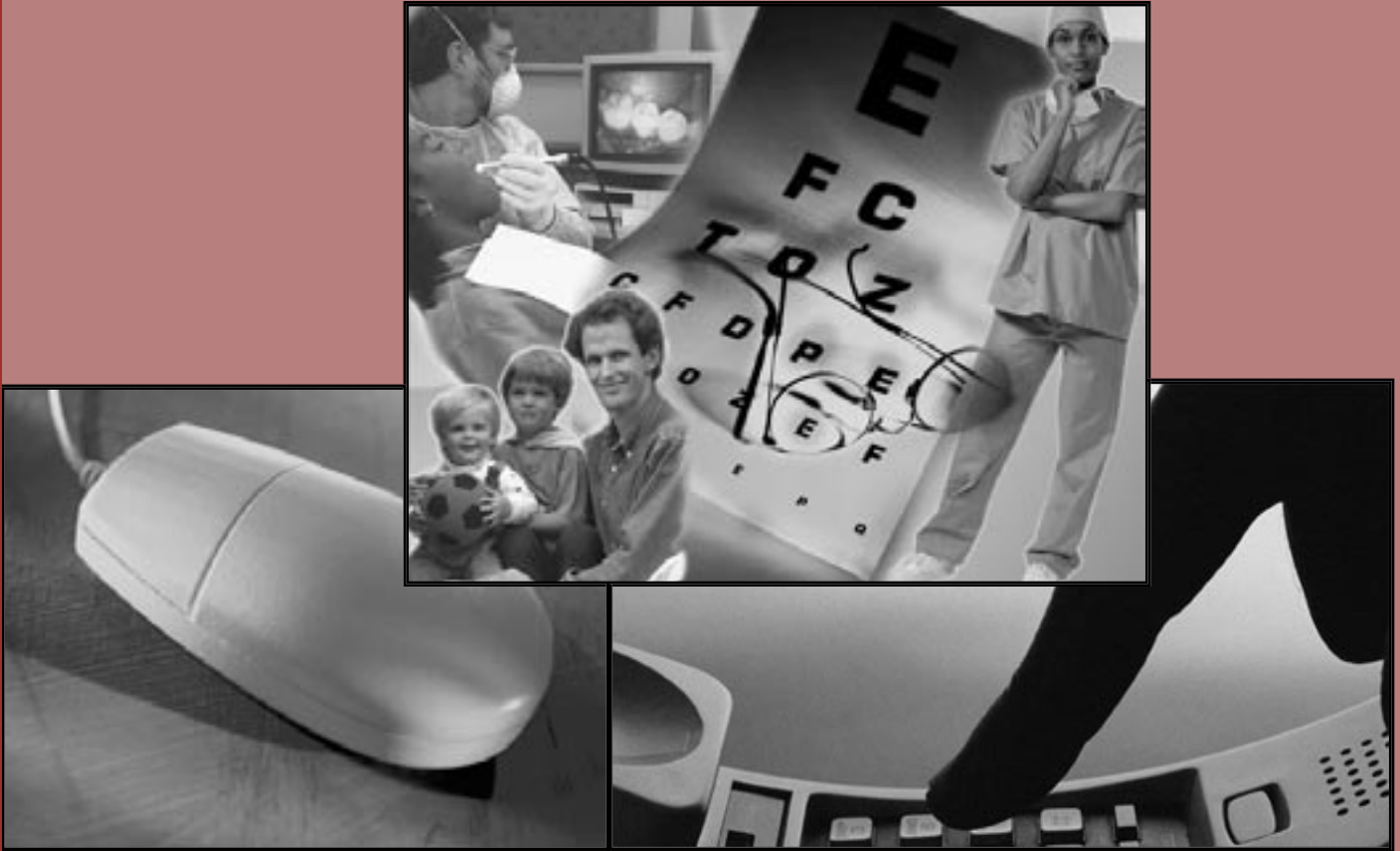


# Employee Reimbursement Accounts Program (ERA)

AN OPTIONAL TAX-FREE BENEFIT PLAN



## OPEN ENROLLMENT

OCTOBER 8 - NOVEMBER 16, 2007

**CURRENT PARTICIPANTS MUST RE-ENROLL TO CONTINUE REIMBURSEMENT ACCOUNT(S) IN 2008.**

Eligible new employees have 30 days following date of hire to enroll.  
Keep this booklet as a reference throughout the plan year.

# Employee Resource Directory

## FRINGE BENEFITS MANAGEMENT COMPANY (FBMC)

**Reimbursement Requests:** P.O. Box 1800  
Tallahassee, FL 32302-1800  
FAX: 1-888-326-2658

**FBMC Customer Service:** Toll-Free Phone: **1-800-342-8017**  
(Monday – Friday, 6 a.m. – 9 p.m. CT)  
<http://www.myFBMC.com>

**Interactive Benefits:** **1-800-865-FBMC (3262)**  
<http://www.myFBMC.com>  
Your personal ERA and Commuter Benefits account information, available 24/7

**Help Line:** **1-866-442-9179**  
Available only from October 8 through November 16, 2007. Call if you're having trouble logging on or enrolling online or via phone. (This is not an enrollment line.)

## EMPLOYEE TRUST FUNDS

**Mailing Address:** P.O. Box 7931  
Madison, WI 53707-7931

**ETF Web site:** <http://etf.wi.gov>  
Another way to link to ERA program information, forms and access to your personal account information. Click on the "Members" tab at the top of the page, then select "Employee Reimbursement Account Program" from the menu.

### *Important Reminders!*

**Open Enrollment for the 2008 plan year is from October 8, 2007, through November 16, 2007.**

Enroll online: <http://www.myFBMC.com>  
Enroll by phone: **1-800-847-8253**

Enrollment lines close at 9:00 p.m. CT on November 16, 2007. For complete open enrollment information, please see Page 7.

#### **Coverage start and end dates**

Coverage for new employees who enroll during the plan year will be effective on the first day of the month that begins on or after the date the enrollment form is received by the Payroll/Benefits Office. This will also be the effective date of election changes made mid-year due to Change in Status events. The coverage end date for employees who terminate mid-year will be the end of the month in which the last ERA deduction was taken.

#### **Grace Period for Medical and Dependent Care Expense Claims**

A two and a half month grace period following the end of the plan year now applies to both the Medical Expense and Dependent Care accounts. Medical and dependent care expenses for services provided through March 15, 2009, may be reimbursed with funds remaining from the 2008 Plan Year.

Reimbursement of claims will be made strictly on a "first in, first out" basis. This means that if you have 2008 expenses that you intend to have paid from your 2008 contributions, they must be submitted and processed before you submit any 2009 reimbursement claims to assure that they are paid out of your 2008 balance.

#### **Deadline for submitting claims**

The deadline (or "run-out period") for submitting claims for expenses incurred during the 2008 Plan Year, including the grace period, will be April 15, 2009. Both medical expense and dependent care claims must be received by FBMC or postmarked by this date to be reimbursed from 2008 funds.

**Keep this booklet for your reference throughout the plan year.**

# Employee Reimbursement Accounts Program (ERA)

AN OPTIONAL TAX-FREE BENEFIT PLAN FOR ELIGIBLE EMPLOYEES

## TABLE OF CONTENTS

<b>GENERAL INFORMATION</b>	<b>4</b>		
What is the ERA Program?	4	Are expenses related to weight-loss eligible for reimbursement?	13
The ERA program has three different parts	4	What medicines and drugs are eligible for reimbursement?	13
How the ERA program works	4	What over-the-counter drugs are eligible for reimbursement?	13
Who is eligible to enroll?	5	Can I be reimbursed for orthodontia?	14
How much should I contribute?	5	I need special equipment to accommodate my illness. Is it reimbursable?	14
What expenses are eligible for reimbursement?	5	Are travel expenses related to my health care reimbursable?	14
Can my insurance premiums be reimbursed?	5	What documentation is required for reimbursement of travel expenses?	15
Will the full amount of each claim be reimbursed?	5	Should I use a Medical Expense Reimbursement Account or claim my medical expenses on my 1040?	15
When does my period of coverage start?	5		
When does my period of coverage end?	6	<b>DEPENDENT CARE REIMBURSEMENT ACCOUNT</b>	<b>16</b>
What happens if I don't spend all of my money?	6	What are the contribution limits?	16
Can I use money from one account to pay for expenses from another account?	6	Who is a qualified dependent?	16
Can I continue coverage if I terminate employment or take a leave of absence?	6	What rules apply to dependent care?	16
Appeal Process	6	What expenses are eligible for reimbursement?	16
		What expenses are ineligible?	17
<b>ENROLLMENT INFORMATION</b>	<b>7</b>	Should I use a Dependent Care Reimbursement Account or a Child Care Tax Credit?	17
When can I enroll?	7		
How do I enroll during open enrollment?	7	<b>IMPACT OF THE ERA PROGRAM ON SOCIAL SECURITY, WRS AND OTHER BENEFITS</b>	<b>19</b>
What is my user ID and PIN?	7	Social Security	19
Can I change my election during open enrollment?	7	WRS and other state benefits	19
Can I change my election after open enrollment?	7	Tax-sheltered annuities and deferred compensation	19
Can I change my election after the plan year begins?	7		
Can I enroll after the open enrollment period?	8	<b>CHANGES DURING THE YEAR</b>	<b>20</b>
Enrollment for newly hired employees	8	Am I permitted to make mid-plan year election changes?	20
Enroll for employees who experience a Change in Status	8	What is the deadline for filing a Change in Status request?	20
When will my coverage start if I enroll mid-plan year?	8	What is my coverage effective date if my Change in Status request is approved?	20
ERA Enrollment Guide	9	What is my period of coverage when I make an election change?	20
Work Location Numbers	10	How do I request an election change?	20
		What changes are permitted by the IRS?	21
<b>AUTOMATIC PREMIUM CONVERSION</b>	<b>11</b>		
Which premiums may be taken on a pretax basis?	11	<b>REIMBURSEMENT INFORMATION</b>	<b>23</b>
Do I need to re-enroll every year?	11	How do I get my money?	23
What if I don't want to participate in automatic premium conversion?	11	When can I submit claims?	23
When will the waiver be effective?	11	What is the deadline for submitting claims?	24
		How can I get my money faster? (Rapid Refund)	24
<b>MEDICAL EXPENSE REIMBURSEMENT ACCOUNT</b>	<b>12</b>	How can I find my account balance?	24
What are the contribution limits?	12	Personal Account Information	24
Who is a qualified dependent?	12		
What expenses are eligible for reimbursement?	12	<b>WORKSHEETS</b>	<b>25</b>
What expenses are ineligible?	13		
When is a Letter of Medical Need required?	13		
Who should complete the Letter of Medical Need form?	13		
What should be included on the Letter of Medical Need?	13		
What if my healthcare needs change after the plan year starts?	13		

# General Information

## What is the ERA Program?

The Employee Reimbursement Accounts (ERA) Program is an optional benefit established for eligible state employees. Employee Reimbursement Accounts, also referred to as “Flexible Spending Accounts,” are authorized under Sections 125, 105, and 129 of the Internal Revenue Code and Wis. Stats. §40.85 – §40.875. The ERA program allows you to pay for eligible expenses from your pre-tax income rather than your after-tax income.

