

PRE-TAX EXPENSE ACCOUNTS, DEFERRED COMPENSATION AND HEALTH CARE SAVINGS PLAN

1. Pre-Tax Expense and Reimbursement Accounts

- A. **Premium Expense Account.** Insurance eligible employees will pay for the employee portion of health and dental premiums on a pre-tax basis as permitted by law or regulation unless the employee signs a waiver.
- B. **Health/Dental Expense Account.** Regular employees will be allowed to participate on a pre-tax basis in a medical and dental expense reimbursement program to cover copayments, deductibles, and other medical and dental expenses or expenses for services not covered by health or dental insurance as permitted by law or regulation, up to the maximum amount of salary reduction contributions allowed per calendar year under Section 125 of the Internal Revenue Code or other applicable federal law. On the Minnesota Management and Budget Web site, see: "Medical/Dental Expense Account," at: <https://mn.gov/mmb-stat/documents/segip/doc/YEB.pdf#page=19>
- C. **Dependent Care Expense Account.** Regular employees have the option to participate in a dependent care reimbursement program for work-related dependent care expenses on a pre-tax basis as permitted by law or regulation. On the Minnesota Management and Budget Web site, see: "Dependent Care (Daycare) Expense Account," at: <https://mn.gov/mmb-stat/documents/segip/doc/YEB.pdf#page=19>
- D. **Mass Transit and Parking Expense and Reimbursement Account.** At the discretion of the appointing authority, regular employees have the option to participate in a pre-tax mass transit expense reimbursement and parking expense account program as permitted by law or regulation. Temporary employees who pay for parking by payroll deduction will have the deduction made on a pre-tax basis unless they file with their payroll officer a waiver of the pre-tax parking benefit within ten days after their date of hire. On the Department of Minnesota Management and Budget Web site, see: "Transit Expense Plan," at: <https://mn.gov/mmb-stat/documents/segip/doc/YEB.pdf#page=20>
- E. **Pre-tax Plans.** Pre-tax expense and reimbursement account plans will be those offered through the Department of Minnesota Management and Budget, except as otherwise provided by action of the appointing authority.

- 2. **Deferred Compensation.** Employees may participate in the State of Minnesota Deferred Compensation Plan. The plan is voluntary and allows employees to place a portion of their earnings into a pre-tax deferred investment program. Employees can contribute up to the annual contribution limits set by the IRS or 100% of their includible compensation, whichever is less. Current year contribution limits are available at: www.msrs.state.mn.us/contribution-rates-mndcp. Taxes on money set aside and on earnings are deferred until the time of withdrawal. This allows employees to defer present income for long-term savings to supplement retirement and other benefits. Full information on the plan is found online at: <https://www.msrs.state.mn.us/about-mndcp>

PRE-TAX ACCOUNTS (continued)

Effective July 1, 2022, the House will transition state-paid contributions to the state deferred compensation program and the vacation, non-exempt over time, and compensatory time conversion program for regular House employees from a calendar year to a fiscal year. During the transition period, calendar year participation shall be considered January 1 – June 30, 2022 and fiscal year 2023 shall be July 1, 2022 – June 30, 2023. Beginning July 1, 2022, ~~Once each calendar year,~~ regular employees of the House may either elect to receive a state-paid contribution to the state deferred compensation program, or elect to convert vacation, ~~non-exempt over time, and compensatory time~~ to deferred compensation ~~once each fiscal year.~~ Once each fiscal year, regular employees of the Senate and regular employees under the jurisdiction of the LCC may either elect to receive a state-paid contribution to the state deferred compensation program, or elect to convert vacation to deferred compensation.

A. State-Paid Contribution to Deferred Compensation.

For employees electing the state-paid contribution benefit, payment is as follows:

The employer agrees to provide employees with a state-paid contribution to the deferred compensation program under Minnesota Statutes § ~~352.965~~. The state-paid contribution shall be in an amount matching the employee's contribution on a dollar-for-dollar basis as permitted by Minnesota Statutes § 356.24, not to exceed ~~-\$750 per for~~ calendar year 2022, as defined in the Deferred Compensation paragraph above, and for each fiscal year beginning July 1, 2022 for House employees. The state-paid contribution shall be in an amount matching the employee's contribution on a dollar-for-dollar basis as permitted by Minnesota Statutes § 356.24, not to exceed ~~-\$1,150 per~~ fiscal year for Senate employees. For employees under the jurisdiction of the LCC, the state-paid contribution shall be in an amount matching the employee's contribution on a dollar-for-dollar basis as permitted by Minnesota Statutes § 356.24, not to exceed ~~-\$950 per employee per~~ fiscal year. The Appointing Authority shall determine when the state-paid contribution is paid to the employee.

B. Conversion of Accumulated Vacation to Deferred Compensation.

For employees electing the conversion of accumulated vacation to deferred compensation benefit, payment is as follows:

The employee may convert a portion of the employee's accumulated vacation to a contribution to a deferred compensation plan for which a payroll deduction has been provided. For employees of the House, each employee may convert up to a total of 50 hours of vacation, non-exempt over time, and compensatory time for calendar year 2022, as defined in the Deferred Compensation paragraph above, and for each fiscal year beginning July 1, 2022, ~~each calendar year.~~ For employees of the Senate and employees under the jurisdiction of the LCC, each employee may convert up to a total of 50 hours of vacation and compensatory time each fiscal year.

The Appointing Authority shall determine when the contribution of a conversion of hours, as stated above, is paid to the employee's account. "Vacation leave bank hours" as stated under Vacation Leave cannot be used for conversion.

PRE-TAX ACCOUNTS (continued)

3. **Health Care Savings Plan.** The employer will provide the employee with an account in its Health Care Savings Plan, to receive any payments payable to the employee's account as severance pay or otherwise. The Health Care Savings Plan provides a tax-advantaged method of paying for certain health care and health insurance expenses after the employee is retired or simply no longer employed by the employer. These expenses can include COBRA continuation premiums, other health insurance expenses, copayments and deductibles under other health insurance, long-term care insurance premiums, or simply charges for health care. Expenses for the employee's dependents may also be paid from the employee's account in the plan. The employee pays no income tax on money deposited into the plan, and withdrawal of the money originally deposited and of the earnings is also tax-free, if the withdrawal is for reimbursement of expenses permitted under federal law to be made from these accounts. The employee is given a choice of investment options for the employee's account. Under federal law, deposits into the plan may come only from employer contributions, mandatory employee contributions, or mandatory deposits of severance pay. Voluntary employee contributions are not permitted. The Health Care Savings Plan will be the plan offered through the Minnesota State Retirement System, except as otherwise provided by action of the appointing authority.

How can I find out if I am able to retire and what my pension benefits are?

Most legislative employees are part of the Minnesota State Retirement System (MSRS). The office is located at 60 Empire Drive, Suite 300, St. Paul, MN 55103-1855. You may call the office at 651.296.2761 or contact them via their Web site at: <http://www.msrs.state.mn.us>

I am interested in deferred compensation. Whom shall I contact?

Contact the Minnesota State Deferred Compensation Plan Participant Service Center at 1.877.457.6466 or via their Web site at: <https://www.msrs.state.mn.us/about-mndcp>