MINNESOTA STATE RETIREMENT SYSTEM

HEALTH CARE SAVINGS PLAN
PLAN DOCUMENT

Adopted By: <u>Minnesota State Retirement System</u>
Plan Sponsor

<u>Health Care Savings Plan (HCSP)</u>
Name of Plan

<u>July 1, 2025</u>
Effective Date

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Introduction

The Health Care Savings Plan (HCSP) is an employer-sponsored program administered by the Minnesota State Retirement System (MSRS) that allows employees to save money for reimbursement of post-employment medical and dental expenses and/or health insurance premiums. Contributions are made by Minnesota public employers to a trust on behalf of its employees. Amounts credited to an employee's account can be used to reimburse eligible healthcare expenses after the employee terminates employment from public service or in other limited circumstances.

Participants may choose from the available investment options provided by the Minnesota State Board of Investment (SBI). It is intended that assets in the program accumulate tax-free, and are paid out to Participants on a tax-free basis for reimbursement of eligible healthcare expenses (in accordance with IRS Publication 502 and Internal Revenue Code 213(d)).

Plan Sponsor And Trustees	The Board of Directors of the Minnesota State Retirement System 60 Empire Drive, Suite 300 St. Paul MN 55103 651-296-2761
Plan Administrator Information	The Executive Director Minnesota State Retirement System 60 Empire Drive, Suite 300 St. Paul, MN 55103 651-296-2761
Name of Plan	Health Care Savings Plan (HCSP)
Plan Custodian	Voya Institutional Trust Company One Orange Way Windsor, CT 06095-4774
Plan Recordkeeper	Voya Institutional Plan Services, LLC One Orange Way Windsor, CT 06095

Glossary of Terms

Administrator
Administrator means the Minnesota State Retirement System Executive Director appointed by the Board of Directors to administer the Plan. Administrator shall not include the Recordkeeper or any company which issues policies, contracts, or investment media to the Plan in respect of a Participant.

Beneficiary
The person(s) designated by the Participant who, in the absence of a surviving spouse or Dependent, is entitled to receive benefits under the Plan after the death of the Participant. The Beneficiary must be a natural person.

Board of Directors
The Board of Directors of the Minnesota State Retirement System (MSRS) as established under Minnesota Statutes, section 352.03.

Custodian
The bank, trust company or other person, if any, selected by the Sponsor as indicated on page 3 of this Plan Document and who is authorized to hold Plan assets in a custodial account in accordance with regulations issued by the Secretary of the Treasury pursuant to Code 410(f).

Dependent
Includes a spouse and any person who can be legally claimed as a dependent for federal tax purposes. A dependent as defined in Internal Revenue Code section 152.

Fund Trustees
The Minnesota State Retirement System (MSRS) Board of Directors act as the trustees for the Health Care Savings Plan (HCSP) Trust Fund.

Participant
Refers to an individual who is currently enrolled in the Health Care Savings Plan. Only individuals who meet certain criteria defined by the Employer/Bargaining Unit are eligible to participate in the Plan.

Plan
Refers to the Health Care Savings Plan (HCSP) administered by Minnesota State Retirement System (MSRS).

Plan Administrator
Administrator means the Minnesota State Retirement System Executive Director appointed by the Board of Directors to administer the Plan. Administrator shall not include the Recordkeeper or any company which issues policies, contracts, or investment media to the Plan in respect of a Participant.

Plan Document
This Plan Document is adopted by the Board of Directors of Minnesota State Retirement System (MSRS), which governs administration of the Plan, pursuant to Minn. Stat. §352.03, subd. 4.

Plan Sponsor
Sponsor means the Minnesota State Retirement System Board of Directors. A Plan Sponsor offers said Plan and ensures the Plan Administrator operates in compliance with the rules related to said Plan.

Plan Year
For financial reporting purposes, the plan year will be identified as a fiscal year running from July 1 to June 30. For plan provisions, the plan year will be identified as a calendar year running January 1 to December 31.

State
Means the State of Minnesota and its political subdivisions, agencies and instrumentalities.

Trust Document
The legal document which governs and protects the assets of the Plan for the sole benefit of the Participants.

