

Flexible Spending Accounts

Medical Reimbursement & Dependent Care Spending Accounts **(A Kern\$Flex Plan option)**

Summary Information:

The Kern\$Flex Plan includes two flexible spending account options (a medical reimbursement account and a dependent care reimbursement account). The spending accounts allow you to set aside funds, on a pre-tax basis, to pay for qualified out-of-pocket expenses for medical, dental, vision, hearing, and dependent daycare.

Qualified out-of-pocket expenses for medical reimbursement accounts include deductibles, copayments, coinsurance, or medically necessary items not covered by your medical, dental, or vision plans (e.g., a second pair of eye glasses or orthodontia). Also included are certain over-the-counter (OTC) ITEMS. Items which would not qualify for medical reimbursement would include OTC drugs for which you do not have a prescription, OTC items that are merely beneficial to an employee's health (such as vitamins), cosmetic surgery (except when medically necessary), and services covered and paid for by your insurance plan (e.g., a hospital bill paid at 100% by your health plan). You may refer to IRS Publication 502 for more information on allowable expenses. Please request additional information from Chimienti & Associates before enrolling if you are not absolutely certain of the allowable amount or types of expenses.

Qualified expenses for dependent care accounts include daycare expenses for children under the age of 13, daycare expenses for children age 13 and over if disabled, and for dependent adults under certain circumstances. Items such as summer camps, day camps, and private schools, or daycare provided by an immediate family member are not qualified for dependent care reimbursement. You may refer to IRS Publication 503 for more information on allowable expenses. Please request additional information from Chimienti & Associates before enrolling if you are not absolutely certain of the allowable amount or types of expenses.

The annual maximum amount of funds you may elect to pre-tax from your paycheck are \$3,500.00 for the medical reimbursement account and \$5,000.00 for the dependent care account. Elections made during the 2012 open enrollment are valid for services incurred from January 1, 2012 to December 31, 2012. You may not use the reimbursement funds for expenses incurred either before or after these dates.

Once you make your annual election to participate in the spending accounts, and the plan year begins, you may not change your election or deductions for the rest of the plan year, unless you have a qualified status change. If you experience a qualified status change, you will have 30 days from the date of the change to amend your spending account elections. Examples of qualified family status changes include marriage, a divorce becoming final, birth or adoption of a child, death of a spouse or dependent child, qualifying change in your employment status, or a qualifying change in your spouse's employment status.

"Use it or Lose It": When electing to participate in either of the two spending accounts, there is an important IRS rule you must remember - the "use it or lose it" rule. This IRS rule requires that you use all funds you set aside for qualified expenses incurred during the plan year. If you do not use all the funds set aside during the plan year, you forfeit any remaining balance in your account(s). For this reason, you must only set aside funds you know you are going to spend during the upcoming calendar plan year. You may file claims any time during the year and have

up to 90 days after the end of the plan year (December 31st) to submit reimbursement requests for expenses incurred in the calendar plan year.

Direct Deposit:

You must enroll in either a debit card (for unreimbursed medical accounts) or direct deposit (for both unreimbursed medical and dependent care accounts) to participate. Checks are no longer be mailed as reimbursement for flexible spending accounts.

How To Enroll in and Use Flexible Spending Accounts

The process for electing and using the flexible spending accounts is very simple. During open enrollment, determine the amount of money you and your family *are certain* you will spend during the upcoming calendar/plan year on qualified expenses for medical reimbursement and/or dependent care. Go to www.Electmybenefits.com or see a representative from Chimienti & Associates to complete enrollment.

Once the plan year begins, and you incur an expense, obtain a reimbursement request form from the CAO-Health Benefits division, Administrative Solutions, Inc., or via the Internet site. Complete the reimbursement request form, then mail or fax the form to Administrative Solutions, Inc. along with a copy of your receipts and/or bills (as appropriate) for the services incurred by you or your family members. Reimbursement requests are processed for Kern\$Flex participants by Administrative Solutions, Inc. in Fresno, California. Administrative Solutions, Inc. issues reimbursements on a weekly basis by funds transfer/direct deposit.

Note: The receipts or bills you submit for reimbursement must indicate certain detail, such as date(s) of service and the type(s) of service provided. If these details are not indicated, there may be a delay in reimbursements until the requested data is provided. If you are submitting reimbursement requests for long term procedures, like orthodontia, you may be asked for a copy of the service schedule and contract from your provider. Please be sure to follow the instructions on the claim forms.

SmartFlex Debit Card

Administrative Solutions, Inc. offers a debit card that can be used to pay providers at the time of purchase. There is no administrative fee beginning in 2012 if you choose to elect the debit card feature. Note that you may still enroll in a Flexible Spending Account without selecting the debit card option.