

Pinal County 2016



VISION

The *PRIME*-Choice© Plan

The Accumulated Sick and Vacation Pay Solution



Who We Are...

Precision Retirement Group, Inc. (PRG)

We are a nationally recognized benefit plan consulting company, specializing in the public sector marketplace.

The *PRIME*-Choice Plan has been implemented in AZ, CA, CO, CT, IA, NE, NV, UT and WI.



Accumulated Sick and Vacation Payout History

Traditionally, employers are accustomed to paying their retiring employees sick pay and vacation pay in a lump-sum payment as W2 wages or a bonus, which generally is a taxable event in the year it is received.

However, we find that...



The Employee Choice

Many employers often offer a retiring employee a choice of:

- a) When they would like to receive their sick and vacation pay;
- b) How they would like to receive their sick and vacation pay; or,
- c) Simply leave it with the employer to pay for health insurance premiums.

Having an employee choice for sick and vacation payout creates an IRS tax issue called...



Constructive Receipt

Constructive Receipt

(IRS Reg. 1.451-2(a))

Constructive Receipt is the recognition of taxable income in the calendar year the income is made available to the taxpayer and is not subject to any limitations, regardless of when or how it is actually paid. ☹



The Solution: The *PRIME*-Choice Plan

Pinal County establishes
The PRIME-Choice Plan that converts your
accumulated sick pay and vacation pay to an employer
contribution to an employer-sponsored plan:

The PRIME Plan
(Medical Expense Reimbursement Trust)
or

The Special Pay 401(a) Plan

This plan allows a determination to be made for a
retiree's individual post-retirement needs, thereby
allowing an employer choice between a *tax-free health
benefit* or a *tax-deferred benefit* for the employer
contribution without violating **Constructive Receipt**.



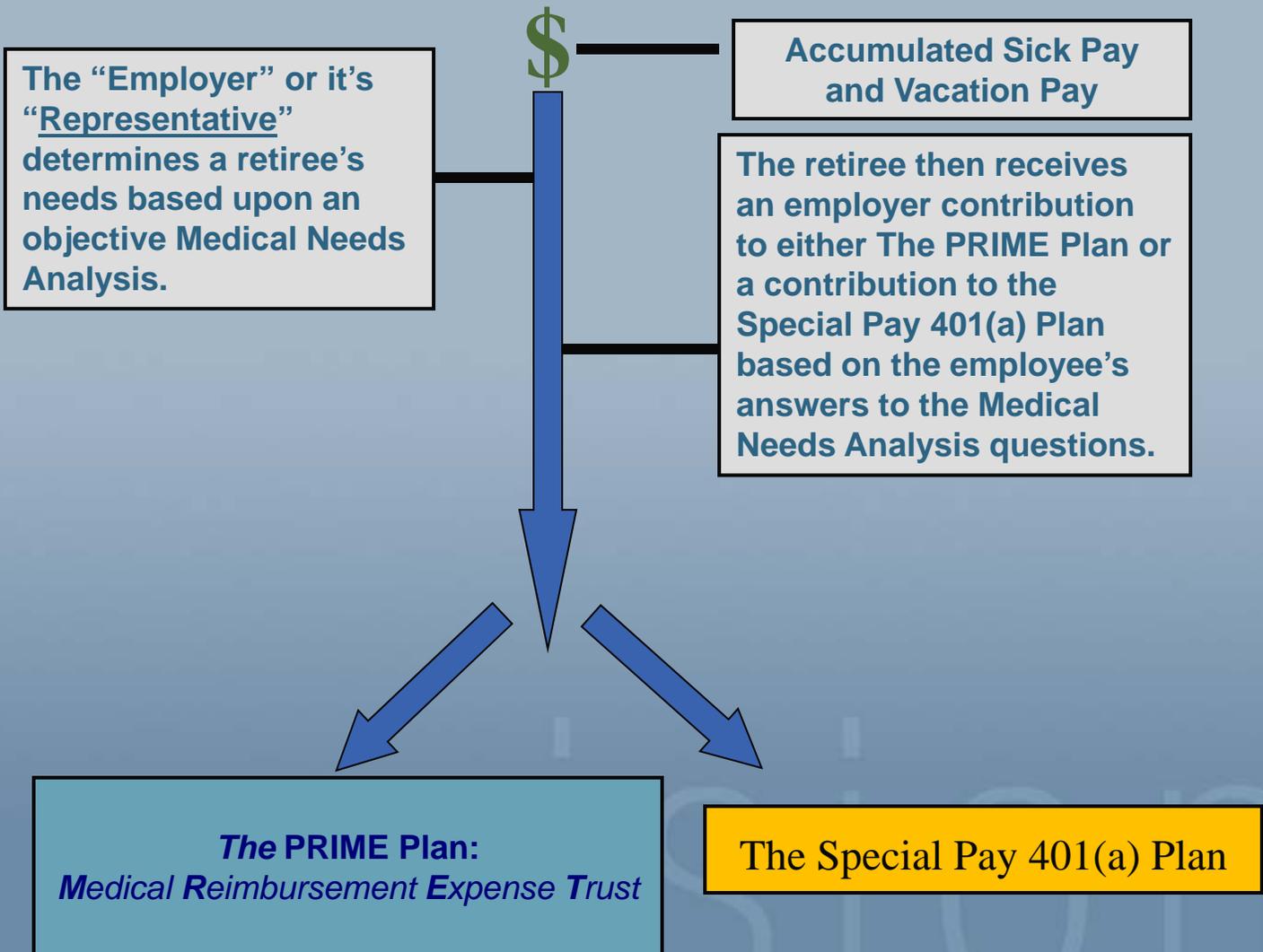
Who is eligible for the plan?

