

VEBA/115 Trust **Solution**



VEBA, Section 115 Trust, and Funded HRA

The BPAS VEBA/115 HRA is a one-stop shopping approach that offers significant savings in:

- Time
- Money
- Administration

We bring you a vertically integrated Funded HRA product complete with daily valuation record keeper, administrator, clearing firm, actuary, claims processing, and custodial services.

VEBA (Voluntary Employees' Beneficiary Association) is a type of tax-exempt irrevocable trust arrangement pursuant to specific provisions of IRC Section 501(c)(9) which allows employers to deposit funds tax-free on behalf of employees. A 1024 application must be filed with the IRS so that the trust can be qualified as a tax-exempt entity. A VEBA trust typically requires an annual IRS Form 990 filing.

A Section 115 Trust is another type of tax-exempt irrevocable trust established by a governmental unit, including a municipality, to set aside funds for paying employee benefits. IRS qualification is not required for a section 115 trust however it is highly recommended that the employer seek a Private Letter Ruling (PLR) qualifying the trust's tax exempt status. There are no tax form filing requirements in a Section 115 trust.

VEBAs or Section 115 Trusts do not replace your group health insurance plan; they hold an HRA plan that works with your insurance plan to provide additional coverage options.

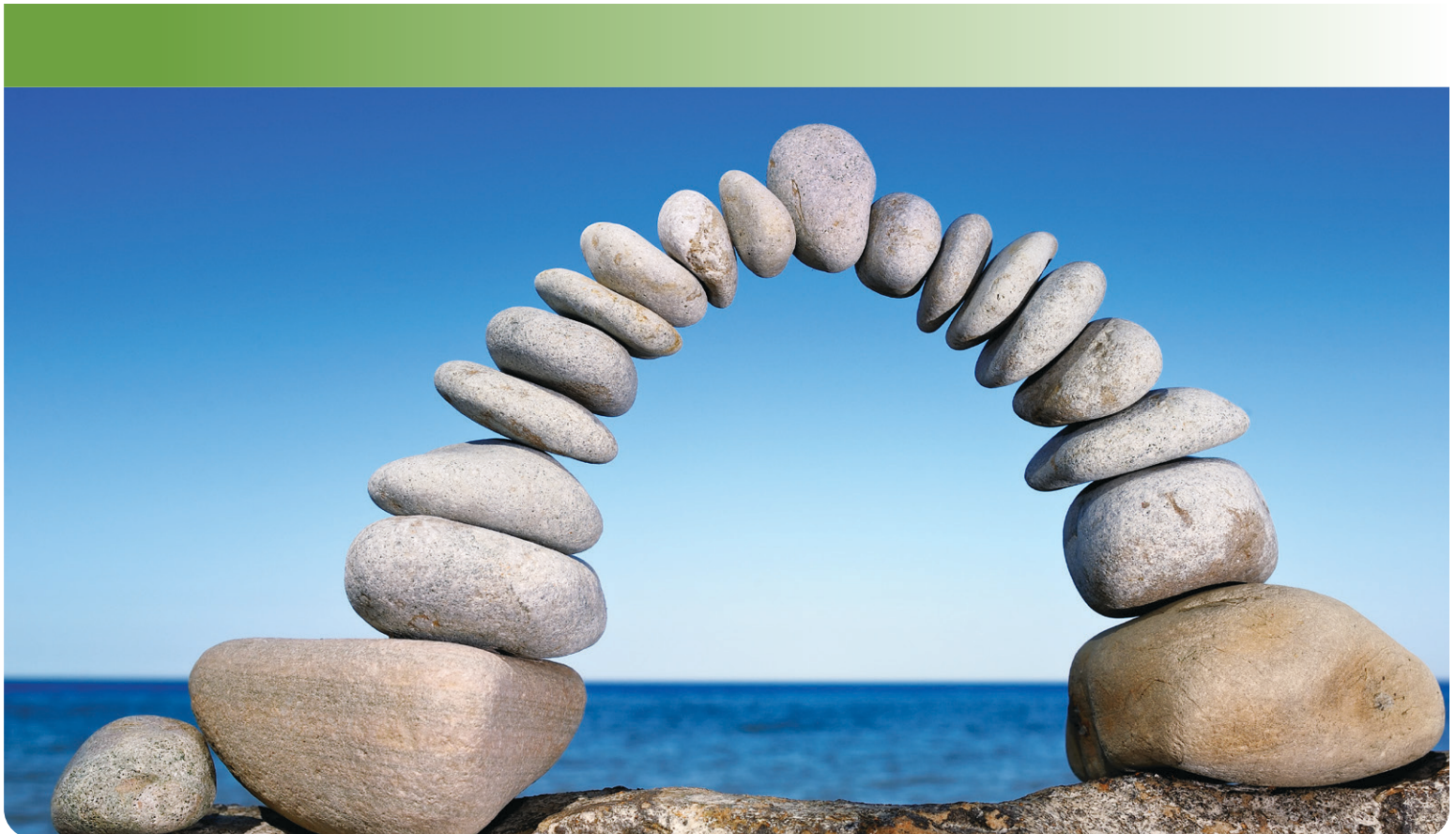
A Funded HRA is simply an employer-funded HRA Plan (Health Reimbursement Arrangement) held in a trust. HRA plans cannot be funded through employee salary deductions or contributions. Employer contributions, earnings, and withdrawals (claims) are exempt from taxes thus making this plan a triple-tax advantaged plan. The HRA plan can be designed to fit the needs of the employees. Employers can establish a Funded HRA plan to work with active employees' current health plans; allowing employees to use funds to pay for deductible, co-pays, coinsurance, etc. Employers can also establish a Funded HRA plan to help employees pay for medical expenses and Medicare premiums after retirement. These plans are often referred to as a Retiree Health Savings Plan (RHS). The employer makes contributions to the employee's account throughout the employee's tenure, or converts accumulated severance pay, sick pay or PTO to contribution funding.