## The Employee Reimbursement Accounts (ERA) program has three different parts:

- A tax-free Medical Expense Reimbursement Account that covers eligible expenses not reimbursed by any medical, dental, or vision care plan you or your dependents may have.
- A tax-free Dependent Care Reimbursement Account that covers eligible dependent care expenses incurred so that you and your spouse (if married) can work, actively look for work, or so that your spouse can attend school full time. **This account is NOT for medical expenses incurred by your dependents.**
- Automatic Premium Conversion, the automatic pre-tax treatment of your payroll deducted premiums for state group health and group life insurance (excluding spouse and dependent life insurance costs), EPIC dental and excess medical insurance, Spectera vision plan and DentalBlue dental plan.

**Here's how the ERA program could work to increase your spendable income by saving taxes:**

## Here's how the ERA program works

- Determine how much money you need to set aside. Plan carefully. If you have unused dollars at the end of the plan year, they will be forfeited. The worksheet on Page 25 can help you plan your account contribution.
- The amount you set aside is deducted from your pay on a pre-tax basis in equal amounts throughout the year. For example, if you decided to contribute \$910 to your Medical Expense ERA and you are paid 26 times per year, you would have \$35 deducted from each paycheck and credited to your Medical Expense ERA.
- When you have eligible expenses, submit a claim for reimbursement. Include appropriate documentation to support your claim, such as an itemized bill or receipt, or an Explanation of Benefits (EOB) from your insurance company.
- FBMC will promptly process your claim. Claims are processed within five business days upon receipt by FBMC and eligible expenses will be reimbursed via check, or directly deposited into your bank account if you choose Rapid Refund.

All of your ERA contributions (including premiums deducted through Automatic Premium Conversion) are taken out of your paycheck before federal and state income, and Social Security taxes are calculated on your remaining salary. You keep more money in your pocket because you pay less in taxes!

### ERA Savings Example\*

With ERA		Without ERA
\$39,000.00	Annual Gross Income	\$39,000.00
<u>- 5,000.00</u>	ERA Deposit for Recurring Expenses	<u>- 0</u>
\$34,000.00	Taxable Gross Income	\$39,000.00
<u>- 6,946.00</u>	Federal, Social Security Taxes	<u>-8,078.50</u>
\$27,054.00	Annual Net Income	\$30,921.50
<u>- 0</u>	Cost of Recurring Expenses	<u>-5,000.00</u>
\$27,054.00	Spendable Income	\$25,921.50

**By using an ERA to pay for anticipated recurring expenses, you convert the money you save in taxes to additional spendable income. That's a potential annual savings of:**

**\$1,132.50!**

\* Figures assume a 12 month plan year, federal withholding (10% on first \$15,100, 15% on remaining balance) and 7.65% Social Security taxes. Individual tax rates may vary. State of Wisconsin income tax has not been included in these calculations.

## **Who is eligible to enroll?**

- Most full-time or part-time classified and unclassified state and university employees are eligible to participate.
- Employees who are classified as fellows, scholars, and research assistants in the University of Wisconsin System, limited term employees (LTEs), student hourlies, per diems and other temporary employees may not participate.

## **How much should I contribute?**

- You can contribute up to \$5,000 in a Dependent Care Reimbursement Account and \$7,500 in a Medical Expense Reimbursement Account. The minimum contribution for both accounts is \$100.
- Plan carefully before you enroll. Funds remaining in your account(s) at the end of the plan year and your grace period, after all eligible expenses have been reimbursed, will be forfeited to the State of Wisconsin.
- Carefully review your Dual-Choice booklet to help determine your medical expenses. Also review any other health, dental, or vision coverage you may have that may affect your healthcare costs.
- Use the ERA worksheets provided on Page 25 of this booklet to help you calculate the amount you expect to pay during the plan year for eligible dependent care and/or uninsured out-of-pocket medical expenses. (Refer to the individual reimbursement account descriptions on Pages 12-18 in this booklet for information specific to each type of account.)
- Be sure the amount you set aside is a realistic amount. Keep in mind that you have to make contributions to your reimbursement account and also pay for expenses out-of-pocket before a reimbursement check arrives.

## **What expenses are eligible for reimbursement?**

Only expenses for services that you receive during your period of coverage in the 2008 Plan Year are eligible for reimbursement, regardless of when you were billed or when you pay for them. More details about eligible medical and dependent care expenses may be found on Pages 12-18.

## **Can my insurance premiums be reimbursed?**

No, IRS regulations prohibit the reimbursement of any insurance premiums through a medical expense reimbursement account. However, premium payments for state group health and life, EPIC excess medical, Spectera vision and DentalBlue dental coverage are automatically deducted from your paycheck on a pre-tax basis, unless you have filed a Premium Conversion Waiver Form. See Page 11 for more information about Automatic Premium Conversion.

## **Will the full amount of each claim be reimbursed?**

Eligible claims for medical expenses will be paid up to the annual amount you've elected to contribute to your Medical Expense ERA, even though your total annual deductions have not been taken from your paycheck.

Dependent care expenses will be paid up to your current balance. If you file a claim for more than your current dependent care balance, the claim will be paid up to the balance in your account and the remainder will be held until additional contributions have been added to your account.

## **When does my period of coverage start?**

- If you enroll during the Open Enrollment period, your period of coverage begins January 1, 2008.
- If you enroll within 30 days following your hire date or the date of your Change in Status qualifying event, your period of coverage starts on the first day of the month that begins on or after the date your enrollment form is received by your Payroll/Benefits Office on the date your Change in Status form is received by FBMC's Madison Office. Only eligible expenses incurred on or after this effective date are reimbursable. See Page 20 for more information about Change in Status effective dates.

Your first payroll deduction will be on the first available paycheck. The date of the first deduction will depend on the date your enrollment form is received by your Payroll/Benefits Office, as well as payroll cut-off dates. The first deduction may occur before or after the coverage start date.

### **EXAMPLE:**

Your employment start date is March 15, 2008. You have 30 days after that date to enroll in the program. If your employer receives your properly completed and signed enrollment form on or before April 1, your coverage will start on April 1. If your enrollment form is received between April 2 and April 14, your coverage will start on May 1.

## **When does my period of coverage end?**

- If you remain employed to the end of the plan year (December 31, 2008), you can incur medical and/or dependent care expenses through March 15, 2009, and be reimbursed from 2008 contributions.

## **Medical Expense Account**

- If you terminate employment or cease to be an eligible employee prior to the end of the plan year and do not arrange to continue your coverage, your coverage ends at the end of the month in which your last ERA payroll deduction was taken. Expenses for services provided to you after this date are not reimbursable.

### *Examples:*

1. An employee whose last 2008 bi-weekly paycheck is dated April 13 will have ERA coverage end as of April 30.
2. An employee whose last 2008 monthly paycheck is dated May 1 will have ERA coverage end as of May 31.

## **Dependent Care Account**

- If you terminate employment or cease to be an eligible employee prior to the end of the plan year, you cannot continue dependent care contributions. You can continue to request reimbursement for eligible expenses from your Dependent Care Reimbursement Account until you exhaust your account balance or March 15, 2009, whichever comes first, even if you have not contributed the full annual amount for which you enrolled.

## **What happens if I don't spend all of my money?**

IRS regulations stipulate that any amount left in your account at the end of a plan year after all submitted reimbursement requests have been processed will be forfeited to the State of Wisconsin. Funds cannot be returned to you.

## **Can I use money from one account to pay for expenses from another account?**

No, funds deposited in a dependent care account cannot be used to reimburse medical expenses (and vice versa).

## **Can I continue coverage if I terminate employment or take a leave of absence?**

Your participation in the ERA program may cease during a plan year if you terminate employment, transfer to an ineligible position or go on an unpaid leave of absence, unless you make arrangements to continue your coverage.

There are several ways for you to continue your reimbursement account(s) for the remainder of the plan year.

- You can contribute the remainder of your annual election amount via a tax-free lump sum contribution taken from your last regular paycheck(s). When you have contributed your full annual election amount to your account(s), you can receive reimbursement for eligible expenses until your full annual amount has been reimbursed or the plan year ends (including the grace period), whichever occurs first.
- You can contribute with after-tax payments to your account (Medical Expense Reimbursement Accounts only).
- In some cases you may also change your election amount by filing a Change in Status Form. See Pages 20-22 for more information about qualified Changes In Status events.

Contact your Payroll/Benefits Office for more information about your options and the required procedures for continuation.

