FLEXIBLE
Spending Accounts

Increase Your Spending Power

Flexible Spending Accounts (FSAs) allow you to pay for out-of-pocket health care and dependent day care expenses with tax-free money. You deposit a set amount out of your paycheck into these accounts before any taxes are calculated. Throughout the year, you are reimbursed from the accounts for eligible health care and dependent day care expenses. This is a great way to increase your spending power and decrease your taxes!



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when you log into your account

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Example: Using the FSA for her health care expenses, Laura increased her spending power by over $400 per year. Here's how she did it:

	Without FSA	With FSA
Annual pay	$36,000	$36,000
Contribution to FSAs	N/A	$2,000
Taxable income (W-2 earnings)	$36,000	$34,000
Federal and state income taxes	$5,200	$4,912
FICA (Social Security + Medicare)	$2,754	$2,601
Total taxes	$7,954	$7,513
After tax expenses	$2,000	N/A
Net spendable income	**$26,046**	**$26,487**
Tax savings with FSAs	N/A	$437
Increase in spendable income:	**N/A**	**$437**



Example: Andrew uses the FSA for both dependent care and health care expenses. He has a three-year-old in preschool and his day care expenses are $5,000. Andrew wears contact lenses and needs to have two dental crowns done. He estimates his out-of-pocket medical expenses at $2,000 for the year. Andrew gives himself an instant 6.2% "raise" by using the FSA. Here's how:

	Without FSAs	With FSAs
Annual pay	$65,000	$65,000
Contribution to FSAs	N/A	$7,000
Taxable income (W-2 earnings)	$65,000	$58,000
Federal and state income taxes (25% bracket)	$16,250	$14,500
FICA (Social Security + Medicare)	$4,973	$4,437
Total taxes	$21,223	$18,937
After tax expenses	$7,000	N/A
Net spendable income	**$36,777**	**$39,063**
Tax savings with FSAs	N/A	$2,286
Increase in spendable income:	**N/A**	**$2,286**

The information in this brochure is summary in nature and is intended for educational purposes only. For specific information about your FSA Plan, please refer to the Summary Plan Description and/or Plan Document. In the event that this brochure is not in accordance with the official Plan documents, the official Plan documents shall prevail.

A Few FSA Ground Rules

Flexible Spending Accounts are allowed by the IRS as long as certain rules are followed. Some of the rules apply to both types of accounts and are given here.

- **There are two separate accounts:** The Health Care and Dependent Care FSAs are two separate accounts. You cannot use money deposited in the Health Care FSA to pay dependent day care expenses, or vice versa.
- **You have to substantiate your claims.** The IRS requires detailed documentation to prove that your claim is legitimate. If you provide this documentation, your claim will be reimbursed promptly. Without it, your claim will be denied.

  Receipts must contain the following information:

  1. Date of service
  2. The Service Provider's name
  3. Description of service
  4. For whom the service was provided
  5. Charges/out-of-pocket cost
- **You will only be reimbursed for eligible expenses incurred during plan participation.** Each account has specific rules for what is considered eligible. Those rules are given under the discussion for each type of account later in this brochure.
- **Plan carefully so you use all the money in your account each plan year, or you may lose it.** Some (but not all) employers allow for a portion of each plan year's Health Care FSA funds to be carried over into the next plan year (some limitations apply). See your Summary Plan Description to determine if the carryover option is available in your plan. If it is, it will only apply to your Health Care FSA funds, not your Dependent Care FSA funds.
- **If you terminate employment, this is considered the end of your plan year.** You may be able to make arrangements to continue your coverage through COBRA.

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About Your Plan

Plan details vary from company to company. See your summary plan description for details on the following features:

- **Contribution limits:** The maximum amount you can contribute to the accounts is determined by your employer.
- **The plan year:** Plan years vary from company to company and may not be a calendar year. It's important that you know the plan year dates so you can estimate expenses properly.
- **The grace period:** Some (but not all) plans also offer a short period of time after the end of the plan year in which you can continue to use up your prior year's account balance. You must be participating at the end of the plan year to take advantage of the grace period. This grace period is typically a couple of months.
- **The Carryover:** Some plans do not allow for a grace period, but instead allow a portion of your Health Care FSA funds to be rolled over into the next plan year. Certain restrictions may apply.
- **The claim deadline:** Each plan has a period of time called the "run-out" period, during which you can submit claims for expenses incurred in the prior plan year. Claims received after the end of the run-out period will be denied.

The Health Care FSA

The Health Care FSA allows you to use tax-free dollars for eligible health care expenses that are not covered by insurance for you, your legal spouse and your eligible dependents. You determine the amount of money you would like to deposit and it is deducted before any taxes are taken from your paycheck. You can then use that money to pay for eligible health care expenses.

