

FAQs:
Transition from Retiree Medical Grant (RMG)
to Health Reimbursement Arrangement (HRA)
Revised: May 10, 2023

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05-10-2023 Revision Summary:

- Revised FAQ #C5 regarding last day of work if want to keep current Retiree Medical Grant calculations with the Grant COLA and age adjustments.

Does the HRA Transition Apply to Me?

- **You must be working in an eligible classification as of June 16, 2023 or this transition does not impact you. To see a list of eligible classifications, please visit: hrs.ocgov.com/hra.**
 - If you separate or retire on or before June 15, 2023, this transition does not impact you.
 - This includes anyone who was still working and made an election in the Retiree Medical Decision Portal between April 3 to May 18, 2023. If you separate or retire on or before June 15, 2023, your election is not effective and does not impact your future retiree medical benefits as the transition does not go into effect until June 16, 2023.
 - If you separated from County service on or before June 15, 2023, deferred your OCERS retirement, and then activated your OCERS retirement on or after June 16, 2023, you will receive the frozen grant with no age adjustments or grant COLA. You will not have an HRA option.
- This transition does not impact you if you are already a County retiree, whether you are currently enrolled in a County retiree health plan, have temporarily opted out of County retiree health, or have permanently disenrolled from the County's retiree medical program.
- If you do not have a full year of credited service (2,080 hours) as of June 15, 2023, you will not have the option to choose between a frozen grant or HRA rollover. However, all eligible employees in eligible classifications will begin receiving biweekly HRA contributions starting July 2023.

The list below are acronyms and terms frequently used in the FAQs:

- **RMG** - Retiree Medical Grant. On June 16, 2023, the County will transition from the Retiree Medical Grant (RMG) to a Health Reimbursement Arrangement (HRA). The current RMG will be frozen for unrepresented employees and for employees in labor groups that have approved the HRA transition agreement. Up to June 15, 2023, the frozen RMG calculation will be based on full years of credited service. The RMG is only available to County retirees and is used to offset the cost of County Retiree Health Plan premiums and/or reimbursement of Medicare Part B expenses.

- **HRA** – Health Reimbursement Arrangement. The Health Reimbursement Arrangement (HRA) is County funded; there are no employee contributions, unless agreed to by MOU. An HRA helps you pay for a variety of qualified medical expenses after leaving the County for any reason.
- **Portal** - Retiree Medical Decision Portal. Employees access the Portal to make their selection for future Retiree Medical Benefits. The Portal includes estimated calculations for options individualized for each employee. A link to the Portal will be emailed on April 3, 2023, and will be accessible until May 18, 2023.
- **Eligible Employee** - Only unrepresented employees and employees in labor groups that have approved the new agreement are included in the transition to the Health Reimbursement Arrangement (HRA). For a list of eligible labor groups, please visit: hrs.ocgov.com/hra.
- **MissionSquare** – MissionSquare Retirement is the County's HRA Plan Administrator.

SECTION A: CHANGES TO YOUR FUTURE RETIREE MEDICAL BENEFITS

A1. WHAT IS HAPPENING WITH THE RETIREE MEDICAL GRANT AND WHY IS IT HAPPENING?

The County has worked with our largest unions to develop a plan that provides more flexibility and portability to employees when they retire, especially the PEPRA employees. On December 20, 2022, the Board of Supervisors approved changes to the Retiree Medical Program to address those concerns. The current Retiree Medical Grant (RMG) will freeze on June 15, 2023. Effective June 16, 2023, the County will transition to a more flexible Health Reimbursement Arrangement (HRA) funded by contributions from the County.

A2. WILL THIS CHANGE AFFECT ME?

Yes, these changes will affect you if your position is unrepresented or is represented by a labor group that approved the transition to the Health Reimbursement Arrangement (HRA).

A3. WHEN IS THIS HAPPENING?

Effective **June 16, 2023**, employees in labor groups that approved the transition to the Health Reimbursement Arrangement (HRA) and unrepresented employees will be transitioned to the HRA.

On June 16, 2023, the Retiree Medical Grant (RMG) will be replaced with a Health Reimbursement Arrangement for all new Eligible Employees. The RMG will be frozen for

existing Eligible Employees. Up to June 15, 2023, the frozen RMG calculation will be based on full years of credited service.

A4. HOW ARE THINGS CHANGING ON JUNE 16, 2023?

Beginning **June 16, 2023**, employees will no longer accumulate service hours towards the Retiree Medical Grant (RMG) calculation; instead, the County will contribute \$60.00 per pay period for each employee to the County Health Reimbursement Arrangement (HRA) Plan. Part-time eligible employees (40-79 hours per pay period) will receive a contribution of \$30 per pay period. The County contribution to the HRA Plan will be increased by 2.5% annually each first full pay period beginning July 2024.

A5. WHAT DECISION DO I NEED TO MAKE?

Employees with more than one full year of credited service have two options for their accumulated Retiree Medical Grant, you can either:

- **Option 1: ROLLOVER** the value of the frozen Retiree Medical Grant (RMG) to a more flexible Health Reimbursement Arrangement (HRA) Plan. The value of the frozen RMG is calculated at \$855 for each full year of credited service. This lump sum will be contributed by the County into your new HRA account.

OR

- **Option 2: RETAIN** the frozen Retiree Medical Grant (RMG) for the full years of credited service accumulated up to June 15, 2023.

The Retiree Medical Grant can only be used: (a) when you retire from the County, and (b) to offset the cost of County Retiree Health Plans premiums and/or Medicare Part B Reimbursement.

NOTE: THIS IS AN IRREVOCABLE SELECTION – IT CANNOT BE CHANGED

A6. HOW DO I MAKE THIS DECISION?

Between April 3 and May 18, you have an opportunity to select the option best for you and your family. You will receive an email on April 3, 2023 from Employee Benefits (DoNotReplyHRA_info@ocgov.com) that will include a link to the Retiree Medical Decision Portal (Portal). The Portal will include estimated calculations for both options individualized for you.

When you login to the Portal, you select:

- **Option 1: ROLLOVER** the value of the frozen Retiree Medical Grant (RMG) to a flexible Health Reimbursement Arrangement (HRA) Plan. The value of the frozen RMG is calculated at \$855 for each full year of credited service, this lump sum will be contributed by the County into the County Health Reimbursement Arrangement (HRA) Plan.

