

Health Care Savings Plan

Sample health care costs

Amount needed to cover retiree health insurance[1] to age 90

	Retiree only	Retiree & Spouse
 Anita retires age 66	$155,520	$311,040
 Sarah retires age 62	$190,548	$407,952

FOR ILLUSTRATIVE PURPOSES ONLY

SOURCE: MSRS 2024

[1]Based on SEGIP health insurance cost of $793/month retiree; $2,332/month retiree & spouse from age 62 to age 65. $365/month SEGIP supplemental insurance and $175/ month Medicare Part B 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 eligible **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
Net cash payment	**$6,355**

Tax-Free HCSP Payout	
Severance payment	$10,000
Federal Income Tax	0
State Income Tax	0
FICA Tax	0
Net cash payment	**$10,000**

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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

State employee participation

Union	Paycheck contribution	Severance	Vacation
AFSCME		√	√
MAPE	1%	√	√
MMA	2%*	√	√
Managerial** & Commissioners	1.5% & 1.0%	√	√**

For participation specifics, refer to your union contract at:

https://mn.gov/mmb/employee-relations/labor-relations/labor/

*2% effective 7/1/2026

**See contract for details

Investment Default

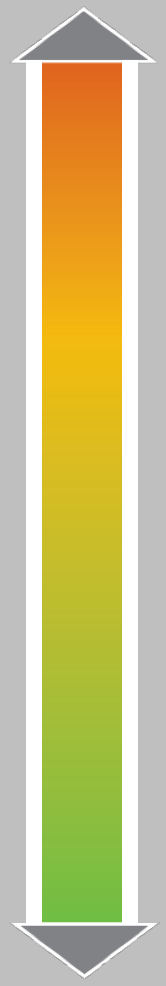


Money Market Account

- 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 account. Although the account seeks to preserve the value of your investment at $1 per share, it cannot guarantee it will do so. An investment in the account is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The account's sponsor has no legal obligation to provide financial support to the account, and you should not expect that the sponsor will provide financial support to the account 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
Core Bond Account Vanguard Total Bond Market Index Fund
Stable Value Account

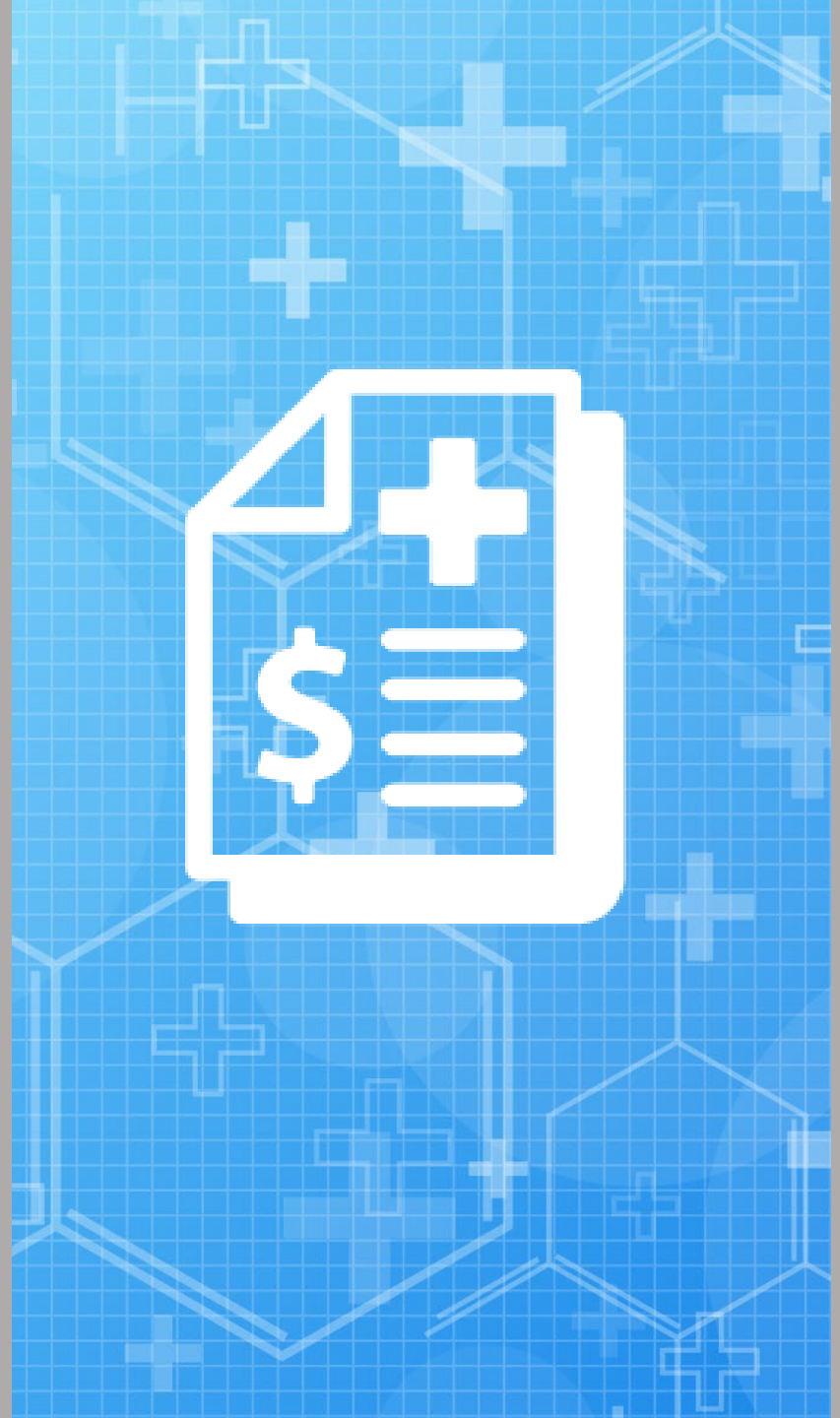
FOR ILLUSTRATIVE PURPOSES ONLY *The chart reflects the expected relative risk/return potential over the long-term. Past performance is not a guarantee of future results.*

