Flexible Spending and Commuter Accounts

PEBB offers healthcare and dependent care flexible spending accounts (FSAs) and commuter accounts (CAs) for eligible employees.

FSAs

An FSA is a tax-free account that allows you to use pre-tax dollars to pay for eligible out-of-pocket healthcare or dependent care expenses. You choose an annual amount to contribute to your account, and your payroll deducts your salary contribution before calculating your taxes. Paying for eligible expenses with these pre-tax dollars saves money.

Here are things you should know about these accounts.

- FSAs operate according to IRS regulations.
- Enrollment in an FSA terminates at the end of each plan year. To have an FSA in the following plan year you must enroll before the start of the new plan year, generally this is during the Open Enrollment period.
- When you enroll, you enroll for the entire plan year. Your enrollment is irrevocable except for limited situations. So you should plan accordingly.
- You may change your contribution amount midyear only within 30 days of a qualified midyear change event.
- You forfeit any funds that you don't use and claim for valid expenses by the end of the grace period.
- Your payroll will deduct even portions of your annual election amount each month over the course of the year. You can only have one contribution per month to your FSA account.
- Expenses for a Domestic Partner cannot be reimbursed.
- The health care FSA period of coverage is the plan year (calendar year 12 months). PEBB has a Grace Period plan which allows the previous plan year contributions to be use through March 15 of the new plan year, claims must be filed by March 31 or the previous plan year funds will forfeit.
- Employees who terminate participation mid plan year can claim reimbursement only for the the time period they were active participants. Active participation in a health care FSA ends the last day of the month that a last contribution is deducted by payroll for that month.
  a. An Oregon State Payroll System employee terminating employment will not have final contribution taken from their final paycheck.
  b. An employee of an Oregon state university employee terminating employment who meets the 80-hour work termination rule will have a contribution taken from their final paycheck.
- Reimbursement of eligible expenses may occur only for the period of coverage in which your participation was active, provided the claim is filed within the eligible plan year, including the grace period. The exception is a dependent care FSA from which you request reimbursement of expenses: 1) incurred in the month following the end of participation, 2) in the current plan year (not the grace period) and 3) made within 90 days of the participation end date.
- You cannot use your FSA funds as reimbursement for expenses you incur after you leave employment with the state. The exception is a health care FSA, which you may continue by enrolling in COBRA .

PEBB contracts with ASIFlex to administer the FSA program under PEBB administrative rules and in keeping with IRS code.

Healthcare flexible spending account

A healthcare flexible spending account is an allowable benefit of a Cafeteria Plan as defined in Section 125 of the Internal Revenue Code. It permits eligible employees to contribute pre-tax to an account for reimbursement of certain healthcare expenses. Deductions from your paycheck to the plan are exempt from federal and state income tax and Social Security tax. These deductions reduce your **taxable** income reported on your W-2 and on your income tax returns. Note that reducing your taxable income may have the effect of reducing your total Social Security benefit earning

Generally, employees with a higher income have a higher percentage tax break through the healthcare flexible spending account. Contact your tax advisor if you have questions about which is best for you.

You may elect to have up to $2,550 deducted from your pay during the year. The minimum monthly contribution amount is $20.00.

Administrator

ASIFlex administers PEBB's healthcare flexible spending account program. The customer service department is open from 5 a.m. to 5 p.m. Pacific Time Monday through Friday, and from 7 a.m. to 11 a.m. on Saturday. Contact: (800) 659-3035; TTY (866) 908-6043; fax (866) 381-9682; email asi@asiflex.com. Website http://orpebb.asiflex.com.

