

WATERTOWN SCHOOL DISTRICT

14-4

FLEXIBLE BENEFIT PLAN ENROLLMENT PACKET

Plan Year OCTOBER - SEPTEMBER
(Claims Extension Period through DECEMBER 15th)

FLEXIBLE BENEFIT PLAN

General Overview:

The following information and attached worksheets are provided to assist you in your plan participation decisions and your enrollment in the Watertown School District's Flexible Benefit Plan as administered by AFLAC.

- Reference information will assist you in your general understanding of the Flexible Benefit Plan and its benefits.
- Worksheets will assist you in determining your estimated out-of-pocket expenses in the areas of medical and dependent care expenses.
- The Agreement Form is used for the actual enrollment in the Plan and must be returned via the District's third party administrator, AFLAC to the Business Office for proper processing.

Enrollment Decision:

Since no two employees have exactly the same needs, the Plan is designed to allow you to select the benefit and amounts that are most appropriate for your specific situation. Considering some general information, a typical employee electing to participate in the unreimbursed medical and dependent care reimbursement options can save approximately \$60.00 per month in taxes, federal income tax and social security tax. Of course, this conservative estimate will vary depending on the specifics of your situation. Remember that the amount you elect to have withheld for these benefits will not be included in your gross income for the purposes of calculating social security and federal income tax.

REFERENCE INFORMATION

Eligibility:

Administrative or Salaried Certified Teachers and Classified employees that work a minimum of 7 hours per day for 177 days or a minimum of 1,239 hours annually are eligible to participate.

Plan Year:

- The plan year runs from October 1 to September 30 (12 months).
- The initial plan year for employees beginning their employment with the District after October 1 will be from the date of enrollment through the following September 30.

Claims Extension Period:

- The period that ends on the 15th day of the third month following the end of the most recent Plan Year. Considering this Flexible Benefit Plan, this period is October 1 through December 15.

Contributions:

The Plan is funded with dollars, referred to as Benefit Dollars, contributed by you. The Watertown School District will establish up to 3 separate Flexible Benefit Accounts for each employee desiring to participate: one account for your costs associated with your participation in the group insurance plan; one for qualifying medical expenses; and one for qualifying dependent care expenses.

Enrollment in this Plan is a voluntary election by you to direct a portion of your salary each pay period to the appropriate account up to the following maximums:

- Group Insurance Participation – no maximum
- Medical Care Expenses - \$5,000 maximum per plan year
- Dependent Care Expenses – the annual maximum is the lesser of your earned income or, if married, your spouse’s earned income, \$5,000 or \$2,500 if married and filing separate tax returns.

NOTICE: Dollar amounts that you elect to have directed to your Flex Accounts must be claimed via eligible expenses that occur during the Plan Year. Unclaimed amounts remain with the Plan. Therefore, the District encourages you to make your plan elections carefully.

Enrollment/Election:

Enrollment for participation in the Group Insurance category is automatic if you participate in the District’s group insurance plan. If you do not wish to pay for this coverage with tax-free money, you must complete a Waiver Form. To participate in other areas of the Plan, you must complete an Enrollment Form. You may have to do some financial planning to determine how many dollars you will need in each of the Flex Accounts for the **entire** plan year.

NOTICE: Changes to your election are only allowed under very specific circumstances as outlined in the Summary Plan Description. You will be given the opportunity to review your decisions once each year, on the anniversary date of the Plan.

Additional Information:

The Summary Plan Description of the Flexible Benefit Plan provides additional and more detailed information in reference to the Plan, and we encourage employees who are considering participation in the Flexible Benefit Plan to review this information carefully. Your local AFLAC representative Chris Wookey and the Business Office is also available to assist with questions and/or concerns. Chris Wookey’s contact information is as follows: Office 605-882-5758 at 510 Jensen Avenue SE, Watertown, SD 57201. Email: christie_wookey@us.aflac.com

MEDICAL CARE EXPENSES

You will be reimbursed only for medical care expenses that meet **all** of the following conditions:

1. The expenses are incurred for services rendered after the effective date of your election and during the Plan Year and the Claims Extension Period to which it applies. Expenses are treated as having been incurred when the Participant is provided with the medical care that gives rise to the medical expenses, and **not** when the Participant is formally billed, charged for, or pays for the medical care.
2. Each individual for whom you incur the expenses is:
 - A dependent under age 19 or, if older, is a full-time student whom you are entitled to claim as a dependent on your federal income tax return
 - A spouse
 - Other tax dependent who is physically or mentally incapable of self-care
3. The expenses must be for services incurred and already provided, not for services to be provided in the future.
4. The expenses must not be reimbursable by insurance or otherwise, and you cannot claim these same expenses as a deduction on your annual income tax return.
5. Medicine and drugs must be prescribed (except for insulin).
6. Individual and spouse's group health care insurance premiums are **not** eligible expenses.
7. The expenses must qualify as a deductible expense by the Internal Revenue Service as stated in Section 213 and must also qualify under Section 125. Internal Revenue Service Publication 502 contains a listing of deductible health expenses.

DEPENDENT CARE EXPENSES

You will be reimbursed only for dependent care expenses meeting **all** of the following conditions:

1. The expenses must be incurred to enable you to be gainfully employed. Gainful employment does not include unpaid volunteer work, or volunteer work for a nominal salary. The expenses are incurred for services rendered after the date of this election and during the Plan Year and Claims Extension Period to which it applies. Expenses are treated as having been incurred when the Participant is provided with the dependent care that gives rise to the dependent care expenses, and not when the Participant is formally billed or charged for, or pays for the dependent care.

2. Each individual for whom you incur the expense is:
 - a. A dependent of yours under the age of 13 when the care is provided and for whom you can claim as an exemption.
 - b. A spouse or other dependent of yours who is physically or mentally incapable of self-care and for whom you can claim as an exemption.
3. Eligible expenses include:
 - a. Service for the custodial care of the qualified dependent.
 - b. Household services, such as housekeeper, maid or cook wages, provided they are related to the care of a qualified dependent.
 - c. FICA and FUTA taxes on wages paid to a housekeeper.
 - d. Extra expenses for providing lodging in your home to the housekeeper.
4. Ineligible expenses include:
 - a. Out-of-home expenses for a dependent age 13 or over unless the dependent spends at least 8 hours each day in your home.
 - b. Transportation of a dependent to a day care center; transportation of care provider.
 - c. Overnight camp expenses (not even the amount attributable to the day time cost).
 - d. Education (Kindergarten or higher).
 - e. Food, clothing, entertainment.
 - f. Amounts you pay for dependent care while you are off work because of illness/injury, or because you are on vacation.
5. Eligible providers of child care include:
 - a. A licensed day care center (a facility that provides care for more than 6 individuals not residing at the facility), only if the center complies with all applicable state and local laws and regulations.
 - b. Any individual who is not a tax dependent of yours.
 - c. Any child of yours age 19 or over who is not a tax dependent. (A child of yours who is under 19, regardless of whether he or she is a tax dependent, is **not** an eligible provider.)
6. You must report the correct name, address and taxpayer identification number of your dependent care provider. For individuals, the taxpayer identification number is the Social Security number or individual taxpayer identification number. If the provider is an organization, it is the employer identification number. You can use form W-10 to request the information from the care provider.
7. The expenses must be for services incurred and already provided, not for services to be provided in the future.
8. If you are married, both you and your spouse must be gainfully employed, unless your spouse is a full-time student or incapable of self-care.

9. Annual expense reimbursement may not exceed the lesser of:
 - a. Your earned income (exclusive of salary reductions for benefits);
 - b. If married, your spouse's earned income;
 - c. \$5,000 (\$2,500 if married and filing separate income tax returns).

If your spouse is a full-time student or incapable of self-care, your spouse will be deemed to have earned income of \$200 a month (\$400 a month if you have 2 or more qualified dependents for which claims are filed).

