

Flexible Benefit Administrators Spending Accounts

PLAN YEAR: JULY 1, 2010 - JUNE 30, 2011

HEALTH CARE FLEXIBLE SPENDING ACCOUNT MAXIMUM: \$2,400

HEALTH CARE FLEXIBLE SPENDING ACCOUNT MINIMUM: \$120

DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT MAXIMUM: \$5,000

FLEXIBLE BENEFIT PLAN: THE BETTER YOU PLAN, THE MORE YOU SAVE!

It's more than a slogan. The Flexible Benefit Plan is a real solution to issues facing all of us. Simply stated, by taking advantage of tax laws, the Flexible Benefit Plan works with your benefits to save you money.

Your insurance programs are designed to help you and your family become financially secure as well as to protect you against the high cost of medical care including catastrophic events. However, almost everyone has a number of necessary, predictable expenses that are not covered by your insurance programs. The Flexible Benefit Plan will help you pay for these predictable expenses.

The Flexible Benefit Plan offers a unique way to help pay for some of your health care expenses and dependent care expenses.

The key to the Flexible Benefit Plan is that your eligible expenses are paid for with Tax Free Dollars. You will not pay any federal, state or social security taxes on funds placed in the Plan. You will save between, approximately, \$27.65 and \$37.65 on every \$100 you place in the Plan. The amount of your savings will depend on your federal tax bracket.

Using the Flexible Benefit Plan can save you a significant amount of money each year, however, it is important that you understand how the Plan works and how you can make the most of the advantages the Flexible Benefit Plan offers.

This chapter will help you understand the Flexible Benefit Plan. The chapter covers how the Plan works, describes the categories of the Plan, explains the rules governing the Plan, the reimbursement process and how you can elect to participate in the Flexible Benefit Plan. Prior to electing to participate in the Flexible Benefit Plan, it is important that you read and understand the Rules and Regulations section of this handbook.

After you read this material, if you have any questions please feel free to contact **Flexible Benefit Administrators, Inc. at (757) 340-4567 or (800) 437-FLEX.**

FLEX NOTE: FLEX is authorized by Section 125 of the Internal Revenue Code.

HEALTH CARE REIMBURSEMENT ACCOUNT

The Health Care Reimbursement Account allows you to pay for your uninsured medical expenses with pre-tax dollars. With this account, you can pay for your out of pocket medical expenses for yourself, your spouse and all of your dependents for medical services that are incurred during your Plan Year. The maximum you may place in this account for the upcoming Plan Year is \$1,200.

EXAMPLES OF ELIGIBLE HEALTH CARE EXPENSES: FEES/CO-PAYS/DEDUCTIBLES:

- Acupuncture
- Ambulance hire
- Anesthetist
- Chiropractor
- Dental Fees
- Diagnostic
- Eye Exams
- Prescription Eye glasses/
Contact lenses
- Psychiatrist
- Hospital
- Laboratory
- Nursing
- Obstetrician
- Laser Eye Surgery
- Physician
- Psychologist
- Erectile dysfunction
medication
- Sterilization Fee
- Surgery
- X-Rays
- Wheel Chair

OTHER ELIGIBLE EXPENSES:

- Prescription drugs
- Artificial limbs & breasts
(only if reconstructive)
- Birth control pills, patches
(e.g. Norplant)
- Orthopedic shoes/inserts
- Incontinence supplies
- Carpal tunnel wrist supports
- Vaccinations & Immunizations
- Elastic hose
(medically prescribed)
- Contact lens supplies
- Therapeutic care for drug
and alcohol addiction
- At home pregnancy test kits
- Smoking cessation programs and prescribed drugs designed to
alleviate nicotine withdrawal
- Mileage, parking and tolls (you may be reimbursed \$.24* a mile plus
parking and tolls when medical reasons make it necessary to travel)
- Tuition fees for medical care (if the college furnishes a breakdown of
medical charges)
- Orthodontic expenses (not for cosmetic purposes)
- Diabetic supplies
- Routine Physicals
- Condoms
- Dentures
- Oxygen
- Physical Therapy
- Fertility Treatments
- Hearing aids and batteries
- Reading glasses
- Medical equipment
- Pedialyte for dehydration
- Nicotine gum/patches
- Take-home screening kits (HIV,
colon cancer)

NOTE: ORTHODONTIC TREATMENT IS REIMBURSED ACCORDING TO YOUR PAYMENT PLAN WITH THE ORTHODONTIST. FOR EXAMPLE: If your payment plan is set up to pay \$100 a month for the orthodontic treatment, you can be reimbursed \$100 a month for the payments that become due during the Plan Year.

