

## Flexible Spending Accounts Plan

Through the Flexible Spending Accounts Plan, eligible members of the faculty and professional staff may elect to designate a portion of their salary to a Medical Expense Reimbursement Account and/or a Dependent Care Account. The dollars designated to the Flexible Spending Accounts Plan are exempt from federal income tax and Social Security tax (and, with the Medical Expense Reimbursement Account, state tax).

Therefore, **participants benefit by reducing the amount of income tax they must pay.**

An employee may be able to save up to \$30 in taxes for every \$100 designated to the Medical Expense Reimbursement Account or Dependent Care Account. As the employee incurs eligible medical or dependent care expenses that are not fully reimbursed through another plan, the employee may use the money in his/her reimbursement account to pay for the expenses. Although the employee, not the College, pays for such medical expenses and dependent care expenses, the employee will reduce the amount of his/her taxes paid during the year by putting money into a reimbursement account through pre-tax payroll deduction.

The Flexible Spending Accounts Summary Plan Description provides full details about the Plan. **Please read the Summary Plan Description carefully before enrolling in the Flexible Spending Accounts Plan.** The Summary Plan Description is available from the Human Resources web pages and from the Human Resources office.

### Eligibility

Faculty and professional staff who are hired for a regular position that is expected to work at least 1,000 hours per Plan Year (calendar year) are eligible to participate in the Medical Expense Reimbursement Account and Dependent Care Account Plan. New employees may enroll in the Plan within 30 calendar days of the 1st of the calendar month coinciding with or following appointment to a position expected to work at least 1,000 hours per year. Existing employees may enroll during the annual Open Enrollment period, with participation effective the next January 1. Based on federal regulations, participants must re-enroll, by completing an enrollment form, prior to each January 1 if they wish to continue to participate in the plan.

### Medical Expense Reimbursement Account

A faculty or professional staff member may choose to designate a portion of his/her salary on a pre-tax basis, up to a maximum of **\$3,500** per calendar year, to the Medical Expense Reimbursement Account. Funds designated to an employee's Medical Expense Reimbursement Account may then be used to reimburse the employee for his/her, or a dependent's, eligible medical and dental expenses which are not covered, or covered only in part, through a health insurance plan. The faculty or staff member may request reimbursement from his/her Medical Expense Reimbursement Account for eligible medical and dental expenses by submitting a claim form and necessary substantiation of expenses to Erin Group Administrators/Significa Benefit Services, the College's 3<sup>rd</sup> party administrator.

For purposes of the Medical Expense Reimbursement Account, eligible dependents typically include, but are not limited to, the following, if you claim them as dependents on your federal tax return:

- the employee's legally recognized spouse
- unmarried children under age 19, or under age 23 and attending school full-time
- an individual who is physically or mentally incapable of self-care, depends on you (the employee) for at least half of his/her support, and lives in your household for the entire tax year

An employee and spouse participating in the plans of two employers may not submit the same expenses for reimbursement (a Franklin & Marshall employee may contribute up to \$3,500 per year to the Medical Expense Reimbursement Account even if his/her spouse participates in another employer's plan, but the employee and spouse may not claim reimbursement for the same expense).

A participant may use money in his/her Medical Expense Reimbursement Account to pay for medical care and dental expenses which are not fully reimbursed through any health insurance plan. Eligible expenses generally include those for routine medical examinations; hearing care (including examinations and hearing aids); vision care (including examination, glasses, and contact lenses); dental care; chiropractic treatment; physical therapy required to treat a specific medical condition; coinsurance, deductibles, and medical expenses in excess of "Reasonable & Customary" charges; treatment for alcohol or drug abuse; infertility treatments; wellness visits and testing; prescription medicines; and over-the-counter medicines if used to alleviate or treat illness.

Expenses generally considered ineligible for reimbursement through a Medical Expense Reimbursement Account include, but are not limited to, premiums paid by employees or dependents for coverage through a health insurance, dental plan, or long-term care insurance plan; expenses incurred for cosmetic purposes (teeth whitening, face lift, hair removal, hair transplant, etc.); costs associated with treating a dependent with behavioral problems; health club membership fees; and vitamins, supplements, and over-the-counter medicines used to improve general health.

**Coordination Between the Medical Expense Reimbursement Account and Health Reimbursement Account--** Medical Expense Reimbursement Account participants who also participate in the College's High Deductible Health Plan with Health Reimbursement Account should plan carefully when determining their annual salary reduction election to the Medical Expense Reimbursement Account. Such participants are advised to take into account that they will be reimbursed first for eligible medical expenses from their Health Reimbursement Account balance, to the extent a balance is available. Only expenses a participant in the High Deductible Health Plan with Health Reimbursement Account incurs to pay the health plan deductible may be reimbursed from the participant's Health Reimbursement Account. Any expenses incurred to satisfy the health plan deductible will first be reimbursed to the employee from his/her Health Reimbursement Account balance. Any eligible medical expense that cannot be reimbursed from an individual's Health Reimbursement Account balance will be reimbursed from any remaining balance in the individual's Medical Expense Reimbursement Account.