## **Appeal Process**

If you have a claim denied in full or in part, or if you have a Change In Status request denied, you have the right to appeal the decision by sending a written request for review to the address below within 30 days of the denial. Your written request must state why you think your request should not have been denied. Your letter must include the name of your employer, the date of the services for which benefits were denied (if applicable), a copy of the claim or request, any denial letter you received and any additional documents, information or comments you think may have a bearing on your appeal.

Upon receipt of your written request, your appeal will be reviewed. You will normally be notified of the results of this review within 30 days from receipt of your written request. In unusual cases, as when review of your appeal requires additional documentation, the review may take longer than 30 days. If your appeal is approved, additional processing time is required to modify your benefit elections or process your claim.

**PLEASE NOTE:** Appeals are approved only if the extenuating circumstances and supporting documentation are within IRS regulations governing the plan.

**Fringe Benefits Management Company (FBMC)  
Appeals Committee  
P.O. Box 1878  
Tallahassee, FL 32302-1878  
1-800-342-8017**

## ***When can I enroll?***

### **Open Enrollment October 8 – November 16**

Current employees must enroll in the Medical Expense Reimbursement Account and/or the Dependent Care Reimbursement Account for the 2008 Plan Year during the Open Enrollment period. (You do not need to re-enroll for Automatic Premium Conversion. Your participation will continue automatically.)

## ***How do I enroll during open enrollment?***

There are two fast and easy ways to enroll:

- **Telephone** – Call toll-free (1-800-847-8253), then follow the voice prompts.
- **Internet** – Log on to <http://www.myFBMC.com> or go to the Employee Trust Funds internet site and then click on the “ERA Open Enrollment” link.

Call or log on anytime between October 8 and November 16, 2007. The enrollment line closes at 9 p.m. CT on November 16, 2007. Be sure to write down your Confirmation Number before ending your enrollment session over the telephone or on the Internet.

## ***Important Information About Your User ID and Personal Identification Number (PIN)?***

In response to customer requests, FBMC has implemented a new unique sixteen-digit employee account number. This new number will serve as your User ID in lieu of your Social Security Number (SSN) on both the [www.myFBMC.com](http://www.myFBMC.com) Web site and the Interactive Voice Response (IVR) telephone system.

To obtain your FBMC Account Number, simply log on to [www.myFBMC.com](http://www.myFBMC.com) or call the Interactive Benefits IVR phone line at 1-8800-865-FBMC (3262) or the Enrollment IVR line at 1-800-847-8253 and follow the prompts. To log on initially, use your SSN as your User ID and your four-digit Personal Identification Number (PIN), the same PIN you used when you enrolled last year and use to access your account information. If you have forgotten your PIN, click the “Need Help?” link for help, or you may call or send an e-mail to FBMC Customer Service.

If you are new to the ERA program, your PIN is the last four digits of your SSN. You will be required to change the PIN to one of your choosing.

Once you are on the Web site, your new FBMC Employee ID will be listed under your Account Information. On the IVR system, a recording of your new account number will be a menu item. Please be sure to write it down for future reference. This account number may be used as your User ID whenever you access your personal account information or when you enroll.

If you forget or lose your FBMC Account Number, simply log back in to either the Web site or Interactive Benefits IVR system using your SSN and PIN. The account number will be noted under your account information on the Web site and as a menu item on the IVR system. If you have any questions regarding your new FBMC Account Number, please contact FBMC Customer Service at 1-800-342-8017.

## ***Can I change my election during open enrollment?***

Yes, you can change your election at any time during the open enrollment period. Simply use the Internet or telephone enrollment line at any time during the open enrollment period to make the change. Only the last election that you made will be saved. Be sure to record and save your new confirmation number every time you change your election. If you enroll via the Internet, be sure to carefully review the amount entered and print your confirmation page.

**IMPORTANT:** If you enrolled for both a Medical Expense Account and a Dependent Care Account, but wish to change the election amount for only one account, please remember to enter the amount you wish to contribute to both, not just the one account you are changing. If you only enter contribution amounts for one account, only that information will be saved and you will be enrolled in only one ERA account for the 2008 Plan Year.

## ***Can I change my election after open enrollment?***

If you wish to change your election, cancel your election, or enroll after the enrollment period and before the plan year starts, you must send a letter of appeal, along with a completed enrollment form to the Wisconsin Appeals Committee at FBMC, P.O. Box 1878, Tallahassee, FL 32302. You may also fax your appeal request to G. Robertson, Client Services (1-850-425-6220). The appeal letter must outline the circumstances surrounding the requested change. You will be notified by FBMC if your appeal request is approved or denied.

## ***Can I change my election after the plan year begins?***

Enrollment elections cannot be changed after the plan year begins unless there is a qualifying change in status event that affects your eligibility to participate in the benefit.

Benefit election changes are allowed only if the requested change is on account of and corresponds to the status change event and must be approved by FBMC before it can take effect. See Pages 20-22 for more information about change in status events and how to request a change.

## **Can I enroll after the Open Enrollment period?**

Enrollment after the annual open enrollment period is not permitted unless you are a newly-hired employee or experience a qualifying change in status event.

## **Enrollment for newly hired employees**

You may enroll in the ERA program by submitting an enrollment form within 30 days following your hire date.

**Step 1** – Determine the amount you wish to contribute for the remainder of the plan year following your effective date of coverage. Your department's Payroll/Benefits Office will assist you in determining the number of paychecks remaining in the year.

**Step 2** – Complete a paper ERA Enrollment Form available from your Payroll/Benefits Office. (The Internet and phone enrollments are not available after the Annual Enrollment period.)

**Step 3** – Return your completed enrollment form to your Payroll/Benefits Office, not to FBMC.

## **Enrollment for employees who experience a Change in Status**

You may enroll in the ERA program by submitting a Change in Status Form within 30 days after you experience a Change in Status event such as marriage, birth, or adoption. See Pages 20-22 for more information on valid Change in Status events and for instructions on how to enroll via a Change in Status form.

## **When will my coverage start if I enroll mid-plan year?**

If you enroll within 30 days following your hire date or the date of your change in status qualifying event, your coverage will start on the first day of the month that begins on or after the date your approved Change in Status Form is received by FBMC's Madison Office or your enrollment form is received by your employer. Only eligible expenses for services provided to you on or after this effective date are reimbursable.

Your first payroll deduction will be on the first available paycheck. The date of the first deduction will depend on the date your enrollment form is received by your Payroll/Benefits Office (new hires) or your Change in Status Form is received by FBMC, as well as payroll cut-off dates. The first deduction may occur before or after the coverage start date.

### **EXAMPLE:**

Your employment start date or Change in Status event is March 15, 2008. You have 30 days after that date to enroll in the program. If your employer receives your properly completed and signed enrollment form, or FBMC's Madison Office receives a Change in Status Form, on or before April 1, and if the event has occurred on or before the first of the month, your coverage will start on April 1. If your form is received between April 2 and April 14, your coverage will start on May 1.

# ERA Enrollment Guide

**Internet Enrollment:** <http://www.myFBMC.com> or <http://etf.wi.gov>, then click on the "ERA Open Enrollment" link  
**Telephone Enrollment:** 1-800-847-8253

**THIS IS NOT AN ENROLLMENT FORM. USE THIS GUIDE TO MAKE YOUR ENROLLMENT VIA INTERNET OR TELEPHONE FAST AND EASY. CALL THE MADISON HELP LINE LISTED BELOW IF YOU NEED A PAPER FORM.**

## USER ID

FBMC has implemented a new sixteen-digit Employee Account Number. This new number will serve as your User ID in lieu of your Social Security Number (SSN). See Page 7 for information about how to obtain your Employee Account Number.

## PERSONAL IDENTIFICATION NUMBER (PIN)

Your four-digit PIN is the same PIN that you used when you enrolled last year and use to access your account information on the [www.myFBMC.com](http://www.myFBMC.com) Web site or through the Interactive Benefits phone line. If you have forgotten your PIN, click the "Need Help?" link in the Employee Login box for help, or you may call or send an e-mail to FBMC Customer Service. If you are new to the ERA program, your PIN is the last four digits of your SSN. You will be required to change the PIN to a 4-digit PIN of your choosing.

## WORK LOCATION NUMBER (Refer to the list on Page 10)

Your work location may not be properly identified if you are a new employee or have recently changed jobs. Call the Madison Enrollment Help Line if your work location is not properly identified.

## NUMBER OF PAYCHECKS

Employees paid bi-weekly will receive 26 paychecks in 2008. Employees paid monthly may receive 12 paychecks if they have a full-year appointment. Those with less than a full-year appointment, i.e. 6 months, 9 months, 10 months etc., should use the appropriate number.

## WORK PHONE NUMBER

--

## E-MAIL ADDRESS

This information is used solely for program administration. In no event will it be sold or used for any other purposes.

## ERA annual deduction amounts: (include decimal for Internet)

**Medical Expense Annual Amount (Minimum = \$100; Maximum = \$7,500)**      \$  .

**Dependent Care Annual Amount (Minimum = \$100; Maximum = see below)**      \$  .

## TAX FILING STATUS (DEPENDENT CARE ACCOUNTS ONLY)

- MARRIED, FILING SEPARATELY (\$2,500 MAXIMUM)  
 MARRIED, FILING JOINTLY (\$5,000 MAXIMUM)  
 SINGLE, HEAD OF HOUSEHOLD (\$5,000 MAXIMUM)

**Write your Confirmation Number here: (Keep for future reference)**

**IF YOU HANG UP OR QUIT BEFORE YOU RECEIVE A CONFIRMATION NUMBER, YOUR BENEFIT SELECTIONS HAVE NOT BEEN SAVED AND YOU ARE NOT ENROLLED. IF YOU ENROLL ONLINE, PLEASE PRINT THE SUMMARY PAGE FOR YOUR RECORDS.**

You can change your election through the Internet or telephone system at any time during Open Enrollment. See Page 7 for specific instructions. No changes can be made after the plan year begins unless you experience a qualifying change in status event. See Page 20-22 for more information about change in status events.

