Preferred Flex
I.R.S. SECTION 125 FLEXIBLE BENEFIT PLANS

Features: Health FSA, Dependent Day Care & Premium Expense Accounts

PO Box 15136, Albany, NY 12212-5136 • 866-989-8995 • f 518-641-0325 • www.ThePreferredGroup.com
Pay for your share of your employer-sponsored
- medical
- dental
- vision
- hearing
- drug insurance policies with pre-tax dollars

- Easy to enroll
- No change to your current insurance coverage
- No calculating required
- Change how you pay for your premiums
- Cost is payroll deducted pre-tax in the exact amount you contribute
- SAVE 30% to 40%
- Savings depends on your tax bracket

Pay for eligible
- medical
- dental
- vision
- dependent day care with pre-tax dollars

- Three separate accounts from which to choose
- All three save up to 30% to 40% of your out-of-pocket costs (depending on your tax bracket)
- Covers expenses for you, your spouse, and any of your federal income tax dependents
- Enroll in any or all accounts that your employer offers
- Select an annual target amount that you expect to spend on eligible expenses during your plan year for each account
- Payroll takes deductions from your paycheck pre-tax in the exact amount you contribute
- Change how you pay for your premiums
- Cost is payroll deducted pre-tax in the exact amount you contribute
- SAVE 30% to 40%
- Savings depends on your tax bracket

Cut Your Out-of-Pocket Costs!

Without FLEX you PAY 100% of your out-of-pocket costs
With FLEX you Save 30% - 40% of your out-of-pocket costs

Q. If I set aside part of my paycheck before taxes, will I make less money?
A. No. Your spendable should remain the same or show an increase for your Plan Year. Here is an example of a married individual earning $35,000 and paying $1,500 in out-of-pocket medical expenses and health insurance premiums.

How Does FLEX Work?

<table>
<thead>
<tr>
<th></th>
<th>Using After-Tax Dollars</th>
<th>Using Pre-Tax Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$ 35,000</td>
<td>$ 35,000</td>
</tr>
<tr>
<td>Eligible Expenses</td>
<td>0</td>
<td>-1,500</td>
</tr>
<tr>
<td>Taxable Income</td>
<td>35,000</td>
<td>33,500</td>
</tr>
<tr>
<td>Estimated Taxes</td>
<td>-9,905</td>
<td>-9,458</td>
</tr>
<tr>
<td>Income After Taxes</td>
<td>25,095</td>
<td>24,042</td>
</tr>
<tr>
<td>Eligible Expenses</td>
<td>-1,500</td>
<td>0</td>
</tr>
<tr>
<td>Spendable Income</td>
<td>23,595</td>
<td>24,042</td>
</tr>
<tr>
<td>FLEX Plan Savings!</td>
<td></td>
<td>$ 447</td>
</tr>
</tbody>
</table>

The $447 shows this individual’s 30% savings in paying for eligible services of $1,500 with pre-tax dollars

FLEX PLAN RULES

Medical FSA Account (Unreimbursed Medical)

- Pay for medical, dental, vision, and hearing co-pays and deductibles with pre-tax dollars
- Pay for out-of-pocket costs, including eligible expenses not covered by your insurance
- Immediate reimbursement up to your annual target amount
- Cosmetic procedures are not eligible for this account unless medically necessary
- No medical premiums are eligible for this account

Dependent Day Care Account

- Pay with pre-tax dollars, for day care services that allow you and your spouse to work or attend full-time school
- Expenses for children under 12 and under; disabled and elderly dependents are eligible at any age
- Dependents receiving services must spend at least 8 hours a day within your household
- Overnight camps and medical costs are not eligible for this account
- Pre-School tuition is eligible
- No Kindergarten tuition

Premium Expense Account

- Pay for privately held, health-related insurance premiums with pre-tax dollars (not Major Medical)
- No employment-related spousal/dependent premiums
- No Long Term Care or Life Insurance
- No employee owned Exchange/Marketplace Medical Policy premiums
Q. What is a FLEXible Benefit Plan and how can it benefit me?

A. FLEXible Benefit Plan allows you to pay for necessary eligible expenses with pre-tax dollars. When you set aside money before the government deducts taxes from your paycheck, you save up to 30%-40% (depending on your tax bracket) on expenses that you already have. These expenses can include medical, dependent day care costs and some types of insurance premiums. The plan is designed to allow you to participate in any, or all, of the benefits that your employer offers, to any degree. This means that you can tailor the Plan to suit your needs.

Q. Is there any limit on the amount of money that I can set aside in a FLEXible Spending Account?

A. Yes. Your employer sets a maximum (and sometimes a minimum) amount that you can set aside in the Unreimbursed Medical Account. The maximum amount for the Dependent Day Care Account is set by the I.R.S. at $5,000 (or $2,500 if married and filing separate tax returns). There is no limit on the Premium Expense Account.

