SUNY RF
The Research Foundation for
The State University of New York

Flexible Spending Accounts

Purpose

This document outlines flexible spending accounts (FSAs) including program costs, requirements, enrollment instructions, program administration and where to find more information.

Background

When an employee participates in an FSA, he or she contributes a specific amount from their paycheck into an account to pay for out-of-pocket expenses such as medical or dependent care costs. FSAs help reduce an employee's taxes while an employee saves for health care or dependent care expenses. Employees who pay for dependent care costs in order to work or who have medical costs that are not reimbursable under their health insurance may pay for these expenses with pretax dollars. Money contributed to an FSA is not subject to federal, state and Social Security taxes.

Eligible Research Foundation (RF) employees may contribute to two types of FSAs: health care spending account (HCSA) and dependent care spending account (DCSA). When eligible medical or dependent care expenses are incurred, the employee is reimbursed by requesting tax-free withdrawals from that account.

This program is made possible under Section 125 of the Internal Revenue Code (IRC).

Program Cost and Period of Coverage

Costs

Eligible employees pay the full cost of the program. Participation in this program will not affect the amount of basic retirement plan contributions, life insurance or disability insurance. A participant will have lower tax withholdings and higher take-home pay because taxable income is reduced. Since Social Security income credits are reduced by the amount of the FSA contribution, participation may reduce a person's future Social Security benefits.

Coverage

The period of coverage for the FSA is the calendar year plus 2 1/2 months grace period.

Forfeiture

The Internal Revenue Service (IRS) has strict guidelines for FSA use because of the tax advantages. It is important that employees plan carefully before deciding how much to contribute. If an employee contributes pretax dollars into an FSA and does not have enough eligible expenses during the plan year (plus the 2 1/2 month grace period) to equal the amount contributed, he or she will lose the balance remaining in the account when the plan year ends.

Health Care Spending Account

Contributions of up to $4,000 per calendar year may be made to a HCSA, and is used to reimburse eligible uninsured, out-of-pocket medical expenses. Eligible health care expenses include those that are not insured, copayments and deductibles, and expenses that exceed the limits of the employee's health insurance plan. Uninsured dental and vision care expenses can be reimbursed as well as medical and prescription drug expenses.

For purposes of federal income and Federal Insurance Contributions Act (FICA) tax, as well as NYS income tax, employee earnings are reduced by the amount of the contribution. The minimum contribution is $5 per pay period. Participation in this program will not affect the amount of basic retirement plan contributions, life insurance or disability insurance.

Dependent Care Spending Account

Contributions of up to $5,000 per calendar year, dependent on the employee's tax filing status, may be made to a DCSA, and is used to reimburse dependent care expenses that allow an employee and an employee's spouse to work. Expenses can be reimbursed for the care of children through age 12 who reside in the employee's household, as well as adults or older children who are mentally or physically unable to care for themselves and who spend at least eight hours a day in the employee's household.

For purposes of federal income and FICA tax, as well as NYS income tax, employee earnings are reduced by the amount of the contribution. The minimum contribution is $5 per pay period. Participation in this program will not affect the amount of basic retirement plan contributions, life insurance, or disability insurance.

Eligibility and Waiting Period

Health Care Spending Account

Employees must meet the following criteria in order to participate in this program:

- Be employed on a salaried basis (summer-only, student and hourly employees are not eligible).
- Receive regular, biweekly pay.
- Work at least 50 percent of full-time effort.
- Complete a waiting period of six months from date of hire or date of eligibility (if later).
- Have operating location certification that they are expected to be employed by the RF for at least one year following the date of enrollment in the program.

Dependent Care Spending Account

Employees who are paid on a regular, biweekly schedule may participate in this program. Hourly and student employees are not eligible. There is a waiting period of six months from date of hire or date of eligibility (if later).

Enrollment

Open Enrollment

- Open enrollment is held November 1 through November 30 each year.
- Employees must fill out a FSA Enrollment Form if they want to participate. If an employee does not have access, a paper form can be completed, and the completed enrollment form must be returned to the campus benefits office on or before November 30. If the employee does not complete a form, he or she will not be enrolled in FSAs.

Newly Eligible Employees

Newly eligible employees must enroll within 60 days of the date they meet all eligibility requirements. Otherwise, they must wait until the next open enrollment period, unless there is a qualifying event as defined by the IRS. Enrollment during a subsequent open enrollment period may not take place unless all eligibility requirements are still being met at the time of enrollment.

Break-in-Service

The following table describes what operating locations should do if an employee terminates employment and is rehired during the same plan year:

If an employee is rehired...	Then...
Within 30 days or less of termination	The employee will automatically be reinstated into the FSA annual election that was active prior to termination. In order for the employee to have access to the HCSA balance up to the full annual limit, missed deductions must be made up by entering the special nonrecurring element health care spending special inputs in the RF business applications. The HCSA balance will be reduced by the amount of approved reimbursements for eligible medical expenses for that calendar year. Missed deductions cannot be made to a DCSA.
After 30 days or more from the date of termination	The employee will automatically be reinstated into the FSA salary reduction levels active prior to termination. The annual benefit maximum will be prorated based on the remaining number of payroll periods in the year. Missed deductions will not be made up.

Plan Administrator

Fringe Benefits Management Company (FBMC) is the FSA administrator for the plan year. FBMC reviews claims, writes checks, provides direct deposit of reimbursements, and offers customer service and accounting services. FSA participants should send all claims for reimbursement directly to FBMC.

Operating locations may order supplies by calling FBMC at 1-800-342-8017. Employees who have questions about flexible spending accounts should call FBMC Customer Service at 1-800-342-8017, Monday through Friday, 7 a.m. to 10 p.m. EST. Employees have 24-hour automated access to their benefits by calling FBMC at 1-800-865-FBMC.

