

Kenmore Town of Tonawanda Union Free School District
Flexible Benefit Plan

Plan Year: July 1, 2018 – June 30, 2019



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If you have any medical, dental, vision or prescription out-of-pocket expenses and are looking for a way to save money, please take a few moments to review this brochure.

1. *What is a Flexible Spending (Reimbursement) Account?*

Section 125 of the Internal Revenue Code allows employees to elect to have amounts withheld from their paychecks and paid into "Spending Accounts". Employers can then release amounts from each employee's account to provide a specified type of benefit such as medical or dependent care. Amounts set aside into these accounts are tax-free to the employee both when withheld from the employee's paycheck and when paid to the employee as a reimbursement with regard to expenses incurred for qualified benefits.

The Flex Plan for the period 07/01/2018 - 06/30/2019 has four components:

1. Premium Reduction Account

The Premium Reduction Account allows eligible employees to save taxes on the portion of the medical premium you pay through payroll deduction. This is the default deduction election. If you wish to have your medical premium withheld after tax, you need to notify the District in writing of this election.

2. Flexible Spending Account (Employee Deposits)

In addition, the School District is allowing all full-time eligible employees to establish a Healthcare Reimbursement Account. Each employee is able to make deposits into a Flexible Spending Account (FSA) on a pre-tax basis. You can use these pre-tax dollars to pay for out-of-pocket medical, dental and vision expenses that are not covered under your Health Plans. The maximum amount allowed under law you can deposit into the account is:

7/1/2018 - 6/30/2019	\$ 2,650
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3. Dependent care Reimbursement Account

Each employee has the option of depositing up to \$5,000 per year, per family on a pre-tax basis, into a Dependent Care Account to pay for qualified dependent care expenses.

4. Healthcare Reimbursement Account (Employer "HRA Funds") effective 7/1/2018

The School District has set up a Healthcare Reimbursement Account for all permanent full-time employees. Effective 7/1/2018 they will deposit \$500 per year on behalf of each Kenmore Teachers Assoc. member (excluding Teaching Assistants), Kenmore Administrators member \$675, and \$625 for each Ken-Ton School Employees Association member. Non-Represented employees will find their contribution amount in their individual contract. You can use this money to pay for eligible Healthcare expenses which are not covered under your Medical, Dental or Vision plan, i.e. orthodontia, HMO co-pays.

2. *What are Pre-Tax Dollars?*

Pre-tax dollars are the dollars you contribute to your Employee Spending Account before taxes are levied against your income. Your contributions are subtracted from your gross salary and then taxes are withheld. The amount you choose to deposit into the "Spending Account" will not have Federal Income, New York State Income, and Social Security taxes deducted.

3. *What is the cost to me to participate in the Plan?*

There is no charge or costs involved to participate in the Plan. The School District pays an administrative fee to the plan administrator for maintaining the accounts as a benefit for you!

4. *To what age are my dependent children covered?*

The dependent eligibility rules for the Flexible Spending Program follow the same rules as your Medical Plan. However, employees who have opted out of the Medical Plan may include dependent children to the end of the plan year in which they turn 26.

5. *For purposes of a Dependent Care Reimbursement Account, who is a dependent?*

Any person who either: (1) may be claimed as a dependent on the employee's tax return and who is under age 13 or requires full-time care because of physical or mental incapacity (for example, a disabled spouse, child or parent); or (2) is the spouse of the employee and is physically or mentally incapable of caring for himself or herself.

6. *If I choose not to enroll during the initial enrollment, when can I enroll?*

Open enrollment will be the following July 1st, unless you have a change in family status or qualifying event.

