

## When and how can I access the money in my account?

You can be reimbursed for eligible expenses using money from your account when you:

- Leave employment
- Retire
- Are collecting a disability benefit from a Minnesota public pension plan
- Have been on a medical leave for six months or longer
- Have been on a leave of absence for one year or longer

You pay your eligible expenses out-of-pocket and then submit a *Reimbursement Request* form and documentation of the expenses to MSRS. You will be reimbursed for eligible out-of-pocket costs either by check or through direct deposit into your bank account.

## What if I die with money remaining in my account?

If there is a balance remaining in your account upon your death, it is automatically transferred to your spouse and/or legal dependents to use for tax-free reimbursement of eligible health care expenses.

If you do not have a spouse or legal dependents, or your spouse dies before you, your designated beneficiaries can use the remaining balance in your HCSP for reimbursement of eligible health care expenses. Reimbursements to a designated beneficiary are subject to state and federal income taxes.

We encourage you to periodically review your HCSP beneficiary designation. Even if you have a spouse or legal tax dependents, it's still a good idea to have a beneficiary designation on your account. To obtain a *Beneficiary Designation* form, visit [www.msrs.state.mn.us](http://www.msrs.state.mn.us) or contact MSRS.

## How can I monitor and manage my HCSP account?

There are several ways to monitor and manage your HCSP account:

- Review quarterly statements
- Log in to your account online at [www.msrs.state.mn.us](http://www.msrs.state.mn.us)
- Call the Automated Voice Response (AVR) System
- Contact an MSRS Representative at 651-296-2761 or toll-free at 1-800-657-5757

## Does an HCSP affect my other tax-advantaged medical savings plans?

You may invest in multiple tax-advantaged savings plans, such as a Health Savings Account (HSA), Health Reimbursement Account (HRA), or Flexible Spending Account (FSA); however, you cannot request reimbursement of the same expense from more than one savings plan or deduct a reimbursed expense on your federal income tax return.

### Special note regarding Health Savings Accounts (HSAs)

You may not request reimbursement for medical expenses from your HCSP during a calendar year in which both of the following conditions apply:

- You are eligible to request reimbursements from your HCSP because you retired or terminated from employment; AND
- You or your employer contributed to an HSA or your spouse or spouse's employer contributed to an HSA.

The IRS considers having **access** to your HCSP account while also **contributing** to an HSA, "conflicting coverage." Please contact MSRS for more details.



60 Empire Drive, Suite 300  
St. Paul, Minnesota 55103-3000

## Success of HCSP

The Minnesota State Retirement System (MSRS) administers the HCSP for the benefit of governmental employees throughout Minnesota.

Since its inception in July 2001, the Plan has gained popularity and grown in size.

Minnesota Statutes, section 352.98 authorizes MSRS to offer this program to governmental employers in Minnesota.

MSRS Representatives are registered representatives of ING Investment Advisors, LLC (Member SIPC).

651-296-2761 or toll-free at 1-800-657-5757  
[www.msrs.state.mn.us](http://www.msrs.state.mn.us)



# Health Care Savings Plan At-a-Glance




The Health Care Savings Plan (HCSP), administered by the Minnesota State Retirement System (MSRS), offers you the opportunity to make the most of each dollar you set aside for health care expenses. More than a savings account, the HCSP is an individual, tax-free account to be used for reimbursement of post-employment medical expenses for you, your spouse, legal tax dependents, and children up to their 26th birthday.

This guide provides an overview of the HCSP, an employer-sponsored tax-free account that can help pay for eligible health care expenses after you leave Minnesota public employment.

For more information about the Plan, visit [www.msrs.state.mn.us](http://www.msrs.state.mn.us) and select “Health Care (HCSP).” Or call MSRS at 651-296-2761 or toll-free at 1-800-657-5757.

## What is the Health Care Savings Plan (HCSP)?

HCSP is an employer-sponsored program that allows you to invest money in a tax-free account while you are employed by a Minnesota public employer. Once you leave employment, you may access your account for reimbursement of eligible health care expenses for you, your spouse, legal tax dependents, and children up to their 26th birthday. As you know, out-of-pocket medical expenses, including medical insurance premiums, can quickly add up to thousands of dollars. Using the tax-free dollars accumulated in your HCSP account to reimburse these costs may provide a significant savings for you and your family.

