

ERA Summary Guide

EMPLOYEE REIMBURSEMENT ACCOUNTS PROGRAM - An Optional Tax-free Benefit Plan



OPEN ENROLLMENT

OCTOBER 8 - NOVEMBER 16, 2007

Current participants must re-enroll to continue participation in 2008.

Eligible new employees have 30 days following date of hire to enroll.

This new booklet is a summary of the Employee Reimbursement Accounts Program. For full program details see the *ERA Benefits Guide* online at www.myFBMC.com, or etf.wi.gov. You may obtain a print copy of the *ERA Benefits Guide* by calling toll-free 1-866-440-7149, or sending an e-mail to ERABenefitsGuide@fbmc-benefits.com.

Summary Guide

What is the ERA Program?

The Employee Reimbursement Accounts (ERA) program is an optional benefit sponsored by the Department of Employee Trust Funds (ETF) and administered by Fringe Benefits Management Company (FBMC). The program allows you to set aside money for eligible medical or dependent day care expenses before taxes are deducted from your paycheck. This means the amount of income your taxes are based on will be lower, resulting in a tax saving.

The 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** is the automatic pre-tax payroll deduction of your premiums for state group health and life, EPIC dental and excess medical. Your participation continues automatically; you do not need to re-enroll.

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.

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.

Here's how the ERA program works

- Estimate your expenses for the upcoming year. The worksheet on Page 7 can help you with this.
- Enroll during the Open Enrollment period, or within 30 days of your hire date.
- The amount that you elect will be deducted in equal amounts from each paycheck on a pre-tax basis.
- After you have incurred eligible expenses, submit your receipts with a claim for reimbursement.
- FBMC will promptly process your claim. Claims are processed within five business days of receipt of all necessary documentation by FBMC and eligible expenses will be reimbursed via check, or directly deposited into your bank account if you choose Rapid Refund. See Page 3 for more information about Rapid Refund.

Participation in the ERA program will not reduce your wages used for calculating state retirement benefits or for any other state benefit such as sick leave conversion credits, income continuation insurance, life insurance, unemployment or Workers' Compensation. Participation will reduce salary used for calculating your eventual Social Security benefits. However, the benefit reduction is small compared with the tax savings earned.

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 or the date your Change in Status form is received by FBMC's Madison Office.**

Your first payroll deduction will be on the first available paycheck. **Only eligible expenses incurred on or after the coverage effective date are reimbursable.**

EXAMPLE: Your employment start date is March 17, 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 16, 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 contributions, 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. Example 1: An employee whose last 2008 bi-weekly paycheck is dated April 13 will have ERA coverage end as of April 30. Example 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.

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.

IMPORTANT: 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 2008 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 for the period of January 1, 2008, through March 15, 2009, must be received by FBMC or postmarked by this date to be reimbursed from 2008 funds.

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 Web site and the Interactive Voice Response (IVR) telephone system.

To obtain your FBMC Account Number, simply log on to www.myFBMC.com or call the Interactive Benefits IVR phone line at 1-800-865-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.

Note: The FBMC Web site employs the latest and most stringent security measures in order to protect your personal information.

Use Rapid Refund to get your money faster!

- 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 or 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.

Medical Expense Reimbursement Account

Budget conservatively. No reimbursement or refund of Medical Expense funds is available for services/surgeries that do not occur, nor is a change in your deduction allowed.

A Medical Expense Reimbursement Account allows you to set aside up to \$7,500 tax free for health care expenses that are not covered by insurance such as deductibles and co-payments, and non-covered items such as eyeglasses, dental expenses, and certain categories of over-the-counter drugs and supplies. The minimum contribution is \$100 per year.

For most people, using a Medical Expense Reimbursement Account will significantly exceed the tax credit allowed if you claimed these expenses on your income tax. You can only deduct health care expenses that exceed 7.5% of your Adjusted Gross Income on your income tax returns. But by using a Medical Expense Reimbursement Account, you do not have to meet the 7.5% minimum in order to receive the tax advantage. You can pay for eligible expenses tax free from the first dollar.

Eligible medical expenses

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. Expenses for items or services that can be used for either a medical purpose or a cosmetic or personal purpose, or that involve a capital expenditure, will require additional substantiation. In addition to a Letter of Medical Need, you may also need to submit a Personal Use Statement or a Capital Expenditure Report. See the *ERA Benefits Guide* or call FBMC Customer Service for more information. The following is a partial list of expenses that may be eligible for reimbursement. A more complete list appears in IRS Publication 502, available at your Internal Revenue Service office or from the IRS Internet site at www.irs.ustreas.gov/prod/forms_pubs/pubs.html. A list of eligible Over-the-Counter items is available at www.myFBMC.com.