A Seamless Operational Environment

BPAS has been serving client needs since 1973. Let us handle your VEBA/115 details using our expansive knowledge and success in the consumer-driven health arena and retirement plans. Employers rely on BPAS as the provider who will:

- Deliver one-stop VEBA/115 administration so everything you need to setup and maintain a VEBA/115 Trust can be done through BPAS in a seamless operational environment with:
 - **Streamlined Administrative Services** so it's easier to stay on top of plan issues with one service provider.
 - **Time Saving/Cost Effective** because everything is coordinated through one company, one point of contact so there's less overhead and fewer people involved in the process.
- Offer **true open architecture on investments**, allowing clients to use the strongest possible menu of investments, while eliminating conflicts of interest in fund selection, review and monitoring.
- Simplify life for Human Resources with technology that streamlines administration and eliminates time-consuming paperwork.
- Help employers meet compliance and fiduciary obligations and provide continuing educational, regulatory compliance updates, and an annual plan survey to assess performance.
- Ensure **proactive and responsive service**, with accurate, high-quality plan administration.



VEBA/Section 115 Advantages

Simply put, a VEBA or a Section 115 Trust is a tax-exempt irrevocable trust arrangement on behalf of employees. Once funds are deposited, employees will see them credited to their accounts in the participant website.

Employees invest in a menu of funds through the website to achieve long-term investment goals – similar to a 401(k), 403(b) or 457 plan. They may then use funds to pay for qualified health care expenses with a simple swipe of debit card.

It's important to note that a VEBA/115 is really the funding mechanism. Most employers tie the VEBA/115 funding to an account-based Health Reimbursement Account (HRA), which governs the rules for eligible expenses.

HRA Basics

The HRA Plan does not replace an employee's health insurance plan, but rather works alongside the plan to provide additional coverage options. An HRA held in a VEBA or Section 115 Trust is funded with employer dollars. This is considered a Funded HRA; employees may not contribute. Funds in the accounts continue to grow until claims are processed and funds are withdrawn. You may choose to setup your Funded HRA for active employees or post-retirement employees:

- **Active Employees:** Employer establishes the Funded HRA to work with employee's current health care plan. The employer deposits funds on behalf of the employee to use to pay for deductibles, co-pays, coinsurance, etc. **Available funds at the end of the year automatically roll-over into the next plan year.** This rollover allows employees to accumulate funds over time and save them for retirement or post-employment.
- **Post-Retirement Employees:** Employer contributes to a Funded HRA to help employees and their eligible dependents pay for medical expenses after retirement. The employer may make contributions to the account throughout the employee's tenure, or convert accumulated severance pay, sick pay, and other longevity-based benefits.

A VEBA/115 Funded HRA

is a money saving benefit plan that covers out-of-pocket health care costs incurred by employees, spouses, and dependents.

What makes it different from any other employee benefit? It's tax free. All contributions, investment earnings, and withdrawals?

Not just tax deferred,
it's **TAX FREE.**



Plan Design

Employers may tailor the Funded HRA to meet the needs of their employees and provide greater benefits without the burden of inflated costs. Our expert BPAS advisors will work with you to design a customized Funded HRA offering to meet your company's unique needs.

