June 13, 2019

MEMORANDUM

TO: City and County Superintendents of Education

FROM: Eric G. Mackey  
State Superintendent of Education

RE: Public Education Employees’ Health Insurance Plan (PEEHIP)

As you may know, the Public Education Employees’ Health Insurance Plan (PEEHIP) was recently ordered to refund to PEEHIP members certain health insurance premiums. Active education employees pay PEEHIP premiums through their employers on a pre-tax basis and the refunds will therefore be subject to federal and state income taxes and applicable employee and employer Social Security and Medicare payroll taxes under the Federal Insurance Contributions Act (FICA). In other words, these refunds must be reported by the employer to the IRS as taxable income for active employees. In addition, the employer must withhold and pay the employee’s share as well as pay the employer’s share of FICA taxes on the refunded amounts.

PEEHIP officials have taken steps to make the refund process as simple as possible for education employers. PEEHIP will send an electronic file of refund amounts (premiums and interest) to the employer, utilizing the same file format each employer receives from PEEHIP every month. PEEHIP will also transfer funds to the employers to pay their employees’ refunds and interest. The employers will receive explicit instructions from PEEHIP on how to process the refunds.

It is PEEHIP’s goal to obtain permission from the court to pay all refunds by July 31, 2019. In the event that PEEHIP obtains permission and transmits the necessary files to employers by July 9, 2019, I am hereby instructing you to have your school systems process the refunds and issue them to the systems’ employees who are entitled to refunds by July 31, 2019. Letters will be sent by PEEHIP in July informing each member of the amount of the gross refund and interest to which they are entitled and explaining the tax ramifications of the refunds. The letter will also include contact information for PEEHIP representatives who can answer any questions the members may have.

If you have any questions, please call Diane Scott, Chief Financial Officer of the Retirement Systems of Alabama, at (334) 517-7302.

EGM:LAK

cc: Chief School Financial Officers

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