To be eligible for the plan, Pinal County would establish eligibility in the calendar year of separation from the County. The County could establish a threshold for eligibility for those receiving at least \$2,500 in accumulated sick and/or vacation pay.

How is the employer contribution determined?



Employer Contribution Determination: The Medical Needs Analysis





The *PRIME* Choice Plan: Medical Needs Analysis Questions

- 1) Do you understand your employer's post-retirement health insurance coverage for you, your spouse and your dependents, and all costs to you associated with this coverage?
- 2) Are you staying on with the District's health insurance plan coverage?
- 3) Does your spouse have health insurance that will cover you in retirement?
If yes, do you have to pay for coverage? Is it pre-tax or post-tax premiums?
- 4) Do you have access to other health insurance in retirement?
- 5) When will you be eligible for Medicare?
- 6) Is paying for post-retirement health insurance coverage and other post-retirement healthcare costs for you, your spouse and dependents a concern of yours in retirement?



Employer Contribution Determination: *The PRIME Plan*

The “Employer” or its “Representative” determines a retiree’s needs based upon an objective Medical Needs Analysis.



Accumulated Sick Pay and Vacation Pay

Retiree receives an employer contribution to The *PRIME* Plan based upon the employee’s answers to the Medical Needs Analysis questions.



The PRIME-Plan:
Medical Reimbursement Expense Trust



The PRIME Plan: Retiree Benefits

Medical Needs Analysis Result: The PRIME Plan.
The employer will make a contribution of the retiree's accumulated sick pay and vacation pay to The PRIME Plan.

Retiree Benefits

#1: Tax-free reimbursements for post-retirement healthcare costs, including health insurance premiums, Medicare, long-term care, co-pays and more!
All reimbursements are done through our third party administrator (TPA): Pelion Benefits, Inc.

- ☑ No FICA Taxation
- ☑ No Federal or State Income Taxation
- ☑ Tax-Free Earnings
- ☑ Spouse & Dependent Expenses are Eligible

*Triple Tax Benefit....Tax-Free Contribution,
Tax-Free Interest, Tax-Free Reimbursements*



The PRIME Plan: New ACA Rules

If you return to work for Pinal
County
you cannot be reimbursed from
your account until you separate
from service again (Under ACA 2014).



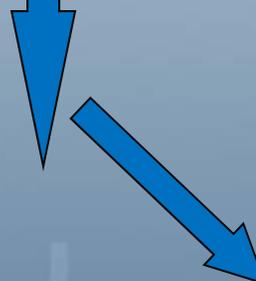
Plan Determination: Special Pay 401(a) Plan

The “Employer” or its “Representative” determines a retiree’s needs based upon an objective Medical Needs Analysis.



Accumulated Sick Pay and Vacation Pay

Retiree receives an employer contribution to the Special Pay 401(a) Plan based upon the employee’s answers to the Medical Needs Analysis questions.



Special Pay 401(a) Plan



Special Pay 401(a) Plan: Retiree Benefits

*Medical Needs Analysis Result:
Special Pay 401(a) Plan*

Retiree Benefits

- ☑ Complete Liquidity – Transferable
- ☑ Defer Federal & State Income Tax
- ☑ Fixed Interest Account
- ☑ No Sales or Surrender Charges
- ☑ No FICA Taxation, the Retiree Saves 7.65%

For those younger than age 55, the contribution is made to a 457 deferred compensation subject to FICA taxation.



The *PRIME*-Choice Plan: *Without The Plan*

Cash Payout of \$10,000

Federal Taxes (25%)	\$ 2,500
State Taxes (Est. 5%)	\$ 500
FICA Taxes (7.65%)	\$ 765
Total Taxes	\$ 3,765
Net Amount Available For Medical Expenses	\$ 6,235



The *PRIME*-Choice Plan: Participant Savings

	<u>PRIME-(trust)©</u>	<u>Special Pay Plan</u>
	Participant Savings	
	<u>\$10,000</u>	<u>\$10,000</u>
Federal Taxes (25%)	\$ 0	\$ 2,500*
State Taxes (5%)	\$ 0	\$ 500*
FICA Taxes (7.65%)	\$ 0	\$ 0
Real Tax Savings	\$ 3,965	\$ 765
Net Amount Available For Medical Expenses	\$10,000	\$ 7,000

* Deferred From Current Year Taxation



The *PRIME*-Choice Plan: The Prime Plan Earnings

A guarantee of principal and reasonable interest are key in matching these assets to a known liability.

Employer contributions will be deposited into a fixed interest bearing account!



The *PRIME*-Choice Plan: Enrollment & Forms

- * Enrollment Form required for either plan
- * Reimbursement Form for The PRIME Plan
- * ACH Authorization Form for The PRIME Plan
- * Special Pay Distribution/Transfer Form
- ** All Prime Plan administration requirements are performed by our third party administrator (TPA):
Pelion Benefits, Inc.



Plan Administration Costs

Participant

	<i>The PRIME Plan</i>	Special Pay 401a Plan
Monthly Administrative Cost	\$5	\$0
<u>Reimbursements</u>		
EFT (Electronic Funds Transfer)	\$4	\$0
Check Mailed to Participant	\$8	\$0



Participant Web Access



www.prginfo.net

[Investment Account](#)
[Login](#) [Medical Expense](#)
[Claims Login](#) [Forms](#)
[Library](#) [Plan Description](#)
[Contact our Firm](#)



Working Together on Your
Employee Benefit Plan

Participant Login

Enter your password for account data and transaction features

Expense Claims Login

Enter your password for benefit claim data and payment status

Forms

Download forms suitable for printing

Plan Description

Browse through the special pay plan description

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Your Plan Contacts

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The Ultimate Sick and Vacation Pay Solution