

**VEBA Background**

UNM implemented the VEBA on July 1, 2013. The intent of the VEBA is to reduce UNM’s Governmental Accounting Standards Board (GASB) liability by pre-funding UNM’s contributions to retiree medical and dental coverage. VEBA requires active employees and UNM to contribute 3/4% of an employee’s base pay to the trust. Employees have the opportunity to opt-out, thus forfeiting access to retiree medical and dental coverage. Employees who opt-out have a one-time opportunity to opt back in during the open enrollment immediately following the 5<sup>th</sup> year after the opt-out effective date.

- Historically, retiree health care benefits have been funded on a “as we go” basis through the miscellaneous fringe pool.
- VEBA was implemented for July 1, 2013 as a solution to UNM’s growing OPEB unfunded liability.
- July 1, 2013: All employees who were benefits eligible as of June 30, 2013 were grandfathered into the VEBA with 25 years of VEBA service credits, unless they opted out. Those who opted out forfeited grandfathered status.
- July 1, 2013 - June 30, 2015: New hire employees were automatically enrolled in the VEBA unless they opted out.
- July 1, 2015: UNM no longer offering retiree medical and dental coverage to those initially hired on or after July 1, 2015.
- Open Enrollment 2019: First opportunity to opt-in for those with opt-out effective dates from July 1, 2013 through May 1, 2014.
  - 479 were eligible, 51 chose to opt-in

**Current VEBA Participation**

VEBA Status	# Of Employees	Definition
Grandfathered	2995	Eligible prior to 7/1/2013 and did not opt out
Initial Opt Out	287	Opted out prior to 7/1/2013
Grandfathered Opted Out	226	Grandfathered, opted out after initial opt-out period
Non-Grandfathered Participating	510	Eligible 7/1/2013-6/30/2015 and did not opt out or initially opted out prior to 7/1/2013 and opted back in during OE 2019 (51)
Non-Grandfathered Opted Out	434	Eligible 7/1/2013-6/30/2015 but opted out

**VEBA Contribution Schedule: Final Approval Requested**

The Division of Human Resources requests *final approval* for the premium contribution percentage for retirees who are not in grandfathered VEBA status and retire in the less than \$35K salary tier, as presented to the VEBA Committee on January 29, 2019.

The VEBA Committee requested additional information including data and potential cost associated with the proposed contribution schedule. Retiree health care premiums have historically been funded by the

miscellaneous fringe pool. Once VEBA assets reach appropriate thresholds, some or all of UNM's contributions will be paid from VEBA assets rather than the miscellaneous fringe pool.

When the VEBA Plan Document was created, the contribution schedule was only developed for those retired at the time VEBA was implemented, grandfathered VEBA participants who retire after July 1, 2013 and non-grandfathered VEBA status who retire with a salary greater than \$35,000 beginning July 1, 2018. Since July 1, 2018, there have been a few employees retire under the 5-9 years of VEBA service credit category, but none have retired with a salary of less than \$35,000.

**Pre-65 Retiree Current VEBA Plan Document Contribution Schedule**

Pre-65 Retirees Years of VEBA Service Credits	< \$25K Salary		\$25K-\$34,999 Salary		\$35K or Greater	
	UNM	Retiree	UNM	Retiree	UNM	Retiree
5-9	N/A	N/A	N/A	N/A	15%	85%
10-14	N/A	N/A	N/A	N/A	20%	80%
15-19	N/A	N/A	N/A	N/A	25%	75%
20-24	N/A	N/A	N/A	N/A	30%	70%
Grandfathered and 25+	60%	40%	50%	50%	40%	60%

The VEBA Plan Document requires the premium rates for salary levels less than \$35,000 will be listed annually on the HR Benefits website. The proposed schedule below will be posted once approved by the VEBA committee.

**Pre-65 Retiree Proposed VEBA Contribution Schedule: Final Approval Requested**

Pre-65 Retirees Number of VEBA Service Credits	< \$25K Salary		\$25K-\$34,999 Salary		\$35K or Greater	
	UNM	Retiree	UNM	Retiree	UNM	Retiree
5-9 (7/1/2018, Currently 510 Potential EEs, 80 are under \$35K)	25%	75%	20%	80%	15%	85%
10-14 (Effective 7/1/2023)	30%	70%	25%	75%	20%	80%
15-19 (Effective 7/1/2028)	35%	65%	30%	70%	25%	75%
20-24 (Effective 7/1/2033)	40%	60%	35%	65%	30%	70%
25+	60%	40%	50%	50%	40%	60%

**65+ Retiree VEBA Contribution Schedule (Information Only)**

65+ Retirees (Medicare Eligible) Years of VEBA Service Credits	Contribution Amount	
	UNM	Retiree
5-9	10%	90%
10-14	15%	85%
15-19	20%	80%
20-24	25%	75%
Grandfathered and 25+	30%	70%