7. *What about changes or withdrawals during the Plan Year?*

Once an election for deferral has been made, you cannot change the amount unless one of the following occurs:

- Change in legal marital status, including marriage, death of spouse, divorce, legal separation or annulment.
- Change in the number of dependents, including birth, adoption, placement for adoption or death of a dependent.
- Change in employment status, including termination or commencement of employment of the employee, spouse or dependent.
- Changes in work schedule, including an increase or decrease in the number of hours of employment by the employee, spouse or dependent, including a switch between full-time and part-time status, a strike or lockout, or commencement or return from an unpaid leave of absence.
- The dependent satisfies or ceases to satisfy the requirements for unmarried dependents. An event that causes an employee's dependent to satisfy or cease to satisfy the requirements for coverage due to attainment of age, student status or any similar circumstances as provided under the accident or health plan under which the employee receives coverage.
- A change in the place of residence or worksite of the employee, spouse or dependent.
- If a change in status occurs that results in entitlement to COBRA continuation coverage by the employee, spouse or dependent, the employee may increase his or her flex plan election amount to pay for the COBRA coverage on a pre-tax basis.
- If the employee, spouse or dependent becomes entitled to Medicare or Medicaid (other than pediatric vaccines), the employee may elect to cancel the coverage of the employee, spouse or dependent.
- If the plan receives a qualified medical child support order (QMED) pertaining to an employee's dependent, the employee may elect to add the child to the plan (if the QMED requires coverage) or drop the child from the plan (if the QMED requires the ex-spouse to provide coverage).

- A new form must be completed within 30 days of the qualifying event.

8. *If I am disabled or on vacation, do I continue to contribute into the plan?*

Yes, if you are receiving sick pay or vacation pay. No, if you are not being paid. If you are on unpaid leave of absence, your contributions to the employee spending account cease. Your account(s) will be reduced by the dollar amounts not contributed during your unpaid leave.

9. *Can I continue to use the plan once I terminate employment?*

Yes. The monies carried over after termination are available from your benefit payments for 90 days from date of termination, however, the dates of service eligible for reimbursement must be **incurred** prior to the termination date. Pre-tax contributions will discontinue with your last paycheck. Under the provisions of COBRA, you can continue your contributions to your Flexible Spending Account on an after-tax basis.

10. *Can new employees join throughout the year?*

Yes, a newly hired employee will be eligible to participate if an election is made within (30) days of his or her hire date. An employee who elects to participate within their eligibility period will become effective the date of hire, with the first payroll deduction occurring the first pay period following the above date. An employee who does not elect to participate within their initial eligibility period will not again be eligible until the next subsequent open-enrollment period under the Plan.

11. *What is the maximum amount of the reduction in my pay for:*

a. Qualifying medical expenses?

- > Maximum amounts are:

7/1/2018 - 6/30/2019 \$ 2,650

b. Qualifying dependent care expenses?

- > Maximum of \$5,000 per family annually, or the income of the lesser earning spouse (whichever is less).

12. *How do I estimate my expenses?*

To determine accurately what expenses you will want to pay through the plan, estimate any out-of-pocket medical or dependent care expenditures you will have for the next year. But take your time, because more money spent through the spending account means more tax savings for you. A reimbursement plan worksheet is provided for your use for planning your flex dollars.

13. *What kind of expenses can I submit for reimbursement?*

A. Medical - You may now be reimbursed for expenses incurred any time during the fiscal plan year even though sufficient funds have not been accumulated in your account. Consult the list of covered expenses (as dictated by IRS Section 125) which is included in this enrollment package. Expenses for the purchase of medical, dental, or vision insurance plans are not reimbursable.

B. Dependent Care - Day care, babysitting, summer camp, after school care and nursery school expenses are eligible if incurred while you and your spouse are working and/or attending school full-time. You must be able

to provide either an Employer Tax Payer I.D. number or a Social Security number for the dependent care provider. Note the provider cannot be under age 18 or an immediate family member.

14. *Do Health Insurance Premiums which are paid by self or spouse qualify as an expense?*

No, premium payments of any type are not eligible for reimbursement under either Healthcare or Dependent Care Account.

15. *How is Orthodontia expenses handled?*

Upon submitting a claim request to your Flexible Spending Account for an orthodontia expense, the employee must submit an itemized written claim that includes the following information:

1. Initial date appliances were placed
2. Total charge
3. Initial down payment
4. Length of treatment
5. Amount and number of monthly payments to be made
6. Amount to be paid by Dental Plan

The expenses must be incurred during the period of coverage (plan year) to be eligible for reimbursement. These substantiation requirements prevent the advance reimbursement of future or projected expenses.

