

# Post Employment Health Plan (PEHP) Information Sheet

On January 1, 2007, the Maricopa County Board of Supervisors approved implementing a Post Employment Health Plan (PEHP) available to Retirees who meet certain criteria. The PEHP creates a tax advantaged savings/investment account to cover eligible health costs.

## 1. What is a Post Employment Health Plan (PEHP)?

A PEHP is a unique retiree benefit where Maricopa County contributes \$10,000 tax free to fund an investment account (post-employment) to be used to pay for qualified medical expenses. The PEHP is established pursuant to Internal Revenue Code 501 (c) (9) (VEBA).

## 2. Who is eligible for a PEHP?

Maricopa County Retirees who meet all of the following criteria are eligible for a PEHP:

- Retiree must officially retire on or after January 1, 2007 from Maricopa County as verified by the appropriate state retirement system;
- By no later than his or her retirement date from Maricopa County, Retiree must file the required documentation for retirement with the appropriate state retirement system and must be set up to receive a pension from the appropriate state retirement system;
- Retiree must have a minimum of 1,000 hours of accrued Sick Leave at the time of retirement.

If Human Resources Payroll cannot verify retirement with the employee's respective retirement plan before final wages are paid the PEHP cannot be made retroactively.

A PEHP account for the accumulated 1,000 or more hours of Sick Leave will be established for the surviving spouse and/or qualified dependent(s) as defined by the IRC 152 (a) of a deceased Retiree upon receipt and approval of the appropriate documentation.

## 3. Who administers the PEHP?

The PEHP is administered by Nationwide Retirement Solutions (NRS). Your local NRS Representatives can be contacted at (602) 266-2733 for additional information regarding a PEHP.

## 4. What are the benefits of a PEHP?

The primary advantage of the PEHP to the Retiree, his/her spouse and qualified dependent(s) is the amount contributed to the plan by the employer, plus investment earnings of the contributions and the amounts distributed for the reimbursement of qualified medical expenses (as determined by IRC 213 (d)) are free from Federal and State income and FICA taxes.

## 5. Can the Retiree contribute to the PEHP?

No. The Retiree may not contribute to the PEHP.

## 6. What types of expenses can the PEHP be used to pay for?

The Retiree may access his/her PEHP account upon retirement to pay for qualified medical expenses as defined by IRS Publication 502 for themselves, their spouse and their qualified dependent(s). Qualified dependents are those who are claimed as the Retiree's dependents for federal income tax purposes (e.g., spouse, child) in the year in which the qualifying expense is incurred. Only expenses incurred after the Retiree's retirement from Maricopa County qualify for reimbursement.

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## Examples of qualified medical expenses include:

- ✓ Medical co-pays or deductibles which are the Retiree's responsibility and are not reimbursed by insurance;
- ✓ Insurance premiums for healthcare coverage such as COBRA, Medicare Part B, Medicare Supplemental Insurance, and qualified long-term care;
- ✓ Dental care, including routine dental check-ups, orthodontia, dentures and any coverage premiums;
- ✓ Eye care, including examinations, glasses, contact lenses and any coverage premiums;
- ✓ Hearing care, including examinations, hearing aids and any coverage premiums;
- ✓ Routine physical examinations;
- ✓ Prescription drugs;
- ✓ Any other medical care item which is approved by the Administrator and which is consistent with the definition of "medical care" within the meaning of IRS Publication 502.

## **7. Is there a time limit for using the funds in the PEHP?**

No. There is no time limit for using the funds in the PEHP. However, if the Retiree (and his or her qualified dependent(s)) incurs qualifying expenses eligible for reimbursement, which are equal to or exceed the account balance, the Retiree will effectively terminate participation in the PEHP when the account balance is depleted. Benefit payments are limited to the balance in a participant's account.

## **8. Can the Retiree assign a beneficiary to the PEHP?**

No. In the event of a Retiree's death, the funds in the PEHP are available for use by the Retiree's surviving spouse and/or qualified dependent(s) as defined by the IRC 152 (a) for reimbursement of qualified expenses.