This above list is compiled from IRS publication 502. If you are unsure that your expected medical expense will be eligible under tax code regulations, please call Flexible Benefit Administrators at (757) 340-4567 or (800) 437-FLEX before making your election for the Plan Year. IRS publication 502 can be ordered by calling the IRS at (800) 829-3676.

* Mileage reimbursement rate is based on IRS regulation and subject to change.

OVER-THE-COUNTER DRUGS

PLEASE BE ADVISED THAT RECENT SENATE LEGISLATION HAS STATED THAT EFFECTIVE JANUARY 1, 2011, PARTICIPANTS ARE REQUIRED TO HAVE A PRESCRIPTION FOR OVER-THE-COUNTER (OTC) PRODUCTS TO BE ELIGIBLE UNDER THEIR FSA PLAN. BASED ON OUR CURRENT UNDERSTANDING OF HOW THE LEGISLATION WILL BE IMPLEMENTED, A PRESCRIPTION OR LETTER OF MEDICAL NECESSITY WOULD BE REQUIRED AFTER JANUARY 1, 2011 FOR OTC ITEMS.

ELIGIBLE OVER-THE-COUNTER EXPENSES

- Examples of eligible medications and drugs purchased in reasonable quantities:
 - Antacids
 - Pain relievers/aspirin
 - Ointments & creams for joint pain
 - Nicotine gum/patches to stop smoking
 - First aid creams (Bactine, diaper rash)
 - Allergy & sinus medication
 - Cough & cold medications
 - Laxatives
 - Anti-diarrhea medicine
 - Bug-bite medication

OVER-THE-COUNTER EXPENSES THAT ARE NOT ELIGIBLE

- The following examples are OTC items that are not eligible and will not be reimbursed under any circumstances because the items are considered dietary supplements, toiletries, cosmetic or personal use items:
 - Multi/Daily Vitamins
 - Weight loss products/foods
 - Face cream/moisteners
 - Mouthwash/toothpaste
 - Feminine hygiene products
 - Deodorant
 - Chapstick
 - Suntan lotion
 - Herbal/natural supplements
 - Acne creams/face cleanser
 - Medicated shampoo/soaps
 - Toothbrushes (even if dentist recommends a special one)
 - Eye/facial makeup/preparations
 - Rogaine

DUAL PURPOSE DRUGS & ITEMS

EXPENSES THAT NEED DOCUMENTATION FROM YOUR PHYSICIAN TO BE ELIGIBLE THROUGH THE HEALTH CARE ACCOUNT

- The following items are examples of products that are considered as having both a medical purpose and a general health, personal/cosmetic purpose and require a medical practitioner's note stating the name of the patient, the specific medical condition for which the OTC is recommended, the time frame of the treatment and that the treatment is not cosmetic:
 - Weight-loss drugs (to treat obesity)
 - Prenatal vitamins
 - Nasal sprays for snoring

- Pills for lactose intolerance
- Fiber supplements (to treat a medical condition for a limited time)
- OTC Hormone therapy (to treat menopausal symptoms)
- Glucosamine/Chondroitin (for arthritis)
- St. John's Wort (for depression)

EXPENSES FOR IMPROVEMENT OF GENERAL HEALTH are not eligible for reimbursement even if a doctor prescribes the program. However, if the program is prescribed for a specific medical condition (e.g. Obesity, Emphysema), then the expense would be eligible. We must have a letter from your doctor on file for each Plan Year stating specifically what illness or disease is being treated or prevented and the length of time you will be required to use this treatment in order to reimburse for any of these types of expenses.

- | | |
|------------------------|--------------------|
| • Health Club Dues | • Exercise classes |
| • Weight Loss Programs | • Breast Pumps |
| • Exercise equipment | • Wigs |

NOTE: For Weight Loss Programs, only the cost of the program is an eligible expense. Any cost for food or food supplements is not an eligible expense.

