



Putting Together the VEBA Puzzle

Tenino School District



What is VEBA?

VEBA is a health reimbursement arrangement for public employees in Washington State.

- It is an account-based health plan that reimburses out-of-pocket health care costs incurred by you and your family.
- All contributions and withdrawals are tax-free.
- It has been adopted by nearly every school district, educational service district and community and technical college in the State of Washington.



Benefits of VEBA?

You...

- Pay no tax on contributions, earnings, and withdrawals (claims)
- Can use your account anytime after becoming claims eligible

Your...

- Spouse and dependents are covered-even if you die
- Unused account balance carries over from year to year



Sick Leave “Buy-Back”

Every year in January you have an opportunity to “Buy-Back” any unused sick days left over from the previous school year only.

The requirements for buying back sick days are:

- You must have over 60 days (480 hours) to receive a cash buy-back.
- You can only buy back down to the 60 day minimum.
- The range for teachers to receive cash for sick leave buy-back is between 60 day (480 hours) and 179 days (1432 hours).



Sick Leave “Buy-Back”

The balance of your sick leave that is reported to you in the “buy-back” form sent out to eligible employees in January included all sick days “earned”. Teachers are “front loaded” 12 days in their sick leave bank every September, (one per month). On December 31 of each year you have only “earned” 4 of those days. Your sick leave balance for purposes of VEBA will only reflect the 4 earned days.



Sick Leave “Buy-Back”

For Example:

Employee A starts the school year with 120 days (960 hours) in their sick leave bank. 12 days are “front loaded” in September for the current school year bringing the total to 132 days (1056 hours). In January that employee receives a letter from payroll indicating that they have “earned” 124 days (992 hours) and in the previous school year they had 6 days (48 hours) that were unused. They may choose to take the money for those 6 days at their daily rate or leave them in their sick leave bank working towards building up to the 180 day maximum. If they cash out the 6 days their sick leave bank drops to 118 days (944 hours) but then the remaining 8 days are added back in so Employee A still has 126 days (1008 hours) in their sick leave bank.

120 days + 12 = 132 days

No “Buy-Back” = 132 accrue

“Buy-Back” available amount = New sick leave balance minus “Buy-Back” amount.



Sick Leave “Buy-Back”

If you have the option of “buying back” sick days you have a choice:

Buy Back

Convert to Cash unused
days from previous
school year

Leave days in sick-
leave bank and
accrue toward the
180 day maximum



“Buy-Back” vs. VEBA

“Buy-Back dollars are taxed (25% to Federal Income Tax and 7.65% to FICA)

VEBA dollars are not taxed

VEBA is designed to provide you with funds for insurance purposes and other qualified health care expenses

You can not bank more than 180 sick days (teachers)

If you have over 180 earned days as of December 31st, your annual buy-back will go to VEBA. You will need to complete the district buy-back form along with a VEBA enrollment form

When you retire 25% of your sick leave bank is converted to VEBA – you will not receive cash upon retirement



VEBA Pro & Cons

VEBA Pros

Keeps more sick leave on the books if you need it

When you get 180 days you still can open your VEBA account

You have a larger “cash-out” balance when you retire (25% of 180 days is worth more than 25% of less than 180 days)

Your “cash-out” at retirement is worth more because you earn more

VEBA is non-taxable

VEBA Cons

If you have a cash flow issue, “buying back” sick days can get you the cash you need



Unlocking this puzzle is important to your financial future!

District employees need to read all payroll announcements carefully. The decisions you make are your responsibility. We are here to help, but the choice is yours.

Important Contacts

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