February 2016

MINNESOTA SERVICE COOPERATIVES VEBA PLAN
Model Collective Bargaining Language for Adoption or Renewal of the Postretirement Health Care Savings Arrangement

Instructions. The model collective bargaining language that follows reflects legal requirements for adopting or renewing participation in the Minnesota Service Cooperative VEBA Plan and Trust, along with alternative provisions for the timing and amount of employer contributions that may be bargained by the parties.

The Minnesota Service Cooperative VEBA Committee requires that appropriate collective bargaining language (or personnel policies) be adopted as a condition of participation in the VEBA arrangements.

Disclaimer. Model language may not be appropriate for every situation, and employers and unions should make their own determination as to the suitability of model language for their purposes. Legal review of these arrangements is recommended.

MODEL LANGUAGE

ARTICLE (#) [Establishment/Renewal] VEBA with Postretirement Health Care Savings Arrangement

Section 1. [Establishment/Renewal] of VEBA. Effective __________, Employer shall [continue to] make available a Postretirement Health Care Savings Arrangement within the VEBA Plan and Trust described in the VEBA Fact Sheet. It is intended that this arrangement constitute a voluntary employees' beneficiary association under Section 501(c)(9) of the Internal Revenue Code.

Section 2. Payment of Administration and Investment Fees and Expenses. Administration and Investment fees allocable to the individual accounts of retirees shall be deducted from individual accounts. Administration and investment fees are subject to change from time to time. Current administration and investment fees are described on the VEBA Fact Sheet.

Explanation: It is not recommended that the employer pay Administration and/or Investment Fees on individual accounts for retirees. The number of accounts of retirees is likely to grow over time, and in many cases small accounts may remain dormant for indefinite periods. To avoid incurring an indefinite liability for fees on small or dormant accounts, and to encourage use of the accounts by retirees, we strongly recommend that Administrative and Investment Fees be paid by the retiree from their individual accounts following retirement.

<u>Section 3. Employer Contributions to the Postretirement Health Care Savings Arrangement.</u> Within sixty (60) days of the effective date of retirement, Employer shall make a contribution on behalf of each eligible retiree to the Postretirement Health Care Savings Arrangement within the VEBA Plan and Trust. The amount of the contribution will be a fixed percentage of compensation payable under certain longevity-based programs, or such other arrangement, as described in the VEBA Fact Sheet. Employees or retirees will not be entitled to receive this amount in the form of taxable cash compensation or other benefits.

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VEBA FACT SHEET

A. VEBA Plan and Trust

All contributions shall be made to the Postretirement Health Care Savings Arrangement within the VEBA Plan and Trust.

B. Administration Fees

Administrative fees for 2016 and 2017 are $2.11 per account per month for the Premium Saver program, $1.60 per account per month for the Basic Saver program, and $.60 for the Thrift Saver program. Retirees may select the program and its associated interest tier. Fees will be deducted from each retiree's account.

The Minnesota Service Cooperative VEBA Plan is subject to public bidding laws and will seek competitive bids for plan administrators and other service providers from time to time as required by Minnesota law. Administrative fees, investment fees, investment options, interest rates, service providers, and other program features will change over time as a result of this process. As a result, fees deducted from retiree accounts will also change over time.

C. Interest Rates for SelectAccount Cash Deposits as of January 2016

Interest payable on retiree accounts will vary depending upon the "tier" (how much is in the account), program (whether the retiree elects Thrift, Basic or Premium), and market conditions. Rates are subject to change, and are determined by MII Life, Incorporated, a Minnesota domiciled life insurance company, dba SelectAccount. Deposits are not FDIC insured. VEBA funds are invested in a depository agreement with SelectAccount. SelectAccount and its parent company, Blue Cross Blue Shield of Minnesota, guarantee repayment of the principal amount and any interest on deposits.

