

Benefits Office Newsletter

November 2006

Flexible Benefits Open Enrollment – Deadline: Friday, December 15, 2006

While the open enrollment period is over for medical and dental insurance, now is the time to consider **voluntary participation in our Flexible Benefit Plan**, administered by Pension Dynamics. Should you decide to enroll, please return your forms to the Peralta Benefits Office by **December 15, 2006**.

Medical and Dental Reimbursement Plans

The Flexible Benefit Plan offered under tax codes 125 permits you to pay for your medical and dependent daycare expenses with tax-free dollars. Why is this benefit so exciting? It's simple, because this plan saves you money. When you direct money into the Flexible Benefit Plan you pay less taxes and take home more pay*. Consider participating for calendar year 2007. Even if you are currently enrolled for 2006, positive re-enrollment is required.

***CHECK IT OUT** ~ on our benefits information center (www.peralta.pswbenefits.net) is a handy calculator for you to use to immediately see the savings to your paycheck by utilizing this plan to pay for eligible expenses with pre-tax dollars!! Plus, you will also find the Summary Plan Description, an Information Brochure (with a sample list of eligible expenses), Claim form and Enrollment form.

How do you use the plan? First, set money aside to cover:

- Out of pocket medical expenses (CoreSource deductibles and Kaiser Co-pays) ~ a list of eligible expenses are included with this newsletter.
- work-related daycare expenses

Then, send receipts to recover your tax-free money!

Special note: Plan your contributions and expenses carefully. According to the IRS code 125, excess contributions are non-refundable.

Pre-tax Commuter Expense Program

Considering using public transportation? Under tax code 132, the Flexible Benefit Plan allows you to use pre-tax dollars to pay for your qualified, work-related transportation and parking expenses. Attached is the Pre-tax commuting benefit overview which outlines the program and potential tax-benefit to you!

Once you turn in an enrollment form, your deductions will continue each month until you turn in a new form to change, or stop the deductions. The new amount (requested changes) will begin on the first payroll of the month after you turn in your form.

Enrollment forms are attached to this newsletter for your convenience. Visit the Benefits website for more information.

Peralta Community College District Flexible Benefit Plan

Peralta Community College District is offering you the chance to participate in an exciting program which permits you **to pay for your Medical, Daycare and Commuting expenses with Tax-Free dollars**. Why is this so *exciting*? It's simple – because it saves you money! When you direct money into the Flexible Benefit Plan accounts listed below **You Pay Less Taxes and Take Home More Pay.**



The benefits of the Flexible Benefit Plan are sometimes overlooked and we wanted to take this opportunity to point out the ease of participating and the reasons why this opportunity is one you can't afford to pass up.

You can set aside tax free dollars for the following types of expenses:



- **Medical Insurance Premiums.** By allowing the district to deduct your portion of insurance premiums on a **pre-tax** basis you reduce what you owe in taxes and increase your take home pay! Just fill out one form at the beginning of the year and payroll will automatically reduce the amount you pay in taxes each pay-period.

- **Out-Of-Pocket Medical Expenses:** The things insurance doesn't cover...your medical deductibles and office co-pays, prescription medications, dental services, eyeglasses, acupuncture and chiropractic treatments, even over-the-counter medications like Aspirin, Motrin, Nyquil, TUMS, Claritin, etc.



- **Work-Related Daycare Expenses.** For the care of your children, or even a dependent adult, while you are at work. Often this spending account arrangement will save you more money than taking the daycare tax credit on your tax return at the end of the year.



- **Commuting Expenses.** If you are using public transportation to get to and from work, you can use this spending account to save yourself as much as \$40/month!



Following is a brief overview of the spending account options. **Please contact Benefit Dynamics if you would like a more detailed handbook.** The handbook includes worksheets to help you calculate how much to set aside for each type of account and to estimate your tax savings.

If you have any questions, please feel free to call Benefit Dynamics at **(925) 956-0514**, Monday through Friday, 8:00 am to 5:00 pm (PST). or e-mail us at benefits@pensiondynamics.com. We will be happy to answer your questions and assist you in using in the plans to your greatest benefit.