**TROUBLE ENROLLING? CALL THE MADISON HELP LINE TOLL-FREE AT 1-866-442-9179.**

# Work Location Numbers

505	Administration	550	Public Defender
432	Aging and Long Term Care Board	255	Public Instruction
115	Agriculture, Trade and Consumer Protection	507	Public Lands, Board of Commissions
215	Arts Board	155	Public Service Commission
625	Circuit Courts	165	Regulation and Licensing
143	Commerce	566	Revenue
410	Corrections	575	Secretary of State
660	Court of Appeals	190	State Fair Park Board
475	District Attorneys	585	State Treasurer
225	Educational Communications Board	680	Supreme Court
510	Elections Board	380	Tourism
425	Employment Relations Commission (WERC)	395	Transportation
515	Employee Trust Funds	495	UW Hospital and Clinics
521	Ethics Board	285	University of Wisconsin
525	Executive Office		UW - Eau Claire
144	Financial Institutions		UW - LaCrosse
511	Government Accountability Board		UW - Stout
435	Health and Family Services		UW - Oshkosh
235	Higher Educational Aids Board		UW - Platteville
245	Historical Society		UW - River Falls
145	Insurance Commission		UW - Stevens Point
536	Investment Board		UW - Superior
665	Judicial Commission		UW - Whitewater
455	Justice		UW - Madison
765	Legislature		UW - Milwaukee
	Assembly		UW - Green Bay
	Sergeant at Arms		UW - Parkside
	Legislative Council		UW - Colleges
	Legislative Fiscal Bureau		UW - Extension
	Legislative Reference Bureau		UW - System Admin.
	Senate	485	Veteran's Affairs
	Revisor of Statutes	440	Wisconsin Health and Educational Facilities Authority (WHEFA)
	Legislative Technology Services Bureau	490	Wisconsin Housing and Economic Development Authority (WHEDA)
770	Legislative Audit Bureau	292	Wisconsin Technical College System Board
360	Lower Wisconsin Riverway Board	100	WISCRAFT
540	Lieutenant Governor's Office	445	Workforce Development
465	Military Affairs		
370	Natural Resources		
545	Office of State Employment Relations (OSER)		

## ***Which premiums may be taken on a pre-tax basis?***

Premium Conversion allows the following premiums to be deducted from your salary on a pre-tax basis:

- State group health insurance
- State group life insurance
- EPIC dental and excess medical insurance
- Spectera vision benefit
- DentalBlue dental Insurance

**IMPORTANT:** The premiums that you pay for other coverage (for example: other medical, dental, life, income continuation or long-term care insurance) are not affected by this plan.

IRS regulations require that employer-provided group term life insurance coverage in excess of \$50,000 results in a tax liability. This liability is offset by the portion of life insurance premiums you pay. Any liability you incur will appear on your annual wage and tax statement (W-2 Form) that you receive each January.

## ***Do I need to re-enroll every year?***

No, you do not need to re-enroll for Automatic Premium Conversion. Your participation will continue automatically.

## ***What if I don't want to participate in automatic premium conversion?***

If you wish to continue to pay taxes on your premium amounts, fill out an Automatic Premium Conversion Waiver/Revocation of Waiver Form (ET-2340) and return it to your Payroll/Benefits Office. You can obtain a Waiver form from your Payroll/Benefits Office, or by going to the ETF Internet site.

## ***When will the waiver be effective?***

- If you file a waiver within 30 days after the date you are first eligible to participate in the ERA program, the date you are first eligible for insurance that is affected by premium conversion, or the date you experience a qualifying change in status event, the waiver will be effective on the first of the month following the processing of your form.
- If you file the waiver at any other time, it will become effective on January 1 of the following plan year.

Once you have filed a waiver it will remain in effect for future plan years, unless you file an Automatic Premium Conversion Waiver/Revocation of Waiver Form (ET-2340) with your Payroll/Benefits Office.

# Medical Expense Reimbursement Account

This account allows you to use tax-free money to pay for uninsured medical expenses incurred by you, your spouse and your dependents. All expenses must be for services provided during the plan year or during your period of coverage.

## What are the contribution limits?

**Minimum annual contribution: \$100**

**Maximum annual contribution: \$7,500**

## Who is a qualified dependent?

Your Medical Expense Reimbursement Account may be used to reimburse eligible expenses incurred by:

- yourself
- your spouse
- your qualifying child or
- your qualifying relative.

An individual is a **qualifying child** if they:

- are a U.S. citizen, national or a resident of the U.S., Mexico or Canada
- have a specified family-type relationship to you
- live in your household for more than half of the taxable year
- are 18 years old or younger (23 years, if a full-time student) at the end of the taxable year and
- have not provided more than one-half of their own support during the taxable year (and receive more than one-half of their support from you during the taxable year if a full-time student age 19 through 23 at the end of the taxable year).

An individual is a **qualifying relative** if they are a U.S. citizen, national or a resident of the U.S., Mexico or Canada and:

- have a specified family-type relationship to you, are not someone else's qualifying child and receive more than one-half of their support from you during the taxable year **or**
- if no specified family-type relationship to you exists, are a member of and live in your household (without violating local law) for the entire taxable year and receive more than one-half of their support from you during the taxable year.

**Note:** There is no age requirement for a qualifying child if they are physically and/or mentally incapable of self care. An eligible child of divorced parents is treated as a dependent of both, so either or both parents can establish a Medical Expense Reimbursement Account.

## What expenses are eligible for reimbursement?

To be eligible for reimbursement, IRS regulations require that expenses must be for medical care incurred primarily for the diagnosis, care, mitigation, treatment or prevention of disease or illness and for treatments affecting any part or function of the body. Any expense that is recommended for the improvement of general health is not eligible.

## Eligible Expenses (partial list)

Acupuncture <sup>1</sup>	Massage therapy <sup>1</sup>
Alcoholism treatment	Medical Mileage (See Page 15)
Ambulance service	Nursing services
Artificial limbs	Optometrist fees
Birth control pills	Orthodontic treatment
Braille books and magazines <sup>3</sup>	Over-The-Counter (OTC) medicines <sup>2</sup>
Car controls for the handicapped	Orthopedic shoes <sup>3</sup>
Chiropractic care	Oxygen
Contact lenses (corrective)	Psychoanalysis
Contact lens solutions & cleaners	Periodontal fees
Crutches	Prescription drugs to alleviate nicotine withdrawal symptoms
Dental fees	Reconstructive surgery after mastectomy <sup>1</sup>
Dental implants	Smoking cessation programs/treatments
Diagnostic tests	Radial keratotomy
Doctors' fees	Special schools for the handicapped
Duplicate prosthetic devices	Surgery <sup>1</sup>
Drug addiction treatment	Telephone for the deaf
Drugs <sup>2</sup>	Transplants of organs
Experimental medical treatment	Transportation for local and medically necessary out-of-town care (see Page 14)
Eyeglasses	Vaccinations
Guide dogs	Vitamins/natural supplements <sup>2</sup>
Health and dental insurance deductibles/co-payments	Weight-loss programs/meetings <sup>1</sup>
Hearing aids & exams	Wheelchairs
Hearing treatment	X-rays
Hospital services	
In-patient or out-patient therapy for mental or nervous disorders	
Injections	
In vitro fertilization	
Lab fees	
Laser eye surgery	
Learning disability tuition <sup>1</sup>	

1. Requires a Letter of Medical Need from the treating healthcare provider (see Page 13 for more information).

2. Not all prescription or OTC drugs are approved by the IRS as eligible for reimbursement (see Page 13 – 14 for more information).

3. Only the increased cost of a special version of an otherwise personal item is reimbursable (see Page 14 for more information).

Note: Budget conservatively. No reimbursement or refund of Medical Expense FSA funds is available for services/surgeries that do not occur.

\* IRS-qualified medical expenses are subject to federal regulatory change at any time during a tax year.

## **What expenses are ineligible?**

- Insurance premiums
- Vision warranties and service contracts
- Health or fitness club membership fees. These fees may be eligible if prescribed to treat a diagnosed medical condition such as diabetes. Written proof of medical necessity is required.
- Cosmetic surgery or expenses primarily for cosmetic purposes
- Expenses for services provided outside the plan year or your period of coverage.

A more complete list appears in IRS Publication 502, available at your Internal Revenue Service office or from the IRS Internet site at [http://www.irs.ustreas.gov/prod/forms\\_pubs/pubs.html](http://www.irs.ustreas.gov/prod/forms_pubs/pubs.html).

**Note:** IRS regulations prohibit personal insurance premiums, including long-term care, and any advance payments for future care, such as fees to a retirement facility, from being reimbursed through a Medical Expense Reimbursement Account, even though it is listed as deductible in IRS Publication 502.

## **When is a Letter of Medical Need required?**

Medical care that is provided for specific medical purposes, but may also be provided for personal and/or cosmetic reasons, will require a signed, dated and completed Letter of Medical Need from the attending healthcare professional.

A Letter of Medical Need must accompany the first reimbursement claim each plan year, even if it is for continuing service.

Examples of services that need a Letter of Medical Need include massage therapy, weight-loss programs, over-the-counter drugs and medicines (such as vitamins and minerals that are usually used to maintain general health), and prescriptions for drugs like Accutane, Rogaine and Viagra, that are primarily prescribed for cosmetic reasons.

## **Who should complete the Letter of Medical Need form?**

The Letter of Medical Need should be completed by your healthcare provider (your primary care physician or the healthcare professional who provides the treatment) who will provide the medical diagnosis and treatment on the Letter of Medical Need.

