



## Health Care Savings Plan At-A-Glance



Our **TAX-FREE** Solution



## The Health Care Savings Plan

is an employer-sponsored program that allows Minnesota Public employees to invest money in a medical savings account while employed. This plan is administered by the Minnesota State Retirement System (MSRS).

### How It Works

You are automatically enrolled and contribute to the Health Care Savings Plan (HCSP) as directed by the bargaining agreement or personnel policy of your employer. You choose how your account balance is invested. After you end employment, you may access the funds to reimburse eligible medical expenses incurred by you, your spouse, legal tax dependents and adult children up to their 26th birthday. An administrative fee is charged to help pay for the cost of plan services. This fee is prorated and deducted monthly from your account balance.

### HCSP is a **TAX-FREE** Account!

More of your money works for you in an HCSP account because you don't pay taxes on contributions or reimbursements. Here is an example showing how you benefit from **TAX-FREE** savings assuming a severance payment of \$10,000.

Severance Paid to HCSP Account	
Severance Payment	\$10,000
Federal Income Tax	\$ - 0
State Income Tax	- 0
FICA Tax	- 0
<hr/>	
<b>\$10,000</b>	
Net Contribution to HCSP	

Severance Paid in Cash	
Severance Payment	\$10,000
Federal Income Tax	\$ -2,200
State Income Tax	- 705
FICA Tax	- 765
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<b>\$6,330</b>	
Net Payout in Cash	

FOR ILLUSTRATION  
PURPOSES ONLY.

*This hypothetical example assumes a 22% federal tax withholding rate, a 7.05% state tax withholding rate and a 7.65% FICA (Social Security and Medicare) tax rate.*

*Individual tax rates may vary based on total taxable income and filing status for the year.*



**Did you know** your HCSP contributions and reimbursements from the account are not reportable on federal or state income tax returns?



## How are Your Contributions Invested



Contributions are automatically invested in the **Money Market Fund**. Once your account is established, you have the freedom to choose your investment mix at any time. You can also transfer all or a portion of the existing account balance among any of the investment options offered by the plan. Restrictions may apply.

## HCSP Investment Options

You can invest your contributions in any combination of the available investment options.



Learn more online:

[www.msrs.state.mn.us/hcsp-investment-options](http://www.msrs.state.mn.us/hcsp-investment-options).

### Investment Options

T. Rowe Price Small Cap Stock Fund	<p>Higher Risk/Potential Reward</p> <p>Lower Risk/Potential Reward</p>	<p>Carefully consider the investment option's objectives, risks, fees and expenses. To obtain a prospectus, summary prospectus or disclosure document, as available, containing this information contact MSRS. Read them carefully before investing.</p> <p>Visit online at: <a href="http://www.msrs.state.mn.us">www.msrs.state.mn.us</a></p> <p>Call the MSRS Service Center: 1.800.657.5757 or 651.296.2761</p>
Vanguard Total International Stock Index Fund		
Vanguard Mid Cap Index Stock Fund		
Vanguard Total Stock Market Index Fund		
Vanguard Dividend Growth Fund		
Vanguard Balanced Index Fund		
Dodge & Cox Income Fund		
Vanguard Total Bond Market Index Fund		
Stable Value Fund		
Money Market Fund		

*You could lose money by investing in the Money Market Fund. Although the Fund seeks to preserve the value of your investment at \$1 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.*

Investing involves risks, including possible loss of principal. Stock funds have greater risk than bond funds and bond funds have greater risk than capital preservation funds. Investing in foreign investments increases risks due to currency fluctuations, taxation differences and political developments. Bond funds are subject to interest rate, inflation and credit risks associated with the underlying bonds.

## Eligibility Requirements for Reimbursements

You can access your HCSP account for reimbursement of eligible medical expenses when you:

- ▶ Separate from service at any age
- ▶ Retire
- ▶ Collect a disability benefit from a Minnesota public pension plan

Only eligible medical expenses incurred after you leave public employment can be reimbursed. You pay the bill and then submit a Reimbursement Request form with appropriate documentation of expenses to MSRS. Your reimbursement will then be mailed to you or electronically deposited into your bank account.

## Inheriting the Balance of an HCSP Account

Upon your death, any remaining HCSP account balance is transferred to an heir. The assets are placed in an HCSP account for your survivor and must be used for the reimbursement of healthcare-related expenses.

