WHAT IS THE FLEXIBLE BENEFIT PLAN?
This plan, authorized by the IRS, allows you to tax-deduct (for state and federal income tax and social security tax) certain expenses you know you will incur during the plan year which runs October 1st through September 30th.

HOW WILL THIS PLAN BENEFIT YOU?
By having a specified amount of your gross income redirected to pay for eligible expenses during the plan year, you pay for these expenses with before-tax dollars. Since your taxable income is lowered, you pay less state and federal income tax and less social security tax. Therefore, your total take-home pay (paycheck plus tax-free reimbursements) is more.

WHO IS ELIGIBLE?
Full-time employees (30 hours per week) are eligible to participate once they complete 31 days of employment. Once you become enrolled, you can change your election each year during open enrollment (effective October 1) or at any time you have a “change in family status” (marriage, divorce, childbirth, death, spouse employment change, etc.).

WHAT EXPENSES CAN BE DEDUCTED?
1. Amounts that are withheld from payroll and applied to pay your portion of medical, dental, vision, disability and group term life insurance premiums.
2. Medical premiums paid outside of payroll for individual major medical and supplemental plan premiums such as cancer, disability*, accidental death, etc. - except premiums paid by spouse at his or her employer.
3. Dependent care expenses ($5,000 maximum per year, $2,500 if married and filing separately).
4. Other medical expenses not paid by health insurance (see list attached – maximum allowed $2,500).

A Participant’s initial Health Flexible Spending Account election must be at least $500.

HOW DOES THE FLEXIBLE SPENDING ACCOUNTS WORK?
When you elect to payroll deduct dependent care expenses, outside medical premiums, or unreimbursed medical expenses, flexible spending accounts are set up on your behalf.

For expenses set up on a fixed payment schedule, that is, amounts for which you are obligated to pay a fixed amount periodically throughout the year, money is deducted from your pay before taxes are withheld and a separate payment is issued along with each paycheck. In order to qualify for this special simultaneous reimbursement, you must do the following:

**Fixed Dependent Care** - Have the **Dependent Care Contract** form completed by your provider and turn it in along with your enrollment form. Then, as you pay your dependent care fee, fax receipts and a claim form to 1-866-395-4543, or mail to: Chappelle Consulting Group, 2740 Ski Lane, Madison, WI 53713. We recommend that you fax or mail receipts and a claim form monthly.

**Outside Health Premiums** - Present a copy of the insurance policy and the latest premium bill along with your enrollment form. Then, as you pay your premiums, fax your receipt of payment and a claim form to 1-866-395-4543. You can also mail these to Chappelle Consulting Group, 2740 Ski Lane, Madison, WI 53713. We recommend you submit receipts at least monthly.

For expenses that are not on a fixed payment schedule, the money you elect will be withheld from your pay before taxes and set aside in the appropriate flexible spending account. As you incur these expenses throughout the year, fax copies of your receipts and the claim form to 1-866-395-4543 and you will receive a tax-free reimbursement payment. You will need to reimburse your account for any nonqualified expenses. A secondary method to submit claims is to mail as follows: Chappelle Consulting Group, 2740 Ski Lane, Madison, WI 53713.
HOW WILL I KNOW THE STATUS OF MY FLEXIBLE SPENDING ACCOUNTS?

If you provide your e-mail address, you will receive an e-mail notification indicating when your reimbursement has been processed as well as a link to your on-line account. In addition, your current status is available at any time at fsa4me.com. Instructions for this access will be mailed shortly after the beginning of the plan year. If you provide your e-mail address, you will also receive quarterly statements as a reminder of the balance left in your account.

WHAT HAPPENS IF I TERMINATE?

If you terminate employment with the company and you still have money that you have contributed in your medical reimbursement account, you may elect, through COBRA, to continue to access these monies for expenses incurred after your termination date through the end of the plan year as long as you continue to make your contributions to the account. If these remaining contributions are taken out of your final paycheck you will continue to take advantage of the tax savings. You will need to contact Human Resources to complete the proper forms and finalize arrangements for these payments.

If you terminate employment during the Plan Year and you choose not to elect COBRA as indicated above, then claims for reimbursement incurred on or before your termination must be submitted within 90 days after termination of employment.

WHAT HAPPENS IF I HAVE MONEY LEFT IN MY ACCOUNT(S) AT THE END OF THE PLAN YEAR?

If you incur additional qualified healthcare FSA related expenses within two and one-half (2½) months after the end of the plan year, the money left over from last year will be used up before your current year’s election. After 2½ months, the money is forfeited! Therefore, be conservative when you decide how much to have withheld each pay period and indicate only those expenses that you know you will incur for the plan year. You actually have ninety (90) days after the end of each plan year to turn in receipts, but you must incur the expense (e.g. go to the doctor) before the end of the plan year plus the additional 2½ months.