OR

- **Option 2: RETAIN** the frozen Retiree Medical Grant (RMG) for the full years of credited service accumulated up to June 15, 2023.

The Retiree Medical Grant can only be used: (a) when you retire from the County, and (b) to offset the cost of County Retiree Health Plans premiums and/or Medicare Part B Reimbursement.

A7. WHAT IF I DO NOT SELECT AN OPTION BY MAY 18, 2023?

If you do not select an option by May 18, 2023, you will be defaulted to Option 2, to retain the frozen Retiree Medical Grant.

A8. I HAVE ONLY BEEN EMPLOYED WITH THE COUNTY FOR 4 YEARS, AM I STILL ELIGIBLE FOR BOTH OPTIONS?

Yes, only one full year of credited service attained by June 15, 2023 is required to be eligible to make an option.

A9. IF BY JUNE 16, 2023, I HAVE LESS THAN ONE YEAR OF COUNTY SERVICE, WHAT DO I NEED TO DO?

You are not required to do anything. Beginning July 2023, the County will start contributing \$60.00 per pay period to your new HRA account. Part-time eligible employees (40-79 hours per pay period) will receive a contribution of \$30 per pay period. The County contribution to the HRA Plan will be increased by 2.5% annually each first full pay period beginning July 2024.

A10. I HAVE 30 FULL YEARS OF CREDITED SERVICE, WHAT WILL MY OPTIONS BE?

You will have the option to either:

- **Option 1: ROLLOVER** the entire 30 years of credited service into a one-time deposit in the HRA

OR

- **Option 2: RETAIN** the Frozen Retiree Medical Grant (RMG) up to a maximum of 25 full years of credited service and receive a one-time deposit for the value of remaining 5 full years of credited service into the HRA.

The Retiree Medical Grant can only be used: (a) when you retire from the County, and (b) to offset the cost of County Retiree Health Plans premiums and/or Medicare Part B Reimbursement.

The frozen RMG is calculated at \$25.37 multiplied by credited service years (up to 25 years*).

- The monthly grant allocation is frozen at \$25.37 for each full year of credited service (up to June 15, 2023), since it is frozen it will not change until you reach age 65.
- The grant is reduced by 50% upon reaching age 65 (Medicare age).

*Any employee with full years of credited service greater than 25 years will receive a contribution of \$855 per each full year of credited service beyond the 25-year cap into the County's HRA Plan.

A11. WHEN WILL I START RECEIVING CONTRIBUTIONS INTO MY HEALTH REIMBURSEMENT ARRANGEMENT (HRA) ACCOUNT?

Active County employees in paid status will begin receiving County contributions to Health Reimbursement Arrangement (HRA) fund in lieu of accruing Retiree Medical Service Hours effective June 16, 2023.

A12. WHAT IS A "FULL YEAR OF CREDITED SERVICE"?

In general, an Employee is credited with one Year of Credited Service for each 2,080 Qualified Hours of Service. Hours of service for work in an Extra Help position, or in a less than part time (less than 20 hours per week) position, or in an ineligible classification, do not count toward credit for Years of Credited Service.

SECTION B. INFORMATION RESOURCES

B1. WHERE CAN I GET HELP MAKING MY DECISION?

Employees can access an on-demand presentation on the County's online talent management system [Eureka](#). The presentation explains the changes and the benefits and uses of an HRA and the frozen Retiree Medical Grant. The Employee Benefits website at hrs.ocgov.com/hra is another source of information. This website is available 24/7 and it will be updated as new information becomes available.

B2. WHAT RESOURCES, IN ADDITION TO EUREKA, DO I HAVE TO GET MORE INFORMATION?

In addition to Eureka, employees will have the opportunity to attend live in-person and/or virtual presentations that will be held in February and March at various locations throughout the County. Look for emails with the dates, times and how to register for a presentation. You can also check the website hrs.ocgov.com/hra for updated information and to register for a presentation.

Information is also available:

- On the Employee Benefits HRA website at hrs.ocgov.com/hra.
- Live/Virtual Presentations – see hrs.ocgov.com/hra.
- County Global emails – sent from AskEmployeeBenefits@ocgov.com
- Email questions to: HRA_info@ocgov.com

SECTION C. RETIREE MEDICAL GRANT (RMG)

C1. HOW WILL THE FIXED AMOUNT OF MY FROZEN RETIREE MEDICAL GRANT BE CALCULATED?

You will receive an email from Employee Benefits (DoNotReplyHRA_info@ocgov.com). It will include a link to the Retiree Medical Decision Portal which includes an estimated calculation of your frozen Retiree Medical Grant (RMG) and your options on April 3, 2023.

The RMG can only be used: (a) when you retire from the County, and (b) to offset the cost of County Retiree Health Plans premiums and/or Medicare Part B Reimbursement.

The frozen RMG is calculated at \$25.37 multiplied by full years of credited service (up to 25 years*).

- The monthly grant allocation is frozen at \$25.37 for each full year of credited service (up to June 15, 2023), since it is frozen it will not change until you reach age 65.
- The grant is reduced by 50% upon reaching age 65 (Medicare age)

*Any employee with full years of credited service greater than 25 years will receive a contribution of \$855 per each full year of credited service beyond the 25-year cap into the County's HRA Plan.

C2. WHAT DOES FREEZING THE RETIREE MEDICAL GRANT (RMG) MEAN?

On June 16, 2023, the accumulated grant will be frozen. This means there will no longer be additional credited service time used in the Retiree Medical Grant (RMG) calculation. Also,

the annual review of the RMG for a Grant Cost-of-Living Adjustment (grant COLA), which can vary from 0 to 3% annually will end. Another change is that the current age adjustments that occur if you retire before and/or after age 60 will cease. Please note that the RMG will still be reduced by 50% upon reaching age 65 (Medicare age). And, a surviving spouse will still receive 50% of the RMG.

C3. SINCE THE RETIREE MEDICAL GRANT IS FREEZING AND IT WILL NO LONGER RECEIVE A GRANT COLA, DOES THAT MEAN THE OCERS PENSION COLA IS FREEZING TOO?

