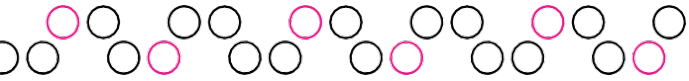


•solved Benefit Services



Dear Employees:

We are excited to tell you about a great benefit your company is offering to its employees. It's called a **Section 125 Cafeteria Plan or Flexible Benefits Plan. By using the Flexible Spending Account (FSA) available through the plan, you can save a great deal of money. The savings is achieved by not paying taxes on the amount you put into your account for health care and dependent care expenses.**

Your Flexible Benefits Plan includes these components:

Dependent Care Spending Account – pre-tax dollars that can be used to pay for day care for tax dependents.

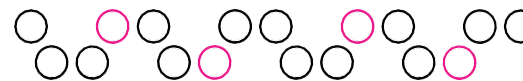
Premium Conversion – allows you to have your benefit premiums deducted pretax from payroll.

Here's how it works. Each payroll, your company places the amount you designate from your pay into your personal health and/or dependent care spending accounts. The money – which is put aside without being taxed – is earmarked for out-of-pocket expenses. Those expenses might include your day care bill, a co-pay for a visit to the doctor or a prescription.

The money you can save by using your FSA can be significant. For example, Employee A earns \$1,700 per month. She elects to place \$60 in her Health FSA, \$260 in her Dependent Care FSA and also has her \$50 health plan contribution taken out before tax each month. By taking care of these necessary expenses on a pre-tax basis, she could save over \$100 in taxes per month, money she will surely be happy to spend elsewhere. Every employee's situation is a little different, but there is a reason this plan is called a Flexible Benefits Plan. It can be used to suit your needs and will save you money.

Participation is easy. Just review the enrollment materials provided for all the rules, calculate your expenses to determine your annual election, fill out the enrollment form and start saving.

If you have questions about your plan, please contact your HR representative.



Dependent Care FSA FAQ

A Dependent Care FSA allows participants to use pre-tax dollars to cover eligible work-related dependent care expenses for qualified dependents, or if you are married, while you and your spouse work or your spouse attends school full-time.

Who is a qualified dependent under the Dependent Care FSA?

- Dependent under the age of 13
- Dependent or spouse of employee who is mentally or physically disabled and whom the employee claims as a dependent on their federal income tax return

Can an adult be a qualified dependent?

Yes, an adult may qualify as a dependent provided that the employee is providing more than half of that individual's support for the year and the dependent lives with the employee.

Do I have to use a day care facility?

No. You can be reimbursed for expenses of an individual providing care for your dependent in your home as long as the expenses are incurred for you and your spouse (if married), to work, look for work or attend school full-time.

Does my day care provider have to be licensed?

No. However, you are required to submit their Tax Identification Number or Social Security Number when filing your federal income tax return.

Does my day care provider have to be 18?

No, but the individual must claim the money as income on their tax return.

My child attends camp during the summer. Is this eligible?

Generally, no; however, if the camp is day camp and your dependent attends to allow you and your spouse (if married), to work, look for work or attend school full-time, then yes this would be an eligible expense. Overnight camps are specifically excluded.

When can I be reimbursed for dependent day care expenses?

Expenses are eligible for reimbursement when they have been incurred, not when you are billed or when you pay for the services.

Example: Your day care provider requires you to pay for the month of September on September 1. You can be reimbursed as the services are incurred, not when you paid for the services. You can submit claims after each week, every two weeks or on October 1.



Dependent Care FSA FAQ (continued)

What supporting documentation must I file with each Dependent Care claim?

Complete the Dependent Care section of the Request for Reimbursement Form and have your day care provider sign and date. The receipt must include the following information:

- Name and address of provider
- From/through dates of service
- Amount of charge

Can I submit claims for dependent care expenses that are greater than the current balance of my Dependent Care FSA?

Yes, however, you will only receive reimbursement for the amount that you have contributed to your Dependent Care FSA. For example, if you contribute \$150 each month to your Dependent Care FSA, then you will only receive \$150 in reimbursement each month. The excess amount of expenses will be pended and automatically paid to you as contributions are posted to your account.

What happens if a claim exceeds the amount currently available in my Dependent Care FSA?

The claim will be processed and approved. The amount that is currently available will be disbursed and the remaining portion will be pended until you make another contribution.

Dependent Care worksheet

Estimated unreimbursed health care expenses

Dependent Day Care	Annual amount
After-school care	_____
Care of other dependents	_____
Childcare/day care center	_____
Childcare in home	_____
Preschool	_____
Total²	_____

²Cannot exceed \$5,000 (\$2,500 if married, filing separately), per calendar year or earned income of employee or spouse, whichever is less.

FSA Enrollment*

Plan year beginning _____ Ending _____ **Check one** New enrollment **Re-enrollment**

Employer _____	Division (if applicable) _____
Employer name _____	Soc. Sec. No. _____
Date of birth _____	Home address _____
City _____	State _____ Zip _____ Email _____

Payroll Frequency **Weekly (52)** **Biweekly (26)** **Semimonthly (24)** **Monthly (12)** Other

Date of hire _____ **Effective date** _____

Paycheck deductions start on _____ Number of deductions in the Plan year _____

Benefit Election Authorization or Waiver

Enter the annual amount of your allocation(s) for the Plan Year to the account(s) of your choice and divide by the number of paychecks you receive during the Plan Year to arrive at the amount of your salary reduction each paycheck.

Benefit Elections:

A. Dependent Care Flexible Spending Account (FSA)

Annual Election

\$ _____

Total Authorized Pre-tax Salary Reductions

\$ _____

B. Premium Payment (Pre-Tax)

Yes, I want to participate in contribution to the employer-sponsored benefit plan(s)

Waiver of Participation in Pre-tax Premium Payment

After careful consideration, I have chosen not to participate in the pre-tax premium portion of the Plan

By signing below, I understand that:

- I am authorizing my employer to reduce my compensation by the amount specified.
- I understand that I am not permitted to change my elections during the Plan Year unless the change is on account of and consistent with current recognized IRS regulations and change in status events.
- I also understand that unused account balances in my Dependent Care at the end of the Plan Year or Plan's grace period are subject to forfeiture, based on applicable IRS law and regulations and Plan design.

Employee Signature _____ Date _____

*Return this enrollment form to your employer.

isolved Benefit Services has incorporated the HIPAA Privacy Requirements to reflect our organization's business practices regarding your FSA coverage.