What to Give Employees

New Employees

As part of new employee orientation, operating locations should provide new hires with the Flexible Benefits Plan Reference Guide. Operating locations may order supplies by calling FBMC.

Employees Who Request Information

Upon request, operating locations should provide any of the following information to employees:

- Flexible Benefits Plan Reference Guide
- Flexible Spending Account Enrollment Form
- FSA Reimbursement Request Form (available on the FBMC Web site)
- FBMC Direct Deposit Authorization Form (available on the FBMC Web site).

Administration of the Program

The following table describes the steps operating locations should take to open and maintain a flexible savings plan for an employee:

Step	Action
1	Provide the employee with enrollment materials. Refer to the "What to Give Employees" section.
2	Receive and review the signed and dated Flexible Spending Account Enrollment Form from the employee, ensuring that all requested information was correctly completed. The employee retains a copy. If the employee is using direct deposit

<table>
<tr><td></td><td colspan="3">for reimbursement, the FBMC Direct Deposit Authorization Form may also be received from the employee.</td></tr>
<tr><td>3</td><td colspan="3">Mail a copy or fax the completed Flexible Spending Account Enrollment Form to FBMC, Attn: Enrollment Processing, P.O. Box 1878, Tallahassee, Florida 32302-1878. Also mail or fax (850-425-6220) any completed FBMC Direct Deposit Authorization Form.</td></tr>
<tr><td>4</td><td colspan="3">On the original copy, record the date the Flexible Spending Account Enrollment Form is mailed or faxed. Retain the original forms.</td></tr>
<tr><td rowspan="7">5</td><th>If the employee is...</th><th colspan="2">Perform system input</th></tr>
<tr><td rowspan="3">Enrolling in a Health Care Spending Account</td><td colspan="2">Go to the Element Entries - xxxx window of the employee's record, and add the health care spending recurring element.
Refer to the Process Help Recurring Element to Enroll a Regular Employee - Enter (Process Help)
Note: Graduate student employees are not eligible to open this account.</td></tr>
<tr><th>If the employee is a new hire...</th><th>If the employee is signing up during open enrollment...</th></tr>
<tr><td>The effective date should be the new employee's coverage date because this benefit has a waiting period of six months. To determine the employee's coverage date, use the Process Help Custom Eligibility Table - View (Process Help)." In that table, use the person's dental plan coverage date when entering the health care spending element.</td><td>Use 01-JAN of the next calendar year as the effective date.
Note: Also, ensure that the employee is eligible and completed the waiting period. Refer to the section "Eligibility and Waiting Period."</td></tr>
<tr><td rowspan="3">Enrolling in a Dependent Care Spending Account</td><td colspan="2">Go to the Element Entries - xxxx window of the employee's record, and add the dependent care spending recurring element.
Refer to the Process Help "Recurring Element to Enroll a Regular Employee - Enter (Process Help)
Note: 1). Deductions should not be taken on a retroactive basis. 2). Graduate student employees are not eligible to open this account.</td></tr>
<tr><th>If the employee is a new hire...</th><th>If the employee is signing up during open enrollment...</th></tr>
<tr><td>The effective date should be the start date of the new employee. However, if a payroll period has passed, the effective date should be the first day of the payroll period following the employee's enrollment.</td><td>The effective date should be 01-JAN of the next calendar year.</td></tr>
<tr><td>6</td><td colspan="3">Operating locations direct all requests for reimbursements to FBMC.</td></tr>
</table>

Permitted Changes During a Plan Year

Employees may change a spending account election or vary the salary reduction amount they have selected during the plan year, under limited circumstance, as provided by established IRS guidelines and the RF's health care and dependent care spending account plans. A partial list of permitted and not permitted events is listed in the Flexible Benefits Plan Reference Guide.

FBMC, in its sole discretion on a uniform and consistent basis, will review the facts and circumstances of each properly completed and timely submitted election change request.

Election changes must be consistent with the event. Within 60 days of the event, the employee must complete and timely submit to FBMC a Change In Status/Election form. The employee must contact FBMC to obtain this form. Documentation supporting the mid-plan year election change request is recommended and may be required. Upon the approval and completion of processing an election change request, an existing election will be stopped or modified as appropriate but no earlier than the first payroll after the approved election change request was received by FBMC. If the election change request is denied, the employee will have 60 days from the date of the denial to file an appeal with FBMC by following the procedures in the appeals process.

Permitted election changes during a plan year as well as the appeals process are described in the Flexible Benefits Plan Reference Guide.

Canceling Participation

The IRS requires an employee to continue participation throughout the calendar year for which he or she is enrolled because of the tax advantages of these programs. Employees may only cancel participation if there is a qualifying event, as defined by the IRS. Employees must carefully estimate expenses for the year because the money left in an account at the end of the year will be forfeited if not used.

For More Information

Program information can be obtained from the Flexible Benefits Plan Reference Guide.

Account information, downloadable forms, and other information can be found at the Customer Service Center page of the FBMC Web site at https://www.fbmc-benefits.com/customer/.

Change History

- **October 14, 2010 -** Updated eligibility provisions.
- **April 30, 2010** - Updated links
- **January 21, 2009** - Updated to refer links to FSA area of site and for Oracle upgrade.
- **January 2, 2007** - Updated wording and links to 2007 enrollment material.
- **December 12, 2005** - Updated wording and links to 2006 enrollment material.
- **September 29, 2004** - Updated wording and links to FSA handbook and enrollment forms.
- **February 26, 2002** - Clarify the Dependent Care "Effective Date" for a new hire.
- **January 23, 2002** - New document.

Feedback
Was this document clear and easy to follow? Please send your feedback to webfeedback@rfsuny.org.