



## **FLEXIBLE BENEFIT PLAN FREQUENTLY ASKED QUESTIONS**

1. **Q. What categories of benefits are available under the Flexible Benefits Plan?**
  - A. Health Care Reimbursement Account  
Dependent Care Reimbursement Account
  
2. **Q. What are Flexible Reimbursement Accounts?**
  - A. A Flexible Reimbursement Account, also known as a Flexible Spending Account (FSA), reimburses participating employees for certain eligible incurred expenses and is funded from each employee's salary reduction contributions. In other words, if you participate in a Reimbursement Account, you will have deductions made from your salary on a pre-tax basis, which is reimbursable to you upon submission of claims for eligible expenses, without having to pay taxes on this income.
  
3. **Q. How are employees able to have these options?**
  - A. The pre-tax contribution of Reimbursement Plans is allowed under Section 125 of the Internal Revenue Code. It is a tax-favored benefit that can only be extended by an employer to its employees.
  
4. **Q. If I elect to redirect my compensation, how can this benefit me?**
  - A. The greatest advantage is the tax savings. Since a Flexible Benefit Plan uses pre-tax dollars for reimbursement of personal expenses, you reduce your income taxes and social security tax by reducing the portion of your salary which is subject to taxation.
  
5. **Q. Will everyone save the same amount of money when contributions are made on a pre-tax basis?**
  - A. No. The amount saved will depend on individual circumstances. Savings will vary and will be based on, among other things, the health plan option you choose, whether you have individual or family coverage, the number of withholding allowances that you claim on your taxes and amounts contributed to the Reimbursement Plans.
  
6. **Q. If I redirect part of my pay, won't I make less money?**
  - A. No. Your spendable earnings increase by the amount of tax savings.
  
7. **Q. Will I see a change in my gross salary on my paycheck?**
  - A. No. You will see a reduction in the taxes withheld from your salary on your check but you will not see a reduction in gross pay. The reduction in gross salary will be shown on your W2.

8. **Q. Can I change my pre-tax contribution to the Flexible Benefit Program during the year?**
- A. If contributions are made to a Dependent Care Reimbursement account on a pre-tax basis, the IRS allows changes under certain circumstances during the Plan year. The basis for allowing changes is similar to those family status changes that allow changes under the group medical plan. If contributions are made to a Health Care Reimbursement Account on a pre-tax basis, changes are allowed only if the amount contributed is being increased. The basis for allowing changes is similar to those family status changes that allow changes under the group medical plan, such as: marriage, divorce, birth or adoption of a child, death of a spouse and/or a dependent, termination or commencement of employment by a spouse, switching from part-time to full-time employment (or vice versa) on the part of the employee or spouse, unpaid leave of absence by employee or spouse, or a significant change in the family's health coverage attributable to the spouse's employment or loss of dependent status.
- Your contribution could not be changed if, for example, you want to switch mid-year from family to individual coverage or to drop coverage entirely under the Plan so that you or members of your family could be covered under another employer's plan. You also could not have your spouse or dependents enroll mid-year because coverage under another employer's plan became too expensive. The IRS imposes restrictions as a trade-off for a tax benefit. They want to avoid what they consider arbitrary changes in contributions that are treated in a tax-favored manner.
9. **Q. What happens if I need to add or delete a dependent during the year and that change affects the type of insurance coverage (individual or family) I have?**
- A. If you wish to add or delete a dependent because of a change in family status, you must contact your Health Benefits Administrator. This procedure remains the same. The administrator will complete the required form and your contribution(s) will change accordingly.
10. **Q. What affect will participation in a Flexible Benefits Plan have on my other benefits?**
- A. For the calculations of employee benefits such as your pension plan, your compensation will be your gross salary not reduced by your Flexible Benefit contribution. Therefore, there will be no effect. Beginning with the 1998 Plan Year, the calculation of your maximum Exclusion Allowance for your 403(b) Tax Sheltered Annuities will also not be affected by contributions made to the Flexible Benefits Plan.
11. **Q. If I pay less in Social Security taxes, will my Social Security benefit be less?**
- A. Based on current Social Security law, your Social Security benefit at age 65 will be slightly less. The effect will be minimal and would be offset by the amount you save in taxes today. For example, an individual age 55 earning \$35,000 per year who contributes \$500 per year in pre-tax health plan contributions beginning in 1991 would experience an annual reduction of approximately \$20-\$30 in his/her Social Security benefit at age 65. Under the same circumstances, an individual age 35 who earns \$25,000 a year would experience an annual reduction of approximately \$80 - \$90 at age 65.
12. **Q. Can I pay individual life insurance premiums using pre-tax dollars through the**

