State of Vermont Tax Saver Option Plan

Flexible Spending Account Enrollment Guide

Administered by

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INTRODUCTION

A Flexible Spending Account (FSA) is an employer-sponsored plan that lets you deduct dollars from your paycheck before they are taxed and put them into a special account.

FSA accounts are exempt from federal income taxes, Social Security (FICA) taxes and, in most cases, state income taxes. FSA participation will impact earnings reported to the Social Security Administration. In accordance with Internal Revenue Code Section 125, allowable premiums for health and dental insurance are currently taken on a pre-tax basis. The more money you put in, the more tax you avoid. When you use the money in your account to pay for out-of-pocket family care expenses, you avoid paying taxes on those dollars. Depending on your tax bracket, you will save at least 25% on out-of-pocket family care expenses.

> Flexible Spending Accounts offer tax savings for your out-of-pocket medical expenses. Most people save at least 25% on each dollar that is set aside.

How does the FSA work?
When you enroll in the FSA plan, you estimate the amount of family care expenses you are sure you the plan year. You have that amount deducted from your paychecks in equal amounts throughout the year. Though your actual salary remains the same, your taxable salary as reported to the government is reduced by the amount you put into your FSA.

After you enroll in the FSA, ASIFlex will send you a confirmation of your enrollment and reimbursement forms to your home address. As you incur eligible expenses throughout the plan year, you submit a Reimbursement Form (by fax or mail) along with documentation of the expense, and you are reimbursed with funds from your FSA account. You are not taxed on these reimbursements. After each claim, you will receive an account summary.

Federal rules state that you will only be able to be reimbursed for expenses you incur during the plan year, which runs from January 1 – December 31. IRS rules also state that if you do not use the money in your account, unused funds will be forfeited to your employer. However, the IRS allows an employer to allow a certain amount of unused health care FSA funds to roll over to the following plan year. The State of Vermont has chosen to allow this rollover feature. So, if you still have funds remaining in your health care FSA on December 31, any unused funds below the maximum allowable amount will roll over to the following year for your use during that plan year. **Please check with Human Resources or ASIFlex for the maximum allowable rollover amount.** NOTE: This rollover feature is not available for the dependent care FSA.

You can only change your election during the plan year as a result of certain eligible event changes. Also, your Social Security benefits calculations will be based on your lower taxable earnings figures. (You can check with your local Social Security office to explore any effect this may have on your benefits – which are usually very minor.)

The State of Vermont Tax Saver Option Plan has contracted with ASIFlex to perform certain administrative functions for the Plan. ASIFlex processes all claims for the Health Care Flexible Spending Account and the Dependent Care Flexible Spending Account. If you have any questions concerning claims, please contact ASIFlex, P. O. Box 6044, Columbia, MO 65205, 1-800-659-3035, email: asi@asiflex.com, or on-line at www.asiflex.com.

ESTABLISHING AND USING YOUR HEALTH CARE FLEXIBLE SPENDING ACCOUNT

Estimate your family's annual out-of-pocket health care expenses. You may include expenses for anyone who is a qualified dependent for tax purposes. (There are exceptions for the expenses of children of divorced parents. Please call ASIFlex at 1-800-659-3035 for further information.) When calculating your annual election, include predictable expenses only. **Please contact Human Resources or ASIFlex for the maximum annual contribution limit.**

Qualifying Health Care Expenses include all medical, dental and vision expenses not covered or not reimbursed by insurance which are **incurred by you or your eligible dependent (definition available at www.asiflex.com) during the Plan Year** for health care as defined in Section 213(d) of the Internal Revenue Code. Please refer to the following list and IRS Publication 502 (available at www.asiflex.com) for further details on qualifying expenses. **Expenses qualify for the health care FSA based on when they are incurred, not when they are paid. Federal regulations do not allow any insurance premiums or long-term care expenses to be included under the FSA.** Please contact ASIFlex at asi@asiflex.com, (800) 659-3035 if you have any questions regarding particular expenses.

Below is a partial listing of qualified health care expenses. Expenses can only be claimed based on the date incurred regardless of the date you are billed or pay for the expense.

- Deductibles
- Co-pays
- Doctor's fees
- Dental expenses
- Vision care expenses
- Prescription glasses
- Contact lenses and solutions
- Corrective eye surgery
- Prescription drugs
- Chiropractor's fees
- Over-the-Counter drugs & medicines
- Insulin
- Orthodontia/braces/Invisalign (See details on page 5)
- Routine physicals
- Hearing aids including batteries
- Transportation expenses related to illness
- Medical equipment

Equipment, supplies, and diagnostic devices such as bandages, hearing aid batteries, blood sugar test kits, etc. are also eligible for reimbursement.

