



Flexible Benefit Plan

WHAT'S NEW FOR 2008

NEW DEBIT CARD REGULATIONS

Government regulations that go into effect 1/1/08 require that all debit cards used at stores that have Merchant Codes that are NOT MEDICAL (such as Target, Wal-Mart) will need to be substantiated **by the store** at the point-of-sale. This means that many stores will be installing systems that will allow or deny the expense when you purchase the item (Longs, Walgreens, Wal-Mart and Sam's Club already have the system in place). The down side to this change is that some stores may not be ready to do this substantiation by January 1. The up side is if the store you go to participates in the automatic substantiation, you will not be asked to provide any further substantiation of the expense. Among the stores that are installing the system are Safeway, Vons and Target.

There is no change for debit card use at hospitals, medical and dental offices or pharmacies as long as they have Merchant Codes that designate that they are a medical services provider.

NEW FAX NUMBER

Total Benefit Services has an updated and improved fax system. Please use the new, toll free number **(866) 405-3879** if you want to fax your reimbursement request.

REMEMBER YOU NOW HAVE A GRACE PERIOD

The County of Fresno has adopted a "**Grace Period**" which allows participants **an additional 2 ½ months to incur expenses**. What this means is that if you elect \$1,000 for medical expenses for 2008 and only incur expenses of \$800 during 2008, you will be given an additional 2 ½ months in 2009 to incur eligible expenses and submit a claim for reimbursement for the remaining \$200.

ONLINE ACCESS

It is easy to establish online access to your flex debit card information. Click on the EMPLOYEE profile at www.mbicard.com and click on "create an account". Enter your debit card number and your eight digit Employee ID number, and then create your own USER ID and PASSWORD.

PLAN OVERVIEW

What Can a Flexible Benefit Plan Do for Me?

Are you interested in lowering your taxes and increasing your spendable income? Participation in the County of Fresno Flexible Benefit Plan can save you tax dollars.

The Flexible Benefit Plan allows you to pay for employee portions of health insurance, medical expenses and child care expenses with "pre-tax" dollars. Each pay period a dollar amount that you have specified is deducted from your paycheck and set aside for your Flexible Benefit Plan. You do not pay Federal, State or Social Security taxes on the money set aside through your Flexible Benefit Plan.

What Benefit Categories Are Available?

- ❖ Employee share of County-sponsored health insurance, disability insurance and group term life insurance (Employees should be aware that for disability insurance only, if the premiums are paid on a pre-tax basis, and you become disabled and receive disability payments, the payments will be taxed).
- ❖ Allowable medical related expenses for you and your dependents – see partial list on page 2.

- ❖ Dependent care expenses which are needed to enable you to work (overnight camps are not allowable). If you are married, you are eligible for dependent care expenses only if your spouse is employed, a student or disabled.

How Does This Make a Difference in My Taxes?

The following is an example showing how a single employee with two dependents can increase his or her spendable income through a Flexible Benefit Plan:

	Without Flex Plan	With Flex Plan
Gross Monthly Pay	\$2,500.00	\$2,500.00
Premium		\$120.00
Medical Expenses		\$60.00
Dependent Care Expenses		\$200.00
TAXABLE INCOME	\$2,500.00	\$2,120.00
Federal Income Tax	\$183.00	\$129.00
State Income Tax	\$5.45	0.00
Social Security/Medicare	\$191.25	\$162.18
Less Premium	\$120.00	
Less Medical Expenses	\$60.00	
Less Dependent Care Expenses	\$200.00	
SPENDABLE INCOME	\$1,740.30	\$1,828.82

This particular example demonstrates a monthly savings of \$88.52 which equals a yearly savings of \$1,062.24! This example is based on Federal and California State tax rates for 2007.

ALLOWABLE MEDICAL RELATED EXPENSES

The following are **examples** of medical related expenses that can be reimbursed through a flexible benefit plan:

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| <ul style="list-style-type: none"> Acupuncture Ambulance Artificial limb Birth control pills Body scans Braille books & magazines Braces Chiropractor Christian Science Practitioner Contact lenses Co-pays Crutches Deductibles Dental checkups Dentures Eye examinations Eyeglasses Fertility treatments Hearing aids Insulin | <ul style="list-style-type: none"> Laboratory fees Lasik eye surgery Learning disability treatment¹ Massage therapy¹ Obstetrical services Optometrist Orthodontia Over-the-counter medicines² Physicals Prescriptions Psychiatric care¹ Sterilization Surgery – not cosmetic Teeth cleaning Transportation to medical care Vasectomy Weight loss program³ Wheelchair X-rays |
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If you are uncertain if a medical expense is allowable, you can contact Total Benefit Services at (559) 431-7062. An administrator will be glad to assist you.

1 These items require a doctor's prescription and diagnosis for treatment of a medical condition.
 2 Over-the-counter medicines include cold medicines, allergy medicines and pain relievers. It DOES NOT include vitamins and dietary supplements.
 3 Medical expenses that improve the appearance of the body but do not "meaningfully promote proper function of the body or prevent or treat illness or disease" are not allowable expenses.

THE DEBIT CARD

Everyone who participates in the Flexible Benefit Plan for medical expenses and/or child care expenses is eligible to sign up for a debit card by completing the Debit Card Agreement section of the flex enrollment form. If you sign up for the debit card, you will receive the card in the mail. The debit card works like a Mastercard. It will be loaded with your annual election for medical expenses and deposits will be made each pay day to the dependent care account.



