

QUESTIONS & ANSWERS

What is the Montana VEBA HRA?

The Montana VEBA HRA is a health reimbursement arrangement (HRA), which is a type of health plan that reimburses qualified out-of-pocket healthcare costs and insurance premiums. Your employer may make tax-free contributions to the Montana VEBA HRA plan on your behalf. The funds are held in a tax-exempt voluntary employees' beneficiary association (VEBA) trust established under 26 IRC Section 501(c)(9). You can use these tax-free funds to pay for or reimburse eligible out-of-pocket healthcare costs and premiums for yourself, your spouse, and your tax-qualified dependents.

Who is eligible for contributions to the Montana VEBA HRA?

Potentially, employees from state, city, county, university system and K-12 public employers in Montana if their employers adopt the Montana VEBA HRA.

Why should I participate in the Montana VEBA HRA?

A Montana VEBA HRA account is a source of funds to pay for the cost of qualified health care expenses for you, your spouse, and your tax-qualified dependents. A Montana VEBA HRA account may be used to pay qualified medical, dental, or vision out-of-pocket expenses (deductibles, co-payments, co-insurance, etc.), plus premiums for medical, dental, or vision insurance, Medicare Part B, Medicare supplement plans, and tax-qualified long-term care insurance premiums.

How much will I spend on health-related costs after I retire?

Probably over \$300,000! If you and your spouse retire at age 60, purchase medical and dental insurance, spend \$500 per year on non-covered expenses such as co-pays, deductibles, vision care, etc., and your costs grows by only 5% per year, you may need over \$350,000. If medical costs continue to increase at current levels, you may need over \$500,000!

Is the Montana VEBA HRA the best vehicle for me to save for retiree health care?

Employees are encouraged to consult with a professional regarding their individual circumstances.

The Montana VEBA HRA is tax-free, while 403(b)s, 457 plans, IRA's, etc. are tax-deferred, meaning participants pay taxes on contributions when they withdraw the funds. In contrast, all contributions, investment earnings, and withdrawals (claims) are tax-free with the Montana VEBA HRA.

What funding sources are available for Montana VEBA HRA contributions?

The primary source of funding is accrued sick leave, converted at the rate of 25% times your hourly rate of salary at retirement or separation from service. A group may also decide to add accrued annual leave as a contribution source at 100% times their hourly rate or salary at the time of retirement or separation from

service. Other contribution sources may be permitted if available to all employees on the same basis.

If the group voted for accrued sick and annual leave as a contribution source, must my employer contribute my accrued sick leave and annual leave to the Montana VEBA HRA when I retire?

Yes. If your group has a current Montana VEBA HRA agreement in place and you retire or separate from service and are eligible for cash-out of unused sick leave, and annual leave, it must be contributed to Montana VEBA HRA. You will no longer have a cash option. IRS regulations state that individual employees cannot choose between tax-exempt Montana VEBA HRA contributions and taxable cash.

Do VEBA contributions reduce my State of Montana pension benefits?

MPERA members – potentially. If you have accrued sick leave at retirement /separation, MPERA may enhance your monthly retirement benefit by using it to increase the calculation of your highest average compensation (HAC). For public entity MPERA members, the calculation of your HAC will NOT include your accrued sick leave if you are participating in the Montana VEBA HRA. You will still receive 100% of your annual leave towards the MPERA HAC calculation unless annual leave is voted in by the group as a VEBA contribution source.

TRS members – potentially. TRS members who elect to contribute sick leave at termination/separation to the enhancement of their TRS benefit will likely see a greater retirement benefit than by receiving contributions to the Montana VEBA HRA.

In either case, consult with your financial advisor, MPERA or TRS to determine the amount of the impact.

What is a health savings account, and can I contribute to one?

Health savings accounts (HSA) are a type of tax-favored medical reimbursement account (your Montana VEBA HRA plan is not an HSA). You must have qualifying high deductible health plan coverage to make contributions to your HSA. However, once you retire, you are no longer eligible to make HSA contributions. For more information, see Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans at [irs.gov](https://www.irs.gov).

Can I have both a Montana VEBA HRA account and an HSA?

Yes, you can have both. However, if you plan to use your HSA, you must choose the limited scope plan option for your Montana VEBA HRA account. The limited scope HRA option pays for dental and vision expenses (including premiums for that coverage). When your HSA funds are exhausted, you can change to the full scope Montana VEBA HRA option.

What expenses are eligible under the full scope plan option?

Under the full scope plan option, eligible expenses include any healthcare expense that would qualify under 26 IRC §213(d) as a medical expense. Generally, these expenses include your out-of-pocket medical, dental, and vision expenses, not covered by Medicare or health insurance, health insurance premiums, Medicare Part B and Part D premiums, Medicare supplement premiums, dental and vision premiums, and tax-qualified long-term care insurance premiums.

NOTE: Remember, if you purchase Marketplace health insurance on the Exchange and you are eligible for a premium tax subsidy, you cannot use your Montana VEBA HRA funds to pay your premiums. Under this option, you must have the limited scope plan option.

What is the “limited-scope” plan option, and why might I need it?

If you have the limited scope plan option, eligible expenses are limited to dental and vision expenses, including premiums for dental or vision coverage.

You must elect the limited-scope plan option if you purchase Marketplace coverage and are eligible for and want to receive premium tax subsidies for that coverage. You must also elect the limited scope plan option if you become re-employed with your former employer or another public employer.

