



Health Care in Retirement: What to Expect and How to Prepare

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AGENDA

- Health Care Considerations
- Medicare Basics
- Private Health Care Exchange for Retirees
- Bridging the Gap
- Resources and Takeaways

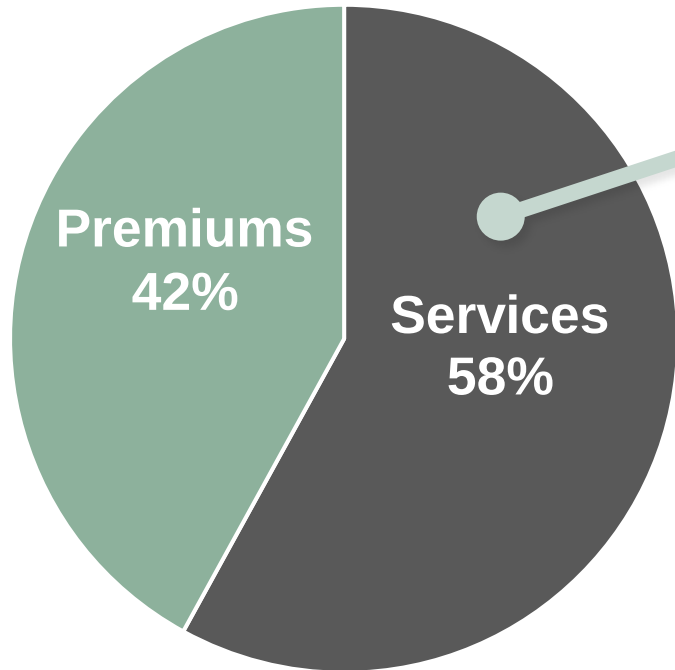
**1 in 3 Americans
lack confidence in
affording health care
throughout retirement.**



Retiree Health Care Considerations



Out-of-Pocket Costs with Medicare



Service Type	Spending %
Long-term care facility	32%
Medical providers	22%
Prescription drugs	21%
Dental services	14%
Skilled Nursing Facility	5%
Outpatient hospital	4%
Inpatient hospital	2%

Source: Kaiser Family Foundation

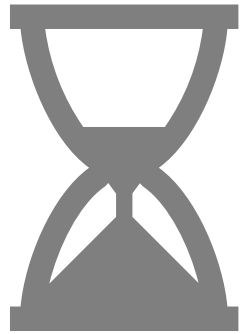
How much might the average 65-year-old couple retiring in 2026 plan to spend for out-of-pocket health care expenses in retirement?

\$388,000*

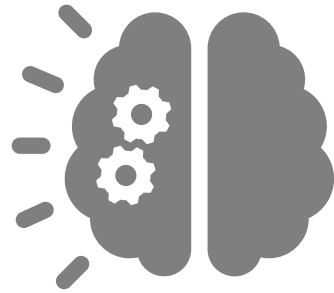
**Assumes couple is enrolled in Medicare Parts A, B, D and Medigap
Source: Milliman*



Health Care Costs Impact on Retirement



**Delayed
Retirement**



**Increased
Stress**



**Compromised
Health**



**Changed standard
of living**

Medicare Basics



Medicare Overview

Federal health insurance for:

- Age 65+
- Some individuals with disabilities

You must actively enroll
if you're not receiving
Social Security

A sample Medicare card with a red and blue header. The header contains the words "MEDICAL" and "HEALTH INSURANCE" separated by a circular seal. Below the header, the card contains the following information:

NAME OF BENEFICIARY	
YOUR NAME	
MEDICAL CLAIM NUMBER	SEX
123-45-6789-A	MALE
IS ENTITLED TO	EFFECTIVE DATE
HOSPITAL	(PART A) 01-01-2018
MEDICAL	(PART B) 01-01-2018
SIGN HERE	
<i>Your name</i>	

Enrollment Period

- **Seven-month** enrollment period
 - The month of your 65th birthday plus three months before and after your 65th birthday

*EXAMPLE: If your birthday is **April 12**, your enrollment period would be:*



- Unlike Social Security, you need to **enroll as soon as eligible**, or risk penalties.

What's Covered



PART A

Hospital Coverage

Partial coverage for:

- Inpatient Hospital Stay
- Hospice
- Skilled Nursing
- Home Care



PART B

Outpatient Medical Care

Partial coverage for:

- Doctor visit
- Outpatient surgery
- Labs
- Durable Medical equipment



PART C

Medicare Advantage

Part A and Part B benefits provided by private insurance

Additional coverage may include:

- Wellness
- Vision
- Hearing aids
- Limited dental
- Home meals
- Over the counter drug allowance



PART D

Prescription Drug Coverage

Private insurance that covers drugs not covered by Part A & B

What's Covered



PART A

Hospital Coverage

Partial coverage for:

- Inpatient Hospital Stay
- Hospice
- Skilled Nursing
- Home Care



PART B

Outpatient Medical Care

Partial coverage for:

- Doctor visit
- Outpatient surgery
- Labs
- Durable Medical equipment



WHAT'S NOT COVERED

- Skilled nursing home stay beyond 100 days
- Dental, vision, and cosmetic procedures
- Deductibles, coinsurance, and copayments

What's Covered

PART C

Medicare Advantage

- You still have Medicare BUT Part C provides your Part A and Part B benefits through a private insurance company that you choose
- Often includes prescription drug coverage (Part D)
- May include extra benefits
- Plans vary by cost, coverage, and provider network



PART C

Medicare Advantage

Part A and Part B benefits provided by private insurance

Additional coverage may include:

