



**Minnesota  
Service  
Cooperatives**

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## **Questions & Answers about the VEBA Investment Offerings and 2008 Pricing Options**

**For Directors and Group Leaders of the  
Participating Minnesota Service Cooperatives**

**Draft date: Aug. 23, 2007**

The following Q&A is intended for internal use by the directors and group leaders of the Participating Minnesota Service Cooperatives. It is not intended for print distribution. If you have questions about this information, please call your Blue Cross representative or the SelectAccount client advocate line for Service Cooperative group leaders at 1-800-460-4014.

### **QUESTIONS ABOUT: EMPLOYER FEES**

**1. *What are the new fees for employers and participants under the new Premium Saver Option?***

The new fees for VEBA accounts and VEBA accounts when coupled with a flexible spending account (FSA) or health savings account (HSA) are as follows:

<b>Account Type</b>	<b>Participant Per Month Fee</b>
VEBA	\$1.83
FSA	\$1.83
HSA Premium Saver	\$1.83
VEBA + FSA	\$1.83
VEBA + FSA + HSA	\$1.83
FSA + HSA	\$1.83

**2. *When do the new fees take effect?***

The new fees become effective for all existing VEBA groups on Nov. 1, 2007 and are billed on a quarterly basis thereafter. All groups will be transferred to the Premium Saver option at this time. New groups with a Jan. 1, 2008 effective date will also receive the Premium Saver option.

**Groups that adopt the VEBA for the first time or renew their contracts under the VEBA on or after July 1, 2008, may select from two additional price structures.**

BASIC (reduced interest payable on cash accounts in VEBA):

<b>Account Type</b>	<b>Participant Per Month Fee</b>
VEBA	\$1.00
FSA	\$1.83
HSA Basic Saver	\$1.00
VEBA + FSA	\$1.83
VEBA + FSA + HSA	\$1.83
FSA + HSA	\$1.83

THRIFT (interest payable on cash accounts is less than BASIC):

<b>Account Type</b>	<b>Participant Per Month Fee</b>
VEBA	\$0.00
FSA	\$1.83
HSA Thrift Saver	\$0.00
VEBA + FSA	\$1.83
VEBA + FSA + HSA	\$1.83
FSA + HSA	\$1.83

**3. What services does SelectAccount provide for VEBA groups?**

As your VEBA account administrator, SelectAccount will provide you with the tools and information you need to manage your group's health plan and VEBA account, along with materials to educate employees. The following highlights those services:

- a. Provide a point-of-contact person to provide service to the VEBA employer participants and to work directly with the Service Cooperatives, and qualified home office staff and field personnel to assist in the day-to-day management of the VEBA.
- b. Provide toll free number for general administration, and a 1-800 number for participants to obtain secure information on account balances, claims, and investment performance.
- c. Provide and maintain a secure website that will permit individual participants to have access to account balances, claims, and investment performance.
- d. Adjudicate claims for reimbursement of medical expenses from the VEBA in a manner consistent with 213(d) of the Internal Revenue Code;
- e. Coordinate reimbursement from VEBA with major medical plans offered through Service Cooperative pools, health flexible spending accounts (FSAs) administered through SelectAccount, and health savings accounts (HSA) administered through SelectAccount consistent with ordering rules chosen by employers in the VEBA adoption agreements.

- f. Coordinate claims processing with major medical health insurers or third party administrators for self funded arrangements to allow direct payment to providers and to ensure that negotiated provider discounts are available for expenses paid from the HRA, FSA or HSA;
- g. Provide an explanation of benefits form to each covered employee detailing the resolution of all individual claims;
- h. Provide debit card service to interested participating employers;
- i. Coordinate the availability of investment alternatives through Devenir, Schwab, and other authorized subcontractors;
- j. Create a DVD for cooperative employer groups and business partners on investment education and communication efforts similar to VEBA DVD.
- k. Provide a participant welcome packet that will be mailed by SelectAccount to each account holder's home (this includes a welcome letter, election verification statement, claim forms and updates), plan documents and an SPD for distribution to employees by the employer, enrollment packets to be used during open enrollment (enrollment form, product brochure, sample claim forms and updates), and documentation for employer non-discrimination testing (if requested).

