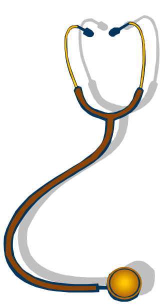
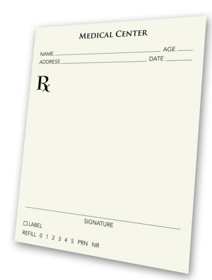
COUNTY OF ST. CLAIR

HUMAN RESOURCES DEPARTMENT

FLEXIBLE COMPENSATION PROGRAM 2018





2018 Flexible Benefit Menu
Community Blue Plan

BENEFIT	CORE	OPTION I	OPTION II
Medical - BCBS	PPO/Community Blue Plan 8 Preventative Services $20 Office Visit Co-pay $20 Chiropractic Visit Co-Pay $15/30/45 Rx Co-pay $500 Individual Deductible * $1000 Family Deductible * 80/20% Co-insurance * $2500/$5000 (Ind/Family) Co-Insurance Maximum (Plus Deductible) * $6350/$12700 (Ind/Family) * Out-of-Pocket Max Inc Deduct, Co-pays * In-Network Services **COST** **Single $1118.47/26 = $43.02/pay** **2-Person $2684.35/26 = $103.25/pay** **Family $3355.44/26 = $129.06/pay**	OPT OUT Complete and Return Declination of Health Insurance Form on Page 10. *Please refer to your Labor Agreement to determine eligibility.* **CASH REBATE** **Single $ 650/yr** **Two Person $1100/yr** **Family $1350/yr**	N/A
Dental - DELTA	Class I (Preventative) 100% Class I (Other) 50% Class II & III 50% Annual Maximum $1000 Class IV (Orthodontic) 50% Lifetime Maximum $1500	OPT OUT *Please refer to your Labor Agreement to determine eligibility.* **$200 to a Flexible Reimbursement Account**	OPT OUT *Please refer to your Labor Agreement to determine eligibility.* **$150 Cash Rebate**
Long Term Disability	66 2/3% to $4,000, up to a maximum of 5 (five) years	Employee may purchase 70% to $6000, to maximum benefit period	
Life Insurance	Current Labor Agreement Benefit Level	Employee may purchase an additional 1x Core amount	Employee may purchase an additional 2x Core amount
Uninsured Health Care Reimbursement Account	Pretax dollar payroll deductions to a maximum of $2,600 Uninsured Health Care expenses.		
Dependent Care Reimbursement Account	Pretax dollar payroll deductions to a maximum of $5,000 Dependent Care expenses.		

THE ABOVE TABLE SHOULD BE READ ACROSS NOT VERTICALLY. SELECT ONE OPTION FROM EACH BENEFIT CATEGORY.

Additional Benefits - Please see pages 11-12 for additional benefits offered by AFLAC.

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ADMINISTRATOR

S.C.C. will administer the entire Flexible Compensation Program. S.C.C has retained Flex Administrators to administer the Reimbursement Accounts. Representatives will be available to answer any questions that you may have either prior to or during enrollment. They will also be responsible for handling the plan on an ongoing basis. For assistance call: 1-800-968-3539 or 1-616-456-7908. You can also locate Flex Administrators and access your account on the web at www.flexadministrators.com.

Introduction

It is inconceivable to think that a single person, a family with children and a couple approaching retirement would all want the same benefits. That is why the Administration and Employee representatives of St. Clair County, Michigan gathered together to create the **St. Clair County Flexible Compensation Plan**.

Flexible Compensation is based on the concept that you are the best judge of your benefit needs. Therefore, the program provides you with a Core of essential coverage and then gives you the option of either electing additional coverage, less coverage or opting out of coverage altogether. Should you decide to take less comprehensive coverage or no coverage at all, you may be eligible to receive a designated amount of cash. **That cash can either be reinvested elsewhere in the menu or added to your earnings and received over your normal pay schedule.**

Flexible Compensation also provides you with an array of benefit alternatives previously unavailable and gives you the opportunity to pay for those benefits before the government takes out any taxes. By shifting current out-of-pocket expenses and paying them through the Flexible Compensation Plan pretax, you not only take care of your necessary responsibilities, but you give yourself a **pay raise** at the same time. In turn, your pay raise can be used to enhance Core benefits or purchase other benefits that were previously unaffordable. (See example on next page.)

The opportunity to choose is accompanied by the responsibility of understanding your choices. This booklet provides information about Flexible Compensation and the options that are available to you.

In addition, you will find worksheets to help determine your benefit needs. It is essential that you complete the worksheets prior to enrollment, since these are intended to assist you in making the proper benefit selections. Enrollment can only be held **once** each year so make sure that you are prepared.

PLAN OVERVIEW

St. Clair County's Flexible Compensation Program is made up of two components:
The Core Program and Employee Options.

The Core Program - includes all the current levels of coverage provided by the County:

- Medical Coverage for you and your eligible dependents up to the age of 26
- Dental Coverage for you and your eligible dependents
- Term Life Insurance
- Long Term Disability Insurance **(Only if included in your Labor Agreement)**

Employee Options - allow you to modify the Core Program, as you wish.

