

Post Employment Health Plan (PEHP) Information

(Revised July 2013)

On Jan 1, 2007, the Board of Supervisors approved implementing a Post Employment Health Plan (PEHP) for Retirees who meet certain criteria. The PEHP creates a tax advantaged savings/investment account to cover eligible retiree 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. When is the PEHP effective?

The PEHP is effective Jan. 1, 2007. The PEHP replaces the \$3,000 taxable payment described in the Maricopa County Compensation Plan Section XIX. B.

3. Who is eligible for a PEHP?

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

- Officially retire from Maricopa County as verified by the appropriate state retirement system on or after Jan. 1, 2007 and will receive a pension from the appropriate state retirement system;
- Have filed the appropriate documentation for retirement with the appropriate state retirement system;
- Have a minimum of 1,000 hours of accrued Family/Medical (sick) Leave at the time of retirement.

A PEHP for the accumulated 1,000 or more hours of sick leave will be established for the surviving spouse and/or qualified dependents (as defined by the IRC 152 (a)) of a deceased employee upon the receipt and approval of the appropriate documentation.

4. Who administers the PEHP?

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

5. What are the benefits of a PEHP?

The principal advantage of the PEHP to the Retiree, his spouse and his qualified dependent(s) is that 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.

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6. Can the Retiree contribute to the PEHP?

No. The Retiree may not contribute to the PEHP.

7. What type of expenses can the PEHP be used to pay for?

Retirees may access their PEHP account upon retirement to pay for qualified medical expenses as defined by IRC 213 (d) for themselves, their spouse and their qualified dependent(s). Qualified dependents are those who you claim as your dependents for federal income tax purposes (e.g., spouse, child) in the year the qualifying expense is incurred. Only expenses incurred after the Retiree's retirement from Maricopa County qualify for reimbursement.

Examples of qualified medical expenses include:

- Medical co-pays or deductibles which are your responsibility and are not reimbursed by insurance;

- Insurance premiums for coverage of medical and health care such as COBRA, Medicare Part B, Medicare supplemental insurance, and qualified long-term care;

- Dental care, including routine dental check-ups with 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 the IRC 213 (d) (1).

8. 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 you (and your qualified dependents) incur qualifying medical care expenses eligible for reimbursement, which equal or exceed your account balance, you 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.

9. What are the investment options?

The Retiree may direct NRS to have contributions directed to the investment option of their choice. All deposits by Maricopa County will be made to the most conservative investment option in the group variable annuity product until the

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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

Fid Adv Small Cap fd A
NW SmCap Indx A
CRM SmCap Val Inv

International Stocks

JPM Intl Equity Fd Slct Sh
Opp Gbl A

Mid-Cap Stocks

NW MdCap Mkt Indx A
MgrsAMGTmSquareMdCapGrinst
GdmnScs McCap Val A

Large-Cap Stocks

AmFds Invmt Co Am R4
NW S P 500 Indx Inst Svc
AmFds Gr Fd Am R4
Invscv VK Gr Inc A

Bonds

PIMCO Ttl Rtn A

Fixed Assests/Cash

NW Mny Mkt Prm
CURRENT YIELD: -0.50%

Asset Allocation

NW Inv Dest Mod Aggr Svc
NW Inv Dest Cnsrv Svc

NW Inv Dest Mod Cnsrv Svc
NW Inv Dest Aggr Svc
NW Inv Dest Mod Svc

10. Are the funds subject to forfeiture?

If you have no spouse or qualified dependents or the Administrator is unable to locate you within 36 months after attempting to do so, your account balance will be forfeited. Any amounts forfeited will be divided and reallocated in an equitable manner to the accounts of all the remaining members of the Retiree group who

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have a positive account balance in their PEHP.

If you die, the funds in the PEHP are available for use by your surviving spouse and/or qualified dependents (as defined by the IRC 152 (a)) for reimbursement of qualified health care expenses.

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

Yes. There is a .50% annualized asset fee.

12. What is the process to obtain the PEHP?

1. Retiree must meet the eligibility requirements.
2. Department HR Liaison completes a termination Personal Action Form for the Retiree indicating retirement as the reason for separation.
3. Upon processing the Personal Action Form, the Payroll Department of Human Resources notifies the Employee Benefits (EB) Division that a PEHP should be initiated.
4. EB verifies eligibility for the PEHP.
5. EB obtains funding for the PEHP from the Retiree's department.
6. EB requests a payment of \$10,000 to be made to NRS on behalf of the Retiree.
7. EB provides NRS with Retiree information to set up the account.
8. Retiree may contact NRS prior to funding of the account to select their investment options.
9. If Retiree has not contacted NRS to determine their investment options prior to NRS' receipt of the \$10,000, NRS will establish an account investing the \$10,000 in the most conservative investment.
10. Retiree gains access to the PEHP.
11. Retiree may change allocation of investment by contacting NRS.
12. 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.
13. Reimbursement of eligible expenses will be made directly to the Retiree or deposited in their checking account.