## **What should be included on the Letter of Medical Need?**

The Letter of Medical Need should include the specific diagnosis, the recommended treatment and the duration of the treatment. The healthcare professional must sign and date the Letter of Medical Need. You may use the Letter of Medical Need Form or any other documentation from the provider which includes all of the required information. A Letter of Medical Need Form is available on the FBMC and ETF Web sites.

## **What if my healthcare needs change after the plan year starts?**

The IRS prohibits changes in Medical Expense ERA coverage due to a change in your healthcare plan coverage or eligibility. Likewise, a change in your health plan's drug formulary or the status of over-the-counter drugs is not an event that allows for a mid-plan year change. Be sure to verify with your healthcare provider (prior to the commencement of the upcoming plan year) that you are a suitable candidate for any procedure (such as laser eye surgery or other elective procedure) before committing the money to your Medical Expense ERA. Unused funds designated for a medical expense account cannot be refunded to you. IRS-qualified medical expenses are subject to federal regulatory change at anytime during a tax year.

## **Are expenses related to weight-loss eligible for reimbursement?**

The IRS officially recognizes obesity as a disease and out-of-pocket medical expenses for doctor prescribed treatment of obesity is reimbursable under your Medical Reimbursement Account. This includes treatment in weight-loss programs and/or meetings; it excludes diet foods that are substitutes for normal nutritional requirements.

Weight loss programs and memberships at a gym undertaken for your general health are not reimbursable. When submitting a reimbursement claim, be sure to include a Letter of Medical Need that states the condition for which you are being treated. Remember that gym sign up fees, initial fees or enrollment fees are not reimbursable. Only the monthly fee is reimbursable.

## **What medicines and drugs are eligible for reimbursement?**

Medicines and drugs, both prescription and over-the-counter (OTC), must meet the "medical necessity" definition to be reimbursable. For example, daily vitamins, minerals, and other dietary supplements are not usually eligible for reimbursement because they are used to maintain general health. However, if they are prescribed by your healthcare provider to treat a specific condition (i.e. iron tablets for anemia, calcium supplements for osteoporosis), they are reimbursable if accompanied by a Letter of Medical Need from your physician.

## **Which over-the-counter drugs are eligible for reimbursement?**

Categories of over-the-counter (OTC) drugs and supplies that are eligible for reimbursement include: antacids, pain relief, cold remedies, allergy medications and other items that treat specific medical conditions (e.g. laxatives, antibiotics, anti-diarrheals, bandages, cold/hot packs for injuries).

# Medical Expense Reimbursement Account

CONTINUED

A list of OTC drugs eligible for reimbursement can be found on FBMC and ETF Web sites and may be updated periodically. If other drug or medicine categories are added to the list, that expense will be reimbursable retroactively to the start of the current plan year. You may resubmit a copy of your receipt(s) for a previously rejected claim if the OTC expense becomes eligible for reimbursement later in the same plan year.

**Note:** Newly eligible medicines and drugs are not considered a valid change in status event that would allow you to change your annual reimbursement account election amount.

## ***Can I be reimbursed for orthodontia?***

Orthodontia expenses are reimbursable if the treatment is designed to correct a medical condition such as malocclusion. Orthodontia expenses for treatment designed primarily to improve one's appearance are not reimbursable. Expenses for orthodontic care may be reimbursed in one of the following ways:

- if you pay an initial down payment at the start of treatment, then spread the remaining balance out under a payment plan, you may be reimbursed for the down payment amount at the time that the braces are installed, and for the monthly service amounts paid through the plan year, or
- if you spread the full contract amount out under a payment plan, you may be reimbursed for your monthly service amounts paid through the plan year, or
- if you pay the complete amount due when treatment begins, you may be reimbursed for the full contract amount, but only in the plan year in which the braces are installed.

See Page 23 for information about submitting a reimbursement request.

## ***I need special equipment to accommodate my illness. Is it reimbursable?***

If your reimbursement request includes expenses for items or services that can be provided for either a medical purpose or a cosmetic, personal, living and/or family purpose, or involves a capital expenditure, additional substantiation must be submitted with your claim. In addition to a Letter of Medical Need, you may also need to submit a Personal Use Statement or a Capital Expenditure Worksheet.

You must submit a **Personal Use Statement** with your ERA Reimbursement Request and Letter of Medical Need if you are requesting reimbursement for a special version of an item that is ordinarily used for cosmetic, personal, living and/or family purposes. Only the additional amount of expense over the cost of the item in

its normal form is eligible for reimbursement. For example, only the part of the cost of Braille books and magazines used by a visually-impaired person that is more than the cost of regular printed editions may be reimbursed.

The cost of home improvements or special equipment installed in your home may be reimbursable as a **capital expenditure** if the main purpose is medical care for you, your spouse, or dependent. A capital expenditure is an item that has a useful life that extends beyond the end of the taxable year (e.g., air conditioner, blood pressure cuff, etc.). The general rules for the reimbursement of a medically necessary capital expenditure, and the extent to which its cost may be eligible for reimbursement are:

- if it's a special version of an otherwise personal item, only the increased cost over the cost of the item in its normal form is eligible.
- if it's an item permanently attached to property, only the cost exceeding the increase in the property value is eligible.
- if there is no personal element and it's not permanently attached to property, it can only be used by the person who medically requires it, and
- if the item is used by others as well, only a prorated amount of the cost is eligible.

Reimbursement requests for a capital expenditure must include a completed **Capital Expenditure Worksheet**, along with the ERA Reimbursement Request form and a Letter of Medical Need. If you are requesting reimbursement for a capital expenditure that is permanently attached to property, you must also submit an **independent third-party appraisal**. If the appraisal shows that attaching the capital expenditure to the property does not increase the value of the property, then the entire cost of the capital expenditure may be reimbursable. If the appraisal shows an increase in the property's value, then only the amount that exceeds the increased property value is eligible for reimbursement.

For more detailed information and forms pertaining to personal use items and capital expenditures, visit the FBMC or ETF Web sites. You may also obtain more information by sending an e-mail or calling FBMC Customer Service.

## ***Are travel expenses related to my health care reimbursable?***

Yes, if the service provided is medically necessary for vision, dental or medical care, then travel to and from the healthcare provider to obtain service is reimbursable. Submit travel expenses when you are claiming reimbursement for the provided service.

## **Mileage**

Mileage may be reimbursed at a rate of \$0.20 per mile (amount per mile reimbursable per IRS as of 1/1/07) for trips to and from your healthcare provider. A visit to your pharmacy will be treated as a visit to your local healthcare provider.

## **Parking fees and tolls**

You may seek reimbursement for parking fees and tolls to your medical appointment. To substantiate the claim you will need to provide a receipt for the toll and/or parking fee in addition to a bill or receipt from your healthcare provider.

## **Expenses incurred for out-of-town healthcare services, i.e., airline fare, hotel room and rental car**

You may be reimbursed for the amounts you pay for transportation to another city if the trip is primarily for, and essential to, receiving medical services. You cannot be reimbursed for a trip or vacation taken merely for a change in environment, improvement of morale, or a general improvement of health, even if you make a trip on the advice of a doctor.

## **Lodging expenses incurred during my dependent's out-of-town hospitalization**

You may be reimbursed for the cost of lodging not provided in a hospital or similar institution. The amount you include in medical expenses for lodging cannot be more than \$50 per night for each person.

Lodging is reimbursable for a person for whom transportation expenses are a medical expense because that person is traveling with the dependent receiving medical care. For example, if a parent is traveling with a sick child, up to \$100 per night can be reimbursed as a medical expense for lodging for both. Meals are not included.

## ***What documentation is required for reimbursement of travel expenses?***

You may calculate the mileage on the actual bill/receipt for medical care that resulted in your mileage claim. Include:

- round-trip mileage multiplied by \$0.20
- the name of the provider visited.

Example: If your office visit with Dr. Jay on 1/2/08 resulted in a total of 80 miles round-trip, your note should read: 1/2/08—80 miles x \$0.20= \$16.00 on 1/2/08. Enter \$16.00 as the amount requested for reimbursement on your claim form, along with any other expenses associated with your travel (i.e. parking, tolls). Attach your statement, bill or receipt from your health care provider along with your request to validate your visit.

## ***Should I use a Medical Expense Reimbursement Account or claim my medical expenses on my 1040?***

Unless your itemized medical expenses **exceed** 7.5 percent of your or your family's adjusted gross income, you only get a break by claiming them on your IRS Form 1040. You can save taxes by paying for your uninsured, out-of-pocket medical expenses through a tax-free Medical Expense Reimbursement Account.

For instance, if your family's adjusted gross income is \$45,000, the IRS would only allow you to deduct itemized expenses that exceed \$3,375 (7.5 percent of your adjusted gross income). But, if you have \$2,000 in eligible medical expenses, the Medical Expense Account saves you \$453 in federal income (15 percent) and Social Security taxes (7.65 percent) on these medical expenses. Your savings will be even greater when you include your state income tax.

With a Medical Expense Reimbursement Account, the money you set aside for eligible medical expenses is deducted from your salary before taxes. So it is ALWAYS tax-free, regardless of the amount. By enrolling in a Medical Expense Reimbursement Account, you guarantee your savings.

# Dependent Care Reimbursement Account

Dependent child, adult and elder care expenses make up a significant portion of many family budgets. The Dependent Care Reimbursement Account lets you use tax-free dollars to cover such expenses – enabling you and your spouse to work, actively look for work or for you to work and your spouse to attend school full-time.

## **What are the contribution limits?**

- If you file your income taxes as “head of household” or “married, filing jointly” you can put up to \$5,000 a year into your account. Note: If you and your spouse establish separate Dependent Care Reimbursement Accounts, the combined total may not exceed \$5,000.
- If either you or your spouse earn less than \$5,000 a year, you can deposit only as much as the lower of the two incomes.
- If you are married, but file a separate federal income tax return, you may deposit a maximum of \$2,500 to your Dependent Care Reimbursement Account.
- If your spouse is a full-time student or incapable of self-care, your maximum is \$3,000 a year for one dependent and \$5,000 a year for two or more dependents.
- If you have only one eligible child, your maximum for IRS tax credit is \$3,000, but you may set aside up to \$5,000 through ERA if your tax filing status allows.
- The minimum annual contribution is \$100.