Included among your Employee Options are a number of different alternatives:
(Please refer to your Labor Agreement to determine eligibility of these options)

- No Medical Coverage in exchange for cash
- No Dental Coverage in exchange for Reimbursement Account
- No Dental Coverage in exchange for cash
- Additional Long Term Disability Insurance
- Additional Term Life Insurance
- Family Life Insurance
- Cancer Insurance
- Personal Accident Insurance
- Critical Care Protection and Hospital Protection
- An Employee Reimbursement Account for Uninsured Health Care and/or Dependent Care Expenses

The following example (assuming Single taxpayer) illustrates how the payment of after-tax expenses on a pretax basis creates a pay raise for the employee.

	With Account	**Without Account**
Annual Gross Salary	24,000	24,000
Dependent Care	1,800	0
Health Care Expenses	700	0
Taxable Income	**21,500**	**24,000**
Federal Tax (18.5% blended)	3,978	4,440
FICA (7.65%)	1,645	1,836
State Tax (3.9%)	839	936
(Total taxes = 30.05%)		
After-Tax Income	15,038	16,788
After-Tax Dependent Care	0	1,800
After-Tax Health Care	0	700
Spendable Income	**$15,038**	**$14,288**
NET PAY RAISE	**750.00**	

NOTE: ***A portion of your pay raise should be used to address the possible disadvantage of pretax funding. (See the section entitled "How to Avoid Potential Disadvantages").***

Liability Worksheet

Before you can decide which benefits to choose, it is necessary to evaluate your own personal financial responsibilities. Fill in the blanks below as accurately as possible. Once you have completed this section, you will be able to determine your benefit needs.

MONTHLY EXPENSES		**MONTHLY PAYMENT**	**OUTSTANDING LIABILITY**
Mortgages/Rent	$	________	________
NOTE: If your homeowners insurance and taxes are included with your mortgage payment, then include here and skip those items as annual expenses.			
Second Mortgage	$	________	________
Car Payment	$	________	________
Car Expense (gas/repairs)	$	________	________
Utilities: Electric $______ + Gas $______ + Phone $______ + Water/Sewage $______ + Cable $______ + Other $______	=	________	
Food/Sundries	$	________	
Installment Loans	$	________	________
Credit Cards	$	________	________
Entertainment (theater, movies, sporting events, restaurants)	$	________	
Miscellaneous (special occasions, money for children, etc.)	$	________	
Monthly Total:	$	________	
		x12	
Annual (monthly) Subtotal:	$	________ *	

* Note: Carry this number to the bottom marked Annual (monthly) Subtotal.

ANNUAL EXPENSES		**ANNUAL PAYMENT**	
Taxes (primary residence, secondary residence, other property)	$	________	
Vacation(s)	$	________	
Insurance(s): Life $______ + Auto $______ + Homeowners $_______ + Health $______ + Cancer $______ + Disability $______ + Other $______	=	________	
Miscellaneous (tuition, political, religious donations)	$	________	
Annual Subtotal	$	________	**TOTAL OUTSTANDING $LIABILITIES**
Annual (monthly) Subtotal +	$	________ *	
TOTAL YEARLY EXPENSES	$	________	$ ________

Term Life Coverage

Term Life coverage provides a source of funds to assist you in meeting financial responsibilities in the event of your death. It may be used to ensure the repayment of a loan or mortgage for yourself or your family. It can cover your children's college tuition or provide a source of income for your dependents.

CORE

The Core Term Life coverage benefit amount is based upon your Labor Agreement. Please refer to your Labor Agreement for details.

EMPLOYEE OPTIONS

OPTION I	OPTION II
Additional 1 x Core Amount	**Additional 2 x Core Amount**
(No AD&D)	**(No AD&D)**

If you wish, you may add to your Core coverage by purchasing additional Term Life coverage. You will be required to provide evidence of insurability. This form can be obtained from the Human Resource Department. Coverage is effective upon written approval from the carrier. The first $50,000 of coverage can be paid for with pretax dollars. With amounts in excess of $50,000, the Internal Revenue Service requires taxation on a portion of your premium. The cost to provide this coverage is reflected on the rate sheet, page 5.

Optional Term Life Coverage

AGE	Cost per thousand per month
0 - 34	$ .13
35 - 39	$ .17
40 - 44	$ .23
45 - 49	$ .33
50 - 54	$ .51
55 - 59	$ .80
60 - 64	$1.28
65 - 69	$2.42
70 - 74	$3.96
75 - 79	$6.82

To calculate the cost of additional term life insurance:

1) Find your age and corresponding monthly cost per thousand

2)	________ Cost per thousand	X	________ Life ins. amt (omit 000)	=	________ Monthly Cost
3)	________ Monthly Cost	X	12 months	=	________ Annual Cost
4)	________ Annual Cost	÷	26 No. of pays	=	________ Cost per pay

EXAMPLE:
- 38 years old (.17 per thousand)
- Base Life Insurance $30,000
- would like to purchase additional one (1) x base
- 26 pays per year

2)	.17 Cost per thousand	X	30 Life ins. amt (omit 000)	=	5.10 Monthly Cost
3)	5.10 Monthly Cost	X	12 months	=	61.20 Annual Cost
4)	61.20 Annual Cost	÷	26 No. of pays	=	2.35 Cost per pay

Long-Term Disability Coverage

(Consult your current Labor Agreement for availability and coverage level.)