Your entire annual election amount is available on the first day of the plan year. If you submit a claim for more than your current balance, you will be reimbursed up to your annual election amount. This allows you more flexibility in how you incur and claim expenses.

Your plan year is the period of time you are participating in the plan. It begins whenever you enter the plan. You cannot be reimbursed for expenses incurred before you entered the plan.

Note: Some (but not all) plans allow you to carry over an amount of your Health Care FSA money into the next plan year. See your Summary Plan Description to find out if the carryover provision is part of your plan. Some limitations apply.

Eligible Dependents

The IRS specifically defines who is considered to be an eligible dependent for the Health Care FSA. You may only submit expenses for yourself and your eligible dependents. A dependent is eligible whether or not he/she is covered on your health plan, as long as he/she is:

- your spouse; or
- your child who is age 26 or younger as of the end of the calendar year.

You may also use the FSA for eligible health care expenses for any other person who resides in your home for at least six months of the year and for whom you claim a dependency deduction on your federal income taxes.



Here's an example of how a Health Care FSA claim might work.

LIZ

January 1, annual election amount	$1,500
January paycheck contributions	$125
January 31, submits claim for doctor visit	$500
Reimbursement amount	$500
Remaining available balance	$1,000



HELPFUL HINT

Your dependent does not have to be covered on your health insurance for you to run their out-of-pocket expenses through the Health Care FSA. As long the person is an eligible dependent, their eligible expenses qualify for reimbursement.

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Partial List of Common Eligible and Ineligible Expenses

The list of expenses for which you can claim reimbursement from the Health Care FSA is extensive. This section provides just a few of the most commonly claimed expenses so that you can get an idea of how you might use the account.

If you are considering budgeting for an expensive procedure like LASIK, major dental work or orthodontia, have an evaluation and receive your cost estimates before you set the money aside in your FSA.

Please keep in mind that the list of eligible expenses is determined by the Internal Revenue Service (IRS) Code Section 213, and is not at your employer's or TRI-AD's discretion. The IRS also requires you to provide documentation proving that your claim is eligible. This is discussed more in the section titled "Using Your FSA."

This list is a general guideline and is not intended to be a guarantee of reimbursement or eligibility. Please review your employer-sponsored Summary Plan Description and enrollment materials for specific information, or consult your personal tax advisor.

HELPFUL HINT

Access to an extensive list of eligible items is available by logging into your FSA account.

Learn More Online
when you log into your account

Some Common Eligible Expenses	Your estimated expenses
Acupuncture, acupressure, and other therapies for specific medical conditions	$
Chiropractic visits	$
Contraceptives	$
Dental care	$
Eye care: exams, vision correction procedures, prescription glasses/ sunglasses, contact lenses/solution	$
Feminine care items: tampons, pads, menstrual cups	$
Fertility treatments	$
Hearing aids	$
Insurance copays	$
Medical supplies	$
Orthodontia based on contract payment arrangements	$
Over-the-counter drugs and medicines	$
Physical therapy for a specific medical condition	$
*Prescription drugs (Non-cosmetic)	$
Individual psychology and psychiatry fees in connection with a specific medical condition	$
**Reconstructive surgery related to a medical condition	$
Smoking cessation programs	$
Treatment for alcoholism and drug addiction	$
Annual Total	**$**

Items that may be eligible under specific conditions

- **Family counseling is eligible if it is related to a medical condition (for example, counseling associated with a cancer diagnosis or drug addiction treatment). General marital and family counseling is not eligible.
- **Retin-A for a specific medical condition such as acne treatment
- **Weight loss programs – if prescribed by a doctor

Common ineligible expenses include

- Premiums for other health plans, including COBRA
- Cosmetic procedures (teeth whitening/veneers, liposuction, Botox, etc.)
- Fitness programs used for general wellness
- Herbs, minerals, vitamins and other supplements used for general wellness
- Warranty programs

* Drugs over $50 require drug name on receipt.

** Additional documentation is required (i.e., a letter of medical necessity).

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Dependent Care FSA



The Dependent Care FSA lets you use ***tax-free*** dollars to pay for child and elder day care costs incurred so that you and your spouse may work or attend school full-time. **This account is not to cover your dependents' health care expenses; use the Health Care FSA for that.**

The IRS allows a family maximum contribution of $5,000 per calendar year to the Dependent Care FSA. If your spouse also participates in a Dependent Care FSA, your combined contributions cannot be higher than the family maximum. If you are married and file separate tax returns, the maximum amount you can contribute is $2,500. Special rules apply for determining the earned income of a spouse who is disabled, a full-time student or unemployed. Please contact TRI-AD or your tax advisor for more information.