**Note: The Dependent Care account is not for medical expenses incurred by dependents.**

## **Who is a qualified dependent?**

You may use your Dependent Care Account to receive reimbursement for eligible dependent care expenses for **qualifying individuals**.

A qualifying individual includes a **qualifying child** if they:

- are a U.S. citizen, national or a resident of the U.S., Mexico or Canada
- have a specified family-type relationship to you
- live in your household for more than half of the taxable year
- are 12 years old or younger and
- have not provided more than one-half of their own support during the taxable year.

A qualifying individual includes your **spouse** if they:

- are physically and/or mentally incapable of self care
- live in your household for more than half of the taxable year and
- spend at least eight hours per day in your home.

A qualifying individual includes your **qualifying relative** if they:

- are a U.S. citizen, national or a resident of the U.S., Mexico or Canada
- are physically and/or mentally incapable of self care
- are not someone else's qualifying child
- live in your household for more than half of the taxable year and
- spend at least eight hours per day in your home and
- receive more than one-half of their support from you during the taxable year.

**Note:** If you are the tax dependent of another person, you cannot claim qualifying individuals for yourself. You cannot claim a qualifying individual if they file a joint tax return with their spouse. Only the custodial parent of divorced or legally-separated parents can be reimbursed using the Dependent Care Account.

## **What rules apply for dependent care?**

- Eligible dependent care expenses must be for the physical care of the dependent, either inside or outside the home.
- Dependent care cannot be provided by you, your spouse or other dependent.
- If you are married, your spouse must work, actively look for work, be a full-time student or be mentally or physically incapable of self-care.

For more information, refer to IRS publication 503 available at your Internal Revenue Service office or from the IRS Internet site at [http://www.irs.ustreas.gov/forms\\_pubs/pubs.html](http://www.irs.ustreas.gov/forms_pubs/pubs.html).

## **What expenses are eligible for reimbursement?**

- Day and dependent care facility fees for qualified dependents
- Before-school and after-school care for qualified dependents
- Local day camp fees for qualified dependents (Sports camps and other instructional camps are excluded unless the primary purpose of the camp is for the physical care of the child.)
- Fees for at-home care of qualified dependents that allow you to work and your spouse to either work, actively look for work, or go to school full time
- Charges for preschool and nursery school may qualify as dependent care expenses, if the attendance allows you to work and your spouse to either work, actively look for work or for you to work and your spouse to attend school full time

## ***What expenses are ineligible?***

- Educational expenses incurred for a child in kindergarten or above
- Child support payments, or care for any periods of time that your child or dependent is not living with you
- Health care costs, educational tuition
- Overnight care for your dependents (unless it allows you and your spouse to complete shiftwork during that time)
- Nursing home fees
- Books or supplies
- Activity fees
- Deposits, unless part of fee is for care of dependent
- Meal and transportation costs, if they are separate from your dependent care expenses
- Expenses incurred outside the plan year or your period of coverage

## ***Should I use a Dependent Care Reimbursement Account or a Child Care Tax Credit?***

Generally a Dependent Care Reimbursement Account saves you more in taxes than the Child Care Tax Credit, but it depends on your income.

- If you expect your adjusted gross family income to exceed \$24,000, and you are not in the 15 percent tax bracket, the Dependent Care Reimbursement Account will probably benefit you more, but you should consult your personal tax adviser regarding your specific situation.
- You can use the Dependent Care Reimbursement Account and file for a tax credit as long as the total for both (the amount you have placed in your account plus the amount you have paid for dependent care) does not exceed the tax credit limits; \$3,000 for one dependent and \$6,000 for two or more dependents.
- You cannot use the tax credit if you are married and filing separately.
- You cannot use the same expenses for both the tax credit and your Dependent Care Reimbursement Account.
- Carefully follow IRS reporting requirements for Dependent Care accounts. IRS Form 2441 (1040) and Schedule 2 (1040A) require that you provide the name and tax identification number (or Social Security number) of the dependent care provider when filing your taxes.

# Dependent Care Reimbursement Account

CONTINUED

## Here's how one family saved

Thousands of dollars in day care expenses for their children made Mike and Kathy Mallory decide to set up a tax-free Dependent Care Reimbursement Account.

Last year, they paid \$6,000 for day care for their three-year-old twin daughters. The Mallorys realized they would benefit by having the tax-free deductions taken from their salary. The maximum contribution to a Dependent Care Reimbursement Account is \$5,000.

They decided to put the maximum \$5,000 in the reimbursement account and pay the rest of the cost out-of-pocket.

Reimbursement from their tax-free reimbursement account for their day care expenses during the plan year will save them about \$500 more in taxes than if the Mallorys used the dependent care income tax credit.

## PERSONAL INFORMATION

**Names:** Mike and Kathy Mallory

**Ages:** Mike, 32; Kathy, 31

**Family Status:** Married, two children

**Health:** Excellent

**Other information:** The Mallorys paid a large amount in taxes last year; they are anxious to reduce their taxes and start renovations to their home.

**Employment:** Both state employees for eight years

**Income:** Mike \$33,000

Kathy \$35,000

	<b>WITH TAX DEDUCTION</b>	<b>WITH ERA</b>
1. Taxable Income Before Reimbursement**	\$45,200.00	\$45,200.00
2. Less: Dependent Care Paid Before Tax	0.00	-5,000.00
3. Taxable Income After Reimbursement	\$45,200.00	\$40,200.00
4. Less: Federal taxes† (applied to line 3)	-6,025.00	-5,275.00
5. Less: State Income taxes***	-2,679.70	-2,354.70
6. Less FICA taxes (7.65% of line 3)	-3,457.80	-3,075.30
7. Less: Dependent Care Paid After Taxes	-6,000.00	-1,000.00*
8. Plus: Dependent Care Income Tax Credit	+1200.00	+200.00
9. Income After Dependent Care Expenses	\$28,237.50	\$28,695.00
10. Additional Taxes Saved With Account (Individual tax rates may vary.)		<b>\$457.50</b>

## Should the Mallorys use a Dependent Care Reimbursement Account? YES

\* The Mallorys can also claim the extra \$1,000 in child care expenses as an income tax credit.

\*\* Standard deductions and exemptions have been deducted from the adjusted gross income to arrive at this taxable income amount.

\*\*\* Individual state tax rates will vary. Wisconsin State tax information may be found at the Dept. of Revenue Internet site, <http://www.dor.state.wi.us>. State income taxes calculated by applying 5.375% to first \$22,960 and 6.5% to remaining income.

† Federal taxes calculated by applying a 10% tax to the first \$15,100 of income and a 15% tax on the remaining amount.

**Note:** No earned income credits included in calculations.

# Impact of the ERA Program on Other Benefits

## **Social Security**

Participation in the ERA program, including the Premium Conversion component, will reduce salary used for calculating your eventual Social Security benefit. However, the benefit reduction is small compared with the tax savings earned. The following table compares the possible lifetime Social Security reduction with tax savings realized through the ERA program.

Number of years using tax-free premiums	Estimated reduction in Total Lifetime Social Security benefits		Total tax savings*
	MALE	FEMALE	
10	\$1,536	\$1,865	\$2,718
20	3,071	3,729	5,436
30	4,608	5,596	8,154
35 or more	5,376	6,528	9,513

\* Tax savings based on a 15% federal income tax and 7.65% Social Security tax, with \$100 in tax-free contributions per month. Your savings will be even greater when you include your state income tax. Higher tax brackets will also increase tax savings; Social Security reduction remains the same. Assumes retirement at age 65. The difference in male and female estimates is based on life expectancy at retirement.

## **Wisconsin Retirement System (WRS) and other state benefits**

State law (Wis. Stats. §40.87) specifically states that participation in the ERA program will not reduce your wages for calculating state retirement benefits.

ERA reductions will not reduce your gross income for the purpose of calculating any other state benefits such as sick leave conversion credits, income continuation insurance, life insurance, unemployment or Workers' Compensation.

## **Tax-sheltered annuities and deferred compensation**

Participation in the ERA program does not affect your participation in a tax-sheltered annuity or deferred compensation program.

# Changes During the Year

## ***Am I permitted to make mid-plan year election changes?***

You may enroll, terminate or change your ERA election mid-plan year only if you have experienced a qualified Change in Status event as provided by IRS regulations and the Wisconsin ERA program.

The desired election change must correspond to, and be consistent with, the event. Experiencing a Change in Status event will not automatically permit a mid-plan year election change unless applicable IRS consistency rules are also met. A mid-plan year election change can only be made on a future basis.

## ***What is the deadline for filing a Change in Status request?***

A properly completed Change in Status Request Form must be received by FBMC's Madison Office within 30 days after a qualifying event as described in the following section.

## ***What is my coverage effective date if my Change in Status request is approved?***

Your election change or enrollment will be effective on the first of the month on or after the date your approved Change in Status Form is received by FBMC's Madison office. Forms will be date-stamped when received and the first changed deduction will be taken from the first available paycheck. In no instance will the enrollment or change in coverage be effective before the date of the qualifying event.

## ***What is my period of coverage when I make an election change?***

A mid-plan year election change will result in split periods of coverage. Money from a previous period of coverage can be combined with amounts after a permitted mid-plan year election change and can be used through the end of the plan year. However, expenses incurred before the permitted election change can be reimbursed only up to the annual election amount that was in effect prior to the change (See above for information about the effective date of a change in status request).

