PAYFLEX SYSTEMS USA, INC.

The colleges, universities and institutions of higher education participating in the CHEIBA Trust offer a Flexible Benefit Plan under Section 125 of the Internal Revenue Code. There are three separate and optional components under the Plan:

1. Pre-Tax Insurance Premium Payments – eligible premiums include employer-sponsored Medical, Dental, Vision and Basic Term Life (to $50,000 death benefits)
2. Health Care Spending Account
3. Dependent Care Spending Account

These options provide you with the opportunity to pay some of your insurance premiums and other eligible family expenses with pre-tax dollars. This Plan is offered on a voluntary basis and participation may require an administration fee. **NOTE:** Not all information in this Chapter will apply to Fort Lewis College (see your Human Resources/Benefits Office for details). When you choose to participate in the Flexible Benefit Plan your monthly taxable income is reduced. Dollars elected in the health care spending account are available to you at any time during the Plan Year. You can claim reimbursement for eligible expenses, incurred while you are active in the plan, up to your maximum elected amount.

**NOTE:** Once selected, the pre-tax election for insurance premium payments will continue until a waiver is signed during open enrollment or as the result of an eligible status change (see Status Change Rules in the Benefit Highlights Chapter).

For Premium Payments involving Domestic Partners and the children of Domestic Partners, please review the document entitled, “Important Tax Information for Domestic Partner Health and Dental Benefits”.

**HEALTH CARE SPENDING ACCOUNT**

The maximum amount of reimbursement for health care expenses is $5,000 per Employee, per calendar year. If you wish to continue to participate in this benefit you must re-enroll in the plan each year.

Through the Health Care Spending Account, eligible out-of-pocket expenses incurred by you, your spouse and Dependents during the Plan Year include the following items: deductibles, copayments, (non-cosmetic) dental work, crowns, bridges, orthodontics, prescriptions, eye care, glasses, LASIK and PRK procedures, contact lenses and more. Effective January 1, 2011, the definition of qualified health expenses for purposes of Flexible Spending Accounts are now limited to prescribed medications and insulin. Prescribed medications include medications that are also available over the counter as long as participants have prescriptions from their physicians. Generally, if a medical expense is considered eligible as a medical deduction on your federal tax return it may be eligible for pre-tax payments within your Flexible Benefit Plan. Health-related insurance premiums cannot be paid through a Health Care Spending Account. For a complete list of qualified medical expenses, see [www.healthhub.com](http://www.healthhub.com).

Expenses for your Eligible Dependents may be reimbursed through this account even if they are not enrolled in the CHEIBA Trust medical, dental or vision plans. Expenses paid by another insurance plan are not eligible for reimbursement through the Health Care Spending Account.
HEART Act (Heroes Earnings Assistance and Relief Tax Act of 2008)
Effective January 1, 2011, if you are a member of a reserve unit and are ordered or called to active duty, then you may be able to request a Qualified Reservist Distribution (QRD) from your Health Flexible Spending Account (FSA). A QRD is a taxable cash distribution of amounts from your Health FSA that is not dependent on whether you have incurred medical expenses. You can only request this distribution if you are ordered or called to active duty for a period in excess of 180 days or for an indefinite period. You may only request this distribution during the period beginning on the date of the order or call and ending on the last date that reimbursements could otherwise be made under the Plan for the Plan Year which includes the date of the order or call.

COBRA Option for the Health Care Spending Account
In the event of a COBRA qualifying event you may be eligible to continue participation in your Health Care Spending Account through the end of your current Plan Year. This option only applies if you have a positive balance in your account at the time of your termination or other eligible event. If you elect COBRA you must continue to make contributions and can submit claims for reimbursement for expenses incurred while you are on COBRA.

DEPENDENT CARE SPENDING ACCOUNT
You can pay up to $5,000 per family, per calendar year, for child or dependent care necessary to your employment with pre-tax dollars. When using the Dependent Care Spending Account your expenses must be incurred during the Plan Year. You are limited to $5,000 per year or to the income of the lesser earning spouse (whichever is less). If your spouse is disabled or is a full-time student five months or more each year, then the spouse’s income is considered to be $250 per month if you have one child or dependent or $500 per month if you have two or more children or dependents.

The number of children or dependents does not impact the $5,000 limit. If you are married and filing separate tax returns, you are limited to $2,500 per spouse, per calendar year. If you wish to continue to participate in this benefit you must re-enroll in the plan each year.

Eligible expenses must be for children under the age of 13 or for older dependents with a physical or mental disability requiring supervision so you can work and the individual has gross income less than the exemption amount. All care expenses must be necessary to employment. Ineligible expenses include payments for referral services, parenting seminars, private schooling including kindergarten, child support payments, and payments to a spouse or other dependent for the care of the child or dependent. Overnight camp is not an eligible expense.

Tax Guidelines
Under current IRS regulations you must report the care provider’s name, address and Tax ID or Social Security number on your federal tax return. This requirement is the same for both the pre-tax spending account and the federal tax credit. You cannot pay your spouse or other dependents to care for your children or dependents.

Eligible Expenses
The child or Dependent must live in your home on average eight hours per day. Eligible expenses include in-home care, a child care home, child care center, summer camp, before and after-school programs and adult day care.