No. There are both a grant COLA and a pension COLA. The freezing of the Retiree Medical Grant eliminates the grant COLA, this is separate from the OCERS pension. The early part of every calendar year, the OCERS' Board of Retirement sets the Cost-of-Living Adjustment (COLA) for that year's pension COLA.

C4. WHAT DOES IT MEAN YOUR GRANT WILL BE “REDUCED BY 50% UPON REACHING AGE 65”?

This remains unchanged from the current Retiree Medical Grant (RMG) process which reduces the grant by 50% upon reaching age 65 (if you are eligible for Medicare Parts A and B). If you are retire at age 65 or older, the frozen RMG will be reduced by 50% upon activation of the grant. If you retire prior to age 65, your frozen RMG will be reduced by 50% when you reach age 65. This 50% reduction does not apply if you are only eligible for Medicare Part B and do not qualify for Medicare Part A at no cost.

C5. IF I WANT THE CURRENT RETIREE MEDICAL GRANT (RMG) CALCULATIONS WITH THE GRANT COLA AND AGE ADJUSTMENTS, WHEN DO I HAVE TO RETIRE BY?

The Retiree Medical Grant (RMG) freeze only applies to employees that retire on or after June 16, 2023. If you want to retire with the current grant, your last day of work must be June 14, 2023, or earlier.

- Example 1: If you work on June 14, 2023, then your first day of retirement is June 15, 2023, and you are retiring with the current grant (with age adjustment and Grant COLA).
- Example 2: If you work on June 15, 2023 (last day of pay period 13), then your first day of retirement is June 16, 2023, and you will retire with your Retiree Medical Decision Portal choice (frozen grant or HRA rollover). If you did not make an election, then you defaulted to the frozen grant (with no age adjustment or Grant COLA).

C6. IF I SELECT TO RETAIN THE FROZEN RETIREE MEDICAL GRANT, HOW CAN I USE IT?

The Retiree Medical Grant (RMG) can only be used upon retirement from the County and can only be used to offset the cost of County Retiree Health Plan premiums and/or Medicare Part B Reimbursement. What the RMG can be used for and the timing of receiving the RMG remains unchanged.

C7. IS THE RETIREE MEDICAL GRANT PORTABLE?

No, it can only be used to offset the cost County Retiree Health Plan premiums and/or Medicare Part B Reimbursement. The Health Reimbursement Arrangement (HRA) offers more flexibility and can be used to reimburse you for a wide range of medical expenses (see Section D for more information on the HRA).

C8. WHAT COUNTY RETIREE HEALTH PLANS CAN I ENROLL IN IF I MOVE OUT OF STATE?

Though the County has both HMO and PPO Retiree Health Plans, only PPO plans can be used outside of California. However, the Health Reimbursement Arrangement (HRA) funds are available, on a reimbursement basis, to cover the cost for any eligible medical expense, both in and outside of the United States.

C9. IF MY RETIREE MEDICAL GRANT EXCEEDS THE MONTHLY COUNTY RETIREE HEALTH PLAN PREMIUM COST AND THE AMOUNT I PAY FOR MEDICARE PART B, DO I RECEIVE THAT EXCESS GRANT?

No, the Retiree Medical Grant (RMG) can only be used to offset the monthly premium for the County Retiree Health Plan and monthly Medicare Part B expense reimbursements. If there is a remaining amount in the monthly RMG after allocated for these specific purposes, it is not carried over or converted to cash value due to the RMG's tax restrictions.

C10. I HEARD THE RATES FOR THE RETIREE HEALTH PLANS WILL BE MORE AFFORDABLE IN 2024, IS THAT TRUE?

Yes, the Board of Supervisors approved to restructure the County health insurance plans to include both active County employees and County retirees under age 65 in the same health plans, with the requirement that the retiree health insurance premiums exceed the active employee health insurance premiums by 20 percent, beginning January 2024. This means that beginning in 2024, pre-65 retirees will pay 20% more than the active employee premiums (employee and employer cost combined) versus the rate retirees currently pay which typically is much higher since retirees are in separate plans. The actual rates will be communicated as part of 2024 Open Enrollment.

C11. IF I SELECT THE FROZEN RETIREE MEDICAL GRANT, IS MY OCERS BUYBACK PART OF THAT CALCULATION?

No, most buyback is not eligible for calculation in the Retiree Medical Grant (RMG). The calculation of the RMG is different than the pension calculation. The calculation of the frozen RMG will be provided in the Retiree Medical Decision Portal at the time you are required to make your decision. You will receive an email from Employee Benefits (DoNotReplyHRA_info@ocgov.com) that will include a link to the Retiree Medical Decision Portal which includes an estimate of your frozen RMG and your options on April 3, 2023, if you are an unrepresented employee or an employee in a labor group that has agreed to transition to the Health Reimbursement Arrangement (HRA). For a list of included labor groups, please visit: hrs.ocgov.com/hra.

C12. WHAT HAPPENS TO MY RETIREE MEDICAL GRANT IF I RETIRE BEFORE JUNE 15, 2023?

This change only applies to employees that retire on or after June 16, 2023. The Retiree Medical Grant (RMG) will not freeze if you retire on or before June 15, 2023, meaning the last day of work is June 14, 2023 or earlier. The current RMG rules are:

- Must have at least 10 continuous years of eligible County service to qualify
- Must be retired from the County and collecting a pension to receive the grant
- Grant amount based on full Years of Credited Service
- Grant COLA each year varies from 0-3%
- Age adjustment - 7.5% increase/decrease based on your age at retirement
- 50% reduction of grant when become age 65 (Medicare eligible)
- If you die, surviving spouse gets 50% of your grant (only eligible if spouse was covered under your County retiree medical plan at the time of your death)

C13. IF I SELECT THE RETIREE MEDICAL GRANT NOW, WHEN I RETIRE, CAN I THEN CHANGE MY DECISION AND GET THE HEALTH REIMBURSEMENT ARRANGEMENT INSTEAD?

No, the decision you elect during April 3 through May 18, 2023 is final and irrevocable. **You will not be able to change your election after May 18, 2023.** We advise that you review all the educational materials made available to you from the County to make the best decision for you and your family. Click [here](#) for link to Eureka presentation.