Q. Once I set aside money before taxes, how do I get it back?

A. You are reimbursed for eligible expenses that occur within your Plan Year. In order to be reimbursed from any FLEXible Spending Account, you submit a signed and completed reimbursement voucher with third-party receipts to support your claim. You also have a 90-day Run-Out Period following the end of the Plan Year to submit vouchers for expenses that occurred within the Plan Year. Please see THE PREFERRED GROUP’s Reimbursement Voucher for more details on each Account.

Q. What if I have to pay for expenses during the Plan Year, even though the services did not occur during the Plan Year?

A. Reimbursement is made based on dates of service, not dates of payment. As a result, previous balances cannot be reimbursed.

Q. What if I submit an amount for reimbursement that exceeds my payroll deductions at the time my voucher is received?

A. The Unreimbursed Medical Account allows you to be reimbursed up to the annual amount that you set aside at any time during the Plan Year, regardless of how much you have deposited in your Account. The Dependent Day Care and Premium Expense Accounts are different than the Unreimbursed Medical Account. For these Accounts, you can only be reimbursed up to your deposits at the time that your voucher is received. The portion of your claim that is not reimbursed at the time that your voucher is received will be reimbursed as further payroll deductions are deposited in your Account.

Q. What if there is money left in my FLEXible Spending Account(s) at the end of the Plan Year?

A. Any money left in your FLEXible Spending Account(s) at the end of the Plan Year is forfeited to your employer. The Preferred Group provides Quarterly and End-of-Year Account statements to help you keep track of the status of your Account(s). You will receive information with each reimbursement check on the Account(s) from which you were reimbursed. In addition, The Preferred Group counselors are available by phone from 8 AM – 5 PM Monday through Friday to review your Account(s) and answer any questions you may have. The Preferred Group encourages all of its participants to be conscientious in their elections.

Q. Which I.R.S. rules apply to the FLEXible Spending Reimbursement Accounts?

A. The I.R.S. has established a few rules that participants in a FLEXible Spending Account need to be aware of: 1) Your employer will establish the Plan Year 2) To participate in one or more FLEXible Spending Accounts, you must enroll each year. The elections you make at the time you enroll cannot be changed until the following year, unless you experience an I.R.S. defined change in status:

- Legal marital status
- Number of dependents
- Employment status

Change in status must be authorized by your employer. The change in election must be consistent with the change in status. Funds in one FLEX Account cannot be transferred to another Account during the Plan Year. Each employer may have their own definitions. Please check your Summary Plan Description before submitting a change in status request.

Q. Will my retirement benefits be affected by a FLEX Plan?

A. Yes. Because you do not pay Social Security taxes on the part of your income that you set aside, your Social Security benefits will be only slightly reduced. The reduction of benefits is minimal, and the advantages of the tax savings from a FLEXible Benefit Plan outweigh the reduced Social Security payments.

Q. Can I be reimbursed for an expense that is not covered by my insurance carrier?

A. Yes. The Unreimbursed Medical Account can reimburse you for many eligible expenses that are not covered by your health insurance plan. In general, expenses that are medically necessary to treat or cure a specific condition are reimbursable. There are a few exceptions, so please be sure to verify the eligibility of known expenses prior to the start of your Plan Year.

Q. Do all states offer tax-free benefits under Flex?

A. In all states, taxpayers receive waivers of Federal Income and FICA taxes on Flex Plan benefits. Similarly, all state income tax payers receive state tax waivers on Flex funds except for taxpayers in New Jersey and Pennsylvania, as follows: New Jersey income tax payers will have to pay state income taxes on the amounts sheltered in a Flex Plan. Pennsylvania income tax payers will not have to pay state income taxes on funds sheltered in a Flex Plan to pay for medical expenses – e.g. medical premiums and unreimbursed medical account funds. However, there is no state tax waiver for dependent day care funds.

In all states, taxpayers receive waivers of Federal Income and Social Security taxes on FLEXible Benefit Plan benefits. Similarly, all state income tax payers receive state tax waivers on FLEXible Benefit Plan benefits except for taxpayers in New Jersey and Pennsylvania, as follows: New Jersey income tax payers will have to pay state income taxes on the amounts sheltered in a Flex Plan. Pennsylvania income tax payers will not have to pay state income taxes on funds sheltered in a Flex Plan to pay for medical expenses – e.g. medical premiums and unreimbursed medical account funds. However, there is no state tax waiver for dependent day care funds.
# Your FLEXible Spending Account Worksheet

This worksheet will help you determine your annual out-of-pocket costs for each FLEX Account.
- Remember to budget carefully •
- Be conservative •