Since treatment for orthodontia is "on-going", meaning that treatment is received over a period of time, reimbursements through the Flex Plan will be made in the same "on-going" manner. Orthodontia may be reimbursed in full at the beginning of the contract only if the contract is structured for a one time up front payment.

16. *Can I use money from my Dependent Care Account to pay Medical expenses?*

No. Once you elect the amount to defer into each account, it must remain in that account.

17. *If I defer money to a Dependent Care Account, can I still use the child Care Credit on my income tax return?*

No. There are strict rules regarding dependent care. You should check with a tax consultant.

18. *If I have any money in my Flexible Spending or Dependent Care Reimbursement Account at the end of the plan year, can I use it the following year?*

No. Any funds remaining in either reimbursement account at the end of the Plan Year (June 30) and not paid out by October 1st of the following year, are forfeited (Use-It-Or-Lose-It Rule). The expenses must have been incurred by June 30 of the Plan Year. There is a run out period of 90 days for filing your claim.

19. *What happens if my claim for reimbursement is more than my account balance?*

- a. Medical - If your claim amount exceeds your account balance (what has been withheld to date) **Pro-Flex** is required to reimburse you the full claim amount regardless of how much money is in your Flexible Spending Account (Full Reimbursement Rule). However, you can only be reimbursed up to the amount of your annualized deferment.
- b. Dependent Care – **Pro-Flex** will reimburse you up to the amount in your account and will pend the remainder which will be paid when more money is deposited into your account.

20. *Can tax savings give me a margin of error?*

The tax savings you receive on each dollar used in the plan gives you a cushion on your estimate for expenses. For example, if you contribute \$1,000 to the spending accounts and have a 25% tax bracket, \$250 represents tax savings that normally would have been paid to Uncle Sam. So if you over estimate your expenses by less than 25%, you come out ahead. But remember, the closer you come to your estimate, the more your savings will be.

21. Explain the Use-It-Or-Lose-It IRS rule

According to the Internal Revenue Code stipulation commonly known as the "Use-It-Or-Lose-It Rule," employees who overestimate the amount they think they will spend on a certain reimbursement benefit in a given year cannot:

- * Keep the unused money as cash;
- * Save the unused money for similar expenses in the following year;
- * Use the unspent money for any expense other than the type of expense designated for it. That is, money designated for dependent care expenses must be spent on dependent care; money earmarked for unreimbursed medical expenses must go to medical expenses.

If an employee does not use the money for predicted expenses during the Plan Year, he or she loses access to it. **Pro-Flex** FSA sends employees a reminder notice before the end of the Plan Year to let them know how much money remains in their accounts. If, however, an employee undergoes a change in family status, (marriage, birth, death, divorce, or change in job), he may change his reduction amount (see question 7).

22. Explain the Full Reimbursement IRS rule

According to proposed Internal Revenue Regulations effective for Plan year 1990 and thereafter, the Employer must fully reimburse the employee for expenses he submits to his Healthcare Reimbursement Account (this rule does not apply to the Dependent Care Account) up to the maximum annual amount the employee sets aside.

Thus, if an employee sets aside \$50 per month or \$600 annually in his Healthcare Account, he is entitled to receive the full amount at anytime during the Plan Year. Of course once he has used the funds up to the maximum, he cannot collect any additional. So in the case of \$600 annually, the employee could submit bills totaling \$600 -- in July and receive reimbursement in that amount. He would continue to have the \$50 payroll reduction so that by year end his reduction would equal the \$600 -- reimbursement.

23. If I don't use the District's "HRA" money, can I take a cash bonus or roll it over into next year?

You must use the "HRA" money for eligible charges incurred during the plan year 7/1 - 6/30. The money cannot be paid in the form of a cash bonus but, it will be rolled over into the next plan year.

24. Can I also put Voluntary Contributions in the Flexible Spending Account?

(Yes), if you estimate your out-of-pocket expenses will be more than the "HRA" Money the District is contributing you may elect to contribute an additional \$2,650 in your Flexible Spending Account. It is important you "budget" your account according to your needs.