Note that healthcare FSA debit card transactions processed during the first 2½ months of the new plan year will draw from the prior year balance, if any is remaining, FIRST. For Dependent Care FSA you actually have ninety (90) days after the end of each plan year to turn in receipts which should be submitted along with a standard reimbursement form.

CAN I CHANGE MY ELECTION?

Be aware that you can not change any election during the plan year unless the change is due to a change in your family status (marriage, divorce, childbirth, spousal employment change), your termination of employment, a change in premium by an insurance company or virtually any change in dependent care.

CAN I CLAIM THESE EXPENSES ON MY TAX RETURN IF THEY ARE REIMBURSED TAX FREE IN THIS PLAN?

NO! Under current tax law, you are much better off claiming the expense under this plan except the limited circumstance, referred to in the child care paragraph below.

WHEN SHOULD I CLAIM CHILD CARE ON MY TAX RETURN?

In some circumstances, it may be to your advantage to deduct the child care expenses on your income tax return instead of utilizing the flexible benefits plan. Consult with your tax professional for more information.

WILL THE FICA SAVINGS IMPACT MY SOCIAL SECURITY BENEFIT?

The plan provides significant tax savings to you; however, because social security taxes are reduced, you may have a slight reduction of benefits at retirement or disability. This could be offset by simply saving a portion of your tax savings in a retirement savings program such as a 401(k) or IRA and/or purchasing additional insurance coverage. See the attached illustration.

WHERE DO I CALL WITH QUESTIONS?

For questions on your account, receipts, general, legal or plan questions you may call (800) 257-0986. As always, the Human Resources Department is also available to assist you with questions regarding this or any other benefits.

PLEASE NOTE: These materials are for informational and communications purposes only and do not constitute a plan document. If there is any discrepancy between the plan documents and the communication materials, the plan document will override these materials. The plan sponsor has the right to modify, amend, or terminate this plan at any time.
ADDITIONAL TAX-DEDUCTIBLE MEDICAL EXPENSES

Acupuncture
Alcoholism Treatment
Ambulance
Artificial Limbs
Birth Control Pills
Birth Prevention Surgery (Vasectomy)
Blind Special Education
Braces & Orthodontic Expenses
Braille Books & Magazines
Car Controls for Handicapped
Chiroprist Services
Chiropractors
Christian Science Practitioners’ Fees
Co-Insurance Amounts
Contact Lens Insurance
Contact Lenses & Supplies
Cost of Operations & Related Treatment (not cosmetic)
Crutches
Deductibles on Medical Coverage
Dental Fees
Dentures
Diagnostic Fees
Diets (Cost Above Normal Meals)
Disposable Diapers-Brain Damaged Child
Drug Abuse Treatment
Drug & Medical Supplies
Dyslexia (Language/Remedial Training)
Elastic Stockings
Eyeglasses (Includes Examination Fee)
Guide-Walk Blind Child to School
Halfway House (Rec. by Psychiatrist)
Handicapped Schools or Care
Health Club (Prescribed for specific illness)
Hearing Devices & Batteries
Home Improvements for Medical Cond.
Hospital Bed (Prescribed by Physician)
Hospital Bills
Hypnosis to Treat Illness
Insulin
Iron Lung
Laboratory Fees
Lasik Eye Surgery
Laetrile by Prescription
Lodging for Med. Care ($50/Day Each)
Mattresses/Boards for Arthritis
Membership Fees-For Medical Service (e.g. HMO)
Mental Illness-Cost of Confinement
Midwife
Note-Taker/Interpreter-Deaf College Student
Nursing Services (Including Board/SS Tax)
Obstetrical Expenses
Operations
Oral Surgery
Organ Donor’s Costs
Orthodontics
Orthopedic Shoes
Osteopathic Services
Oxygen & Equipment for Illness
Physicals-Routine & Non-Diagnostic
Physician Fees
Podiatrist Services
Prescription Drugs
Psychiatric Care
Psychologist Fees
Reclining Chair-Health-Prescribed
Retarded Persons-Cost of Special Home
Retirement Home Expense-Medical Part
Seeing-Eye Dog (Including Upkeep)
Sexual Problems Treatment (Psychiatrist)
Sterilization Fees
Surgical Fees (not cosmetic)
Swimming Pool/Spa (By Prescription)
Teacher for Severe Learning Disabled
Telephone Equipment-Hearing Impaired
TV Attachments-Hearing Impaired
Therapeutic Care-Drug/Alcohol Addiction
Therapy Treatments
Transportation-To/From Medical Care
Tuition Fees for medically handicapped (School Gives Medical Cost)
Vitamins (By Prescription)
Weight Loss Program (Prescribed for specific illness including obesity)
Wheelchair
Wigs
X-Rays