NOTICE - Over-the-Counter Medication is eligible (no prescription required)

OTC drugs and medicines are reimbursable through your Health Care FSA. Following is a list of examples of OTC medicine eligible for reimbursement:

Acid Controllers
Anti-Diarrhea Products
Anti-Itch & Insect Bite Products
Cold Sore Remedies
Digestive Aids
Laxatives
Pain Relievers
Sleep Aids & Sedatives
Allergy & Sinus
Anti-Gas Products
Baby Rash Ointments
Cough, Cold & Flu Products
Hemorrhoid Remedies
Motion Sickness
Respiratory Treatments
Stomach Ailment Remedies

Non-Qualifying Health Care Expenses
This is a **partial** list of related items that **do not** qualify under the Plan. There may be other items that do not qualify that are not listed here.

- Cosmetic procedures, such as face-lifts, skin peeling, teeth whitening, veneers, hair replacement, removal of spider veins
- Clip-on or non-prescription sunglasses
- Warranties & insurance premiums
- Toiletries
- Long-term care expenses
- Medicines, drugs, herbs, or vitamins for general health and not used to treat a medical condition
- Expenses that are merely beneficial to your general health (e.g., vacations)
- Health club dues

Eligible Dependents - Expenses for you and your spouse are automatically eligible for reimbursement through the Health Care FSA. Federal rules stipulate that expenses for your children or tax dependents will qualify for reimbursement through the program if one of the following criteria are met: If the individual is a(n):

1) **Adult Child** – the individual must be a “child” of the taxpayer (son, daughter, stepson, stepdaughter) or an eligible foster child and be age 26 or younger for the entire plan year in which medical expenses are claimed; or

2) Qualify as a tax dependent, as either a Qualifying Child or a Qualifying Relative.

   a. **Qualifying Child** – in order for someone to qualify as a tax dependent as a Qualifying Child, the individual must:

      - Be the taxpayer’s child (including an adopted child, stepchild or eligible foster child), brother, sister, stepbrother, stepsister or a descendant of one of these relatives;
      - Be under the age of 19 (age 24 if a full-time student);
      - Live with the taxpayer for more than half of the year; and
      - Not have provided over half of his or her own support during the year.

   b. **Qualifying Relative** – in order for someone to qualify as a tax dependent as a Qualifying Relative, the individual must:

      - Be a blood relative or reside with the taxpayer if not a blood relative;
      - Receive over half of his/her support from the taxpayer; and
      - Be a US citizen.

Under the health care FSA, you may now include qualified expenses for your child(ren) until the end of the year in which your child(ren) reach age 26. Your child does not need to live with you in order for you to claim his/her health expenses that you have incurred on his/her behalf. Please see IRS Notice 2010-38 for further information.

Orthodontic expenses may be paid for prior to all services being provided. To claim orthodontic payments, you must include a copy of the treatment contract along with proof of payment or a receipt of payment stating the date the braces or invisalign aligners were placed.

If you have questions about using your FSA dollars for orthodontia expenses, please contact ASIFlex at 1-800-659-3035.

Enroll in the Health Care Flexible Spending Account Plan. See the separate open enrollment checklist for detailed open enrollment instructions. Your annual election will be divided by the number of paychecks from which a deduction will be taken during the plan year. New employees should contact their Human Resources office for an enrollment form and assistance with enrollment.

Receive health care services. A health care expense is **incurred** when the services are provided that create the expense. You must receive the services before you file a claim for those services (except for orthodontia as stated above).

File claims. After you have received the health care services and know the amount of your responsibility for the bill, you may submit a claim for those expenses to ASIFlex. See **Flexible Spending Account Claims** on page 12 for details on claims filing. Extra claim forms are available over the Internet at www.asiflex.com.

Receive reimbursements. ASIFlex will review your claim, and if approved will reimburse you for the medical expenses within one day of their receipt of the claim.

Payment from your Health Care Flexible Spending Account will be made up to the approved amount of your claim or your remaining annual election, whichever is less. Payment is not limited to the amount in your account at the time of your claim. Your per pay contributions will continue for the remainder of the Plan year.

Participants on unpaid leave. To maintain coverage, you must make arrangements prior to going on unpaid leave with your Human Resources Office to pay for coverage after you return from unpaid leave. If you have been on unpaid leave for longer than 30 consecutive days and did not elect to catch up contributions when you return, the election and corresponding coverage will be revoked (effective on the last day worked). Once your coverage is revoked, your ASIFlex Card will be immediately suspended.

A new election may be made upon 60 days of return to work, effective for coverage upon the receipt and approval of the submitted form. However, no coverage will exist for months in which no contributions were made if the participant had not elected to catch up contributions prior to the end of the 30 days. There will be a hold put on a participant's account (no claims will be paid) if contributions are not received on two consecutive payrolls and no leave form has been filed with your Human Resources Office.

Health Care FSA Participants called to Active Duty in the middle of the plan year. If you are a military reservist who is called to active duty for at least 180 days and are a Health Care FSA participant, you may request a Qualified Reservist Distribution (QRD) to access funds that might otherwise be forfeited. Requesting a QRD will allow you to access funds you have set aside in your Health Care FSA without incurring eligible expenses to seek reimbursement. If you request a QRD, the Plan will pay you the amount contributed to the Health Care FSA, as of the date of the QRD request, minus any reimbursements received as of the date of the request. QRDs are subject to employment taxes and will be included in your gross income and wages. A QRD will be reported as wages on your W-2 for the year in which the QRD is paid.