COSMETIC expenses, prescriptions and treatments are not eligible. This applies to any procedure that is directed at improving the patient's appearance and does not meaningfully promote the proper function of the body or prevent or treat an illness or disease. If cosmetic treatment is necessary to correct a deformity or abnormality, a personal injury or a disfiguring disease, it must meet IRS eligibility guidelines outlined in IRS publication 502 and will require a physician's letter of medical necessity.

OTHER EXPENSES THAT ARE NOT ELIGIBLE FOR REIMBURSEMENT THROUGH THE HEALTH CARE ACCOUNT

ESTIMATES for medical expenses that have not been rendered cannot be reimbursed. Medical services do not have to be paid for, however, the services must have been rendered during the Plan Year, to be eligible for reimbursement.

PREMIUM EXPENSES for any insurance policies are not eligible for reimbursement through the Health Care Account. This includes contact lens insurance.

EXPENSES PAID BY AN INSURANCE COMPANY are not eligible for reimbursement through the Health Care Account. Only the portion you have to pay out of your pocket for your medical expenses is eligible for reimbursement.

CLAIMS SUBMISSION

OBTAINING A REIMBURSEMENT FROM YOUR HEALTH CARE ACCOUNT

To obtain a reimbursement from your Health Care Account, you must complete a Claim Form. This form is available from your employer's website (See sample Claim Form on page 17). You must attach a receipt or bill from the service provider which includes all the pertinent information regarding the expense:

- Date of service
- Patient's name
- Amount charged
- Provider's name
- Nature of the expense
- Amount covered by insurance (if applicable)

Cash register receipts, credit card receipts and canceled checks alone are not eligible forms of documentation for medical expenses. These items are not considered third party receipts because they only reflect that payment has been made and do not provide the required information listed above. Prescription documentation must include the name of the prescribed medication.

OBTAINING A REIMBURSEMENT FOR OVER-THE-COUNTER ITEMS

For the purchase of over-the-counter medications and items exclusively, cash register receipts will be accepted as documentation if the receipt is detailed and indicates the name of the service provider, the date of the purchase, the amount of the purchase and the name of the product purchased. If the receipt does not specifically reflect the name of the product we cannot accept the claim for reimbursement of that item. The name of the patient does not have to be on the receipt, however, the name of the patient must be listed on the claim form.

NOTE: In order to be eligible for reimbursement through the Health Care Account, the medical expense must be incurred during the Plan Year. IRS defines "incurred" as when the medical care is provided (or date of service), not when you are formally billed, charged for, or pay for the care. **FOR EXAMPLE:** If you go to the doctor on June 26th and your Plan Year begins on July 1st, this expense is not eligible in the new Plan Year. Even if you pay for this expense after July 1st, the "date of service" was before the Plan Year began and therefore is not eligible.

THE HEALTH CARE ACCOUNT IS A PRE-FUNDED ACCOUNT

This means that you can submit a claim for medical expenses in excess of your account balance. You will be reimbursed your total eligible expense up to your annual election. The funds that you are pre-funded will be recovered as deductions continue to be deposited into your account throughout the Plan Year.

DEPENDENT CARE REIMBURSEMENT ACCOUNT

The Dependent Care Reimbursement Account allows you to pay for day care expenses for your dependents with tax-free dollars.

ELIGIBLE DEPENDENT

- A child under 13 who qualifies as a dependent on your Federal Income Taxes
- Any other dependents, including a disabled spouse, disabled children over age 13 and elderly parents, who depend on you for financial support, qualify as dependents for tax purposes, and are incapable of self care
- Please refer to Page 12 for the latest definition of a dependent, as revised under Section 152 of the Code by the Working Families Tax Relief Act of 2005 (WFTRA)

ELIGIBLE DEPENDENT CARE EXPENSES

For dependent care expenses to be eligible for reimbursement, you must be working during the time your eligible dependents are receiving care. If you are married, your spouse must be:

- Working at the time the day care services are provided;
- A full-time student for at least five months during the year; or
- Mentally or physically disabled and unable to provide care for him or herself

EXPENSES FOR KINDERGARTEN are not eligible for reimbursement since they are generally for education, and not for custodial care. In order for an expense to be eligible for reimbursement from the Dependent Care Reimbursement Account, the primary purpose for the care of the qualifying individual must be to assure the individual's well-being and protection. Dependent care must still be primarily for custodial care, not education, in order to qualify as an eligible employment-related expense from the Dependent Care Reimbursement Account.