C14. IF I LEAVE THE COUNTY AND DEFER MY RETIREMENT, AM I STILL ELIGIBLE FOR RETAINING THE FROZEN GRANT?

It depends on your age and full years of credited service when you separate from County employment. To be eligible to receive the frozen Retiree Medical Grant, you must retire from the County and receive an OCERS pension.

SECTION D. HEALTH REIMBURSEMENT ARRANGEMENT

D1. WHAT CAN I DO WITH A HEALTH REIMBURSEMENT ARRANGEMENT (HRA) PLAN?

A Health Reimbursement Arrangement (HRA) is a more flexible medical expense reimbursement program. An HRA allows you to:

- Accumulate assets (\$\$) to pay for medical expenses in retirement on a tax-free basis.
- Enjoy tax savings on both contributions and payments – both are tax-free.
- Select how contributions are invested based on your circumstances (default will be a target date fund for ongoing contributions).
- Helps you pay for future health care costs, after separating from service.
- Covers you, your spouse, and eligible dependents.
- Account balances rollover from year to year.
- You can set up recurring reimbursements for recurring claims such as monthly health insurance premiums.
- You pay the expense first, then submit claims for reimbursement.
- There is no debit card available for the HRA.

D2. WHAT ARE SOME ADVANTAGES OF THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA) PLAN?

- **Portability** – Unlike the Retiree Medical Grant, you do not have to retire and enroll in one of the County Retiree Health Plans. Your HRA fund is available when you leave County employment for any reason. You may use your HRA dollars to pay for any post-tax health plan premium (including County Retiree Health Plans) or any eligible medical related expense. In addition, you may use HRA dollars to be reimbursed for health insurance premiums and certain medical expenses incurred outside of the United States.

- **Flexibility** – You may use HRA dollars to pay medical expenses for you, your spouse, and eligible dependents.
- **Accumulation of assets to pay for health care costs in retirement** – You have the opportunity to prepare to meet a significant financial outlay facing you in your retirement, whether for insurance premiums (post-tax) and/or out-of-pocket expenses, co-pays, or out-of-pocket expenses for prescription drugs.
- **Convenience** – Once you are eligible to participate, you will be automatically enrolled and then you need only make decisions regarding the investment of your HRA funds. Contributions are made directly by the County.
- **Tax-free medical expense reimbursement** – Medical expense reimbursements are tax-free when used for qualified medical expenses for you, your spouse and/or your dependents.
- **Tax-deferred accumulation of savings** – Assets grow in a tax-deferred account.
- **Investment options** – The HRA allows you to choose amongst various investment options including mutual funds, index funds, bonds, and a cash equivalent fund. You can find a list of all available investment options on the MissionSquare website for Orange County: <https://www.missionsq.org/prebuilt/micro/orangecounty/index.html>
- **Continuing use by your survivors** – Upon your death, your account balance may be used by your surviving spouse and/or your eligible dependents for their eligible medical expenses.

D3. HOW WILL THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA) ROLLOVER AMOUNT BE CALCULATED?

Each person's frozen Retiree Medical Grant (RMG) to Health Reimbursement Arrangement (HRA) rollover amount will be different as it will be calculated on each person's full Years of Credited Service. If you choose the rollover option, **you will receive \$855 for each full Year of Credited Service deposited into your HRA account.** These estimates will be made available to you at the time you are required to make your decision. You will receive an email from Employee Benefits (DoNotReplyHRA_info@ocgov.com) that will include a link to the Retiree Medical Decision Portal which includes an estimate of your HRA rollover and your options on April 3, 2023. You will be required to choose between rolling over the RMG value to an HRA or retaining your frozen RMG.

D4. WHAT EXPENSES ARE ELIGIBLE FOR REIMBURSEMENT FROM THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA)?

The following is a list of some of the most common eligible expenses submitted for reimbursement from the Health Reimbursement Arrangement (HRA).

- Medical Insurance Premiums (post-tax), Medical Out-of-Pocket Expenses
- Medicare Part B Insurance Premiums, Medicare Part D Insurance Premiums, Medicare Supplemental Insurance Premiums
- Prescription Drug Insurance Premiums, COBRA Insurance Premiums, Dental Insurance Premiums
- Dental Out-of-Pocket Expenses, Vision Insurance Premiums, Vision Out-of-Pocket Expenses
- Qualified Long-Term Care Insurance Premiums
- Certain Non-Prescription Medications are allowed under IRS guidance
- For more information, view IRS Publication 502—www.irs.gov/publications/p502

For a general list of the types of expenses that are eligible for reimbursement under the HRA, please visit hrs.ocgov.com/hra.

D5. IF I SELECT THE ROLLOVER TO THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA) NOW, WHEN I RETIRE, CAN I THEN CHANGE MY DECISION AND GET THE RETIREE MEDICAL GRANT INSTEAD?

No, the decision you elect during April 3 through May 18, 2023, is final and irrevocable. **You will not be able to change your election after May 18, 2023.** We advise that you review all educational materials made available to you from the County to make the best decision for you and your family. Click [here](#) for link to Eureka.

D6. HOW IS THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA) DIFFERENT FROM A HEALTH CARE REIMBURSEMENT ACCOUNT (HCRA)?

The County's HCRA plan is an employer-established, tax-advantaged account **funded by the employee** to pay for qualified medical expenses with pre-tax dollars. The employee makes an election during Open Enrollment each year to determine how much, if at all, to set aside from their paychecks to their HCRA account. Any HCRA funds left over at the end of the year will expire, except an amount determined by the IRS as eligible to rollover to the new plan year if an employee re-enrolls in HCRA for that new year. HCRA has an annual maximum limit for contributions and is only available to active employees.

In contrast, the HRA is an **employer-funded plan** that may be used to reimburse you, your spouse and your eligible dependents for qualified/eligible medical expenses after you have separated from the County. The funds remain in your HRA account during your and your spouse's lifetimes, and dependents up to the statutory limit, or until completely utilized. The HRA is also funded with pre-tax dollars; however, there is no maximum limit for this type of account and employees may not contribute their own money to their HRA account.