 *HCSP is a tax-free account, which means contributions and eligible reimbursements are not reportable on state or federal income tax returns.*

### Fees

The annual administrative fee is 0.65 percent of your account balance. This fee is prorated and deducted monthly by MSRS from your account balance. For example, if you have an account value of \$10,000, MSRS will deduct \$5.42 per month from your account. The maximum annual fee is \$140 or \$11.67 per month. Fees are subject to change.

## How are contributions made to the HCSP?

The type and amount of contributions to the HCSP are determined as follows:

- If you are covered by a bargaining unit, contributions to the Plan must be negotiated or agreed to by both the bargaining unit and employer and written into a collective bargaining agreement or Memorandum of Understanding (MOU).
- If you are not covered by a bargaining unit, contributions to the Plan must be agreed to by your employer and included in a written personnel policy.

You cannot choose to contribute more money to your HCSP account on an individual basis. Only negotiated and agreed upon contributions are allowed.

## What are eligible health care expenses?

Eligible expenses are those that are deductible for federal income tax purposes. Some of the more common expenses reimbursed by HCSP include:

- 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
- Hearing aids and batteries
- Medical supplies (e.g., bandages)
- Medical equipment (e.g., crutches)

For more examples of eligible health care expenses, please visit [www.msrs.state.mn.us](http://www.msrs.state.mn.us). For a complete list of eligible expenses, refer to IRS Publication 502, which can be found at [www.irs.gov](http://www.irs.gov).



## Why is participation in this Plan mandatory? Can I opt out?

IRS rules require that all employees participate in the HCSP adopted by their employer or bargaining unit. However, you can opt out of the Plan if you:

- Are a foreign national
- Have comprehensive health insurance coverage provided for life that is at least 70 percent paid for by an employer (the insurance coverage must be provided by a source other than your current employer who sponsors your HCSP)
- Are eligible for TRICARE retiree medical benefits or V.A. medical benefits due to a service-connected disability

Once you opt out, you may not participate at any time in the future. Please contact MSRS for more information.

## How are contributions invested?

Contributions are automatically invested in the Money Market Account unless you elect one or more of the other investment options offered. You can change how future contributions are invested or transfer all or a portion of your existing account balance among any of the investment options offered by the Plan.\* There are three ways to manage your investment selections:

1. Log in to your account online at [www.msrs.state.mn.us](http://www.msrs.state.mn.us)
2. Call the Automated Voice Response (AVR) System
3. Contact a MSRS Representative at 651-296-2761 or toll-free at 1-800-657-5757

*\* You may not transfer balances directly from the Fixed Interest Account to the Money Market Account.*

## HCSP Investment Options

You can invest your HCSP contributions in any combination of seven investment options. For investment information, visit [www.msrs.state.mn.us](http://www.msrs.state.mn.us) and select “Health Care (HCSP),” then “Investment Options” or contact an MSRS representative. To review a prospectus, visit [www.sbi.state.mn.us](http://www.sbi.state.mn.us). The prospectus is located under the Publications link. Please consider the investment objectives, risks, charges and expenses of the options carefully before investing.

Risk/Reward Potential	Name	Annual Investment Expenses*
HIGHER	International Share Account	0.35%
	Growth Share Account	0.20%
	Common Stock Index Account	0.02%
	Income Share Account	0.01%
	Bond Market Account	0.10%
LOWER	Fixed Interest Account	0.06%
	Money Market Account†	0.01%

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

*† Shares of the Account are neither insured nor guaranteed by the U. S. Government. There is no assurance that the portfolio will be able to maintain a stable net asset value of \$1.00 per share.*

*Depending on your investment option selection, account values may fluctuate with market conditions. Consider your personal risk tolerance when making investment decisions. Past performance does not guarantee future returns.*



## How HCSP helps you save money

Here’s an example of how contributing a severance payment to your HCSP could save you between 30 and 40 percent in taxes.

Let’s say you are eligible for \$5,000 in severance. If this was paid to you in cash, you would only receive about \$3,000 after deducting federal, state and FICA (Social Security and Medicare) taxes. If your severance is directed into the HCSP, the entire \$5,000 would be invested for reimbursement of health care expenses, effectively saving you \$2,000.