



CITY OF ANAHEIM

RETIREMENT HEALTH

SAVINGS PLAN

FREQUENTLY ASKED

QUESTIONS

**City of Anaheim
Retirement Health Savings Plan
Questions and Answers for Employees**

Basics of the Retirement Health Savings Plan

[Q1: What is the City of Anaheim Retirement Health Savings Plan?](#)

[Q2: What are the benefits of the City of Anaheim Retirement Health Savings Plan?](#)

[Q3: How do I get started?](#)

[Q4: Can I opt out of the City of Anaheim Retirement Health Savings Plan?](#)

Contributions

[Q5: What types of contributions will be made to my RHS plan?](#)

[Q6: How do I know what specifics govern my RHS plan?](#)

[Q7: How are my RHS contributions coordinated with Section 457?](#)

Plan Investments

[Q8: Where will my RHS assets be invested?](#)

Medical Benefits

[Q9: At what point will I be eligible for medical benefits?](#)

[Q10: What medical expense payments will be covered?](#)

[Q11: Who are my dependents?](#)

[Q12: Who handles medical benefit claims?](#)

[Q13: What is the procedure for submitting a claim for a medical reimbursement?
How long does it take?](#)

[Q14: What if a claim is denied?](#)

Other Plan Distributions

[Q15: What happens to my account balance if I leave my job?](#)

[Q16: When I leave my job, can I roll my RHS account balance into an IRA, another employer's retirement plan, or another RHS account?](#)

[Q17: Can I take the balance under an emergency withdrawal or other circumstance?](#)

[Q18: What happens to the account balance when I die?](#)

Taxes

[Q19: How are payments from RHS accounts treated for tax purposes?](#)

Administrative

[Q20: What types of reports will I receive?](#)

[Q21: What fees does ICMA-RC charge for the RHS Program?](#)

Resources

[Q22: Whom should I contact with questions regarding the RHS Program?](#)

BASICS OF THE CITY OF ANAHEIM RETIREMENT HEALTH SAVINGS PLAN

Q1: What is the City of Anaheim Retirement Health Savings Plan?

The City of Anaheim Retirement Health Savings (RHS) Plan is an employer-sponsored health benefit savings vehicle that allows employees to accumulate assets to pay for medical expenses (e.g., health insurance and prescription expenses) in retirement (or other eligibility) on a tax-free basis. The City of Anaheim has chosen to offer you this benefit through ICMA Retirement Corporation. This booklet outlines how the program works and explains the benefits that are available to you.

RHS is similar to Section 457 deferred compensation plans in that it allows you to invest dollars for financial needs during retirement (or when otherwise eligible). RHS offers a number of benefits, including tax-deferred accumulation of earnings and, when account assets are used to pay for tax qualified medical benefits, the additional benefit of tax-free withdrawals.

Q2: What are the benefits of the City of Anaheim Retirement Health Savings Plan?

You can enjoy substantial benefits from the RHS Plan.

- Accumulation of assets to pay for one of retirement's greatest financial needs – You have the opportunity to prepare to meet a significant financial outlay facing you in your retirement, whether for insurance premiums and/or out-of-pocket expenses, co-pays, or prescription drugs.
- Convenience – Once you are eligible to participate you only need to enroll and make decisions regarding investment of RHS funds. Contributions are made through mandatory payroll deductions and through vacation, sick leave and/or paid leave.
- Tax-free medical expense reimbursement – Medical expense reimbursements are tax-free when used for qualified medical expenses as allowed under Section 213 of the Internal Revenue

Code and the City's RHS Plan.

- Tax-deferred accumulation of savings – Assets grow in a tax-deferred account.
- Flexibility – You may use RHS dollars to pay medical expenses for you, your spouse and dependents.
- Familiar investment options – RHS allows you to take advantage of ICMA-RC's Vantagepoint Funds.

Q3: How do I get started?

1. The Human Resources Department will provide you with enrollment materials when you are eligible to participate.
2. You complete the enrollment form and return it to the Benefits Section of HRD. This form provides your indicative data (e.g. name and address).
3. An additional form will be required for elective contributions of leave time.
4. The City will verify your eligibility for participation and transmit the participant data to ICMA-RC.
5. ICMA-RC sets up your account the date of receipt of information from the City, if the information is received prior to 4:00 p.m. Eastern Time.
6. ICMA-RC sends you a welcome letter the business day following the establishment of your new account.
7. The City will begin sending your contributions.

Q4: Can I opt out of the City of Anaheim Retirement Health Savings Plan?

Once you are enrolled in the Plan, you are required to stay a participant as long as you are employed by the City of Anaheim.

CONTRIBUTIONS

Q5: What types of contributions will be made to my RHS plan?

