



## Employee Separation versus Retirement

Information regarding eligibility for unused, accrued leave balances to be deposited to a Health Reimbursement Arrangement (HRA) VEBA upon retirement.

[List of City of Tacoma VEBA Eligible Groups](#)

### Employee Separation v. Retirement

How an employee leaves City service is important – either by separation or separation/retirement – and this determination drives the payouts of unused leave accruals, and if you are eligible for a contribution to a Health Reimbursement Arrangement (HRA) option such as VEBA\*:

If an employee's departure is coded as a **Separation**:

1. Sick Leave balances (if any) will be paid out at 10%, if otherwise eligible
2. Personal Time Off (PTO) balances will be paid out at 100%.
3. There would be no deposit of any unused leave balances to a HRA VEBA account.

If an employee's departure is coded as a **Separation/Retirement**:

1. Sick Leave balances (if any) will be paid out at 25%\*\*, and deposited to a HRA option such as VEBA, if eligible.
2. Personal Time Off (PTO) balances will be paid out at 100%. PTO balances paid out may be eligible for deposit into a HRA option such as VEBA based on the employee group (see definitions below).
  - a. For nonrepresented employees, 50% of unused PTO leave accruals will be deposited to a HRA VEBA, if the VEBA program is in place for that calendar year.
  - b. For represented employees whose collective bargaining agreement (CBA) includes a HRA option such as the VEBA program, refer to the CBA for contribution details.

*\*The minimum contribution to VEBA is \$100*

*\*\*Or as provided for in a collective bargaining agreement (CBA)*

**NOTE:** For an employee separation or separation/retirement, you may want to contact the Benefits Office, as all or a portion of any remaining leave balances paid out may be eligible to be redirected into open/existing 457(b) Deferred Compensation accounts up to the annual IRS limits.

### Definitions:

**Separation:** The City codes a separation action with the date immediately following the employee's last day of active employment with the City, which can be either with or without pay.

NOTE: A deferred or delayed retirement would also be coded as a separation.

**Separation/Retirement:** The City codes a separation/retirement action with the date immediately following the employee's last day of active employment, either with or without pay, which would also be the start date of when an employee's pension or retirement benefit begins.

To use a separation/retirement action reason, the employee's pension benefit must be scheduled to begin in the month immediately following the month after active employment ends. For TERS eligible employees, retirements begin on the first day of each calendar month only.

**Employee Group:** Nonrepresented employees or by Collective Bargaining Agreement (CBA). There can be no individual employee election regarding participation in VEBA. (See link to the List of City of Tacoma VEBA Eligible Groups at the top of this page)

## Scenarios / Examples:

- Scenario 1** Juan's last day with the City is December 5, 2025, and he has a leave balance of 50 hours of Personal Time Off (PTO) and chooses not to use any leave prior to his separation date. His **separation** date will be entered as December 6, 2025.
- This is coded as a **separation**, and Juan's PTO leave balance is not eligible for contribution to the VEBA program.
  - All eligible leave balances will be paid out in his last paycheck.
- Scenario 2** Jane has a PTO balance of 200 hours and plans to use 80 hours or 10 workdays beginning Monday, December 1, 2025. During her PTO leave, she reports that she plans not to return to work upon the end of her two weeks off. This means her separation date will be entered as Saturday, December 13, 2025.
- This is coded as a **separation** and Jane's remaining 120 hours of PTO is not eligible for contribution to the VEBA program.
  - All eligible leave balances will be paid out in her last paycheck.
- Scenario 3** Jermaine is a nonrepresented employee, eligible for a VEBA deposit upon retirement, and has submitted his application to retire on January 1, 2025. Jermaine's last day of work is Friday, December 19, 2025, but he wants to use 48 of his 348 hours of accrued PTO for the working days up to the end of December (which also includes an observed paid Holiday). Jermaine is still an active employee through December 31, 2025. His separation/retirement date will be entered as January 1, 2026.
- This is a **separation/retirement**, and as a nonrepresented employee, 50% of Jermaine's remaining PTO balance of 300 hours will be to be deposited to the HRA VEBA program, and Sick Leave (if any) will be paid at a rate of 25% and deposited to the HRA VEBA program.
  - The remaining PTO balance (50%), and other eligible leave balances will be paid out in his last paycheck.

**NOTE:** For an employee separation or separation/retirement, you may want to contact the Benefits Office, as all or a portion of any remaining leave balances paid out may be eligible to be redirected into open/existing 457(b) Deferred Compensation accounts up to the annual IRS limits.

## For More Information / Contact Information

### [VEBA Plan Information - City of Tacoma](#)

Human Resources / Benefits Office  
Email: [benefits@tacoma.gov](mailto:benefits@tacoma.gov)  
591-573-2345

HRA VEBA  
[www.hraveba.org](http://www.hraveba.org)  
888-659-8828

Tacoma Employees' Retirement System (TERS)  
[www.tacoma.gov/Retirement](http://www.tacoma.gov/Retirement)  
Email: [tersretirement@tacoma.gov](mailto:tersretirement@tacoma.gov)  
253-502-8200

Department of Retirement Systems (LEOFF II)  
[www.drs.wa.gov](http://www.drs.wa.gov)  
800-457-665

Railroad Retirement Board  
[www.rrb.gov](http://www.rrb.gov)  
877-772-5772