

Flexible Spending Accounts – Active Employees

Introduction

The Flexible Spending Account Plan provides health care and dependent care reimbursement to eligible employees. The plan allows you to set aside pre-tax dollars that can be used to reimburse yourself for eligible expenses. Two accounts are available under the Flexible Spending Account Plan – The **Health Care Spending Account** and the **Dependent Day Care Spending Account**. You can elect to contribute to one of the accounts, both, or neither.

Eligibility

You are eligible to enroll in either of the Flexible Spending Accounts if you are a benefits eligible employee scheduled to work at least 20 hours per week on a consistent basis. See the General Benefits Information section of the Farm Credit Consolidated Benefits Handbook for additional information.

Coverage Options

The Flexible Spending Account Plan consists of two Spending Accounts. You can choose to participate in either or both accounts. You may also choose to waive coverage under this plan. The two accounts available under the Plan are the:

Health Care Flexible Spending Account – can be used to pay for most medical, dental, prescription, hearing, and vision expenses not covered by other health care plans for you, your spouse, and your eligible dependents.

Dependent Day Care Flexible Spending Account – can be used to pay dependent day care expenses so that you (and your spouse if you are married) can work. These expenses must be for your dependent children under age 13 or for other dependents who are disabled and incapable of self-care.

Contributions to Your Flexible Spending Accounts

Pre-tax Contributions – The amount of money you elect to contribute to the Flexible Spending Accounts for the calendar year is divided by the number of pay periods in the full or partial year, depending on your enrollment date. Pre-tax contributions to the Plan are then automatically taken in equal amounts from each paycheck during the year.

Some states do not recognize contributions to a spending account as pre-tax. If you live in those states, you will be subject to state tax on your contributions, even though you are not subject to federal income tax. (Some city taxes also apply to spending account contributions.)

You should also be aware that contributing to a spending account reduces the compensation base on which disability and old age benefits under Social Security are calculated.

See your tax advisor or accountant for more information.

Maximum Contribution Amounts

Health Care Spending Account – You may set aside up to \$5,000 a year in your Health Care Flexible Spending Account.

Dependent Day Care Account – The maximum contribution allowed is:

- \$5,000 if you are married filing taxes jointly with your spouse **or**, if you are single filing taxes as head of household.
- \$2,500 if you are married filing a separate tax return.

In addition, the most you can contribute to the Dependent Day Care Flexible Spending Account cannot be more than either your or your spouse's income. If your spouse is a full-time student or is incapacitated, special income assumptions apply as follows: If you have one dependent, your spouse's income is considered to be \$250 per month (\$3,000 per year), or \$500 per month (\$6,000 per year) if you have two or more dependents.

How the Plan Works

Health Care Flexible Spending Account

You can use the Health Care Flexible Spending Account to pay for your and your dependent's eligible expenses not covered by other health care plans.

The Health Care Flexible Spending Account allows you to set aside pre-tax dollars to pay for eligible expenses that are not paid by other health care plans for you and your dependents. Your dependents include your spouse, eligible dependent children, and other dependents.

Note: If you elect the Consumer Choice PPO Medical Plan you are eligible to participate in the Health Savings Account (HSA) and cannot enroll in the Health Care Flexible Spending Account.

You may submit a claim for reimbursement for eligible expenses or services incurred during the plan year. If you enroll after January 1, you may submit a claim for eligible expenses or services incurred during your period of coverage. (The date on which you incur expenses is determined by the date you receive services, not the date you receive or pay the bill.)

Eligible Expenses – Health Care Spending Account

In general, eligible expenses are the expenses that you can claim on your federal income tax return. You cannot, however, receive reimbursement for a health care expense and claim the same expense as a deduction on your federal income tax return.

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Examples of eligible and ineligible expenses:

<i>Eligible Expenses</i>	<i>Ineligible Expenses</i>
<ul style="list-style-type: none">• Medical and dental deductibles, copayment and coinsurance• Routine exams (including well-baby exams), prescription drugs (including certain over-the-counter drugs), ambulance service, and private hospital room charges beyond what is covered under a health care plan• Orthodontia (expenses incurred during current year only), physical therapy, eyeglasses, contact lenses, and hearing aids• LASIK eye surgery• Diabetic supplies• Wheelchairs and crutches• Weight loss programs with proof of medical necessity• Mileage on your car as you travel to and from medical service	<ul style="list-style-type: none">• Cosmetic surgery (includes liposuction, electrolysis and teeth whitening)• Premiums for your spouse's or child's insurance coverage

You can get a more detailed list of eligible expenses that can be claimed as a deduction on federal income tax returns from your local IRS office or at www.irs.gov/formspubs/lists. The list is called IRS Publication 502 "Medical and Dental Expenses."

Amount Available for Reimbursement

Your total annual health care contributions are available to be reimbursed at any time during the year. For example, if your claims exceed the balance in your health care spending account, you will be reimbursed up to the total amount you have elected to deposit for the year, regardless of the amount you have contributed at the time you submit your claim.

Dependent Day Care Flexible Spending Account

You may use this account to be reimbursed for day care expenses for your dependents so that you (and your spouse if you are married) can work or attend school.

The Dependent Day Care Flexible Spending Account allows you to set aside pre-tax dollars to be reimbursed for eligible dependent day care expenses that are necessary for you (and your spouse if you are married) to work or attend school. By using the Flexible Spending Account, you can be reimbursed for dependent day care expenses for:

- Your dependent children including your biological children, adopted children or stepchildren, up to age 13; and/or
- An elderly parent, spouse, or child who is incapable of self-care.

