

SECTION 125 – FLEXIBLE BENEFITS PLAN
(CAFETERIA PLAN, FLEX SPENDING ACCOUNT)

Plan Administrator – Wells Fargo Health Benefit Services

Customer Service – 1(800) 473-0926

Fax for Claims – 1 (888) 824-3868

Website – <http://www.wfhbs.com/>

Flexible spending is a tax-free way for you to save for qualified medical and dependent care expenses incurred during a single plan year. Pre-tax contributions are taken from your paycheck. This reduces the federal, state, and FICA taxes that you have to pay, and no taxes are paid on money put into this account... ever. Funds not used by the end of the plan year are returned to your employer according to the "Use It or Lose It" rule.

How It Works

Your college sponsored Section 125 flexible spending account gives you three tax saving options. You can use pre-tax dollars to:

1. Pay for employer-sponsored healthcare coverage;
2. Contribute to a healthcare spending account, up to \$5,000.00 per year;
3. Contribute to a dependent care spending account, up to \$5,000.00 per year.

Healthcare spending accounts are established to reimburse you for eligible, out-of-pocket healthcare expenses for you and your covered dependents. These accounts are funded through scheduled payroll deductions and last for the duration of one plan year. Your employer will designate these plan year dates and the maximum amount you are allowed to contribute to your account.

Dependent care spending accounts are established to reimburse you for eligible, dependent care expenses. Eligible expenses include dependent care expenses for children under age 13, a disabled spouse, and/or a disabled relative or household member who depends on you for at least half of his or her support. These expenses must be necessary so that you, and, if you are married, your spouse can work. These accounts are also funded through scheduled payroll deductions and last for the duration of the plan year. The IRS will allow you to contribute a **maximum of \$5,000 to your dependent care spending account** (the IRS limits your contribution to \$2,500 if you are married and filing separately).

When you enroll in a healthcare or dependent care spending account, you decide how much you want to contribute to your account during the plan year. Each payday, your contribution will be automatically deducted pre-tax from your paycheck – before income and FICA taxes are calculated. Using pre-tax dollars decreases the amount you pay in taxes, which increases the amount you take home every payday.

Tax Savings Example

Matt's gross monthly income salary is \$1,500. Each month he pays \$80 for healthcare coverage. He also spends \$200/month on dependent care services and \$40/month on medical expenses. After carefully estimating his expenses, Matt decides to contribute \$480 to his healthcare spending account and \$2400 to his dependent care spending account, making his monthly contributions equal to \$240.

	<u>Without 125 Plan</u>	<u>With 125 Plan</u>
Gross Pay	\$1,500	\$1,500
Pre-tax healthcare coverage	0	-80
Spending account contributions	0	-240
Taxable Earnings	\$1,500	\$1,180
Taxes:		
Federal income tax (15%)	-225	-177
State income tax (7.2%)	-108	-85
FICA (7.65%)	-115	-90
Expenses without Sec. 125 Plan	-320	0
Take-home pay	\$732	\$828

Matt's monthly savings = \$96
Matt's annual savings = \$1,152

Use It or Lose It

To be eligible for reimbursement, an expense must be incurred during the plan year, regardless of when you pay it. The Internal Revenue Code does not allow the plan to return your unused contributions to you. Your contributions cannot be transferred from one account to another or rolled into the next plan year. For this reason, it is very important that you carefully estimate your expected expenses. You must file all reimbursement claims by the end of the grace period. All funds remaining in your account following the grace period will be lost.

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 - Online account information at www.online-enrollment.com/FSB. Login using your SSN and PIN.
 - Each reimbursement check or ACH notice includes an informational statement.
 - Year-end statements.

Once enrolled, you cannot change your annual contribution election *unless* you experience a qualified status change, such as marriage, divorce, birth or adoption of a child, death of a dependent, or a change in your or your spouse's employment status. You must make a new election each year during annual open enrollment if you wish to continue your participation in the spending accounts.

To Receive Reimbursement

Submit a completed Reimbursement Form with an itemized receipt or bill that indicates the date and type of services and the amount you're responsible for. Wells Fargo Health Benefit Services pays claims within 4 business days of receipt, which means you will receive your reimbursement quickly and efficiently. If you choose, you may submit a completed Direct Deposit Form and have your reimbursements directly deposited into any personal account. Otherwise, your payment will be mailed to you in the form of a check.

Annual Election Help

To estimate your dependent care contribution, multiply your monthly dependent care expenses by 12. An online FSA Calculator is available to help you calculate your annual healthcare spending account contribution. Eligible healthcare expenses include, but are not limited to:

- acupuncture
- alcohol and substance dependency treatment
- birth control pills
- chiropractic services
- deductibles and co-pays
- dentures
- fertility drugs and treatments
- contacts and glasses
- immunizations
- insulin and syringes
- laser eye surgery
- learning assistance for the disabled
- physical therapy
- psychiatric care
- speech therapy
- weight-loss counseling
- hearing aids

You can also be reimbursed for many over-the-counter medical products that you purchase, including, but not limited to:

- allergy medicine
- antacids
- anti-diarrhea medicine
- bandages
- cold, flu and cough medicine
- cold/hot packs for injuries
- menstrual cycle pain products
- nasal strips
- smoking cessation aids
- pain relievers
- pregnancy test kits
- contraceptives

How to Enroll

New employees can enroll during their orientation process.

Once employed, you can only sign up once a year in August to start on September 1st

Enrollment forms are due to the Payroll Manager by August 31st of each year

The Payroll Office will keep a copy for your records, and send the original to Wells Fargo

The first payroll deduction will be taken on September 30th

You won't get reimbursed for claims until October for any September claims

On the enrollment form, indicate the amount to take out per pay period

Average Contributions:

\$70.00/ month for medical reimbursement

\$320.00/ month for dependent care

You will receive a confirmation packet, including claim form and pin# after enrolling.

You cannot change the amount of your deduction during the year UNLESS you have a family status change (ie: birth, adoption, death, divorce, marriage, or change in job for your or your spouse from part time to full time or full time to part time) and you request a change of amount, sign up, or stop participation within 30 days of the event.