Long-Term Disability (LTD) benefits provide income if you are unable to work for a prolonged period due to illness or injury.

CORE

The payments, which begin **180 days** after the onset of your disability, replace **66 2/3%** of your base monthly salary. The minimum benefit is the greater of **$100** or **10%** of your gross income. The maximum benefit is **$4,000** per month.

Disability benefits are available if you are disabled from your own occupation for the first 2 years and from any occupation (taking into consideration education and experience) for a maximum of 5 years.

LTD benefits are coordinated with other benefits such as Social Security, Workers Compensation, Employers Retirement Plan, any other Group Insurance Plan.

Coverage is effective on the date of completion of three (3) months of active employment.

Percent of Monthly Salary	66 2/3%	
Maximum Monthly Benefit	$4,000	
Maximum Benefit Period:	**<u>Age at Disability</u>**	
	Less than age 65	Up to 5 Years
	65 – 68	To age 70 but not less than 1 year
	69 and Over	1 Year

EMPLOYEE OPTIONS

If you wish to protect more of your income, you may elect to purchase additional Long-Term Disability coverage. This increases the percentage of your monthly income that would be replaced in the event of a disability.

Percent of Monthly Salary	70%	
Maximum Monthly Benefit	$6,000	
Maximum Benefit Period:	**<u>Age at Disability</u>**	
	Less than age 60	To age 65 but not less than 60 months
	60	60 months
	61	48 months
	62	42 months
	63	30 months
	65	24 months
	66	21 months
	67	18 months
	68	15 months
	69 and over	12 months

The cost to purchase this coverage is reflected on the rate sheet, page 7.

Optional Long-Term Disability Coverage

AGE	Monthly Rate (per $100 of Benefit)
0 - 24	$ .14
25 - 29	$ .16
30 - 34	$ .28
35 - 39	$ .41
40 - 44	$ .60
45 - 49	$ .86
50 - 54	$1.14
55 - 59	$1.07
60 - 64	$ .35
65 - 69	$ .35
70 +	$ .96

To calculate the cost of additional Long Term Disability Insurance:

(1) $__________ x __________ = $__________
Annual Salary rate/100 Annual Cost

(2) $__________ / 26 = $__________
Annual Cost # of Pays Cost Per Pay

EXAMPLE:
- Age 35
- Annual Salary $25,000
- Would like to purchase additional long term disability benefits
- 26 pays per year

(1) $25,000 x .0041 = $102.50
Annual Salary rate/100 Annual Cost

(2) $102.50 / 26 = $3.94
Annual Cost # of Pays Cost Per Pay

Dental Coverage

The schedule below provides a comparison and explanation of all dental options available. Each eligible employee must elect one option only. Should you elect a coverage with a cash rebate, that rebate will be returned in equal installments over the annual Flexible Compensation Plan Year pay schedule. You may spend your rebated dollars on other coverage elsewhere in the menu.

		CORE	OPTION I	OPTION II
DEDUCTIBLE	Up front payment by employee.	0	-	-
COINSURANCE	CLASS I: Diagnostic, preventative and minor emergency procedures to relieve pain	100%	-	-
	CLASS I: Radiographs, emergency palliative, restorative, oral surgery, endodontic and periodontic.	50%	-	-
	CLASS II & III: Bridges and partial and complete dentures.	50%	-	-
	CLASS IV: Orthodontic services for treatment and procedures required for the correction of malposed teeth. Please refer to your Labor Agreement for benefit level.	50%*	-	-
ANNUAL MAXIMUM	Each member is entitled to maximum benefits of this amount every contract year.	$1,000	-	-
ORTHODONTIC LIFETIME	Each member has a lifetime maximum of this amount available for orthodontic services. Please refer to your Labor Agreement for benefit level.	$1,500	-	-
CASH REBATE-REIMBURSEMENT ACCOUNT	Cash may be deposited into a Flexible Reimbursement Account.	0	$200	0
CASH REBATE	Cash may be received in your paycheck.	0	0	$150

*No age limit

Medical Coverage - At A Glance

The schedule below provides a "comparison-at-a-glance" of all medical options. Please refer to the Benefits-At-A-Glance available in Human Resources or online for detailed explanations of coverage and your current Labor Agreement before making your selection. Each employee must elect one option only. Should you elect coverage with a cash rebate, that rebate will be returned in equal installments over the Flexible Compensation Plan Year pay schedule. You may spend your rebated dollars on other coverage elsewhere in the menu. Employees who wish to opt out of coverage must sign the declination of health insurance form on page 10. This form should be returned with your Flexible Compensation Plan election form. Dependent coverage is available with any option for spouses and eligible dependents up to the end of the month in which they turn age 26.

