

### ***What is a Flexible Spending Account (FSA)?***

A Flexible Spending Account (FSA) is part of the benefit plan offered to you by your employer and allows you to use tax-free dollars to pay for certain medical and/or dependent care expenses. There are two types of FSAs: a Medical FSA (for eligible medical services provided to you, your spouse or your dependent) and a Dependent Care FSA (for eligible dependent care expenses).

### ***Who is eligible to elect an FSA?***

Eligibility requirements for a Medical FSA and a Dependent Care FSA are indicated in your Plan Highlights at your Human Resources (HR), if available.

### ***Is there a maximum or minimum annual amount that I can elect for an FSA?***

Any applicable maximum/minimum amounts for your annual FSA elections are indicated in your Plan Highlights at your HR, if available.

### ***Can I elect a Medical FSA and a Dependent Care FSA?***

Yes. Participation in each FSA is completely voluntary - you can enroll in one, both or neither. To participate, you must make your election(s) prior to the beginning of each new Plan Year.

### ***What is the advantage of enrolling in an FSA?***

Enrolling in an FSA allows you to make tax-free salary contributions to pay for eligible medical and dependent care expenses that are not covered or reimbursed by any other source. FSAs increase your take-home pay by reducing taxable income, making these out-of-pocket expenses more affordable!

### ***What employee taxes are eliminated by contributing to a Medical or Dependent Care FSA?***

You will not pay federal income tax, Social Security tax and most state taxes (except for Pennsylvania and New Jersey) on contributions to a Medical and/or Dependent Care FSA.

***Since I will not pay Social Security taxes on money contributed to an FSA, will my Social Security benefits be lower when I retire or if I become disabled?***

Tax-free contributions may slightly reduce your Social Security benefits. However, the value of your tax savings with an FSA should more than offset the slight reduction in Social Security benefits in future years.

***What dollar amount is available in my FSA?***

- The amount available for a Medical FSA = the total amount you elected for the current Plan Year minus any prior payments and reimbursements.
- The amount available for a Dependent Care FSA = the total payroll deductions posted to your Account for the current Plan Year minus any prior payments and reimbursements.

***Who is responsible for determining if an expense is eligible?***

Eligibility of expenses is dictated by the IRS and those guidelines are used by Benefit Resource. The services of an attorney are utilized if an additional opinion is needed or research is required to clarify the eligibility of an expense.

***Are expenses eligible if services are provided prior to my effective date in the Plan?***

No. Services must be provided on or after your effective date.

***Can money in a Medical FSA be used for a Dependent Care FSA?***

No. Money directed to one type of Account can be used only for expenses relating to that Account. This is true even if all the money in one Account is not used and the other Account runs short.

***If I elect too much for my FSA during the Plan Year and cannot use it, what happens to the extra funds?***

Funds remaining in an FSA after the timeframe indicated in your Plan Highlights will be forfeited by you (the "Use-or-Lose" rule). Forfeited funds are returned to your employer, but the IRS has imposed strict regulations on the use of these funds (they cannot be refunded to the employees who forfeited them). Employees should be conservative when estimating the amount to elect for an FSA.

## ***Can I change my FSA election during the Plan Year?***

Generally, your election cannot be changed during a Plan Year unless you experience a Qualified Status Change (QSC) as defined by the Internal Revenue Service. A change in election must be on account of a QSC event, so the election change must be made within the timeframe required by your Employer after the QSC.

For example, you may be permitted to prospectively change an election during a Plan Year when one of the following changes in status occurs that affects eligibility for coverage:

- Change in your legal marital status (e.g. marriage, legal separation, divorce, annulment, death of a spouse).
- Change in number of tax dependents (e.g. birth, adoption, placement for adoption, death).
- Change in your dependent's eligibility for coverage due to the dependent's age, student status, marital status or similar circumstance (e.g. your child reaches age 13 so is no longer eligible for coverage under a Dependent Care FSA).
- Change in employment status of employee, spouse, or dependent that affects eligibility for the FSA.
- Change in residence or worksite of employee, spouse or dependent that affects eligibility for the FSA.
- Change in dependent care costs or coverage (e.g. change in your day care provider).

If you, your spouse or a dependent experiences a QSC event, you may change your FSA election(s) as long as the requested change is consistent with the event. For example:

- If you have a new baby, you may increase your Medical FSA and/or Dependent Care FSA election(s) to accommodate the added medical and/or day care expenses for this new child.
- If you have a new baby and your spouse terminates employment to stay home with the child, you may decrease your Dependent Care FSA election since you no longer have eligible day care expenses for that child.
- If you currently have eligible day care expenses for your pre-schooler, you may decrease your Dependent Care FSA election when the child starts school during the Plan Year since you would no longer have eligible day care expenses for that child.

***Will my FSA election automatically continue after my current Plan Year ends?***

No. You must enroll again before the beginning of each new Plan Year. This gives you a chance to change your election each Plan Year as your circumstances change.

***What happens if my employment terminates before the end of the Plan Year?***

- Your Medical FSA will terminate as of the date your employment terminates. Eligible medical services provided prior to your date of termination will still be eligible for reimbursement, but services provided after the date of termination will not be eligible unless you are eligible for and elect to continue coverage under COBRA. See additional information in your SPD or Plan Document.
- Your Dependent Care FSA balance will continue to be available for reimbursement of eligible services provided at any time within your Plan Year.

***If I terminate employment, can I receive a refund for the cash balance remaining in my FSA?***

No. IRS regulations do not allow this.