D7. DOES THE HRA ROLLOVER YEARLY UNTIL IT REACHES ZERO? IS THERE A DATE LIMIT TO USE IT?

No, the funds do not rollover per se but remain in your HRA account for you and your dependent's lifetimes, or until completely utilized. There is no date limit on the use of the HRA funds.

D8. WHEN WILL I START RECEIVING CONTRIBUTIONS INTO MY HEALTH REIMBURSEMENT ARRANGEMENT (HRA) ACCOUNT?

Active county employees in paid status will begin receiving County contributions to Health Reimbursement Arrangement (HRA) fund in lieu of accruing Retiree Medical Service Hours effective June 16, 2023.

D9. WHEN WILL I RECEIVE MY ONE-TIME FROZEN RMG ROLLOVER TO HRA?

If you elected to rollover the value of your frozen Retiree Medical Grant (at \$855 per full year of credited service) to the Health Reimbursement Arrangement, it is estimated that a one-time contribution of the rollover amount will be deposited 6-8 weeks after the final calculations are completed.

D10. WHO ADMINISTERS THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA)?

MissionSquare administers the Health Reimbursement Arrangement (HRA) on behalf of the County. MissionSquare refers to the County's HRA Plan as the "MissionSquare Retirement Health Savings (RHS) Plan."

D11. HOW ARE HEALTH REIMBURSEMENT ARRANGEMENT (HRA) CLAIMS PROCESSED?

Health Reimbursement Arrangement (HRA) claims processing and payment will be handled by MissionSquare's third-party claims administrator, **Meritain Health**. Once you have been enrolled in the HRA, information about the claims administrator will be included in your welcome letter from MissionSquare.

The following forms will be available to you on the MissionSquare website:

- *Employee Benefit Eligibility Instructions & Form (to establish eligibility for reimbursements)*
- *Benefits Reimbursement Request Form (to request reimbursements)*
- *Direct Deposit Authorization Form (to set up direct deposit of reimbursements)*

All questions regarding claims should be directed to the claims administrator. Please request to speak with the “MissionSquare RHS claims representative.”

The MissionSquare Retirement Health Savings (RHS) Plan Specialists currently assigned to the County are:

- Mark Fitzpatrick via email at mfitzpatrick@missionsq.org or phone: (202) 759.7060
- Marcus Marshall via email at mmarshall@missionsq.org or phone: (202) 759.7203

D12. WHEN CAN I START USING MY HEALTH REIMBURSEMENT ARRANGEMENT (HRA) ACCOUNT?

You may begin incurring eligible HRA reimbursable expenses after you have separated from County service. Please note it may take several weeks before your separation has been updated in the County’s HR system. While you may begin incurring eligible expenses after your separation date, it may take several weeks after you receive your final paycheck for your status to be updated with MissionSquare and Meritain Health and your first claim can be processed.

D13. HOW DO I USE MY HEALTH REIMBURSEMENT ARRANGEMENT (HRA) TO PAY FOR MY MEDICAL PREMIUMS OR MEDICAL COSTS?

You will pay out of pocket first, then you will submit a claim requesting reimbursement for the eligible medical expenses or premiums (post-tax). See D14 below for more details on the procedure for submitting a reimbursement claim.

D14. WHAT IS THE PROCEDURE FOR SUBMITTING A REIMBURSEMENT CLAIM? HOW LONG DOES IT TAKE?

After you become benefit-eligible, claims for eligible medical expenses are submitted for reimbursement on the *MissionSquare Retirement Health Savings (HRS) Plan Benefits Reimbursement Request Form*. The claims processor reviews the claim to make certain that you are eligible and that the expense is covered by the County’s HRA Plan. Within 30 days of submission, your claim will be paid, suspended, or denied in writing. Most claims are paid within 10 business days. Eligible recurring insurance premiums (post-tax) may be set up with recurring reimbursements directly from the claims processor to you. So long as you have a balance in your account, the payment will be made automatically, and you will not need to

submit any additional request for recurring insurance premium (post-tax) reimbursements. However, you will need to notify the claims processor when payments should cease.

D15. WHAT IF MY HRA CLAIM IS DENIED?

If your claim for reimbursement is denied, you will receive a written notice of the denial from the third-party claims administrator. The notice will include:

- The specific reason(s) for the denial;
- Reference to plan rules upon which the denial was based;
- Description of any additional information that might be required and an explanation of why it is needed; and
- An explanation of the plan's claim review procedure.

You may appeal a denied claim.

D16. HOW CAN I APPEAL A DENIED CLAIM?

Generally, the appeals process will consist of the following steps:

1. You submit a written request for a review of the denied claim to the third-party claims administrator. Your request must be filed within 60 days of your receipt of the denial notice. You may also review documents regarding administration of the County's HRA plan, and you may submit issues and comments in writing. You are entitled to representation, if you desire, throughout the appeals process.
2. The third-party claims administrator will review your request within 60 days of receipt. Special circumstances can extend this to 120 days; you will receive a notice of extension.
3. You will receive a written summary of the third-party claims administrator's decision regarding your appeal, which will include specific reasons for the decision.
4. If you are dissatisfied with the written decision, you may appeal your claim to the County.
5. If the matter is still not decided to your satisfaction, you are entitled to pursue your right to legal or equitable relief.

D17. WILL THIS ACCOUNT BE STRUCTURED IN A WAY THAT AN ELIGIBLE EMPLOYEE CAN ADD ADDITIONAL FUNDS TO THE HRA ACCOUNT? FOR EXAMPLE, ADDITIONAL FUNDS FROM MY 457 RETIREMENT ACCOUNT?

No, the Health Reimbursement Arrangement (HRA) account may only be funded with contributions from your employer.

D18. ARE THE REIMBURSEMENT PAYMENTS FROM THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA) TAXABLE?

No. Funds going into and disbursed from the HRA account are not taxable.

D19. CAN I USE MY HEALTH REIMBURSEMENT ARRANGEMENT (HRA) TO PAY FOR MY COBRA PREMIUMS?

Yes, you can use your HRA to pay for your COBRA premiums. For more information on the HRA, and a general list of the types of expenses that are eligible for reimbursement under the HRA, please visit hrs.ocgov.com/hra.