Why Should I Participate in a Flexible Benefit Plan ?

To pay less in taxes and have more spendable income! The Flexible Benefit Plan allows you to convert many expenses that were previously not deductible into expenses that can be paid with pre-tax dollars. You do this by making pre-tax contributions to the Flexible Benefit Plan. These contributions reduce your gross or taxable income so you pay less in taxes. When you pay for qualifying expenses with money that is now tax-free, the end result is **that YOUR SPENDABLE INCOME WILL INCREASE.**

In the example is shown in the table below we have taken a typical employee with a monthly base salary of \$2000. In this example this employee has \$455 of eligible expenses each month:

	Without Flex	With Flex
Monthly Base Salary	\$2,000.00	\$2,000.00
FLEX Contribution	-\$0.00	-\$455.00
Adjusted <u>Taxable Income</u>	\$2,000.00	\$1,545.00
Federal Withholding	-\$270.00	-\$198.00
State Withholding	-\$40.80	-\$21.60
Social Security Tax	-\$153.00	-\$118.19
Subtotal	\$1,536.20	\$1,207.21
Expenses		
Company sponsored Insurance Premiums	-\$40.00	Paid (FLEX)
Medical/Dental/Vision	-\$115.00	Paid (FLEX)
Daycare/month	-\$300.00	Paid (FLEX)
Spendable Income	<u>\$1,081.20</u>	<u>\$1,207.21</u>

Using the Flexible Benefit Plan the **monthly increase** in **personal spendable income** is **\$126.01**. This translates into an annual **take home increase** of **\$1,512.12**.

NOTE We did not change the services or the providers, all that changed in this example was the **taxability** of the dollars used to pay the exact same expenses.

Medical Reimbursement Account

Although we provide you with health insurance coverage, chances are it doesn't cover 100% of your expenses. Although the I.R.S. allows you to itemize your out of pocket health related expenses, you will only receive a federal tax credit for any amount in excess of 7.5% of your adjusted gross income (e.g. someone with an adjusted gross income of \$20,000 would receive a credit for any medical expenses *in excess* of \$1,500). The Medical Expense Reimbursement Account allows you to save taxes on all of your qualifying health related expenditures up to the \$2500 plan maximum for this year. This includes any uninsured/unreimbursed medical, dental and vision expenses for you and your dependents. Please refer to the following list of eligible expenses

Eligible Expenses For Your Medical Reimbursement Account

The following list identifies eligible medical, dental, and vision related expenses as defined by the Internal Revenue Service. These expenses are eligible for reimbursement through your Medical Reimbursement Account provided they are incurred by you and/or your dependents during the plan year, are not covered by your insurance, and have not been reimbursed through any other benefit plan.

- Acupuncture
- Alcoholism and drug addiction treatment
- Allergy Medications
- Ambulance Transportation
- Artificial limbs and teeth
- Birth control
- Braces (wrist, knee, etc.)
- Capital expenses primarily for medical purposes (to the extent the value of your home is not increased)
- Chiropractic Treatments
- Cold and flu remedies
- Contact lenses and supplies
- Contraceptives
- Co-Payments to Doctors or for Prescriptions
- Crutches
- Deductibles (Medical Insurance)
- Dental treatments (excluding teeth bleaching)
- Diabetic Supplies
- Eye examination
- Eyeglasses (corrective lenses)
- Fees to doctors and hospitals including:
 - Anesthesiologist Ophthalmologist
 - Chiropractor Optometrist
 - Clinic Osteopath, licensed
 - Dentist Podiatrist
 - Dermatologist Practical Nurse
 - Gynecologists Psychiatrist/ Psychologist
 - Midwife Neurologist
 - Obstetrician Surgeon
- Hearing aids and batteries (including upkeep and maintenance)
- Infertility treatment
- Insulin and related supplies
- Laboratory fees
- Laser/Lasik eye surgery
- Lodging necessary for medical care (within limits)
- Mentally challenged (special tutoring/care of)
- Nursing care
- Nursing home (only for medical reasons)
- Office Visit Co-Payments (for medical appointments)
- Orthodontia (monthly installment payments)*