BENEFIT	**CORE**	**OPTION I**
CARRIER:	Blue Cross/Blue Shield PPO Community Blue Plan 8	Opt Out - No Coverage
DEDUCTIBLE *	$500/$1000	-
CO-PAYMENT *	80% Plan Pays 20% You Pay	-
CO-INSURANCE MAX * *(Does not include Deductible)*	$2500/$5000	-
OUT-OF-POCKET MAX * *(Includes Co-pays/Deductibles)*	$6350/$12700	
DRUG PLAN	$15/$30/$45 Copay	-
CASH REBATE (Annual) *Refer to your CBA	None	Single $ 650 Two Person $1,100 Family $1,350
EMPLOYEE COST (Annual)	Single $ 1118.47 Two Person $ 2684.35 Family $ 3355.44	N/A

* In-Network Services

Janet's Law

RIGHTS TO CERTAIN COVERAGE FOLLOWING A MASTECTOMY

The Women's Health and Cancer Rights Act of 1998 (also known as Janet's Law) requires that Plan coverage for mastectomy expenses also included charges for the reconstruction of the breast on which the mastectomy has been performed, surgery and reconstruction of the other breast to produce a symmetrical appearance, prostheses, and physical complications relating to all stages of the mastectomy, including lymphedemas. Coverage will be provided in a manner determined in consultation with the attending physician and the patient.

Opt Out

DECLINATION OF HEALTH INSURANCE

I, ______________________________________, hereby elect to decline my health insurance coverage offered through the County of St. Clair, Michigan. I elect to receive $__________ annually (distributed equally throughout the plan year payroll schedule) in lieu of this health insurance benefit. I understand that if the health insurance provided by ______________________________________ should terminate I may have the right to re-elect coverage through St. Clair County.

Please be advised of the following consequences regarding your decision to waive coverage:

- You should be aware of the individual responsibility requirement under the Affordable Care Act. If you refuse the offer of the Employer's health coverage and do not obtain the required coverage on your own, you will be subject to a penalty.

- You cannot enroll in the Employer's health plan until the next open enrollment. However, if you are covered under another plan, but that coverage is lost, you can enroll in your Employer's health plan immediately. You must request enrollment within 30 days of losing the other coverage.

- If you gain a new dependent through birth, adoption or marriage, you may enroll yourself, the new dependent, and the entire family at that time, but you must do so within 30 days of gaining the new dependent. If you miss the 30-day enrollment deadline, you must wait until open enrollment.

I acknowledge that the Employer has offered me affordable minimum essential coverage, as defined under the Affordable Care Act, for the period from January 1, 2018 to December 31, 2018. I further acknowledge that I have minimum essential coverage through another source. I have read the above and I understand the consequences of my waiver of coverage.

______________________________________ Date__________________
(Employee's Signature)

____
(Print Name)

**Employees and retirees of the County, that have a spouse working for or retired from the County or County agency, may or may not be eligible to participate in the Opt Out plan option. Please refer to your Labor Agreement to determine eligibility.*

Please return this form, along with proof of other insurance,
with your Flexible Compensation Plan Election Form

Aflac - Optional Insurance

You determine what is best for you; we are briefly explaining the Employee Benefits being offered to you through Aflac.

Aflac coverage pays cash directly to you, the policyholder, and pays over and above any other medical insurance you may currently have.

ACCIDENT INDEMNITY ADVANTAGE: (24/7 COVERAGE)

Accidents happen to all kinds of people every day. In 2007, 34.4 million people- about 1 out of 9 sought medical attention for an injury.

What would the financial impact of an injury mean to your security? Are you prepared for medical debts in addition to everyday household expenditures and lost wages? Out of pocket expenses associated with an accident are unexpected and often burdensome; perhaps the accident itself could not have been prevented, but its impact on your finances and your well-being certainly can be reduced.

Emergency Treatment	X-Ray	Follow up Treatment
Initial Hospitalization	ICU	Hospital Confinement
Specific Sum Injuries	Wellness	Physical Therapy
Diagnostic Exams	Accidental Death	Plus Additional Benefits

CANCER CARE:

In the United States, men have slightly less than a 1 -in- 2 lifetime risk of developing cancer and women have slightly more than a 1 -in- 3 lifetime risk of developing cancer.

First Occurrence	Chemotherapy
Radiation/Experimental	Medical Imaging
Surgical Benefits	Skin Cancer Surgical Benefit
Hospital Confinement	Wellness
Transportation/Lodging	And Many Additional Benefits

Aflac - Optional Insurance **(Continued)**

CRITICAL CARE PROTECTION:

What would happen to your family's finances if you experienced a catastrophic event, such as a Heart Attack or Stroke – an event that knocked you off your feet or even changed your life forever?

Consider these Facts:
About every 34 seconds, someone suffers a Heart Attack.
About every 40 seconds, someone suffers a Stroke.

First Occurrence	Reoccurrence	Hospital Confinement
Continuing Care	Transportation	Lodging

HOSPITAL CHOICE:

Can be used to help with your Hospital Deductible.

Hospitalization Confinement Benefit	Surgical Benefit
Daily Hospitalization Confinement Benefit	Invasive Diagnostic Exam
Lab Test and X-Ray Benefit	ER Benefit & Short Stay
MRI Diagnostic & Image Exam Benefit	Hospital Intensive Care
Physician Visit Benefit	

LIFE INSURANCE:

Maintain standard of living and meet emergency obligations (particularly in duel income households) by providing immediate cash resources. Why do people purchase Life Insurance? To replace income, to pay bills and final expenses, to pay off a mortgage.

Provides up to $400,000 of Quality Term Life or Whole Life Coverage

Accelerated Death Payment	Optional Spouse & Child Riders
Waiver of Premium	Optional Accidental Death Benefit

Lynne Rogers - Aflac Agent
Phone: 810.364.5200
Email: lynne_rogers@us.aflac.com

This is not a contract. It is intended as a brief description of benefits. An official description of benefits is available upon request and is contained in applicable AFLAC application, policy certificates and riders.