**Plan?**

- A. No. Only employer sponsored group insurance premiums may be paid through Premium Redirection. No insurance premiums may be reimbursed through a Health or Dependent Care Account.
13. **Q. Am I required to purchase insurance or any other benefits if I enroll in a Reimbursement Account?**
- A. No. The Reimbursement Accounts are separate options from the insurance options.
14. **Q. What does “allocation” mean with respect to a Reimbursement Account?**
- A. An allocation is the amount of money you elect to have redirected from your pay before taxes are calculated which is reimbursable to you upon submission of claims for eligible expenses. These expenses must be incurred during the Plan Year.
15. **Q. Are there dollar limits on allocations for the Reimbursement Accounts?**
- A. Yes. There is a \$300 minimum and a \$3,000 maximum limitation on the amount of money you may allocate to the Health Care Reimbursement Plan. There is also a \$300 minimum and a \$5,000 maximum (\$2,500 maximum if married filing separately) on the amount you and your spouse may allocate to the Dependent Care Reimbursement Plan. The maximum allocation for the Dependent Care account may not exceed the lesser of the employee’s or spouse’s deemed earned income during the coverage period. If you spouse is a full-time student or is disabled and incapable of self-care, then you may be able to consider his/her monthly income to be \$200 if one qualifying dependent or \$400 if two or more qualifying dependents.
16. **Q. How do I estimate expenses to determine my allocation for a Reimbursement Account?**
- A. In order to estimate what expenses you will want to pay through the Plan, you need to list your expected non-reimbursable out-of-pocket health care expenses, or dependent care expenses for next year. You may use prior years expenses as a guideline. Since your needs may change from year to year, you must make a new election each year to participate in a Reimbursement Account. Be careful not to overestimate.
17. **Q. What happens to amounts left over in my Reimbursement Account at the end of the Plan year (i.e. if expenses are overestimated)?**
- A. If your allocation exceeds your eligible expenses for either Reimbursement Account; the balance will be forfeited. This is an IRS regulation known as the Use-It or Lose-It Rule. You must carefully plan your salary deductions and may wish to be conservative in determining your allocations.

18. **Q. What happens to amounts forfeited under a Reimbursement Account?**

A. Forfeitures revert back to the District. The IRS strictly regulates how the District may choose to use these funds, which are often used to help offset the administration costs of the Plan. These forfeitures may not simply be returned to the specific employees whose funds were forfeited.

19. **Q. How do I receive reimbursement for amounts contributed to a Reimbursement Account?**

A. Reimbursement is made upon submission of claims to the Plan Administrator for eligible expenses.

20. **Q. What expenses are eligible for reimbursement under a Dependent Care Reimbursement Account? Under a Health Care Reimbursement Account?**

A. Eligible Dependent Care expenses may include those for services rendered to a dependent child under age 13 or other tax dependent who is mentally or physically incapable of caring for himself or herself whose care allows you and your spouse, if applicable, to work. Please refer to the separate sheet “Qualifying Dependent Care Expenses” or IRS publication 503 for restrictions which may apply.

Eligible Health Care expenses may include those medically necessary expenses paid for the diagnosis, cure, mitigation, treatment or prevention of disease, and for treatments affecting any part or function of the body which are not reimbursable through any other sources. Amounts paid for eligible expenses and applied toward deductibles, co-payments or coinsurance and eligible expenses not covered by insurance may be allowable. Examples of eligible expenses may include services rendered by medical doctors, dentists, eye doctors, psychiatrists, psychologists, chiropractors, acupuncturists, etc. as well as for travel to obtain medical care, prescription drugs and medically necessary equipment and supplies such as glasses and contact lenses (including the solutions). Expenses for general health, expenses for solely cosmetic reasons (with certain exceptions), insurance premiums of any kind, and medicines which are not Prescription drugs are examples of expenses which are not allowable. Please refer to the separate sheet “Health Care Expenses Reimbursement Plans” or IRS publication 502 for further information.

For either Reimbursement Plan, eligible expenses must be incurred during the Plan year, not simply paid during that period.

21. **Q. Are health care expenses for dependents eligible expenses under a Dependent Care Reimbursement Account?**

A. No. Health care expenses for dependents would be considered for reimbursement under a Health Care Reimbursement Account, not a Dependent Care Reimbursement Account. An exception to this may be in-home nursing services which may be eligible for reimbursement under either type of account.

22. **Q. What constitutes proper claim substantiation for a Dependent Care Reimbursement Account? For a Health Care Reimbursement Account?**
- A. The IRS requires that the Plan Administrator be provided with certain substantiating information before a claim may be processed. For either Reimbursement Account, a completed claim form, signed and dated, and complete provider's bill is required. For a Dependent Care account, the provider's tax ID number must be included. For a Health Care account, each applicable insurance carrier's Explanation of Benefits is required and may be acceptable in place of a provider's bill.
23. **Q. How often may I request reimbursement from a Reimbursement Account?**
- A. You may request reimbursement as expenses are incurred. Reimbursement checks for each account will be issued to you up to twice each month. Dependent Care reimbursements will be limited to the amount contributed by the employee to the Plan at the time that the checks are processed. The Plan Administrator must receive grace period claims by March 31<sup>st</sup> of the year following the Plan year. Reimbursement checks for amounts of \$25 or under will not be issued until the grace period.
24. **Q. Why should I participate in the Health Care Reimbursement Account if I already have medical insurance?**
- A. The Health Care Reimbursement Account offers reimbursement of health care expenses, such as for medical, dental or vision care, which are NOT reimbursable by insurance.
25. **Q. What happens if I terminate my employment and have a remaining balance in my Health Care Reimbursement Account?**
- A. You will not be able to receive a cash distribution from your Health Care Reimbursement Account upon termination of employment. You will be allowed to submit claims into the Plan Administrator that were incurred during your employment with the District.
26. **Q. How do I enroll?**
- A. Your enrollment is automatic for the Premium Redirection benefit. We are assuming that all of the employees who are eligible will want to enroll in this program. Unless you complete and return a Waiver Form prior to the deadline date, you will automatically be included in this portion of the Plan.
27. **Q. If I choose not to participate in the Flexible Benefits Plan during this enrollment period, when may I enter the Plan?**
- A. The option to enter the Plan occurs just once each year, during the designated enrollment period. To participate after the end of this period, you must wait until the enrollment period for the next Plan year.

29. **Q. If I have further questions, whom do I contact?**

A. For additional information regarding Flexible Benefits, please contact J.J. Stanis and Company, Inc. Flexible Spending Department, at 877-470-3715.