



# Flexible Benefit Plan Administration

*Pension Corporation of America*

## Section 125 Flexible Benefit Plans

A Section 125 Flexible Benefit Plan offers tax savings in the form of tax-free reimbursement on qualified medical & child care costs.

The Plan helps employees provide needed services for their family — services they are already purchasing — at lower cost.

Dollars an employee uses to purchase qualifying medical and/or child care services for his family are now removed from the paycheck before taxes are calculated.

These funds are then placed in an account from which the employee's qualifying expenses are reimbursed.

The result — a 20%-40% savings (depending on employees' tax bracket).

Employers enjoy favorable tax treatment as well.

Significant tax savings allow your company to enhance its benefits package at generally no net cost to the employer.



### Employees save:

- Social Security tax (FICA)
- Medicare tax
- Federal tax
- State tax (most states)

### Employers save:

- Matching FICA
- Medicare tax
- FUTA
- SUTA



## Health Reimbursement Arrangements

Health Reimbursement Arrangements (HRAs) are a great way to manage health care costs.

With funds contributed by the employer, the HRA reimburses employees for qualified medical expenses up to a specified amount, according to an

employer-determined arrangement. These dollars are tax-free for participants.

Employers have great flexibility in designing plans to meet their employees' needs, and firms of any size can establish an HRA program.

The accounts are not a taxable employee benefit and employers' contributions are tax deductible.

# *Flexible Benefit Plan Administration*

## Complete Administrative Services

- Plan Design
- Plan Communication
- Claims Adjudication
- Payroll Integration
- Participant Debit Cards
- Quarterly Participant Statements
- Annual Compliance Testing
- 5500 Preparation
- Interactive Participant Website
- Responsive Customer Service Line
- Full Service Client Assistance



## More Benefits Solutions

- **One-Stop Benefits websites**, developed for your company's exclusive use, provide employees with the specifics of your company's benefits, as well as hotlinks to websites offering your employees direct access to their own benefits accounts.
- **Hour Banks** allows companies with hourly workers (especially prevailing wage workers) to provide health insurance for employees and their families via hourly contributions to Hour Bank accounts. Each month, Hour Bank dollars are sent to the insurance company to pay for health insurance coverage. Hour Banks can be designed to allow year-long coverage for employees of businesses of seasonal nature.
- **Benefits Planning Services** are available to help your company design a competitive and affordable benefit package.



**WE'RE ON THE WEB!**  
**WWW.PENCORP.COM**



# FLEXIBLE BENEFIT PLAN

*A Section 125 Flexible Benefit Plan offers tax savings in the form of tax-free reimbursement on qualified medical & child care costs.*

Benefits generally offered include:

- Group health insurance premiums—the portion your employees pay
- Flexible Spending Accounts
  - Medical expense** -allowing employees to pay their medical, dental & vision expenses with pre-tax dollars, saving up to 50% of the cost
  - Child care** - pay up to \$5,000 of childcare expenses with pre-tax dollars

*The Plan helps employees provide needed services for their families at lower cost & enhances your benefits package at generally NO NET COST TO EMPLOYER.*

- Employees' costs become pre-tax payroll deductions, escaping FICA, federal & state (most states) taxes
- The employer is relieved of the FICA 7.65% match on these dollars.

## SAMPLE COST ANALYSIS

*Administration fees typically total less than half the amount of payroll tax savings realized*

PLAN CONTRIBUTIONS	# EES	COST	TOTAL
Group Medical - Employee Coverage	100	X \$0	X 12 mos = \$0
Group Medical - Family Coverage	40	X \$200	X 12 mos = \$96,000
FSA Medical Expenses	80	X \$50	X 12 mos = \$48,000
FSA Dependent Care Expenses	10	X \$250	X 12 mos = \$30,000
TOTAL EMPLOYEE CONTRIBUTIONS			<b>\$174,000</b>
COMPANY MATCHING FICA RATE			X 7.65%
<b>EMPLOYER'S ANNUAL PAYROLL TAX SAVINGS</b>			<b>\$13,311</b>
PLAN COSTS	# EES	COST	TOTAL
Flex participants	85	4.50/mo	X 12 mos = \$4,590
Premium-only participants	40	.50/mo	X 12 mos = \$240
<b>PLAN ANNUAL ADMINISTRATION COST</b>			<b>\$4,830</b>

**ESTIMATED EMPLOYER SAVINGS \$8,481**

*Your company's savings will vary according to employee participation. For an illustration tailored to your company's needs, please contact Beth Robinson, account manager, directly at 513-719-4164.*



# FLEXIBLE BENEFIT PLAN

## LOWER YOUR COMPANY TAX BURDEN WITH FLEX BENEFITS

### A BENEFIT THAT PROVIDES MORE MONEY FOR YOU AND YOUR EMPLOYEES

Most employers provide group health insurance to their employees. As costs rise, you may be forced to pass on more of the cost of that insurance to your employees. Section 125 of the Internal Revenue Code allows those insurance premium dollars your employees pay to be converted to a tax-free benefit. Employees' costs are deducted from the gross wage, thus reducing the Federal, State (most states) and FICA taxes they pay.

