



Health Care Savings Plan

Sample health care costs

Amount needed to cover retiree health insurance¹ to age 90

		Retiree Only	Retiree & Spouse
	Anita retires age 66	\$151,200	\$302,400
	Sarah retires age 62	\$184,678	\$394,926

For illustrative purposes only

SOURCE: MSRS 2020

¹Based on SEGIP health insurance cost of \$701/month retiree; \$2,061 retiree & spouse from age 62 to age 65 and \$355 SEGIP supplemental insurance and \$145 Medicare Part B / month for retiree & spouse from age 65 to age 90

What is the HCSP?

A **tax-free** savings account

- ✓ **Tax-free** contributions
- ✓ **Tax-free** potential growth
- ✓ **Tax-free** reimbursements
- ✓ **No** Social Security, Medicare or income taxes

Reimburse **post-employment** health care expenses for employee, spouse, legal tax dependents, and children up to 26th birthday.

NOTE: Your Social Security benefit may be slightly reduced because no FICA tax is collected on contributions

Tax-free matters

Taxable Cash Payout

Severance payment	\$10,000
Federal Income Tax	2,200
State Income Tax	680
FICA Tax	765
<hr/>	
Net cash payment	\$6,355

Tax-Free HCSP Payout

Severance payment	\$10,000
Federal Income Tax	0
State Income Tax	0
FICA Tax	0
<hr/>	
Net cash payment	\$10,000

For illustrative purposes only

This hypothetical example assumes a 22% federal withholding rate + 6.80% state withholding rate + 7.65% FICA (Social Security and Medicare) tax rate. Individual tax rates will vary based on total taxable income and filing status for the year.

Eligibility for participation



Participation MUST be...

- negotiated in union contract
or
- included in personnel policy for non-union employees



Participation CANNOT be...

- individual choice—group participation must be specified in union contract or personnel policy

Investment Default

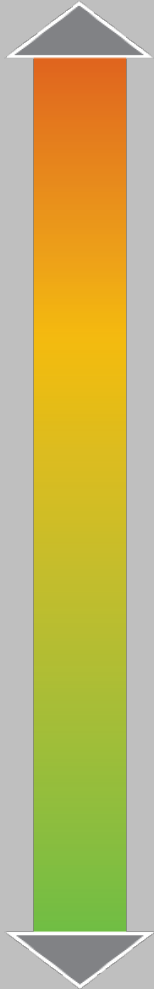


Money Market Fund

- Seeks to maintain the value of a participant's original investment
- Seeks to earn interest that is competitive with short-term interest rates
- Plan expenses may exceed earned interest

You could lose money by investing in a money market, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed. Although the fund seeks to preserve the value of your investment at \$1 per share 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.

*Higher Risk
Potential Reward*



*Lower Risk
Potential Reward*

Investment options

T. Rowe Price Small Cap Stock Fund

Vanguard Total International Stock Index Fund

Vanguard Mid Cap Index 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

FOR ILLUSTRATIVE PURPOSES ONLY The chart reflects the expected relative risk/return potential over the long-term. Past performance is not a guarantee of future results.

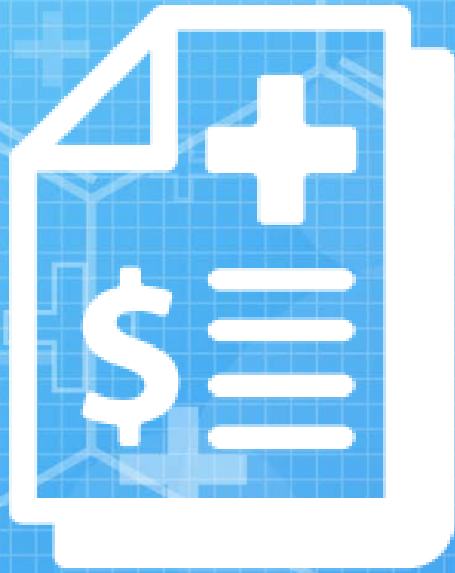
Investment Disclosure

*Please consider the investment objectives, fees and expenses carefully before investing. The prospectus and/or disclosure documents contain this and other important information about the investments offered through your plan. To obtain a prospectus or disclosure document, or to learn more about the investment options, visit **www.msrs.state.mn.us** or call 800-657-5757. Read such materials carefully before investing.*

No investment is 100% risk free. You can incur loss of principal by investing. There is no assurance that investing will ensure a profit or protect against loss.

Foreign investments involve special risks, including currency fluctuation, taxation differences and political developments. Equity securities of small and mid-sized companies may be more volatile than securities of larger, more established companies. Asset allocation and balanced investment options and models are subject to the risks of the underlying funds, which can be a mix of stocks/stock funds and bond/bond funds. A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news, and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

When can you request reimbursements?



- Upon termination of employment... at any age
- Once retired
- If collecting a disability benefit from a MN public pension plan

Returning to work?