Once you request a QRD, you will forego the right to claim any additional expenses incurred while you were an active State employee. However, if you return from your military leave and re-enroll in the State of Vermont's FSA program during the same plan year, you may claim expenses incurred during your NEW period of coverage. All requests for a QRD must be submitted by the end of the plan year.

If you have questions about electing to receive a QRD, please contact your benefit representative for additional details.

Other Considerations Regarding the Health Care Flexible Spending Account
Coverage Continuation (COBRA). To the extent required by COBRA, a participant or his/her spouse or dependent may elect to continue the coverage elected under the Health Care Flexible Spending Account Plan even though the participant's or their spouse or dependent's election to receive benefits expired or was terminated, under the following circumstances:

1) Death of the participant;
2) Termination (other than for gross misconduct) or a reduction in hours*;
3) After retirement*;
4) Divorce of the participant;
5) A dependent child ceases to be a dependent under the terms of this plan.

* Please see Termination/Retirement on page 14 for additional details related to coverage and reimbursement.

When the Plan is notified that one of the events has occurred, the right to choose **continuation coverage** will be provided to each eligible person(s) if, <u>on the date of the qualifying event, the participant's remaining benefits for the current Plan Year are greater than the participant's remaining contribution payments</u>. The right to elect to continue ends 60 days from the date the notice of the right to continue coverage is provided by the Administrator. It is the responsibility of the participant or a responsible family member to inform ASIFlex of the occurrence of an event described in bullet points 3 or 4 above.

Continuation coverage will not extend beyond the end of the current Plan Year but may terminate earlier if the premiums are not paid within 30 days of their due dates. **Payments for expenses incurred during any period of continuation shall not be made until the contributions for that period are received by the Administrator.** An administrative charge of 2% is assessed for each premium paid for continuation coverage.

USE THE ASIFLEX CARD (FSA DEBIT CARD) TO PAY FOR YOUR HEALTH CARE EXPENSES

The ASIFlex Card provides a convenient method to pay for out-of-pocket health care expenses for you, your spouse and/or any tax dependents. The IRS has stringent regulations regarding appropriate use of the ASIFlex Card, such as **where the card can be used**, and **when follow-up documentation is required (use of the ASIFlex Card <u>DOES NOT</u> necessarily eliminate all of the paperwork)**. The ASIFlex Card is a great benefit, but it is important that you take a moment and understand how it works.

Where can the card be used?

Per IRS regulations, the ASIFlex Card can only be used at Health Care Providers (based upon the Merchant Category Code) and at stores that have implemented an Inventory Information Approval System (IIAS).

1) **Health Care Merchant Category Codes (MCC):** Every merchant that accepts credit cards has an MCC, which is a general category that is assigned when the merchant applies for the right to accept credit cards. The FSA debit card will work to pay providers that have an MCC that indicates the merchant is a health care provider (hospital, doctor, dentist, optometrist, chiropractor, etc.).

2) **Inventory Information Approval System (IIAS):** The IRS also allows the ASIFlex Card to be used at retail stores that have IIAS in place. IIAS restricts purchases with your ASIFlex Card to eligible expenses, and you will never be prompted for follow-up documentation for purchases at these stores. Please note that if you have a medical condition that allows you to claim expenses that are not normally eligible, the ASIFlex Card

will not be able to pay for these expenses at these stores. You will have to pay with a separate form of payment and submit a claim. The ASIFlex Card will work at these stores, even if the MCC does not indicate it is a health care provider.

A list of stores with this system in place now (and some expected in the future) is available online, at www.asiflex.com/debitcards. **Purchases at these stores will never require follow-up documentation!** Please note that as of July 1, 2009, IRS regulations require all pharmacies to have the IIAS in place, or your card may be declined at the point-of-sale.

When do I have to turn in paperwork?

ASIFlex Card transactions can be accepted by the FSA administrator without any follow up if the merchant is an acceptable merchant type such as a physician's office or hospital and at least one of three other criteria are met. Transactions are electronically substantiated if:

- ✓ The dollar amount of the transaction at a health care provider equals the dollar amount of the co-payment or any combination of any known co-pays up to five times the highest known co-pay, for the **employer-sponsored** health, vision or dental plan that participant has elected;
- ✓ The expense is a recurring expense that matches expenses previously approved as to amount, provider, and time period (e.g., for an employee who pays a monthly fee for orthodontia at the same provider for the same amount); or
- ✓ The merchant maintains a compliant Inventory Information Approval System (IIAS) for over-the-counter supplies and medications (e.g Band-aids, contact lens solution, allergy medicine, etc.) and prescription medication. This system restricts purchases with the ASIFlex Card to FSA-eligible expenses.

Any transaction that does not meet the above criteria will prompt a request for follow-up documentation.

What happens if I don’t submit requested documentation?