EXAMPLES OF DEPENDENT CARE EXPENSES

- Babysitters or Nannies that claim the child care as income on their taxes
- Licensed day care centers
- Private Preschool
- Before and after school care
- Day care for an elderly or disabled dependent

EXPENSES THAT WOULD NOT BE ELIGIBLE THROUGH THE DEPENDENT CARE ACCOUNT

- Kindergarten (kindergarten & above is considered an educational expense)
- Days you or your spouse are not working, including sick leave, vacation days, and maternity leave
- Transportation, books, clothing, or entertainment (Note: These expenses will be covered if provided by the nursery school or day care center as part of its preschool care services. If these types of expenses are billed separately, they are not an eligible expense.)
- Care provider may not be a child of yours under the age of 19 or anyone you claim as a dependent for federal income tax purposes

- Babysitting for social events
- Overnight camp is not an eligible expense, only DAY CAMPS are eligible.
Remember that this account is set-up so that you and your spouse are able to go to work and Overnight camp is 24-hour care.

ANNUAL MAXIMUM FOR THE DEPENDENT CARE REIMBURSEMENT ACCOUNT

Must Not Exceed The Lesser Of:

- \$5,000 for one or more children (\$2,500 if you are a married individual filing a separate tax return);
- Your wages or salary for the Plan Year; or
- The wages or salary of your spouse

If your spouse is either a full time student or is incapable of taking care of himself or herself then he or she is deemed to have monthly earnings of \$250 if there is one (1) child or dependent, and \$500 if there are two (2) or more children or dependents.

USING THE DEPENDENT CARE REIMBURSEMENT ACCOUNT VERSUS FILING FOR A TAX CREDIT ON YOUR TAXES

Under current IRS regulations, you may be eligible to receive a tax credit for dependent care costs. You may claim a credit for dependent care, up to \$3,000 for one child and \$6,000 for two or more children, on your income taxes through the child care tax credit. However, through the Dependent Care Reimbursement Account you may set aside up to \$5,000 per year, for one or more children, if you are married and filing a joint tax return or if you are a single parent. If you are married and filing separate tax returns, you may set aside only \$2,500.

Typically, more money is saved by paying for dependent care through the FSA Dependent Care Reimbursement Account than by taking the dependent care credit on your tax return. This is because the total for federal, state, and FICA savings usually exceeds the dependent care credit. At taxable incomes greater than \$14,000, participants will probably benefit more from taking reimbursement from the Flexible Benefit Plan. These assumptions are based on the inclusion of your state income tax.

You can also file for the tax credit while participating in the Dependent Reimbursement Care Account. If the amount you have placed through the reimbursement account does not meet the maximum allowed by the IRS, you can claim the difference between your Dependent Care deductions and the IRS maximum allowable expenses for the tax credit. You can claim a tax credit for any additional dependent care expenses incurred over the \$5,000 maximum FSA limit up to the \$6,000 child care tax credit limit on your taxes. You cannot claim the tax credit for any dependent care expenses paid from the Dependent Care Reimbursement Account. It is your responsibility to report the Dependent Care amount on your tax form 2441. The amount is listed on your W-2 under Dependent Care Benefit for the tax year.

If you are not sure about the eligibility of an expense, phone **Flexible Benefits Administrators at (757) 340-4567 or (800) 437-FLEX** or refer to IRS Publication 503: "Dependent Care Expenses". This publication can be ordered by calling the IRS at (800) 829-3676.

OBTAINING A REIMBURSEMENT FROM YOUR DEPENDENT CARE REIMBURSEMENT ACCOUNT

To obtain a reimbursement from your Dependent Care Reimbursement Account you must complete a Claim Form. This claim form is available from your employer's website (See sample Claim Form on page 17). You must attach a receipt from the service provider which includes all of the following:

- Name of dependent receiving care
- Date(s) care was provided (must match Claim Form)
- Name of service provider
- Social Security or Tax I.D. number of the provider
- Amount of the charge

NOTE: Dependent care expenses can only be reimbursed after the care is provided. This means that advance payments of dependent care expenses cannot be made. FOR EXAMPLE: If you pay for a summer day camp for your child in May but the camp is the first week in July, we cannot reimburse you for this expense until July when the service is provided.

