

CITY OF MARYSVILLE AGENDA BILL
EXECUTIVE SUMMARY FOR ACTION

CITY COUNCIL MEETING DATE: 12/9/2013

AGENDA ITEM: Adoption of HRA VEBA Employer Agreement	
PREPARED BY: Kristie Guy, HR Director DEPARTMENT: Human Resources	DIRECTOR APPROVAL:
ATTACHMENTS: 1. Resolution _____ 2. HRA VEBA Employer Adoption Agreement 3. Schedule A: Formal Action and Plan Design Documentation 4. Schedule B: Summary of Compliance Requirements Applicant to HRA's 5. Exhibit A: Annual Employer Certification Regarding HRA Integration with a Qualified Group Plan	
BUDGET CODE:	AMOUNT:

SUMMARY:

The attached Resolution repeals Resolution No. 2268, establishing a Health Reimbursement Arrangement/Voluntary Employees' Beneficiary Association ("HRA VEBA") Plan, and adopts two separate HRA VEBA plans.

Effective January 1, 2014, changes need to be made to the HRA VEBA plan design adopted in Resolution No. 2268 in order for the HRA VEBA to stay compliant with federal health care reform regulations. The plan design needs to be restructured to offer two separate plans: 1) the Standard HRA plan and a Post-separation HRA plan.

The Standard Plan is the same HRA VEBA plan we currently provide to eligible employees.

The Post-separation HRA plan is a new, separate plan designed to provide benefits after a participant separates from service or retires and is not enrolled in or covered by the City of Marysville medical plan.

RECOMMENDED ACTION: Staff recommends that Council Authorize the Mayor's to sign the Resolution including the HRA VEBA Plan documents to comply with federal health care reform regulations.

CITY OF MARYSVILLE
Marysville, Washington

RESOLUTION NO. _____

A RESOLUTION OF THE CITY OF MARYSVILLE REPEALING
RESOLUTION NUMBER 2268 AND ADOPTING THE HEALTH
REIMBURSEMENT ARRANGEMENT/VOLUNTARY EMPLOYEES'
BENEFICIARY ASSOCIATION ("HRA VEBA") PLAN DESIGNS.

WHEREAS, the City Council adopted Resolution No. 2268 on September 28, 2009 establishing a Health Reimbursement Arrangement/Voluntary Employees' Beneficiary Association ("HRA VEBA") Plan;

WHEREAS, the HRA VEBA plan design must be restructured to stay compliant with federal health care reform regulations and avoid annual and lifetime limits restrictions; and

WHEREAS, HRA VEBA now offers two separate plans: the current Standard HRA plan and a new Post-separation HRA plan.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MARYSVILLE AS
FOLLOWS:

1. Effective January 1, 2014, all provisions set forth in Resolution No. 2268, and any subsequent amendments are hereby repealed for the reason that they are replaced by this resolution adopting two separate HRA VEBA plans: 1) The Standard HRA; and 2) a new Post-separation HRA plan.
2. That the Employer Adoption Agreement attached is hereby adopted and approved in all respects.
3. That the Plan Design Document attached hereto as Schedule A, is hereby adopted and approved in all respects.
4. That the Annual Employer Certification Regarding HRA Integration with a Qualified Group Plan attached hereto as Exhibit A, is hereby adopted and approved in all respects.

PASSED by the City Council and APPROVED by the Mayor the _____ day of December, 2013.

CITY OF MARYSVILLE

MAYOR

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney



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. **Please submit two original, signed copies of your Employer Adoption Agreement as per the Instructions.** One countersigned copy will be returned to you upon acceptance by HRA VEBA Trust.*

Contents:

- Instructions
- Employer Adoption Agreement
 - Employer Data Page
 - Provisions
 - Schedule A: Formal Action and Plan Design Documentation
 - Schedule B: Summary of Compliance Requirements Applicable to HRAs
 - Exhibit A: Form of Annual Certification Regarding Integration

Plan Consultant:

VEBA Service Group, a Division of Gallagher Benefit Services, Inc.