- Wellness
- Vision
- Hearing aids
- Limited dental
- Home meals
- Over the counter drug allowance



PART D

Prescription Drug Coverage

Private insurance that covers drugs not covered by Part A & B

Understanding Medicare Part D

Separate policy if enrolled in Medicare supplement plan

Monthly premium is paid to insurer

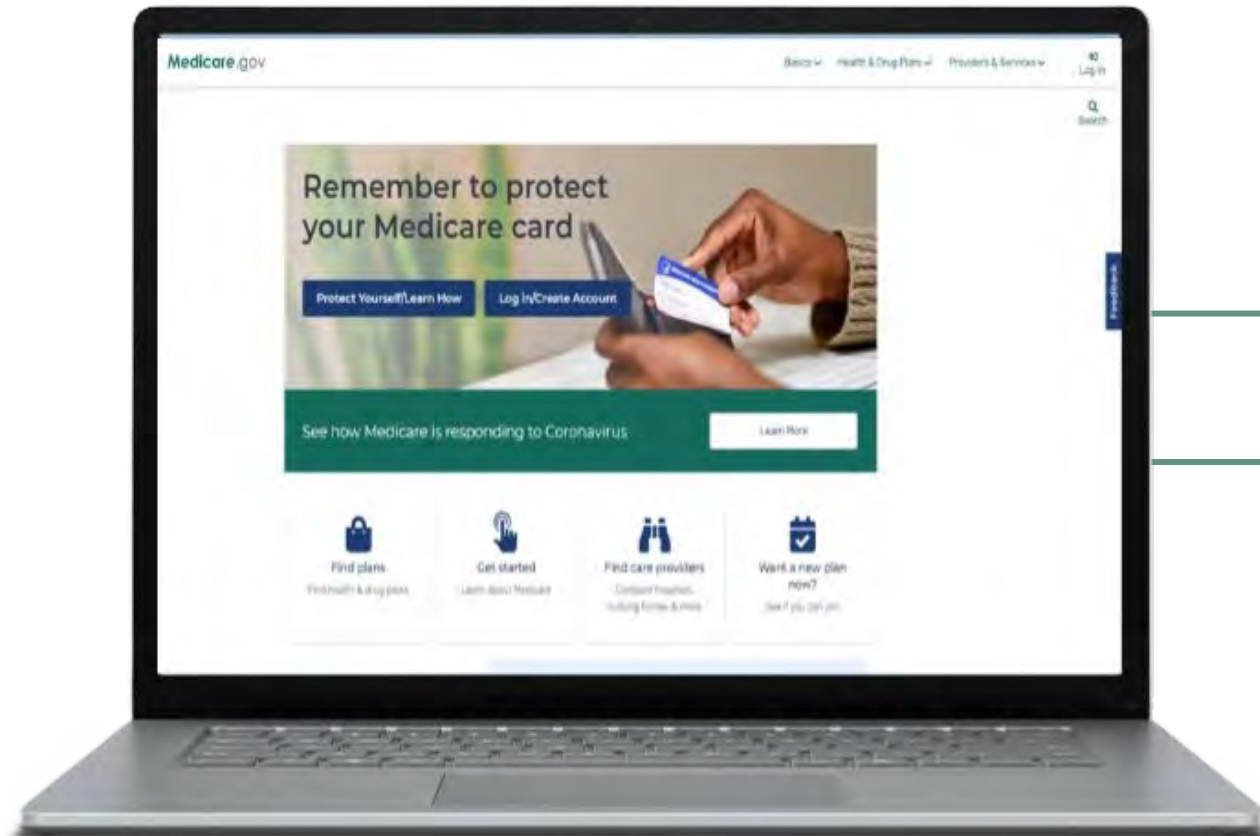
Covers generic and brand-name prescription drugs

Recent changes to plan design include \$2,000 out-of-pocket annual maximum

Insurer Provides an Explanation of Benefits (EOB)

It is not required to enroll in Medicare Part D, but you may pay a permanent penalty if you don't enroll when first eligible.

Learn More About Medicare



medicare.gov

Private Health Care Exchange for Retirees



What is a Private Exchange?

Purchasing benefits from carrier of your choice

Types of plans:

- Pre-65 coverage
- Medicare advantage
- Medicare supplement
- Part D prescription drug plans
- Dental and vision plans



Aptia365

A trained Benefits Counselor helps you choose a plan that meets your needs based on your:

- Location
- Budget
- Current doctors
- Prescription needs
- Medical conditions

Advantages for Retirees



Wide variety of carriers and plans



Open to all MERS retirees – no employer adoption necessary



Premiums can be paid from MERS Health Care Savings Program

Learn More About Aptia



<https://retiree.aptia365.com/mersretiree>

Bridging the Gap



Options to Save for Retiree Health Care

Health Savings Accounts

MERS Health Care Savings Program

MERS 457 Supplemental Retirement Program

MERS Individual Retirement Account

How HCSP Works

Contributions
are made **while
you work.**

You control and
manage the
investments in
the account.

When you leave
your employer,
you can use the
money for tax-free
medical expense
reimbursements.