*You, the employer, are also relieved of the FICA 7.65% tax match on those dollars.*

This benefit can be expanded to offer employees tax savings on eligible medical and child care expenses.

Allowing employees to purchase the items they already use with pre-tax dollars puts more money in their pockets.

Both you and the employee win!

### WHAT'S THE CATCH?

The plan is governed by the regulations contained in Section 125 of the Internal Revenue Code, hence the name. Some of the major regulations include the requirement of a plan document. Plans are also subject to limited discrimination testing. And plans with more than 100 participants are required to file a yearly IRS form 5500.

*Pension Corporation of America offers complete servicing of Flex Benefit plans, from plan design & implementation, document drafting, legal compliance and complete administrative services.*

### TWO KINDS OF PLANS:

#### • Section 125 Premium-Only Plan

This plan converts the employee's portion of the insurance premium to a pre-tax payroll deduction, thus reducing the employee's cost for insurance. A \$100 insurance cost reduces an employee's paycheck by only \$75 or even less, depending on the tax savings.

#### • Section 125 Flexible Benefit Plan

This plan allows both the conversion of the employee's portion of the insurance premium to a pre-tax payroll deduction and allows the employee to elect up to three different tax-free reimbursement accounts:

- the Flexible Medical account, for eligible medical, dental, vision, mental health, and hearing expenses for themselves and their families;
- the Dependent Care Reimbursement account, for their eligible child and elder care expenses;
- and the FSA Premium account, for eligible individually-owned insurance policies.

Remember, these are all items & services your employees are already purchasing; the plan just allows them to escape taxation.

### AREN'T THESE EXPENSES ALREADY TAX DEDUCTIBLE?

Yes, they are. However, only medical expenses exceeding 7.5% of adjusted gross income are tax deductible. A family with adjusted gross income of \$50,000 would have to spend more than \$3,750 before qualifying for a deduction.

Dependent care costs can be deducted from income via the Child Care Tax Credit; however, many people save more money by using a Dependent Care Reimbursement account. The Dependent Care Reimbursement Account also puts additional dollars in the employee's paycheck year round, not just at tax time.



# POTENTIAL TAX SAVINGS

## WITH A SECTION 125 PREMIUM-ONLY PLAN

If your employees are paying a portion of their group-health insurance cost from their paychecks, it only makes sense to adopt a Section 125 Premium-Only Plan. Employees will see an increase in take home pay as their premium dollars are exempted from Federal, State (most states) and FICA taxes.

Employers also realize significant payroll tax savings with a Section 125 Premium-Only Plan. The illustration below shows the yearly savings in FICA and Medicare taxes an employer would realize in a mid-sized Section 125 Premium-Only Plan with only 35 employees enrolled in the pre-tax premium option.

<i>PLAN OPTION</i>	<i># OF PARTICIPANTS</i>	<i>EMPLOYEE PREMIUM PORTION</i>	<i>TOTAL EMPLOYEES' OPTION</i>
<b>GROUP INSURANCE</b>			
Group Medical - Employee Coverage	30	X \$100	X 12 mos = \$12,000
Group Medical - Family Coverage	5	X \$400	X 12 mos = \$48,000

**TOTAL EMPLOYEE PAID PREMIUMS** **\$60,000**

**COMPANY MATCHING FICA RATE** **X 7.65%**

**EMPLOYER'S ANNUAL PAYROLL TAX SAVINGS** **\$4,590**

*Your company's savings will vary according to employee participation. For an illustration tailored to your company's needs, please contact Beth Robinson, account manager for the Pension Corporation of America Section 125 Plan Department, directly at 513-719-4164.*



# Flex Benefits

2014



## Important dates to remember

- **Your plan year is the calendar year.** Eligible expenses are those that are incurred during the calendar year, or if you enroll mid-year, no earlier than the date you joined the plan.
- **Deadline for all claims is March 31 of the following year.** Up to \$500 in unused Medical Reimbursement funds can be carried over to the next year, and used after current year funds are exhausted.
- **Reimbursement payment** generally occurs in 3-5 business days.