### Who inherits the account balance?

- 1 **Spouse** - Automatically inherits 100% of the remaining balance. Reimbursements to a spouse are tax-free.
- 2 **Legal tax dependents** - The balance is divided equally among your dependents. Reimbursements to a dependent are tax-free.
- 3 **Beneficiaries** - If you are not survived by a spouse or dependent, your named beneficiary will inherit the balance. Reimbursements to a beneficiary are taxable income.

Reimbursements are always paid to **YOU**. MSRS never pays the medical provider.





# Benefits of the Health Care Savings Plan



## Post-Employment Account

After you end public employment, you can request reimbursements for eligible healthcare expenses regardless of your age. Reimbursement of expenses is available for you, your spouse, dependent children and adult children up to age 26.



## Reimbursement of Out-of-Pocket Medical Expenses

The HCSP provides reimbursement of insurance premiums and other medical expenses not covered by your insurance. Using the tax-free dollars accumulated in your HCSP account to reimburse out-of-pocket medical expenses may help provide significant savings for you and your family.



## Choose How Your Funds are Invested

Contributions are automatically invested in the Money Market Fund. You have the freedom to change your investment mix at any time.



## Account Balances Always Transfer to a Beneficiary

Upon your death, any remaining account balance will transfer to an HCSP account for your spouse, dependents or a designated beneficiary.

## Most Common **Reimbursable** Expenses

- Premiums for medical, dental and long-term care insurance
- Medicare Part B, C and D premiums
- Insurance deductibles and co-pays



- Prescription drug co-pays
- Eye-care expenses
- Dental expenses
- Chiropractor and acupuncture



To learn more see: [www.msrs.state.mn.us/eligible-expenses](http://www.msrs.state.mn.us/eligible-expenses).

View IRS Publication 502 Medical and Dental expenses at: [www.irs.gov](http://www.irs.gov)

**NOTE:** The current IRS Publication 502 supersedes MSRS documentation regarding reimbursable health care-related expenses.

# Frequently Asked Questions



## Can I opt out of the HCSP?

You may opt out if you:

- Are eligible for TRICARE retiree insurance benefits
- Have a service-connected disability
- Are a foreign national who plans to return to your country of origin after you end employment
- Have comprehensive health insurance coverage provided for life that is at least 70% paid for by an employer. The coverage must be provided by a source other than your current employer who sponsors your HCSP.
- Are a Native American eligible for tribal insurance coverage.

Once you opt out of participation in the HCSP, you cannot enroll at any time in the future.

## What federal and state laws govern the HCSP?

The HCSP is a tax-exempt section 115 Governmental Integral Part Trust. The HCSP assets can only be used for post-employment medical expenses. The trust was approved by an IRS private letter ruling, which ensures the tax-exempt status. Minnesota Statutes, Chapter 352.98 authorizes Minnesota State Retirement System (MSRS) to offer the HCSP to governmental employees who work for a city, county, school district, political subdivision or the State of Minnesota.

## Can I have multiple medical savings plans?

Yes, you may invest in multiple tax-advantaged medical savings plans such as a Health Savings Account (HSA), Health Reimbursement Account (HRA) or Flexible Spending Account (FSA). However, you cannot be reimbursed for the same expense from more than one savings plan or deduct a reimbursed expense on your federal income tax return.

## How much are administrative fees?

The annual administrative fee is 0.65 percent of your account balance. This fee is prorated and deducted monthly from your account balance. The maximum annual fee is \$140 (or \$11.67 per month). Fees are subject to change.

## How do I monitor my account?

There are several ways to monitor and access your account.



**Statements** - A summary of your account information will be available online or mailed to you quarterly.



**Online 24/7 Access** - Manage your HCSP account anytime and as often as you like.



**Phone** - Speak with an MSRS representative Monday through Friday from 8:00 a.m. to 4:30 p.m.

## Contact Us – We're Here To Help!



Phone: **1.800.657.5757 or 651.296.2761**

Web: **[www.msrs.state.mn.us](http://www.msrs.state.mn.us)** Email: **[info@msrs.us](mailto:info@msrs.us)**

Address: **60 Empire Drive, Suite 300 St. Paul, MN 55103**

Hours: **Monday – Friday, 8:00 a.m. - 4:30 p.m.**

**The Health Care Savings Plan (HCSP) is administered by Minnesota State Retirement System (MSRS).**

**This material has been prepared for informational and educational purposes only and is not intended to provide investment, legal or tax advice. Investing involves risk, including possible loss of principal.**

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