You may have limited or no access

What is reimbursable

Eligible medical/dental expenses, including:

- Insurance Premiums
 - Health, Medicare, Dental, Long-Term Care
- Dental costs
- Eye-care costs
- Co-payments & prescription drugs
- Over-the-counter drugs with prescription



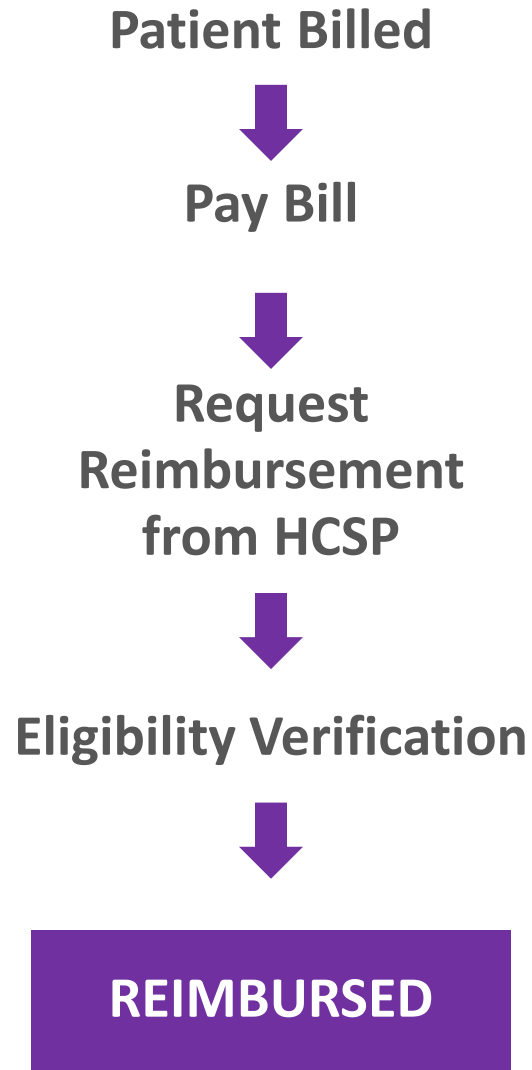
For other eligible expenses, see IRS Publication 502

What cannot be reimbursed

- Life insurance premiums
- Teeth bleaching
- Cosmetic surgery
- Finance charges on bills
- Fees for health club membership
- Funeral expenses
- Vitamins



Reimbursement requests



- Paid directly to participant, not to insurer or provider
- Out-of-pocket expenses
 - Minimum payout \$75
 - Maximum limit: \$37,000 in 2022
- Monthly insurance premiums
 - Medical, dental, long-term care, Medicare
 - Set up direct deposit to bank account

HCSP/HSA compatibility

If a contribution is made to an HSA on your behalf in same year you are eligible to access your HCSP:

- Your HCSP account becomes “limited-use”
- May request reimbursements for dental & vision expenses only during the year.



Complete a *Reimbursement Suspension Election* form each calendar year that you or your employer contribute to an HSA

What happens if you die?

Spouse or legal dependents¹

- Account balance transfers to HCSP account for spouse

OR, if no spouse

- Account balance transfers to HCSP account for dependent(s) Spouse or legal dependent reimbursements remain **tax-free**

¹Legal dependent is someone you can claim on your federal tax return.

What happens if you die?

If NO spouse or legal dependents¹

- Account balance transfers to HCSP account for your designated beneficiaries
- Reimbursements taxed as ordinary income (MSRS will issue IRS Form 1099-MISC)

¹Legal dependent is someone you can claim on your federal tax return.

Receive an HCSP Welcome Packet

in approximately **4 weeks:**

- after your first contribution is received
- after your termination date is entered or your employer remits severance payment



Take action



Review
your investments

The Money Market Fund is the investment default



Remember
post-employment account for health expenses only



Do not report
reimbursements from your account on your federal/state tax return since the HCSP is a **tax-free** plan



Time table

Pre-retirement timetable

PRIOR TO RETIREMENT	ACTION
5 years	<ul style="list-style-type: none">● Maximize contributions to your MNDCP account in your final working years● Calculate your retirement budget● Adjust your MNDCP & HCSP investment allocation as appropriate
1 year	<ul style="list-style-type: none">● Explore your retirement income & expenses● Prepare your retirement budget
6 - 12 months	Contact your pension plan provider to request an audited pension estimate
3 months	Contact Social Security, if retiring at age 62+
1 - 2 months	<ul style="list-style-type: none">● Complete pension application File with pension plan● Contact H.R. about insurance & HCSP eligibility

Post-retirement timetable

AFTER RETIREMENT	ACTION
Immediately	ENJOY ENJOY ENJOY ENJOY
Up to 6 weeks	Receive pension authorization letter & first payment
30 days after receipt of pension authorization letter	Your joint & survivor benefit option is irrevocable
1st week of the next month	Receive monthly pension payment
December	Receive notification of post-retirement increase
January	Receive tax Form 1099-R for pension & MNDCP payments



Contact us

Receive more details about the information you just saw

or

Make an appointment to speak to one of our retirement counselors



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Today's workshop was designed to:

- *Provide you with fundamental information on your MSRS retirement plans*
- *Objectively highlight your investment options*
- *Outline other sources of information for your decisions*

Please read all investment-related information prior to investing

This presentation is for general education purposes only and does not, nor is intended to constitute legal, tax, investment or financial advice of any kind.

- *Please consult your own advisors for such advice*