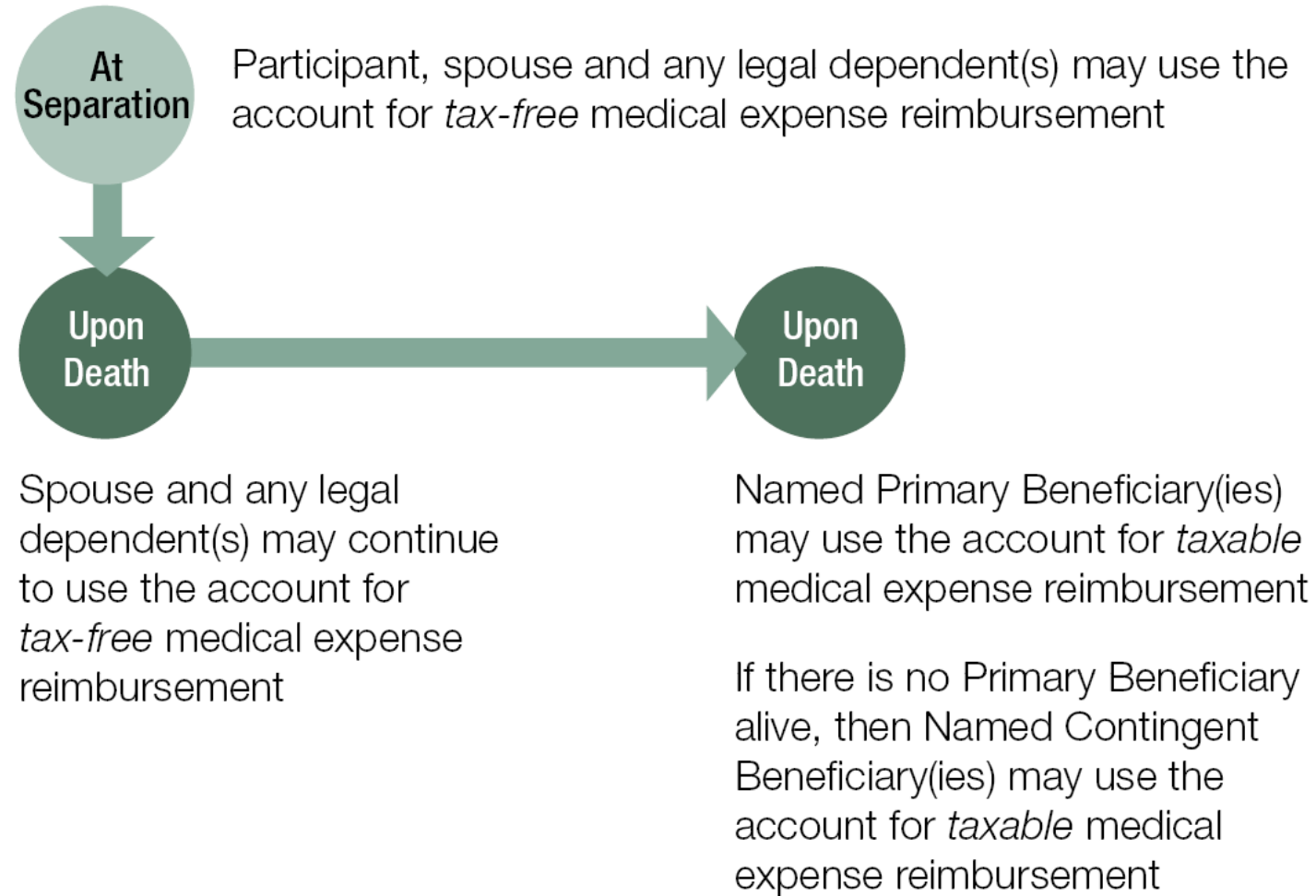
Benefits of Tax-Free Savings

Tax Benefit Comparison

Sample Paycheck	No Program Deductions	HCSP (tax-free)
Gross Wages:	\$ 2,000.00	\$ 2,000.00
Health Care Savings Program Contribution	0.00	100.00
Payroll Deductions:		
Federal Income Tax	156.15	144.15
Social Security Tax	124.00	117.80
Medicare Tax	29.00	27.55
MI State Income Tax	85.00	80.75
Net Pay (Take-home pay):	\$ 1,605.85	\$ 1,529.75

Based on bi-weekly paycheck with the filing status of single or married filing separately.

Who Can Use Your HCSP Account



Eligible Expenses

Examples:

- Braces
- Deductibles & Co-pays
- Dental
- Eyeglasses
- Health care premiums
- Vision

Health insurance premiums that are salary-deducted or paid on a pre-tax basis cannot be reimbursed using HCSP funds.

Reimbursable Health Care Expenses

The following is a list of common reimbursable medical expenses. Please refer to [IRS Publication 502](#) for details. MERS has made every effort to ensure that the information provided is accurate and up to date. Where there are discrepancies between this document and IRS Publication 502, IRS Publication 502 supersedes.

