

Tax-advantaged savings for public employees.

HealthSecure HRA[®]





HealthSecure HRA is a program you can feel good about.

Corebridge Financial has teamed with leading HRA (Health Reimbursement Arrangement) service providers to offer you the best in local educational services and HRA plan administration. Our HRA service providers have administered HRAs and HRA-type plans dating back to 1984, serving more than 1,000 public employers with more than \$1 billion in HRA assets.¹

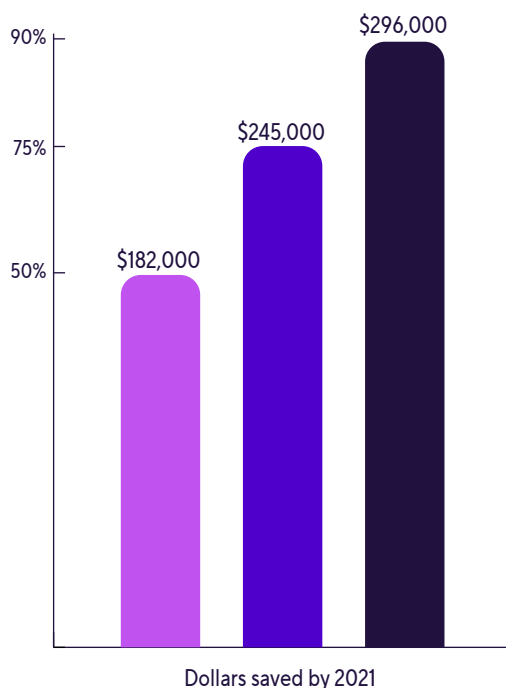
The HealthSecure HRA from Corebridge is a tax-advantaged program that benefits employers and helps employees fund pre- and post-separation medical care expenses. This carefully crafted program was designed with input from leading industry professionals and is based on conservative legal interpretations.

¹ Source: LIMRA, SRI Not-for-Profit Retirement Market Survey, 06/30/2022. Based on total assets in a survey of 16 major companies.

A growing need

Medical care costs are rising for both active and retired employees. You can help employees prepare for this growing need with the HealthSecure HRA that's free of federal income taxes and, in most states, also free of state income taxes.

Let's look at some projected costs of medical care in retirement. Take the hypothetical example of Jack and Sarah, both 65 years old, both having median drug expenses. In 2021, they would need \$182,000 to have a 50% chance of having enough money to cover medical care expenses (excluding long-term care) in retirement, \$245,000 to have a 75% chance of covering those expenses, and \$296,000 to have a 90% chance of doing so.



Savings targets to cover medical insurance premiums and out-of-pocket medical care costs in retirement

Likelihood that Jack and Sarah have saved the dollars they need to cover medical care costs in retirement.

There is a considerable amount of uncertainty in the amounts because of all the variables involved – each person's medical care requirements being unique. Still, the chart offers an idea of the immensity of medical care costs in retirement.

Source: Projected Savings Medicare Beneficiaries Need for Health Expenses Spike in 2021. Some Couples Could Need as Much as \$360,000 in Savings. by Paul Fronstin, Ph.D., and Jack VanDerhei, Ph.D., EBRI Notes, Employee Benefit Research Institute, January 20, 2022.

Helping employees with medical care expenses

An HRA is funded by the employer and can be used anytime, depending on the employer's plan design, to reimburse qualified out-of-pocket medical care costs and premiums for employees, spouses and qualified dependents.

Key program features

- Turnkey program minimizes use of employer resources
- Contributions, earnings and reimbursements are generally tax-free (state income taxes may apply in certain states)
- Payroll tax savings of up to 7.65% on contributions
- Account balances can carry over from year to year
- Multiple plan designs available, including post-separation and/or in-service benefits (reimbursements), vesting and our executive "post-separation/premium-only" feature
- Array of participant-directed investment fund options

Employer benefits

- Employer contributions fund the plan, and employer can set claim-eligibility requirements
- With some limitations, plans can be structured to benefit key employees
- Defined contributions to HealthSecure HRA can help reduce or eliminate reportable long-term OPEB liabilities under GASB 75
- Replace defined benefit retiree medical plans with a defined contribution HealthSecure HRA program
- No limitations on amount of contributions made on behalf of employees
- May assist in collective bargaining (such as substituting in-service contributions for salary increases), providing a new, tax-free benefit for employees

Employee benefits

- Tax-free contributions, earnings and withdrawals for qualified medical care expense reimbursements
- Tax-free reimbursements cover employee, spouse and qualified dependents (state income taxes may apply in certain states)
- A means to prefund out-of-pocket family medical care costs, including post-employment medical insurance premiums
- Claims are easy to file, and payments are processed daily
- Payroll tax savings of up to 7.65% on contributions
- Unused balances are available for continued use by spouse, and qualified dependents after participant's death

Tax-free contributions, earnings and reimbursements

Contributions to an HRA are not subject to federal income tax or FICA tax. Earnings credited to an HRA are generally held in a tax-exempt trust. Additionally, reimbursements for qualified medical care expenses are also excluded from federal income tax.