Always **SAVE YOUR RECEIPTS**. The IRS requires some claims to be substantiated. You may receive a letter or E-mail from Total Benefit Services asking for receipts or other additional information on something you have paid with the debit card. If you do not respond to the request in the allotted period of time, it is possible that your debit card could be disabled.

The debit cards are valid for up to three years. Do not throw away the card when you have reached a zero balance or at the end of the plan year. The same card will be “re-loaded” for the next plan year.

The debit card functions as a credit card at the point of sale. If you are presented with the option at the merchant terminal of choosing credit or debit you should always select credit (selecting debit would prompt you to enter a PIN number which you do not have).

Online access to your account information is available to you at www.mbicard.com.

You can also receive a debit card for your spouse by providing their name and Social Security Number on the appropriate section of the flex enrollment form.

If an improper payment is found to have been made with the debit card, you will be asked to present a receipt for an allowable expense to offset the payment you received or repay the plan for the expense.

If the card is found to be consistently misused, the card will be deactivated.

Your card will be automatically cancelled if you resign or terminate your employment. Your debit card should be returned to your employer. You will still be able to submit reimbursement request for funds remaining in your account if you have expenses that were incurred before your termination date, or if you participate in COBRA for flexible benefit plans.



Can I Still be Reimbursed for Expenses

If you do not want to use the Debit Card or your service provider does not accept the Debit Card, you can still submit claims for reimbursement and receive a reimbursement check in the mail.

- * In order to receive reimbursement for Dependent Care and Medical Related Expenses you must complete a reimbursement request form, attach a copy of a bill or receipt, and send it to the following address:
Total Benefit Services, Inc.
P.O. Box 25070
Fresno, CA 93729-5070
FAX (866) 405-3879
- * The bill or receipt should show the date the service or expense was incurred, the type of service and the amount you are responsible for paying.
- * The date that the expense was incurred (the date of the visit to the doctor's office, the date the child was in day care) is relevant, not the date of the invoice or the date of your payment. IRS regulations state that the

expenses must be incurred during the period of coverage to qualify for reimbursement, except for the “grace period”.

- * If there is not enough money in your Dependent Care account to pay the full amount of the claim, you will be reimbursed what is in your account and the balance of the claim will be held until new money is added to your account on the next pay day.
- * For eligible Medical Related Expenses, current regulations allow payment up to your total commitment for the plan year.
- * Reimbursement requests are processed on Tuesday and Friday.
- * Dependent Care checks for less than \$20 cannot be processed unless it is at the end of the plan year to clear a balance.
- * You will be given quarterly statements so that you are aware of your account balance.

If you have any questions or problems with your Flexible Benefit Plan, please call Total Benefit Services at (559) 431-7062 or (800) 446-4201.

DEPENDENT CARE ACCOUNT VS. DEPENDENT CARE TAX CREDIT

A comparison should be made between participating in the Dependent Care part of the Flexible Benefit Plan and just taking the dependent care tax credit on your income tax. Another source of information is at www.ebia.com which provides a free calculator. The following information is provided to help you in your decision but it is recommended that you consult your tax advisor for more information on your specific situation.

DEPENDENT CARE TAX CREDIT CALCULATION OF SAVINGS:

1. Enter the lesser of (a) \$3,000 for one dependent (b) \$6,000 for two or more or your actual annual expense: \$ _____
2. Enter the percentage based on your Adjusted Gross Income (AGI)(see chart below) x _____%
3. Multiple line 1 by Line 2. This amount is your estimated tax credit on your personal income tax \$ _____

<u>AGI</u>	<u>Percentage</u>	<u>AGI</u>	<u>Percentage</u>	
\$0	\$15,000	35%	\$31,001 \$33,000	26%
\$15,001	\$17,000	34%	\$33,001 \$35,000	25%
\$17,001	\$19,000	33%	\$35,001 \$37,000	24%
\$19,001	\$21,000	32%	\$37,001 \$39,000	23%
\$21,001	\$23,000	31%	\$39,001 \$41,000	22%
\$23,001	\$25,000	30%	\$41,001 \$43,000	21%
\$25,001	\$27,000	29%	\$43,001 No limit	20%
\$27,001	\$29,000	28%		
\$29,001	\$31,000	27%		

FLEXIBLE BENEFIT PLAN DEPENDENT CARE SAVINGS:

4. Enter your out-of-pocket qualified dependent care expenses up to \$5,000 (for one or more children) \$ _____
5. Enter the percentage based on your Federal & State Income Tax Brackets (below) for your filing status: x _____%
6. Multiple the amount in line 4 by 5. This amount is your estimated tax saving through the Flex Plan \$ _____

This calculation is an estimate and only takes into account your Federal income taxes and Social Security Taxes. It does not include state income tax and the tax brackets are approximations.

If your filing status is head of household :		
<u>OVER:</u>	<u>BUT NOT OVER:</u>	<u>Tax Bracket is:</u>
\$10,120	\$33,520	22%
\$33,520	\$77,075	32%
\$77,075	\$162,800	35%

If your filing status is married filing jointly :		
<u>OVER:</u>	<u>BUT NOT OVER:</u>	<u>Tax Bracket is:</u>
\$23,350	\$70,700	22%
\$70,700	\$133,800	32%
\$133,800	\$203,150	35%

<p><i>Your Flexible Benefit Plan Administrator.</i></p>	<p>Total Benefit Services, Inc. PO Box 25070 Fresno, CA 93729-5070 (559) 431-7062</p>
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