

**EAST OHIO CONFERENCE OF THE
UNITED METHODIST CHURCH**

Flexibility. Options. Savings.

Flexible Spending Accounts are a great way to save money on income taxes while at the same time paying for medical or child-care expenses you know you'll encounter during the year.



A Flexible Spending Account (FSA) is an employee benefit program that allows you to set aside money on a pre-tax basis for eligible health and dependent care expenses. With an FSA, you can reduce your taxes while paying for services you would have to pay for anyway.

January 1, 2012 to December 31, 2012

Introduction

Health care and dependent care expenses can take quite a bit out of your family's budget. The East Ohio Conference Flexible Benefits Plan allows you to pay for most of these expenses on a tax-free basis.

This brochure highlights the Flexible Benefits Plan. It contains very important information you will need to know to make informed and thoughtful benefit selections for the 1/1/12 to 12/31/12 plan year. In addition to the highlights brochure, you should have:

- A work sheet to help you estimate expenses
- Your election form

The information provided in this kit is intended to provide only a general explanation of the Flexible Benefits Plan. For additional benefits information, you should refer to the official summary plan description, which describes the plan and its rules.

If any conflict arises between this brochure and the plan document, or if any issue is not covered in the brochure, the terms of the plan document will govern in all cases.

The Benefit to You

The Flexible Benefit Plan allows you to pay for certain benefits on a pretax basis. This means that if you choose to participate in the Flexible Benefits Plan, the costs for your benefits are deducted from your paycheck. This occurs before you pay any federal, state and local income taxes.

With the **pretax advantage**, your taxable income is reduced and you have **more money in your take-home pay**.

Participation in the Flexible Benefit Plan is voluntary. If you decide to participate, you will **elect the amount** of your pay you wish to redirect to the Flexible Benefit Plan. This election is **based on your individual needs and circumstances**.

The amount you save in taxes, by enrolling in any of the three options in the plan, depends on:

- The amount you set aside
- Your tax bracket
- The number of dependents you claim

Pre-Tax Vs After-Tax Example

Sam estimates that his out-of-pocket health expenses will be \$350 and elects to participate in the Health Care Reimbursement Account. See the box at the right for an example of how Sam will save \$89 by participating in the Health Care Reimbursement Account.

	After-Tax	Pre-Tax
Gross Earnings	\$35,000	\$35,000
Health Care Reimbursement Account	<u>-0-</u>	<u>-350</u>
Adjusted Gross Earnings	\$35,000	\$34,650
Federal Tax (assume 15%)	-5,250	-5,198
FICA Tax (assume 7.65%)	-2,678	-2,651
State Tax (assume 3%)	-1,050	-1,040
Health Care Expenses	<u>-350</u>	<u>-0-</u>
Take-Home Pay	\$25,672	\$25,761
Pre-Tax Savings		\$89

Reimbursement Accounts Overview

Until now, you may have paid for many out-of-pocket health care expenses and childcare expenses on an after-tax basis. That is, your payments were made from your take-home pay **after** taxes were calculated and deducted from your gross earnings.

Two benefits enable you to pay for health care and dependent care expenses on a pretax basis. These benefits are:

Health Care Reimbursement Account – to help you pay for health, dental, prescription and vision expenses.

Dependent Care Reimbursement Account – designed to offer you a tax break on dependent and childcare expenses.



How the Reimbursement Accounts Work

Prior to the beginning of each plan year, you elect how much you want deducted from each paycheck for the Health Care Reimbursement Account and/or Dependent Care Reimbursement Account. The money is deducted from your pay on a “pretax” basis. Pretax contributions lower your overall income for tax purposes – saving you money in taxes.

You then may use the Health Care Reimbursement Account and/or Dependent Care Account to **reimburse** yourself after you have incurred eligible expenses covered by one of the corresponding accounts.

IRS Requirements

ANNUAL ELECTIONS

You will have an opportunity prior to the start of each plan year to decide if you want to participate in the Health Care or Dependent Care Reimbursement Account and how much to contribute. Based on IRS regulations, you are not permitted to change your election during the plan year unless you have an eligible change in life status and then the change you make needs to be consistent with the event. Should any of these changes in “life status” occur, you must

request any change of election in writing to Human Resources within 30 days of the event.

