

Introduction

During a marriage dissolution proceeding the court may decide that the assets accrued in the Health Care Savings Plan (HCSP) account during the marriage must be divided between the two parties of the divorce. For the court to have sufficient information regarding the value of the marital assets, the Minnesota State Retirement System (MSRS) will provide the participant or others (provided they meet the criteria in Minnesota Statutes Chapter 356.49) with the value of the HCSP account.

Dividing the HCSP Account

If the court decides that the assets of the HCSP account must be divided, a copy of the court order must be submitted to MSRS. If the order is acceptable, a portion of the HCSP account will be transferred to a new account established solely for the ex-spouse. If the ex-spouse already has a HCSP account, their portion will be transferred to their existing HCSP account. The amount transferred to the ex-spouse's account will depend on the instructions in the divorce decree or court order, the effective date of the division, and the gain or loss in the account since the end of the month that the division is effective.

The HCSP account can be split after the participant has received reimbursement payments from the account.

After the HCSP Account is Divided

The ex-spouse may immediately begin to receive payments from their HCSP account for reimbursement of eligible medical expenses incurred. Please note: If the ex-spouse works for a public employer and already has their own HCSP, until they terminate employment, they may only access the dollar attributed to the marriage dissolution.

An ex-spouse may modify the investment allocation in their account.

Death of an ex-spouse

If the ex-spouse dies, their portion of the account becomes the property of their heir(s).

- If the heir(s) is a spouse or legal dependent, the account balance is used for tax-free reimbursement of eligible medical expenses.
- If there is no spouse or legal dependent(s), the account balance is transferred to the designated beneficiary to use for reimbursement of eligible health care expenses. Reimbursements to a designated beneficiary are subject to state and federal income taxes.

Sample Language Available

MSRS will provide sample language regarding the division of a HCSP account. This sample language can be incorporated into the Judgement and Decree for marital dissolution. A draft order should be submitted to MSRS for review prior to filing it with the court.

Beneficiary Designation

In the event of a marriage dissolution the participant may wish to change the beneficiary designation. The beneficiary designation determines who receives the remaining assets in the HCSP account. To change the beneficiary, a *Beneficiary Designation* form must be completed and returned to the address below. To obtain the form, contact MSRS or download it from our website listed below.