As detailed above, there are times when you may use the ASIFlex Card to purchase FSA eligible items or services and additional documentation will be required to substantiate the transaction, in accordance with IRS Regulations. When follow up documentation, or a statement of services is required, ASIFlex will send you an e-mail or letter requesting this documentation. The requested information should include the following information: name of provider, name of member (or member’s spouse or dependent), date the service was provided, brief description of the service(s) provided, and the amount that was your responsibility.

ASIFlex will send the initial request for follow up documentation within a few days of the ASIFlex Card transaction. Should you not comply with the request, ASIFlex will make a second request in approximately three weeks. Should you not comply with the second request, a third notice will be sent to you stating that the ASIFlex Card has been “suspended” because the requested documentation was not received by ASIFlex.

When you use the ASIFlex Card for a transaction requiring documentation, those dollars are identified as “overpaid” within your FSA account until the transaction is substantiated. If you submit a manual claim before the ASIFlex Card transaction is substantiated, the dollars associated with the manual claim will be used to offset the overpaid dollars from the ASIFlex Card transaction. This will prevent the manual claim from being reimbursed in part, or in full, depending upon the dollar amount of the manual claim. Once the ASIFlex Card transaction is substantiated, the manual claim used to offset the ASIFlex Card transaction will be reimbursed in full. See the following examples for further explanation:

Example 1: Lisa pays her eye doctor $250 for contacts using her ASIFlex Card. ASIFlex sends Lisa a notice asking for follow-up documentation for the $250 purchase. Prior to submitting the detailed statement from her eye doctor, Lisa submits a manual claim to ASIFlex for a $100 prescription which she paid for out-of-pocket. ASIFlex will process the $100 claim but no payment will be issued that day. Instead, the amount of the manual claim will be used to offset the ASIFlex Card transaction. This will result in ASIFlex showing Lisa's' overpaid amount reduced from $250 to $150. Two weeks later Lisa submits the follow up documentation for the ASIFlex Card transaction used to purchase the contacts to ASIFlex. ASIFlex will then process the supporting documentation for $250 and Lisa will be issued a payment of $100 for her manual prescription claim.

Example 2: John goes to the dentist and pays $200 for a root canal with his ASIFlex Card. He then receives a notice from ASIFlex requesting follow up documentation. John submits the statement of services from his dentist along with the notice received from ASIFlex. ASIFlex reviews and processes the follow up documentation to substantiate the claim. John's FSA account will no longer be showing as "overpaid "since all follow up documentation was submitted.

If you are unable to provide documentation for an ASIFlex Card transaction in question, you may submit expenses incurred out-of-pocket to offset the ASIFlex Card transaction. The expenses that are incurred out-of-pocket must not be paid for using the ASIFlex Card.

Should you neglect to submit the requested documentation and the plan year comes to an end (following the Plan's provision for documentation to be submitted by April 15), ASIFlex will provide notice to your employer that the claim was not substantiated within the plan year as required by IRS Regulations. You will be asked to repay the unsubstantiated claims by submitting payment by check to your employer. If you are actively employed by your employer and do not repay your claims, a wage attachment will be processed to deduct the amount of the unsubstantiated claim/s from your pay.

If you do not provide requested documentation and leave employment or retire, a W-2 will be provided to you for the year in which the funds were not repaid and these funds will be reported to the IRS as earnings for which taxes must be paid. See the following example for further explanation:

Example: Lori's daughter Carrie goes to the dentist to receive a crown. Lori uses her ASIFlex Card for the $750 expense. Lori terminates employment the following week. ASIFlex sends Lori three notices requesting follow up documentation, and receives no response. At the end of the plan year, ASIFlex will notify Lori's employer of the overpayment. Lori's employer will then issue a W-2 in January of the following year, to the member and to the IRS, that will report the $750 overpayment as taxable income.

Concerns and questions regarding this process should be directed to ASIFlex at 1-800-659-3035.

Is there a cost for the ASIFlex Card?

The card is being paid for by the State of Vermont.

Can I request additional ASIFlex Cards?

Yes. Everyone who requests a card will receive two ASIFlex Cards in the mail. If you would like additional cards, they are available by emailing ASIFlex directly at asi@asiflex.com and placing your request. There is a $10 fee for each additional ASIFlex Card request. Please note that all ASIFlex Cards will be in the name of the FSA participant.

I had an ASIFlex Card for last year, and re-enrolled in the FSA for this year. Will my old card still be valid?

Yes, as long as you have re-enrolled in the FSA program or had funds roll over, your ASIFlex Card will be funded with your new annual election for the new plan year. Please do not throw away your ASIFlex Cards from previous plan years until the expiration date on the physical ASIFlex Card passes.

Can I use the ASIFlex Card to pay for OTC medicine at stores that have implemented IIAS?

Yes. Due to the signing of the CARES Act, OTC medicine is now covered without a prescription being necessary. With the ongoing pandemic, it may take merchants a few weeks to get the OTC medicine added into their inventory systems. But once that information is added to the IIAS, then the ASIFlex card allow purchases of OTC medicine to be made.