# Medical Reimbursement Account

Save money by reimbursing yourself tax-free for your qualified medical expenses.

Expenses must be for

- Eligible medical services and items
- Provided or purchased within the plan year or grace period (if applicable)
- Incurred for qualifying individuals:
  - Yourself
  - Your spouse
  - Your children through age 26
  - Other dependents may qualify

See the list of FSA eligible/ineligible items & services

## Details to remember:

- **Reimbursement is limited** to expenses incurred during the plan year, for example, the date of a doctor visit. Last year's bills are not eligible, nor are pre-payments.
- **Orthodontia expenses** can be reimbursed in each plan year for the cost applicable to the plan year—for example monthly payments due this year.
- **Proof of expense** includes bills, statements, EOBs and receipts showing the provider, date and service provided amount charged and insurance payment, if any.
- **You can receive up to your annual elected amount** regardless of what you've contributed to the account at time of request.
- **You can carryover up to \$500 in unused funds** to the next plan year. These funds can be used after your next year's funds are exhausted.
- **Changes to your accounts or amounts can be made ONLY under special circumstances** - IRS qualifying "change in status" events such as births and marriages.

# FSA Premium Reimbursement Account

If your plan offers this account, you can reimburse yourself tax-free for certain individually-owned insurance policies.

- Dental
- Vision
- Accident
- Disability
- Some COBRA

As of 2014, HEALTH is ineligible for this account. Other ineligible policies include life, Medicare premiums, long-term care, insurance or COBRA insurance through a spouse/dependent's employer or in their name only, group plans of any type, or any insurance that builds cash value.



## If you have a Health Savings Account:

Your Medical Reimbursement Account will be

LIMITED to:

- Vision
- Dental
- Preventive Care
- Medical Expenses incurred after meeting health plan deductible



# Dependent Care Reimbursement

Save 20-30% or more on your child care expenses using this account.

Expenses must be for:

- Dependent in your household, under age 13, or incapable of self care and of any age
- Care provided so that you (and spouse, if applicable) can work
- Qualifying care includes day care, babysitter, latch-key, before/after school care, preschool, day camps, nanny's or housekeeper's wages
- **Ineligible expenses** include kindergarten and education tuition, overnight camps, non-work related care, nursing home care, transportation expenses, activities, lessons, clubs, or tutoring.



*Expenses reimbursed through this account reduce the amount of expenses that can be applied to the federal Child Care Credit.*

## Dependent care limits

- The IRS limits the dependent care account to the lesser of \$5,000 for those with tax status married filing jointly or head of household, or \$2,500 for those filing married filing separately.
- A completed dependent care provider information form is required for those who elect these benefits.
- You can be reimbursed up to the amount currently deposited in your account at the time of request. Any remainder will be paid as funds are deposited into your account.
- Changes to your dependent care account and amounts can be made when you have a change in care, provider or cost, or when you experience a "change in status" event such as birth or marriage.

## Requesting Reimbursement

Fax, email or mail claim form and receipts to:

Pension Corporation of America

2133 Luray Avenue

Cincinnati OH 45206

(513) 281-2026

claims@pencorp.com



You should receive payment or requests for more info within 3-5 business days.



## **Pension Corporation of America**

Phone: 513-281-3366

Fax: 513-281-2026

E-mail: [claims@pencorp.com](mailto:claims@pencorp.com)



# Access flex accounts and flex card info on the web

Go to [www.pencorp.com](http://www.pencorp.com).

Click FLEXIBLE SPENDING ACCOUNTS ACCESS to view your account

First time uses must register using LOGIN ID: Social security number OR employee ID & EMPLOYER CODE.



Questions?

Call us at (513) 281-3366, X 121 or X164, or toll free at 800-484-5848. Email us at [claims@pencorp.com](mailto:claims@pencorp.com).



**Connecting your  
Employee benefits  
with your wallet**

Get connected to your flexible medical plan with the swipe of a card! The mySourceCard® Debit Card reduces:

- Out-of-pocket expenses
- Claim forms
- Reimbursement checks

## What is the Purpose of the Card?

You can use the card to pay for your qualified health care expenses at qualified locations that accept MasterCard, including doctor and dentist offices, pharmacies, vision care locations and merchants with the Inventory Information Approval System (IIAS) in place. Approved expenses are automatically deducted from your pre-tax accounts - without the hassle of claim forms or reimbursement checks!