- | | | |
|--|--|---|
| • Acupuncture | • Gynecologist | • Physical examination |
| • Alcoholism or drug dependency treatment and treatment centers | • Hearing aids and batteries | • Physical therapy |
| • Ambulance | • Home modification to accommodate handicapped person ¹ | • Podiatrist |
| • Anesthesiologist | • Hospital services | • Practical nurse |
| • Artificial limbs and teeth | • Incontinence supplies | • Pregnancy test kits |
| • Bandages (Band-aids, elastic wrap) | • Insulin and diabetic supplies | • Prescription drugs/medications |
| • Birth control pills and devices | • Insurance premiums for medical, dental, vision, or long-term care ² | • Psychiatrist ³ |
| • Blood pressure monitoring devices | • Laboratory fees | • Psychoanalyst ³ |
| • Braille books and magazines (to the extent exceeding prices for regular books and magazines) | • Lactation supplies | • Psychologist ³ |
| • Car (with special medical equipment) | • Lip-reading lessons | • Rehydration solution (e.g., Pedialyte) |
| • Childbirth preparation classes for mother, excluding portion for mother's coach | • Lodging for medical care ¹ | • Rental of medical equipment ¹ |
| • Chiropractor | • Long-term care services and premiums (paid on annual basis) ¹ | • Sex therapist |
| • Christian Science practitioner | • Mastectomy bras | • Smoking cessation programs |
| • Clinic | • Medical supplies | • Special schooling for physically or mentally handicapped |
| • Co-insurance (health, dental and vision) | • Medicare Part B, C and D premiums | • Speech therapy |
| • Co-payments (health, dental and vision) | • Medications which require a prescription | • Spousal or personal insurance premiums ² |
| • COBRA premiums | • Mental institution care (mentally ill person unsafe when left alone) | • Sterilization, legal |
| • Cold/hot packs | • Mentally handicapped, special home for nursing services ¹ | • Sunscreen |
| • Contact lenses, solution and cleaners | • Midwife | • Surgery and related treatment (except cosmetic) |
| • Contraceptives | • Neurologist | • Telephone for hearing impaired |
| • Crutches | • Nursing care | • Television closed caption decoder equipment which displays the audio part of TV programs for hearing impaired |
| • Dental treatment, including dentures, implants and orthodontics (excluding whitening) | • Nursing home (if for medical reasons) | • Therapy received as medical treatment |
| • Dermatologist | • Obstetrician | • Thermometers |
| • Diabetic supplies | • Ophthalmologist | • Transportation expenses for essential medical care, including mileage and parking ¹ |
| • Diagnostic devices/services (e.g., MRI, CT Scan) | • Optometrist | • Tuition at special school for special needs program ¹ |
| • Drugs/medications (prescription) | • Organ transplant, medical expenses of donor or prospective donor | • Vaccinations |
| • Eye examination | • Orthodontics | • Vasectomy |
| • Eyeglasses - prescription and reading | • Orthopedic shoe inserts | • Wheelchair |
| • Eye surgery (laser or radial keratotomy) | • Osteopath, licensed | • Wrist/joint supports |
| • Fertility treatments ¹ | • Over-the-counter medications (OTC) ⁴ | • X-rays |
| • Guide dog and its upkeep | • Oxygen equipment, including CPAP | |
| | • Pediatrician | |

¹ See [IRS Publication 502](#) for guidelines

² Health insurance premiums that are salary-deducted or paid on a pre-tax basis cannot be reimbursed using HCSP funds

³ Must be for medical care only

⁴ Passage of the Coronavirus Aid, Relief, and Economic Security Act (CARES) allows for over-the-counter medications to be covered by MERS Health Care Savings Program funds effective 1/1/2020, until Congress deems otherwise

Reimbursement & Payment Options



Claims Card

Best option for paying fixed-price expenses such as prescriptions and co-pays.



Online Account

empower.com/MERS

Best option for paying expenses that can be adjusted after the point of service.



Mobile App

Empower Benefit Accounts (for HCSP in retirement)

Manage your account on the go.



Always
save your
receipts!



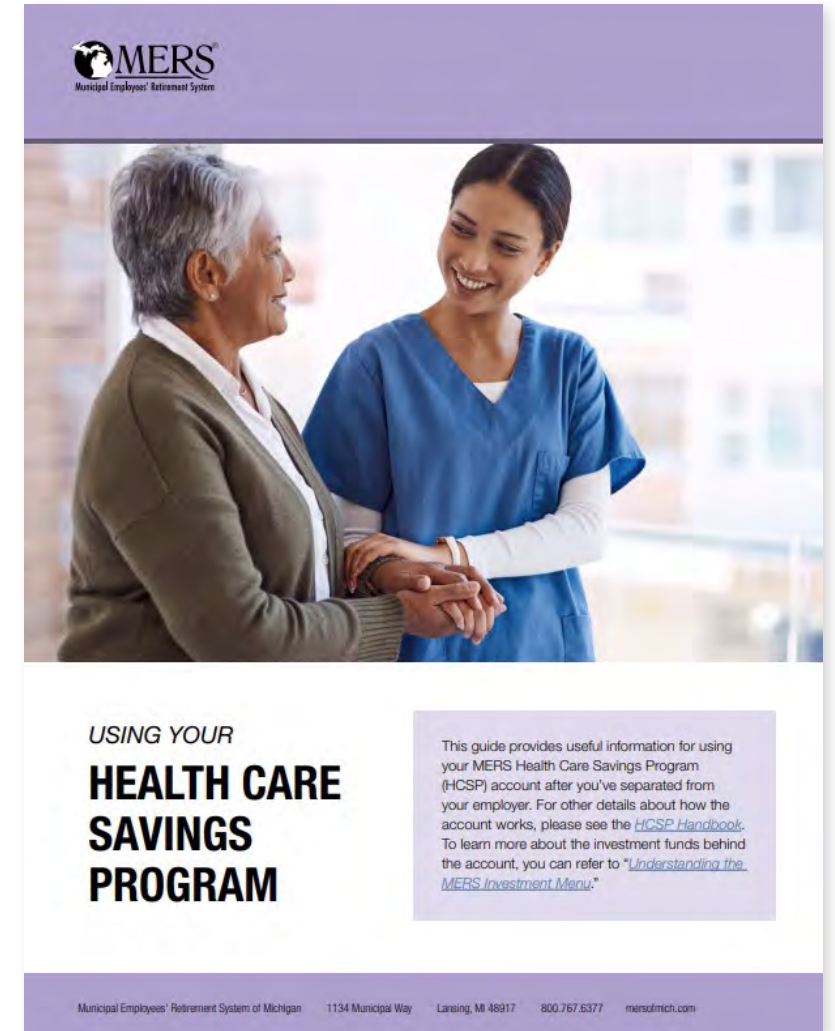
View This Guide

What's included?