Legal Authority

State

Minnesota Statutes, Chapter 352.98, authorized the Administrator to establish a plan or plans, known as the Health Care Savings Plan (HCSP), through which public employers and employees may save to be reimbursed for post-employment health care expenses. The law mandates MSRS to make available one or more trusts, authorized under the Internal Revenue Code to be eligible for tax-preferred or tax-free treatment.

The Board of Directors of Minnesota State Retirement System (MSRS) has authority to oversee the Plan and establish Plan rules, pursuant to Minn. Stat. §352.03, subd. 4. The terms of the Plan will be governed under Minnesota law.

Federal

The State, acting through the MSRS, intends that the Trust, hereby established, shall be exempt from income tax and FICA tax as an integral part of the State as provided under the Internal Revenue Code of 1986, as amended (the "IRS Code"), IRS Revenue Ruling 87–2, and other relevant guidance.

Fiduciary Responsibility

The Board of Directors of Minnesota State Retirement System (MSRS) are fiduciaries as provided in Minnesota Statutes, sections 352.03 and 356A, and as such, the Board of Directors is willing to hold and administer the Trust Fund for the benefit of eligible HCSP Participants and beneficiaries under and in accordance with the terms of the HCSP Plan Document and the HCSP Trust Document.

Recordkeeper

The Plan Recordkeeper, as contracted by the Administrator, shall be responsible for the administration of investments held in the Plan. The Plan Recordkeeper's duties shall include:

- Receiving contributions under the terms of the Plan;
- Making reimbursements from Plan assets held in Trust in accordance with written instructions received from an authorized representative of the Plan Administrator;
- Keeping accurate records of the Trust assets and making such records available to the Plan Administrator.

The Plan Recordkeeper's duties shall be limited to those described above. The Administrator shall be responsible for any other administrative duties required under the Plan or by applicable law.

Participation and Contributions

Employer and Employee Participation

Eligibility Criteria
Employers shall be eligible to participate in the Plan if they make retirement contributions and take retirement deductions on behalf of employees of the state or a political subdivision, including officers or employees covered by a plan or fund specified in chapter 353D, 354B, 354D, 424A, or section 356.20, subd. 2.

Participation Criteria
Like any other collectively bargained benefit, employer participation is voluntary. Employee eligibility requirements and contributions to the Plan are determined as follows:

- **Union Employees**. Amounts to be deposited into the account and employee eligibility requirements must be negotiated or agreed to by both the bargaining unit and the employer and written into a collective bargaining agreement or Memorandum of Understanding (MOU). Once contributions are approved and established in the agreement, employees who meet the eligibility requirements must participate as set out in the agreement

- **Non-Union Employees**. Amounts to be deposited into the account and employee eligibility requirements must be agreed to by the employer and included in a written personnel policy. Once contributions are approved and established in the personnel policy, employees who meet the eligibility requirements must participate as set out in the policy.

Employee participation is mandatory. Individual employees who meet the eligibility requirements set out in the bargaining agreement or personnel policy cannot opt out of the Plan except in limited circumstances as described in “Exemption Rules” on page 12.

Funding Sources

An employer may elect to contribute either a specified dollar amount or a percentage of employees' salaries into separate accounts established for each employee in the Trust Fund. Contributions may be derived from one or more of the following sources, as determined by the employer(s):

- **Additional Employer Contributions.** Contributions may be made in addition to the salary and other benefits provided to employees.

- **Mandated Employee Contributions.** The employer may mandate that employees' salaries be reduced to offset contributions.

- **Severance Pay.** Many public employers pay unused vacation and/or sick leave as severance pay at the time an employee terminates employment. An employer may mandate that all or a portion of such severance pay be paid to the Trust Fund.

Employer Responsibilities

The employer shall:

- Enroll each employee group in the Plan in a manner approved by the Administrator.

- Shall obtain approval from the Administrator for the group to participate in the Plan before contributions are remitted on behalf of employees.

- Notify the Administrator when Plan language has been modified.

- Notify the Administrator if the employee group will no longer participate in the Plan.

- Remit contributions to the Trust Fund within a period that is not longer than is reasonable for the proper administration of the Participant's account balance. Plan contributions shall be deemed to be remitted within a period that is not longer than 15 business days following the end of the month in which the amount would otherwise have been paid to the Participant unless specifically stated otherwise in the bargaining agreement or personnel policy.