10. The amount which you may consider in calculating the tax credit under the Federal Dependent Care Tax Credit is reduced, dollar-for-dollar, by any amount that you place into the Dependent Care Reimbursement Account.
11. A comparison of the Federal Tax Credit available on your personal tax return and your savings by using this Plan is necessary before you make your final decision regarding Dependent Care Expenses.
12. Amounts contributed to a Dependent Care Reimbursement Account will be shown on your W-2 statement, and must be reported on your personal income tax return.

MEDICAL CARE EXPENSE WORKSHEET

This Worksheet will help you determine the dollar amount you will spend for medical care **during this Plan Year**. It will be used to complete your Agreement Form.

	Estimated Amount
<i>Do not include the District's medical premiums, spouse's after-tax group medical or dental, nor any individual insurance premiums.</i>	
Medical expenses not covered by an insured plan, but allowed by Section 213 of the Internal Revenue Code (For example: deductibles, co-payments, etc.)	\$ _____
Dental expenses not covered by an insured plan (For example: deductibles, co-payments, etc.)	\$ _____
Vision expenses not covered by an insured plan (For example: deductibles, co-payments, etc.)	\$ _____
Other expenses: _____	\$ _____
_____	\$ _____
_____	\$ _____
Total estimated expenses for Plan Year (not to exceed to \$5,000)	\$ _____
Convert "Total" above to an amount per pay period	
\$ _____ divided by _____ =	\$ _____
Estimated expenses	# of pay periods

Enter the Total per Pay Period on your Agreement Form Attached

DEPENDENT CARE EXPENSE WORKSHEET

This Worksheet will help you determine the dollar amount you will spend for dependent care **during this Plan Year**, the amount for your reimbursement account and the amount, if any, for the Tax Credit.

Items to consider when estimating expenses:

- Dependent Care expense is not normally incurred during your vacation or holidays.
- If your dependent is a student, your expense may be different when school is not in session. Your child may be starting school or may be increasing time spent in school during the Plan Year.
- You or, if married, your spouse's work schedule may affect your total Expenses.

Estimated Amount

1. Estimated total expenses for Plan Year \$ _____
2. Amount to be used for the Federal Tax Credit (Cannot exceed \$3,000 for 1 child; \$6,000 for 2 or more children) \$ _____
3. Total to be used for Plan Year (subtract # 2 from # 1).
Remember, any dollars into Flex Plan reduces the dollars you can claim for the Federal Tax Credit.

Total for this Plan cannot exceed the maximum of the lesser of your earned income, your spouse's earned income, or \$5,000 (reduced to \$2,500 if married and filing separate income tax returns).

\$ _____

Convert this "Total" to an amount per pay period:

\$ _____ divided by _____ = \$ _____
Estimated expenses **# of pay periods**

Enter the Total per Pay Period on your Agreement Form Attached

MAKING YOUR DECISION

The amount, which you may consider in calculating the tax credit under the Federal Dependent Care Tax Credit, is reduced, dollar-for-dollar, by an amount that you place into the Dependent Care Reimbursement Account. This means that if you want to use a combination of these tax savings methods, the amount you claim for the tax credit and the reimbursement account will be limited to the Federal Tax Credit limit, \$5,000. If the Federal Tax Credit is more advantageous for you, be careful not to diminish that advantage by placing additional expenses in the Dependent Care Reimbursement Account.

CHANGING YOUR MIND

Changes to your annual election can only be made under specific circumstances as outlined in the Summary Plan Description. In general, these circumstances are as follows:

1. Change in family status, which affects coverage. Examples include marriage, death, divorce, and birth or adoption of a child.
2. Change in your spouse's employment status causing a change in health coverage for you or your dependents.

Remember, this Agreement is for the entire upcoming Plan Year and is irrevocable except as stated in the Summary Plan Description.

FINAL STEPS

When you have finished your Summary Worksheets and are satisfied with the numbers, transfer the information to your Agreement Form. The Agreement Form can be obtained by contacting your local AFLAC representative and must be completed in its entirety and signed by the Employee. Return the Agreement Form to the AFLAC representative no later than **AUGUST 31st**. Please retain a copy for your records.

Please note:

Your first contribution for the Plan Year will be withheld from your September paycheck. Eligible expenses must be incurred during the timeframe of October 1st through December 15th.