Employee Reimbursement Account

One of the most attractive features of the Flexible Compensation Program is your Employee Reimbursement Account. It enables you to pay a portion of your uninsured Health Care and Dependent Care expenses with pretax dollars. This can save you a considerable amount in taxes.

The Employee Reimbursement Account has two parts: one for uninsured Health Care expenses and one for Dependent Care expenses. Just before the beginning of each plan year, you will have the opportunity to elect to fund your Reimbursement Account for the coming year. The amount that you select will be deducted from your gross salary through automatic payroll deductions. Then, during the plan year, you may submit claims to the Administrator to reimburse yourself for Dependent Care expenses and/or Health Care expenses incurred during the plan year but not reimbursed by your insurance plans. Please note, expenses must be incurred during the applicable plan year. For purposes of these Plans, an expense is considered "incurred" when the service is rendered.

NOTES ABOUT YOUR ACCOUNT

During the year, you should keep receipts for all qualified expenses. To receive reimbursements, complete a Request for Reimbursement Form, attach your receipts, and submit them to Flex Administrators via email (claims@flexadministrators.com), mail (77 Monroe Center NW, Suite 1100, Grand Rapids, MI 49503) or fax (616/454-6090 or 616/454-9862). You may submit claims anytime and reimbursement checks are run on a daily basis. Turnaround time for claim processing is 2 business days plus mail delivery time. You may choose to do direct deposit with funds being in your account within 4 business days. There will be one final check run 90 days after the plan year end.

If you choose you can elect to have a debit card attached to your Flexible Spending Account. The benefit of the debit card is it allows you to pay for your expenses with your debit card at the point of service without having to pay out-of-pocket and then wait for the reimbursement. The card is accepted at all medical and dependent care providers that accept MasterCard. Please understand that the card does not necessarily make a Flex account completely paperless, you will still need to submit receipts for certain expenses. However, expenses such as office copays and prescription copays will not require any additional paperwork. You will have 30 days from the time of the transaction in order to submit proper paperwork, otherwise your card will be temporarily deactivated.

For assistance call Megan Poertner at 1-800-968-3539 or 1-616-456-7908 extension #107. You can also locate Flex Administrators and access your account on the web at www.flexadministrators.com. If you have never logged in to your account online please contact Megan Poertner at Flex Administrators for your registration letter and password.

PLEASE KEEP THESE IMPORTANT CONSIDERATIONS IN MIND:

1. **The Internal Revenue Service (IRS) requires that any money left in your account at the end of the plan year must be forfeited.** This means you should allocate only as much to the Account as you feel certain you will incur in reimbursable expenses during the year. All expenses incurred during a plan year must be submitted for reimbursement and postmarked by March 31st of the following year. Otherwise, any money left in the Account will be forfeited.

   In the unlikely event of a forfeiture, there may still be substantial tax savings to the employee. For example, assume an employee contributes $2,400 to the plan, but only incurs $2,000 of expenses. The $2,000 of expenses are reimbursed tax free and the unused $400, in this case, would be forfeited. An employee in the 30% tax bracket (combined Federal, State, FICA) saves $720 in taxes on the $2,400 set aside ($2,400 x 30% = 720). If you subtract the $400 loss attributable to the forfeiture from the $720 tax savings, the employee still comes out $320 ahead.

2. If you elect to participate, the amount you designate will be withheld automatically from your paycheck in equal installments. The minimum contribution to the Account is $5 per month.

3. The annual re-enrollment period is the only time you may change your selections unless you have a change in "family status". Qualifying "status changes" for benefits provided under this plan are subject to approval of your employer, must be on account of a particular event, and satisfy any specific consistency rules that may apply to the particular benefit. Please reference your summary plan description for a detailed list of qualified “status changes”. Examples include:

   - **Change in your legal marital status, on account of marriage, divorce, death of your spouse, legal separation or annulment;**
   - **Change in the number of your dependents, due to birth, adoption, placement for adoption, or death of a dependent;**
   - **Change in employment status for you, your spouse, or a dependent;**
   - **Change because your dependent satisfies (or ceases to satisfy) the eligibility requirements;**
   - **Significant cost increases in a qualifying benefit (other than Uninsured Health Care accounts);**
   - **A change in coverage in a spouse's or dependent's Section 125 Plan;**
   - **A leave under the Family Medical Leave Act;**

   It is very important for you to understand that you must notify the Human Resources Department within 30 days of a "status change" in order to be allowed to select different benefit options. This includes adding dependent coverage. If you have a status change, the new coverage becomes effective as of the date you notify the Human Resources Department of the change or, if administratively possible, the date of the status change. It will always be to your best advantage to notify the Human Resources Department as soon as possible.

4. Although you have only one Reimbursement Account, the Uninsured Health Care portion and Dependent Care portion are entirely separate. Only Health Care expenses may be reimbursed from the Health Care portion; only Dependent Care expenses may be reimbursed from the Dependent Care portion. Once a given portion is used up for the year, no more expenses may be reimbursed for that year. You cannot transfer funds from one portion of the Account to the other.