Investment Options

Investment Options

The MSRS invests its funds through the Minnesota State Board of Investment (SBI) in compliance with Minnesota Statutes, Chapter 11A. It shall be the sole responsibility of the SBI to ensure that all investment options offered under the Plan are appropriate and in compliance with any and all state laws pertaining to such investments. Once the funds are invested, in accordance with the Trust Document, they are held in trust for the sole purpose of paying reimbursements for qualified medical expenses and paying administrative expenses. The Trust is for the sole purpose of the Participant and cannot be reclaimed by the employer or by creditors of the employer.

A Participant has the right to direct the investments of their account. If a Participant does not provide such direction, the Participant's account shall be invested in the default investment option selected by the Plan Sponsor.

Participant Investment Direction

Participants shall have the option to direct the investment of their account from among the investment options offered by the Plan. The Participant's right to transfer among or out of any such investment options shall be subject to any timing or other restrictions imposed upon Participants by the providers of the investment options chosen by the Participant, including, but not limited to market-timing restrictions, excessive trading restrictions and redemption fees. The Trustee or Custodian, as applicable, shall hold title to such investment options. A Participant's right to direct the investment of account balances shall apply only to making selections among the options made available under the Plan and only to the extent specified by the Administrator pursuant to uniform rules. The terms of this paragraph, including any trading restrictions or fees, shall also apply to beneficiary and alternate payee accounts.

(a) Each Participant shall designate in a manner prescribed by the Administrator one or more investment options in which they wish to have their account invested and may change such investment directions in accordance with and at the time or times specified under uniform rules established by the Administrator or the investment provider, as applicable. The Participant's account shall be debited or credited as appropriate to reflect all gains or losses on such investments.

(b) Neither the Administrator, the Trustee, the Custodian, nor any other person shall be liable for any loss incurred by virtue of an investment in the default investment option, following the Participant's investment direction, or by reason of any reasonable administrative delay in implementing such directions.

(c) The SBI may from time to time change the investment options made available under the Plan pursuant to uniform rules established by the Administrator. If an investment option is eliminated, all Participants who chose that investment option shall have money remaining in the eliminated investment option on the elimination date reinvested in the replacement investment option. The Participants shall have no right to require the Administrator to select or retain any investment option. Any change with respect to investment options made by the Administrator, however, shall be subject to the terms and conditions (including any rules or procedural requirements) of the affected investment options.

Administrative Features

Plan Year

For financial reporting purposes, the plan year is identified as a fiscal year running from July 1 to June 30.

For plan provisions, the plan year is identified as a calendar year running January 1 to December 31.

Reimbursements

Eligibility

Participants are eligible to request reimbursements from their Plan upon:

- Retirement;
- Termination of employment at any age;
- Receipt of a disability benefit from a Minnesota public pension plan.

Returning to Work After Termination or Retirement

Rehired Employee

A rehired employee is defined as a Participant re-employed by a previous public employer that sponsored their HCSP **and** whose status as a terminated employee of the sponsoring employer lasted less than 13 consecutive weeks, or less than 26 consecutive weeks, if employer is an educational organization.

Generally, a rehired employee is not eligible to request reimbursement of medical expenses incurred after they return to work. *Exception*: Participants may be reimbursed with funds credited to their HCSP account prior to January 1, 2014, provided they are rehired in a position that is not eligible for employer-sponsored medical insurance coverage.

New Employee

A new employee is defined as a Participant who returns to work with a:

- different employer; **or**
- previous employer that sponsored their HCSP **and** the period of absence with no earnings from that employer was 13 consecutive weeks or longer, or 26 consecutive weeks or longer, if employer is an educational organization.

A new employee may request reimbursement of eligible medical expenses from the account balance attributed to their previous employment. The account balance attributed to the new employment cannot be accessed until the Participant terminates service.

Allowable Expenses

Expenses are deemed “allowable” if they are for healthcare expenses (as defined in Internal Revenue Code section 213(d)) of an eligible Participant, their spouse, legal dependent(s), or for adult children until their 26th birthday.

MSRS shall not reimburse for any healthcare expenses other than those allowed under the Internal Revenue Code.

Reimbursements, including insurance premiums, are payable directly to the Participant.

Proof of Expenses

In order to receive reimbursement for allowable health care expenses, including insurance premiums, Participant must either complete a paper *Reimbursement Request* form or request reimbursement through the MSRS portal. Requests for reimbursement must include valid receipts or any other documentation that MSRS deems necessary to verify the expenses incurred.