NOTES:
❖ If you have a cost change for day care during the Plan Year you may be eligible to change your election. See your Human Resources/Benefits Office for details.
❖ You can also use a combination of the tax credit and the pre-tax program. However, when a combination is used you are limited to the tax credit limits for the total dollars allowed.
❖ Expenses paid through a dependent care spending account cannot be claimed as a tax credit on your income tax return or submitted to any other source for reimbursement.
ENROLLMENT GUIDELINES

Enrollment
You must enroll for the Health Care Spending Account and the Dependent Care Spending Account on an annual basis. You may change elections during the Plan Year only when a qualifying status change occurs as described earlier in this summary and in accordance with IRS rules governing tax qualified flexible benefit plans. Changes in a daycare provider would allow for a change in the election of the participant. They would be allowed to stop, increase or decrease their election for this reason. Changes must be requested within 31 days of the status change and must be approved by the Human Resources/Benefits Office.

"Use it or Lose it" - Health Care and Dependent Care Spending Accounts
You must incur eligible expenses during the Plan Year while you are an active Participant in the plan. All claims must be received no later than April 15th of the year following the Plan Year. Dollars not claimed by April 15th will be forfeited. Other rules apply upon termination of employment during the Plan Year (see your Human Resources/Benefits Office for details).

BASIC PLAN RULES

Health Care and Dependent Care Spending Accounts
All eligible expenses must be incurred after your effective date and during the Plan Year. The incurred date is considered the date you or your Eligible Dependent received the care, services, medicines, or purchased supplies.

Your contributions are elected specifically to one or two accounts. The funds are maintained separately and cannot be combined for reimbursement purposes. For example, you cannot be reimbursed from your Health Care Spending Account for dependent care expenses.

During the enrollment process, you must carefully consider your health and child/dependent care needs and estimate predictable expenses you will incur during the Plan Year. Important - any contributions to these accounts that are not used for eligible expenses incurred during the Plan Year will be forfeited. Set aside dollars only for those expenses you know you will incur. Plan carefully.

You may not change your contribution during the Plan Year except in the case of a qualifying status change (as described earlier in this summary). Requested election changes must be submitted in writing to the Human Resources/ Benefits Office within 31 days of the qualifying status change and all approved election changes must be on account of or corresponding with a change in status that affects eligibility for coverage under an employer’s plan.

Retirement Concerns
The Defined Contribution Pension Plan retirement benefits are based on the dollars contributed to the plan over your total years of employment.

These contributions may be based on your taxable wages which are reduced by your participation in the Flexible Benefit Plan. However, you may be able to increase your voluntary retirement plan contributions to compensate for this reduction in contributions and reduction in future retirement benefits.

Public Employee Retirement Association (PERA) contributions are not paid on any dollars redirected through participation in the Flexible Benefit Plan. If you are within your final three years of employment under PERA, you may want to elect after-tax payments for insurance premiums and decline participation in the spending accounts. This will help ensure your highest possible PERA retirement benefit, which is based on your highest three years of earnings.
**REIMBURSEMENT GUIDELINES**

PayFlex Systems USA, Inc. is your Flexible Benefit Plan Administrator (except for Fort Lewis College). You will receive a reimbursement packet with instructions and claim forms prior to your first salary adjustment. Check with your Human Resources/Benefits Office regarding administration fees for participation in the Flexible Benefit Plan Spending Accounts.

For those Employers who offer the debit card, Employees participating in a Health Care Spending Account will receive a PayFlex MasterCard which will be credited with their plan year elected amount. This card can be used at most qualified health merchants; for example, pharmacies, doctor’s offices, dental offices, vision centers, etc. When purchasing services or items with your PayFlex card, you may be required to submit receipts to show these purchases are qualified expenses. This is an IRS requirement.

Spending account reimbursement checks will be written to you personally and mailed to your home address.

**Health Care Spending Account Required Documentation**

You must submit a copy of your provider statement or Explanation of Benefits (EOB) from the insurance carrier along with your signed claim form when submitting for reimbursement. The following is a list of acceptable documentation:

- The provider statement or EOB must include the date of service, family member for whom the service was provided, and documentation that the expense was not paid by an insurance plan.
- Eligible expenses cannot be paid by an insurance company or other company spending plan.
- Expenses must be incurred during the Plan Year, while you are an active Participant in the plan.
- Prescription tags or statement from pharmacy. Cash receipts are not acceptable.
- Itemized receipt from store showing over-the-counter qualified expense. Receipt must show name of item purchased, date, who from and amount.

To be reimbursed for mileage expenses, including driving Dependents to and from medical appointments, submit your vehicle odometer readings, with the starting and ending mileage and the points of travel (where you traveled to and from). Include the name of the family member requiring treatment, the reason and the date of the visit. Sign and date the claim form, then submit it with the proper documentation for reimbursement.

Expenses reimbursed in the Flexible Benefit Plan cannot be claimed as a deduction on your tax return.

**Dependent Care Spending Account Required Documentation**

Your signed claim form must be accompanied by an itemized statement from the provider. The statement must include the following information:

- name of the Dependent
- type of service rendered
- name of the provider
- amount charged
- date(s) of service
- Social Security number or Tax ID number of the provider
For questions, call PayFlex Systems USA:

Telephone: ............................................................................................................. 1-800-284-4885

Claims Fax: ............................................................................................................. 402-231-4310
or 1-800-450-0016

Address: ................................................................. PO Box 3039
Omaha, NE  68103

Website: ................................................................. www.healthhub.com

**NOTE**: This is only an overview of your Flexible Benefit Plan. Ask your Human Resources/Benefits Office for further details and explanations. If discrepancies are found, depend upon the plan document itself for accuracy.