ESTABLISHING AND USING YOUR DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT

Estimate your total dependent care expenses for the Plan Year. Include predictable expenses only.

Annual (household) Maximum $5,000.00 **Annual Minimum - $130.00**

You and your spouse together may include up to $5,000.00 per year ($2,500 in the case of a married individual filing a separate tax return for the plan year) or the lesser of your or your spouse's earned income for the plan year. In the case of a spouse who is a full-time student at an educational institution or is physically or mentally incapable of caring for himself or herself, such spouse shall be deemed to have earned income of $200 per month if you have one dependent and $400 per month if you have two or more dependents.

A Qualifying Individual is your Dependent who is under the age of 13 (when services are incurred) or your Spouse or an older Dependent who is mentally or physically incapable of self-care who lives in your home at least 8 hours each day. If you are divorced, the Qualifying Individual must be your son or daughter for whom you have more than 50% physical custody. Please call ASIFlex before enrolling in this account if you have unique day care or joint custody arrangements. Be sure to notify your Human Resources Office within 60 days of a change in eligibility of a qualifying individual if you need to change your election.

A Qualified Provider can provide care in your home or outside your home. If the care is provided outside your home and the facility cares for more than 5 individuals, then it must be licensed by the State. The expenses **may not** be paid to your spouse, a child of yours who is under the age of 19 at the end of the year in which the expenses are incurred, or to an individual for whom you or your spouse is entitled to a personal tax exemption as a dependent.

The Dependent Care Flexible Spending Account is an alternative to taking a "Tax Credit" allowed with your tax filing each year. You may receive a tax break on your expenses, but you must choose whether to use the "Tax Credit" or the "FSA". The IRS will not allow you to receive two tax breaks on the same expenses. You can, however, use the tax credit for any expenses in excess of the amount you used through the FSA up to the maximum allowable under the tax credit.

- A **Tax Credit** is allowed for child/dependent care expenses of up to $4,000 per year for two or more dependents ($2,000 per year for one dependent) depending on the age of your child. You file for the "tax credit" on your annual tax return, at the end of the year. The credit is an amount equal to your dependent care expenses multiplied by a percentage determined by your combined adjusted gross income. The percentage decreases from a high of 70% (for those with household income less than $15,000) to 0% (for those that are married with household income equal to or greater than $400,000 or for single taxpayers and heads of households with income equal to or greater than $200,000). See IRS Publication 503, Child and Dependent Care Expenses, for a list of credits at each income level.
- The **Dependent Care Flexible Spending Account** Plan allows a tax break on up to $5,000.00 per year, $2,500 if married filing separately, for any number of dependents; one, two, or more. You will experience "tax savings" throughout the year with every paycheck you receive. Employees who pay federal taxes of 15%, state taxes of approximately 6% and Social Security taxes of 7.65% would save around 28% of expenses through the Dependent Care Flexible Spending Account Plan. As their federal tax percentage rises, they would receive an even higher tax break by using the Dependent Care Flexible Spending Account Plan. The higher your tax bracket, the bigger the benefit.

Please contact your tax advisor if you have questions about whether the tax credit or the FSA is better for your situation.

You are required to file Schedule 2 with your IRS Form 1030A or **Form 2441** with your IRS Form 1030 to support the amount redirected for the calendar year. This is for informational purposes. You will not pay taxes on the

redirected amount. Payments made to you under this category are not taxable, but the amount redirected will appear on your W-2 form which informs the IRS that you have received a tax break on that expense.

Qualifying Dependent Care Expenses

Qualifying Child/dependent care expenses are those that you incur in order for you and your spouse (if married) to be gainfully employed that are considered to be employment-related expenses under Internal Revenue Code §21(b)(2) to the extent that you or another person (if any) incurring the expense is not reimbursed for the expense through any other Plan. Only expenses incurred for care and well-being qualify for this tax break (Kindergarten, summer school and private school expenses, food and transportation do not apply). Day camp fees incurred in order for you to work are allowable but overnight camps are not. Refer to IRS Publication 503 (available at www.asiflex.com) for additional information. The purpose of Publication 503 is to assist people with their income tax filing. It does not address Dependent Care Flexible Spending Account Plans. However, most of the items listed as eligible for the tax credit in 503 can be claimed through your Dependent Care Flexible Spending Account. You **can only claim expenses based on the date incurred (not paid as stated in 503)**. Please contact ASIFlex at asi@asiflex.com, (800) 659-3035 if you have any questions regarding particular expenses.

Qualifying Expenses are those that enable you to be gainfully employed including:

- Daycare centers
- Day camps
- Babysitters
- Nannies

Non-Qualifying Dependent Care Expenses

This is a **partial** list of items that **do not** qualify under the plan. There may be other items that do not qualify that are not listed here.

