NPPFA BENEFITS
National Public Pension Fund Association

Retirement Healthcare Funding Plan

WHAT IS A RETIREMENT HEALTHCARE FUNDING PLAN?

A Retirement Healthcare Funding Plan (RHFP) is a health care savings plan that provides a source of tax-free funds to reimburse participants for the cost of health care expenses, including premiums for themselves, their spouses, and any other qualified tax-dependents.

WHY ESTABLISH A RETIREE HEALTHCARE FUNDING PLAN?

Having funds to help cover health care costs during retirement is significant. The primary reason public employees delay retirement beyond pension eligibility is due to concerns of paying for the rising costs of health care expenses including premiums. RHFP allows employees to pre-fund the future of health care expenses and shelter earnings in a tax-exempt manner.

RHFPs are triple tax free – tax exempt contributions, tax-free growth, and tax-exempt distributions. Much like an FSA, the money in these plans is also not subject to Federal Income tax, State Income tax, Medicare tax, and Social Security tax. Funds can only come out of the plan for qualified medical expenses including premiums.

These plans are a rare *win-win* for the employer and the employee. When structured correctly, these plans will reduce overtime, reduce payroll taxes, reduce accumulated sick time, reduce OPEB, and allow the employer to pay out future benefits in today's dollars. These plans assist the employer in aligning benefits and compensation.

DOES EVERYONE HAVE TO PARTICIPATE?

While the eligibility requirements and funding formula must be uniformly applied to all members of an employee group, they can be tiered based on hire date or length of service.

HOW CAN WE MAKE CONTRIBUTIONS?

Funding sources can include (but are not limited to):

- Mandatory member contributions
- Vacation leave
- Sick pay
- Comp time
- Percentage of salary or flat dollar amount
- Any other form of compensation either annually or at end of career
- Employer contributions

WHAT CAN MY FUNDS BE USED FOR?

Generally, funds can be used only for qualified medical expenses (e.g., health insurance premiums, deductibles, office visit co-pays, prescription medications, long-term care) as determined by IRC 213(d).

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WHEN CAN I ACCESS MY FUNDS?

When you separate from service from your present employer, you can access your funds by submitting proof of medical expenses incurred by you, your spouse, or other eligible dependents for which you request reimbursement.

WHAT HAPPENS IN THE EVENT OF MY DEATH?

In the event of your death, if remaining funds exist, these funds may be used by your spouse or any qualified dependent (a person listed on your tax return). In the absence of a spouse or qualified dependents, assets in your account will be paid to a named beneficiary.

CAN I CHOOSE MY OWN INVESTMENTS?

Yes. Similar to your 457 deferred compensation plan, you will have your own account and can choose from a list of investment options offered by the NPPFA *Wise Choice for Public Employees®* plan.

WE ARE HERE TO HELP

If you have any questions regarding your retirement healthcare funding plan, our NPPFA Benefits service representatives are readily available to conduct meetings in person, via phone call, or virtual video conference at a time and place that works best for you. Please go to www.nppfabenefits.org and choose the Book an Appointment tab to schedule a meeting time with a service representative. Alternatively, you can reach our office staff below:

OFFICE HOURS:
Mon-Fri 9am-5pm CST

PHONE:
866-994-6312 (call or fax)

EMAIL:
service@nppfabenefits.org

ADDRESS:
1701 E. Lake Avenue, Suite 400
Glenview, IL 60025

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