SelectAccount January 2016 Crediting Rates

Tier	Thrift Saver	Basic Saver	Premium Saver
$0 to...	.05%	.25%	1.05%
$25	.05%	.25%	1.05%
$500	.10%	.25%	1.05%
$1,000	.10%	.40%	1.05%
$1,500	.20%	.40%	1.05%
$2,500	.20%	.40%	1.05%
$5,000	.20%	.50%	1.05%
$10,000	.30%	.75%	1.15%
$25,000	.50%	1.00%	1.75%
$50,000	.70%	1.25%	2.00%

Rates will vary with market conditions and are subject to change. Interest accrues daily. Deposits are not FDIC insured. VEBA funds are invested in a depository agreement with MII Life, Incorporated, a Minnesota domiciled life insurance company, dba SelectAccount. SelectAccount and its parent company, Blue Cross Blue Shield of Minnesota, guarantee repayment of the principal amount and any interest on deposits.

D. Investment Fees

Retirees who wish to invest all or a portion of their accounts in mutual funds will pay an extra $1.50 per account per month. Investment fees will be deducted from accounts. Investment Fees are subject to change from time to time. No sales load will be charged on mutual funds. Mutual funds made available as investment alternatives may charge certain management, administration, marketing and similar fees depending on the funds selected (the "expense ratio"). The expense ratio on the funds will be applied against a participant's investment in said funds.

E. Opt-Out Rights

To be eligible for federal subsidies and premium tax credits on a health care exchange (such as MNsure), individuals may not be enrolled in other health coverage, and may not have an account under the Postretirement VEBA. Retirees that wish to purchase coverage on an exchange and apply for premium tax credits will be given the option, at the time of retirement and at least annually thereafter, to irrevocably suspend access to their Postretirement VEBA account until they attain age 65 and certify that they have enrolled in Medicare.

F. Employer Contributions

Employer will contribute the following amounts to eligible retirees in the Postretirement Health Care Savings Arrangement:

THE FOLLOWING ARE SAMPLE CLAUSES:

Subd. 1. Severance Pay. Within sixty (60) days of the effective date of retirement, Employer shall pay _________% of the amount of the Severance Pay otherwise payable to qualifying employees under Article _____ of the applicable Collective Bargaining Agreement to individual accounts established for those employees under the Postretirement Health Care Savings Arrangement. Employees will not be entitled to receive this amount in the form of taxable cash compensation.

Subd. 2. Perfect Attendance Bonus. Within sixty (60) days of the effective date of retirement, Employer shall pay _________% of the amount of the Perfect Attendance Bonus otherwise payable to qualifying employees under Article _____ of the applicable Collective Bargaining Agreement to individual accounts established for those employees under the Postretirement Health Care Savings Arrangement. Employees will not be entitled to receive this amount in the form of taxable cash compensation.

Subd. 3. Unused Personal Leave. Within sixty (60) days of the effective date of retirement, Employer shall pay _________% of the amount of the Unused Personal Leave otherwise payable to qualifying employees under Article _____ of the applicable Collective Bargaining Agreement to individual accounts established for those employees under the Postretirement Health Care Savings Arrangement. Employees will not be entitled to receive this amount in the form of taxable cash compensation.

Subd. 4. Unused Paid Vacation. Within sixty (60) days of the effective date of retirement, Employer shall pay _________% of the amount of the Unused Paid Vacation otherwise payable to qualifying employees under Article _____ of the applicable Collective Bargaining Agreement to individual accounts established for those employees under the Postretirement Health Care Savings Arrangement. Employees will not be entitled to receive this amount in the form of taxable cash compensation.

Subd. 5. Longevity in Extra Duties. Within sixty (60) days of the effective date of retirement, Employer shall pay _________% of the amount of the Longevity in Coaching Bonus [or other duties] otherwise payable to qualifying employees under Article _____ of the applicable Collective Bargaining Agreement to individual accounts established for those employees under the Postretirement Health Care Savings Arrangement. Employees will not be entitled to receive this amount in the form of taxable cash compensation.