- How to access online tools
- Who can use the HCSP account
- How to update beneficiaries
- How to submit reimbursements
- Which expenses are reimbursable

Where's the guide?

empower.com/MERS > Plan Resources



Supplemental Savings Options

457

&

IRA

457 Program

- Voluntary savings account
- You manage it
- Flexible
- Low cost
- Emergency or gap fund
- **Account balance can be used earlier without penalty**

Employee
Contributions



Individual Retirement Account (IRA)

- An IRA is a tax-advantaged individual retirement account
- MERS IRA is available to **ALL** current and former employees of any Michigan municipality
 - Spouses may also be eligible
- ***No employer adoption is required***
- ***You decide how much to contribute***

457 and IRA - Comparison



457



IRA

Tax Comparison

	457 & IRA Traditional	457 & IRA Roth	HCSP Pre-Tax
Contributions go in	Before money is taxed (pre-tax)	After money is taxed (post-tax)	Before money is taxed (pre-tax)
Savings grow	Tax-deferred (earnings will be taxed upon withdrawal)	Tax-free (if qualified, earnings not taxed)	Tax-free (if qualified, earnings not taxed)
Withdrawals	Taxed upon withdrawal	Tax-free (if qualified)	Tax-free (if qualified)

Requesting Withdrawals

Payment Options

Payment Intervals *(Installments)*

- Choose from
 - Monthly
 - Quarterly
 - Semi-annually
 - Annually

Lump Sum

- A one-time payment or rollover
 - Full amount (may be subject to tax)
 - Partial amount

Supplemental Savings Options

Supplemental Savings Options (2026)



Feature	MERS 457 Program		MERS IRA	
	Pre-Tax	Roth	Traditional	Roth
Enrollment Eligibility	Employer must adopt the program, then employee has option to participate	Employer must adopt the program, then employee has option to participate	Current and former employees of any Michigan municipality and their spouses	Current and former employees of any Michigan municipality and their spouses
Contributions				
Maximum Contribution (2026)	\$24,500/year (In all 457 accounts combined if you own more than one) Age 50 Catch-Up: \$7,500 (\$31,500 total); Age 60-63: \$11,250 (\$35,250 total) Pre-Retirement Catch-Up: 2x normal limit (\$49,000 total)		\$7,500/year (In all IRA accounts combined if you own more than one) Age 50 Catch-Up: \$1,100 (\$8,600 total)	
Do Contributions Reduce Taxable Income?	Yes	No	Yes, although your annual income, marital status and whether or not you and/or your spouse are covered by a retirement plan at work will impact how much you can deduct. See IRS Publication 590-A for details.	No
Contribution Limits	No limitations	No limitations	No limitations	Modified adjusted gross income (MAGI) can't exceed: \$242,000 (married - filing jointly); \$153,000 (single). See IRS for details and exceptions.
Withdrawals				
When can I withdraw money?	Upon separation from service with your employer, regardless of your age, or age 59½ if still employed	Upon separation from service with your employer (penalties may apply for non-qualified withdrawals ¹ - see below)	Withdrawals can be taken at any time (penalties may apply - see below)	Withdrawals can be taken at any time (penalties may apply - see below)
Taxation of Withdrawals	Withdrawals are subject to federal and state income taxes	Qualified withdrawals ¹ are tax-free. Non-qualified withdrawals are subject to income tax on the earnings portion of the withdrawal	Withdrawals are subject to federal and state income taxes	<i>Contributions</i> can be withdrawn tax-free at any time. <i>Earnings</i> may be withdrawn tax-free, so long as they are a qualified withdrawal ²
10% Early Withdrawal Penalty (before age 59½)	There is no penalty on withdrawal of contributions and earnings A penalty may apply if you withdraw assets rolled in from another type of account	There is no penalty on withdrawal of contributions or earnings as long as it is a qualified withdrawal ¹ A penalty may apply if you withdraw assets rolled in from another type of account	Early withdrawal penalty applies. Exceptions are qualified expenses: 1) Education expenses for you/spouse/child/grandchild; 2) Buying or building your first home (up to \$10,000); 3) Some medical expenses	<i>Contributions</i> can be withdrawn at any time without penalty. Early withdrawal penalty may apply to <i>earnings</i> and assets rolled in from another type of account. No penalty on qualified expenses: 1) Education for you/spouse/child/grandchild; 2) First home (up to \$10,000); 3) Some medical expenses
Required Minimum Distributions (RMD)	After age 73 or separation from employer, whichever is later	Not applicable	After age 73	None

¹ Qualified withdrawal for Roth 457: Account held for at least 5 years; recipient is at least age 59½; terminated from service (or deceased/disabled).