## Medical FSA Account (Unreimbursed Medical)

<table>
<thead>
<tr>
<th>Expense</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductible(s)</td>
<td>$</td>
</tr>
<tr>
<td>Co-Pays</td>
<td>$</td>
</tr>
<tr>
<td>Co-Insurance</td>
<td>$</td>
</tr>
<tr>
<td>Prescriptions &amp; OTC Rx Drugs</td>
<td>$</td>
</tr>
<tr>
<td>OTC Supplies (See our website for info)</td>
<td>$</td>
</tr>
<tr>
<td>Special Equipment</td>
<td>$</td>
</tr>
<tr>
<td>Physicals</td>
<td>$</td>
</tr>
<tr>
<td>Medical Travel Costs</td>
<td>$</td>
</tr>
<tr>
<td>Hearing Aids &amp; Batteries</td>
<td>$</td>
</tr>
<tr>
<td>Medical, Dental &amp; Vision Exams</td>
<td>$</td>
</tr>
<tr>
<td>Orthodontia</td>
<td>$</td>
</tr>
<tr>
<td>Monthly Treatments</td>
<td>$</td>
</tr>
<tr>
<td>Dentures</td>
<td>$</td>
</tr>
<tr>
<td>Bridgework</td>
<td>$</td>
</tr>
<tr>
<td>Partial Plates</td>
<td>$</td>
</tr>
<tr>
<td>Contacts &amp; Supplies</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Medical, Dental &amp; Vision</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

## Dependent Day Care Account

<table>
<thead>
<tr>
<th>Expense</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day Babysitters</td>
<td>$</td>
</tr>
<tr>
<td>Day Care Centers</td>
<td>$</td>
</tr>
<tr>
<td>Elder Care</td>
<td>$</td>
</tr>
<tr>
<td>Day Camp</td>
<td>$</td>
</tr>
<tr>
<td>Before &amp; After School Programs</td>
<td>$</td>
</tr>
<tr>
<td>Nursery School</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Dependent Care</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

## Premium Expense Account

<table>
<thead>
<tr>
<th>Expense</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Employer Vision</td>
<td>$</td>
</tr>
<tr>
<td>Non-Employer Dental</td>
<td>$</td>
</tr>
<tr>
<td>COBRA</td>
<td>$</td>
</tr>
<tr>
<td>Contact Lens &amp; Eyeglass Plan</td>
<td>$</td>
</tr>
<tr>
<td>Supplemental Health</td>
<td>$</td>
</tr>
<tr>
<td>Medicare Supplement</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Premium Expense</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

## Examples of Eligible Medical Expenses:
- Acupuncture
- Alcoholism Treatment
- Ambulance Services
- Artificial Limbs
- Braille Books
- Chiropractors
- Contact Lenses & Supplies
- Contraceptives
- Co-Pays
- Crowns, Bridges & Dentures
- Crutches
- Deductibles
- Dental Cleanings
- Dermatologists
- Eye Examinations
- Eye Surgery incl. Lasik & Epi-Lasik eye correction
- Eyeglasses and Prescription Sunglasses
- Fillings
- Hearing Aids & Batteries
- Home Health Care
- Home Improvements for Medical Purposes
- Hospital Bills
- Infertility Treatment
- Insulin & Syringes
- Laboratory Fees
- Mammography
- Mental Health Care
- Nursing (RN/LPN)
- OB/GYN Examinations
- Orthodontia
- Orthopedic Shoes & Braces
- Over-the-counter drugs (FDA Approved with Rx)
- Pharmaceutical
- Physical Therapy
- Prescriptions
- Psychiatric Services
- Seeing Eye Dog & Upkeep
- Sterilizations & Reversals
- Substance Abuse
- Treatment
- Surgical Expenses
- Telephone Equipment for the Deaf
- Transportation for Medical Purposes & Mileage
- Reimbursement
- Well-Child Care Visits
- Wheelchairs
- X-Rays

## Examples of Eligible Employment Related Dependent Day Care Expenses:
- Babysitters (Daytime Only)
- Before/After School Programs
- Day Care Centers
- Elder Care Centers
- Nursery School
- Summer Day Camps

## Examples of Eligible Privately Held Insurance Premium Expenses:
- COBRA
- Contact Lens & Eyeglass Insurance
- Non-Employer Vision & Dental
- Medicare Supplement
- Supplemental Health

*Must confirm insurance premium eligibility when enrolling*

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www.ThePreferredGroup.com

The Preferred Group Plans, Inc. Section 125 Plans are NYBUT Member benefits Trust (Member Benefits) endorsed programs. Member Benefits has an expense reimbursement/endorsement arrangement of $.20 per participant per month. All such payments to Member Benefits are used solely to defray the costs of administering its various programs and, where appropriate, to enhance them. Member Benefits acts as your advocate; please contact Member Benefits at (800) 626-8101 if you experience a problem with any endorsed program.

*While The Preferred Group makes every effort to ensure that the information contained herein is accurate, the IRS rules and notices and the actual plan operation will prevail as the actual operation of this plan. Please make sure you are aware of all information in regard to plan operation, reimbursable expenses and your actual tax savings.*