Whose expenses are eligible?

Expenses incurred by the participant, legal spouse, and any tax-qualified dependents are eligible for reimbursement.

How do I file a claim for benefits?

When you, your spouse, or a tax-qualified dependent incur a qualified healthcare expense, you may complete and submit a Montana VEBA HRA Claim Form (along with proof of your claim) to the TPA. Proof for your claim includes receipts for eligible services or an Explanation of Benefits (EOB) from your insurance company. Claims are paid weekly, and direct deposit is available.

NOTE: Health care expenses must be incurred after you become a participant with a Montana VEBA HRA account to be eligible for reimbursement.

Can my HRA account automatically reimburse me for my insurance premiums?

Yes. If you enroll in your employer's retiree coverage, you may authorize the MPERA to deduct your medical premium from your monthly pension check. You may also arrange for premium payment electronically from your checking/savings account. Either way, you can arrange with the TPA to directly reimburse you from your Montana VEBA HRA account using the Montana VEBA HRA Systematic Premium Reimbursement Form. Direct deposit is available, or the TPA can mail a check each month to you.

What happens if I get divorced? If

you are the spouse of a participant, you are a qualified beneficiary if you lose coverage under the Montana VEBA HRA as a result of your divorce or legal separation from the participant.

For more information, contact the TPA.

What happens if I die before I use up my Montana VEBA HRA account?

Assuming you completed all requirements to become a participant before your death, and you are survived by a spouse or tax-qualified dependents, their qualified healthcare expenses may be reimbursed. If you have no eligible survivors, remaining funds will be forfeited and redistributed per the terms of the Plan Document.

How are the Montana VEBA HRA funds invested?

You may choose from among the investment funds listed on the enrollment form. You may have your account invested in any combination of the listed investment funds and you may change your investment allocations monthly. An Investment Fund Overview with investment performance history and fund objectives is available and updated quarterly and includes a reference to each fund's website for more information.

Where do I get more information?

Contact the Health Care & Benefits Division or the TPA at the contact information below.

**State of Montana
Department of Administration**

100 N. Park, Suite 320
P.O. Box 200130
Helena, MT 59620-0130
Melanie Denning
(406) 444-3745
(406) 444-3573 fax
mdenning@mt.gov
montanaveba.mt.gov

Will I receive a statement of my account?

Yes. You will receive semi-annual statements detailing all activity in your account. You may also call or e-mail the TPA with a request for additional statements at any time. If you have questions about your account, pending claim, or need claim forms, contact the TPA.

May I view my personal account information online?

Yes. You may login and view your personal account information online at montana.rehnonline.com. This includes, account balance, detailed account activity, investment fund allocation, etc. You may also view a list of eligible health care expenses, change your fund allocations, and your address online.

Who is the Trustee of the Plan?

Washington Trust Bank in Spokane, Washington is the Trustee of the Plan and the Investment Manager. The Trustee safeguards the plan assets and assists the Department of Administration with selection of

the investment funds options for participants.

Who is the plan sponsor of the Montana VEBA HRA?

The State of Montana is the plan sponsor and the Department of Administration, is the administrator of the Plan. The Health Care & Benefits Division, Department of Administration contracts with service providers such as the TPA, to operate the Plan.

What are the Plan expenses and how are expenses paid?

Plan expenses include costs for claims administration, participant statements, legal, consulting, trustee costs, printing, postage, investment management, auditing, mail service, and custodial and banking services. Plan expenses are paid by participants. Participant accounts are assessed a fee of .5% of assets calculated on an annualized basis plus \$2.00 flat fee per month. Investment fund management expenses vary based upon the fund.

**Montana VEBA HRA
Third-party Administrator (TPA)**

REHN & Associates, Inc.
P.O. Box 5433
Spokane, WA 99205-0433
1-800-VEBA101 (832-2101)
montana@rehnonline.com
montana.rehnonline.com

INVESTMENT INFORMATION

Investment Risk

Stock, bond, and asset allocation funds are not guaranteed and will fluctuate in value on a monthly basis. Benefit withdrawals from these types of funds may be worth more or less than your original deposit.

Periodically review your selected investment fund choice(s). Should your objectives change, you should reevaluate your fund selection(s) and notify the third-party administrator (TPA) of any changes. Remember, there have been numerous loss periods in the past in these types of funds and there will be others in the future. Please remember that investment returns, particularly over shorter time horizons, are highly dependent on trends in various investment markets. Thus, stock, bond, or asset allocation investments are suitable primarily as longer-term investments and should not be for short-term use.

Using Multiple Funds

You may have your Montana VEBA HRA allocated to any combination of the available funds.

Transfers

You may transfer among funds monthly. Transfers are effective the first business day of each month. The Montana VEBA HRA TPA must receive transfer requests by the 25th of each month in order to be effective on the first business day of the following month.

Withdrawals

If you have multiple funds, benefit withdrawals made from your account will be prorated based on your fund allocation percentage on file with the TPA, unless you request otherwise in writing.

Investment Advice

Participants are encouraged to seek advice regarding the investment funds from their personal financial advisor.

Investment Expenses

Expenses are calculated as a percent of assets on an annualized basis and are deducted monthly from investment earnings, or if there are not earnings, from participant account balances.