Life status changes for the **Health Care and Dependent Care Reimbursement** include:

- Change in legal marital status
- Change in the number of dependents
- Change in work schedule by employee, spouse or dependent
- Change in employment status by employee, spouse or dependent

***Note:** A change in election will result in two periods of coverage.

IRS Requirements

FUNDS CANNOT BE TRANSFERRED BETWEEN ACCOUNTS

If you choose to participate in both the Health Care Reimbursement Account and the Dependent Care Reimbursement Account, you may not transfer funds between your accounts. The accounts are separate and money designated for medical expenses cannot be spent on dependent care and vice versa.

USE IT OR LOSE IT

Both of the accounts are regulated by Internal Revenue Service (IRS) guidelines. One of these regulations is known as the "use it or lose it" rule. This rule states you must use all of the money you contribute in a plan year for eligible expenses incurred during the plan year. The Health Care Reimbursement Account has an additional 2 ½ month grace period. You have

until three months following the end of the plan year (plus grace period for health care) to submit expenses incurred while you were an active participant in the plan during the plan year. New plan year expenses will come out of the old plan year purse first if there is any money remaining.

According to IRS guidelines, any money you have left in your reimbursement account after submitting all your claims for the plan year must be forfeited. **This means any remaining money in the account cannot be returned to you for any reason.**

The forfeited amounts, if any, will be used to offset the administrative expenses associated with the Plan; therefore, your elections should be conservative. Work sheets have been provided at the end of this material to help you estimate the correct amount for your elections.

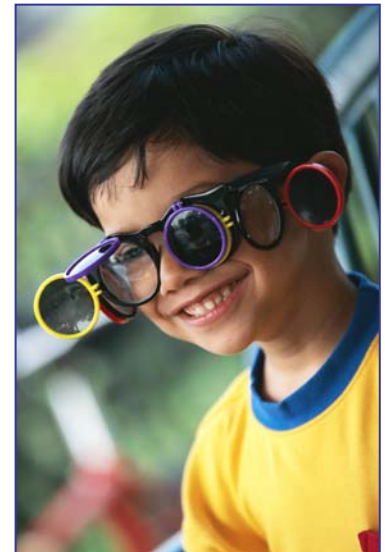
Health Care Reimbursement Account

Most individuals, even those with generous health care plans, will incur expenses that are paid out-of-pocket. The Health Care Reimbursement Account lets you set money aside on a tax-free basis each year to pay for these kinds of expenses. You can set aside any dollar amount up to a maximum of \$150 per pay (\$3,600 annual maximum).

Qualifying health care reimbursement expenses include only those expenses incurred for yourself, your spouse, and all dependents you list on your federal tax return. Also, any person that you could have listed as a dependent on your return if that person had not received \$3,050 or more of gross income or had not filed a joint return.

The Internal Revenue Service must consider health care reimbursement account expenses deductible. According to IRS regulations, eligible medical expenses include, but are not limited to:

- Chiropractic treatment
- Charges above reasonable and customary fees
- Co-payments/deductibles
- Dental work
- Doctor's fees
- Most drugs requiring a prescription including birth control pills
- Drug and alcohol treatment
- Durable medical equipment
- Eye exams, eye glasses, prescription sun glasses, contact lenses and solutions
- Hearing exams, hearing aids and batteries
- Home health care services
- Hospital fees
- Immunizations
- Infertility treatments
- Insulin treatment
- Lab and x-ray fees
- Oral surgery
- Orthodontia
- Orthopedic shoes
- Over-the-counter bandages and wound care
- Radial keratotomy surgery
- Routine exams/well baby care
- Smoke cessation program or drugs to alleviate nicotine withdrawal
- Weight reduction treatment (only when prescribed by a doctor to treat a diagnosed illness such as diabetes)



Examples of types of expenses that are **not eligible** for reimbursement from a health care reimbursement account include, but are not limited to:

- Cosmetics, toiletries, toothpaste
 - Cosmetic procedures (unless related to a disfigurement as a result of injury or congenital condition)
 - Funeral and burial expenses
 - Health spa membership/YMCA dues
 - Household and domestic help (even though recommended by a doctor due to patient unable to perform physical work)
 - Illegal operation or illegal drugs
 - Premiums incurred for accidental and health, life or income protection insurance
 - Rogaine (used for male-pattern baldness)
 - Travel your doctor recommends for rest or change of environment
 - Vitamins taken for general health purposes
- * Over-the-counter drugs or medicines must now have a prescription from your physician.**

In addition, expenses are not reimbursable from the Health Care Reimbursement Account if they were used as an income tax deduction or reimbursed by Medicare, any Federal or State program, employer sponsored plan or an individual insurance policy.

Claims submitted to your Health Care Reimbursement Account would be reimbursed based on the unpaid portion of your annual election, for example, suppose your annual election is \$1,200 (\$100/month). If you incur a \$300 expense during the first month of the plan and submit it for reimbursement, you will be reimbursed \$300 even though you have only contributed \$100.

Dependent Care Reimbursement Account

Dependent care is a major expense for many employees. If someone takes care of your dependent so you and your spouse (if married) can work or attend school full time, you may want to consider participating in the Dependent Care Reimbursement Account to pay for these dependent care expenses.

Like the Health Care Reimbursement Account, participation in the Dependent Care Reimbursement Account is optional. With this account you can set aside a specified amount from your check each pay period, **before taxes are withheld**, and direct it into the account. Reimbursement may then be requested throughout the plan year by submitting proof of payment.

Unlike the Health Care Reimbursement Account, dependent care claims will be reimbursed only up to the amount you have contributed to the account. For example, suppose your annual election is \$1,200 (\$100/month). If you incur a \$150 expense during the first month of the plan, you will only be reimbursed \$100 the first month because that is all that you have contributed. The unpaid \$50 will automatically pend reimbursement until the next processing period.

To participate in the Dependent Care Reimbursement Account, you must be either single or married with a spouse who either works for pay, is disabled or is a full-time student and:

- have a dependent under age 13 who requires care and is claimed as a dependent on your federal income tax return.
- have a disabled dependent such as a child (over age 13), spouse or parent who requires care and is claimed (or are able to claim) as your dependent on your federal income tax return.
- if you are married, the amount reimbursed cannot exceed the lesser of your two incomes.
- the IRS limits the total amount reimbursed through the account to \$5,000 each year (\$2,500 for married individuals filing separate tax returns).
- day care services must be to the physical care of the child, not for education, meals, supplies, etc.

- if your child receives day care in a licensed facility, the law requires you to disclose the provider's Tax I.D.; if care is provided in something other than a licensed facility, the social security number of the person providing the care must be reported.

ELIGIBLE DEPENDENT CARE REIMBURSEMENT ACCOUNT EXPENSES

You can use your Dependent Care Reimbursement Account to reimburse yourself for the following types of expenses:

- Day Care
- After-school care
- Nursery school tuition (below kindergarten)

- Services of a home health care worker for an incapacitated dependent; or
- Care for an elderly dependent

You cannot, however, use this plan to pay for these expenses if the care was provided by your own child under age 19 or by any other individual who is your (or your spouse's) dependent.

DEPENDENT CARE REIMBURSEMENT ACCOUNT

VS.

CHILD CARE TAX CREDIT

Before electing to participate in the Dependent Care Reimbursement Account, you should understand the effect of the Federal Childcare Tax Credit. Depending on your household income, it may be more beneficial for you to use the childcare tax credit. To assist you in deciding which is best for you, remember the tax credit equals 35% of allowable expenses for households with incomes of \$15,000 or less. As income increases, this percentage is gradually phased-down until it equals 20% at income over \$28,000. If your family Adjusted Gross Income is less than \$24,000, the Tax Credit may be more beneficial. You should consult your tax advisor regarding which is best for you before you decide to enroll.