- Care that is not incurred in order for you to work or look for work
- Kindergarten or other educational expenses
- Amounts paid to your spouse or dependent or to your (or your spouse's) son or daughter who is under 19 years old at the end of the year
- Food, transportation or activity fees
- Care for a child for whom you have 50% or less physical custody
- Care for a child age 13 or older who is not disabled
- Child support payments
- Elder daycare for a dependent with gross income over the Federal exemption limit
- Overnight camps

Enroll in the Dependent Care Flexible Spending Account Plan. See the separate open enrollment checklist for detailed open enrollment instructions. Enroll on-line during open enrollment. Print and maintain the confirmation statement as you will be required to provide it if there is a discrepancy in your election. Your annual election will be divided by the number of paychecks from which a deduction will be taken during the plan year. New employees should contact their Human Resources office for an enrollment form and assistance with enrollment.

Participants on Paid or Unpaid Leave. Dependent Care expenses are not eligible for reimbursement during a period of leave. Because of this, you may choose to have your deductions stopped prior to going on a paid leave. When you return to work, you will have 31 days to reinstate your coverage with the same or a new annual election.

Receive dependent care services. Dependent care expenses are **incurred** when the day care is provided. You must receive the dependent care services before you file a claim for those services.

File claims. After you have received the dependent care services, you may submit a claim for those expenses to ASIFlex. Extra claim forms are available by contacting ASIFlex or online at www.asiflex.com.

You may have the dependent care provider complete the dependent care section of the claim form and sign on the line provided in lieu of providing separate documentation for dependent care claims.

You will need the tax identification number or Social Security number of the child/dependent care provider. You must provide this number with your federal income tax return. Please check with your childcare provider (**before** enrolling in this category) to be sure that you are able to obtain their tax I.D. number or his/her Social Security number.

Receive reimbursements. ASIFlex will review your claim, and if approved will reimburse you within one business day of their receipt of your claim up to the amount you have on deposit in your account. If your claim exceeds your available funds, the difference will be recorded and paid as funds become available from payroll.

Payment from your Dependent Care Flexible Spending Account will be made up to the approved amount of your claim or your current balance, whichever is less. Any portion of your claim which is not paid will be paid automatically as money is contributed from payroll. Total payments for the year are restricted to your annual election.

ENROLLMENT

Eligibility: All part-time and full-time employees who work at least 1,040 hours per year are eligible to participate in this Plan on the 1st pay period coincident with or next following his or her Employment Commencement Date or in accordance with the annual enrollment requirements each year.

The Plan Year is the twelve-month period from January 1 through December 31 of the same calendar year.

Open enrollment is normally held in November prior to the beginning of the Plan Year. Check with your Human Resources Office for the exact dates.

New employees must enroll within 60 days of date of hire to participate for the remainder of that plan year. You enroll by completing an enrollment form available from your Human Resources Office. If you fail to enroll within the time period described above, then you may not elect to participate in the Plan until the next Open Enrollment Period or until an event occurs that would justify a mid-year election change.

Enrollment during the plan year is effective upon the receipt and approval of the timely election.

MAKING A CHANGE

Except as specified in this section, your election under the Plan is irrevocable for the Plan Year. It is the employee's responsibility to file a change with their agency's Human Resources Office. The election change request must be filed within 60 days of the date of the qualifying event and becomes effective upon the receipt and approval of the election request. If the event is a birth, adoption or placement for adoption, coverage can be retroactive to the date of the event. Requests received after 60 days will not be approved.

You may change your election if you, your spouse, or a dependent experience an event listed below which results in a gain or loss of eligibility for coverage under the State of Vermont Health Care Flexible Spending Account Plan or Dependent Care Flexible Spending Account Plan or a similar plan maintained by your spouse's employer or one of your dependent's employer and your desired election change corresponds with that gain or loss of coverage. Changes are only allowed if one of the specific events listed below has occurred that caused the needed change in your account. Otherwise, your election is effective through the end of the plan year.

Events 1 - 3 apply to the Health Care Flexible Spending Account Plan and the Dependent Care Flexible Spending Account Plan.

1. Your legal marital status changes through marriage, divorce, death or annulment.

2. Your number of dependents changes by reason of birth, adoption (or placement for adoption), or death. If your child no longer qualifies for dependent care because he or she turned 13, then that is a loss of a dependent under the Dependent Care Flexible Spending Account Plan, but not under any of the other plans.

3. You, your spouse or any of your dependents have a change in employment status (termination, retirement, new employment, change from part time to full time or vice versa) that affects eligibility for health insurance, the Health Care Flexible Spending Account or the Dependent Care Flexible Spending Account with the State of Vermont or a plan maintained by your spouse's or any dependent's employer. Please see page 14 for specifics related to termination of employment from the State of Vermont.

Events 4 - 6 apply to Health Care Flexible Spending Account Plan, but not the Dependent Care Flexible Spending Account Plan.

4. You are served with a judgment, decree or court order, including a qualified medical child support order regarding coverage for a dependent. If the order requires you to pay for medical expenses not paid by insurance for a dependent child, then you may add or increase coverage under the Health Care Flexible Spending Account Plan. If the order requires that another person pay for medical expenses not paid by insurance for the dependent child, then you may drop or reduce coverage under the Health Care Flexible Spending Account Plan.

