



Memorandum 2019 – 1

TO: Primary Authorized Agents, Authorized Agents And Finance Contacts for Non-PeopleSoft State & District Health Units Participating in the NDPERS Medical Flexible Spending Account

FROM: North Dakota Public Employees Retirement System

DATE: April 25, 2019

SUBJECT: NEW! Pre-Tax Health Savings Account Contributions for High Deductible Health Plan Participants

As of July 1, 2019, employees participating in the NDPERS High Deductible Health Plan (HDHP) will have the option to contribute to their Health Savings Account (HSA) on a pre-tax basis. To accommodate this opportunity, **your organization must modify some internal business processes including payroll.** NDPERS will communicate this opportunity to employees prior to July 1, 2019.

Payroll: Before and After

Currently, employees can only submit HSA contributions directly to Sanford Health Plan as an after-tax contribution. **Starting with any payroll paid after August 1, 2019, employees can also contribute to their HSA through a pre-tax payroll deduction. Important:** Employees are not allowed to make HSA after-tax deductions through payroll.

Your organization must ensure employee HSA pre-tax deductions can be processed in compliance with HSA annual limits. Employers are also responsible for ensuring these deductions are reported on the employee annual W-2 tax form. *As a reminder,* participation in an HSA is only an option for HDHP members.

Recording Employee HSA Pre-tax Deductions

HSA contribution limits are set annually by the Internal Revenue Service. These limits include the sum of the employer and employee contributions.

The 2019 limits are as follows *based on the employee's HDHP coverage level:*

Single HDHP Coverage:	\$3,500
Family HDHP Coverage:	\$7,000
Age 55+ Catchup:	\$1,000

HSA deductions can be added to the current flex file submitted to NDPERS. Treat the deductions as premium conversions on pretax dollars in the excel templates currently used. The FICA savings will be remitted to NDPERS similar to any other premium conversion deductions.

YOU MUST TAKE ACTION BY JUNE 1, 2019

Notify Rebecca Fricke by email at rfricke@nd.gov once the following steps are completed by your organization:

1. Modify your payroll system to allow for employee HSA pre-tax deductions
2. Agree with the *Acknowledgement* detailed on page 2

Sincerely,

A handwritten signature in black ink that reads "Rebecca Fricke".

Rebecca Fricke
Chief Benefits Officer
NDPERS



Acknowledgement

Employer Name (“we”) acknowledges that we will offer employees in the High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) the opportunity to make payroll contributions on a pre-tax basis starting July 1, 2019. We understand that employees can make changes to their contributions anytime throughout the year. We acknowledge that an employee’s HSA payroll deductions must be reported on the employee’s W-2. For those participants newly electing HDHP coverage effective January 1, we understand that the employee’s ability to defer pre-tax contributions to their HSA may be limited if they still have a remainder balance in a flex medical spending account as of December 31 of the previous year. Our payroll system has been updated to accommodate this contribution option.

Once your organization is ready to proceed, email [Rebecca Fricke](#) by June 1, 2019.