

## POST-EMPLOYMENT HEALTH PLAN (PEHP)

### Why We're Talking About This

- The Post-Employment Health Plan (PEHP) is not new – this has been discussed over the past three contract terms as a way to protect the value of benefits you've already earned.
- Variations of this benefit — often referred to as VEBA, MERP, or PEHP – is a practical response to rising healthcare costs in retirement and a way to avoid unnecessary tax loss on accrued benefits.
- Surrounding public safety agencies already offer this type of benefit, including (BSO), Pompano Beach, and Fort Lauderdale.

### The Triple Tax Advantage

One of the strongest benefits of a PEHP is its triple tax advantage:

- Contributions go in tax-free
- Funds grow tax-free
- Withdrawals are tax-free (when used for qualified medical expenses)

This tax treatment alone can preserve thousands of dollars that would otherwise be lost to taxation.

### What Is a PEHP?

A Post-Employment Health Plan (PEHP) allows certain earned compensation to be directed into a tax-advantaged account that can be used for qualified medical expenses in retirement.

Bottom line:

It helps you keep more of what you earned instead of losing a significant portion to taxes through a traditional cash payout.

### Flexibility & Beneficiary Protection

PEHP funds:

- May be used strategically over time
- Can be coordinated with other retirement planning tools
- May be left to an IRS-defined beneficiary

This ensures the value of your earned benefit is not lost and may continue to support your family or estate — something a traditional cash payout does not provide.

### Want Your Cash Out? No Problem..... RPRB — One-Time Sell-Back Option

- For members who prefer the liquidity of a cash payout, that option still exists.
- Under the RPRB, members are provided a one-time opportunity to cash out accrued leave, executed on their anniversary date. This allows individuals who want access to their accrued leave as cash to do so prior to separation.
- This option ensures members retain flexibility and control, if you wish to have immediate access to earned accruals.

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### **What This Means for You — Simple Example**

(Conservative assumptions used for clarity)

- Accrued sick leave bank: 1,000 hours
- Contractual sell-back limit: 80%
- Eligible sell-back: 800 hours
- Hourly rate: \$50/hour
- **Gross Value** →  $800 \times \$50 = \$40,000$

**If Taken as a Cash Payout:** Using a conservative estimated tax rate of ~30% (federal withholding, FICA, Medicare):

- Taxes: ~\$12,000
- Net payout: ~\$28,000

#### **If Directed Into a PEHP**

- \$40,000 deposited pre-tax
- Funds may grow tax-free
- Reimbursements for qualified medical expenses and premiums are tax free
- Full \$40,000 value preserved

That's roughly a \$12,000 difference — purely due to tax treatment.

### **Why This Matters — Real Healthcare Costs**

If you retired today, the approximate cost of health insurance coverage is:

#### **Hired Before 2019**

- Family: \$1,875.39/month (\$22,504.68 annually)
- Employee + spouse: \$852.47/month (\$10,229.64 annually)

#### **Hired After 2019**

- Family: \$2,727.86/month (\$32,734.32 annually)
- Employee only: \$1,704.93/month (\$20,459.16 annually)

*Healthcare costs don't disappear in retirement – they increase*