• **Over-the-counter Drugs and Medications****

- Oxygen equipment
- Pain Relievers
- Physical Therapy
- Pregnancy tests
- Prescription drugs and medicines
- Radial Keratotomy / Orthokeratology
- Rental of medical equipment (if medically necessary)
- Smoking cessation programs
- Sterilization
- Support or corrective devices (i.e. orthopedic shoes)
- Surgery (excluding cosmetic procedures)
- Therapy (for a diagnosed mental condition)
- Transportation expenses for medical care (mileage, parking, tolls, bus, taxi)
- Wheelchair
- X-rays

The Following Expenses Are NOT ELIGIBLE:

This is not meant to be a comprehensive list but rather a list of items commonly submitted for reimbursement.

- COBRA payments
- Cosmetic surgery/procedures
- Electrolysis
- Hair loss treatments / Rogaine
- Health club dues
- Insurance premiums
- Massage
- Medical Supplies (general household type)
- **Over the counter items for general health (incl. vitamins, supplements, cosmetics)**
- Teeth Bleaching (cosmetic)
- Tinted clips for prescription eyewear
- Weight loss programs (unless prescribed by a physician as treatment for Obesity)

REMEMBER: Only amounts NOT covered by insurance or reimbursed by another benefit plan are eligible for reimbursement.

* Please contact your plan administrator for details on how to submit claims for monthly orthodontia payments

**To the extent they are purchased for the treatment of a medical condition, illness, or injury.

Dependent Daycare**

If you, and your spouse (if you are married) are both employed, and incur expenses for the daycare of your children under age thirteen (unless disabled) or a dependent adult (not capable of self-care), you may be able to pay for your expenses with pre-tax dollars through the Dependent Daycare Account of the Plan. If your provider is over the age of eighteen, not your dependent, and able to declare the income, you may participate in the daycare account. You may not claim daycare expenses for days when your dependent is not living with you and you may not claim the federal credit *and* participate in the daycare account for the same expenses. **Please see "Flex Plan vs. the Federal Daycare Credit" (in the Flex Plan Handbook) to determine which would be most beneficial for you.** Your daycare deferrals will not appear as taxable wages on your W-2, however, the amount deducted from your pay is reported in Box 10. You will need to complete Form 2441 with your tax return to report the provider's name, address, and Tax I.D. number. Additionally, the amount from Box 10 of your W-2 needs to be entered on line 17 of Form 2441.

***Please Note** that "Educational Expenses" are not considered to be part of a Dependent Daycare program and are not eligible for reimbursement through this type of account. Therefore Pre-School tuition is allowable, however, **kindergarten and private school** tuition is not.

**Enrollment in a Flexible Benefit Plan will reduce your reportable income, therefore your Social Security Benefits/Disability may be affected by your election. However, most will find that the tax savings far out-weigh the potential negative impact.

Who is covered under my plan?

You, your spouse, and anyone who qualifies as your tax dependent to the IRS at the end of the year. They need not be covered under your company sponsored health insurance for you to be able to submit claims for them, in fact they need not be covered by insurance at all, they need only be your dependents and incur eligible out-of-pocket expenses. **Domestic Partners** are not recognized as spouses by the regulations. They would only qualify if they are your financial dependent

How do I enroll in the plan?

Complete an enrollment form and return it to your Human Resources representative in the district office.

What if I Change My Mind?

You will have an opportunity at the beginning of each plan year to make any changes you wish. However, you **may not change your elections or cease participation during** the plan year without a qualifying change in family status. If you have a family status change that affects your need for benefits, you *may* be able to make changes to your elections **accordingly**. For example, if you gain a dependent your medical expenses might increase. In this example you could increase, but not decrease your Medical Reimbursement Account election

Upon the occurrence of a qualifying event, you will need to complete a "Change of Status" form (available through H/R) and submit it within 30 days of that event. All requests for election changes are subject to approval by the Plan Administrator.