D20. HOW LONG WILL THE FUNDS STAY IN THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA)?

There is no time limit for using the funds in the HRA account or how long the funds may remain there. The County's HRA Plan is setup to allow the Plan participant and her/his spouse and eligible dependents to be reimbursed for health-related expenses for the participant's lifetime, the spouse's lifetime, and for eligible dependents during their eligibility period.

D21. WHAT HAPPENS TO THE ACCOUNT BALANCE WHEN A PARTICIPANT PASSES AWAY?

MissionSquare must be notified of the death by the filing of the *MissionSquare Retirement Health Savings (HRS) Decedent Information Form*, available from MissionSquare. Upon the death of a participant, the remaining account assets will be available to the participant's survivors as follows:

- Surviving spouse and/or dependent(s): Upon the participant's death, remaining assets will be transferred to an account for continuing tax-free use by the surviving spouse and/or eligible dependents ("survivors") for their own qualifying health expenses. If there are assets remaining upon the death of the spouse and all dependents, the assets will revert to the HRA trust to be used as outlined in the County's HRA Plan.
- No surviving spouse or dependent(s): If the participant is not survived by a spouse or eligible dependents, any remaining assets will revert to the HRA trust to be used as outlined in the County's HRA Plan.

D22. CAN I USE MY HEALTH REIMBURSEMENT ARRANGEMENT (HRA) TO PAY TOWARDS MY RETIREE MEDICAL PREMIUMS?

Yes. The Health Reimbursement Arrangement (HRA) funds may be used to pay for eligible health related expenses for your lifetime, your spouse's lifetime and for eligible dependents during their eligibility period, or until the funds are depleted. For a general list of the types of expenses that are eligible for reimbursement under the HRA, please refer to the Employee

Benefits website Health Reimbursement Arrangement (HRA) Resources at hrs.ocgov.com/hra.

D23. CAN THE COSTS ASSOCIATED WITH MY DENTAL AND VISION PREMIUMS BE COVERED THROUGH THE COUNTY'S HRA PLAN?

Yes. Medical, dental, and vision insurance premiums (post-tax) are an eligible healthcare expense that are reimbursable through the County's HRA Plan. For a general list of the types of expenses that are eligible for reimbursement under the HRA, please visit hrs.ocgov.com/hra.

D24. HOW ARE PAYMENTS FROM MY HEALTH REIMBURSEMENT ARRANGEMENT (HRA) ACCOUNT TREATED FOR TAX PURPOSES?

HRA benefits paid in the form of medical expense reimbursements will never be taxed to you*, your spouse, or eligible dependents. No income tax withholding or reporting is required, and you do not need to report these medical benefits on your income tax return.

** Note: Certain payments for non-insurance premium reimbursement to "highly compensated individuals" may be taxable under the IRS welfare plan on non-discrimination rules.*

D25. CAN MONEY IN HEALTH REIMBURSEMENT ARRANGEMENT (HRA) ACCOUNT BE INVESTED FOR GROWTH?

Yes, within the Health Reimbursement Arrangement (HRA) structure. There is an array of options available for your consideration. You may contact the MissionSquare Retirement Health Plan Specialists (RHS) assigned to the County:

- Mark Fitzpatrick via email at mfitzpatrick@missionsq.org or phone: (202) 759.7060
- Marcus Marshall via email at mmarshall@missionsq.org or phone: (202) 759.7203

D26. WHERE WILL MY HEALTH REIMBURSEMENT ARRANGEMENT (HRA) ASSETS BE INVESTED?

If you chose to transfer the value of the frozen Retiree Medical Grant (RMG) to the County Health Reimbursement Arrangement (HRA), the one-time deposit will be placed into the MissionSquare Plus Fund, a cash equivalent fund. The biweekly HRA contributions by the County will be allocated to an age-appropriate Target Date Fund. Once enrolled, you will be able to change the investment allocation from the list of available funds through your MissionSquare account.

D27. WHAT FEES DOES MISSIONSQUARE CHARGE FOR THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA) PROGRAM?

MissionSquare assesses annual asset fees. These fees will be reflected on your quarterly statements. The current annual asset fee is set at 19.5 basis points (0.195% of your account balance).

D28. IS IT TRUE THAT IF I HAVE A HEALTH REIMBURSEMENT ARRANGEMENT (HRA) ACCOUNT I FORFEIT MY RIGHT TO CLAIM THE MEDICAL DEDUCTION FROM MY TAX RETURN EACH YEAR?

Employee Benefits staff are not tax experts and cannot provide tax advice. We encourage you to seek the advice of a tax professional.

D29. HOW CAN I SEE MY HEALTH REIMBURSEMENT ARRANGEMENT (HRA) ACCOUNT BALANCE?

You will receive quarterly Summary Plan Statements from MissionSquare. The statement will include information on contributions, investment earnings, and distributions. You will also be able to access your HRA account information online.

D30. HOW ARE MY HEALTH REIMBURSEMENT ARRANGEMENT (HRA) CONTRIBUTIONS COORDINATED WITH SECTION 457 AND 401(A) PLANS?

The County's plan is a Health Reimbursement Arrangement (HRA) Plan. Contributions to the HRA are not coordinated with and do not offset contributions that may be made to IRS Code Sections 457 and 401(a) plans.

D31. CAN I ROLL MY HEALTH REIMBURSEMENT ARRANGEMENT (HRA) ACCOUNT BALANCE INTO AN IRA, ANOTHER EMPLOYER'S RETIREMENT PLAN, OR ANOTHER HRA ACCOUNT?

No. Your HRA account must remain in the County's HRA Plan. Due to IRS requirements, the program does not allow your account to be rolled into any other type of plan, including an IRA, an employer-sponsored retirement account (such as a 457 or 401(a) plan) or another HRA account with a different employer when you separate from service.

D32. CAN I TAKE THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA) BALANCE UNDER AN EMERGENCY WITHDRAWAL OR OTHER CIRCUMSTANCE?

Unlike Section 457 plans, there are no provisions for withdrawals in the event of a financial hardship. However, a HRA participant will be able to use the HRA assets in the event of a medical emergency or hardship.