Common contribution sources include:

- Mandatory leave cash-outs annually, at retirement and/or separation from employment (e.g., annual leave, sick leave, vacation, personal, other)
- Mandatory employee contributions (e.g., exchange taxable wages such as future COLA or pay increase for tax-free HRA)
- Unused monthly benefit dollars provided by employer (only when benefit dollars are available solely for nontaxable benefits)
- Employer discretionary contributions

State income taxes may apply in certain states

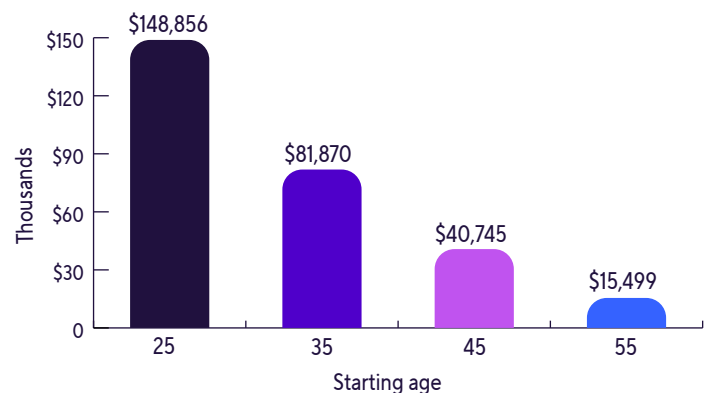
As your plan provider, Corebridge will partner with you in offering your employees a comprehensive program of long-term investments.

Separation Pay Cash-out Tax Savings with HRA

	Without HRA	With HRA
Cash-out Amount	\$10,000	\$10,000
25% Income Tax	<\$2,500>	N/A
7.65% FICA Tax	<\$765>	N/A
Net Amount	\$6,735	\$10,000

HRA saves \$3,265 in taxes!
 Tax savings are approximate.
 Assumes 25% federal income tax bracket and FICA

Growth of \$100 Monthly HRA Contribution Account value at age 65



This information is hypothetical, does not reflect the return of any specific investment and is not a guarantee of a specific rate of return. Illustration is based on an average annualized net earning of 5%.

Legal authority

The tax exemptions described are based on the provisions of Sections 105 and 106 of the Internal Revenue Code (IRC) and IRS guidance under IRS Notice 2002-45, Revenue Ruling 2002-41, Revenue Ruling 2005-24 and Revenue Ruling 2006-36. Although Sections 105 and 106 do not require a private letter ruling from the IRS, a Corebridge client has obtained a private letter ruling from the IRS confirming the tax exemption of contributions to and disbursements from its HRA plan, which is the model HRA plan for Corebridge.

The design and administration of the HealthSecure HRA Plan is in compliance with or exempt from the regulatory requirements for HRA plans added by the Patient Protection and Affordability Care Act (PPACA).

For governmental employers, Corebridge offers an IRC Section 115 trust for funding of HRA plan contributions. The legal authority for the tax exemption of earnings on assets within a Section 115 trust are based upon IRC provisions, Treasury regulations and IRS private letter rulings. Other nongovernmental employers, such as churches and other not-for-profit organizations, may also be eligible to use our HealthSecure HRA with other funding vehicles.



Plan design decisions

Eligible groups

The plan may cover all employees, collective bargaining groups or other designated groups, provided such groups are not designed to provide employees individual choice regarding participation or amount of contribution.

Contributions

Contributions can be an annual or monthly flat sum, a mandatory conversion of excess sick and/or vacation days (annually or upon termination or retirement) and, in some instances, a contribution of unused benefit dollars.

Effective date and plan year

The employer will choose an initial effective date and may choose a plan year based on any calendar quarter.

Post-separation/In-service benefits

The employer may choose either post-separation benefits only or in-service and post-separation benefits for employees who are also enrolled in a qualified group health plan as required by federal law.

Vesting

A vesting schedule may be selected for post-separation benefits. If a vesting schedule is selected, forfeitures of non-vested account balances must be considered (i.e., whether they offset future employer contributions, are reallocated to the remaining eligible plan participants, or are returned to the employer to meet other funding needs).

Executive “post-separation/premium-only” feature

When HRA contributions discriminate in favor of key employees, benefits paid are limited to reimbursement of qualified medical and long-term care insurance premiums incurred only after separation from employment or retirement. Public employees are not exempt from the nondiscrimination rules applicable to HRAs, which prohibit HRA contributions that are structured to favor highly compensated employees.

If the HRA is discriminatory under these rules, benefits must be limited to post-separation reimbursement of qualified medical and long-term care insurance premiums.