All claims for reimbursement are verified against IRS Publication 502 to ensure compliance with Internal Revenue Code section 213(d). An annual maximum exists for reimbursements of out-of-pocket medical expenses subject to Internal Revenue Code section 105(h). The annual maximum amount may be adjusted annually and is based on increases or decreases of inflation for medical expenses and/or premiums.

There is no annual maximum with respect to healthcare expenses not subject to Internal Revenue Code section 105(h), including reimbursements of health insurance premiums.

Reimbursement Schedule

Reimbursements will be paid directly to the Participant, either by direct deposit into a personal bank account designated by the Participant or by check. Out-of-pocket expenses are processed daily. Ongoing installment reimbursements of medical, dental, or long-term care insurance premiums are processed monthly.

MSRS shall establish procedures necessary to process reimbursements and deposit funds to Participant bank accounts.

Exemption Rules

An employee shall be ineligible to contribute to the Plan if they elect and are approved by the Administrator to waive participation due to one of the following circumstances:

- The employee is a foreign national and plans to return to the country in which they are a citizen upon termination of public employment.
- The employee will receive employer-paid post-retirement health care coverage provided by an employer other than the employer who is sponsoring their HCSP, or through a spouse's employer. The insurance must be provided for life and at least 70 percent of the cost of health insurance coverage is paid for by the employer.
- The employee is eligible for certain military health care coverage.

The employee must file the request to waive participation with the Administrator in a manner approved by the Administrator. Requests to be exempt from the Plan are subject to approval by the Plan Administrator.

An employee's election to waive participation is irrevocable.

If the employee has a Plan account balance at the time the employee becomes ineligible for future contributions, the funds credited to such account shall be subject to the same terms that apply to the accounts of other Participants, including the rules that apply to eligibility, proof of expenses, and reimbursement schedule

Designating Account Beneficiary(ies)

The Participant may designate a Beneficiary(ies) to receive any amounts distributed in the event of the Participant's death and there is no surviving spouse and/or legal dependents. (The Participant's spouse or legal dependents are automatically entitled to any remaining account balance after the death of the Participant.)

A Beneficiary must be a natural person.

A Participant may change or remove the designated Beneficiary(ies) at any time by filing a request with the Administrator in a manner approved by the Administrator. A request to change or remove the Beneficiary designation shall take effect the date received and deemed acceptable by the Administrator.

A surviving spouse or legal dependents shall always supersede a Beneficiary's right to any remaining balance upon the death of the Participant.

Marriage Dissolution: In the event of marriage dissolution, the former spouse of the Participant is no longer eligible to receive the balance of the account upon the death of the Participant unless the divorce decree provides otherwise. If a Participant wishes to keep a former spouse as their designated Beneficiary, a *Beneficiary Designation* form must be completed.

Death of Participant

Contributions to the Plan

Contributions to the Plan shall end upon the Participant's death, unless the contribution is a payroll deduction from wages earned prior to the Participant's death.

Rights of Succession

If the Participant dies prior to exhausting their HCSP account balance, the surviving spouse shall be eligible (pursuant to the rules established by the Administrator) to be reimbursed, tax-free, for eligible healthcare expenses until the account balance is exhausted. The surviving spouse may not disclaim their right to any remaining account balance.

If the Participant has no surviving spouse, the remaining account balance will be divided equally among all legal dependents. Each dependent's share shall be treated as a separate HCSP account to be used for the tax-free reimbursement of eligible healthcare expenses.

If the Participant has no spouse or legal dependent(s), then the designated beneficiaries shall be eligible to be reimbursed for healthcare expenses until the account is exhausted. If the Participant has more than one designated beneficiary, the account balance will divided as instructed by the participant. In the absence of a specific percentage, the account will be divided equally among the beneficiaries. Each beneficiary's share shall be treated as a separate HCSP account. Reimbursements to a Beneficiary are subject to state and federal taxes.

If the Participant has no spouse, legal dependent(s) or designated beneficiaries, then the representative of the estate will determine who is eligible to receive the money, which must be used for the reimbursement of eligible healthcare expenses.