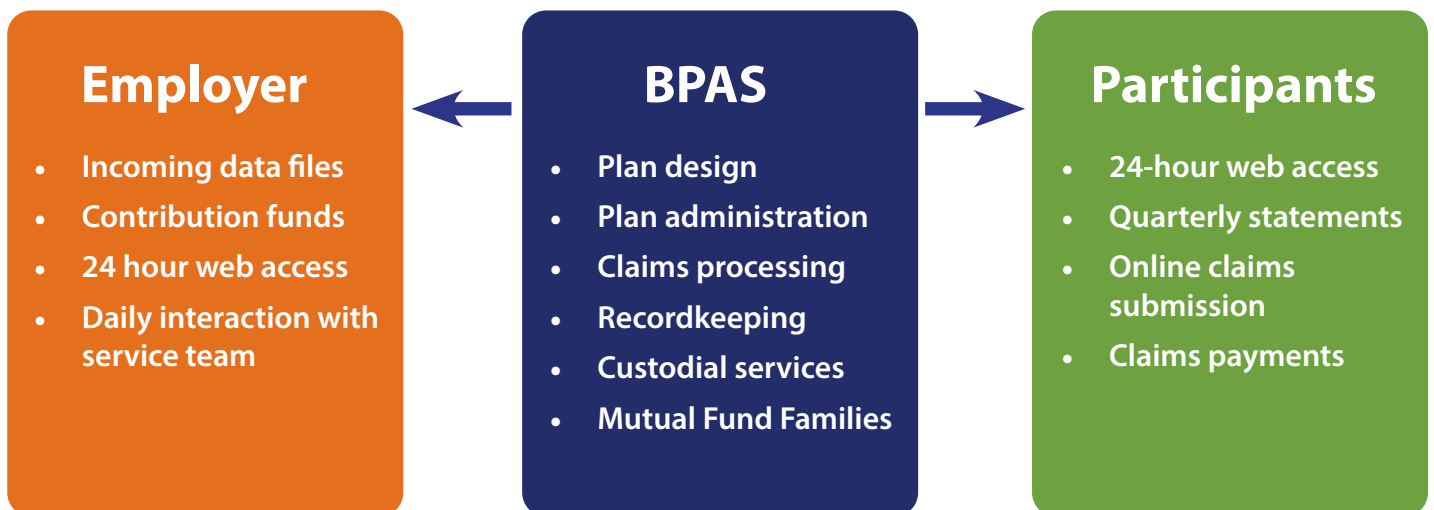



Use the Funded HRA to create funding for post-employment premiums and expenses as a Retiree Health Savings Account (RHSA).

Use the VEBA or Section 115 Trust hold health care and self-funded reserves for future medical expenses as a Governmental Accounting Standards Board (GASB) Prefunding plan.

Create a VEBA/115 HRA to replace risky pension plans, 401(k)s, and IRAs.

How it Works





All medical expenses as defined by the IRS Code Section 213(d) are eligible expenses under a typical Funded HRA, as well as certain insurance premiums:

1. Co-pays, prescription drugs, over-the-counter medications, office visits, and deductibles
2. Active and post-employment dental, medical, and vision services
3. Medicare Part B and D
4. Long-term Care insurance

Funding

Funding for a VEBA/115 HRA is through employer contributions only. The amount, frequency, and type of employer contributions apply to all employee groups. Employer contributions may include:

- Specific dollar amount at specific intervals (e.g., \$100 per month or per pay period)
- Conversion of accrued, unused sick time upon termination of employment
- Different contribution structures for employee groups (e.g., Collective Bargaining contributions differ from Exempt staff)
- Percentage of pay

Below are some of the regulations that affect HRAs:

- A Funded HRA may only be funded with employer dollars; employees may not contribute
- BPAS tracks HRA reimbursements of all participating employees
- Employees submit an insurance Explanation of Benefits (EOB) or other appropriate documentation to get reimbursed for eligible expenses
- Funded HRAs must have a separate plan document from any other plans
- Communication materials must be separate from other plan materials
- HRA funds may rollover allowing the employees to accumulate and accrue interest with the VEBA or Section 115 Trust
- Funded HRAs are subject to COBRA

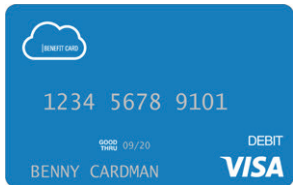
Participant Service

Our commitment to providing a consistent, high-level of participant service sets us apart. **We don't outsource any of our participant service functions.**

Our Participant Service team fields calls directly from participants to offer help with all types of questions, including account access or login questions, balance information, debit card matters, and more. Our fully staffed, US-based call center is powered by state-of-the-art technology, including call recording, next available routing, real time queue reporting, multilingual capabilities, "request a callback" features and more.

