

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Study Session Worksheet

Presentation Date: 11/22/2011 Time: ~~2:00~~^{1:30} p.m. Length: 15 minutes

Presentation Title: HRA-VEBA for Nonrepresented Employees

Department: Employee Services

Presenters: Nancy Drury and Carolyn Williams

POLICY QUESTION

Shall the Board change the methods for funding HRA-VEBA accounts for nonrepresented employees?

ISSUE & BACKGROUND

On June 10, 2010, the Board of County Commissioners adopted Board Orders 2010-68 and 2010-69 authorizing the establishment of a Health Reimbursement Arrangement/Voluntary Employees Beneficiary Association (HRA/VEBA) plan for Clackamas County and the Clackamas County Housing Authority. Certain funding methods were established for several unions and the nonrepresented employee groups.

The HRA/VEBA is a type of health plan that reimburses qualified out-of-pocket healthcare costs and insurance premiums. All contributions, investment earnings, and withdrawals (claims) are tax-free. The County makes tax-free contributions to HRA/VEBA on behalf of employees. The funds are held in a non-profit, tax-exempt trust authorized under Internal Revenue Code (IRC) § 501(c)(9). Employees can use these tax free funds to reimburse eligible out-of-pocket healthcare costs and premiums for themselves, spouses, and qualified children and dependents. The HRA/VEBA plan is available to public employees in the Northwest.

Due to misinformation provided by the representative from VEBA Service Group, it was the County's understanding that participation in the plan was voluntary. During our initial planning meetings for determining how the County would design its HRA/VEBA plan, we were told we could designate an "eligible individual" as someone who has completed an enrollment form. It was our understanding that meant those employees who did not want to participate would still be eligible to receive the funds as taxable income. It was not until after we had implemented our plan that the representative clarified for us that this would be a violation of the IRS rules governing the plan.

This raised concern among some employees about some of the funding methods, in particular these items:

1. Participating employees who have used at least forty (40) hours of vacation in the prior twelve (12) months shall have all vacation time up to eighty (80) hours in excess of the annual cap of 280 paid into their HRA/VEBA account.

2. Participating employees shall have up to eighty (80) hours of earned and accrued vacation time paid into their HRA/VEBA account upon retirement from the County.
3. Effective January 1, 2012, participating employees opting out or down on medical, dental, or life insurance shall have 100% of flex cash paid into their HRA/VEBA account.

In response to the employee concerns, DES held a focus group which recommended surveying nonrepresented employees to determine the level of support for each of the funding methods. There were 145 responses to the online survey (results are attached). There was strong support (74.6%) for continuing to offer the HRA/VEBA as part of the nonrepresented benefits package, but mixed support for the current funding options

1. There was very strong support (82.1%) to retain the funding method of **vacation time exceeding the annual cap**.
2. For **vacation time at retirement**, 59.3% wanted some vacation time paid into the account, 40.7% wanted none.
3. For those employees who **opt out of medical coverage**, 39% (11 employees) wanted all or part of the opt out cash paid into the HRA/VEBA, 61% (16 employees) wanted to retain all as cash in their paycheck.

For those employees who **opt down on dental coverage**, 47% (17 employees) wanted all or part of the opt down cash paid into the HRA/VEBA, 53% (19 employees) wanted to retain all as cash in their paycheck.

For those employees who **opt down on life coverage**, 50% (17 employees) wanted all or part of the opt down cash paid into the HRA/VEBA, 50% (17 employees) wanted to retain all as cash in their paycheck.

QUESTION(S) PRESENTED FOR CONSIDERATION

Should the County retain, modify or eliminate the HRA/VEBA funding options for nonrepresented employees?

OPTIONS AVAILABLE

Retain all current funding methods.

Modify the funding methods so that a lesser amount is paid into the HRA/VEBA account so that employees may retain some income on their paychecks.

Eliminate the funding methods that do not have majority support among employees.

RECOMMENDATIONS

Retain the funding method of payment of vacation hours exceeding the annual cap.

Suspend the funding method for payment of vacation hours at retirement. This option deserves further study to determine if there is support among OPSRP employees as vacation pay at retirement is not included in an OPSRP employee's final average salary.

Eliminate the funding methods for opting out or down on medical, dental and life coverage.

SCHEDULE FOR STUDY SESSION

Division Director/Head Approval _____ *cgw*
Department Director/Head Approval _____
County Administrator Approval _____

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