5. If you, your spouse or a dependent becomes entitled to and covered under Medicare or Medicaid, you may drop or reduce coverage under the Health Care Flexible Spending Account Plan.

6. If you, your spouse or a dependent loses eligibility and coverage under Medicare or Medicaid, you may add or increase coverage under the Health Care Flexible Spending Account Plan.

Events 7 - 8 apply only to the Dependent Care Flexible Spending Account Plan.

7. You change dependent care providers (including school or other free provider). You may make a corresponding change to your Dependent Care Flexible Spending Account and your future salary reductions if you change dependent care providers.

8. You may make a corresponding change to your Dependent Care Flexible Spending Account and your future salary reductions if your dependent care provider who is not your relative changes your costs significantly. A relative is any person who is a relative according to Code §152(a)(1) through (8), incorporating the rules of Code §152(b)(1) and (2).

Your Salary Reduction amount for a pay period is, an amount equal to the annual contribution for your FSA election, divided by the number of pay periods in the Plan Year following your effective date. If you increase an election under the Health Care Flexible Spending Account Plan or Dependent Care Flexible Spending Account Plan, your salary reductions per pay period will be an amount equal to your new reimbursement limit elected less the salary reductions made prior to such election change, divided by the number of pay periods remaining in the Plan Year beginning with the election change effective date.

Any increase in your election may include only those expenses that are incurred during the period of coverage on or after the effective date of the increase. Your coverage for the remaining period of the year shall be calculated by adding the amount of contributions made prior to the change to the expected contributions after the effective date of the change and subtracting prior reimbursements.

TERMINATION/RETIREMENT

Termination of participation: Your participation will terminate at the end of your last pay period in which an FSA deduction is taken should you terminate employment or retire from the State of Vermont. This means you will no longer be able to make contributions to the plan. Should you return to work as an eligible employee within 30 days during the same Plan Year, your participation will be reinstated as it was. If you return after 30 days during the same plan year, you will be treated as a new hire and may make new elections. You have 60 days after you return to work during the same Plan Year to make a new election for the remainder of the Plan Year (not to exceed the annual plan maximum). Except as specifed in the section on Coverage Continuation (COBRA) in the Health Care Flexible Spending Account Plan Summary, expenses incurred while you are not a participant will not qualify for reimbursement. Participation in the Health Care Flexible Spending Account ends on the day of termination or retirement, or on the date of your last paycheck with an FSA deduction. You may continue to file for Dependent Care expenses incurred during the Plan Year after the end of your participation.

Your participation will also end at the end of the expiration of the Period of Coverage, if the Plan is terminated, or if you a file false or fraudulent claim for benefits.

False or Fraudulent Claims. If ASIFlex believes that false or fraudulent claims have been submitted, ASIFlex will investigate the submitted claims and forward, with all investigational findings, to the State of Vermont Benefits Office for further investigation. In the interim, ASIFlex will deny your claim and notify you that your account has been placed on hold until the situation has been resolved. The State of Vermont will make a decision as to whether your participation will be terminated in FSA and whether to recover any funds that may have been fraudulently obtained. The State of Vermont has the authority to deny claims found to be false or fraudulent and to terminate your participation in the FSA in accordance with its discretionary duty as the Plan Administrator. The State of Vermont may take legal or disciplinary action against a member found to have committed fraud.

FLEXIBLE SPENDING ACCOUNT CLAIMS

- Claims processed daily – within 1 day of receipt of qualified claim
- Fax or mail to ASIFlex:
  1-877-879-9038
  P O Box 6044
  Columbia, MO 65205-6044
- Go to www.asiflex.com for claim forms and personal account information
- You may file claims online via ASIFlex's secure website, by going to www.asiflex.com, and going to the Account Detail section and uploading your scanned supporting documentation.
- Direct deposit is available for claims payment
- Direct deposit notices sent via E-mail, text message, or US Mail the same day payment is generated

Allowable expenses must be incurred during the portion of the Plan Year that you are a participant. Claims must be filed by March 31 following the end of the Plan Year. After that, your account will be closed and any balance remaining in the dependent care FSA or any balance in excess of $500 in the health care FSA will be forfeited to the State of Vermont in accordance with federal regulations. So long as you are still employed, any balance equal to or less than $500 in the health care FSA will be rolled over to a health care FSA for the following plan year. If March 31 is a holiday, Saturday, or Sunday, then claims must be filed by the first business day following March 31.

You must submit a completed claim form along with **copies** of invoices or statements **from the provider** to serve as proof that you have incurred an allowable expense in order to receive payment. Statements are **required** to **include,** the **provider's name**, the **date(s) of service,** a **description of the service(s),** and the **expense amount.** Copies of personal checks and paid receipts, without the above information, are not acceptable. Documentation or copies will not be returned. For over-the-counter supplies and medicine, the receipt or documentation from the store must include the name of the item pre-printed on the receipt. You must indicate the existing or imminent medical condition (items such as vitamins and nutritional supplements may require a physician's statement) for which the item will be used on the receipt, on the claim form, or on a separate enclosed statement each time these items are claimed. You will be provided with a supply of claim forms with your enrollment confirmation. Extra claim forms are available by contacting ASIFlex or over the Internet at www.asiflex.com.

