

Advisor

Understanding your beneficiary designation

It is important to understand how HCSP assets are distributed upon your death to avoid an improper beneficiary designation or unforeseen surprises. Due to unique plan rules, an HCSP beneficiary designation may not be like other plans you are familiar with, including life insurance or a retirement plan. If there is a balance in your HCSP account at the time of your death, the assets are distributed as follows:

If there is . . .	Then . . .
A surviving spouse	<ul style="list-style-type: none"> 100% of the account balance <i>automatically</i> transfers to your spouse to use for tax-free reimbursements of eligible health care expenses.
No spouse, but surviving legal dependents	<ul style="list-style-type: none"> the account balance transfers to your legal dependents to use for tax-free reimbursements of eligible health care expenses.
No spouse or legal dependents	<ul style="list-style-type: none"> the designated beneficiary(ies) will inherit any remaining account balance for reimbursements of eligible health care expenses. reimbursements to a beneficiary are taxable income.
No spouse, legal dependents or designated beneficiary	<ul style="list-style-type: none"> the personal representative of your estate will be asked to name a beneficiary. HCSP assets cannot be distributed to the estate, as the balance must be used for reimbursement of health care expenses incurred by a natural person.

Be assured that upon your death, your HCSP assets are always passed on to an heir. The remaining account balance is never refunded to the employer who sponsored your plan.



Naming or changing a beneficiary designation

It's always a good idea to name a beneficiary, even if you have a spouse or legal dependents. Life events – including marriage, divorce, death or children growing up – can impact who will receive any remaining HCSP assets upon your death. A beneficiary designation is even more critical if you do not have a spouse or legal dependents. There are two ways to name or change your beneficiary:

- Complete the *Beneficiary Designation* form, which can be obtained online at www.msrs.state.mn.us or by calling the MSRS Service Center at 1-800-657-5757.
- Log in to your account online at www.msrs.state.mn.us. Go to *Personal Information > Beneficiary Information* to view, add, or edit your beneficiary designation.

We encourage you to periodically review your designation to ensure it's still appropriate.

What should I consider when naming a beneficiary?

- **Your spouse's right to any remaining HCSP assets upon your death can never be waived.**
- **Once your child is no longer a legal dependent, he/she can be listed as your beneficiary.**
- **MSRS cannot accept a beneficiary designation for a non-living entity including a trust, estate or charitable organization. Inherited HCSP funds must be used for reimbursement of out-of-pocket health care expenses incurred by a natural person.**
- **A domestic partner is not considered a surviving spouse under current federal law; however, he/she can be named as your beneficiary.**



Beneficiary FAQ

Why does the *Beneficiary Designation* form instruct me not to name my spouse and/or legal dependents?

Your spouse and/or legal dependents are automatically entitled to any remaining account balance upon your death; therefore, the *Beneficiary Designation* form should be used to name the person next in line to receive the balance. Think of your beneficiary designation as a back up or “contingent” beneficiary in the event there is no spouse or dependents.

Why doesn't my spouse's name appear on the quarterly statement?

Neither your spouse nor legal dependent's names appear on the quarterly statement under “*Beneficiary Information*” because they are not considered a “designated” beneficiary. Upon your death, they are automatically entitled to any remaining HCSP assets.

If my spouse is not listed as the beneficiary, how will MSRS know who to pay upon my death?

Typically, a family member, friend, or employer contacts MSRS to report a participant's death. The caller is asked to identify the surviving spouse or legal dependents, if any.



We also review our records to see if a spouse was listed on the *Beneficiary Designation* form and search obituaries in local newspapers or on the Internet. If there is a surviving spouse (or if none, legal dependents), he/she is notified in writing that they are eligible for the remaining HCSP account balance.

What is a legal dependent?

A legal dependent is a person who can be claimed on your tax returns. For more guidance, please see www.irs.gov.

Still have questions?

Please contact the MSRS Service Center at 651-296-2761 or 1-800-657-5757, option 3.

