VALIC®

HealthSecure HRA®: A healthcare reimbursement arrangement

A different way to reward key staff members

Are you looking for a way to retain or reward your top employees and appeal to highly qualified employees? VALIC offers a strategy that can help you achieve those goals while taking a minimal toll on your resources.

Consider adopting our Health Reimbursement Arrangement (HRA) program for your highly compensated employees (HCEs).* This tax-advantaged program was crafted to benefit employers and help employees fund pre- and post-severance medical care expenses. The HRA offers an executive "post-separation/premium only" feature that can be limited to reimbursement of only qualified insurance premiums after severance from employment or retirement.

With our turnkey HRA program and special executive "post-separation/premium-only" feature you can:

- Make your benefits package more competitive
- Recruit and retain the best talent
- Offer retirement and other incentives to senior managers
- Take advantage of significant employer tax savings

HRA contributions and benefits that favor HCEs can remain tax free

It is important to note that HRA contributions that favor HCEs can become taxable, unless properly structured. But you can relax.

- HealthSecure HRA offers governmental employers an IRC Section 115 trust alternative for funding HRA plan contributions. Although certain nondiscrimination rules generally do apply to HRAs, additional nondiscrimination rules apply only to a VEBA (voluntary employees' beneficiary association) trust and not to an IRC Section 115 trust.

- Within a Section 115 trust, HRA contributions and benefits that favor HCEs can remain tax free under a post-separation HRA plan that limits reimbursements to qualified insurance premiums to the extent contributions favor the HCEs.

- Our executive "post-separation/premium-only" feature satisfies this requirement and allows you to provide a special benefit to key employees.

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Is your HRA discriminatory?

HRA contribution eligibility for HCEs often precedes eligibility of non-HCE groups. With this in mind, consider adopting and implementing the plan for your executive leadership team right away. Keep the following points in mind:

- HRA contribution amounts for your HCEs may exceed those of your non-HCE groups, or you may want to base contributions for HCEs on a percentage of salary.
- This more favorable eligibility or contribution structure can result in HRA contributions being discriminatory in favor of your HCEs, especially if other non-HCE groups are not yet eligible.

Our executive "post-separation/premium-only" feature can help you solve discrimination challenges

HRAs are governed by IRS regulations that generally prohibit plans from favoring top executives. Discriminatory plans can exist, but such plans must be properly structured and follow certain distribution limitations.

- Our executive "post-separation/premium-only" feature addresses these issues and provides you with a special HRA plan design for your top executives.
- You can consult with your VALIC representative in the event that your HRA plan favors HCEs and may require our executive "post-separation/premium-only" feature.

* HCEs are defined as the highest paid 25% of an employer's nonexcludable employees. Certain employees may be excluded from the test if they are not covered by the HRA. These include employees who (1) are part of a collective bargaining unit; (2) have completed less than three years of service; (3) are under age 25; or (4) work part time. Your HealthSecure HRA Employer Adoption Agreement contains a summary of nondiscrimination requirements applicable to HRAs.

HRAs are subject to section 105(h) nondiscrimination rules applicable to self-insured health plans. These rules are different from those that apply to qualified retirement plans.

Our executive "post-separation/premium-only" feature can be selected when completing your HealthSecure HRA Employer Adoption Agreement. An employee's eligibility for HRA contributions to an executive "post-separation/premium-only" account must be communicated on the employee's enrollment form and on subsequent remittance reports when making contributions.

Real strategies Let us put real retirement solutions to work for your organization and your employees
CALL 1-800-972-6978 **CLICK** VALIC.com

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