5. The Dependent Care portion of the Account cannot reimburse you for more money than has been deposited into it by the date you make a claim. Remember, your contributions are deducted each pay, so funds build up gradually in your Dependent Care Reimbursement Account. If you do submit a claim for more than the amount in your Account at that time, any excess will be held for reimbursement until sufficient funds have accumulated.

6. If you should terminate employment during the plan year, you will have 90 days to file for reimbursable expenses incurred during the period in which you were an eligible participant of the plan. In addition, you may have COBRA rights to continue your Flexible Spending Plan if you leave employment.

7. Keep in mind that the funds you contribute to your Reimbursement Account are deducted before taxes are withheld, so you have not paid any taxes on them. Therefore, any items submitted through your Employee Reimbursement Account cannot be used as either a tax credit or deduction.

***Note:* There is a worksheet following the Dependent Care section which is designed to help those employees with Dependent Care decide whether it is more beneficial to pay those expenses from their Reimbursement Account or take the income tax credit.**

Uninsured Health Care Expenses

You may contribute up to $2,600 of your earned income per calendar year to the Health Care portion of the Account to reimburse yourself for expenses incurred by you or an eligible dependent. Common examples include:

- Plan deductibles and co-pays.
- Medical, Dental and Vision expenses not reimbursed by your plan.

*Please note, an eligible expense must be a medically necessary expense incurred for diagnosis, cure, treatment, mitigation, or prevention of disease, or for the purpose of affecting any bodily function or structure.

The following is a *representative* list of Health Care expenses allowable under the Internal Revenue Code:

Eligible FSA/HSA Healthcare Expenses

Please note that this list is not intended to be comprehensive tax advice.
For more detailed information, please consult IRS Publication 501 or see your tax advisor.

- Acupuncture
- Alcoholism treatment
- Allergy shots and testing
- Ambulance (ground or air)
- Artificial limbs
- Blind services and equipment
- Car controls for handicapped*
- Chiropractor services
- Coinsurance and deductibles
- Contact lenses
- Crutches, wheelchairs, walkers
- Deaf services – hearing aid/batteries, hearing aid animal & care, lip reading expenses, modified telephone, etc.
- Dental treatment
- Dentures
- Diagnostic tests
- Doctor's fees
- Drug addiction treatment & facilities
- Drugs (prescription)
- Eye examinations and eyeglasses
- Home health and/or hospice care
- Hospital services
- Insulin
- Laboratory fees
- LASIK eye surgery
- Medical alert (bracelet, necklace)
- Medical monitoring and testing devices*
- Nursing services
- Obstetrical expenses
- Occlusal guards
- Operations and surgeries (legal)
- Optometrists
- Orthodontia
- Orthopedic services
- Osteopaths
- Oxygen/oxygen equipment
- Physical exams (except for employment-related physicals)
- Physical therapy
- Psychiatric care, psychologists, psychotherapists
- Radial keratotomy
- Schools (special, relief, or handicapped)
- Sexual dysfunction treatment
- Smoking cessation
- Surgical fees
- Television or telephone for the hearing impaired
- Therapy treatments*
- Transportation (essentially and primarily for medical care; limits apply)
- Vaccinations
- Vitamins (prescription only)*
- Weight loss programs*
- X-rays

***if prescribed for a particular ailment or medical condition; provider letter required**

Important Change Regarding Over-the Counter (OTC) Medications

Starting January 1, 2011, OTC medications will require a doctor's prescription to be eligible for FSA/HSA reimbursement.

As a result, OTC medications cannot be purchased using the *my*SourceCard® after 12/31/10 unless dispensed by a pharmacy the same as a standard prescription. If a manual claim is submitted for purchase of an OTC medication after 12/31/10, a prescription receipt must be included with the claim in order to receive reimbursement.

Non-medicated OTC products (gauze pads, diabetes test strips, saline solution, etc.) are not affected by this change in the law. You can continue to receive FSA/HSA reimbursement for such items after 12/31/10 in the same manner you do now.

Eligible FSA/HSA OTC Medications and Products

ELIGIBLE NOW, BUT WILL REQUIRE PRESCRIPTION TO REMAIN ELIGIBLE AFTER 12/31/10:

- Acne medications & treatments
- Allergy & sinus, cold, flu & cough remedies (antihistimines, decongestants, cough syrups, cough drops, nasal sprays, medicated rubs, etc.)
- Antacids & acid controllers (tablets, liquids, capsules)
- Antibiotic & antiseptic sprays, creams & ointments
- Anti-diarrheals
- Anti-fungals
- Anti-gas & stomach remedies
- Anti-itch & insect bite remedies
- Anti-parasitics
- Digestive aids
- Baby care (diaper rash ointments, teething gel, rehydration fluids, etc.)
- Contraceptives (condoms, gels, foams, suppositories, etc.)
- Eczema & psoriasis remedies
- Eye drops, ear drops, nasal sprays
- First aid kits
- Hemorrhoidal preparations
- Hydrogen peroxide, rubbing alcohol
- Laxatives
- Medicated bandaids & dressings
- Motion sickness remedies
- Nicotine medications (smoking cessation aids)
- Pain relievers (aspirin, ibuprofen, acetaminophen, naproxen, etc.)
- Sleep aids & sedatives
- Wart removal remedies, corn patches

ELIGIBLE NOW AND WILL REMAIN ELIGIBLE AFTER 12/31/10 WITH NO PRESCRIPTION REQUIRED:

- Braces & supports
- Contact lens solution
- Diabetic testing supplies & equipment
- Durable medical equipment (power chairs, walkers, wheelchairs, CPAP equipment & supplies, etc.)
- Home diagnostic (pregnancy tests, ovulation kits, thermometers, blood pressure monitors, etc.)
- Non-medicated bandaids, rolled bandages & dressings
- Reading glasses

All OTC items listed are examples.