THE DEPENDENT CARE REIMBURSEMENT ACCOUNT IS NOT A PRE-FUNDED ACCOUNT

This means that you will only be reimbursed up to your account balance at the time you submit your claim. If your claim is for more than your account balance, the unreimbursed portion of your claim will be tracked by Flexible Benefit Administrators. You will be automatically reimbursed as additional deductions are taken and deposited into your account, until your entire claim is paid out.

THE BENEFITS CARD

The Benefits Card system allows you to pay for eligible pre-tax account expenses electronically at approved service providers and merchants. The Benefits Card provides you with instant access to your pre-funded Health Care Reimbursement Account for many common regular eligible expenses. You may also enjoy the convenience of paying for your childcare expenses (up to your account balance at the time of the “swipe”) with the Benefits Card.

In order for you to get the most benefit from your Plan, we want to remind you of a few things concerning the Benefits Card:

- The Benefits Card works just like a debit card, only your “bank account” consists of the funds you elected to set aside in your pre-tax account(s). The card is not eligible for use at ATM’s or other unqualified merchant locations. The card will be denied at the point of sale when use at an ineligible location is attempted. If an eligible provider does not accept MasterCard®, you must file a proper claim. *When using the card at a self-service merchant terminal, select the **credit option**, not the debit option (**there is no PIN #**).
- Your card will be mailed to your home address via first class mail. Please allow up to two weeks for delivery of your card. If you do not receive your card two weeks after the start of your Plan Year, contact Flexible Benefit Administrators, Inc. so that a replacement card may be ordered. Any eligible expense incurred during that time may be reimbursed by mailing or faxing a claim form, and receipts to Flexible Benefit Administrators, Inc., following the customary claims filing procedure and cutoff times.
- When you receive your card, sign the back of the card prior to using it. Your card is activated upon the first swipe of the card.
- **Continue to save all receipts.** Flexible Benefit Administrators, Inc. may request them to verify expense eligibility.
- Flexible Benefit Administrators, Inc. will notify you by mail or e-mail if you incur an expense with the card that is or appears to be ineligible. Upon this notice you must send Flexible Benefit Administrators a Transaction Substantiation Form with the corresponding itemized documentation within 40 days of the transaction. If you do not send in those required items, your card will be deactivated until the documentation is received.
- Your transaction will be denied for any amount greater than your health care reimbursement account annual election or your dependent care reimbursement account posted balance at the time of the “swipe”.
- You should notify Flexible Benefit Administrators, Inc. immediately if your card is lost or stolen to deactivate the card. If your employment is terminated, you must surrender the card to your employer.
- You may monitor your account balance, transaction history or print a statement at any time, night or day on the Benefits Card website:
www.benefitspaymentsystem.com.
- Additional information regarding the Benefits Card is available on the website: **www.flex-admin.com**. You may also download the Transaction Substantiation Form from the website under Participant Forms.

Attention: Benefits Card Participant - Subject: Benefits Card Use

In light of IRS Rulings on Benefits Card use, it is important that you make yourself familiar with the cardholder agreement that accompanies your Benefits Card. Flexible Benefit Administrators, Inc. strongly suggests reviewing this document and making yourself and any dependent cardholders in your household aware of the terms.

Please be aware that upon receipt and signing of your Benefits Card, you, as the cardholder and employee participant of the Plan are ultimately responsible for using the card for eligible expenses. This also applies to any dependent that has use of the Benefits Card. By signing the back of the card, the employee/dependent is agreeing to the terms and conditions of this agreement.

As in the past, your responsibility as a participant in a tax-free plan, is to use the card for eligible expenses ONLY (such as prescriptions, eyeglasses and medical co-pays, etc.) As with paper claim submission, cosmetic prescriptions and procedures as well as over the counter medications and products are not eligible for reimbursement. Please remember that each time you use your card you are certifying that the expense is eligible. If you have any doubt as to whether an expense is eligible or not you should refer to your employee handbook, IRS Publication 502 or call our office to speak with one of our administrators. It is also your responsibility to acquire all documentation such as receipts, EOBs, etc. for the Plan Year's expenses and to retain the documentation for the entire Plan Year. If you are aware that you have paid for an expense with the card that is ineligible it is your responsibility to notify Flexible Benefit Administrators, Inc. immediately. You will need to submit a paper claim form with substantiating documentation along with repayment for the amount of the ineligible expense.