Home Office

906 West 2nd Avenue, Suite 400 | Spokane, WA 99201
Phone: 1-800-888-VEBA (8322) | Fax: (509) 838-5613

HRA VEBA Employer Adoption Agreement

Instructions

Two fully completed and signed original copies of your 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 consists of five parts:

- Employer Data Page (page 5)
- Provisions (pages 6 - 10)
- Schedule A: Formal Action and Plan Design Documentation (pages 11 - 14)
- Schedule B: Summary of Compliance Requirements Applicable to HRAs (pages 15 - 16)
- Exhibit A: Form of Annual Certification Regarding Integration (page 17)

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

1. **Call your client consultant**

VEBA Service Group, a Division of Gallagher Benefit Services, Inc. (VSG), has been engaged by the HRA VEBA Trust as the Plan Consultant. VSG 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, should be reviewed by your VSG client consultant (e.g. collective bargaining agreements, memorandums of understanding, other written agreements, Employer policies, etc.). 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 VSG and the third-party administrator (Third-party Administrator or TPA) for the Plan. This will help these primary service providers communicate with the appropriate individual(s) when questions or issues arise. Please immediately notify your VSG 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 and forfeitures for each Plan.

5. Complete the Employer Account section (page 9)

An Employer Account can be used to hold assets to offset other post-employment benefit (OPEB) liabilities under Governmental Accounting Standards Board Statement No. 45 (GASB 45).

6. Complete and sign the Employer Adoption Agreement (page 10)

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

7. Complete Schedule A To Employer Adoption Agreement (pages 11-14)

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., which 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.

Additionally, if you are a renewing Employer and will be making future contributions to the Post-separation HRA Plan on behalf of employees who were already enrolled in the Standard HRA Plan as of July 1, 2013, please attach a list of such participants to Schedule

Instructions—continued

A prior to making your initial contribution to the Post-separation HRA Plan. This is in lieu of you having to collect and submit new Enrollment Forms for such participants (see page 14 for more information).

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.

9. Return two original, signed paper copies

Please mail two original copies of your completed and signed documents and any attachments to VSG's home office in Spokane:

**VEBA Service Group, a Division of Gallagher Benefit Services, Inc.
906 West 2nd Avenue, Suite 400
Spokane, WA 99201**

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

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

Submit a fully-completed and signed **Plan Design Change Form** to VSG 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 VSG. The Plan Design Change Form is available online at www.hraveba.org or by request from VSG.

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

Spokane
1-800-888-8322

Sumner
1-800-422-4023

Vancouver
1-877-695-3945

Richland
1-855-565-2555

HRA VEBA Employer Adoption Agreement

Employer Data Page

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

SECTION 1: EMPLOYER INFORMATION			
Employer Name: <u>City of Marysville</u>			
Employer Address: <u>1049 State Avenue</u>	<u>Marysville</u>	<u>WA</u>	<u>98270</u>
Street Address	City	State	Zip
Employer Phone: <u>360.363.8000</u>	Employer Fax: <u>360.658.4648</u>		
Estimated number of newly-enrolling employees within the next 12 months: <u>Unknown</u>			
Plan Effective Date: <u>10/01/2009</u>			
Employer Tax Identification Number: <u>91-6001459</u>		Total Number of FTEs: <u>238</u>	

SECTION 2: CONTACT INFORMATION	
a) Contact for General Plan Communications: 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 Adoption Agreement and Employer Welcome kit.	
Contact Name: <u>Kristie Guy</u>	Contact Title: <u>Human Resources Director</u>
Mailing Address (if different than above): _____	
Telephone: <u>360.363.8084</u>	E-mail: <u>kguy@marysvillewa.gov</u>
b) Contact for Enrollment/Payroll Contribution Matters: Please identify the person who is generally responsible for facilitating participant enrollment and Employer contribution remittance.	
Contact Name: <u>Connie Messerly</u>	Contact Title: <u>Human Resources Specialist</u>
Mailing Address (if different than above): _____	
Telephone: <u>360.363.8093</u>	E-mail: <u>cmesserly@marysvillewa.gov</u>

SECTION 3: FOR INTERNAL USE ONLY – To be completed by VSG	
VSG 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) [x] Renewing Employer. Employer is a currently-participating Employer and wants to renew and ratify or amend its participation in the Plans 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 (as each may be amended, restated, or offered under one or more alternative plan document versions from time to time and referred to herein as a “Plan” or an “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”):

(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 (i) 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”)¹ or (ii) made after December 31, 2012 but before January 1, 2014 that are approved by the Trust as permitted or “grandfathered” contributions under PPACA and applicable PPACA regulations and regulatory guidance.

