



Retiree Health Reimbursement Arrangements vs. 403(b) Special Pay Plans



	Retiree Health Reimbursement Arrangements (HRA)	403(b) Special Pay Plans
Taxation	100% Tax-free, including any interest accrued	Tax-Deferred; mandatory Federal withholding of 20% and any applicable State taxes are withheld at the time of distribution. Both the employer and employee save 7.65% FICA tax.
Use	Can be used for the reimbursement of eligible medical expenses and/or eligible insurance premiums, per plan design	Can be used for anything
Investment	Interest bearing, Fixed Annuity account	Interest bearing, Fixed Annuity account
Beneficiary	Surviving spouses and eligible dependents can continue using the HRA if the retiree passes away. If there is no surviving spouse or surviving eligible dependents, remaining funds forfeit back to your employer per IRS regulations as participants cannot officially name a designated beneficiary to the HRA.	Participants can name a designated beneficiary (state laws apply)
Contributions	Only employers are able to make contributions on behalf of active employees or retirees with no limit on post-employment contribution years	For retirees, post-employment contributions may continue for up to five (5) years following retirement*
Distributions	No age restrictions on distributions following retirement	Must be at least 55 and separated from service to take a distribution and not be assessed a 10% early distribution penalty
Rehired Employees	Access must be suspended if rehired and eligible for benefits; access can continue if working limited hours on a sporadic basis	Should not access if between ages 55-59 1/2 and working more than 20% of pre-retirement schedule (not earnings)

*Subject to annual IRS limits

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