Mailing Address:
ASIFlex
PO Box 6044
Columbia, MO 65205-6044

Physical Address:
ASIFlex
201 W. Broadway #4C
Columbia, MO 65203

To Participate:

1. **Estimate your family's annual out-of-pocket medical expenses**. You may include expenses for anyone included on your federal tax return. Include predictable expenses only. Divide your annual out-of-pocket medical expense estimate by the number of months you expect to receive paychecks during the Plan Year.
2. **Enroll in the healthcare FSA**. Enroll online during Open Enrollment or by submitting a paper form to PEBB. If you become eligible to enroll midyear submit your forms to PEBB.
3. **Receive healthcare services.** You incur an expense when you receive the services or supplies that create the expense. You can file a claim for healthcare services only after you receive the services.
4. **File claims.** After you receive the healthcare services and know the amount of your responsibility for the bill, submit a claim (with required substantiation) for those expenses to ASIFlex. See the ASIFlex web site for additional information about eligible reimbursements.
5. **Receive reimbursements.** ASIFlex will review your claim. If ASIFlex approves the claim, it will reimburse you for the healthcare expenses within one business day of receipt of the claim.

Qualifying Healthcare Expenses include only those expenses that are defined as medical expenses in Internal Revenue Code §213 and are not reimbursed by any other insurance or another plan. As stated in §213, qualifying Medical Care Expenses include amounts incurred for the diagnosis, cure, mitigation, treatment, or prevention of disease, and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness. They exclude all insurance premiums, long-term care expenses, and cosmetic expenses.

Refer to IRS Publication 502 for further details on qualifying expenses. You may link to this publication from ASIFlex's Website. The purpose of Publication 502 is to assist people with their income tax filing. It does not address healthcare flexible spending account plans. However, most of the items listed as deductible in Publication 502 can be claimed through your healthcare FSA. You cannot deduct on your income tax return expenses reimbursed by the healthcare flexible spending account plan. You cannot file for healthcare FSA expense reimbursements for expenses you deduct on your income tax return.

You can only claim expenses based on the date incurred or date of service (not "paid" as stated in IRS Publication 502). Contact ASIFlex at asi@asiflex.com, (800) 659-3035 if you have any questions regarding particular expenses. Below is a **partial list of qualified expenses**.

- Deductibles
- Coinsurance amounts and co-pays
- Doctor's fees
- Dental expenses
- Vision care expenses
- Prescription glasses
- Contact lenses and solutions
- Corrective eye surgery
- Prescription drugs and medicines (not imported from another country) used to treat a medical condition
- Insulin
- Orthodontia (braces)
- Routine physicals
- Medical equipment
- Hearing aids, including batteries
- Transportation expenses related to illness
- Chiropractor's fees
- Over-the-counter drugs for which you have a prescription

This is a **partial list of expenses that do not quality.**

- Cosmetic procedures; e.g. face-lifts, skin peeling, teeth whitening, veneers, hair replacement, removal of spider veins
- Sunglasses - non-prescription
- Toiletries
- Medicines, drugs, herbs, or vitamins for general health and not used to treat a specific medical condition
- Expenses that are merely beneficial to your general health (e.g., vacations and vitamins)
- Health club dues (not prescribed for a particular condition)
- Any sort of insurance premiums
- Warranties
- Long-term care expenses
- Prescription drugs imported from another country

Debit Card

The FSA administrator, ASIFlex, offers a debit card for use in the healthcare flexible spending account program. Use of this debit card may reduce the amount of paperwork required in substantiating some claims. It will not eliminate the need to substantiate all claims. See the ASIFlex website http://orpebb.asiflex.com/debitcard/debitcard.htm.

Coverage Continuation

COBRA. To the extent required by COBRA, participants and those covered on the participants' tax return may elect to continue the coverage elected under the healthcare flexible spending account plan. This applies even if the participant's election to receive benefits expired or ended under the following circumstances (qualifying events):

- The participant dies
- The participant's employment is terminated (other than for gross misconduct) or the participant's paid work hours are reduced
- The participant divorces or becomes legally separated
- The participant's dependent child ceases to be a dependent under the terms of this plan

When the plan is notified that one of the events has occurred, the plan will provide to each eligible person the right to choose continuation coverage if, 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. The right to elect to continue ends 60 days from the date the plan administrator provides notice of the right to continue coverage. It is the responsibility of the participant or a responsible family member to inform the administrator of the occurrence of an event described above.

Continuation coverage will not extend beyond the end of the current Plan Year or Grace Period. Continuation coverage may terminate earlier if the premiums are not paid within 30 days of their due dates.