Flexible Benefit Administrators, Inc. may request documentation to substantiate your Benefits Card transactions to determine eligibility of the expense. Please be aware that documentation for all over-the counter drugs will be required, as per IRS regulations.

In the event that your documentation shows ineligible expenses were paid with your Benefits Card, Flexible Benefit Administrators, Inc. will request that you re-pay the amount of the ineligible expense. If the payment is not received in the allotted time frame your card will be de-activated. Also, Flexible Benefit Administrators, Inc. may offset future claims and notify your employer. IRS rulings allow your employer to withhold this amount from your wages if necessary. The Benefits Card is NOT PAPERLESS, just less paper and is a great convenience for the participants in the Plan if used properly.

PLEASE NOTE: Eligible items purchased at participating Inventory Information Approval System (IIAS) merchants will be automatically approved! When purchasing prescriptions and/or over-the-counter FSA-eligible items, the merchant's IIAS will verify the items and automatically approve the transaction with no follow-up request. Effective January 1, 2009, the Benefits Card will no longer be accepted at merchants who have not implemented IIAS. Please visit www.sig-is.com and select "IIAS Merchants List" for the most recent list of IIAS merchants.

RULES AND REGULATIONS

CLAIM FILING DATES

All claims received in the office of Flexible Benefit Administrators, Inc. will be processed within one week.

COMMON ERRORS TO AVOID WHEN FILING CLAIMS

- The claim form is not signed
- Canceled checks, cash register receipts or credit card receipts are sent in place of receipts or bills from the provider of service
- Cash register receipts for OTC item(s) do not indicate the specific name of the product(s) purchased
- Claim form has not been completed
- Insufficient postage on envelope
- "Previous balance" statements or "payment on account" receipts submitted in place of actual date of service itemized bills or receipts

Your claim form may be returned to you or delayed in processing for improper or insufficient documentation. If you have questions about your claims, you may contact Flexible Benefit Administrators, Inc. at **(757) 340-4567** or **(800) 437-FLEX**, from 8:30 a.m. to 5:00 p.m., Monday through Friday.

REIMBURSING THE PROVIDER OF SERVICE

All reimbursements will be sent to you directly. We cannot send payments to your doctors or day care providers. After receiving payment from your account, you are responsible for paying your providers.

ELIGIBLE DEPENDENTS

An individual is considered to be a dependent if he or she is a qualifying child or qualifying relative of the taxpayer. The following qualifying criteria now apply to be a "dependent child": the individual has a specific family type relationship to the taxpayer, the individual does not provide more than half of his or her own support, the individual has the same place of abode as the taxpayer for more than half of the year, and the individual does not turn age 19, (24 if full-time student), by the end of the Plan Year.

In addition, the following qualifying criteria apply to be a "dependent relative": the individual has a specific family type relationship to the taxpayer, the individual is not a qualifying child of any other taxpayer, the individual receives more than half of his or her support from the taxpayer, and the individual's annual gross income is less than the Section 151 limit (\$3,200 for 2005; this criteria does not apply to health plans).

RUNOFF PERIOD FOR FILING CLAIMS

You have the entire Plan Year plus 90 days to file all claims that were **incurred** during the Plan Year. All claims must be received in the office of Flexible Benefit Administrators, Inc. by 5:00 p.m. on the 90th day, following the end of your Plan Year. Therefore, for the Plan Year 7/01/10 - 06/30/11, all claims must be in our office by 5:00 p.m. on September 28, 2011. If claims are not received during this time frame for expenses incurred during the Plan Year, your remaining funds will be forfeited. (Remember "90 days" does not mean 3 months and "received in the office" does not mean the day it was postmarked). Please, do not delay; complete your claims early.