Note: Currently, in order to receive a tax deduction for medical expenses on your tax return; expenses must exceed 7.5% of your adjusted gross income. Therefore, your Uninsured Health Care expense account provides you with the only opportunity to receive full credit for ALL medical expenses incurred regardless of income.

Estimating Health Care Expenses For You and Your Family

(You should refer to the sections entitled "Medical/Dental Options" to help you accurately estimate your expenses.)

	Previous Year (Actual)	**This Year** (Expected)
Medical plan deductibles	$ ____________	$ ____________
Medical plan coinsurance (the percentage that your plan does not pay)	$ ____________	$ ____________
Dental or orthodontic expenses that are not covered by your plan	$ ____________	$ ____________
Vision care expenses	$ ____________	$ ____________
Hearing aids	$ ____________	$ ____________
Medicine or drugs prescribed by a doctor but not covered by your plan	$ ____________	$ ____________
Other qualified expenses not paid by your plan	$ ____________	$ ____________
YOUR TOTAL HEALTH CARE EXPENSES:	**$** ____________	**$** ____________

Dependent Care Expenses

The Employee Reimbursement Account can be used to pay for Dependent Care expenses that enable you and your spouse to work or to search actively for work.

Reimbursement Limitations:

A married employee may only be reimbursed for Dependent Care expenses up to the lesser of:

a. $5,000 ($2,500 if married filing a separate return); or
b. 50% of the employee's compensation; or
c. the earned income of the employee's spouse.

Therefore, a married employee whose spouse does not work is generally not entitled to Dependent Care assistance reimbursement. However, if the employee's spouse is a full-time student or incapable of caring for himself or herself then the employee will be allowed a limited benefit under the plan. The allowable limit of reimbursement for each month the spouse is a full-time student is $200 if the employee has one dependent or $400 if the employee has two or more. If the employee's spouse is incapacitated, the allowable limit is $200 per month if the employee has one or more additional dependents.

An unmarried employee may be reimbursed for all Dependent Care expenses up to the lesser of:

a. $5,000; or
b. 50% of the employee's compensation

For the purpose of Dependent Care expenses, a dependent includes anyone you claim as a dependent on your income tax return and who is:

Age 12 or younger, or

Physically or mentally incapable of caring for himself or herself (for example, a disabled spouse or an elderly parent). A person other than your spouse must rely on you for more than one-half of his or her support to qualify as a dependent.

Eligible Dependent Care expenses include:
Payments made for services provided in your home (babysitters, for example). These services cannot be provided by someone you claim as a dependent or someone who is a relative residing with you. <u>Provider does not have to be licensed; however they would need to claim money received as income for tax purposes</u>.

Payment made for dependent child care services outside your home. If you use the services of a dependent care center that provides care for at least six people (other than residents), the center must be in compliance with the state and local laws.

Payments made for care outside your home for a dependent (other than a child), if the dependent spends at least eight hours a day in your home. (For example, 24-hour nursing home care for a dependent parent would not qualify).

If you utilize a Dependent Care Reimbursement Account, you must furnish the name, address and tax identification (social security number or corporate tax ID) number for the provider of dependent care services to the FSA Plan Administrator. Please complete the <u>Mandatory Statement for Dependent Care</u> on an annual basis.

Estimating Your Dependent Care Expenses

(Dependent Care elections may be increased or decreased mid year, contact Human Resources for a change form.)

This is a Worksheet that is being used to help weigh the tax advantages or disadvantages of the Dependent Care Flexible Spending Account and the Federal Tax Credit for 2017 (based on tax rates in effect in 2016).

If you are currently incurring dependent care expenses, you are probably paying for these services with after-tax dollars and taking a Federal Tax Credit on your income tax return. In order to see whether the Dependent Care Spending Account or the Federal Tax Credit is more beneficial for you, complete the following:

1. Compute the total amount of your dependent care expenses. Be sure to take into account vacations or other periods where no dependent care is incurred.

   Cost/Week $___________ x No. of Weeks ______ = Total $___________

2. You can contribute up to a maximum of $5,000 per calendar year to the Dependent Care Spending Account. This limit is reduced to $2,500 if you are married and filing separate tax returns. The amount contributed cannot exceed the lesser of your earned income or your spouse's earned income. Other limitations may also apply if your spouse is disabled or is a full-time student.

   On the other hand, you can claim a percentage of your dependent care expenses as a Federal Tax Credit on your personal income tax return. The amount of dependent care expenses is limited to a maximum of $6,000 per calendar year for dependent care expenses for two or more children. This limit is reduced to $3,000 per calendar year for dependent care expenses for one child. The amount of dependent care expenses is also limited to the lesser of your earned income or your spouse's earned income. Other limitations may also apply if your spouse is disabled or a full-time student.