Payment for expenses incurred during any period of continuation will not be made until the administrator receives the contributions for that period. An administrative charge of two percent is assessed for each premium paid for continuation coverage.

FMLA Leave: Employees approved for a Family Medical Leave Act (FMLA) may continue their FSA during the leave only if prepayment of the monthly contributions is received prior to the start of the leave. Prepayment must be made as a pre-tax salary deduction. Submit a request for prepayment to PEBB.

QRD - Qualified Reservist Distribution

Conditions. You must meet the following conditions to elect a qualified reservist distribution (QRD) from your healthcare flexible spending account (FSA):

- You have made contributions to your FSA that exceed plan-year reimbursements on the date of your QRD request.
- You are ordered or called to active military duty for a period of at least 180 days or for an indefinite period by reason of being a member of the Army National Guard of the United States, the Army Reserve, the Navy Reserve, the Marine Corps Reserve, the Air National Guard of the United States, the Air Force Reserve, the Coast Guard Reserve, or the Reserve Corps of the Public Health Service.
- You have provided the Administrator with a copy of the order or call to active duty. An order or call to active duty of less than 180 days' duration must be supplemented by subsequent calls or orders to reach a total of 180 or more days.
- You are ordered or called to active military duty on or after the beginning of the plan year that began Jan. 1, 2009.
- You submit to the Administrator a QRD election form during the period beginning on the date of your order or call to active duty and ending on the last day of the Plan Year (or grace period) during which the order or call

occurred. For example, if you are called to active duty on Sept. 13, 2009, you must request the QRD between Sept. 13, 2009, and March 31, 2010 (for the 2009 plan year only).

Amount. If you meet these conditions, you will receive a QRD equal to your plan-year contributions to your FSA as of the date of your request, minus any reimbursements you already received as of that date. Example: You elected FSA benefits of $1,000 for the plan year. During the first six months of the plan year, you make FSA contributions of $500 and receive reimbursements of $200 for substantiated medical care expenses. If you request a QRD upon being called to active duty for an indefinite period on June 30, you would receive a distribution of $300.

Further Reimbursement and Account Status. When you request a QRD, you forfeit the right to receive reimbursements for medical care expenses incurred during the period that begins on the date of your request and ends on the last day of the plan year. Your FSA terminates as of the date you request a QRD.

Tax Treatment. Your QRD will be included in your gross income and will be reported as wages on your Form W-2 for the year in which it is paid to you.

Dependent Care flexible spending account

A dependent care flexible spending account is an allowable benefit of a Cafeteria Plan as defined in Section 125 of the Internal Revenue Code. It permits eligible employees to contribute pre-tax to an account for reimbursement of certain dependent care expenses provided to a qualifying individual by a qualified provider. Deductions from your paycheck to the plan are exempt from federal and state income tax and Social Security tax. These deductions reduce your **taxable** income reported on your W-2 and on your income tax returns. Note that reducing your taxable income may have the effect of reducing your total Social Security benefit earnings.

You may contribute up to $5,000 per year to a dependent care flexible spending account. The minimum monthly contribution is $20.00. If you and your spouse (not Domestic Partner) both contribute to an account, your combined yearly contribution may not be more than $5,000.

A 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 dependent care flexible spending account. The IRS will not allow you to receive two tax breaks on the same expenses.

Generally, employees with a higher income have a higher percentage tax break through the dependent care flexible spending account. Contact your tax advisor if you have questions about which is best for you.

Administrator

ASIFlex administers PEBB's dependent care flexible spending account program. The customer service department is open from 5 a.m. to 5 p.m. Pacific Time Monday through Friday, and from 7 a.m. to 11 a.m. on Saturday. Contact: (800) 659-3035; TTY (866) 908-6043; fax (866) 381-9682; email asi@asiflex.com. Website http://orpebb.asiflex.com.