¹ 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 or available online at 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 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 each 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 such 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 with respect to its 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 Plans, the Trust, nor the Plans/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 permit individual employee elections and thereby results in taxable income to affected employees, 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;⁽¹⁾ **if no option is selected, the default election will be 3(a)(i) – In-service and post-separation coverage; 100% vested**]

⁽¹⁾ In almost all cases Employer will select only one Participant Account option. However, more than one option may be selected if an 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.

- (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 Third-party Administrator of such Employees' separation dates by submitting a completed Participant Status Change Form.

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 Third-party Administrator of such Employees' claims eligibility dates, separation dates, and/or vested account percentages by submitting a completed Participant Status Change Form.

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 Third-party Administrator of such Employees' separation dates and vested account percentages by submitting a completed Participant Status Change Form.

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;⁽¹⁾ **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.

Employer Adoption Agreement—continued

- (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 Third-party Administrator of such Employees' separation dates by submitting a completed Participant Status Change Form.

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 Third-party Administrator of such Employees' separation dates and vested account percentages by submitting a completed Participant Status Change Form.

- 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 general forfeiture 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:

- 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. 45 (GASB 45) accounting rules. An Employer Account can also be established for the purpose of accepting Participant Account forfeitures due to a Participant's death or failure to meet vesting requirements, if any. An Employer Account is not required in order to receive forfeitures as described in paragraph 5. All forfeitures will be deposited into a general forfeiture account but may be subsequently transferred from the general forfeiture account into an Employer Account at the direction of the Employer.

- (a) Employer is not establishing any Employer Account.

or

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

- 7. **Annual 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 execute and deliver herewith, and agrees to execute and deliver to the Trust annually, 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.

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: City of Marysville

By: _____
Authorized signature

Jon Nehring
Printed name

Mayor
Title

Date

Accepted by HRA VEBA Trust:

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

By: Mark Wilkerson, Area President

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 Plans.

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 at www.hraveba.org, or it can be requested from your VSG 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 VSG**. This will help keep current information on file for you.

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 Plans⁽¹⁾.

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.

_____	_____
_____	_____
_____	_____

⁽¹⁾ 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⁽²⁾]

(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.

⁽²⁾ 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 Plans, 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 which 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 12.

Employee Group Name	Group Size (# of members)	Contribution Method(s)	Eligibility Requirement(s)
MPOA	66	\$50/mo mandatory employee contribution	All active employee group members
MPOA	66	At retirement, vacation leave in excess of 240 hours up to 480 hours deposited into HRA VEBA	All active employee group members who retire
Non-Represented Employee Group	77	\$50/mo mandatory employee contribution	All active employee group members
Non-Represented Employee Group	77	At retirement, sick leave in excess of 480 hrs deposited into HRA VEBA - ratio 32 hrs sick leave to 8 hrs VEBA contribution	All active employee group members who retire

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 Third-party Administrator. Notification shall include what percentage of the Participant's account balance is vested (e.g. 100% vested; 50% vested, 0% vested, etc.). A Participant Status Change Form for this purpose is required and is available online or can be requested from the Third-party Administrator.

Schedule A—continued

5. Automatic Enrollment for Certain Previously Enrolled Participants of Renewing Employers [Applicable only for Renewing Employers who (a) previously adopted the HRA VEBA Plan prior to July 1, 2013 and (b) are adopting the Post-separation HRA Plan for the first time with this Adoption Agreement].

