



VEBA COMMITTEE MEETING – JANUARY 29, 2019

VEBA Plan Administration Updates & Approvals

VEBA Plan Administration Updates: Executive Summary

The Benefits Department has recently incurred a number of issues related to the administration of the VEBA plan document. The issues have a significant impact on employees and are likely unanticipated consequences not known when the plan document was written. Therefore, the Benefits Department is requesting VEBA Committee review/approval on:

1. Approval of the schedule of UNM's subsidy of post-retirement benefits not addressed in VEBA Plan Document.
2. Interpretation that employer approved Leave Without Pay (LWOP) does not result in an employee being ineligible for post-retirement benefits with respect to Section 3.2 of the VEBA that requires contributions for the five consecutive twelve month periods immediately prior to retirement.
3. Intent to restate the VEBA Plan Document in FY20.
4. Employee denial of post-retirement benefits with respect to Section 2.3 and 2.4 of the VEBA.

1. Approval: UNM Subsidy for Pre-65 Retirees

The premium service credit table in Exhibit B of the VEBA Plan Document defines the UNM contribution schedule for pre-65 retirees who retire with a salary greater than \$35K. The table also states the premium rates for pre-65 retirees who retire at a salary less than \$35K will be posted on the HR Benefits website annually. However, these rates were never established for employees with less than 25 VEBA service credits.

HR Benefits is requesting approval to establish the UNM subsidies listed below for Pre-65 Retirees retiring with less than 25 years of VEBA service and at a salary less than \$35K. These subsidies mirror the subsidies provided by UNM on Health Benefit premiums for Pre-65 Retirees in the \$35K and above salary category. Once approved, the table below will be posted on the HR website.

Pre-65 Retirees	Salary Less than \$25K		Salary \$25k-\$34,999		Salary \$35K and Above (Defined in VEBA)	
	UNM	Retiree	UNM	Retiree	UNM	Retiree
Number of VEBA Service Credits						
5-9	25%	75%	20%	80%	15%	85%
10-14	30%	70%	25%	75%	20%	80%
15-19	35%	65%	30%	70%	25%	75%
20-24	40%	60%	35%	65%	30%	70%
25+ (Defined in VEBA)	60%	40%	50%	50%	40%	60%

2. Approval: Five Consecutive Years of Contributions Requirement

Section 3.2(b) of the VEBA Plan Document requires employees to make Participant Contributions for the five consecutive 12 month periods immediately prior to retirement. This requirement conflicts with UNM policy and business needs related to periods of LWOP and negatively impacts employees under several scenarios.

- Section 2.2 of the VEBA Plan Document states that an employee may not make VEBA contributions during a period of LWOP. However, UAP 3600 provides that employees on a UNM approved period of LWOP remain in an employed status and retain eligibility for UNM sponsored employee benefits and continue to receive UNM's contribution toward applicable benefits. Employees may experience a period of LWOP for various reasons, including but not limited to personal reasons, business needs, or appointments to federal or state agencies.
- The requirement to make Participant Contributions for the five consecutive 12-month periods immediately prior to retirement also conflicts with UNM standard business practices. One example is faculty who receive their pay over 10 months rather than 12 months (10/10 faculty). These 10/10 faculty do not make Participant Contributions in June and July and with a literal interpretation of Section 3.2(b) of the VEBA Plan Document would result in 10/10 faculty not being eligible for post-retirement benefits.

VEBA Plan Document Interpretation

To address this ambiguity in the plan documents, the Benefits Department has interpreted the Plan Documents such that individuals who have experienced a period of LWOP remain eligible for post-retirement benefits, provided there is no break of employment and other VEBA requirements are met.

The Benefits Department is now requesting formal approval to adopt this interpretation as the standard procedure for similarly situated employees. Please note that Aon, UNM Benefits' consultant, has reviewed the request and have confirmed that this proposed standard interpretation will not impact UNM's GASB analysis.

3. Approval: Future VEBA Plan Document Restatement

As the Benefit Department continues to administer post-retirement benefits in accordance with the VEBA Plan Document and UNM Administrative Policies, several other issues have developed that will need to be addressed in the future. Therefore, the Benefits Department is requesting approval to begin the process to restate the VEBA Plan Document in FY20. Final VEBA Plan document will be presented to the VEBA committee prior to adopting.

4. Denial of Eligibility for Post-Retirement Benefits per Section 2.4(a)

The Benefits Department has denied an employee's March 1, 2019 application for post-retirement benefits because the employee does not meet the requirement in Section 2.4(a) to have made contributions for the five consecutive 12 month periods immediately prior to retirement after experiencing a break in employment. The employee experienced a three month break of employment in 2016 due to the ending of a term assignment. The employee is not in grandfathered VEBA status. The employee has been provided a letter of denial that included appeal rights.



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Supporting Excerpts from VEBA Plan Document

Item 2. Approval: Five Consecutive Years of Contributions Requirement

Section 2.2 Leave of Absence. In the event a Participant is classified as on a leave of absence without pay, the Participant may not make Participant Contributions during such leave. Such a Participant will earn no Years of VEBA Service Credit during such leave of absence. Upon return to UNM employment in a pay status, the Participant shall retain all his Years of VEBA Service Credit attributable to Participant Contributions, subject to the provisions of the Plan.

Section 3.2(b) Component Benefits Upon retirement. Effective July 1, 2018, upon Retirement, a Participant shall be covered by those Component Benefits only if the Participant has been contributing to the VEBA for the five consecutive twelve month periods ending on the date of his Retirement. Participants identified in Section 2.1(a) who Retire prior to July 1, 2018 must make Participant Contributions continuously until Retirement in order to be eligible for Component Benefits.

Item 4. Denial of Eligibility for Post-Retirement Benefits per Section 2.4(a)

Section 2.4(a) Re-employment of Participant. In the event that a Participant terminates employment with UNM, the Participant will retain his Years of VEBA Service Credit attributable to Participant Contributions. Upon re-employment by UNM as a Benefits Eligible Employee, such a Participant will resume Participant Contributions unless he elects to terminate Participant Contributions during an Open Enrollment Period. The contributions of such a Participant shall be determined according to the then-applicable Exhibit A, as modified from time to time. Such Participant's Years of VEBA Service Credits shall be based on the quarters of actual Participant Contributions prior to termination of employment as a Benefits Eligible Employee, provided that such Participant makes Participant Contributions upon re-employment for at least five consecutive twelve month periods immediately prior to Retirement.