NOTE THAT ANY OF THE EXPENSES SHOWN ON THIS LIST FOR EITHER YOU OR YOUR SPOUSE (IF YOU ARE FILING A JOINT RETURN) OR FOR ANY DEPENDENT (SUCH AS A CHILD OR PARENT FOR WHOM YOU ARE PROVIDING SUPPORT) CAN BE REIMBURSED TAX-FREE THROUGH THIS ACCOUNT.¹

¹ S:\share\125\additionaltax.doc.
OVER-THE-COUNTER DRUG EXPENSES

In March of 2010, President Obama signed the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively “the Act”). The Act includes a number of modifications to employee benefit programs.

One provision that will affect employee participants beginning January 1, 2011 is the requirement for over-the-counter (OTC) drugs, medicines and biologicals to be accompanied by a physician’s prescription in order to be reimbursed under health flexible spending accounts (FSAs), health reimbursement arrangements (HRAs) and health savings accounts (HSAs). Below is a summary of this change and how it will impact participants.

CHANGES TO OVER-THE-COUNTER ELIGIBILITY FOR REIMBURSEMENT

Under the Act, OTC drugs, medicines and biologicals will continue to be eligible for reimbursement as long as the request is accompanied by a doctor’s prescription. This means items such as cough medicines, pain relievers, acid controllers, and diaper rash ointment will now require a doctor’s prescription to be submitted along with the reimbursement request. Insulin and other OTC items, such as band-aids, will continue to be eligible without a prescription.

Since this change applies to all expenses incurred on or after January 1, 2011 it will affect all plans and participants at the same time, regardless of the plan year.

OTC drug expenses incurred on or after January 1, 2011 will require a doctor’s prescription in order to be reimbursed under a health FSA, HRA, or HSA. Expenses incurred prior to January 1, 2011 will not.

The IRS clarified how the prescription requirement for OTC medicines and how this will apply to health debit cards. Specifically, IRS has confirmed health debit cards can be used for OTC medicines and drugs when a prescription is presented to a pharmacist and the pharmacist dispenses the drug in accordance with applicable law, and an Rx number is assigned. The pharmacist must retain: the Rx number, the name of the purchaser or the name of the person for whom the prescription applies and the date and amount of the purchase. Records must be accessible by the employer's plan or its agent.

In summary, now participants with a prescription in hand for OTC drugs or medicines, can used a debit card at the drug store pharmacy register rather than paying out of pocket and submitting a manual claim for reimbursement. Keep in mind, health debit cards will not work unless an Rx number is assigned.

Other facts to know:
- “Prescription” is defined as written or electronic order for medicine or drug.
  - Prescriber must be legally authorized to issue a prescription in that state and meet requirements of “applicable state law”

- Two ways to substantiate items:
  - Participant presents a prescription and their debit card to the pharmacy counter
  - Participant provides a receipt with a copy of prescription

- Allows HSA “shoe-boxed” claims from before 12/31/2010 (saved receipts not submitted for reimbursement)

- For now, debit cards can be used for OTC at an 90% Merchant as long as substantiation occurs after the fact (subject to future IRS guidance change)

Though the specific list of items affected has not been completely assessed, the following categories of items will require a doctor’s prescription and cannot be purchased using a health care debit card:

- Acid Controllers
- Allergy & Sinus
- Antibiotic Products
- Anti-Diarrheals
- Anti-Gas
- Anti-Itch & Insect Bite
- Anti-Parasitic Treatments
- Baby Rash Ointments/Creams
- Cold Sore Remedies
- Cough, Cold & Flu
- Digestive Aids
- Feminine Anti-Fungal/Anti-Itch
- Hemorrhoidal Preps
- Laxatives
- Motion Sickness
- Pain Relief
- Respiratory Treatments
- Sleep Aids & Sedatives
- Stomach Remedies
The following are examples of some of the OTC items that will remain available without a doctor’s prescription (can use a Debit Card for these transactions):

- Band Aids
- Birth Control
- Braces & Supports
- Catheters
- Contact Lens Supplies & Solutions
- Denture Adhesives
- Diagnostic Tests & Monitors
- Elastic Bandages & Wraps
- First Aid Supplies
- Insulin & Diabetic Supplies
- Ostomy Products
- Reading Glasses
- Wheelchairs, Walkers, Canes

Should you have any questions please do not hesitate to contact Chappelle/Benefit Elect at 1-800-257-0986.