Unlike the Health Care FSA, the amount available for reimbursement from your Dependent Care FSA is the amount you have contributed to date. If a claim exceeds the amount currently in your account, you will receive partial payments based on your account balance until the expense is fully paid or your contributions for the plan year cease.

Eligible Dependents

The dependent must live in your home for at least eight hours a day to qualify for Dependent Care FSA expenses. The dependent must also meet at least one of the following requirements:

- Under age 13 who you claim as a dependent on your income tax return or if you are legally separated or divorced, for whom you are the custodial parent.
- A child, spouse or other dependent who has been deemed physically or mentally incapable of self-care, and for whom you claim a dependency deduction on your federal income taxes.

IRS Guidelines

- Dependent care expenses paid to one of your dependents are not reimbursable. For example, money you pay to your 17-year-old to watch your 12-year-old cannot be claimed.
- Day care centers that care for more than six children must be licensed.
- Expenses can only be reimbursed ***after*** they have been incurred. If you prepay your day care, you may not submit it for reimbursement until after the service has been rendered. For example, if you pay for the entire month of July on July 1, you may not submit your reimbursement request until July 31.

Dependent Care FSA or Federal Income Tax Credit: Which is Right for You?

The IRS allows a tax credit for dependent care. You cannot claim the same expenses for both the Dependent Care FSA and Federal Income Tax Credit, so you need to decide which is better for you. In general, higher wage-earners and those with one eligible dependent benefit more from the Dependent Care FSA, and lower wage-earners and those with more than one child may benefit more from the tax credit. Your situation is unique, so we suggest you consult with your tax advisor before making your choice.

Eligible Expenses

	Your estimated expenses
Dependent care in or outside your home	$
Preschool tuition, if part of the total dependent care	$
Before and after school care	$
Summer day camps (including activity-based camps where the activity and day care fees are integrated). Overnight camps, summer school programs, food and equipment costs are not eligible for reimbursement. For example, if your child goes to soccer camp, the day camp costs would be eligible but equipment fees would not.	$
Annual Total	**$**

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Enrolling in the FSA Plans

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Once you have estimated your expenses, you are ready to enroll. You can enroll at the following times:

- During your company's annual open enrollment
- Within 31 days of the date you first become eligible to participate
- Within 31 days of the date a "qualified status change" (e.g., birth, divorce) occurs, or as permitted by your company's plan.

Changing Your Election

Once you enroll, your election will remain in effect for the entire plan year. Your company's plan may allow you to change your elections if you have a status change such as marriage, birth or divorce. Election changes made because of a qualifying event must be consistent with the status change. For example, if you have a baby, you may increase your Health Care FSA election, but you may not decrease it.

Your annual election will be divided by the number of pay periods in the plan year. For example, if you have 24 pay periods per year and you elect $2,400, your per-pay-period deduction would be $100.

Employers have different methods for accepting enrollments. Please follow your employer's instructions for successfully enrolling in the plan.

Frequently Asked Questions

Can I participate if I'm not enrolled in my company's health plan?

Yes. You can still participate in one or both FSA plans.

Why should I participate if I have health care coverage?

You could significantly increase your spendable income! The amount you elect to contribute is deposited into the FSA before taxes are deducted from your paycheck, so you pay your eligible expenses with tax-free dollars. This can mean a significant discount on those expenses.

What happens if I terminate my participation or employment, or my position is reduced to part-time during the year?

Health Care FSA—Once your employment is terminated, or if you have a qualified status change that permits you to terminate your plan participation, or if you no longer meet eligibility requirements, your plan year is over. The only expenses that you may submit are those you incurred from your entry date through your date of termination, if eligible. If you elect COBRA, you can continue to submit expenses until your account balance is zero.

Dependent Care FSA—Check your Summary Plan Description for information regarding when expenses may be incurred. Some employers' plans allow you to be reimbursed for expenses you incur after your termination/reduction in hours date until the end of the plan year. Other employers' plans (not all) require you to incur all expenses on or before termination. The Dependent Care FSA cannot be continued through COBRA. Continue submitting the eligible expenses you have before the last day of your company's run-out period as described in the Summary Plan Description. Sometimes, the run-out will be measured from your termination date rather than the end of the plan year. You will be reimbursed all the money you have contributed to your account if your claims meet or exceed your contributions.

What happens if I have money left in my account at the end of the plan year?

Due to current IRS regulations, any money left in your FSAs at the end of the plan year may be forfeited. You cannot be paid out your balance in cash. Some plans allow for an amount of your Health Care FSA funds to be carried over into the next plan year. Some limitations may apply; see your Summary Plan Description. Note: your employer may have adopted the grace period for your plan. If so, and you are participating in the plan the last day of the plan year, you have until the end of the grace period to spend your remaining balance. Please check your Plan Highlights online to see if the grace period applies.