Purchases for general good health will not be accepted. Claims for items that are purchased for an existing medical condition must be accompanied by a letter from your doctor stating the medical condition and the items that are required as treatment for that specific medical condition (if they would otherwise not qualify as a general good health item). A sample letter is available at www.asiflex.com. This letter can be used as support for 12 months from the date of the letter.

Direct deposit into the bank account of your choice is available for your claim payments. By using direct deposit you will not need to wait for a check to arrive and be deposited. A notice that a payment was made will be sent to you. This direct deposit notice is available by U.S. Mail, by email, or by text message. If you prefer, a check can be mailed to you instead of payment by direct deposit.

If you receive a check for reimbursement and forget to cash it, the check is valid for six months from the issuance date. If you have received a check and have not cashed it within six months, ASIFlex will attempt to contact you via email or postal mail, and will offer to reissue the reimbursement to you.

Forfeited funds are used by the State of Vermont to: a) offset reimbursements to health care FSA participants who terminate employment mid-year and have been reimbursed more than contributed at that point in time; and b) pay ASIFlex's administrative fees.

INTERNET ACCESS

You can access your Health Care Flexible Spending Account and your Dependent Care Flexible Spending Account on the Internet 24 hours/day, 7 days/week. Information is updated every morning to reflect the previous day's transactions. Find out if a claim has been processed, a payment has been made, or your current balance. Information for the current Plan Year is available (previous Plan Year as well until March 31 following the end of that Plan Year). There is no personally identifying information on the Internet, which means this information will be meaningful to you, but not to anyone else.

1. Go to http://www.asiflex.com and click on "**Online Access/Account Detail**"
2. You will need to create a User Name, Password and select a security image unless you have already done so. Just follow the directions to set up your credentials the first time. Please ensure that you have a few minutes to complete this process fully. You will need to remember this information for the future.
3. Once you are signed in, you will be in the Self Service Menu.
4. Click the account you wish to view.
5. If you have information available for more than one Plan Year in that account, you will need to click on the Plan Year you wish to view. All transactions for the Plan Year are shown through the previous processing day.
6. Be sure to click "**Log out**" when you finish. This closes out your account for security purposes.

CLAIM SUBMISSION AND FILING INSTRUCTIONS

Claim Submission Options: There are four different methods by which you may submit your claim.

- **Mobile:**
  Download ASIFlex's free mobile app available at www.asiflex.com, Google Play or the App Store. Simply use your smartphone or tablet to take a picture of your documentation with your device's camera. Complete the requested information and file your claim! You can also use the mobile app to view information about your account(s).
- **Online:**
  Submitting your claim online is easy and convenient!
  Go to https://my.asiflex.com. In order to submit your claim via ASIFlex's secure online portal, you will need the following:
  - Your account user credentials (User Name, Password and Security Image). If you have not yet set up your credentials, you will need your PIN (provided to you in your welcome packet and in each account summary statement). If you do not have your PIN, you may call Customer Service at (800) 659-3035 or contact ASI via email at asi@asiflex.com.
  - Access to a scanner so that you may scan your documentation. You will be requested to upload the documentation after you complete the online claim.
- **Toll-free fax:**
  (877) 879-9038
  This option provides fast and easy claims submission. You may submit your claim via ASIFlex's toll-free fax number 24 hours a day, 7 days a week.
- **US Mail:**
  ASIFlex, P.O. Box 6044, Columbia, MO 65205

Claim Filing Guidelines:

- Clearly print your name, address, social security number (or EID as appropriate) and your employer's name.
- List expenses and arrange the supporting documentation in the same order.
- Enclose required documentation.

IRS Documentation Requirements:
Each item claimed must be supported with proper documentation, including each of the following five (5) essential pieces of information. Your claim will not be processed without the following information:

1. Name of the provider or merchant (medical or dependent care)
2. Name of the person, or persons receiving the service or care
3. Date or range of dates of service or care
4. Cost of the service, not just the amount paid
5. Description of the service or care

Without a description of the service or care provided, your claim will be denied. **Credit card receipts, cancelled checks and billing statements without detailed service information are not substantial documentation and will not be accepted.** The description of the service or care can be as generic as "copay" or "office visit". If the description of the service is not listed on the receipt* provided from your service or care provider, the provider may write the description on the receipt.

* Please note if a receipt is not available for dependent/elder care expenses, you may have the care provider sign and date the claim form in the appropriate area instead of providing a receipt.

- **Sign the claim form**. Claim forms that are not signed will not be accepted.
- Keep copies of each receipt and claim form for tax purposes (Dependent/Elder Care FSA participants must file IRS Form 2441 each year with tax return). Keep in mind that you will need the provider's tax ID or Social Security Number when you file your taxes.
- Submit completed claim form and supporting documentation to ASIFlex.