Use It Or Lose It

Be conservative when making your election. It is better to reach your maximum election amount early in the year than to have funds left over at the end of the year that you cannot claim. The I.R.S. requires any unused funds in the account at the end of the plan year be turned over to the employer, not the employee who forfeited them. The IRS has very strict guidelines on how these funds can be used by the employer. It is not to anyone's benefit to have employees forfeit funds. We at Pension Dynamics Corporation make every effort to help you "use up" your annual elections.

For More Information

And/or enrollment forms, contact Benefit Dynamics at (925) 956-0514 or benefits@pensiondynamics.com

Annual Expenses Worksheet

This worksheet will help you estimate your annual medical and dependent care costs. Check the following list to identify expenses that pertain to you. This list is not intended to be comprehensive, but it contains some of the more common medical and dependent care expenses. Please refer to the list of eligible expenses for your Medical Reimbursement Account for additional qualifying expenses. Remember to be conservative when calculating your election and list only expenses NOT covered by your insurance.

Qualifying Daycare Expenses	Estimated Annual Expense
Amounts paid to a daycare center	\$
Amounts paid for daycare inside your home	\$
Subtotal	\$
Qualifying Medical Expenses	Estimated Annual Expense
Chiropractic, acupuncture, holistic treatments	\$
Eye exams, prescription glasses & frames	\$
Corrective contact lenses & solutions	
Dental expenses (cleanings, fillings, crowns, etc.)	\$
Orthodontia (monthly payments)	\$
Mental health counseling	\$
Office visit co-payments and deductibles	\$
Prescription drugs	\$
Physical therapy, rehabilitation services	
X-rays, medical tests, & lab services	\$
Over-the-counter Drugs and Medications*	\$
Subtotal	\$
Total Annual Expenses	\$

Note: You may consult I.R.S. Publication 502 as a reference for qualifying expenses. However, some expenses are treated differently by code section 125. Please consult your plan administrator if you have any question as to what constitutes an eligible expense.

*Over-The-Counter Drugs and Medications only qualify for reimbursement under a Flexible Benefit Plan if they are primarily used for the treatment of a medical condition, injury, or illness.



Peralta Community College District Flexible Benefits Plan Enrollment Form

If you wish to participate in any portion of the flexible benefit plan you must complete the following section. You may elect to participate in one, or any combination of the three benefits out lined below.

Return this completed form to your Benefits/ Human Resources Representative

SECTION A – EMPLOYEE DATA (PLEASE PRINT OR TYPE)		
Name:	SSN:	Home Phone:
Street Address:		
City:	State:	Zip Code:
DOB (date of birth):	Date of Hire:	Date of <u>First Contribution</u> (payroll date):
Email:		

SECTION B – Dependent Information- Please list your Dependent Information below:			
Spouse: _____	DOB: _____	Dependent: _____	DOB: _____
Dependent: _____	DOB: _____	Dependent: _____	DOB: _____

SECTION C - I ELECT TO PARTICIPATE IN THE PLAN. I authorize my employer to reduce my salary by the amounts indicated below.	
<p>1. COMPANY SPONSORED INSURANCE PREMIUMS (check one) <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>I understand the premiums (for the insurance benefits I have enrolled in) will be automatically calculated and any portion that is my responsibility to pay will be deducted from my paycheck each month before taxes are calculated on my wages.</p>	
<p>2. MEDICAL REIMBURSEMENT ACCOUNT (annual maximum of \$2500 each plan year) <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>This includes all eligible health related expenses not covered by my health insurance or any other benefit plan for me and my dependents. <i>This account does NOT cover any type of Insurance Premiums.</i></p> <p>I elect \$ _____ as my ANNUAL Medical Reimbursement election for 2007.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px; text-align: center;"> <p><i>For office use only</i> \$ _____ / _____ = _____</p> <p style="font-size: small;">Annual Election remaining pay periods per paycheck contribution</p> </div>	
<p>3. DEPENDENT DAYCARE ACCOUNT <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p><i>This account may not exceed \$5,000 if you are single or married and file a joint return, or \$2,500 if you are married and file a separate return. Only dependent children under age 13 (unless physically or mentally handicapped) and/or a dependent adult requiring daycare qualify only for the hours when you and your spouse (if any) are at work.</i></p> <p>I elect \$ _____ as my ANNUAL Dependent Care election for 2007.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px; text-align: center;"> <p><i>For office use only</i> \$ _____ / _____ = _____</p> <p style="font-size: small;">Annual Election remaining pay periods per paycheck contribution</p> </div>	