Debit Card

We offer debit cards as part of our standard service that makes accessing the VEBA/115 HRA balance easy. There are no administrative fees charged to employees for the debit card. Participants simply pay for eligible expenses at the point of purchase just as if it were a credit card. Funds are automatically paid to the provider out of their Funded HRA account.



With the free debit card, there are no transaction fees. No claim forms. No waiting.

Claims & Reimbursement

We process claims on a daily basis so participants don't have to wait for their reimbursements. Funds in the accounts continue to grow until claims are processed and funds are withdrawn.

Participants may receive instant reimbursement under the Funded HRA simply by using their debit card at the point of purchase. Participants may also submit claims for reimbursements one of three ways:

- Online or through the Mobile App
- FAX
- Mail

To ensure IRS compliance, 100% of claim requests are substantiated. We send reimbursement for eligible expenses to participants either through direct deposit or with a manual check.

BPAS ClaimFinder

BPAS ClaimFinder automatically collects receipts (substantiation) for HRA claims without all the paperwork. Participants simply connect their insurance accounts with BPAS ClaimFinder and we'll auto substantiate their claims. No need to upload receipts—we'll do it for them! We'll send participants an email with a link to setup BPAS ClaimFinder after they complete enrollment. Super fast and easy.

"Our commitment to providing consistently good customer service makes working with BPAS different."

Our Participant Service Center center operates from 8 am to 8 pm ET. We also offer a 24-hour Voice Response System (VRS) so participants can get immediate answers to automated information like balance details or distribution status. **can get answers via email and voicemail.**

We employ Spanish speaking representatives and offer translation services for more than 100 languages.



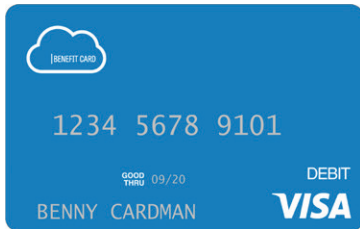
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BPAS University

BPAS University (BPAS U) is a proprietary online library offering participants a diverse array of free planning tools, articles, calculators, videos, links, and more to guide them in their journey to a secure future.

The BPAS U mobile app puts account information into the palm of participants' hands allowing them to:

- Utilize a variety of free educational multimedia tools and resources
- Participate in workshops and webcasts to learn to apply critical financial concepts to their own lives
- Receive notification when new information is available to explore
- Access their secure online account along with forms, plan guides, regulatory updates, and more

Visit u.bpas.com to learn more.

Enrollment

Our technology **streamlines administration and eliminates time-consuming paperwork**. Plus, with our one-stop administration, everything you need to setup and maintain a VEBA/115 can be done through BPAS.

Compliance

We are experts in administering VEBA and Section 115 Trusts. We'll keep your plan in compliance and always keep you apprised of changing regulations and guidelines.

Security

We are dedicated to safeguarding data and have strict protocols on privacy, security, and transaction standards. These standards address who is authorized to access and control information, as well as protect information from accidental or intentional disclosure to unauthorized persons. We are fully HIPAA compliant. All data transactions including file transfers, administrative tasks, and web portal access are encrypted using industry standard encryption policies.

BPAS delivers a multi-channel, holistic approach to financial wellness and participant education with coordinated in-person and technology-enabled learning opportunities.

Online Services

With BPAS, participants have all of the tools they need to manage their account at the click of a mouse:

- 24/7 account access through our website and Mobile App
- Investment elections/reallocate account balance
- Fund fact sheets and prospectuses
- Online statements
- Online claim submission
- Claims status and history
- Plan documents
- Pertinent forms
- Educational materials
- Legislative information

Participants are able to check account balances, file claims, and even upload receipts using the camera on their phones with the mobile app for Android or iPhones.