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ASIFlex
PO Box 6044
Columbia, MO 65205-6044
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201 W. Broadway #4C
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To Participate

1. **Estimate your total dependent care expenses for the Plan Year**. Include predictable expenses only. Divide your yearly dependent care expenses estimate by the number of months you expect to receive paychecks during the Plan Year.
2. **Enroll in the dependent care flexible spending account**. Enroll online during Open Enrollment or by submitting a paper form to PEBB. If you become eligible to enroll midyear submit the form to PEBB.
3. **Receive Dependent care services.** You incur expenses when you receive the services that create the expense. You can file a claim for dependent care services only after you receive the services.
4. **File claims.** After you have received the dependent care services, submit a claim for those expenses (with required substantiation) to ASIFlex.
5. **Receive reimbursements.** ASIFlex will review your claim. If ASIFlex approves the claim, it will reimburse you for the dependent care expenses within one business day of receipt of the claim up to the amount you have on deposit in your account. If your claim exceeds your available funds, ASIFlex will record the difference and will pay as funds become available from payroll.

A qualifying individual is:

- Your dependent who is under the age of 13 who lives with you at least one half of the year
- Your spouse or an older dependent who is mentally or physically incapable of self-care who resides with you for more than one half of the year and is a qualifying child or relative under Section 152 of the IRS Code

A qualified provider can provide care in your home or outside your home. If the care is provided outside your home by a facility that cares for more than five individuals, 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.

Commuter Benefit

Commuter Accounts are **Fringe Benefit** accounts that employees can make a monthly contribute to through a pre-tax salary reduction. These accounts are regulated by the federal Internal Revenue Service code.
The Commuter accounts allow employees to claim tax free rreimbursement of certain commuter expenses that are employment related. Deductions from your paycheck to the account are exempt from federal and state income tax, and Social Security tax. These deductions reduce your **taxable** income reported on your W-2 and on your income tax returns. Note that reducing your taxable income may have the effect of reducing your total Social Security benefit earnings.

The Commuter benefit has two accounts available: a Transportation account and a Parking account. PEBB-enrolled employees may contribute to one or both accounts on a pretax basis to pay for work-related commuting expenses.

These accounts are ASIFlex, PEBB’s third party administrator for the Flexible Spending Accounts (FSAs), is also the administrator for the Commuter Accounts.

Eligibility and Accounts

All active employees enrolled in PEBB benefits are eligible for these accounts. They are employee-only accounts; spouses/partners and dependents are not eligible for this benefit.

Two types of accounts are available: Transportation and Parking. You may enroll in one or both.

Transportation Account

This is a pretax account to pay for work-related commuting expenses for bus, ferry, rail, monorail, streetcar, train, subway or vanpooling expenses. The maximum monthly contribution/reimbursement is $255 The account reimburses for the following qualified expenses:

- **Transit Pass Expenses:** These are expenses incurred for a pass, token, fare card, voucher, or similar item for transportation using Mass Transit Facilities. These include public or commercial facilities. Commercial facilities are those provided by any person in the business of transporting persons for compensation or hire if such transportation is provided in a vehicle with a seating capacity of at least six adults (excluding the driver).
- **Commuter Highway Vehicle (Vanpool) expenses**. The transportation must be in connection with travel between your residence and place of employment. A commuter highway vehicle is any highway vehicle with a seating capacity of at least six adults (not including the drive). At least 80% of the mileage must be for purposes of transporting employees in connection with travel between their residences and their places of employment. The number of employees transported for such purposes must be, on average, at least half of the adult seating capacity of the vehicle.

Parking Account

(If you park in a state parking lot, DO NOT enroll in this account for your monthly state parking lot fee. Your agency deducts state lot fees pre-tax each month from your paycheck.)

This is a pretax account to pay for certain parking expenses incurred to work. The expenses are those for parking at the following:

- At or near the business premise of the employer
- A location from which to commute to work by mass transit facilities or commuter highway vehicle (carpool)

The maximum monthly contribution/ reimbursement for a parking account is $255. This maximum contribution amount allowed includes any monthly payroll deduction for State of Oregon parking lot usage. State parking lot fees are deducted pretax from the employee's monthly pay. The Commuter Parking account is not used to pay the monthly state-parking fee. However, both amounts added together cannot exceed the monthly allowable maximum.