FORFEITING FUNDS

Any money you do not use from a reimbursement account for expenses incurred during a Plan Year will be forfeited. The forfeited funds will be returned to your employer to offset the cost of the program. If you plan carefully, you can avoid being affected by this IRS restriction.

CHANGES IN YOUR ELECTION

No, generally you cannot change the elections you have made after the beginning of the PLAN YEAR. However, there are certain limited situations when you can change your elections. You are permitted to change elections if you have a "change in status" and you make an election change that is consistent with the "change in status." Currently, Federal law considers the following events to be "changes in status":

- Marriage, divorce, death of a spouse, legal separation or annulment;
- Change in the number of dependents, including birth, adoption, placement for adoption, or death of a dependent
- Any of the following events for you, your spouse or dependent: Termination or commencement of employment, a strike or lockout, commencement, or return from an unpaid leave of absence, a change in worksite, or any other change in employment status that affects eligibility for benefits;
- One of your dependents satisfies or ceases to satisfy the requirements for coverage due to change in age, student status, or any similar circumstance;
- A change in place of residence of you, your spouse, or your dependent. This applies ONLY to Dependent Care and ONLY if that change in residence results in a change of dependent care service provider and its cost.

In addition, if you are participating in the Dependent Care Reimbursement Account, then there is a "change in status" if your dependent no longer meets the qualifications to be eligible for dependent care.

There are detailed rules on when a change in election is deemed to be consistent with a "change in status." In addition, there are laws that give you rights to change accident and health coverage for you, your spouse, or your dependents. If you change coverage due to rights you have under the law, then you can make a corresponding change in your elections under the Plan. If any of these conditions apply to you, you should contact the Administrator.

If the cost of a benefit provided under the Plan increases or decreases during a Plan Year, then your salary redirection will increase or decrease accordingly. If the cost increases significantly, you will be permitted to either make corresponding changes in your payments or revoke your election and obtain coverage under another benefit package option with similar coverage.

If the coverage under a Benefit is significantly curtailed or ceases during a Plan Year, then you may revoke your elections and elect to receive, on a prospective basis, coverage under another plan with similar coverage. In addition, if a new coverage option is added or an existing option is eliminated, you may elect the newly-added option (or elect another option if an option has been eliminated) and make corresponding election changes to other options providing similar coverage. There are also certain situations when you may be able to change your elections on account of a change under the plan of your spouse's, former spouse's or dependent's employer.

These rules on change due to cost or coverage do not apply to the Health Care Reimbursement Plan, and you may not change your election to the Health Care Reimbursement Plan if you make a change due to cost or coverage for insurance.

You may not change your election under the Dependent Care Reimbursement Account if the cost change is imposed by a dependent care provider who is your relative.

To make a change in your elections, a STATUS CHANGE FORM must be completed within 30 days of the event. Flexible Benefit Administrators, Inc. or your benefits contact person will determine if your requests for an election change meets IRS Regulations.

TRANSFERRING FUNDS BETWEEN ACCOUNTS

IRS regulations do not allow money to be transferred between reimbursement accounts. If you elect funds to be placed in your Health Care Account, you must submit eligible medical expenses to be reimbursed from these funds. This IRS regulation also applies to the Dependent Care Reimbursement Account.

TERMINATION OF EMPLOYMENT

If you have funds in your Health Care Account and you submit receipts for expenses incurred prior to your termination, you can be reimbursed for funds remaining in your account up to your annual election. However, if you have money left in your Health Care Account and do not have receipts for expenses incurred prior to your termination, you cannot be reimbursed for the money remaining in your account unless you elect to participate in the federal program, COBRA. If you elect to participate in COBRA, you will need to continue to set aside dollars on an after tax basis to be deposited into your Health Care account. You can receive information concerning this program from the contact person in your company.

Your Dependent Care Reimbursement Account functions differently. If you have funds remaining in these accounts, this money will be reimbursed to you if appropriate receipts are submitted. You can receive reimbursement for expenses incurred during the Plan Year if receipts are submitted within the Plan Year and before the end of the 90-day grace period following the Plan Year end.

EFFECT ON SOCIAL SECURITY BENEFITS

As you are not paying social security tax on the portion of your income that has been placed in the Plan, your social security benefits may be slightly reduced. We suggest putting part of your tax savings into your Employer's Retirement Program or some other savings vehicle.