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.mnretire.gov 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

Some examples that cannot be reimbursed

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



Not all inclusive

Reimbursement requests



- Paid directly to participant, not to insurer or provider
- Out-of-pocket expenses
  - Minimum payout $75
  - Maximum limit: $45,000 in 2026
- 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

About beneficiary designations

What if something happens to you?

Spouse or legal dependents[1]

- Account balance automatically transfers to HCSP account for spouse

  OR, if no spouse

  Account balance automatically transfers to HCSP account for dependent(s)
- Reimbursements remain **tax-free**

If NO spouse or legal dependents[1]

- Account balance transfers to HCSP account for your designated beneficiaries
- Reimbursements taxed as ordinary income

[1]Legal 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 Account 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

HCSP Q&A

- Click on the button to raise your hand
- Once your name is called, you will be able to un-mute
- General questions
- Please mute yourself again and take down your hand
- To follow-up with MSRS, visit www.mnretire.gov and select “Contact Us”



Time Table

Pre-retirement timetable

PRIOR TO RETIREMENT	ACTION
5 years	• 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	• 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	• Complete pension application File with pension plan • Contact H.R. Office about insurance & HCSP eligibility

Post-retirement timetable

AFTER RETIREMENT	ACTION
Immediately	Enjoy Enjoy Enjoy Enjoy Enjoy
About 6 weeks	Receive pension authorization letter & first payment
30 days after receipt of pension authorization letter	Your joint & survivor benefit option becomes 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

Get more information

Pension Plan		
MSRS	www.mnretire.gov	**1-800-657-5757**
TRA	www.minnesotatra.org	**1-800-657-3669**
PERA	www.mnpera.org	**1-800-652-9026**
Retiree insurance (health, dental, life)	Contact your designated retiree insurance dept, or:	
	State employees	**651-355-0100**
	University of MN employees	**612-624-8647**
	Met Council employees	**651-602-1601**
Social Security	www.ssa.gov	**1-800-772-1213**
Medicare	www.medicare.gov	
Administration for Community Living	www.acl.gov	

NOTE: These Web sites are for general education & information only and are provided as a benefit to the users of the site.

MSRS Minnesota State Retirement System
Your Foundation for Retirement



Locations:

St. Paul -	60 Empire Drive · Suite 300
St. Cloud -	4150 Second Street S · Suite 330
Mankato -	11 Civic Center Plaza · Suite 150
Detroit Lakes -	714 Lake Ave · Suite 100
Duluth -	525 S Lake Ave · Suite 325

Contact Us!

Receive more details about the information you just saw

or

Login to your account online to make an appointment to speak to one of our retirement specialists

www.mnretire.gov

1.800.657.5757 or 651.284.7730

Follow us on LinkedIn

! Important Notes

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*



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Thanks for attending!

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Please help us improve these pre-retirement webinars by completing our online survey.

https://www.surveymonkey.com/r/MSRS_webinar_survey