Election to Suspend Reimbursements

A Participant may elect to suspend reimbursement eligibility for a plan year in which there is "conflicting coverage" because the Participant, spouse, or employer contributed to a Health Savings Account (HSA) on behalf of the Participant. For administrative purposes, the plan year will be identified as a calendar year running from January 1 to December 31. To suspend the HCSP account, a Participant must submit a *Reimbursement Suspension Election* form prior to the beginning of that plan year. The suspension election is effective for that plan year and may not be modified or revoked during that period.

- The suspension election applies to reimbursement of medical expenses; however reimbursement of dental or vision expenses is allowable if a Participant meets the eligibility criteria described in the "Reimbursements" section (see page 10).
- The suspension election must be renewed each plan year.
- If a Participant suspends his/her HCSP account, the Employer shall continue to deposit funds to the account as outlined in the applicable bargaining agreement or personnel policy.
- Participants may not request reimbursement of expenses incurred during the plan year for which the suspension election applies regardless of whether the reimbursement request is submitted during the plan year or subsequent years.

Plan Rules and Termination

Establishing Plan Rules
The MSRS Board of Directors may establish Plan rules regarding the administrative functions and items that are not clearly articulated in Federal or State Law. The Plan rules are not effective until formally adopted by the Board of Directors at a public meeting, and are not subject to the State of Minnesota rule making process of the State.

Amending the Plan
The MSRS Board of Directors has the authority to amend the Plan at any time, in whole or in part. Amendments to the Plan shall not be effective unless officially adopted by the MSRS Board of Directors. These amendments must be made at a public meeting. Participants will be notified of any Plan changes.

The Plan Administrator shall provide a copy of any Plan amendments to the Recordkeeper.

Changes imposed by the Internal Revenue Service, either by law change, regulations or ruling, shall be effective immediately without approval from the MSRS Board of Directors.

Plan Termination
In the event the Plan is lawfully terminated for any reason, amounts not credited to Participants' accounts or used for paying fees and reasonable administrative expenses of the Trust, shall revert back to the State of Minnesota and governmental employers participating in the Plan. Amounts reverted will be made on a pro-rated basis. The pro-rated amount will be calculated by determining the percentage of assets attributable to each governmental unit in relation to all the Plan assets. Any amounts remaining at termination of the Plan will be divided as pro-rated to governmental units covering employees in the Plan.

Amounts credited to Participants' accounts will remain in the Participants' accounts. Individual Participants will continue to utilize their accounts as set out in this Plan Document until their account balance is exhausted.

Fees and Expenses

Administrative Fee
Administrative fee(s) are established by the Board of Directors of Minnesota State Retirement System (MSRS).

The Board of Directors, in their capacity as the Plan fund trustees, set the annual administrative fee at 0.65 percent. Fees are subject to change. The fee is prorated and deducted from Participants' accounts on a monthly basis. Fees shall not exceed $140 per year.

Investment Expenses
Annual investment expenses are charged by the State Board of Investment and are subject to change.

Statement Fee
Fees for paper participant statements may be assessed at the cost charged by the Recordkeeper, assuming paperless options are provided by the Recordkeeper at no additional cost.

Employer Fees
There are no fees charged to the employer; all fees, administrative and investment are paid by the Participant. All fees are subject to change.

Miscellaneous

Account Corrections

It shall be the Participant's obligation to review all confirmation statements and quarterly statements for discrepancies or errors. Account corrections will be made only for errors which are communicated by the Participant to the Administrator within 60 calendar days of the last quarter end. After 60 days, account information shall be deemed accurate and acceptable. If the Participant notifies the Administrator after this 60-day period, the correction will only be made from the date of notification forward and not on a retroactive basis.

Small Balance Transfer to Plan Sponsor Account

On a quarterly basis, the balance of each Participant account that has a small balance shall be transferred to the Plan Sponsor account. A Participant account has a small balance if the balance of the account is five dollars or less for a period of at least three months and no contributions are made to the account for the same period.
Each Participant whose small balance is transferred to the Plan Sponsor account shall be notified. At the Participant's request, any small balances transferred from the Participant's account to the Plan Sponsor account will be restored to the Participant's account.

Assignability of Participant Account

None of the money in the Plan is assignable either in law or in equity or subject to estate tax, or to execution levy, attachment, garnishment, or other legal processes, except as provided in Minnesota Statutes, sections 518.58, 518.581, or 518A.53.