Forfeitures

The employer will decide how to use or reallocate forfeited funds in a participant account when a participant fails to meet vesting requirements for claims-eligibility, if any, or when a participant passes away without a surviving spouse or qualified dependents.

Employer account option

In addition to participant accounts, an employer may establish a separate employer account within the trust, allowing the employer to set aside funds for other obligations such as other post-employment benefits (OPEB) under GASB 75.

Irrevocability

Although the plan is structured so that vested account balances are irrevocable, the plan allows employers to specify the degree and terms of irrevocability for unvested member balances and balances within employer accounts, subject to the terms of any collective bargaining agreements, employer policies, or specialized trust instruments that may be more restrictive.

Employer responsibilities

We designed the HealthSecure HRA to help minimize employer responsibilities. After adopting and implementing the plan, you're responsible only for basic setup and maintenance tasks. (See the plan adoption and implementation process, page 12.)

Employer reports

The following reports are available on demand from your online employer portal:

- **Participant Roster Report**
Lists active and separated participants and supporting information, including effective dates, separation dates, coverage tiers and account balances.
- **Investment Activity Report**
Shows aggregate participant fund balance and investment activity, including contributions, earnings and claim reimbursements.
- **Disbursement Activity Report**
Contains aggregate claims paid by category: medical (deductible, coinsurance, co-pay, etc.); dental; vision; prescriptions; and premiums.

Additional reports are available upon request, including Balance Sheet and Income Statement. Requests for customized ad hoc reports can usually be accommodated.

Participant statements

Quarterly statements show all activity in the participant's account for the quarter. Participants will also be able to view their accounts online.

Participant tax-free reimbursements

Reimbursements free from federal income tax are available for qualified medical care expenses incurred by the participant, the participant's spouse and qualified dependents. The participant submits a claim and supporting documentation for qualified medical care expenses defined in IRC Section 213(d). Automatic reimbursements may also be set up for recurring insurance premiums. Reimbursements are processed daily. Direct deposit is available and recommended.

Plan service providers

Corebridge Program provider

Corebridge Financial helps people take action to secure their financial futures. We offer flexible products and services designed to help employers achieve their business goals and help employees reach their retirement goals.

Education and enrollment

Corebridge provides a national team of experienced financial professionals who offer face-to-face service. Participants have access to expert financial guidance as well as help in choosing from an array of products and services.

HRA Administrator, LLC (HRAA) Plan administration

HRAA, a Corebridge company, provides plan administration support for HRA plans of more than 140 employee groups.*

Gallagher Plan operation, administration, and consulting

Gallagher has provided plan operation and consulting services for HRA and similar programs that use tax-exempt trusts since 1984. Gallagher has developed cost-effective programs for more than 1,000 employer groups.*

Washington Trust Bank Custodian/transfer agent

Washington Trust Bank (WTB) has been providing wealth management and banking services for over 100 years, including trustee, custodial and administrative services to employee benefit plans since 1954. WTB's Wealth Management Department manages \$3.9 billion in assets on behalf of more than 2,350 clients.*

* www.healthsecurehra.com/about. Retrieved January 19, 2023.

Plan comparisons

Comparing HRAs to retirement plans

	Health Reimbursement Arrangement	403(b) or 401(a) with Mandatory Contributions	Voluntary 403(b), 457, TSA, Individually Elected Programs
Saves FICA taxes	Yes	Yes	No
Contributions are tax-free/tax-deferred	Tax-free	Tax-deferred (after-tax if a Roth account contribution)	Tax-deferred (after-tax if a Roth account contribution)
Contributions allow individual choice	No	No	Yes
Withdrawals subject to income tax	No (State income taxes may apply in certain states. Reimbursements restricted to qualifying expenses.)	Yes If Roth rules are followed, withdrawals from a Roth account are tax free	Yes If Roth rules are followed, withdrawals from a Roth account are tax free
Withdrawals can be made for any purpose	No Limited to medical expenses defined by IRC 213(d)	Yes Withdrawals restricted to plan provisions	Yes Subject to IRC withdrawal restrictions and plan provision
Contribution limits (Indexed annually)	No limit	\$69,000	\$69,000 for 403(b) plans (including employer contributions, but excluding any applicable catch-up contributions) \$23,000 for 457 plans
Public employers subject to nondiscrimination rules	Yes	No	No