25. How often can I submit for reimbursement?

Send your requests for reimbursement forms directly to **Pro-Flex** as often as you incur expenses. Reimbursement checks will be mailed from **Pro-Flex** Health FSA once a week. Reimbursement checks are made payable only to you, the participant of the Flexible Spending Account plan. You can also use your **Pro-Flex Benefit Card** for quick and easy reimbursement. See Questions 30 to 35 for additional information on the **Pro-Flex Benefit Card**.

26. How do I file for reimbursement?

Claim forms are available from the Employee Benefits Department or your local school building.

Submit the appropriate claim forms and mail directly to:

Pro-Flex Administrators, LLC.
8321 Main Street
Williamsville, NY 14221
Local Calls: 633-2073 or Long Distance: 1-855-847-9069

27. *Who should I call with additional questions?*

Contact the Flexible Spending Account Representatives at **Pro-Flex** at (716) 633-2073 or (855) 847-9069. You can also view your Flexible Benefits Summary Plan description at the Human Resources web site www.kenton.k12.ny.us/domain/51 and look under forms – Health Benefits.

28. *Are Over-the-Counter Medicines reimbursable?*

The cost of over-the-counter drugs (other than insulin or doctor-prescribed medicine) cannot be reimbursed through a health FSA or HRA. If a drug is available over-the-counter without a prescription but is actually obtained under a prescription, the cost of the drug is reimbursable or distributable as a qualified medical expense.

29. *I plan to retire sometime during the plan year. How do I determine the amount of money I need withheld from my paycheck to fund my voluntary Flexible Spending Account?*

Per IRS regulations an election must be based on the full plan year.

30. *What does the Pro-Flex Benefit Card debit card allow me to do?*

The Pro-Flex Benefit Card allows you to pay for eligible expenses such as pharmacy copays with the Health Care Flexible Spending Account (FSA), Health Reimbursement Account (HRA) and daycare expenses with the Dependent Care (DCA). For a complete listing of eligible expenses please visit our website at http://www.proflextpa.com/files/9914/0330/5131/Eligible_Expenses_List_FSA_UPDATED.pdf. Note your card is renewable each year, for up to five years, as long as you continue to participate in your employer's reimbursement account. Keep it handy even after you have used your account balance for the year. **Pro-Flex** will simply renew the balance on the same card at the beginning of the new plan year and you can begin using it again.

31. *Where can I use my Pro-Flex Benefit Card?*

You can use the card at plan-approved qualifying merchant locations that accept MasterCard Debit cards – from physician and dental offices to pharmacies and vision services locations. (Note KTA members cannot use this card for vision reimbursement. Reimbursements need to be submitted to the KTA Welfare Trust).

32. *Does everyone on my reimbursement account receive a debit card?*

Two cards are issued per member. You can receive additional cards at a cost of \$5.00 per set which will be deducted from your account balance.

33. *My Pro-Flex Benefit Card was denied even though I have a remaining account balance. Why?*

Transactions may be denied if your balance is below your purchase amount or, a merchants' machine is not coded to correctly identify an eligible expense or because they do not accept MasterCard debit cards. In either instance, you will need to pay for the expense yourself and submit the receipt along with a claim form to **Pro-Flex**. You will then be reimbursed for any eligible expense with whatever is left in your account.

34. *How do I check the balance left on my debit card?*

Visit the **Pro-Flex** website at www.ProflexTPA.com

35. *Is this process completely paperless?*

No. Although there is no requirement for you to complete claim forms, additional documentation will be required in some cases in order to meet IRS guidelines. Therefore, you must keep copies of all receipts and itemized statements (not the credit card receipt) for each purchase. In some cases, you will receive a letter requesting the documentation and you will be required to submit this information to substantiate the expense according to IRS regulations. To learn more about your reimbursement account, please visit the ***Pro-Flex*** website at www.ProflexTPA.com.