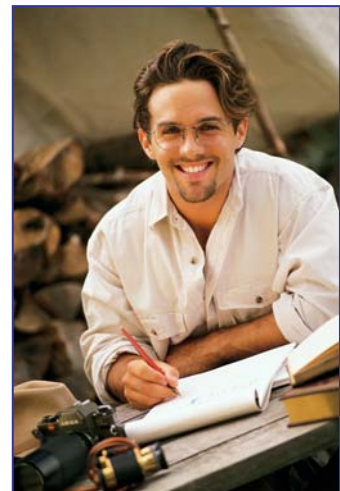
Childcare expenses subject to the tax credit are limited to \$3,000 per year for one child or \$6,000 for two or more children. The maximum contribution and reimbursement permitted through a Dependent Care Reimbursement Account is \$5,000 per year, regardless of the number of children.

ENROLLMENT PROCESS

The last page of this kit is an election form, which **needs to be completed and signed even if you do not participate.**

Complete each section as directed. If you are not participating in a certain option, enter \$0 for that section. Read the authorization statement and sign even if you are not participating in any aspect of the program.

After your election form has been processed, you will receive a confirmation statement in the mail verifying your election. Remember that once made, your election cannot be changed except for the "family status" events previously explained.



Reimbursement Account Claim Submission Procedures

Health Care Reimbursement Account Expense: Follow the directions that apply to the expense.

1. Explanation of Benefits Form + Flexible Benefits Claim Form Method

If the expense is covered by the East Ohio Conference group health plan, your spouse's group health plan, or the patient has duplicate coverage, please submit a completed Flexible Benefits Claim Form and a photocopy of the Explanation of Benefits (EOB) form to Klais & Co. Inc.

2. Original Bill or Receipt + Flexible Benefits Claim Form Method

If the expense is **not covered by any group health plan** available to you, please submit your original receipt along with a Flexible Benefits Claim form. The receipt must contain the following information:

- | | |
|--------------------------|--|
| 1. Date of Service | 4. Name of the Person Receiving the Product or Service |
| 2. Type of Expense | 5. Name of the Provider of Product or Service |
| 3. Amount of the Expense | 6. Original RX label or a print-out from the pharmacy |

*Over-the-counter receipts must contain the name of the item printed on the receipt.

Dependent Care Account Expense:

Original Bill or Receipt + Flexible Benefits Claim Form

Submit an original bill or receipt that states all the following information:

- | | |
|--|--|
| 1. Date of Service | 4. Address of Provider of Service |
| 2. Type of Expense (Childcare or Elder Care) | 5. Provider's Tax ID# or Social Security # |
| 3. Name of Provider of Service | 6. Amount of the Expense |

Eligible charges will be reimbursed to you subject to the following guidelines:

Minimum Check Amount of \$25.00 – Expenses less than \$25.00 will be carried forward until the total eligible claims submitted exceeds \$25.00, or the end of the plan year, whichever comes first.

Twice Per Month Reimbursement Check Release – Reimbursement checks are dated for the 15th and the last day of the month.

Claims Deadline is the 5th and the 20th of the Month – Claims must be received in the Flexible Benefits Department by the 5th and the 20th of the month in order to be included in a check dated the last day of the month.

With each check, you will receive information regarding the current status of your accounts. You will also receive a Quarterly Statement, which, like a checking account, details deposits, claims and payments during the period.

EAST OHIO CONFERENCE OF THE UNITED METHODIST CHURCH REIMBURSEMENT ACCOUNT WORK SHEET

Instructions: Complete this work sheet to assist you in determining the amount to contribute to your Health Care Reimbursement Account and/or Dependent Care Reimbursement Account. Only expenses that you feel certain that you will incur between 1/1/12 and 12/31/12 should be entered. **Be conservative.** Remember that unused account balances at the end of the year must be forfeited. Use annual amounts.

Health Care Reimbursement Account Expenses

Medical Care

Deductibles, co-payments and out of pocket expenses not covered by your group health plan. Out of pocket expenses might include costs for well-baby care, routine exams, immunizations, prescription drugs including birth control pills, orthopedic shoes, etc.

