



## Payments for Sick Leave, Severance, Retiree Buy-Outs, and Incentives Using a Retiree-Only Health Reimbursement Arrangement (HRA)



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.

### Increase the Value of the Benefit and Help Employees Retire Early

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 retire 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 gap to Medicare on a tax free basis
- Provide the opportunity for the employee to retire 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