

FLEXIBLE SPENDING ACCOUNT (FSA) OVERVIEW

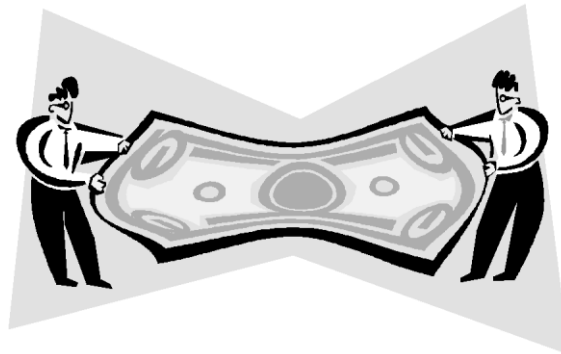
PLEASE NOTE

Your participation in the Health Care Flexible Spending Account and/or the Dependent Care Flexible Spending Account will end on December 31, 2011. However, the University has implemented an IRS extension rule which allows employees to incur expenses until March 15, 2012, if they have unused funds at the end of calendar year 2011.

These accounts do not automatically renew; you must re-enroll each year.

Flexible Spending Accounts (FSAs) allow you to pay for certain out-of-pocket health care and dependent daycare expenses with pre-tax dollars. Your contributions are subtracted from your paycheck before federal, state, and FICA taxes are calculated on your pay, so you save monthly on taxes.

Contributions for FSAs do not reduce your pay for purposes of determining your life insurance, long-term disability or retirement benefits provided by the University.



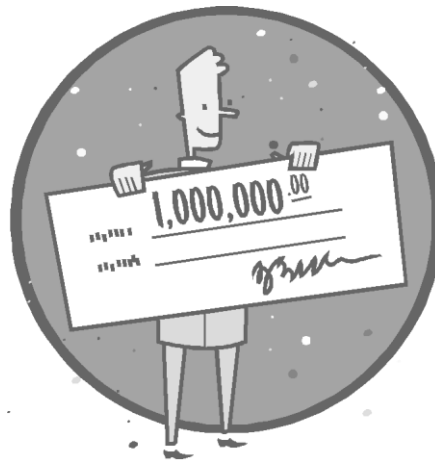
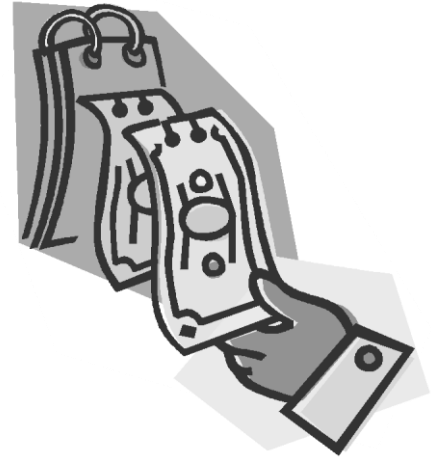
There are two types of FSAs. You may participate in either or both:

- 1) **Health Care FSA** - covers eligible health care expenses for you and your eligible dependents.
- 2) **Dependent Care FSA** – covers eligible dependent daycare expenses so you can work or attend school full-time.

How the Accounts Work

FSA's are simple. Here's how they work:

- You decide whether to participate in one or both accounts.
- You decide how much you want to deposit during the calendar year.
- The money you allocate to one or both accounts is automatically deducted from your pay each pay period, before taxes are taken out.
- Throughout the year, after you incur eligible expenses, you submit an FSA claim form along with receipts to The Payroll Department, and you are reimbursed (up to your annual amount) with your tax-free money.
- Reimbursements will be paid on each Friday on off-payroll weeks. The FSA claim form must be submitted by Monday in order to receive reimbursement on the following Friday. You can pick up your reimbursement check at the Cashier's Office.



THINGS TO CONSIDER FOR HEALTH CARE AND DEPENDENT CARE FSA'S

There are some IRS rules you should be aware of before you decide to participate in an FSA.