Federal Dependent Care Tax Credit

Calculating the Federal Tax Credit

1. Estimated annual dependent care expenses (total from above) $___________
2. Maximum expenses eligible for tax credit ($3,000 for one child; $6,000 for two or more children in day care) $___________
3. Total adjusted gross income for you and your spouse $___________
4. Tax credit percentage from Table 1 below (based on AGI) __________%
5. Estimated Tax Credit (multiply line 4 by the smaller of line 1 or line 2) $___________

DEPENDENT CARE FEDERAL TAX CREDIT – TABLE 1

Total Adjusted Gross Annual Income ("AGI")	Tax Credit Percentage	Total Adjusted Gross Annual Income ("AGI")	Tax Credit Percentage	Total Adjusted Gross Annual Income ("AGI")	Tax Credit Percentage
Up to $15,000	35%	25,001 to 27,000	29%	37,001 to 39,000	23%
15,001 to 17,000	34%	27,001 to 29,000	28%	39,001 to 41,000	22%
17,001 to 19,000	33%	29,001 to 31,000	27%	41,001 to 43,000	21%
19,001 to 21,000	32%	31,001 to 33,000	26%	43,001 and over	20%
21,001 to 23,000	31%	33,001 to 35,000	25%		
23,001 to 25,000	30%	35,001 to 37,000	24%		

Calculating Tax Savings Using the Dependent Care Spending Account

6. Estimated annual dependent care expenses (from page 1, but limited to $5,000 or $2,500 if married filing separately) $__________
7. Marginal Federal tax rate using your combined income for you and your spouse from Table 2 below __________%
8. Social Security tax rate 7.65%

9. State tax rate (currently 4.25%) (*State taxes vary from state to state) __________%

10. City tax, if applicable
(1.5% if living in the city of Grand Rapids, .75% if working in the city of GR but living out of the city of GR) __________%

11. Total tax rate (add lines 2, 3, 4 and 5) __________%

12. Estimated tax savings (multiply line 1 by line 6) $ __________

Table 2

Federal Tax Rate**	Single	Head of Household	Married Filing Jointly
10%	$0 - $9,275	$0 - $13,250	$0 - $18,550
15%	$9,276 - $37,650	$13,251 - $50,400	$18,551 - $75,300
25%	$37,651 - $91,150	$50,401 - $130,150	$75,301 - $151,900
28%	$91,151 - $190,150	$130,151 - $210,800	$151,901 - $231,450
33%	$190,151 - $413,350	$210,801 - $413,350	$230,451 - $413,350
35%	$413,351 -$415,050	$413,351 - $441,000	$413,351 - $466,950
39.6%	$415,051 and over	$441,001 and over	$466,951 and over

**Based on taxable income (after exemptions and deductions), as calculated on your individual Federal income tax return.

Comparing the Calculations

After you have estimated your dependent care expenses, calculate the Federal Tax Credit and the withholding tax savings using the Dependent Care Spending Account and compare the two calculations. You can then make an informed choice as to which alternative is best for you, or consult your tax advisor.

The Federal Tax Credit is for Federal income tax purposes and does not include Social Security or State income taxes. Generally, if the percentage for your income tax bracket (Table 2) is greater than the percentage allowed for the Federal Tax Credit (Table 1), the Dependent Care Spending Account is the better choice. On the other hand, if the percentage allowed for the Federal Tax Credit (Table 1) is greater, it is likely that the Federal Tax Credit may be a better choice.

How To Avoid Potential Disadvantages Should You Fund Your Employee Reimbursement Account

Since contributions to your Employee Reimbursement Accounts are treated as a reduction in income, there will be a slight reduction in Worker's Compensation and Social Security disability, survivorship and retirement benefits. This potential disadvantage is easily overcome, if the employee invests part of their tax savings into either a Deferred Compensation or a cash value life insurance policy. **This reduction in income does not affect your county retirement benefit.** Please note, your retirement contribution is computed on your pay before deductions.

Typically, for every $100 reduction in income for Social Security purposes, at age 40, an employee only has to invest $5.00 out of $22.00 in tax savings to have more benefits at retirement than the Social Security system would provide.

The amount of tax savings that have to be reinvested to make up for the lost Social Security benefit goes up the longer the employee is in the plan.

Making Your Selections

Once you have reviewed the Flexible Compensation Workbook, you can start planning your selections for coverages and your Employee Reimbursement Account.

The first time you enroll in the Program, you may choose any of the benefit coverage levels offered that you are eligible for. If you do not make any selections, you will be enrolled automatically in the Core Program. Each year, you will have an opportunity to either reconfirm or change your selections during the annual enrollment process. Should any costs or levels of coverage be changed, the re-enrollment period allows you to assess those changes as they pertain to your own personal situation. **Therefore, it is in everyone's best interest to participate in the annual re-enrollments to make certain that your benefit choices remain consistent with your objectives.**

WARNING: The County requires you to complete the Flexible Benefit Election Form in order to identify your choice of fringe benefits. Should you fail to complete the Election Form, the County is not responsible for the choice of benefits on your behalf.

Take the time to plan a customized package that will be best for you and your family.

NOTE: Payment of any benefits is subject to the terms and conditions of the plan document rather than any information given here. This description does not change in any way the provisions set forth in the plan document.

Notes