**4. *What if a group has more than one account type? How does this affect their fees?***

VEBA groups will be charged only one administrative fee or participant fee even if they offer an FSA or HSA alongside their VEBA. Alone or stacked, applicable debit card fees and investment account fees will apply. Investment account fees can be paid by the individual participant from their current investment account balance, or the group can choose to pay the fees on behalf of their employees.

**QUESTIONS ABOUT: INVESTMENT OFFERINGS AND TRANSITION**

**5. *What investment options are available through SelectAccount?***

The investment program for VEBA account holders enables individuals to invest the unused dollars in their VEBA Base Balance (the money in their VEBA account). Once the Base Balance exceeds \$1,000, the account holder may direct any unused dollars above \$1,000 into a VEBA Basic Investment Account. This gives account holders access to 15 best-in-class mutual funds that are selected by Devenir Investment Advisors, LLC, a registered investment advisor.

**6. *Is there a minimum investment required to open a Basic Investment Account?***

No, an account holder can invest as much or as little as they wish. However, the base balance in the VEBA account must exceed \$1,000 before an individual can begin investing. If the base balance dips below \$1,000, future VEBA allocations will be put toward replenishing the base balance before additional VEBA investment transactions can be made.

**7. How often can changes be made to a VEBA investment account?**

Changes can be made to the VEBA investment account as often as the individual account holder would like. But it's important to remember that some funds do charge short-term redemption fees to prevent market-timing practices. Account holders should read the fund's prospectus prior to making any changes to their account.

**8. How often is the VEBA Investment Account balance updated?**

The VEBA Investment Account is updated each evening that the New York Stock Exchange is open for business.

**9. How are claims processed if someone has a VEBA account and a VEBA Basic Investment account?**

An account holder can choose to use their VEBA account and/or their Basic Investment Account to pay for eligible health care expenses. If the expense exceeds the base balance in the VEBA account, the account holder can redirect funds from the Basic Investment Account back to the VEBA to pay for the claim. Or, they can choose to leave the investment dollars alone, and pay for the remainder of the claim out of pocket. In either case, if the VEBA Base Balance is depleted, it must be built back up to \$1,000 before any future funds can be directed to the VEBA Basic Investment account.

**10. What fees apply to the VEBA Basic Investment Account and how do account holders pay those fees?**

There are fees that apply to the investment accounts, but depending on the plan design chosen by the employer, the group may pay these fees or pass them on to their employees. These fees are in addition to administrative fees for the VEBA account. All investment fees are deducted from the individual's investment account on a monthly basis, at the beginning of each month.

Depending on your group's plan design, here's how the fees could break down for an account holder who has a VEBA account and a Basic Investment Account.

\$1.83 Monthly participant fee

\$1.50 Basic Investment Account fee (monthly)

- A VEBA group may choose to pay the monthly participant fee and/or investment account fee on behalf of their employees.
- In addition to these fees, short-term redemption fees may apply for fund units that are sold within the timeframe listed in the fund's prospectus. Investment alternatives made available to VEBA participants are no-load or load waived mutual funds. Please refer to a particular fund's prospectus to determine if redemption fees apply. Depending on the fund, 12b-1 fees not exceeding .25% may be payable to defray marketing and distribution expenses. The amount of any 12b-1 fees will be included in the prospectus.  
Mark Kinney language

**11. How do I obtain a prospectus for the mutual funds available in the Basic Investment Account?**

For a current list of available funds, visit [selectaccount.com](http://selectaccount.com) and select the "VEBA" link and sign in to your VEBA account. Then, choose the "Investment Options" link. You'll find a list of funds on the Investment Options home page. Right above this list

is a paragraph that ends with the word “here.” This link will take you to a worksheet that includes fund expense ratios, historical performance data and links to each fund’s prospectus and Morningstar® report.

**12. What reports will account holders receive about their investments?**

Account holders will receive a quarterly statement that includes their VEBA investment account activity. Investment account holders also have the option to choose customized, on-line statements for their Basic Investment Account. If a group offers a VEBA in conjunction with an FSA or HSA, the account holder will receive a statement for each account in which they participate.

**13. How do account holders access the investment Web site?**

Individual account holders can access the Web site by visiting [selectaccount.com](http://selectaccount.com) and selecting the “View my VEBA investment account” link. Users will log in to the investment Web site for the first time by using their Social Security number as their ID, and the last four digits of their Social Security number as their PIN. Once they’ve entered the site, it’s recommended that account holders create a new user ID and PIN.