Depending on your unit of representation and hire date, RHS plan features are different. The following contributions will potentially be available in your plan:

- Employer contribution of a fixed dollar amount. A 5 year cliff vesting schedule applies to this contribution.
- Mandatory contributions of employee compensation. They are not subject to FICA or income tax. *
- Annual elective contribution of vacation, sick leave and/or paid leave to be earned during the coming year. These contributions are not subject to FICA or income tax. **

* *These contributions will be made to all plan participants' accounts without completion of additional contribution forms.*

** *Additional information on the specific requirements of these contributions is available on the Contribution Election Form for that contribution type. These forms are available from Human Resources during the November election period for this feature.*

Q6: How do I know what specifics govern my RHS Plan?

The RHS Plan Summary document provided by HRD contains information on the specific features of your plan: whether you must participate in the plan, the types of contributions available to you, and the types of medical expenses covered by the program. If you do not have a copy of the RHS Plan Summary document, please contact the Benefits Section of HRD.

Q7: How are my RHS contributions coordinated with Section 457?

Contributions to RHS are not coordinated with and do not offset contributions that may be made to Section 457 plans.

PLAN INVESTMENTS

Q8: Where will my RHS assets be invested?

The investment funds available to RHS participants are ICMA-RC's Vantagepoint Funds, with the exception of the Vantagepoint Money Market Fund. These 18 funds consist of eight actively managed funds, five model portfolio funds, and five index funds.

Upon initial enrollment in the RHS Program, your investment allocation is automatically established as the Vantagepoint Income Preservation Fund. However, you may change the investment allocation for future contributions at any time through ICMA-RC's VantageLine (toll-free automated service line), VantageLink (Internet Web site), or an ICMA-RC Investor Services Representative. Additionally, existing balances can be transferred among the Vantagepoint Funds at anytime through VantageLine, VantageLink, or an ICMA-RC Investor Services Representative.

If you should die while participating in the RHS Plan, your account balance will automatically be transferred into the Vantagepoint Income Preservation Fund. Your spouse/dependents may transfer the account balance from the Income Preservation Account into the investments of their choice at any time.

MEDICAL BENEFITS

Q9: At what point will I be eligible for Medical benefits?

Benefit eligibility for participating employees is outlined in the Plan Summary document and may differ between unit of representation.

Q10: What medical expense payments will be covered?

The RHS Plan defines eligible benefits as those generally allowed by IRC Section 213 with exceptions as provided in the City's RHS Plan.

Note that your RHS account can also be used to pay for qualifying medical expenses incurred by your spouse and dependents.

Q11: Who are my dependents?

While you are alive, eligible dependents include individuals who meet the IRC Section 213 definition.

Your RHS account can provide medical benefits to any person who is your spouse, child, or other dependent under the preceding definition.

Note that there is no age limit on the definition of dependent *while you are living*.

After your death, an individual that qualified as a dependent at the date of your death will continue to be considered a dependent, and will remain eligible for medical benefits.

Q12: Who handles medical benefit claims?

Medical benefit claims processing and payment will be handled by Zenith Administrators, Inc. Zenith is a third-party claims administrator hired by ICMA-RC to perform administrative services for the RHS program as directed by ICMA-RC. Zenith is well versed in medical benefit claims processing (its 700 employees currently serve 400 client funds), and is familiar with the workings of ICMA-RC's RHS program.

All questions regarding claims should be directed to Zenith at 1-800-788-5885. Please request to speak with the ICMA-RC Vantage-Care RHS claims representative. Zenith's claims representatives are available from 9:30 a.m. to 5:30 p.m. Eastern Time.

Q13: What is the procedure for submitting a claim for a medical reimbursement? How long does it take?

After you become benefit-eligible, claims for medical expenses that qualify under your RHS Plan are submitted for reimbursement on the *VantageCare Retirement Health Savings Plan Benefits Reimbursement Request Form*. This form is available from ICMA-RC or from Zenith Administrators. Zenith reviews the claim to make certain that you are eligible and that the expense is covered by the plan. Zenith will process the claim, which will be paid, suspended, or denied in writing, within 30 days.

Eligible monthly insurance premiums may be set up with recurring reimbursements directly from Zenith Administrators to you or the City of Anaheim. So long as you have a balance in your account, the payment will be made automatically and you will not need to submit any additional request for the insurance premium reimbursement.

Q14: What if a claim is denied?

If your claim for medical benefits is denied, you will receive a written notice of the denial from Zenith Administrators, Inc. The notice will include:

- The specific reason(s) for the denial
- Reference to plan rules upon which the denial was based
- Description of any additional information that might be required and an explanation of why it is needed
- An explanation of the plan's claim review procedure.

