed to stay on their respective target allocations. Each fund maintains its growth- or income-oriented asset mix; you never have to rebalance to keep your selected strategy on track.

Fund Name	Risk	Target Allocation
<input type="checkbox"/> Vanguard LifeStrategy® <b>Income</b>	Low-to-moderate	80% bonds; 20% stocks
<input type="checkbox"/> Vanguard LifeStrategy® <b>Conservative Growth</b>	Moderate	60% bonds, 40% stocks
<input type="checkbox"/> Vanguard LifeStrategy® <b>Moderate Growth</b>	Moderate-to-high	40% bonds, 60% stocks
<input type="checkbox"/> Vanguard LifeStrategy® <b>Growth</b>	High	20% bonds, 80% stocks

**OPTION B: DO-IT-YOURSELF**

Select and complete this option if you want to build your own portfolio. **Enter only whole numbers—no fractions. Your allocation must equal 100%.** Allocations that are not whole numbers will be rounded to the nearest whole number. Generally, if your allocation exceeds 100%, the excess will be subtracted from your least conservative fund choice. If your allocation is less than 100%, the shortage will be added to your most conservative fund choice.

**Rebalance my allocation percentages:**

- Quarterly** (end of each calendar quarter)
- Annually** (end of each calendar year)

Rebalancing is an important feature that will redistribute your entire account balance according to your most recent allocation percentages on file. If selected, this option will continue until revoked online or via written notice to the Plan.

Asset Class / Fund Name	Allocation %
<b>Stable Value</b> / GSAM Separate Account	_____ %
<b>Total Return Bond</b> / Metropolitan West Total Return Bond	_____ %
<b>Large Cap Equity</b> / Vanguard Institutional Index (S&P 500)	_____ %
<b>Mid Cap Equity</b> / Scout Mid Cap	_____ %
<b>Small Cap Equity</b> / Champlain Small Company	_____ %
<b>International Equity</b> / American Funds EuroPacific Growth	_____ %
<b>Total Must Equal 100%</b> ▶	_____ %

**5 ELECTRONIC COMMUNICATION CONSENT (RECOMMENDED)**

**Sign up for e-communication!** It's faster and more convenient than waiting to receive paper documents in the mail. Electronic documents you will receive include quarterly e-statement notifications and newsletters, explanations of benefits (EOBs), important notices, and general information.

**PLEASE CHECK THE BOX AND ENTER YOUR EMAIL ADDRESS IN SECTION 2 OF THIS FORM TO SIGN UP FOR E-COMMUNICATION IN LIEU OF PAPER.**

Note: If you are electing e-communication, please note that after logging in to your account at [veba.org](http://veba.org), you (1) may withdraw your consent for electronic documents at any time without charge by updating your account preferences; (2) will be able to view and print copies of electronic documents (you may request paper copies at no charge by contacting the customer care center); and (3) can update your email address on file by updating your personal information. To access electronic documents, you will need a copy of Adobe Acrobat Reader software loaded on your computer. You can download and install a free copy at [www.adobe.com](http://www.adobe.com). Documents provided electronically will not be mailed via U.S. Mail.

**6 DIRECT DEPOSIT ENROLLMENT FOR CLAIMS REIMBURSEMENT (RECOMMENDED)**

**Sign up for direct deposit!** It's faster and more convenient than waiting for paper check reimbursements in the mail. Please provide all required information below. A voided check is not required.

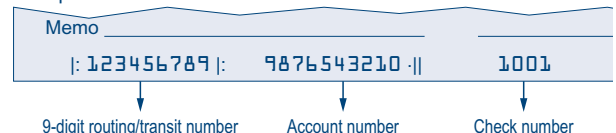
**ACCOUNT TYPE:**  CHECKING  
 SAVINGS

NAME OF FINANCIAL INSTITUTION (bank or credit union)

9-DIGIT ROUTING/TRANSIT NUMBER

ACCOUNT NUMBER (do not include check number)

Sample check







Plan education and group enrollment services provided by:



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ARTHUR J. GALLAGHER & CO.

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