During what timeframe are expenses eligible for reimbursement?

An expense is "incurred" on the date you receive the service or treatment, ***not the date you are billed or when you paid for the service.**** Only eligible expenses that you incur during the plan year (and any applicable grace period) will be reimbursed. You will have a run-out period after the end of the plan year during which you can submit claims for expenses incurred during the plan year. This run-out period varies from company to company, so please check your Plan Highlights online for information.

* There are special rules for orthodontia reimbursement. See the website for details.

How do I get reimbursed?

Log into your FSA account and click on Enter a New Claim. Scan and upload your documentation. Claims may also be submitted through the mobile app once you have registered.

How will I know how much money I have in my account(s)?

You can check your account balance 24 hours a day, seven days a week on the website, through the mobile app, or by calling. You will also receive information with each reimbursement check, or a notification via email for direct deposits.

Using Your FSA

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Managing Your Account Online

When you log into your account, you will find many tools and features to help you make the most of your FSAs.

Claims area – Access the claims area to submit a claim online, check the status of any claims you have filed, view a history of your claims or provide documentation to substantiate your claim(s).

The TRI-AD Benefits debit card – If your plan has the debit card, you can check the status of a card transaction, provide documentation to substantiate a card transaction, access the cardholder agreement and more. You can also report a lost/stolen card, request a replacement or order cards for your dependents over age 16.

Direct Deposit Setup – Enter your bank account information to have your reimbursement automatically deposited each time a claim is approved. This is the fastest, easiest and safest way to receive your reimbursements without having to worry about mail delays or misplaced checks.

Resources – The Resources area of the site is the place to go to learn more about FSAs, including planning tools and Frequently Asked Questions.

Eligible Expense List – Before you incur an expense or submit a claim, access a comprehensive, up-to-date list of eligible expenses to make sure the item, service or treatment is considered an eligible expense by the Internal Revenue Service.

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You don't want to send it. We don't want to ask for it. But the IRS requires it.

TRI-AD requests documentation to substantiate your claim or debit card transaction because the Internal Revenue Service (IRS) **requires** that all claims be substantiated. Even if your incurred expense is at a medical or dental provider's office, we request documentation because we don't know what treatment or procedure you had there. Remember, not all services provided by medical, dental and other healthcare providers are eligible for reimbursement through your FSA. For example, you could have had your teeth whitened at the dentist (a cosmetic procedure that is not FSA eligible).

Check 5

The IRS requires 5 pieces of information to substantiate every claim.

Whether you're filing a claim for reimbursement, or providing documentation to back up your debit card transaction, the following information must be provided:

- ☑ The date the service was incurred (not the date you paid the bill)
- ☑ The service provider's name
- ☑ For whom the service was provided
- ☑ The charges or out-of-pocket expense amount
- ☑ A clear description of service

If you do not provide all of the required information, your claim will be delayed, denied or your debit card may be deactivated.

Give Us Your Email Address

Log in and update your Personal Profile, including your notification preferences, so we can let you know your claim is being processed.



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Managing your account on the go – Access your accounts from your mobile device (Android phone, iPhone and iPad) with our mobile app. Download it for free from the Apple Store™ or Google Play™.

With the features available in the app, you can:

- Check your balance
- View claim status
- Manage your providers
- View information on your elections, payments and contributions
- Submit a claim – Take a picture of your receipt and attach it to your claim.



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when you log into your account

Filing a Claim is as Easy as 1-2-3

1. **Log into your account and enter your claim:** Log into your FSA account. Create a new claim and provide your claim information and any required documentation, or use the mobile app to submit your claim.
2. **Provide the supporting documentation.** IRS rules say that your documentation must show:
   - The date the service was incurred (not the date you paid the bill)
   - The service provider's name
   - To whom the service was provided
   - The charges or out-of-pocket expense amount
   - A clear and detailed description of service or item

   Acceptable documentation: Examples of acceptable documentation are: insurance company Explanation of Benefit forms (EOBs), receipts showing the above information, and "bag tags" for prescriptions.

   Unacceptable documentation: Bank card statements, insurance company claim forms, canceled checks, estimates of expenses and balance forward statements are not valid documentation.
3. **Upload your documentation:** After you provide your basic claim information, you can upload your documentation at that time right to TRI-AD's site, and attach it to your claim as part of filing the claim. Mobile app users may take a photo of their receipts to submit right through the phone.

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TRI-AD Participant Services representatives are available Monday through Friday from 5:00 a.m. to 6:00 p.m. Pacific Time.

The information contained herein is considered to be general in nature. In the event that anything on this brochure differs from the information contained in your company's plan provisions as set forth in the Summary Plan Description and/or Plan document, those documents shall prevail.