## **9. What are the investment options?**

The Retiree may instruct NRS to have contributions directed to the investment option of the Retiree's choice. All deposits by Maricopa County will be made to the most conservative investment option in the group variable annuity product until the Retiree makes a change. Changes to the allocations can be made by phone, Employee Application Form, or via the Internet. Current investment options include:

### **Small-Cap Stocks**

NW SmCap Indx A  
CRM SmCap Val Inv  
Fnkln SmCap Val A  
NeuBer SmCap GrA

### **International Stocks**

Opp Gbl A  
MFS Intl Divrs R3

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## Mid-Cap Stocks

AllnzGI NFJ MdCap Val A  
Invsco Opp Disc MdCapGr A  
NW MdCap Mkt Indx R6

## Large-Cap Stocks

NW S P 500 Indx Inst  
AmCent Ultra Inv  
MFS Val R3  
NW Fd Inst Svc

## Bonds

LrdAbt Hi Yld R4  
PIMCO Ttl Rtn A

## ShortTerm Investments

Nationwide Government Money Market

## Fixed Assests/Cash

Nationwide Fixed Account

## Asset Allocation

NW Inv Dest Mod Aggr Svc  
NW Inv Dest Aggr Svc  
NW Inv Dest Cnsrv Svc  
NW Inv Dest Mod Cnsrv Svc  
NW Inv Dest Mod Svc  
AmFds 2020 Trgt DtRtmt R4  
AmFds 2025 Trgt DtRtmt R4  
AmFds 2030 Trgt DtRtmt R4  
AmFds 2035 Trgt DtRtmt R4  
AmFds 2040 Trgt DtRtmt R4  
AmFds 2045 Trgt DtRtmt R4  
AmFds 2050 Trgt DtRtmt R4  
AmFds 2055 Trgt DtRtmt R4  
AmFds 2060 Trgt DtRtmt R4

## 10. Are the funds subject to forfeiture?

If the Retiree does not have a spouse or qualified dependent(s) or the Administrator is unable to locate the Retiree within 36 months after attempting to do so, the Retiree's account balance will be forfeited. Any amount forfeited will be divided and reallocated in an equitable manner to the accounts of all the remaining members of the Retiree group who have a positive account balance in their PEHP.

## 11. Are there any fees that the Retiree is responsible for paying?

Yes. There is a .50% annualized asset fee. There is no charge for claims reimbursements.

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## 12. What is the process to obtain the PEHP?

1. Retiree must meet the eligibility requirements.
2. Department Liaison completes a termination Personnel Action Form for the Retiree indicating retirement as the reason for separation.
3. Upon processing the Personnel Action Form, the Payroll Department verifies that the Retiree has retired with the appropriate retirement system and then notifies the Employee Benefits (EB) and Wellness Division that a PEHP should be initiated.
4. EB verifies eligibility for the PEHP.
5. EB confirms with the Retiree that the Retiree approves of having a PEHP set up on his/her behalf. Retiree will be sent an Acceptance Letter to the home address on file. The Acceptance Letter must be signed and returned to EB prior to receiving funding.
6. EB obtains funding for the PEHP from the Retiree's department.
7. EB requests a payment of \$10,000 to be sent to NRS for deposit into the Retiree's PEHP.
8. EB provides NRS with Retiree information to set up the account.
9. EB mails PEHP Confirmation Letter and packet to Retiree's home address.
10. Retiree may contact NRS prior to funding of the account to select their investment options.
11. If Retiree has not contacted NRS to determine their investment options prior to NRS's receipt of the \$10,000, NRS will establish an account investing the \$10,000 in the most conservative investment.
12. Retiree gains access to the PEHP.
13. Retiree may change allocation of investment by contacting NRS.
14. Retiree, spouse and qualified dependent(s) may submit claims and itemized receipts up to the account balance for reimbursement or set up a payment schedule for recurring payments.
15. Reimbursement of eligible expenses will be made directly to the Retiree or deposited in their checking account.

### **Disclaimer:**

The information described herein is a summary of the official plan document and/or contract that govern this benefit. In the event of a discrepancy between the information in this summary and the official plan document and contract, the official plan document and contract govern.