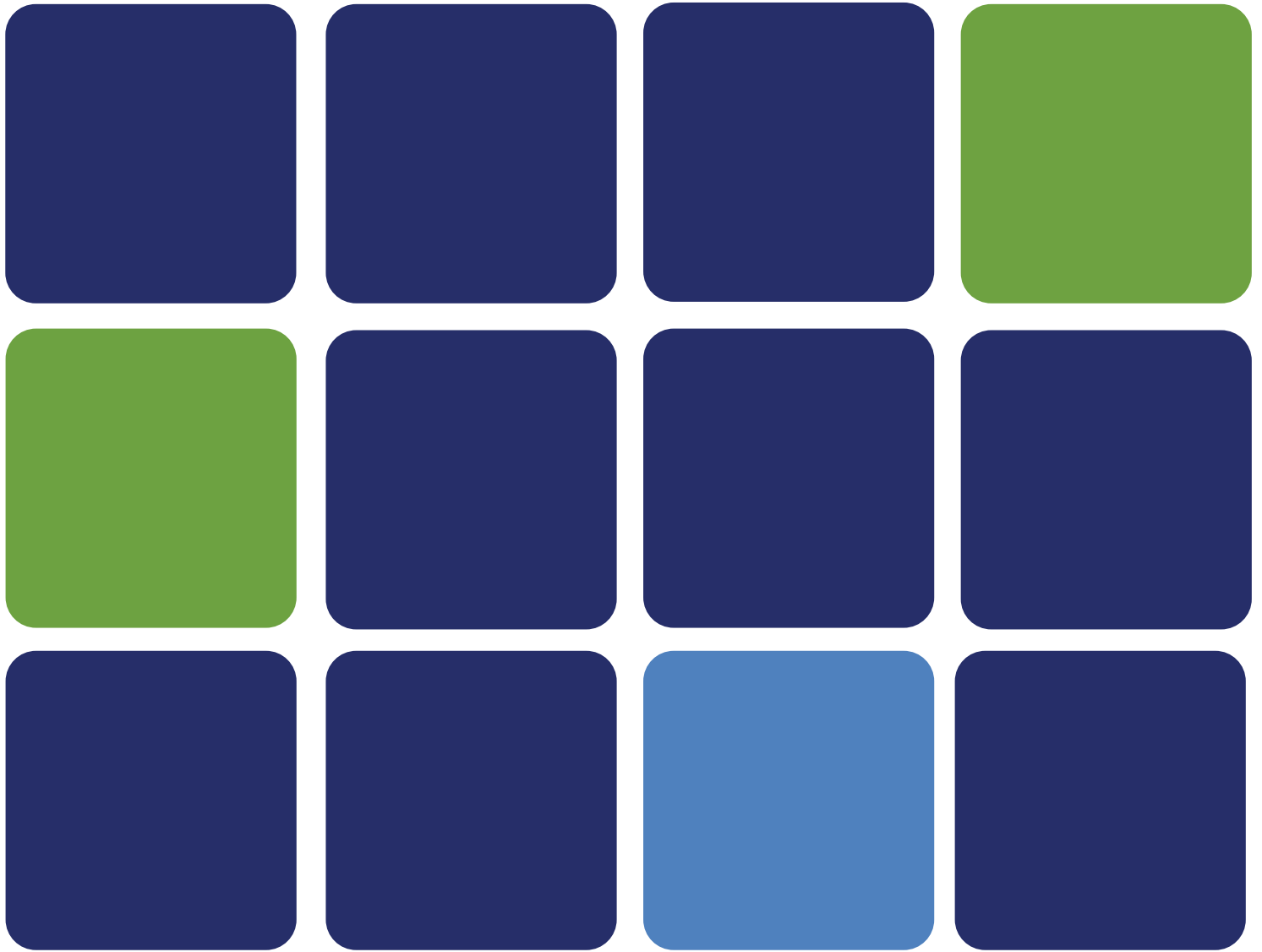
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Technology

In administering the VEBA/115 program, we've invested in the best technology to ensure your experience with us is simple, smooth, and secure.

- Sungard Omni recordkeeping system with Envisage™ participant website
- Wex Cloud for HRA claims approval and payment processing
- Integrated debit card simplifies payment of expenses (instead of claim forms)
- Same day/late day trading across funds with 4 pm (ET) cut-off time
- Online fund fact sheets and prospectuses
- On-demand statements and reports
- Plan level branding
- Interactive banner messaging
- Online enrollment wizard
- Online Resource Center
- Debit card management



Who We Are

BPAS is a national provider of retirement plans, benefit plans, fund administration, and collective investment trusts. We support 6,100 retirement plans, \$110 billion in trust assets, \$1.3 trillion in fund administration, and more than 910,000 participants. With our breadth of services, depth of creative talent, and financial resources, we are well positioned to help our clients solve all their benefit plan challenges without the need to engage multiple providers.

BPAS is a subsidiary of Community Financial System, Inc. (CFSI, NYSE: CBU).

One Company. One Call.



Ready to learn more? Let's get started.
☎ 866.401.5272 | ✉ trustsales@bpas.com | 💻 bpas.com | 📖 u.bpas.com



SERVICES: Workplace Retirement Plans | Actuarial & Pension | Health Benefit Consulting | IRA | VEBA/115 Trust | Health & Welfare Plans
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SUBSIDIARIES: BPAS Trust Company of Puerto Rico | Global Trust Company | Hand Benefits & Trust | NRS Trust Product Administration