Comparing HRAs, HSAs and FSAs

	Health Reimbursement Arrangement	Health Savings Account	Health Flexible Spending Account
Establishment of account	Employer sponsored (HealthSecure HRA limited to public and non-profit employers)	Eligible individual Employer Integrated with employer-sponsored Section 125 Plan	Employer-sponsored benefit program via Section 125 Plan
High Deductible Health Plan (HDHP) required	No	Yes For 2024, minimum deductible amounts are: Self only – \$1,600 Family – \$3,200	No
Eligibility	Employee who meets employer’s eligibility criteria	Eligible employee/individual covered by HDHP and no other non-HDHP coverage	Employee who meets employer’s eligibility criteria
FICA savings	Yes	Employer contributions – Yes Employee contributions – No	Yes
Contribution maximum	No maximum. Employer may impose a maximum, but there is no IRS limitation. Some limitations apply in the for-profit market	For 2024: Individual – \$4,150 Family – Age 55 catch-up Individuals age 55 or older may make additional contribution of \$1,000 per year (individual or family)	For 2024: \$3,200 annual IRS maximum on salary reduction contributions; employer may impose a lower maximum
Tax deductibility – employee	Contribution has no impact on current year earned income	Employee contributions are pretax if offered through a Section 125 Plan or tax deductible (through IRS Form 1040) if contributions are made independent from employer	Employee contributions are pretax
Taxation of accumulated earnings	Tax-free if assets are held in a tax-exempt trust	Tax-free if used to pay for qualified medical expenses only	N/A
Qualified retiree insurance premiums	Retiree health insurance and qualified LTC	Limited	None
Nonmedical withdrawals	Not allowed	Yes, but will be included in gross income and subject to 20% excise tax, unless made after death, disability or age 65	Not allowed
Carryover from year to year	Yes	Yes	No An FSA can be amended to permit a carryover of up to \$640 to the next plan year
Portable after termination	If vested, separated participants may continue to use their account	Yes	No

Plan adoption and implementation



The following is a list of basic steps most employers will consider when adopting the HealthSecure HRA. All forms necessary for plan adoption, including sample employer resolutions, policies and collective bargaining language, are provided.

1

Getting started

- Meet with your financial professional to discuss your goals and objectives; anticipated source funding; eligible employee groups; and to review how our HRA can be configured to best meet your needs.
- Meet with bargaining group leadership and employee benefits personnel to introduce the HRA concept and facilitate collective bargaining language or employer policy changes, if necessary. In addition, you will want to answer certain questions such as:
 - How will employer seek feedback from employees?
 - Will contribution amounts be voted on by employees as a part of the collective bargaining process?
 - What is the term of any bargaining agreements or policy?
 - How will contribution amounts be renewed or changed?
- Determine your plan design (see page 7), including employee group structure and eligibility requirements, effective date and plan year, contribution sources, vesting, in-service and/or post-separation benefits, forfeiture reallocations, etc.

2

Plan adoption

- Adopt the plan using your standard process for adopting new employee benefit plans. Sample resolution, collective bargaining and policy language are available, if needed.
- Document employee eligibility and contribution sources via collective bargaining agreement or employer policy (if applicable and/or necessary).
- Complete our turnkey employer adoption documents with assistance from your financial professional (detailed instructions are included). This electronic set of “fillable” documents formalizes your plan adoption and confirms your plan design decisions.
- Meet with representatives of the plan via conference call to confirm the provisions of your plan and to ensure your understanding of how to submit data and contributions for processing.

Your financial professional will assist you step by step with the plan adoption and implementation process.



3

Implementation

- Facilitate employee group education workshops and enrollment meetings with your financial professional team.
- Submit completed enrollment forms and employer contributions for processing. Electronic transfer of contribution data and funds is strongly encouraged. Step-by-step instructions are provided.

After receipt of a contribution and enrollment information on behalf of an employee, the HealthSecure HRA Plan will communicate directly with participants to provide plan information and necessary forms.

4

Ongoing

Other than processing periodic employer contributions, you should have minimal involvement in the ongoing administration of the program. However, there are some functions you must perform to help ensure success:

- Help facilitate education workshops conducted by your financial professional team.
- Assist your financial professional in gathering and forwarding enrollment information and materials.
- Send one or more contribution reports with contributions and provide information to the HealthSecure HRA Plan when certain events occur, such as:
 - When an employee separates from employment or meets vesting requirements and becomes eligible for benefits
 - When an employee forfeits any non-vested portion of his or her account
 - When a COBRA-qualifying event occurs with respect to any participant
- Review periodic employer quarterly reports provided to you by the HealthSecure HRA Plan.

The HealthSecure HRA Plan will correspond directly with participants. Account access and necessary forms are available to participants online, and you can direct employees with account questions to the HealthSecure HRA's Customer Care Center.

Let's help put the future for both your plan and your employees in reach

At Corebridge Financial, formerly AIG Retirement Services, we believe everyone deserves financial security. Every day, we work hard to make it possible for more people to take action in their financial lives—because action is the bridge from planning to outcomes, from today's financial needs to tomorrow's aspirations.

Discover how to improve overall plan health and individual employee outcomes with smart tech, personalized support and elevated experiences.

corebridgefinancial.com/retirementservices 1.888.478.7020

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