

GROUP
INSURANCE
PLANNING



benetech®

FLEXIBLE SPENDING ACCOUNTS

*Exceptional benefits
and savings for you
using pre-tax dollars*

Benetech®
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CHOOSE TO PAY FOR YOUR PAYROLL DEDUCTED INSURANCE COSTS WITH FLEX!

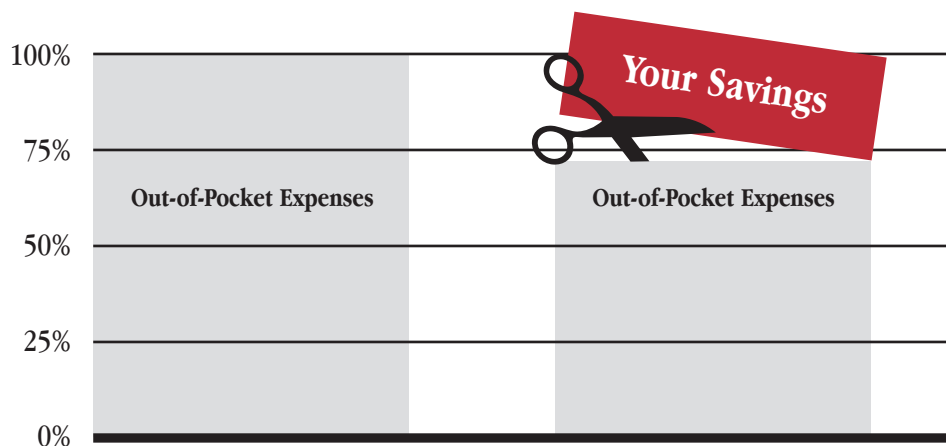
Pay your share of employer-sponsored medical, dental, vision, hearing, and drug insurance policies with pre-tax dollars.

- **NO CHANGE** in current benefits
- Reduce your **TAXABLE** income
- Money deducted **PRE-TAX** in the exact amount of your contributions
- **SAVE** up to 30% or more
- **INCREASE** your take-home pay

OUT-OF-POCKET EXPENSES

Without FLEX, you pay 100% of your out-of-pocket costs

WITH FLEX, YOU CAN SAVE UP TO 30% OF OUT-OF-POCKET EXPENSES



CHOOSE TO USE FLEXIBLE SPENDING REIMBURSEMENT ACCOUNTS AND SAVE

Pay for eligible medical, dental, vision, dependent day care expenses, and private insurance premiums, with pre-tax dollars.

- Three separate accounts help you **save up to 30%** (or more depending on your tax bracket)
- Expenses for you, your spouse, and any dependents you claim on your Federal Income Tax Return, are eligible
- Enroll in any or all accounts that your employer offers
- Use Benetech's Worksheet (on the back cover) to help you calculate a Target Annual Election that you expect to spend on eligible expenses during your Plan Year
- Set aside money before taxes are taken out of your paycheck
- Submit claims for reimbursement as you incur eligible expenses

The Premium Expense Account

- Pay for health insurance premiums with **pre-tax** dollars
- COBRA premiums
- Disability Insurance (not recommended – benefits become taxable when premiums are paid on a pre-tax basis)

The Unreimbursed Medical Account

- Pay for medical and dental co-pays and/or deductibles with **pre-tax** dollars
- Pay for out-of-pocket costs including eligible expenses NOT covered by your insurance
- Immediate reimbursement up to your Target Annual Election

The Dependent Day Care Account

- Pay with **pre-tax** dollars for day care services that allow you and your spouse to work
- Expenses for children up to age 13, and expenses for disabled and elderly dependents are eligible

FREQUENTLY ASKED QUESTIONS AND ANSWERS

Q. What is the purpose of the Plan?

A. The purpose of the Plan is to permit eligible employees to elect to defer part of their salary on a pre-tax basis to defray their health insurance expenses and their unreimbursed medical expenses.

Q. What is the Premium Conversion Benefit?

A. The Premium Conversion Benefit allows you to pay your share of the health insurance premiums with pre-tax dollars. If you do not elect to receive the Premium Conversion Benefit, you still have to pay your share of the health insurance premiums under the health care program, but on an after-tax basis.

Q. How does the Medical Spending Account Benefit help me?

A. It is likely that you will have some medical expenses that you will have to pay in the coming year. For example, you or your family will have medical expenses that are subject to deductible or co-payment limits under your health plan, or you may incur expenses that are not reimbursed at all. Normally, you would pay for these expenses with after-tax income. Since taxes reduce the value of a dollar, you would have to earn more than \$100 to pay for \$100 of expenses.

The Medical Spending Account Benefit under the Plan permits eligible employees to contribute pre-tax income to a medical spending account on your behalf. The medical spending account will reimburse you on a pre-tax basis for your unreimbursed medical expenses.

Q. How does the Medical Spending Account work?

A. Once you have determined your annual predictable medical expenses for the plan year (or part thereof, if you first become eligible to participate in the middle of a plan year), you

elect to defer a portion of your salary into a medical spending account maintained on your behalf. You should take into account your health insurance deductible and copayments, as well as uninsured medical and dental expenses, vision and hearing care. Generally, the expenses covered must be "medically necessary" as determined by a doctor. Do not take into account the premiums paid for health insurance coverage provided by the Company (since this is covered under the Premium Conversion Benefit). Also, do not take into account other health insurance coverage, such as that of a spouse, or expenses for cosmetic surgery.