You may appeal a denied claim. Generally, the appeals process will consist of the following steps:

1. You submit a written request for a review of the denied claim to the Plan Administrator. Your request must be filed within 60 days of your receipt of the denial notice. You may also review documents regarding administration of your employer's plan, and you may submit issues and comments in writing. You are entitled to representation, if you desire, throughout the appeals process.
2. The Plan Administrator will review your request within 60 days of receipt. Special circumstances can extend this to 120 days; you will receive a notice of extension.
3. You will receive a written summary of the Plan Administrator's decision regarding your appeal, which will include specific reasons for the decision.
4. If the matter is still not decided to your satisfaction, you are entitled to pursue your right to legal or equitable relief.

OTHER PLAN DISTRIBUTIONS

Q15: What happens to my account balance if I leave my job with the City?

If you leave employment with the City, your vested account balance will continue to accrue tax-deferred earnings. You may access your account to pay for qualified medical expense reimbursements as provided by the Plan with the exception of another employers health insurance premiums.

Q16: When I leave my job, can I roll my RHS account balance into an IRA, another employer's retirement plan, or another RHS account?

Your RHS account must remain in the City's RHS Plan. Due to IRS requirements, the program does not allow your account to be rolled into any other type of plan, including an IRA, an employer-sponsored retirement account (such as a 457 Plan) or another RHS account with a different employer when you separate from service.

Q17: Can I take the balance under an emergency withdrawal or other circumstance?

Unlike Section 457 plans, there are no provisions for withdrawals in the event of a financial hardship. However, an RHS participant that is eligible for medical expense reimbursement will be able to use RHS assets in the event of a medical emergency.

Q18: What happens to the account balance when I die?

ICMA-RC must be notified of the death by the filing of the *VantageCare Retirement Health Savings Plan Decedent Information Form*, available from the Benefits Section of HRD, ICMA-RC, or Zenith Administrators, Inc. The City has selected "Account Transfer" upon death of a participant. The RHS account balance will remain available for your surviving spouse/dependents on a tax-free basis.

If no surviving spouse or dependents, balance is available for medical benefits for use by a child of the deceased who was not a dependent at death. If there are no surviving spouse, dependents or children (not a dependent at death), the account balance may then be used by a named beneficiary. When the account is transferred to any non-dependent children or beneficiary, it is a taxed event as assets are used.

TAXES

Q19: How are payments from RHS accounts treated for tax purposes?

RHS benefits paid in the form of medical expense reimbursements will *never* be taxed to you, your spouse, or dependents. No income tax withholding or reporting is required. However, re-

imbursement to adult children may be subject to taxes.

ADMINISTRATIVE

Q20: What types of reports will I receive?

You will receive quarterly and annual Summary Plan Statements provided by ICMA-RC, listing information on contributions, investment earnings, and distributions. The statements will use the same format as the ICMA-RC 457 Summary Plan Statements. You will also receive a consolidated statement, showing both your 457 account activity and your RHS account activity if you have your 457 Plan with ICMA-RC.

You will also receive confirmations of benefit payments, address changes, investment allocation changes, and fund-to-fund transfers.

Q21: What fees does ICMA-RC charge for the RHS Program?

On a quarterly basis, an account fee will be assessed to your account. This fee will be reflected on your quarterly statement. At this time, there is a minimum annual fee of \$30. Effective January 1, 2005, The City of Anaheim will pay this \$30 minimum fee for the employee as long as they remain employed full-time with the City. Fees above this amount are the responsibility of the employee.

The annual account fee is calculated as follows:

Effective July 1, 2004, participant fees are:

- \$30 annual account fee assessed pro-rata on a quarterly basis.
- An annual asset-based fee of 0.30% (30 basis points) charged on a quarterly basis based on the balance in the account on the last day of the previous quarter.

RESOURCES

Q22: Whom should I contact with questions regarding the RHS Program?

The following table outlines whom you should call with questions about your RHS account.

The City of Anaheim – Human Resources Department

- For information on program specifics (benefit eligibility, eligible medical expenses, etc.)
- To enroll and make contribution election(s)
- To establish benefit eligibility

The City of Anaheim – City Treasurer's Office

- For information on program specifics (benefit eligibility, eligible medical expenses, etc.)
 - To establish benefit eligibility
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Zenith Administrators, Inc.
(1-800-788-5885: please ask to speak with the ICMA-RC VantageCare RHS claims representative)

- For all claim-related issues once you are eligible to receive benefits
- To change personal data if you are eligible for benefits (also inform ICMA-RC)

ICMA-RC
(1-800-669-7400)

- For all account issues not claim-related
 - With questions regarding your account statement
 - With questions on the posting of your contributions
 - To change dependent and beneficiary information
 - To change personal data (also inform Zenith Administrators if you are eligible for benefits)
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NOTE: This Question and Answer brochure is offered for the convenience of City of Anaheim employees. This brochure contains general information about the RHS Plan and is not intended to replace the legal documents (Integral Part Trust and Health Savings and Reimbursement Plan) that contain the complete provisions of the RHS Plan.