Examples: During the annual enrollment period, Ms. Stevens elects to contribute \$300 to her Medical Expense ERA. She incurred \$300 of eligible expenses in February and was reimbursed for the full amount. Ms. Stevens was married in May. This change in status event allows her to increase her account because of the added expense of her spouse. She elected to increase her annual Medical Expense ERA by \$300. The effective date of this change is June 1. Ms. Stevens now has an additional \$300 that can be used for expenses for either her or her husband that occur on or after June 1.

Mr. Smith elected to contribute \$400 to his Medical Expense ERA during open enrollment. He incurred \$500 of eligible medical

expenses in May, but did not request reimbursement for these expenses. In June, Mr. Smith's wife has a baby. Because he realizes his medical expenses will increase, he increases his annual election amount by \$200. The effective date of this change is July 1. Mr. Smith now has \$600 available in his Medical Expense ERA. In August, he requests reimbursement for the \$500 of expenses he incurred in May and \$100 of expenses incurred in July. Mr. Smith will be reimbursed only \$400 for the May expenses because his annual election amount was \$400 when these costs were incurred. He will be reimbursed for the \$100 of July expenses, leaving a balance of \$100 for the remainder of the plan year.

Mr. Johnson elected to contribute \$800 to his Medical Expense ERA during open enrollment. He was reimbursed \$400 for eligible expenses incurred in July. He was married in August and elected to increase his annual election amount by \$300. His change is effective September 1. He now has up to \$400 (the balance of his original election amount) available for expenses incurred prior to September or \$700 (the \$400 balance plus the additional \$300) that may be used for expenses incurred on or after September 1.

Ms. Jones elected to contribute \$600 to her Medical Expense ERA during open enrollment. She was reimbursed for the entire \$600 for eligible expenses that were incurred in February. Ms. Jones' daughter gets married in May, thus Ms. Jones loses an eligible dependent. Ms. Jones submits a change in status request to decrease her annual amount. Because Ms. Jones has already incurred and was reimbursed for eligible expenses, she may not reduce her annual amount, even though she lost a dependent.

## ***How do I request an election change?***

**Step 1** – Review the Change in Status rules in this section. If you have any questions about the eligibility of a requested change or completing the form, contact FBMC's Madison office (**1-608-829-0435**) or **baye@fbmc-benefits.com**.

**Step 2** – Obtain a Change in Status Request Form from your Payroll/Benefits Office, from ETF's Internet site, or from FBMC's Madison office.

**Step 3** – Determine the amount that you wish to contribute for the remainder of the plan year following your effective date of coverage. Your department's Payroll/Benefits Office will assist you in determining the number of paychecks remaining in the year.

**Step 4** – Complete, sign and date the form and submit it to FBMC's Madison office: **FBMC, 7818 Big Sky Drive, Suite 210-A, Madison, WI 53719** or fax **1-608-829-0008**. Retain a copy of documentation supporting your mid-plan year election change request. (It does not need to be submitted with your request.) Examples of documentation are: marriage licenses, divorce decrees, birth certificates, etc.

**Step 5** – FBMC’s Madison office will review, on a uniform and consistent basis, the facts and circumstances of each properly completed and timely Change in Status Request Form. If the requested change is approved, a copy of the form will be forwarded to your Payroll/Benefits Office and to FBMC’s Florida office. If your ERA election change request is denied, you will

have 30 days from the date of the denial to file an appeal with FBMC by following the procedures in the “Appeal Process” section appearing on Page 6.

**Note:** Be sure to send your form to FBMC’s Madison office in a timely manner. If your form is received after the first of the month, your coverage will not start until the first of the following month.

## What changes are permitted by the IRS?

<p><b>Legal Marital Status:</b> (Marriage; death of spouse; divorce; legal separation; and annulment)</p>	<p><b>Medical Expense Account</b></p> <ul style="list-style-type: none"> <li>• If you marry, you may increase your election when a family member is added; or cease or decrease your election if: (i) you, your spouse or dependents become eligible under your new spouse’s employer’s medical expense account plan; and (ii) your spouse is a participant in his or her employer’s plan, and (iii) coverage for the affected individual becomes effective or is increased under the other employer’s plan.</li> <li>• If you cease to be married, you may decrease your election for the former spouse who loses eligibility. You may enroll in or increase your own election only if you have lost coverage under your former spouse’s medical expense plan.</li> </ul> <p><b>Dependent Care Account</b></p> <ul style="list-style-type: none"> <li>• If you marry, you may enroll in or increase your election to accommodate any newly-acquired dependent(s); or decrease or cease coverage if your new spouse is not employed or makes a dependent care reimbursement account coverage election through his or her employer.</li> <li>• If you cease to be married, you may enroll in or increase your election to accommodate your newly-eligible dependent (e.g., due to divorce from non-working spouse); or decrease or cease coverage if eligibility is lost due to an event (e.g., because your dependent now resides with ex-spouse).</li> </ul>
<p><b>Number of Your Tax Dependents</b> (Birth; death; adoption; and placement for adoption)</p>	<p><b>Medical Expense Account</b></p> <ul style="list-style-type: none"> <li>• If you gain a dependent, you may enroll in or increase your election for the newly-acquired dependent.</li> <li>• If you lose a dependent, you may decrease or cease your election for the dependent who loses eligibility.</li> </ul> <p><b>Dependent Care Account</b> Same as Medical Expense Reimbursement Account.</p>
<p><b>Change in Status of Employment that Affects Eligibility of the employee, the employee’s spouse, or the employee’s dependent:</b> (Termination or commencement of employment; strike or lockout; commencement of or return from an unpaid leave of absence; and change in worksite)</p>	<p><b>Medical Expense Account</b></p> <ul style="list-style-type: none"> <li>• If you go on an unpaid leave of absence, you may change your election amount, or terminate coverage.</li> <li>• If you return from unpaid leave of absence, you may start an account or change your election amount.</li> <li>• If your spouse terminates employment, or goes on an unpaid leave of absence, you may enroll in or increase your election if your spouse or dependent loses eligibility for participation in their employer’s medical reimbursement plan.</li> <li>• If your spouse or dependent commences employment or returns from an unpaid leave that triggers a gain in eligibility under his or her employer’s plan, you may not drop your Medical Reimbursement Account coverage but you may decrease your election if your spouse or dependent gains eligibility and enrolls in his or her employer’s medical reimbursement plan.</li> </ul> <p><b>Dependent Care Account</b></p> <ul style="list-style-type: none"> <li>• If you terminate employment, your salary reductions cease but you may continue to request reimbursement for eligible expenses from your account until you exhaust your account balance or the plan year ends even if you have not contributed the full annual amount for which you enrolled. You cannot claim expenses that are incurred while you are not working.</li> <li>• If you return from unpaid leave, you may start an account or change your election amount.</li> <li>• If your spouse terminates employment, or goes on an unpaid leave of absence, you may cease participation if your spouse’s loss of employment renders your dependent ineligible for this benefit.</li> <li>• If your spouse starts employment or returns from unpaid leave, you may start an account or increase your election amount to reflect the new eligibility of your dependent (if your spouse previously did not work). You may also terminate your account if your dependent is added to a dependent care plan offered by your spouse’s employer.</li> </ul>
<p><b>Dependent satisfies or ceases to satisfy eligibility requirements.</b> (Gain or loss of dependent status as defined by IRC Section 152)</p>	<p><b>Medical Care Account</b></p> <ul style="list-style-type: none"> <li>• If your dependent gains eligibility, you may enroll in or increase your election to take into account the expenses of the affected dependent.</li> <li>• If your dependent ceases to be eligible you may not drop your coverage but you may decrease your election to take into account the ineligibility of the expenses of the affected dependent.</li> </ul> <p><b>Dependent Care Account</b></p> <ul style="list-style-type: none"> <li>• If your dependent gains eligibility, you may enroll in or increase your election to take into account expenses of affected dependent.</li> <li>• If your dependent ceases to satisfy eligibility requirements (e.g., attains age 13) you may decrease or terminate your election to take into account the expenses only of the affected dependent.</li> </ul>

# Changes During the Year

CONTINUED

<p><b>Change in Place of Residence (Your Own, Your Spouse or Dependent)</b> (Does <b>not</b> apply to Medical Expense Accounts)</p>	<p><b>Dependent Care Account</b> You may make an election change if a change in place of residence results in a change in the cost or coverage of your dependent care provider.</p>
<p><b>Open Enrollment Under Other Employer's Plan</b> (Does <b>not</b> apply to Medical Expense Accounts)</p>	<p><b>Dependent Care Account</b> You may make an election change when your spouse or dependent makes an open enrollment change in coverage under their employer's plan if: their employer's plan year is different from your employer's cafeteria plan, their employer's plan permits a mid-plan year election change under this event, and they participate in a dependent care reimbursement account.</p>
<p><b>Significant Coverage Curtailment</b> (Does <b>not</b> apply to Medical Expense Accounts)</p>	<p><b>Dependent Care Account</b> If your dependent care provider significantly reduces its available hours, or goes out of business, you may revoke your election and make a new election for coverage with another dependent care provider. You may also make a corresponding election change when you switch dependent care providers. For example, if you send your child to a daycare center, you can switch to another daycare center or provider. If switching dependent care providers results in a cost increase or decrease, you can make a corresponding change to your dependent care election.</p>
<p><b>Cost Increase or Decrease</b> (Does <b>not</b> apply to Medical Expense Accounts)</p>	<p><b>Dependent Care Account</b> If the cost charged by your dependent care provider increases or decreases, you may change your elected contribution under the plan. However, if the day care provider is related by blood or marriage, you cannot change your election amount solely on a desire to increase or decrease the amount being paid to that relative.</p>
<p><b>Certain Judgments, Decrees, or Court Orders</b> (Does <b>not</b> apply to Dependent Care Accounts)</p>	<p><b>Medical Expense Account</b></p> <ul style="list-style-type: none"> <li>• If a judgment, decree, or court order from a divorce, legal separation, annulment, or change in legal custody requires that accident or health coverage for your dependent child (including a dependent foster child) be provided by:</li> <li>• you may change your medical reimbursement account election to provide the child with corresponding coverage.</li> <li>• your spouse, former spouse, or other individual, you may change your medical reimbursement account election to cancel corresponding coverage for the child if the other individual actually provides the coverage.</li> </ul>
<p><b>Eligibility for Medicare and Medicaid</b> (Does <b>not</b> apply to Dependent Care Accounts)</p>	<p><b>Medical Expense Account</b></p> <p>If you, your spouse, or your dependent –</p> <ul style="list-style-type: none"> <li>• are enrolled in your employer's health or accident benefit plan, and become entitled to and enroll in Medicare or Medicaid (other than coverage solely for pediatric vaccines), then for that individual you may decrease your medical reimbursement account election, if the Medicare/Medicaid coverage is more comprehensive, or increase it if prior employer coverage was more comprehensive.</li> <li>• lose eligibility for Medicare or Medicaid, then for that individual you may increase your election; or decrease it where the employer plan is more comprehensive.</li> </ul>

## **How do I get my money?**

After you incur eligible expenses, simply submit a claim to FBMC as explained below. You do not have to pay for the services before submitting a request for reimbursement, but you must actually receive the service before you can be reimbursed.