KENMORE TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

FLEXIBLE SPENDING ACCOUNTS

#1 Premium Reduction Account	#2 Healthcare Reimbursement Account (HRA)
<p>Allows employee to save taxes on the amount of money they contribute towards their Healthcare premium through Payroll deduction.</p>	<p>"Employer Healthcare Reimbursement Contribution"</p> <p>The School District will deposit \$500 for KTA, \$675 for KAA & \$625 for KTSEA members into each permanent full-time employee's account to pay for eligible Flex Spending expenses.</p> <ul style="list-style-type: none">* Medical Plan Deductibles* HMO Co-payments or Deductibles* Major Medical Co-payments* Dental Expenses* Orthodontia* Eyeglasses, Contact Lenses, Rx Sunglasses

***KENMORE TOWN OF TONAWANDA UNION FREE SCHOOL
DISTRICT***

FLEXIBLE SPENDING ACCOUNTS

<p>#3 Flexible Spending Account (FSA)</p> <p>"Voluntary Employee Deposits"</p> <p>All regularly scheduled full and part-time employees can make additional deposits into the Healthcare Account to pay for expenses not covered under the Healthcare Plans such as:</p> <ul style="list-style-type: none">* Dental Expenses* Orthodontia* Hearing Aids & Medical Equipment* Eyeglasses, contact lenses, Rx Sunglasses* Office Visits Co-payments* Major Medical Co-payments <p>Maximum Employee Deposit allowed under law: \$2,650</p>	<p>#4 Dependentcare Reimbursement Account (DCA)</p> <p>All regularly scheduled full and part-time employees can deposit up to \$5,000 per year, on a pre-tax basis for qualified dependent care expenses.</p> <p>Must furnish:</p> <ul style="list-style-type: none">* Dependent care provider's employer Tax ID # or Social Security #. <p>Maximum Employee Deposit Allowed under law: \$5,000</p>
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Kenmore - Town of Tonawanda Union Free School District

Voluntary Flex Contributions

Employee uses a pre-tax reduction for Healthcare & Dependent care expenses

	<u>Without Flex Plan</u>	<u>With Flex Plan</u>
Weekly Gross Income	\$865.00	\$865.00
Flex Spending Account		
\$20/week for Orthodontia Expenses	_____	\$ 20.00
\$75/week Dependent care	_____	\$ 75.00
	_____	_____
Adjusted Gross Income	\$865.00	\$770.00
Soc. Sec. Tax (7.65%)	\$ 66.17	\$58.91
Federal Income Tax (15.0%)	\$129.75	\$115.50
State Income Tax (2.50%)	\$ 21.63	\$ 19.25
	_____	_____
Paycheck	\$647.45	\$576.34
Payment towards Dental care w/after tax dollars	\$ 20.00	_____
Dependent care expenses w/after tax dollars	\$ 75.00	_____
	_____	_____
	\$552.45	\$576.34

Difference between paying for services with pre-tax dollars versus after Tax dollars \$23.89 per week or \$1,242.28 per year.

Eligible Healthcare Reimbursement (HRA) (FSA) Expenses

The following list identifies some of the more common medical and other health related expenses that are considered deductible by the Internal Revenue Service. Any of these expenses are eligible for reimbursement through a Healthcare Reimbursement Account as long as the employee's insurance plan has not already reimbursed him and as long as the Internal Revenue Service continues to allow the deduction in subsequent years:

Abortion, legal	Ophthalmologist
Acupuncture	Orthodontia Expenses
Alcoholism/Drug Treatment	Osteopath
Ambulance	Oxygen
Anesthesiologist	Neurologist
Artificial Limb	Nursing Services
Birth Control Pills	Pediatrician
Braille Books and Magazines	Physical Examinations
Braces	Pre-Existing Conditions
Child Birthing Classes	Prescription Drugs
Chiropractor	Psychiatric Care
Clinic	Psychoanalysis
Coinsurance Amounts	Psychologist
Contact Lenses	Radial Keratotomy
Contact Lenses Supplies	Reasonable and Customary Charges (amounts in excess of)
Crutches	Schools, special
Deductible/Co-Insurance	Smoking Cessation Program (only medically necessary)
Dental Treatment	Sterilization
Dermatologist	Support or corrective devices (such as orthopedic shoes)
Eye Examination	Surgeon
Eyeglasses	Transplants
(Prescription Sunglasses)	Transportation
Fertility Treatment	Vaccines
Gynecologist	Vasectomy
Guide Dog	Vision Care
Hearing Aids	Wheelchair
Hospitalization	X-ray Fees
Insulin	
Laboratory Fees	
Mentally Retarded and Special Home for mentally retarded	