D33. WHY CAN'T THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA) FUNDS BE USED TO REIMBURSE YOU FOR PRE-TAX HEALTH INSURANCE PREMIUMS?

The HRA reimburses you for qualified medical expenses and you do not pay taxes on those reimbursements. If your health insurance premiums are also paid on a pre-tax basis, usually because your employer automatically deducts such premiums payments from your wages, you would realize tax advantages for both the deduction and reimbursement for these premium payments which is not permitted by the IRS. You may only be reimbursed for health insurance premiums if they are taken on a post-tax basis. To be eligible for reimbursement you may be asked to submit documentation, such as paycheck stubs, showing the deduction for health insurance premiums and inform the HRA claims administrator whether the deductions were made on a pre-tax or post-tax basis.

SECTION E. DECISION FACTORS TABLE

E1. HOW ARE THESE DECISION FACTORS IMPACTED BY OPTION 1 AND OPTION 2

DECISION FACTORS	OPTION 1: ROLLOVER THE RMG TO HRA	OPTION 2: RETAIN FROZEN RMG
When can I begin accessing these funds?	After separation from the County, for any reason, you can access HRA funds to reimburse yourself for eligible expenses	Requires enrollment in a County Retiree Health Plan after retiring from the County
What are deemed Eligible expenses?	HRA funds can be used for any eligible medical expense, for your spouse, and dependent. This includes health insurance premiums and costs both in and outside of the United States	Only eligible use of RMG is to offset the cost of County Retiree Health Plans and/or Medicare Part B Premium Reimbursement
Can I be reimbursed for medical expenses outside of California?	HRA funds can be used for any eligible medical expense, both in and outside of the United States	The County Retiree Health Plans offer HMO and PPO options. Only the PPO plans can be used outside of California.
What happens when I reach Medicare age, turn 65?	No changes when reach Medicare Age	Grant reduces by 50% when reach Medicare Age (65)
After I separate from County employment can funds be used to reimburse for any qualified medical expense?	Yes	No – RMG can only be used to offset the cost of County Retiree Health Plans and/or Medicare Part B Premium Reimbursement
Can employee direct where funds are invested	Yes	N/A
What happens if I pass away?	Upon death, the account balance is transferred to an account to pay medical expenses for surviving spouse and/or eligible dependents for their medical expenses	The Retiree Medical Grant is reduced by 50% upon retiree's death for surviving spouse. If not already reduced for the retiree becoming eligible for Medicare, an additional 50% reduction will apply when and if the surviving spouse turns 65.

SECTION F. GENERAL QUESTIONS

F1. HOW LONG DO I HAVE TO DECIDE WHICH OPTION I AM GOING TO TAKE?

You will have 45 days, **April 3 through May 18, 2023**, to use the Retiree Medical Decision Portal and make your election. You will receive an email from Employee Benefits (DoNotReplyHRA_info@ocgov.com) that will include a link to the Retiree Medical Decision Portal which includes your individualized options with calculations on April 3, 2023.

F2. WHAT IF I DO NOT SELECT AN OPTION BY MAY 18, 2023?

If an employee does not select an option by May 18, 2023, the default option is to retain the frozen Retiree Medical Grant.

F3. WHAT WILL MY OPTIONS BE WHEN I RETIRE IF I HAVE SERVICE YEARS IN BOTH A POSITION THAT IS TRANSITIONING FROM THE RETIREE MEDICAL GRANT TO AN HRA AND IN A POSITION THAT IS NOT ELIGIBLE FOR THE HRA TRANSITION.

If you are in an eligible position prior to May 18, 2023, you can select Option 1 or Option 2 prior to May 18, 2023. If you select Option 2 or default (do not select an option), you need to be in an eligible position when you retire to receive the frozen Retiree Medical Grant. If you are not in an eligible position when you retire, you are not eligible to receive the frozen Retiree Medical Grant.

F4. WHAT ARE THE DIFFERENCES BETWEEN AN HRA VS HSA VS FSA?

A Health Reimbursement Arrangement (HRA) is employer funded, there are no employee contributions, unless required by MOU. A HRA helps you pay for medical expenses after retirement/separation from the County. A Health Savings Account (HSA) is only available for high-deductible health plans and is employee funded. Although the County offers high-deductible health plans, it does not offer an HSA. Employees can establish an HSA on their own. Like an HSA, a Flexible Spending Account (FSA) is employee funded. The County offers employees two FSAs, a Health Care Reimbursement Account (HCRA) and a Dependent Care Reimbursement Account (DCRA). Employees elect how much to put into these accounts during Open Enrollment.

F5. WHERE CAN I GET MORE INFORMATION?

Information is available as follows:

- On the Employee Benefits HRA website at hrs.ocgov.com/hra
- In the [Eureka](#) presentation
- Live/Virtual Presentations – please visit hrs.ocgov.com/hra
- County Global emails – sent from AskEmployeeBenefits@ocgov.com
- Email questions to: HRA_info@ocgov.com

F6. HOW DOES BUYBACK TIME WORK?

1. Was your service buyback County time?
 - a. If the answer is “no”: Service buyback with another employer is not taken into consideration when calculating your frozen grant or HRA rollover options.
 - b. If the answer is “yes”: See #2 below.
2. Was your service buyback related to County employment prior to August 1, 1993?
 - a. If the answer is “no”: Service buyback after August 1, 1993 is not taken into consideration when calculating your frozen grant or HRA rollover options.
 - b. If the answer is “yes”: In isolated cases, service buyback prior to August 1, 1993 may be taken into consideration but we cannot determine that until the service buyback information has been received from OCERS once you have activated your retirement.
3. Does my buyback of Extra Help service time with the County count toward the frozen grant or HRA rollover calculations?

No.

If your service buyback question is not related to the above, please email your specific question with a description of your service buyback to HRA_info@ocgov.com.

F7. WHAT HAPPENS TO DEFERRED RETIREES, WILL THEY BE CONTACTED, CAN THEY MAKE AN ELECTION FOR THIS TRANSITION?