Monthly Contribution

The minimum monthly contribution is $20 for each account. The monthly maximum limits are set each year by the Internal Revenue Service (IRS) and are subject to change. The Board reviews and approves changes to the contribution amounts. The monthly maximum limits for both types of accounts is currently $255.

To estimate what you should contribute each month, review your expenses for commuting to and from work in the previous year. Make note of what you spend on a regular monthly basis. You can make changes to an existing account at any time during the year.

Account Changes

You can enroll, change, or cancel your Commuter accounts at any time. You must submit a Commuter account enrollment/change form to your agency by the 10th of the month for changes to be effective in the following month's pay. Forms received beyond the 10th **may not** process until the next month.

No fund transfers between the accounts are allowed. You may not transfer funds from one account type to another to cover unanticipated expenses, even if you have a leftover balance in one account. For example, if you have excess money in your Transportation account, you cannot use that money to pay for your parking expenses.

Reimbursement

To be reimbursed for commuter expenses incurred or paid, submit a completed claim form along with appropriate supporting documentation. See the ASIFlex website for forms and instructions: http://orpebb.asiflex.

IMPORTANT: All current year claims for reimbursement must be submitted by January 15 of the following plan year, submission after that date will result in a denial. However, unlike FSA account March 31 deadline, Commuter funds do not forfeit and remain in your account and can be used during the current year if your eligibility and the account eligibility continues. Always review and your monthly contribution amount if needed in order to avoid a loss.

- You can submit claims for reimbursement to ASIFlex via toll-free fax or mail.
- You cannot be reimbursed for more than the cash balance in your account.
- You may make changes and adjust future contributions to avoid having an excess balance.
- Expenses must be "incurred or paid" before being reimbursed. Reimbursement cannot be made before the date an expense has been incurred or paid. Excess account balances will be carried over to the following month/year. You can be reimbursed only for the monthly amount in effect during the timeframe for which you are requesting reimbursement.

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ASIFlex Card (debit card): You can order an ASIFlex Card (debit card) for use with Transportation accounts. In some cases, transportation expenses may require documentation; ASIFlex will notify you when this is required. If you do not provide the documentation timely, the card will be temporarily inactivated.

- If you are currently using an ASIFlex card in your health care FSA, ASIFlex will add the transportation account to your existing benefit debit card. If you don't have a health care FSA, or do not have a health FSA card, you can order a transportation account card by completing and submitting an order form. There is no cost to you for the card. You will receive two cards. Additional or replacement cards are $5 per set, billed to your account.

End of plan year

Commuter accounts are a month-to-month benefit; there is no plan year. Commuter Accounts will not terminate as long as they are "active" and do not require re-enrollment each year. You may terminate your account by submitting a form to your agency.

If six months lapse without making a contribution or submitting a reimbursement claim, any funds in your account will be forfeited.

Terminating Employment

- **If you terminate employment you have access to your Commuter funds for a limited time (six months) for reimbursement of valid claims incurred while you were an active employee.**

- **The Internal Revenue Code does not permit any funds remaining in your account to be refunded. If you terminate employment your account cannot be refunded to you**, ***unless you file a claim for expenses incurred before you terminated employment.***

IMPORTANT: You forfeit your account funds if six months lapse without a contribution being made or a reimbursement claim processed.

When does my participation in the Commuter Benefit Program end?

- You are no longer employed by the state of Oregon;
- You elect to stop contributing (expenses may be submitted for six months from the date on which they occurred);
- The Commuter Benefit Program is federally terminated
- Your account forfeits because six months lapse without a contribution or a reimbursement claim processed

Examples of expenses that are NOT eligible for reimbursement:

- Tolls
- Traffic tickets
- Fuel
- Mileage or other costs you incur in operating a vehicle
- Taxis
- Payments to a fellow participant in a carpool or to a friend who drives you to work
- Parking at or near your personal residence
- Parking at your spouse's place of work
- Parking at a mall or similar location where you stop on your drive to or from your place of work
- Costs that have been or will be paid by your employer, such as for a business trip