Deductible Dependentcare (DCA) Expenses

The following list identifies some of the more common dependent care expenses that are considered deductible by the Internal Revenue Service. Any of these expenses are eligible for reimbursement through a Reimbursement Account with the stipulation that the employee is working at the time the expenses are incurred and as long as the Internal Revenue Service continues to allow the deduction in subsequent years:

Baby sitting (only while employee is at work or attending school full-time)

After school programs - YMCA, recreational programs, latch-key program

Pre-school and nursery school program

Summer day camp - not overnight

Elderly care

*** You must be able to provide either an Employer Tax ID number or a Social Security number for the dependent care provider.**

Non-Covered Expenses

The following list identifies some of the more common medical and other health related expenses that are not considered deductible by the Internal Revenue Service.

Cosmetic Surgery	Generally, you cannot include the amount you pay for unnecessary cosmetic surgery. 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 illness or disease. Procedures such as face lifts, hair transplants, hair removal and liposuctions are not deductible.
Dancing, swimming lessons, etc.	Excluded even if recommended by a physician.
Diaper Service	Cost for diapers or diaper services, unless they are needed to relieve the effects of a particular disease.
Funeral Expenses	Any expenses as payment towards a funeral.
Halfway House	Excluded
Health Club Dues	Health club dues, YMCA dues, or amount paid for steam baths for your general health or to receive physical or mental discomfort not related to a particular medical condition.
Household Help	Cost of household help, even if such help is recommended by a doctor.
Life Insurance Premiums	Excluded.
Lifetime Care	Monthly or lump sum payments made to a retirement home or a home for handicapped dependents for lifetime care even if recommended by a doctor.
Lodging	The cost of lodging while away from home for medical treatment if you do not receive the treatment from a doctor in a licensed hospital or medical care facility, or if the lodging is not primarily for or essential to the medical care you are receiving.
Meals	The costs for meals that are not part of inpatient care.
Nursing Services	Charges for personal and household services.
Personal Use Items	Expenses for an item ordinarily used for personal, living, or family purposes unless it is used primarily to prevent or alleviate a physical or mental defect or illness.
Trips/Vacations	Trips or vacations taken merely for a change in environment, improvement of morale, or general improvement of health, even if you make the trip on the advice of a doctor.
Weight Loss Program	All programs designed for weight loss, even if prescribed or recommended by a doctor.

Reimbursement Plan Worksheet

You may find it helpful to review your out-of-pocket expenses for the past year by using this worksheet. You should take into consideration any known factors that could have an impact on these amounts before year-end. You cannot begin, suspend, increase or decrease your contribution during the plan year unless your family status changes. Changes must be made within 31 days of the qualifying event.

I. Health Care Reimbursement Account

Estimated expenses not covered by your medical and dental plans:

➤	Medical expenses such as but not limited to:	
*	Deductibles and co-insurance	\$ _____
*	Routine physical exams, including Gynecological exams	\$ _____
*	Well baby care	\$ _____
*	Hearing exams	\$ _____
*	Hearing aids	\$ _____
*	Other eligible expenses*	\$ _____
➤	Dental expenses, such as:	
*	Restorative services such as gold fillings, crowns or fixed bridge work	\$ _____
*	Treatment exceeding the Plan limits, i.e., orthodontic, fixed bridge work	\$ _____
*	Routine exams, cleanings	\$ _____
➤	Vision care expenses, such as:	
*	Exams	\$ _____
*	Eyeglasses	\$ _____
*	Contact Lenses	\$ _____
	Less Seed Money (if permanent full-time employee)	\$ _____
	TOTAL ANTICIPATED OUT-OF POCKET EXPENSES 7/1/2018 – 6/30/2019	\$ _____

* Eligible expenses include any expenses considered deductible by the IRS for Federal Income tax purposes