



Employers' Edge

Employer news from the
Alaska Division of
Retirement and Benefits

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The Health Reimbursement Arrangement and the Hybrid Defined Contribution Retirement Plan, Part II

In the last *Employers' Edge* we looked at the basics of the Health Reimbursement Arrangement (HRA), one of the benefits of the hybrid Defined Contribution Retirement (DCR) Plan. In this issue, we will discuss how reimbursement works for the HRA.

What is the HRA?

The Health Reimbursement Arrangement (HRA) is a medical expense account to which you, the **employer** contribute. Contributions to the HRA are exempt from city, state, and federal tax. In retirement, the money in this account may be used to reimburse all or a portion of an employee's out-of-pocket qualified medical expenses when he or she is eligible for benefits. Costs eligible for reimbursement include health plan monthly contributions, if any, deductibles, and co-payment amounts.

How Does Reimbursement Work?

Members (employees) may request reimbursement for eligible medical expenses (as defined in 26 USC §213(d)) from the HRA account. However, the account balance cannot be cashed out as a lump-sum payment. Expenses can be reimbursed for the member, the member's spouse, and/or dependent children.

Who is eligible to file for reimbursement?

- If the member has died, the surviving spouse is eligible.
- If both the member and the spouse have died, the dependent child(ren) can file for reimbursement.
- If all eligible persons die before the account is exhausted, the remaining balance reverts to the fund.

Ways in which the HRA may be used:

- Reimbursement for qualified medical expenses.
- Reimbursement for prescription medication, but not over-the-counter drugs.
- Reimbursement for insurance premium payments.

Other requirements and restrictions for the HRA:

- Member is responsible for substantiating expenses with receipts and filing for reimbursement with the claims administrator.



- Rights to benefits under the HRA are not subject to attachment or garnishment but may be assigned by a qualified domestic relations order (QDRO) in the event of a divorce or dissolution of marriage.

Beneficiary Forms—Please Use the Right One!

Please make sure to give your **PERS Tiers I, II, III** and **TRS Tier I-II defined benefit** employees the correct [beneficiary form](#) that says "*Defined Benefit*" at the top. Please also make sure to give PERS Tier IV and TRS Tier III employees the [beneficiary form](#) that says "*Defined Contribution*" at the top.

Updated Forms and Brochures

The following forms and brochures have been updated since the last newsletter. Please be sure to throw away any old forms or brochures and use only these updated ones. Printing from the Division [website](#) will assure you always have the most current version.

Form No.	Description
	No forms or brochures have been updated since the Sept/October 2008 issue.

Dear Employers:

We hope you find this employer newsletter helpful. If you have any questions or suggestions please feel free to contact us. Any feedback from you will be greatly appreciated. For a printer friendly copy of this issue, please click [here](#); for all past issues, click [here](#). Email your comments to the editor, [Barbara Kelly](#).

Accounting Section (907) 465-1444	Pension Adjustments Unit (907) 465-1400
Audit Section (907) 465-5707	Pre-Retirement Services Unit (907) 465-5700
Deferred Compensation Plan (907) 465-5700	Retiree Payroll Section (907) 465-1447
Dependent Care Assistance Plan (907) 465-4464	Retirement Processing Unit (907) 465-1477

Disability/Appeals Unit (907) 465-1153	Supplemental Annuity Plan (907) 465-1600
Divorce/Dissolution Unit (907) 465-5699	Survivor Benefits Unit (907) 465-3574 or (907) 465-5695
Insurance Benefits Section (907) 465-8600	

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