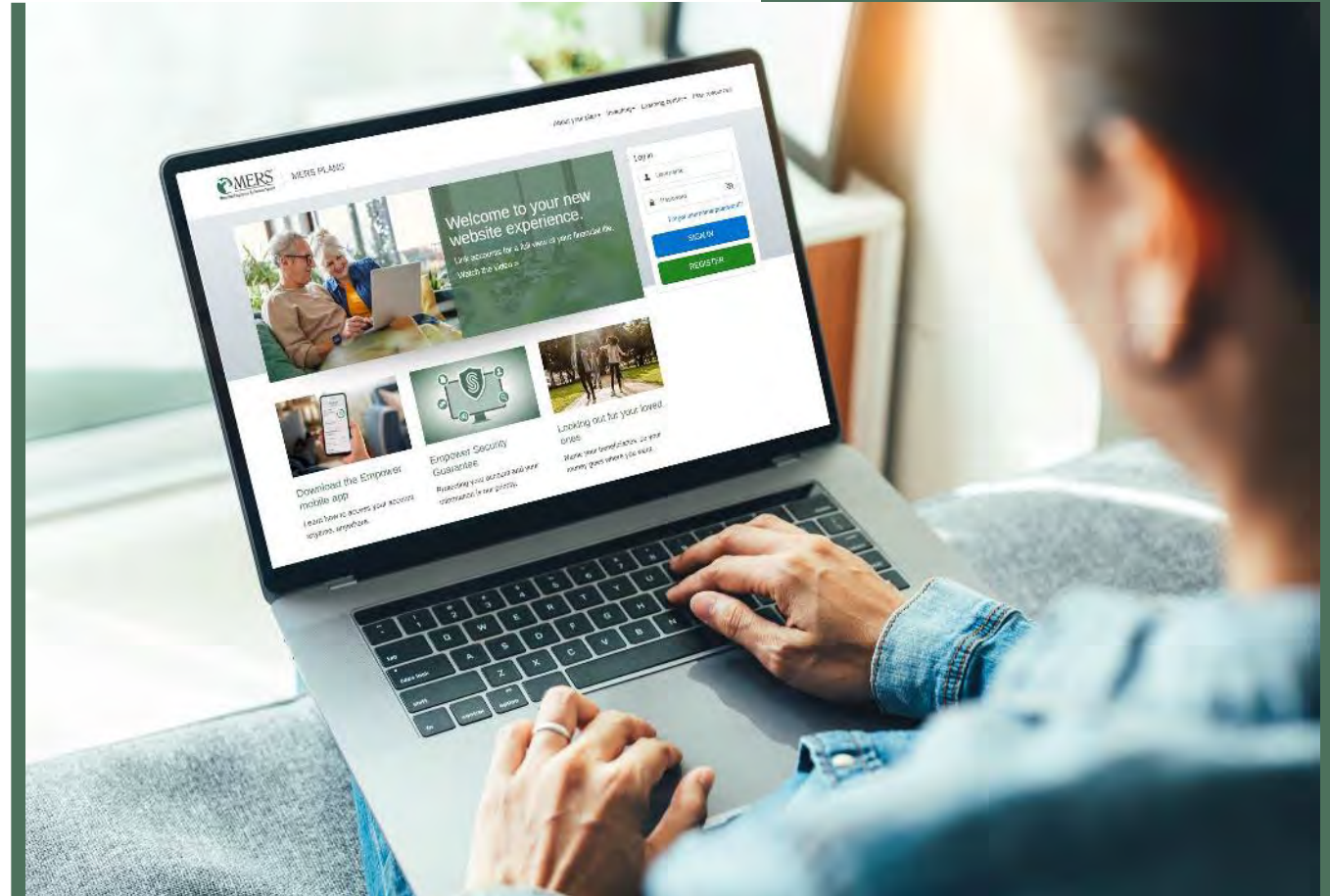
² Qualified withdrawal for Roth IRA: Account held for at least 5 years; recipient is at least age 59½.

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Using Your Online Account

empower.com/MERS





Welcome to your new website experience.

Link accounts for a full view of your financial life.

[Watch the video »](#)

Log in

 Username

 Password



[Forgot username/password?](#)

SIGN IN

REGISTER



Download the Empower mobile app

Learn how to access your account anytime, anywhere.



Empower Security Guarantee

Protecting your account and your information is our priority.



Looking out for your loved ones

Name your beneficiaries, so your money goes where you want.



[Overview](#)
[Account](#)
[Investing](#)
[Planning](#)

[Español](#)


[Log out](#)

NET WORTH

\$25,482

\$0 last 365 days

W

M

Y

ASSETS

\$25,482

Retirement

\$25,482

\$0

DEFINED CONTRIBUTION P...

\$1,019

DEFINED CONTRIBUTION PLAN

457 Supplemental Retireme...

\$9,785

457 Supplemental Retirement Pl...

Health Care Savings Plan

\$14,678

Health Care Savings Plan

Cash

\$0

\$0

Investments

\$0

\$0

Other

\$0

\$0

LIABILITIES

\$0

Credit Cards

\$0

\$0

Loans

\$0

\$0

Mortgage

\$0

\$0

Other

\$0

\$0

Connect account

Updated 366 days ago

Privacy level

High

Budgeting

Cash flow

ACCOUNT BALANCE

DEFINED CONTRIBUTION PLAN

\$1,019.28

Rate of return

7.89%

(2/14/2022 - 2/14/2025)

Beneficiaries

1 (primary)

Your YTD contributions

\$3,406.00

Last transaction

Payroll Contribution

In retirement starting 2050

Estimated monthly income

\$3,601

106%

of my goal

My savings

\$2,559

Social Security

\$1,042

Other assets

\$0

Income gap

\$0

Retirement income

Healthcare costs

How do I compare

How long will my money last

457 Supplemental Retirement Program

Contributions: 4%

Next Step

Consider increasing your deferral by 1% per year to reach your retirement goal.

Create your retirement plan

This easy-to-use tool allows you to customize your strategy based on your household's unique situation, track your progress and plan for different savings scenarios.