- Your 2011 contributions for a Health Care or Dependent Care FSA must be used for eligible expenses you incur between January 1, 2011 and March 15, 2012.
- You incur an expense on the date the service is provided – not when you are billed or when you pay for it.
- By law, any unclaimed money remaining in your 2011 account(s) on April 30, 2012 is forfeited and will not be returned to you. This is known as the “use it or lose” rule. Planning carefully and filing your claims promptly will help ensure that you can maximize the benefits of your account.
- The Health Care Flexible Spending Account and the Dependent Care Flexible Spending Account must be maintained as two separate accounts. Money cannot be transferred between the accounts, and health care services cannot be reimbursed from a Dependent Care FSA or vice versa.
- Expenses reimbursed through an FSA cannot be used as a deduction or credit on your federal income taxes.
- With the Health Care Flexible Spending Account, you have access to the total amount you elected for the plan year as soon as eligible expenses are incurred.
- For a Dependent Care Flexible Spending Account, you can only be reimbursed up to the amount available in your account. Claims for expenses exceeding that amount will be reimbursed as additional funds accumulate in your account.
- The contribution amount you elect during Open Enrollment is in effect until the end of the plan year. You may change your contribution amount during the plan year only if you experience a qualifying event.
- If you enroll mid-year, expenses incurred before your effective date or not eligible.

Annual Enrollment Required to Participate

FSA participation does not carry forward from one year to the next. If you had an FSA in 2011 and you wish to participate in 2012, you must re-enroll and designate the amount of money to be withheld.

Services Deadline

For a 2011 Health Care or Dependent Care FSA, you can incur expenses until March 15, 2012.

Claims Deadline

To receive reimbursement for 2011 expenses, you must submit your claims to Payroll by April 30, 2012. 2011 money left in your account on or after April 30, 2012 will be forfeited.

Questions?

For more information, call Cathy Vaughan at (989)-964-4230.

HEALTH CARE FSA

You can contribute up to \$2,500 per calendar year (\$96.15 per pay period) to your Health Care FSA.

Many common health care expenses are eligible for reimbursement for your Health Care FSA, including medical and dental co-pays, deductibles, prescription co-pays, vision care, and LASIK surgery. Generally, any health care expenses you can deduct on your federal income tax return are eligible for reimbursement from your Health Care FSA. There are some exceptions. For example, a Health Care FSA may not reimburse participants for insurance premiums paid for individual or employer-sponsored coverage. For a list of covered Health Care FSA expenses, refer to IRS Publication 502 at: www.irs.gov or consult your tax advisor

Health Care FSA: Eligible Expenses

Eligible expenses include, but are not limited to:

- Any necessary medical, dental, and vision plan expenses not reimbursed by any benefits plan. This includes co-pays, deductibles, co-insurance, amounts above prevailing fee limits, and amounts exceeding plan dollar maximums;
- Hearing care;
- Prescription co-pays;
- Services and equipment for the disabled.

Health Care Flexible Spending Account Worksheet

Instructions: Estimate how much you expect to spend during the plan year for you and your dependents for the following items. (NOTE: These should only be expenses that will not be paid by any insurance program and that you will have receipts, invoices, or cancelled checks to verify.)

Estimated Health Care Expenses

Medical

For Example:

Deductible	\$ _____/yr.
Co-Payments	\$ _____/yr.
Coinsurance	\$ _____/yr.
Prescription Drugs	\$ _____/yr.
Expenses Over Plan Maximums	\$ _____/yr.
Other	\$ _____/yr.

Subtotal Medical Expenses \$ _____/yr.

Dental

For Example:

Fillings	\$ _____/yr.
Bridges	\$ _____/yr.
Crowns	\$ _____/yr.
Dentures	\$ _____/yr.
Orthodontia	\$ _____/yr.
Exams & Cleaning	\$ _____/yr.
Other	\$ _____/yr.

Subtotal Dental Expenses \$ _____/yr.

Vision

For Example:

Exams	\$ _____/yr.
Lenses	\$ _____/yr.
Frames	\$ _____/yr.
Contact Lenses	\$ _____/yr.
RK/Lasik	\$ _____/yr.
Other	\$ _____/yr.

Subtotal Vision Expenses \$ _____/yr.

Hearing

For Example:

Hearing Aid	\$ _____/yr.
Related Expenses	\$ _____/yr.

Subtotal Hearing Expenses \$ _____/yr.

Total Estimated Health Care Expenses

Add Subtotals (Medical, Dental, Vision, Hearing)

\$ _____/yr.

Divide Total Estimated Health Care Expenses by 26 pay periods each plan year.

Per Pay Period Expenses

\$ _____

Special Note: If you are unsure of any particular expenses, it is best to omit them from your estimates. Depending upon whether you elect health coverage or not, or upon which plan you choose, you may or may not have out-of-pocket expenses for these items. This document is an example only and not indicative of coverage available under our plans.

DEPENDENT CARE FSA

You can contribute up to \$5,000 each year (\$192.31 per pay period) to your Dependent Care FSA.