ACCOUNT BALANCES

You may call Flexible Benefit Administrators, Inc. at **(757) 340-4567** or **(800) 437-FLEX** from 8:30 a.m. to 5:00 p.m., Monday through Friday, to check your account balances. You may also access your personal account information at your convenience via our secure website: www.flex-admin.com. Each reimbursement check stub will show your contributions, request for reimbursements, and disbursements for each account. It will also show your annual election and the balance to request by the end of the Plan Year for each account. A reminder letter will be sent the month prior to the end of the Plan Year if you have funds left in your accounts.

ESTIMATING YOUR EXPENSES

This worksheet will help you determine your annual expenses for each reimbursement account. Good planning and careful estimating is the best way to take full advantage of your Flexible Benefit Plan. Keep in mind, your maximum annual elections cannot exceed \$2,400 for health care and \$5,000 for dependent care for the upcoming short plan year.

ESTIMATING YOUR QUALIFYING HEALTH CARE EXPENSES

Medical deductibles _____

Medical co-payments _____

Prescription drugs _____

Vision Exams, Glasses, Contacts _____

Dental/Orthodontia _____

Routine exams and physicals _____

Over-the-counter expenses _____

**TOTAL ESTIMATED HEALTH CARE
EXPENSES FOR THE PLAN YEAR (Max. \$2,400) _____**

ESTIMATING YOUR DEPENDENT CARE EXPENSES

Child day care expenses _____

Pre-School expenses _____

Summer Day Camp expenses _____

Adult day care expenses _____

Other eligible expenses _____

**TOTAL ESTIMATED DEPENDENT CARE
EXPENSES FOR THE PLAN YEAR (Max. \$5,000) _____**

ACCESSING YOUR FLEX ACCOUNT ONLINE

Our secure Online Inquiry System allows you to have 24/7 access to your account information, payment information and your available balance.

Completing your online account set-up is just a few clicks away!

Step 1. Log-on to our website at www.flex-admin.com.

Step 2. Select Participants.

Step 3. Select ACCOUNT LOG IN under the appropriate account type that you participate in. Please note that if you participate in more than one type of account, you do not have to set up a separate account for each one. You will be able to see all your account information under the one User ID and Password you create.

Step 4. Select Participant Login.

Step 5. Select Create Account.

Step 6. You will be prompted to enter your Name and Employee ID number (your social security number).

Step 7. You must then enter your Benefits Card Number or, if you do not have a Benefits Card, you may enter your Employer ID, which is: **FBABCG**.

Step 8. Create your User ID, Password, Security Word and Birth City and your e-mail address. Please note that your User ID will need to be between 4-10 characters. Your password needs to be between 7-10 characters and must include at least one letter and number.

Step 9. You are now ready to access your individual account!

Once you have completed these steps, you will have 24/7 access to current information regarding your Flexible Spending Account. It's that easy!

Problems logging into your Account?

E-mail to: flexdivision@flex-admin.com Include your Full Name, SS# or Employee ID#, Company Name, & Contact phone number.

Telephone: Local - **(757) 340-4567** or Toll Free - **(800) 437-3539** (Monday through Friday 8:30 am - 5:00 pm EST)


FBA ANNOUNCES ITS ONLINE PHARMACY!!

Busy day and don't have time to stop by the drugstore?

Do you have unspent money in your FSA?

Looking for savings from the comfort of your couch?

Here's how!

- Visit www.flex-admin.com
- Click on "More" at the top header announcing the online pharmacy – it's free to use!
- Shop and purchase items online at discounted pricing!
- You may use your FBA Benefits Card for eligible FSA items (marked )* and not have to submit receipts!



✓ Purchase non-eligible FSA items using your own personal payment method.

✓ All items are shipped directly to you!

✓ Free shipping on purchases over \$25.00!

Visit our website now to start making your life a little easier!

* Please note if you do not have a FBA Benefits Card, you may purchase FSA Approved items out of pocket and submit to FBA for reimbursement.

ADMINISTERED BY

FLEXIBLE BENEFIT ADMINISTRATORS, INC.

509 VIKING DRIVE, SUITE F

P.O. BOX 8188

VIRGINIA BEACH, VA 23450

(757) 340-4567 or (800) 437-FLEX (3539)

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