NIS
National Insurance Services

Client Focused. Solution Driven.

Payments for Sick Leave, Severance, Retiree Buy-Outs, and Incentives

Using a Retiree-Only Health Reimbursement Arrangement (HRA)

Increase the Value of the Benefit and Help Employees Retiree Early

Many school, city, and county employers pay retirees unused sick leave, vacation pay, or other early-retirement incentives. If these benefits are paid as wages, the employer must pay all wage-related costs, including the FICA (Social Security and Medicare) tax. Additionally, after income withholding and FICA tax, the retiree receives only a portion of the full benefit, and the value of the early-retirement incentive is diminished.

The contribution can be put into a Retiree HRA to enjoy the benefits of a tax-free investment for both employers and participants. This tax-free HRA not only increases the value of the benefit but also helps employees retire earlier with financial security.

Instead of simply writing a check, employers have the opportunity to deposit payments for unused sick leave, severance, retiree buy-outs, or incentives directly into an HRA at the time of retirement. The funds default into a fixed account, but variable plan options are also available. Retirees can then use these funds to cover eligible medical expenses, including premiums.

Advantages to Employer

- Save all payroll/FICA taxes
- Provide an increased benefit value to retirees
- More competitive retirement benefits package
- Provide the opportunity for the employee to retiree early

Advantages to Employee

- Save all payroll/FICA taxes
- Can use funds tax-free for eligible medical expenses and medical insurance premiums including dental and vision
- Bridge the gap to Medicare on a tax-free basis
- Provide the opportunity for the employee to retiree early

Why Choose National Insurance Services?

- National Insurance Services has extensive HRA expertise and experience since 2002
- Flexibility to customize based on school, city, or county needs
- Employer and retiree services and support
- Fixed or variable investment options
- IRS audit and compliance support
- User friendly platform including debit card and phone app

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