## Dependent Care Account

Funds that an employee designates to his/her Dependent Care Account on a pre-tax basis (before federal income taxes are calculated and withheld) may be used to pay dependent care costs which are incurred in order to allow the employee, and his/her spouse if married, to remain gainfully employed. The maximum salary reduction for the Dependent Care Account is the lesser of: 1) \$5,000 per year (or \$2,500 if married and filing a separate federal tax return), 2) the employee's annual income, or 3) the spouse's annual income. If a participant's spouse also contributes to a Dependent Care Account through his/her employer, the maximum combined contribution is \$5,000.

For purposes of the Dependent Care Account, an eligible dependent includes, but is not limited to, the following, if you claim them as a dependent on your federal tax return:

- the participant's child(ren) who is under age 13, if the child does not provide over half of his/her own support during the calendar year and if the child lives with the participant (College employee) for more than 6 months of the year
- the spouse of a participant who is physically or mentally incapable of caring for him/herself
- an individual who is physically or mentally incapable of self-care, depends on you (the employee) for at least half of his/her support, lives in your household for more than one-half the year, spends at least 8 hours per day in your home, and is not someone else's qualifying child

*Please see the Flexible Spending Accounts Summary Plan Description for a detailed description of all eligible dependents.*

If an employee is a divorced or separated parent, he/she may be eligible to use the Dependent Care Reimbursement Account if the employee must have child care services in order to work, even if the child does not reside with the employee-parent. Employees are encouraged to consult a qualified tax advisor if this situation applies. Acceptable verification of dependent status must be provided to Significa Benefit Services before claims will be reimbursed for a dependent.

A faculty or member of the professional staff may use money in his/her Dependent Care Account to receive reimbursement for eligible dependent care expenses which are incurred in order to allow the employee, and his/her spouse if married, to remain employed. Eligible expenses include tuition fees charged by a day care center or preschool; day care costs incurred while the employee's dependent child is in day camp; and fees charged by a school or child care center to provide before- and after-school care. Ineligible expenses generally include kindergarten tuition, other than fees associated with before and after-school care; tuition fees charged by a school for the first grade and higher; fees incurred to send a dependent to overnight camp; the cost of transporting a dependent to day care; dependent care costs which are incurred for reasons other than to allow the employee and spouse to remain employed or attend school.

If an employee participates in both accounts, he/she may not transfer money between the Medical Expense Reimbursement Account and the Dependent Care Account.

## Reimbursement of Expenses

Through the Medical Expense Reimbursement Account and Dependent Care Account, the employee pays for the service (eligible medical treatment or dependent care expenses) and then submits a Medical Expense Reimbursement Claim Form or Dependent Care Reimbursement Claim Form, available from Human Resources and Significa Benefit Services, along with other required documentation.

**Medical Expense Reimbursement Account:** For health care expenses, the completed Claim Form must be submitted along with an itemized bill from the medical care provider or "Explanation of Benefits" from the College's health plan administrator indicating the name of the health care provider, services received, the name of the individual receiving services, and the cost of services. For over-the-counter medicines, a receipt showing the pharmacy / store name, drug name, date of purchase, and price must be submitted.

A participant's full Medical Expense Reimbursement Account election is available to him/her at any time during the year if eligible expenses are incurred.

Expenses must be incurred during the calendar year. However, a two and a half month "grace period" applies to the Medical Expense Reimbursement Account. If a Medical Expense Reimbursement Account participant incurs eligible medical expenses between January 1 and March 15, the participant's claim for reimbursement will automatically be applied to his/her prior calendar year's account balance, if a balance remains. For example:

- you have \$500 remaining in your Medical Expense Reimbursement Account as of December 31, 2009
- you incur \$500 worth of eligible medical expenses on March 1, 2010
- upon submission of a claim by you, you will be reimbursed for your expenses incurred on March 1, 2010, from the remaining \$500 in your 2009 account
- to be reimbursed from your 2009 account balance, you must postmark a claim form to Significa Benefit Services by March 31, 2010

As noted above, if an employee participates in the Medical Expense Reimbursement Account, any claims submitted for expenses incurred between January 1 and March 15 will automatically be applied first to any remaining account balance from the previous calendar year. If there is no remaining balance from the previous calendar year, claims will be applied against the current year balance (assuming the employee is participating in the Medical Expense Reimbursement Account during the current year). All expenses incurred after March 15 will be applied to the participant's current year account balance. This grace period does not apply to the Dependent Care Account.