SECTION E – EMPLOYEE AUTHORIZATION AND SIGNATURE	
<p>I understand that:</p> <ul style="list-style-type: none"> ❖ I cannot change this election during the plan year unless I undergo a change in family status. ❖ Any unused funds left in my account at the end of the plan year are forfeited. ❖ If I terminate my employment, whether voluntarily or involuntarily, and do not elect to COBRA my Medical Reimbursement Account, I can only submit expenses incurred prior to my termination date. ❖ My Social Security Benefits/Disability may be affected by this election. ❖ I cannot claim a tax credit for any expenses paid for by this Plan. ❖ If I elect to participate in the Dependent Daycare Account I must file IRS Form 2441 with my tax return. ❖ This election replaces any prior elections and will terminate at the end of the plan year, or if this plan is terminated. 	
Date:	Employee Signature:



BENEFIT DYNAMICS

Peralta Community College District Pre-Tax Commuter/Parking Enrollment Form

If you wish to participate in any portion of the Pre-Tax Commuter/Parking Plan, you must complete the following section. You may elect to participate in one, or any combination of the two benefits out lined below.

Return this completed form to your Benefits/ Human Resources Representative

SECTION A – EMPLOYEE DATA (PLEASE PRINT OR TYPE)

Name:		SSN:	Home Phone:
Street Address:			
City:	State:	Zip Code:	
DOB (date of birth):	Date of Hire:	Date of <u>First Contribution</u> (payroll date):	
Email:			

SECTION B – ELECTION AND SALARY REDIRECTION INFORMATION

➤ **Pre-Tax Transportation Expense Reimbursement Account**

I hereby authorize my employer to deduct \$_____ from my monthly wages on a pre-tax basis, not to exceed \$110, to be used for the reimbursement of my qualified Transportation Expenses.

➤ **Pre-Tax Parking Expense Reimbursement Account**

I hereby authorize my employer to deduct \$_____ from my monthly wages on a pre-tax basis, not to exceed \$215 to be used for the reimbursement of my qualified Parking Expenses.

SECTION E – EMPLOYEE AUTHORIZATION AND SIGNATURE

- ❖ I WILL BE USING THE BENEFIT EXCLUSIVELY FOR MY REGULAR DAILY DIRECT COMMUTE FROM HOME TO WORK AND RETURN. I WILL NOT GIVE, BARTER, EXCHANGE, CONVEY, OR OTHERWISE TRANSFER THIS BENEFIT TO ANY OTHER PERSON.
- ❖ I UNDERSTAND THAT THIS ELECTION WILL GO INTO EFFECT THE FIRST OF THE MONTH AFTER I SUBMIT THIS FORM TO THE APPROPRIATE HUMAN RESOURCES/PAY ROLL REPRESENTATIVE. I FURTHER UNDERSTAND THAT THIS ELECTION WILL REMAIN IN PLACE UNTIL I CHANGE, OR RESCIND, IT IN WRITING. TO CHANGE OR RESCIND THIS ELECTION I UNDERSTAND I WILL NEED TO COMPLETE A NEW ELECTION FORM AND SUBMIT IT TO THE APPROPRIATE HUMAN RESOURCES/PAY ROLL REPRESENTATIVE.
- ❖ I FURTHER UNDERSTAND AND AGREE THAT FALSE CERTIFICATION OR CLAIMS MAY RESULT IN DISCIPLINARY ACTION TAKEN BY MY EMPLOYER UP TO AND INCLUDING DISMISSAL FROM EMPLOYMENT AND POSSIBLE PROSECUTION FOR FEDERAL INCOME TAX EVASION.

Date:	Employee Signature:
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