**Important** – If you have money left in your account(s) at the end of 2008, you may use it for reimbursement of expenses incurred through March 15, 2009. However, reimbursement of claims will be made strictly on a “first-in, first-out” basis. This means that if you have 2008 expenses that you intend to have paid from your 2008 contributions, they must be submitted and processed before you submit any 2009 reimbursement claims to assure that they are paid out of your 2008 balance.

### **Step 1**

Complete, sign and date an ERA Reimbursement Request Form, available from the FBMC or ETF Internet sites, or by calling FBMC at 1-800-342-8017.

### **Step 2**

Attach legible documentation to support your reimbursement claim. Acceptable documentation includes a copy of a statement, bill, or receipt (no cancelled checks or charge receipts) from your provider.

**Dependent care claim** – your statement, bill, or receipt must include:

- the name and address of the provider/facility,
- the provider's SSN or Tax ID Number
- the beginning and ending dates of the provided services,
- the cost of the services, and
- the age, grade and name of the qualifying individuals for whom service was provided.

**NOTE:** Separate receipts are not required if your dependent care provider signs your Reimbursement Request Form after you have completed and signed it.

**Medical expense claim** – your statement, bill, invoice or Explanation of Benefits (EOB) from your insurance company must include:

- The name of the provider
- The date service(s) were received
- The cost of the service(s)
- The type of medical service(s) provided,
- The name of the person(s) for whom the service(s) were provided,
- The complete name of the drug (and Rx number, if a prescription drug) or medical supply.

**If the claim is for treatment that may be deemed to be cosmetic or for general health purposes**, also attach a Letter of Medical Need. (See Page 13 for more information about a Letter of Medical Need.) Proof of medical need must be submitted once annually for care that will continue throughout the plan year. If care continues into the next plan year, be sure to include the Letter of Medical Need with the first claim for care in the subsequent plan year.

**If the claim is for a capital expenditure**, attach documentation to substantiate your expense as a medically necessary item. See Page 14 for more information.

**If the claim is for orthodontia**, include a copy of the patient's contract for the treatment with the first claim in each plan year (unless the full expense is claimed in the plan year in which the braces are first installed). If you are on a payment schedule, include a statement or payment coupon that shows the month for which you're requesting reimbursement.

### **Step 3**

Mail or fax the white copy of the Reimbursement Request Form, along with the required documentation, to:

Fringe Benefits Management Company (FBMC)  
Post Office Box 1800  
Tallahassee, FL 32302-1800  
Fax: 1-888-326-2658

(If you fax your request, you do not need to mail a copy of the request to FBMC.) Be sure to include a separate cover page with your name and total number of pages (including cover page).

### **Step 4**

FBMC will process your request within five business days from the day it receives a properly completed Reimbursement Request Form and all the required documentation.

## **When can I submit claims?**

- Eligible expenses cannot be reimbursed until after the service has been rendered.
- You may submit requests as often as you wish, as long as the date of service for which you are requesting reimbursement has passed.

### **Claim Tips**

- You can receive your reimbursement faster by enrolling in the Rapid Refund option described on page 24.
- To check on the status of your ERA account(s) at anytime, call the Interactive Benefits Information Line at 1-800-865-FBMC (3262) or visit FBMC's Web site to access your FBMC account information (See Page 24 for details).

# Reimbursement Information

CONTINUED

- You must contact FBMC Customer Service directly to submit a change of address. Simply filling out a reimbursement form with your new address information does not guarantee that your reimbursement will be sent to your new address.

## ***What is the deadline for submitting claims?***

The deadline for submitting claims for services provided in the 2008 Plan Year, including the grace period, is April 15, 2009. All medical expense and dependent care claims must be received by FBMC or postmarked by this date to be reimbursed from 2008 funds.

## ***How can I get my money faster?***

Use Rapid Refund!

- Enrolling in Rapid Refund will allow your reimbursement claim check to be deposited directly into your checking or savings account.
- To take advantage of this option, call FBMC at 1-800-342-8017 and request a Rapid Refund enrollment form. You may also obtain a Rapid Refund form at the FBMC or ETF Internet sites.

Initial set up for Rapid Refund may take four to six weeks. You may enroll in Rapid Refund at any time during the plan year. If you currently participate in Rapid Refund, you do not need to file another form for the new plan year. However, if you wish to cancel Rapid Refund, or if you change bank accounts, you must complete and submit a new form.

## ***How can I find out my account balance?***

There are two ways that you can access your ERA account to check on a claim, verify the status of an account, request a form and more!

**Phone:** The Interactive Benefits Information Line is FBMC's 24-hour automated phone system. Simply dial 1-800-865-FBMC (3262). The system will give you a list of options and guide you through a simple, step-by-step process to obtain the information you need.

**Internet:** Interactive Benefits are available online at <http://www.myFBMC.com>. You can also access your account information through ETF's Web site. Go to <http://etf.wi.gov> and click on the "Members" tab at the top of the page. Select "Employee Reimbursement Accounts (ERA)" from the menu, then click on "Fringe Benefits Management Company" to take you to FBMC's Web site.

## ***Personal Account Information***

Please see Page 7 for important information regarding your User ID and Personal Identification Number (PIN).

**AT YOUR REQUEST, YOUR ERA REIMBURSEMENT CHECKS MAY BE DEPOSITED INTO YOUR CHECKING OR SAVINGS ACCOUNT BY ENROLLING IN "RAPID REFUND." RAPID REFUND ENROLLMENT FORMS ARE AVAILABLE ON THE ETF INTERNET SITE, OR CALL FBMC CUSTOMER SERVICE. APPLICATION PROCESSING MAY TAKE FOUR TO SIX WEEKS.**

Be sure to consult your It's Your Choice health plan enrollment book and/or your other insurance benefit information to determine your new co-payments, deductibles and covered benefits for the 2008 Plan Year.

## TAX-FREE MEDICAL EXPENSE REIMBURSEMENT ACCOUNT

### 1. Eligible Medical Expenses to be incurred from January 1, 2008 through December 31, 2008\*\*

- Insurance deductibles, co-payments (insurance premiums are **not** reimbursable)
- Immunizations, injections and vaccinations
- Routine examinations and physicals
- Dental and orthodontic expenses (non-cosmetic)
- Prescription drugs or co-payment amount
- Eyeglasses and contacts (corrective, including cleaning/wetting solutions, etc.)
- Transportation to and from medical provider
- Medically necessary nursing home care
- Medically necessary surgery\*
- Other expenses (Over-the-Counter drugs, medicines, etc.)

### 2. Total annual dollar amount

### 3. Divide by the number of regular paychecks you will receive during the plan year. ÷ \_\_\_\_\_

### 4. Reduction per regular paycheck

**PROJECTED PLAN  
YEAR EXPENSES**  
(NOT covered by insurance)

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

**\$7,500 MAXIMUM**

\$ \_\_\_\_\_

## TAX-FREE DEPENDENT CARE EXPENSE REIMBURSEMENT ACCOUNT

### 1. Eligible Dependent Care Expenses to be incurred from January 1, 2008 through December 31, 2008\*\*

- Infant/toddler
- Preschool
- Before-school or after-school care
- Reporting days (child in school only half a day)
- School holidays/vacations/in-service
- Adult, elder and other dependent care

### 2. Total annual dollar amount

Remember, your total contribution cannot exceed IRS limits for the plan year.

### 3. Divide by the number of regular paychecks you will receive during the plan year. \_\_\_\_\_

### 4. Reduction per regular paycheck

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

**Note:** Take into consideration the possibility of turnaround delays in receiving reimbursement checks when determining how much you can afford to contribute to either Reimbursement Account.

\* Unused funds designated for reimbursement accounts cannot be refunded to you. Please verify with your healthcare provider (prior to the commencement of the upcoming plan year) that you are a suitable candidate for any surgical procedure before committing the money to your ERA.

\*\* Expenses incurred through March 15, 2009, may be reimbursed using 2008 contributions. However, plan conservatively to reduce the risk of forfeiting money.





**This document provides a description of available benefits for easy reference purposes.**

**Official plan documents are available for inspection at the:**

**Department of Employee Trust Funds**

**P.O. Box 7931, Madison, WI 53707-7931**



**Administered for the Wisconsin Department of Employee Trust Funds by FBMC, the Contract Administrator.**

Printed on recyclable paper with soy ink.

Please recycle.

**FBMC**  
*proven benefit solutions*

Contract Administrator

Fringe Benefits Management Company

P.O. Box 1878 • Tallahassee, Florida 32302-1878

Customer Service 1-800-342-8017 • 1-800-955-8771 (TDD)

[www.myFBMC.com](http://www.myFBMC.com)