



Dear 189 Members,

AFSCME 189 Leadership is exploring whether to offer a new benefit called a **VEBA Health Reimbursement Account (HRA)**. The choice to authorize and create a VEBA was won in our last contract negotiations. **We could potentially in the plan year beginning July 2024.** This benefit demands more than a cursory explanation. So we will be providing information and education to Members on the program requirements and benefits over the next four weeks.

Our Union has represented members to improve wages, hours, working conditions and benefits for nearly 70 years. The VEBA discussion happening over the next few weeks continues our commitment for the benefit of our members. We are committed to providing robust member education in the coming weeks so that all members can ask questions and learn the facts about how a VEBA health reimbursement account works. Due to its complexity this will require some study to be fully informed, I assure you that this information will be readily available to all those who choose to avail themselves of it through presentations in the workplace, by Zoom and direct response to members' questions.

After 189 Members have had the chance to participate in the information sessions provided about the VEBA health reimbursement account, Local 189 will hold an all member vote to decide if a VEBA will be implemented. It is important to note that no final decision has been made, that authority remains your right and privilege as a Member.

A few basic facts about VEBAs, our options, and the coming process:

- A VEBA health reimbursement account is a hybrid between a Flexible Spending Account (FSA) and a Deferred Compensation 457(b) account
- It is an individual reimbursement account similar to a Flexible Spending Account (FSA) or Medical Expense Reimbursement Program (MERP) so you can pay for individual healthcare expenses after they have been incurred. It can be used anytime after your initial claims eligibility date (date of first contribution) or saved for later. Claims can also be filed retroactively for any expense incurred after your claims eligibility date.
- A VEBA can be funded in many different ways with AFSCME 189 proposing mandatory contributions from the employee as a starting point, at a rate to be determined by the Membership. Early discussions have centered around 1% of gross pay. For example at \$80,000 per year 1% is \$800 or ~\$30.77 per pay period.

- A future Membership could vote to increase, decrease, or maintain the rate.
- For background and context, 3 other City contracts have chosen a VEBA: PFFA (firefighters 4%), PPA (police officers 2%) and PPA-BOEC (911 operators 2%)
- Members would control their individual VEBA account, just like members currently control their individual 457(b) deferred compensation account, so you can earn interest tax-free. Your contributions go through City payroll directly to your account. Unlike a 457 (b) individuals cannot elect to make additional contributions to their VEBA.
- To pay for medical expenses, the employee can use a debit card that draws directly from their VEBA account, file claims electronically through an online portal, utilize a mobile application, or submit paper receipts with a claim form to the VEBA administrator for reimbursements (similar to a Flexible Spending Account [FSA] or Medical Expense Reimbursement Plan [MERP]).
- The VEBA can be used for medical expenses of the employee, their married spouse, and their dependent children up to age 26.
- The VEBA can be used in the short-term for immediate medical expenses (similar to an FSA) or can be used to save and accumulate investment earnings for future use (unlike an FSA account, VEBAs have no annual use-it-or-lose-it rule).
- All funds in each individual's VEBA account are invested with any gains from market performance remaining tax-free. Each individual can direct their investment allocation to suit their appetite for risk from the VEBA providers menu of investment options
- Our Member Representatives on the Labor Management Benefits Committee (LMBC) have indicated out of pocket costs are likely to go up in the next benefits plan year, a VEBA could help to mitigate the impact of these increases.
- The employee keeps their VEBA account even after separating or retiring from City employment.
- Federal tax law, and IRS code requires mandatory participation from all persons in the "association," in this case people represented by our contract
- Requires a \$50 minimum balance to begin use of debit card to pay expenses
- The VEBA account is willable and can be left to a beneficiary. This beneficiary can be a family member or another individual of your choosing
- We would have the **ability to bargain additional City-funded contributions such as a matching percentage or sick leave conversion** upon retirement

Stay tuned as we hold in-person worksite meetings, Zoom presentations, Q+A info sessions and other resources for members to be informed and get involved. Because VEBA contributions could affect your decisions about other FSA contributions, **I will ask the elections committee to conduct the Membership vote before the open enrollment in mid-May.**

In Solidarity & Community,

Rob Martineau,
AFSCME 189 President