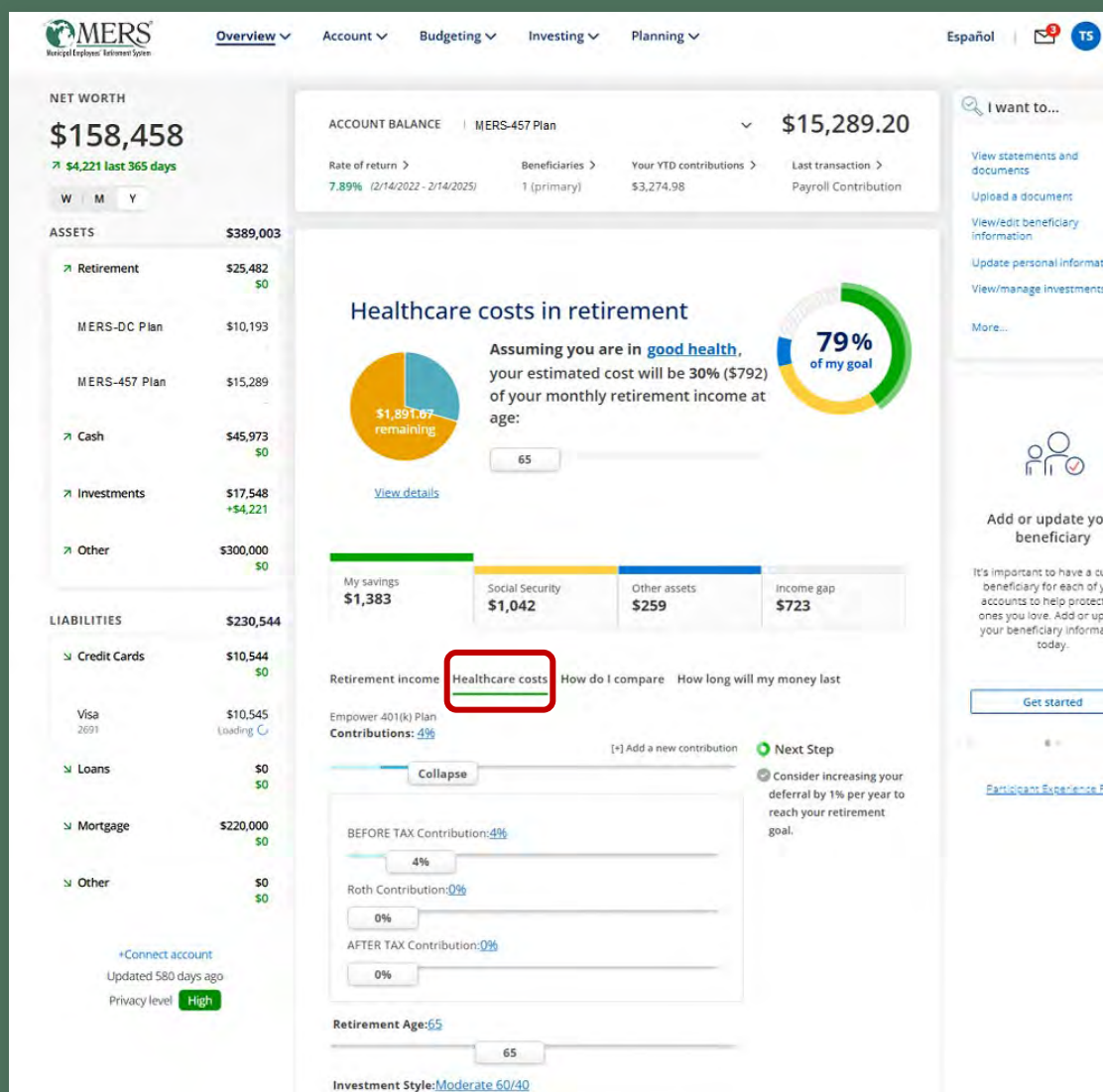
Start preparing now

Participant Experience FAQ

FOR ILLUSTRATIVE PURPOSES ONLY.

38

Planning ahead



Personalize your healthcare costs

Your personalized profile is based on the assumption that you are in good health, but you can adjust this profile to estimate how certain health conditions could affect your healthcare costs in retirement. Please note: The personal health condition information below will not be shared with your employer.

Select health conditions below to view the impact on retirement health costs.
(Check all that apply)

- ☐ Tobacco User *i*
- ☐ High Blood Pressure *i*
- ☐ Type 2 Diabetes *i*
- ☐ High Cholesterol *i*
- ☐ Cardiovascular Disease *i*
- ☐ Cancer *i*

Where do you want to retire?

Healthcare costs vary across the states where you might retire.

Michigan

Helpful links: [Your full report\(PDF\)](#) www.medicare.gov

Cancel

Save

FOR ILLUSTRATIVE PURPOSES ONLY.