Ineligible Medical Expenses

- 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

*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.

Eligible Medical Expenses

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

1. Requires a Letter of Medical Need from the treating healthcare provider.

2. Not all prescription or OTC drugs are approved by the IRS as eligible for reimbursement.

3. Only the increased cost of a special version of an otherwise personal item is reimbursable.

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

Dependent Care Reimbursement Account

A Dependent Care Reimbursement Account may be used for day care expenses incurred that allow you and your spouse (if married) to work, look for work, or attend school full-time. To be eligible, your dependent must be:

- A child under age 13 who attends day care, after-school care or summer day camp; or
- A person of any age whom you claim as a dependent on your federal income tax return, and who is mentally or physically incapable of caring for himself or herself.

Please see the *ERA Benefits Guide* online at www.myFBMC.com, or etf.wi.gov for more details about who may qualify for dependent care expenses.

What expenses are eligible for reimbursement?

The following expenses are eligible for reimbursement if they allow you to work and your spouse to either work, actively look for work, or to go to school full-time:

- Day and dependent care facility fees
- Before-school and after-school care
- Local day camp fees (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
- Charges for preschool and nursery school

What are the contribution limits?

- The maximum amount of contribution allowed is \$5,000 per plan year per family (or \$2,500 per employee if married filing separately). 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 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.

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 shift work 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 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.

If your expenses exceed the annual amount that you elected, you may file for a tax credit for the remainder 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 of \$3,000 for one dependent and \$6,000 for two or more dependents.

Enrollment During Open Enrollment:

There are two fast and easy ways to enroll during open enrollment:

- **Telephone** – Call toll-free **1-800-847-8253**, then follow the voice prompts.
- **Internet** – Log on to **www.myFBMC.com** or go to **etf.wi.gov** 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. CST on November 16, 2007. Be sure to write down your Confirmation Number before ending your enrollment session over the telephone or print the confirmation page if enrolling on the Internet.

Please see Page 3 for more information about your User ID and PIN.

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. For more information on valid Change in Status events and for instructions on how to enroll via a Change in Status form, see the *ERA Benefits Guide* available at etf.wi.gov, call the FBMC Madison office at (608) 829-0435 or call FBMC Customer Service at 1-800-342-8017.

Plan carefully before you enroll. In exchange for the tax benefits of such accounts, the IRS places strict guidelines on them including a “use it or lose it” rule. Funds remaining in your account(s) at the end of the plan year including the grace period, after all eligible expenses have been reimbursed, will be forfeited.

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. Record your confirmation number or print the confirmation page for your records.

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** accounts, 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?

Once your coverage begins, the benefit election cannot be cancelled or changed unless you experience a valid Change In Status event as described in IRS regulations. The change in status event must result in you, your spouse or your dependent gaining or losing eligibility for coverage. Any proposed change in election must be on account of, and correspond with a change in status event that affects the coverage eligibility of the employee or their spouse or dependent and be approved by FBMC.

More information regarding Change in Status events can be found in the *ERA Benefits Guide* at etf.wi.gov, or by calling the FBMC Madison office at (608)829-0435 or FBMC Customer Service at 1-800-342-8017.

Be sure to consult your *It's Your Choice* booklet 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

PROJECTED PLAN YEAR EXPENSES

(NOT covered by insurance)

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.)

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

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\$ _____

\$ _____

\$ _____

\$ _____

2. Total annual dollar amount

\$ _____

\$7,500 MAXIMUM

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

÷ _____

4. Reduction per regular paycheck

\$ _____

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.

ERA PROGRAM OPEN ENROLLMENT

October 8 - November 16, 2007

To enroll, call **1-800-847-8253**, or log on to **www.myFBMC.com**.

FRINGE BENEFITS MANAGEMENT COMPANY (FBMC)

Reimbursement Requests: P.O. Box 1800
Tallahassee, FL 32302-1800
FAX: 1-888-326-2658 (toll-free)

FBMC Customer Service: 1-800-342-8017 (toll-free)
(Monday – Friday, 6 a.m. – 9 p.m. CST)
www.myFBMC.com

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

Enrollment 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.



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

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

This document is a summary for the Employee Reimbursement Accounts Program.
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www.myFBMC.com or etf.wi.gov.

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