## How the Card Works

For the most part, the mySourceCard works just like any other debit card, except for five important differences:

- Limited to specific merchants decided by the benefit account.
- Limited to eligible expenses decided by the benefit account.
- Employees can't use it at the ATM.
- Employees can't use it for "cash back" with a purchase.
- There is no PIN.

mySourceCard operates through programmed merchant codes. Each provider that accepts MasterCard is assigned a Merchant Category Code. There are over 500 such codes; however, only those codes related to eligible expenses under your specific benefit plan are programmed on the card. Additionally, card swipes for eligible purchases made at retail merchants with an Inventory Information Approval System, (IIAS) may be autosubstantiated per your TPA. **If any transactions require documentation, you will be notified via e-mail.**

# How and where do I use the card?

## Where can I use the card?

- Hospitals
- Physician offices
- Dental offices
- Vision service locations
- Pharmacies
- Retail merchants using an Inventory Information Approval System (IIAS)

## How do I use the card?

Simply present the *mySourceCard* as payment for qualified goods and services. Qualified purchases will be paid directly from your reimbursement account. It's that simple!

# Important Things to Remember

When using the *mySourceCard*:

- Keep all your receipts.
- Certain types of expenses may require receipts to verify expense eligibility.
- The card is only valid at authorized merchants.
- Card can be used up to the amount available in your account.
- Transactions over the available amount will be denied.
- 24/7 access to account information at [www.myRSC.com](http://www.myRSC.com).



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## Frequently Asked Questions

### **How do I check the balance on my card?**

To obtain information regarding your *mySourceCard*<sup>®</sup>, including the balance, recent transactions, etc., please log onto [www.myRSC.com](http://www.myRSC.com). Select the *mySourceCard* Tab to access this information. If you don't know your *myRSC* login information, then contact your plan administrator.

### **What can I use the card for?**

The card should only be used for eligible products and services as outlined in the Internal Revenue Service (IRS) Publications 502 and 503. Some examples include such expenses as medical deductibles, co-payments, and non-covered prescriptions, dental or vision related expenses.

### **How does the card work?**

An individual will simply present the card to a qualified merchant or provider. They will swipe the card to pay for the purchase. Funds for eligible expenses will be transferred directly to the provider or merchant from the flexible medical account through the MasterCard<sup>®</sup> network.

### **How do I activate my card?**

Upon receipt, and before using the card for the first time, the cardholder will need to activate the card by visiting [www.myRSC.com](http://www.myRSC.com) or calling 1-888-523-4308.

### **Is this just another MasterCard debit card?**

No, it is a debit card that utilizes funds from your flexible medical account. Although this is a debit card, because it is an off-line debit card, it is treated like a credit card at a merchant or provider terminal because it does not require a PIN number before approving a transaction. It is also tied to Merchant Category Codes, and can only be used at qualified merchants as set forth in the individual benefit plan.

**Will the card know what expenses are eligible and what are not?**

Each merchant or provider accepting a MasterCard is assigned a Merchant Category Code. There are over 500 such codes and *mySourceCard* accepts only some of those codes, all related to eligible expenses under the flexible medical account. The card will instantly deny merchant or provider codes that have not been programmed on the card.

**Can the *mySourceCard* identify how much of a product or service will be paid by my health plan?**

No, the individual should check with their benefit plan to see what and how much is covered.

**Will I need to submit a claim form?**

Generally no, unless requested. When using the *mySourceCard*, an individual will not be required to submit a claim form to obtain spending account reimbursement. However, they should save all applicable receipts, as they may be required to verify eligibility of certain expenses or individuals. Our system will automatically send the individual an e-mail if a receipt or other form of verification is required.

**What will happen if I use my card for an ineligible expense?**

If someone makes a mistake and purchases ineligible items with the *mySourceCard*, they are required to send a receipt and a reimbursement. If this happens to you, you will be emailed instructions on how to do this.

**What will happen if I don't send a reimbursement check for the amount of the ineligible expense?**

The individual will be held accountable should the IRS audit their taxes. Also, the card will be deactivated and the account will be frozen until that time when either reimbursement is received or the amount of eligible claims received is sufficient to cover the overpayment.

**Will my transaction be denied if I don't have enough money in my account to cover the expense?**

The entire transaction will be denied if the charge is for any amount that is greater than the balance in the account. To avoid a transaction being denied, individuals should visit [www.myRSC.com](http://www.myRSC.com) for their account balance prior to using the card. If the card is used at an IIAS location, however, a split tender transaction will occur; the balance of the card will pay out and the remainder will need to be paid by another means.

**What if my provider doesn't have a charge card terminal?**

You can still utilize funds from your account by mailing or faxing in a claim form to your Plan Service Provider.

More questions? Please contact Flex Benefits department at 513-281-3366, or 800-848-5848.