Attached to this Schedule A is a list of participants (“Initial Post-separation Participants”) who were enrolled in the HRA VEBA Plan prior to July 1, 2013, and for which the Employer wishes to establish a Post-separation HRA participant account upon initial adoption of the Post-separation HRA Plan. Upon receipt of this Adoption Agreement, the Trust will establish a participant account within the Post-separation HRA Plan for all Initial Post-separation Participants, and such participants will be automatically enrolled in the Post-separation HRA Plan. Thereafter, a Participant Enrollment Form will be required for any other participant who is added to the Employer’s contribution report for the Post-separation HRA Plan (whether or not such participant was enrolled prior to July 1, 2013).

[The remainder of this page is intentionally left blank.]

SCHEDULE B:
SUMMARY OF COMPLIANCE
REQUIREMENTS APPLICABLE TO HRAs

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 VSG 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

- (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)

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 on the HRA VEBA website (hraveba.org). The HRA VEBA Participant Enrollment Kit directs enrolling participants to the website, or they can contact the TPA and request a free, paper copy.

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

Schedule B—continued

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)

6. PCORI Fee

- (a) Federal health care reform imposes the new Patient-Centered Outcomes Research Institute (PCORI) fee on all group health plans, including the HRA VEBA Plans, to fund clinical effectiveness research.
- (b) For the 2012-13 Plan year, the PCORI fee was \$1.00 per participant. The fee increased to \$2.00 per participant for the 2013-14 Plan year and may go up each year thereafter through the 2019-20 Plan year based on increases in the projected per capita amount of national health expenditures.

7. Annual Limit Restrictions under PHSA 2711 (and related PPACA guidance)

- (a) The HRA VEBA Standard HRA Plan has been re-designed to be exempt from the annual limits restrictions under PHSA 2711, as an HRA plan that is integrated with another group health plan. To qualify as an integrated HRA plan, the HRA VEBA Standard HRA Plan may accept only contributions (i) made on behalf of employees who are enrolled in a Qualified Group Health Plan or (ii) that are approved by the Trust as “grandfathered” contributions under PPACA and applicable PPACA regulations and regulatory guidance. Contributions that do not qualify for the Standard HRA Plan will be accepted into the Post-separation HRA Plan.
- (b) The HRA VEBA Post-separation HRA Plan is designed to be exempt from the annual limits restrictions under PHSA 2711, as an HRA plan that provides benefits to former employees only after retirement or other separation from service from the Employer. The HRA VEBA Post-separation HRA Plan may accept contributions for any participant, including participants who are not enrolled in a Qualified Group Health Plan.

EXHIBIT A
**ANNUAL EMPLOYER CERTIFICATION REGARDING
HRA INTEGRATION WITH A QUALIFIED GROUP PLAN**

The undersigned, a duly authorized officer of the Employer named below, hereby certifies the following on behalf of such Employer:

- (a) The Employer has previously adopted and made contributions into the 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") 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")
- (b) The Employer will make contributions into the HRA VEBA Standard HRA Plan only (i) on behalf of participants who are enrolled in the Employer's group health plan or another Qualified Group Health Plan that provides Minimum Value (as described in "What is a Qualified Group Health Plan?" attached hereto) or (ii) during the period after December 31, 2012 but before January 1, 2014 if such contributions are approved by the Trust (or its designee) as permitted or "grandfathered" contributions under PPACA and applicable PPACA regulations and regulatory guidance; and
- (c) To the extent Employer makes contributions into the HRA VEBA Standard HRA Plan on behalf of any participants, the Employer will, at least annually, either (i) confirm that such participants are enrolled in the Employer's group health plan or (ii) require such participants to certify to the Employer that they are enrolled in a Qualified Group Health Plan for the applicable HRA Plan year; and
- (d) The Employer will use its best efforts to assist the Trust and the Third-party Administrator to correct or reverse any contributions made into the HRA VEBA Standard HRA Plan that are not permitted under the Standard HRA Plan document.

IN WITNESS WHEREOF, the Employer has caused this Annual Certification to be executed and delivered, as evidenced by the signature below of its authorized officer.

Employer
Name: City of Marysville

By: _____
Authorized signature
Jon Nehring
Printed name
Mayor
Title

Date