Q. What is an "eligible expense" under the Medical Spending Account?

A. An "eligible expense" means any items for which you can claim a medical expense deduction on an itemized federal income tax return, (i.e., an expense for which you have not otherwise been reimbursed from insurance or other source). Please review the list of eligible medical expenses provided on the back of this form for assistance in determining what is an "eligible expense".

Q. What happens to the money in my Spending Account should I terminate employment?

A. You must submit claims on expenses incurred before the date of your termination, up until three months (90 days) after you leave employment. If you elect continuation coverage through COBRA you may continue to use your Medical Spending Accounts.

Q. How long do I have after the Plan Year ends to submit my claims?

A. You will have three months (90 days) after the Plan Year ends to submit claims on expenses incurred in that Plan Year, unless you terminate your employment from the Company. A terminated

employee has three months (90 days) from their date of termination to submit claims incurred in that Plan Year.

Q. What is the maximum amount of salary I can deposit per pay period to a Dependent Care Spending Account?

A. The maximum you may deposit to a Dependent Care Spending Account is \$192 per bi-weekly pay, or \$5,000 per Plan Year. If you are married and file separately, the maximums are \$96 per bi-weekly pay, or \$2,500 per Plan Year.

Q. Can I change my election during the Plan Year?

A. Generally, you may not change or vary your elections during the Plan Year. However, you may change your elections during the annual enrollment period for the coming Plan Year. The Plan Administrator will advise you when you may elect to change your elections for the upcoming Plan Year.

There is an important exception to this general rule: You may change or revoke your election at any time during the Plan Year if there is one or more of the following significant changes in your family status. Such changes include;

- Your marriage or divorce;
- Birth or adoption of your child;
- Death of your spouse or child;
- Termination of your spouse's employment;
- Change in the employment status of either you or your spouse from full-time to part-time or vice-versa;
- An unpaid leave of absence by you or your spouse, or
- A significant change in health coverage of you or your spouse attributable to your spouse's employment.

HOW DOES FLEX WORK?

| | Using After Tax Dollars | Using Pre-tax Dollars |
|---------------------|-------------------------|-----------------------|
| Gross Annual Income | \$ 40,000. | \$ 40,000. |
| Eligible Expenses | \$ 0. | \$ 2,000. |
| Taxable Income | \$ 40,000. | \$ 38,000. |
| Estimated Taxes | \$ 11,200. | \$ 10,640. |
| Income After Taxes | \$ 28,800. | \$ 27,360. |
| Eligible Expenses | \$ 2,000. | \$ 0. |
| Take Home Pay | \$ 26,800. | \$ 27,360. |
| Annual Savings | N/A | \$ 560. |

EXAMPLES OF ELIGIBLE EXPENSES

Please call Benetech® to verify eligibility of an expense prior to the start of your plan year.

Examples of Eligible Medical Expenses

Acupuncture
Alcoholism treatment
Ambulance services
Artificial limbs
Braille books
Chiropractors
Contact lenses and supplies
Contraceptives (by prescription)
Co-pays
Crowns, bridges and dentures
Crutches
Deductibles
Dental cleanings
Dermatologists
Eye examinations
Fillings
Glasses
Hearing aids and batteries
Home health care
Home improvements for medical purposes
Hospital bills
Insulin and syringes

Laboratory fees
Lasik surgery
Mammography
Mental health care
Nursing (RN/LPN)
OB/GYN Examinations
Orthodontia
Orthopedic shoes and braces
Physicals
Physical therapy
Prescriptions, including many over-the-counter drugs*
Psychiatric services
Seeing eye dogs and upkeep
Sterilizations and reversals
Substance abuse treatment
Surgical expenses
Telephone equipment for the deaf
Transportation for medical purposes
Well-child care
Wheelchairs
X-rays

Before/After school programs
Day care
Elder care centers
Nursery school
Summer day camps

Examples of Eligible Privately Held Insurance Premium Expenses

COBRA
Dental
Disability (not recommended – benefits become taxable when premiums are paid on a pre-tax basis)
Supplemental health
Vision

If a specific item or service is not listed, please contact Benetech® for verification of eligibility at 518.283.8500 or 800.698.4753.

Examples of Eligible Dependent Day Care Expenses

Babysitters (daytime only)

*if accompanied by a prescription

YOUR FLEXIBLE SPENDING ACCOUNT WORKSHEET

This worksheet will help you determine your annual out-of-pocket costs for each account.

| Unreimbursed Medical Account | Annual | | Annual | Dependent Day Care Account | Annual | Premium Expense Account | Annual |
|------------------------------|---------|-----------------------|---------|----------------------------|---------|-------------------------|---------|
| Deductible(s) | \$_____ | Check-up/exam | \$_____ | Day babysitters | \$_____ | Health* | \$_____ |
| Co-pays | \$_____ | Orthodontia | \$_____ | Day care centers | \$_____ | Vision* | \$_____ |
| Co-insurance | \$_____ | Monthly treatments | \$_____ | Elder care | \$_____ | Dental* | \$_____ |
| Prescription drugs | \$_____ | Dentures | \$_____ | Day camp | \$_____ | COBRA premiums | \$_____ |
| Special equipment | \$_____ | Bridgework | \$_____ | After-school programs | \$_____ | Other | \$_____ |
| Physicals | \$_____ | Partial plates | \$_____ | Nursery school | \$_____ | | |
| Medical travel costs | \$_____ | Eye exams | \$_____ | Other | \$_____ | | |
| Hearing aids | \$_____ | Contacts and supplies | \$_____ | | | | |
| Other | \$_____ | | | | | | |

*Amount deducted from your pay