In order to receive reimbursement for an expense, the expense must have been paid for care that was necessary to allow you to work or attend school. If you are married, you will not be eligible to receive reimbursement unless your spouse is employed outside the home, actively looking for work, is disabled, or attending classes as a full-time student five calendar months of a year.

You may submit claims for reimbursement for eligible day care services received during your period of coverage. Reimbursement cannot exceed the amount of pre-tax dollars you have contributed to the account as of the date services are incurred. (The date on which you incur expenses is determined by the date you receive services, not the date you receive or pay the bill.)

Eligible Expenses – Dependent Day Care Account

You can use your Dependent Day Care Flexible Spending Account to cover day care costs for your dependents.

- Dependent care may be provided in your home, in another person's home, or in a day care center which complies with local and state regulations. The care provider may be a relative as long as that person is also not your dependent.
- Dependent day care outside the home. If the services are provided outside of your home, your dependent must regularly spend at least eight hours per day in your home. You can be reimbursed for expenses from day care centers for children and disabled adults, but not for 24-hour nursing homes. If the facility provides care for more than six individuals, it must meet all state and local licensing requirements.
- Preschool nursery school. If you have preschool children, the tuition costs for nursery school are eligible to be reimbursed.
- School-age day care. For school-age children, only expenses for day care outside the school are eligible to be reimbursed. For example, summer day care camp is an eligible expense only if the intent is childcare while you (and your spouse) are working.

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Household services provided by housekeeper or maid also qualify if they are necessary for the well-being and protection of the qualifying dependent.

Ineligible Expenses- Dependent Day Care Account

The following are not eligible for reimbursement under the Dependent Day Care Account:

- Expenses that enable you or your spouse to attend meetings or seminars;
- Overnight camp expenses (the cost of sending your child(ren) to a camp);
- Nursing home expenses;
- Dependent health care expenses (these expenses may qualify for reimbursement from your Health Care Flexible Spending Account);
- Expenses for clothing, entertainment, food, books, or education, unless the expenses are related to, and cannot be separated from, the cost of caring for a qualified dependent; and
- Camps that teach a specific skill such as horse camp or computer camp.

Amount Available for Reimbursement

Dependent Daycare contributions deposited as of the date you file a claim are available for reimbursement. If your claims exceed the balance in your Dependent Daycare account, you will be reimbursed only up to the total amount you have contributed to date. The non-reimbursed amount will be pended in the account until there are funds available.

Filing a Claim for Reimbursement

To receive reimbursement from either of your accounts, you must file a claim for reimbursement with Ceridian, the claims administrator. Claim forms are available on the benefits website, www.efoundations.biz (case sensitive ID: foundations – password: HR).

Reimbursement Deadline

- **Year-End** – You have until March 31st to file claims for expenses incurred during the prior plan year. Any money left in the account after March 31 will be forfeited.
- **Mid-Year termination of participation** – You have 90 days from the date participation ends to submit claims for Health Care expenses incurred and until December 31st of that year to submit claims for Dependent day care expenses. Any money left in the account will be forfeited.

Direct Deposit – You can avoid mailing delays through direct deposit of your spending account reimbursements. A Flexible Spending Account Direct Deposit Authorization form is available on the benefits website, www.efoundations.biz (case sensitive ID: foundations – password: HR).

Reimbursement Schedule – Requests that are sent via mail and received at Ceridian by 5:00 p.m. (Eastern Time) Friday, or requests that are sent via fax and are received by 5:00 p.m. (Eastern Time) Monday, will be processed and direct deposits will be initiated the following Thursday. Reimbursement checks are made payable to you.

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Account Statement – You will receive an updated statement with your reimbursement. In addition, you will receive an account statement showing total contributions made to your account(s) and reimbursements made to date. You may access your account information at any time at www.ceridian-benefits.com.

Direct Filing of Claims

If you are enrolled in the Premium or Standard PPO Medical Plan and/or one of the Dental Plans, and you elect to contribute to the Health Care Flexible Spending Account, you may choose to have your claims automatically submitted directly to the Flexible Spending Account for reimbursement after they have been processed under the Medical and/or Dental Plan. To elect this optional feature, you must complete the Automatic Claim Submission Authorization Form available on the benefits website, www.efoundations.biz (case sensitive ID: foundations – password: HR).

If you and/or your dependents are covered under more than one medical or dental plan, you **should not** elect to have your claims automatically submitted to the Flexible Spending Account administrator. You will need to mail or fax your claims to the administrator for reimbursement.

General Information

The Farm Credit Consolidated Benefits department has overall responsibility for the Flexible Spending Account Plans. Administrative services are provided by Ceridian under a contract.

Ceridian FSA Claim Administration
P.O. Box 534134
St. Petersburg, FL 33747-4134
Telephone: 1-877-799-8820 / Fax: 1-877-488-6454
Website: www.ceridian-benefits.com

Tax Law Requirements

By law, the Health Care Flexible Spending Account must satisfy tax law requirements. Among other requirements, the benefits under the Spending Account may not favor highly compensated employees.

In addition, the Dependent Day Care Flexible Spending Account must pass separate tax law requirements. The law requires that the average dependent care benefits provided to employees who are not highly compensated, must be at least 55% of the average benefits provided to highly compensated employees.

If the Flexible Spending Accounts fail the relevant tax law requirement, highly compensated employees will be taxed on all or part of their benefits received under that particular Flexible Spending Account. In order to prevent this increased taxation, your employer may adjust the contribution amounts elected to satisfy such tax law requirements. Your employer will notify you if it becomes necessary to lower your contribution amount.

[This information is deemed to be accurate. In the event that this information is in conflict with the vendor contract or the policy, the contract or policy language will prevail. The employers intend to provide these programs on an ongoing basis; however, they reserve the right to amend or terminate any program at any time.]