You can use the Dependent Care FSA only if you are paying for dependent care so you can work. In addition, if you are married, your spouse must either work, attend school full-time for at least five months each year, or be disabled to be eligible. Eligible dependent care expenses include qualified daycare centers for children or qualified adults as well as care inside or outside your home.

Dependent Care FSA: Eligible Expenses

Eligible expenses include, but are not limited to:

- Care for dependents age 12 or younger or dependents regardless of age who are physically or mentally incapable of caring for themselves and whom you claim as a dependent on your federal income tax return. You (and your spouse if you are married) must maintain a home that you live in for more than half of the year with your qualifying child or dependent.
- Care when you are at work. If you are married, your spouse must also be at work, school (as a full-time student), searching for a job, or mentally or physically disabled and unable to provide care for a dependent. For a list of covered Dependent Care FSA expenses, refer to IRS Publication 502 at: www.irs.gov or consult your tax advisor.

Dependent Care Flexible Spending Account Worksheet

You need to consider several areas as you evaluate your opportunity to participate in the dependent care flexible spending account of the plan. This list may not be inclusive but will help you think of the areas you need to consider.

1. Are you charged by the week, day, hour, or other?
2. Is your dependent care provider a qualified provider according to the terms of the plan? (You may not use expenses paid to a dependent.)
3. Will your dependent care provider give you receipts or accept payment by check or debit card?
4. Will your dependent care provider give you their Social Security Number or employer Tax Identification Number?
5. Do you have different arrangements during the plan year? (e.g., one provider during the school year and another during the summer?)
6. You may not be reimbursed for days on which no care is provided (even if you must pay for the day).
7. You may not be reimbursed for any part of the cost of an overnight camp.
8. If your dependent turns age 13 during the year, you may not submit expenses for care provided after your child's 13th birthday.
9. Will your fees be raised when the child's age changes?

Use the formula below to estimate the amount of money you may want to re-allocate to your dependent care flexible spending account for your various arrangements:

The amount you may want to re-allocate to your dependent care flexible spending account is:

- A. Weekly Charge Amount \$ _____ x Number of Weeks _____ = \$ _____
- B. Weekly Charge Amount \$ _____ x Number of Weeks _____ = \$ _____
- C. Weekly Charge Amount \$ _____ x Number of Weeks _____ = \$ _____

Estimated Cost of Day Care = A + B + C \$ _____

- D. Planned days out of day care = _____ (convert to dollars not eligible)
\$ _____
- E. Estimated number of illness days = _____ (convert to dollars not eligible)
\$ _____

Divide the total estimate charges paid to a dependent care provider by the number of pay periods per year to determine the amount you may want to reallocate each pay period for dependent care expenses.

Special Note: If you are unsure of any particular expenses, it is best to omit them from your estimates.

$$\begin{array}{r}
 \$ \underline{\hspace{2cm}} - \$ \underline{\hspace{2cm}} = \$ \underline{\hspace{2cm}} * \\
 \text{Sum of} \qquad \qquad \text{Sum of} \qquad \text{Annual} \\
 \text{A, B \& C} \qquad \qquad \text{D \& E} \qquad \text{Dependent Care} \\
 \qquad \qquad \qquad \qquad \qquad \qquad \text{Estimate}
 \end{array}$$

The number of pay periods per plan year is
: E) _____.

*Annual Maximum is the least of \$5,000 (or \$2,500 in the case of a married individual filing a separate tax return) or the earned income of the lowest paid spouse. Special rules apply if your spouse is a full-time student or disabled.

SAMPLES OF ELIGIBLE EXPENSES

Medical Care	Dependent Care
<p>Acupuncture Ambulance Service Birth control pills Chiropractic care Co-pays or co-insurance Deductibles Dental fees Diagnostic tests Doctor's fees Drug Addiction/alcoholism treatment Experimental medical treatment Eyeglasses, exam fees, contact lenses and solution, and LASIK eye surgery Guide dogs Injections and vaccinations In vitro fertilization Nursing services Reconstructive surgery after mastectomy Smoking cessation programs and treatments Surgery Transportation for local medical care Wheelchairs X-rays</p>	<p>Services provided by a day care facility. Must be licensed if the facility cares for 6 or more children</p> <p>Babysitting services while you work</p> <p>Practical nursing care</p> <p>After-school care</p> <p>Preschool</p> <p>A person of any age whom you claim as a dependent on your federal income tax return and who is mentally or physically incapable of caring for himself or herself</p>