If a Medical Expense Reimbursement Account participant also participates in the College's High Deductible Health Plan with Health Reimbursement Account, reimbursement to the employee for his/her eligible medical expenses will be provided first from any balance in the employee's Health Reimbursement Account (HRA). Only expenses pertaining to the annual deductible under the High Deductible Health Plan may be reimbursed through the Health Reimbursement Account. If the participant does not have enough funds in the HRA to provide full reimbursement for his/her eligible medical expenses, the remaining amount which cannot be reimbursed from

the participant's HRA balance may then be submitted for reimbursement by the participant through his/her Medical Expense Reimbursement Account. An employee may not be reimbursed for the same incurred medical expense from both the Health Reimbursement Account and the Medical Expense Reimbursement Account. However, if the balance in an employee's HRA is not sufficient to provide full reimbursement for an eligible medical expense, the employee may then request reimbursement of the remaining eligible expense through his/her Medical Expense Reimbursement Account, if a balance remains in that account.

**Dependent Care Account:** For dependent care expenses, a completed Claim Form must be submitted along with a receipt from the dependent care provider showing the name and tax ID number of the dependent care provider, the dependent(s) for whom care was received, the amount of the participant's payment, and the date payment was made. Cancelled checks are not acceptable proof of payment. This information must be submitted directly to Significa Benefit Services, P.O. Box 7777, Lancaster, PA 17604-7777, fax (717) 581-8379.

With the Dependent Care Account, a participant may only be reimbursed up to the amount he/she has actually had deducted from pay at the time a claim is submitted.

With the Dependent Care Account, expenses must be incurred during the calendar year for which the employee is requesting reimbursement. Expenses are treated as having been incurred when the employee or eligible dependent is provided with the service, not when the employee is formally billed for, or pays for, the service.

All Medical Expense Reimbursement and Dependent Care claims for reimbursement must be postmarked to Significa Benefit Services no later than March 31 of the next year.

**Any money left in an employee's account at the end of the year (as of March 15 of the next year for the Medical Expense Reimbursement Account and December 31 of the current year for the Dependent Care Account) must be forfeited by the employee, based on federal regulations.** As noted above, participants have until March 31 to submit requests for reimbursement pertaining to the prior year to Significa Benefit Services.

## **Federal Regulations**

**Enrollment / Re-enrollment--** Participants in the Medical Expense Reimbursement Account and/or Dependent Care Account must complete the appropriate enrollment form each year, during the Open Enrollment period, to participate in the Plan during the coming calendar year. Medical Expense Reimbursement Account and Dependent Care Account elections will not automatically carryover from year-to-year. Careful planning is necessary before enrolling, as any unused funds in an employee's account must be forfeited by the employee.

**Mid-year Election Changes--** An employee may elect to participate in the Plan, and change his/her salary reduction, generally only once per year during the annual Open Enrollment period, with the change effective January 1. Salary reduction elections are generally irrevocable during the Plan Year (calendar year), and no changes may be made to employee salary reduction elections, except in very limited circumstances as regulated by the Internal Revenue Service. Election changes may be made after January 1 only if the

employee experiences a change in status, such as a change in marital status, change in number of dependents, or change in employment status, or other relevant event as defined by the IRS. Please see the Flexible Spending Accounts Summary Plan Description for further details.

**Year-end Balances--** As noted above, Medical Expense Reimbursement Account participants may incur expenses through March 15 of the following year. Dependent care expenses must be incurred during the calendar year (through December 31). Employees have until March 31 of the year following the calendar year in which they participated in the Plan to submit requests for reimbursement for eligible expenses. Based on current IRS regulations, all dollars remaining in an employee's Medical Expense Reimbursement Account and Dependent Care Account after March 31 are automatically forfeited by the employee. Therefore, careful planning on the part of the participant is required when designating a salary reduction amount.

Participants may contact Significa Benefit Services, at (717) 581-1300, or visit [www.ega-inc.com](http://www.ega-inc.com) to inquire about their remaining balance in the Medical Expense Reimbursement Account and/or Dependent Care Account.

### **Upon Employment Termination**

An employee who terminates his/her employment with the College may submit medical expenses incurred through the termination date. An employee may continue to participate in the Medical Expense Reimbursement Account, via "COBRA", through the remainder of the Plan Year (calendar year), but may not change his/her previous salary reduction election. Monthly contributions to the Medical Expense Reimbursement Account are made on an after-tax basis following employment termination.

Eligible dependent care expenses incurred during the calendar year of termination may be submitted through March 31 of the next calendar year, as long as such expenses do not exceed the employee's actual salary reduction/contribution to the Dependent Care Account prior to employment termination.