Family Member Expenses

You	\$	<input style="width: 80%;" type="text"/>		
Spouse	\$	<input style="width: 80%;" type="text"/>		
1	\$	<input style="width: 80%;" type="text"/>		
2	\$	<input style="width: 80%;" type="text"/>		
3	\$	<input style="width: 80%;" type="text"/>		\$ <input style="width: 100%;" type="text"/>

Dental Care

Deductibles, co-payments and out-of-pocket expenses not covered by your dental plan. Include expected uncovered dental expenses for exams, x-rays, fillings, dentures, orthodontia, bridges, root canals, etc.

You	\$	<input style="width: 80%;" type="text"/>		
Spouse	\$	<input style="width: 80%;" type="text"/>		
1	\$	<input style="width: 80%;" type="text"/>		
2	\$	<input style="width: 80%;" type="text"/>		
3	\$	<input style="width: 80%;" type="text"/>		\$ <input style="width: 100%;" type="text"/>

Vision Care

Include expected uncovered expenses for exams, prescription eyeglasses, contact lenses, contact solutions, prescription sunglasses, etc.

You	\$	<input style="width: 80%;" type="text"/>		
Spouse	\$	<input style="width: 80%;" type="text"/>		
1	\$	<input style="width: 80%;" type="text"/>		
2	\$	<input style="width: 80%;" type="text"/>		
3	\$	<input style="width: 80%;" type="text"/>		\$ <input style="width: 100%;" type="text"/>

Hearing Care

Include expected uncovered expenses for hearing exams, hearing aids, hearing aid batteries, etc.

You	\$	<input style="width: 80%;" type="text"/>		
Spouse	\$	<input style="width: 80%;" type="text"/>		
1	\$	<input style="width: 80%;" type="text"/>		
2	\$	<input style="width: 80%;" type="text"/>		
3	\$	<input style="width: 80%;" type="text"/>		\$ <input style="width: 100%;" type="text"/>

Total Annual Estimated Health Care Expenses \$

Divide by 12

This is your estimated per pay Health Care Reimbursement Account contribution:

Dependent Care Reimbursement Account Expenses

A baby sitter in the home while you are working \$

Expenses for a day care center \$

Expenses for nursery school \$

Total Annual Estimated Dependent Care Expenses \$

Divide by 12

This is your estimated per pay Dependent Care Reimbursement Account contribution:

East Ohio Conference of the United Methodist Church

Section I – Employee Information: Please Print

Last Name: _____ First Name: _____ SS#: _____

Street Address: _____ City: _____ State: _____ Zip: _____

Phone: _____

Section II – Health Care Reimbursement Account

If you wish to participate in the Health Care Reimbursement Account, enter the amount you want redirected each month. (Contact your Plan Administrator for the maximum limit set by your local church.) If you do not wish to participate, enter \$0.

Enter an amount here: \$ _____ per month

Section III – Dependent Care Reimbursement Account

If you wish to participate in the Dependent Care Reimbursement Account, enter the amount you want redirected each month up to \$416.66. (\$208.32 if you are single or married and filing separate tax returns). If you do not wish to participate, enter \$0.

Enter an amount here: \$ _____ per month

Section IV – Authorization

These are my Flexible Benefit Elections for the period 1/1/12 to 12/31/12. I have read and understand the description of the plan attached to this election form. I understand that my election can only be changed for certain "life events". I understand that unused account balances are forfeited at the end of the plan year or the grace period. I authorize the amounts shown above to be deducted from my pay on a pre-tax basis.

Clergy only: Within the Plan Year 1/1/12 through 12/31/12 – I will retire on _____
Within the Plan Year 1/1/12 through 12/31/12 – I will move to another church on _____
Within the Plan Year 1/1/12 through 12/31/12 – I expect no change in appointment _____

Date _____ Signature of Employee _____

Local Church: _____ District _____

The benefits office must receive all documents/enrollments by December 5, 2011 for January 1, 2012 participation. NO EXCEPTIONS. Facsimiles accepted. (330) 966-7581.

Copies to be distributed by the Plan Administrator to:

- 1) Participant
- 2) Payroll personnel at the local church
- 3) Betsy Stewart, Benefits Manager
EOC Benefits Office
8800 Cleveland Ave., N.W., P.O. Box 2800
North Canton, Ohio 44720