MY PLANS

401(a) Defined Contribution ... ▾

ACCOUNT INFORMATION

Account overview

Balance

Rate of return

Transaction History

Statements and documents

Beneficiaries

Manage Bank Accounts

Upload documents

PAYCHECK CONTRIBUTIONS

My contributions

INVESTMENTS

My investments

Investment lineup

Dividend election

Brokerage

LOANS & WITHDRAWALS

Withdrawals

Loans Summary

Loans

Loans cost calculator

Withdrawal summary

Hardship estimator

Cancel a pending withdrawal

PLAN INFORMATION

Plan forms

Summary plan description

Plan highlights

Disclosure notice

Consolidate accounts

Account overview

BALANCE

\$3,202.00

[View details](#)

ANNUALIZED RATE OF RETURN

7.89% 3/2/2023 - 3/2/2026

[View details](#)

TOP INVESTMENTS

[View details](#)

30%

Fund B Mid Cap Growth

\$306.78

28%

Fund D Total Return Bond

\$285.40

25%

Fund C U.S. Balanced

\$254.82

17%

Fund E Emerging Markets

\$173.28

BENEFICIARIES

1 (primary)

Last updated 3/2/2026

[Add / Edit](#)

LOAN BALANCE

\$2,241.51

Maturity date 7/26/2025

[View details](#)

[Home](#) / [Account](#) / **Account overview**

ACCOUNT INFORMATION

Account overview

- [Balance](#)
- [Rate of return](#)
- [Transaction history](#)
- [Statements and documents](#)
- [Beneficiaries](#)
- [Upload documents](#)

PAYCHECK CONTRIBUTIONS

- [Payroll calendar](#)

INVESTMENTS

- [My investments](#)
- [Investment lineup](#)

PLAN INFORMATION

- [Plan forms](#)
- [Disclosure Notices](#)
- [Consolidate accounts](#)

Account overview

BALANCE
\$28,346.64

[View details](#)

RATE OF RETURN
3.56% 9/30/2025 - 3/10/2026

[View details](#)

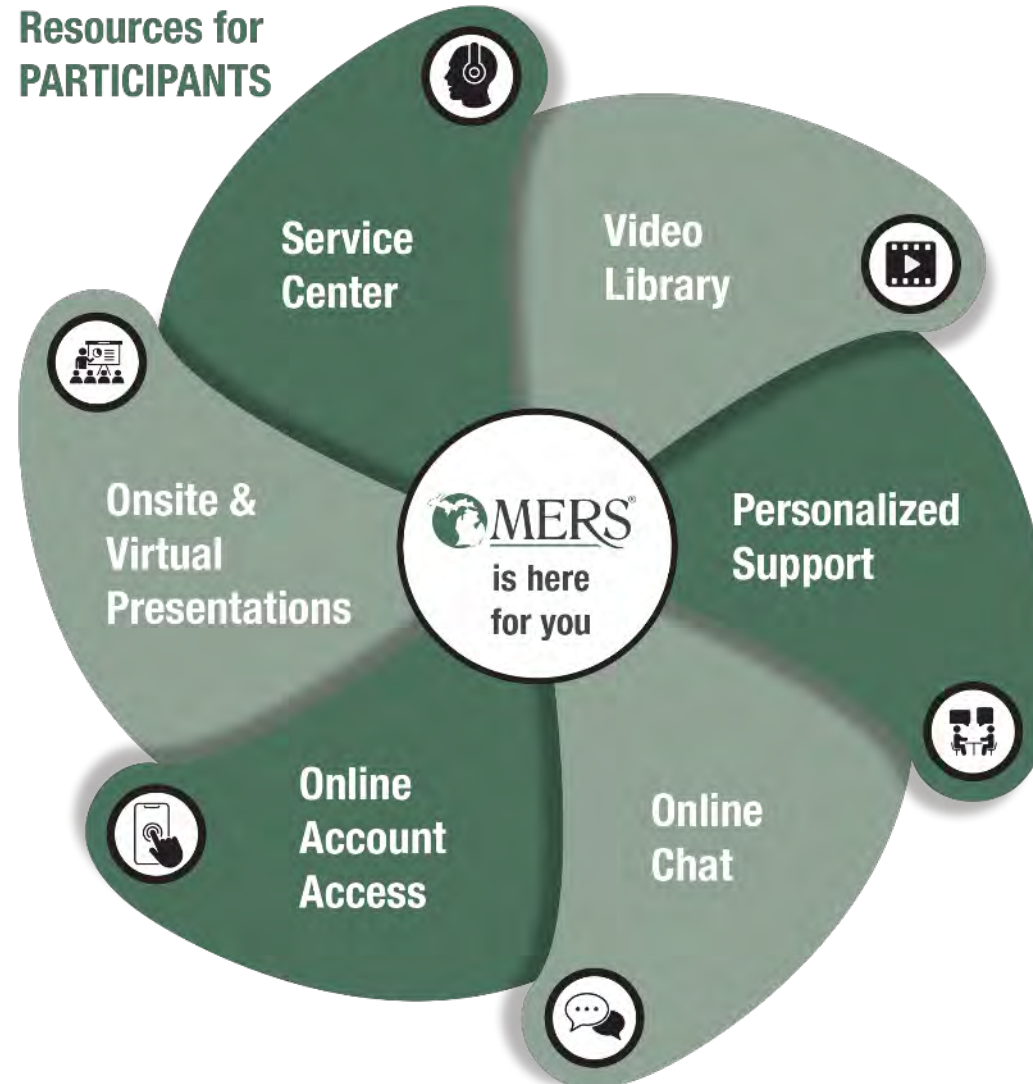
CLAIMS & CARD MANAGEMENT

[Account activity](#)[Account details](#)[Add new expense](#)[Manage cards](#)[Manage dependents](#)[Disclosure](#)

Key Resources and Actions To Take Today



Resources



Actions To Take Today



- ✓ Learn more about **Medicare options**
- ✓ Explore plans offered through the **private health care exchange**
- ✓ Create your **online account(s)**
- ✓ Talk to your employer about **HCSP**
- ✓ Consider saving more in a **457 or IRA**

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