

Nina ([02:56](#)):

Hi Marianne. It's so good to talk with you again. On the last episode, you teased that today we'd be talking about some more new legislation. This one impacts public safety workers and retiree healthcare. Give us some background on this.

Marianne ([03:10](#)):

Happy to do so, Nina. You know, since 2007 there has been a law called the Helps Law. And what that stands for is Healthcare Enhancement for Local Public Safety. And what this did was it allowed public safety positions like police, fire, and correctional officers to pay for the premium of their retiree healthcare costs. On a pre-tax basis, a retiree has been able to use up to \$3,000 per year of their pension payments to cover the retirees healthcare on a tax-free basis.

Nina ([03:44](#)):

Doesn't everybody already pay for healthcare on a tax-free basis as long as their employer has a 125 plan?

Marianne ([04:17](#)):

Well, that is true for active employees, Nina. They certainly can take advantage of the tax breaks, if their employer has a 125 plan, and pay for their premium with pre-tax dollars. But for retirees, they have always been paying for the retiree healthcare with post-tax dollars.

Nina ([04:47](#)):

Hmm. That's an interesting fact that probably not a lot of people realize.

Marianne ([04:50](#)):

Yeah, I didn't realize it until, uh, maybe a year ago. So it is interesting. So what the Helps Act initially did was it allowed the public safety retirees to use up to 3,000 of their pension dollars on a pre-tax basis to pay those healthcare premiums so long as they were provided by either their former employer or the pension plan. And it was deducted right from their pension payment, to pay for those premiums pre-tax. And this has been in place for those pension systems or former employers who opted to put it in place. But let me tell you, Nina, not all of them, did put it in place.

Nina ([05:27](#)):

So, or public safety retirees, they could only take advantage of the original Helps law if their pension system or their former employer opted into it. Tell me, why would a system choose not to do something like that?

Marianne ([05:39](#)):

Some pension systems have public safety and lots of other public employees, and so they would have to have one system for the public safety, another system for the non-public safety. And, I know a lot of systems never opted into doing it. So I think it was just an administrative burden. Uh, reason why they didn't

Nina ([06:06](#)):

So help me and our listeners better understand this. How has this law changed exactly?

Marianne ([06:13](#)):

Well, the Secure Act 2.0 was passed by Congress and signed into law by President Biden. And it changed the Helps act, to allow this benefit to be much more flexible, but again, only for public safety positions. So under the Enhanced Helps rules, what can happen is a retiree can simply declare up to \$3,000 of their pension income as tax free on their federal tax form, so long as they can prove that they use that amount, of money to cover their retiree healthcare premiums.

Nina ([06:51](#)):

So what exactly is different now from before the new law?

Marianne ([06:55](#)):

What's different is it doesn't matter who makes the healthcare premium payment under the old Helps act, it had to be the employer or the pension system that they retired from that was paying directly to the health plan by taking that money out of the retirees pension. Now a retiree can buy an individual Medicare plan or even a Pre-Medicare plan, and as long as they have proof that they have paid that premium, should they ever get audited, they could just, deduct that from their income and their federal tax form up to \$3,000 per person.

Nina ([07:33](#)):

Now, now, Marianne, it sounds like this legislation gives public safety retirees greater flexibility than they used to have.

Marianne ([07:39](#)):

Yeah, that's exactly what it does. It really is great because first of all, not all systems provide retiree healthcare. So those that don't, now these retirees can certainly take advantage of this tax benefit, no matter where they're paying it. But we also know that there are also public safety pension plans that maybe are a bit expensive. I'm always talking about how I think, group of retiree healthcare plans often cannot compete with individual-retirement healthcare plans. And so if that plan was too expensive, we would see retirees actually leave their, pensions, healthcare plan. And if they did, they lost this tax benefit. Well, now they can take the tax benefit anywhere they go, uh, whoever they pay their medical premiums to, um, regardless of how they're purchasing it, um, they can deduct that from their income, on their federal, tax form. So it really does give them that flexibility.

Nina ([08:40](#)):

So for example, if they buy an individual plan from an exchange like Via benefits by WTW, and as long as they could show proof of payment, should they be audited, they can deduct up to \$3,000 per year from their taxable pension income for their payments of retiree healthcare?

Marianne ([08:57](#)):

Yes, you've got it. That's exactly right. And it also eliminates the retirees dependence on their former employer or pension system, opting into a burdensome program. You know, it really does give the retirees greater choice in which plans they pick. And keep in mind, not all former employers or pension system, as I mentioned, provide retiree healthcare. So for those who don't, this becomes a significant added benefit.

Nina ([09:22](#)):

So what happens if a public safety retiree has a funded HRA from their employer to pay for their healthcare premiums? Can they still take advantage of this tax benefit?

Marianne ([09:31](#)):

Well first, remember, the nice thing about the HRA model is that it provides tax-free dollars to the retirees. So they're already getting tax-free dollars. So they may not need to take advantage of the new changes in the Helps Act. However, as I'd mentioned, some employers don't provide any funding for the retirees healthcare, or they only provide a small amount and not enough to cover the whole premium.

Nina ([10:47](#)):

So in that situation, for example, let's say a retiree spent a thousand dollars in HRA money, but that didn't cover all of their premium costs. So then they spent another \$3,000 out of their own pocket toward those premiums, they are then allowed to exclude that \$3,000 from their taxable income. Is that what you're saying?

Marianne ([11:07](#)):

Yes, that's exactly how it works. And what that does is it allows them to essentially pay up to \$3,000 of their income, tax free towards healthcare. So they get the benefit that way. Now, keep in mind the IRS never allows people to get a double, tax benefit. So, if they had enough in their HRA to pay all of it and then they try to deduct \$3,000, that would be a no-no. So they need to make sure they're in compliance with, IRS rules and regulation.

Nina ([11:41](#)):

I believe WTW played an active role in getting this legislation passed. What can you tell our listeners about that?

Marianne ([11:49](#)):

Yeah, we sure did, and I'm very proud of that fact. We had a, a number of conversations with members of Congress and their staff in both the House and the Senate to educate them on the value of this enhancement and encourage their support for the provision. I'm told we conducted close to 40 meetings with legislators, and we also worked very closely with a wonderful organization that advocates for public sector pensions, and that is the National Coalition of Public Sector Retirement Systems, also called NCPERS. They have been a long time advocate, for retirement security for public employees.

Nina ([12:35](#)):

Yeah. In fact, WTW is a member of NCPERS and we have spoken at some of their conferences. If our listeners would like more information about NCPERS and its mission or to access its trainings, they can visit www.ncpers.org. That's n-c-p-e-r-s.org. As always, Marianne, I've learned so much today. Thank you for giving me and our listeners better insights into the Helps Retirees act.

Marianne ([13:04](#)):

Happy to do so. Talk to you next time. Nina.