



COMMONLY ASKED QUESTIONS AND ANSWERS ABOUT PARTICIPATION IN A RETIREE EMPLOYER FUNDED HRA

What is a Post-Employment HRA?

A Post Employment Health Reimbursement Account is an investment account held in trust that is coupled with a "Health Reimbursement Arrangement" (HRA). An HRA is an employer sponsored or union sponsored medical benefit plan through which you can get reimbursed tax-free for your eligible out-of-pocket medical or dental expenses (*e.g.*, expenses that are not paid for by insurance or any other benefit plan). HRA's operate under specific provisions of the Internal Revenue Code (IRC), and reimburse for health expenses of the participant, spouse, and qualified dependents during retirement.

Must I be enrolled in a high-deductible medical plan or other program to participate in the HRA

No. Eligibility for the HRA is not tied to enrollment in any other program.

How do I become eligible for the HRA?

Eligibility is determined by the collective bargaining for union groups and by personnel policy for non-represented employees.

May I opt in or out of the HRA?

No. IRS rules generally do not allow individual choice regarding whether or not to participate in the program. With very limited exceptions, the program cannot allow an employee to "opt out" of participation.

How is the HRA funded?

IRS rules require the HRA be funded only with employer contributions. Such employer contributions include (1) a specific dollar amount contributed on a specific interval (*e.g.*, \$X per pay period), and (2) mandatory conversion of accrued, unused sick leave balances upon termination of employment or other intervals. The details of the employer contributions (*e.g.*, amount, frequency, type, etc.) are matters of plan design. They must apply uniformly to all employees within an employee group but may differ between employee groups. Collectively bargained groups may have additional allowable employer contribution structures, such as percentage of pay.

Who decides the plan design for a group?

Union groups determine plan design through collective bargaining. Plan design is determined by personnel policy for non-represented groups.

May I voluntarily contribute additional amounts to the plan?

No. IRS rules do not allow employee voluntary contributions. The HRA must be funded only with employer contributions.

Is there a maximum amount that may be contributed to an individual account, either annually or over a career?

No. There is no maximum contribution amount at this time.

Where are assets held until I terminate or retire and access the assets?

Assets are held in trust in your name and may be invested if you choose. Your employer has selected a third-party administrator, North Shore Bank, to manage the trust assets and HRA plan.

May I direct the investment of my account assets?

Yes. You may choose to keep the assets in the default fund, or you may make investment decisions for your HRA assets. North Shore Bank offers Heartland Funds for the mutual funds investment options as well as CD's.

When may I access my account balance?

This is determined by the terms of your employer's plan document. Sometimes it is the result of what has been negotiated in collective bargaining, and depending upon the plan provisions, the ability to submit claims for reimbursement can begin as soon as you receive your first contribution or it can be deferred until a later date, such as when you reach retirement age. The funds are available only at severance of employment.

How will I access my account balance?

Your account balance may be accessed by submitting a claim for reimbursement of eligible medical expenses for you and/or your eligible dependent(s). Claims must be substantiated by providing appropriate documentation with the claim.

Is a participant required to begin spending down the assets within a certain time following termination of employment?

No. There is no requirement to access your assets within a time period following termination of employment. Assets can simply remain invested if the participant so chooses.

What happens to my assets at the end of a calendar year?

Unused balances carryover from year-to-year.

Is there a maximum or "ceiling" on the fund balance?

No, there is no maximum fund balance.

What expenses are eligible for reimbursement?

The participant and eligible dependents are eligible to be reimbursed for all medical expenses as defined by IRC Section 213(d) expenses and certain insurance premiums. Examples of eligible expenses include:

- Premiums for post-employment medical, dental, vision, Medicare Part B, Medicare Part D, Medicare Advantage Plans, and Long-Term Care Insurance premiums
- Deductible expenses (the part of covered expenses you pay before your health or dental plan pays any benefits) or co-insurance amounts (the percentage of covered expenses you must pay, if any, after the deductible requirement has been met.)
- Prescription drugs/copayments
- Medically necessary equipment or supplies
- Dental procedures (non-cosmetic)
- Vision care expenses, such as eye exams, eyeglasses/contacts, lens solution, laser surgery

Who is an eligible dependent?

Eligible dependent is defined by the IRS, and generally includes your spouse and dependent child(ren). Dependents may also include grandparents and grandchildren if they meet the IRS definition of a dependent.

Must my spouse or dependent also be "post-employment" in order to submit claims for reimbursement?

No. The "post-employment" designation applies only to you as the plan participant.

Must my spouse or dependent be enrolled in my health plan in order to submit claims for reimbursement?

No. Dependent eligibility is not tied to enrollment in any other program.

If I gain a dependent after termination of employment, are those dependent's expenses eligible for reimbursement?

Yes, dependent eligibility is based on eligibility at the time a claim is incurred, regardless of when contributions were made to the HRA.

Are the reimbursements or earnings taxable to the participant?

No. Interest earned on HRA account balances and reimbursements made for eligible medical expenses (Section 213(d)), are excludable from gross income.

What happens to the HRA assets upon the death of the participant?

If you have a spouse and/or dependents at the time of your death, they may continue to use your account to pay any eligible health care expenses that they incur until the account is exhausted. Please note that dependents must have been a "dependent" as defined by the IRS at the time of your death. Under IRS rules, no amount can be paid out of your account upon your death to anyone but your eligible spouse and/or dependents, and the payments can only be for the reimbursement of eligible health care expenses.

Can I name a beneficiary for my assets, other than a spouse or dependent?

No. The IRS does not allow payment to an estate, or any "cash-out" option.

Can my expenses incurred before my death be submitted for reimbursement after my death?

Yes.

Are funeral expenses reimbursable?

No.

May I have an HSA if I have an HRA?

HSAs and HRAs operate under different sections of the Internal Revenue Code and have different rules that apply to each of them. A person's ability to receive a contribution into an HSA (i.e., HSA eligibility) is determined in part by the health coverage of the person at the time of the proposed contribution to the HSA. Participation in the HRA does not prevent an *employee* from receiving or making an HSA contribution, because as long as the person is employed with the plan sponsor, there is no access to the HRA account balance. However, once employment with the plan sponsor ends and the account balance can be accessed, the accessible HRA would prevent a person from contributing to an HSA.