The County does not maintain a record of deferred retirees, so it is not possible to contact them. Deferred retirees follow the grant rules in place when they activate their pension/grant. The years of credited service do not change; however, the calculation changes to the frozen grant, if applicable. Some scenarios that may apply to deferred retirees include:

- Deferred Retiree - separated prior to June 15, 2023 and activates retirement on or before June 15, 2023:
 - Current grant rules apply, including age adjustment and grant COLA.
 - Must have been grant eligible at the time they separated.
 - Grant calculation is based on full years of credited service when they separated.
 - No HRA rollover option.

- Deferred Retiree – separated prior to June 15, 2023 but activates retirement on or after June 16, 2023:
 - Get the default option = Frozen Grant, so no age adjustment or grant COLA.
 - Must have been grant eligible at the time they separated.
 - No HRA rollover option.
 - Frozen grant calculation applies so it's based on the full years of credited service as of June 15, 2023.

 - Example: Age 55 with 17 years of service separated in 2021, deferred retirement, then activated retirement in 2024. They get the frozen grant - $\$25.37 \times 17 = \431.29 . They are subject to the new rules because they activated their retirement after June 16, 2023, so no age adjustment or grant COLA.
 - Example: Age 45 with 15 years of service separated in 2022, deferred retirement, then activated retirement in 2032 at age 55. They are not eligible for a frozen grant because they were not grant eligible when they separated. In general, to be considered “grant eligible” when you separated, you must have been in an eligible classification, eligible to activate your OCERS retirement and have had at least 10 continuous full years of credited service.

- Deferred Retiree – separates on or after June 16, 2023 and chose the **frozen grant** option during the Decision Period, regardless of when they activate their retirement in the future:
 - Get the Frozen Grant, no age adjustment or grant COLA. Also, subject to whatever the current grant rules are in place when they activate their pension/grant.
 - No grant calculation. Frozen grant amount is set as of the final confirmation issued in August 2023.
 - No HRA rollover option.

- Deferred Retiree – separates on or after June 16, 2023 and chose the **HRA rollover** during the Decision Period, regardless of when they activate their retirement in the future:
 - No grant.
 - HRA rollover – already paid out in 2023.
 - Would have had ongoing biweekly HRA contributions until they separated.
 - Would have access to the HRA funds after they separated from service. No further HRA contributions after separation from service.

F8. IF I PREVIOUSLY WORKED FOR THE COUNTY, LEFT AND THEN CAME BACK TO WORK FOR THE COUNTY AGAIN, WHAT SERVICE PERIODS ARE INCLUDED WHEN CALCULATING THE FROZEN RETIREE MEDICAL GRANT OR HRA ROLLOVER?

If you had multiple service periods with the County, only the longest continuous service period in which you were grant eligible when you separated from service counts toward calculating the frozen Grant or HRA rollover.

In general, to be considered “grant eligible” when you separated, you must have been in an eligible classification, eligible to activate your OCERS retirement and have had at least 10 continuous full years of credited service.

F9. WHY MIGHT MY YEARS OF SERVICE IN THE RETIREE MEDICAL DECISION PORTAL BE LESS THAN MY OCERS YEARS OF SERVICE?

OCERS years of service (YOS) for pension calculation ARE very likely different from the full years of credited service used for calculating the frozen grant/HRA rollover. OCERS YOS are generally compiled over your entire County career and OCERS may include the following types of service time which are NOT included in the grant/rollover calculation:

- Service time in classifications that were ineligible for the Grant such as Eligibility Workers
- Service buyback after 1993
- Time for multiple County service periods where you were hired, separated and rehired back into County service
- Time in Extra Help classifications
- Buy back for periods of leave of absence
- Reciprocal Service from non-County employers that OCERS allows for pension calculation purposes

Retiree Medical Grant/HRA Rollover YOS only include one continuous period of full credited service years in Grant eligible classifications and generally do not include any buy back time. If you had multiple periods of County service, they are NOT added together as they are for pension.

If you had multiple service periods with the County, only the longest continuous service period in which you were **grant eligible when you separated from service** counts toward calculating the frozen Grant or HRA rollover. In general, to be considered “grant eligible” when you separated, you must have been in an eligible classification, eligible to activate your OCERS retirement and have had at least 10 continuous full years of credited service.

If after considering these periods of OCERS service that are excluded from the eligible years of service for calculating the Grant/HRA Rollover you still feel your calculations are incorrect, you may file an appeal. You must first make an election in the Retiree Medical Decision Portal and then follow the appeal instructions in your confirmation statement.

F10. ARE PARTIAL YEARS OF SERVICE INCLUDED IN THE CALCULATION OF THE FROZEN GRANT OR HRA ROLLOVER?

No, only full years of credited service will apply for calculating the frozen grant or HRA rollover. There is no proration for partial years of service.

F11. WHAT IS THE APPEAL PROCESS IF I BELIEVE THERE IS AN ERROR IN THE CALCULATION OF MY FULL YEARS OF CREDITED SERVICE?

- The appeal must include documentation showing what you believe your full years of credited service to be and an explanation of why you feel the calculation is in error.
- A copy of the confirmation statement after making an election must be attached to your appeal. Appeals submitted without proper documentation will be automatically denied.
 - Even if you do not agree with the estimates, you must make an election based on the information that is available to you in the Retiree Medical Decision Portal so that you will receive a confirmation statement of your election to be able to file an appeal.
- An appeal must be submitted via email to HRA_info@ocgov.com with Subject: RMG/HRA Appeal.

Remember:

- Years of Service calculation for the frozen grant or HRA rollover are not the same as the years of service used by OCERS to calculate your pension.
- Most service buyback is not eligible for calculation of the frozen grant or HRA rollover.
- Please note that under the Retiree Medical Plan, not all service with the County is included as credited service for the Retiree Medical Grant. Service before August 1, 1993, as an Extra Help employee, and reciprocal time from another public agency other than the County of Orange, Superior Court or participating Special District are not includable when calculating the value of the Grant.
- Only full years of credited service will apply for calculating the frozen grant or HRA rollover, there is no proration for partial service years of service.
- If you had multiple service periods with the County, only the longest continuous service period in which you were grant eligible when you separated from service counts toward calculating the frozen Grant or HRA rollover.
- In general, to be considered “grant eligible” when you separated, you must have been in an eligible classification, eligible to activate your OCERS retirement and have had at least 10 continuous full years of credited service.