



BULLETIN

SUBJECT: FLEXIBLE 125 REIMBURSEMENT ACCOUNTS 2010-11 No. AS-7
PLAN YEAR: JANUARY, 2011 – DECEMBER 31,
2011

TO: All Active Employees

DATE: August 2010

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REVIEWED BY: Patricia A. Hagemeyer APPROVED: Patricia A. Hagemeyer

Open Enrollment for Flexible Reimbursement Account enrollment begins August 31, 2010 and ends November 15, 2010. If you pay childcare or have out of pocket medical or prescription expenses, you may want to consider enrolling in this plan. **IMPORTANT: You must enroll each year because 2010 Flexible Reimbursement Accounts do not automatically rollover for 2011.**

A Flexible Reimbursement Account(s) provides district employees with the option to set aside pre-tax dollars from their payroll check in accounts that reimburse eligible dependent care expenses and/or out-of-pocket health care expenses. Therefore, you are able to reduce your taxes and increase your spendable income. The Plan allows you a choice of two Flexible Reimbursement Accounts. You can participate in either a Dependent Care Reimbursement Account or Health Care Reimbursement Account, or both.

How to Enroll: Contact the Employee Benefits Office and enrollment information will be provided to you. The deadline to enroll is November 15, 2010. If you enroll, the District will reduce your salary by your designated amount and credit those dollars to your flexible spending account(s). The District will credit your account(s) with equal amounts for each pay period during the Plan Year.

Important Information...Please check benefit website for detailed information:

- Due to new changes in law, some over-the-counter medication will no longer be eligible for reimbursement without a prescription. New guidelines for 2011 are attached.
- For 2011, you may contribute up to \$5,000 for each account.
- Please carefully make your election amount(s). **If you do not use the money for eligible expenses incurred during the plan year (calendar year), the amount you do not claim must be forfeited.**
This feature is a federal requirement. It is commonly referred to as "use it or lose it".
- Once enrolled you cannot "drop out" unless there is a qualifying status change, such as a change of employment status (yours or your spouse's), or the birth or adoption of a child. You will need to complete a status change form. **All changes made due to a qualifying event, must be completed within 30 days of event.**

Questions and Inquiries:

- Employee Benefits Office is located at the Serna Center, 5735 47th Avenue, Sacramento, California, 95824. You may reach us by phone: 643-9432 or email: benefits@sac-city.k12.ca.us.
- You may also contact CBA (Custom Benefit Administrators) at 916-303-7090 or 800-574-5448, or visit their website at www.cbadministrators.com.

Over-The-Counter (OTC) Drugs will no longer be reimbursable without a doctor's prescription after January 1, 2011!

In March 2010, President Obama signed broad new health care reform legislation into law.

One provision of the new law is that over-the-counter (OTC) drugs & medicines will no longer be reimbursable through a Medical Flexible Spending Account (FSA) after January 1, 2011 unless the expense is accompanied by a physician's prescription.

What does this mean for Medical FSA participants? Simply put, it means that the list of items you may purchase "OTC" (i.e. without a prescription from a doctor) will shrink from 43,000 items currently to approximately 23,000 items in 2011. So while 23,000 is still a big list, this new law will significantly reduce the items that you may purchase without a prescription.

Remember though, all the drugs & medicines that will drop off this list are still technically reimbursable after January 1, 2011. The difference is you will need a doctor's prescription, which of course will make it less convenient to be reimbursed for these items.

Following is a sample list of the types of OTC expenses that **WILL** require a doctor's prescription after January 1, 2011:

• Acid Relievers	• Digestive Aids
• Allergy & Sinus Remedies	• Feminine Anti-Fungal Remedies
• Antibiotics	• Hemorrhoidal Remedies
• Anti-Gas Remedies	• Laxatives
• Anti-Itch Remedies	• Motion Sickness Remedies
• Anti-parasitic Treatments	• Pain Relief Medication
• Baby Rash Ointments/Creams	• Respiratory Treatments
• Cold Sore Remedies	• Sleep Aids & Sedatives
• Cough, Cold & Flu Remedies	• Stomach/Intestinal Remedies

Following is a sample list of the types of OTC expenses that **WILL NOT** require a doctor's prescription after January 1, 2011:

• Band Aids & bandages	• Diagnostic Tests & Monitors
• Birth Control	• First Aid Supplies
• Braces & Supports	• Insulin & Diabetic Supplies
• Catheters	• Ostomy (e.g. colostomy) Products
• Contact Lens Supplies & Solutions	• Reading Glasses
• Denture Adhesives	• Wheelchairs, Walkers, Canes

How much will this affect my election for the coming plan year? That depends on how you use your FSA account. If you use your account primarily for OTC drugs and medicines, the new law could significantly impact the amount you should elect. On the other hand, if you rarely use your FSA account to purchase OTC drugs and medicines, it probably shouldn't impact your election at all. Nationwide, only about 6% of FSA purchases are for OTC drugs and medicines. This means that 94% of all purchases are

not affected by the new law. Still, you are the best judge of how this new law may impact your election. Just remember that starting in 2011, you will need a doctor's prescription to be reimbursed for OTC drugs and medicines. The prescription must identify each drug/medicine for which you want to be reimbursed. The prescription can be for a one-time use or for a life-time condition (e.g. ibuprofen for chronic pain, allergy medicine for hay fever, etc.).

I have a 2010 FSA Account. Can I use my 2010 account to purchase OTC drugs and medicines before January 1, 2011 without a prescription? Yes! Within reason, you can use your 2010 FSA account to purchase OTC drugs and medicines without a prescription as long as you make your purchase prior to January 1, 2011. But you can't go crazy and purchase a year's worth of aspirin. The amount you purchase of each product has to be reasonable so if you want to maximize the amount you spend, be sure to spread your purchase out among multiple products.

Are Medical FSA accounts still worth having after this change? Absolutely! Remember that nationwide only 6% to 8% of all Medical FSA reimbursements are for OTC drugs and medicines. This means that between 92% & 94% of reimbursements are still totally tax-free through your Medical FSA. Plus, you may still be reimbursed for OTC drugs and medicines with a doctor's prescription.

We'll keep you posted on the new law as information becomes available.

FLEXIBLE BENEFIT PLAN

Enrollment form & Salary Reduction Agreement

EMPLOYER: Sacramento City Unified School District

PLAN YEAR: 2011

1	Employee Information				
	FIRST NAME	LAST NAME	SOCIAL SECURITY NUMBER		
	MAILING ADDRESS		CITY	STATE	ZIP CODE
	DATE OF BIRTH	DAYTIME PHONE NUMBER	E-MAIL ADDRESS		SEX <input type="checkbox"/> Male <input type="checkbox"/> Female
2	Making Your Elections - Enter your election for each account.				
	Medical Expense FSA <input type="checkbox"/> Yes, I elect to participate in the Medical Expense FSA. The amount I elect for the PLAN YEAR is entered below (maximum election \$5,000): \$ _____ * <small>* Your election will be deducted from your pay in equal installments each pay period throughout the Plan Year.</small>	Dependent Care FSA <input type="checkbox"/> Yes, I elect to participate in the Dependent Care FSA. The amount I elect for the PLAN YEAR is entered below (maximum election \$5,000): \$ _____ * <small>* Your election will be deducted from your pay in equal installments each pay period throughout the Plan Year.</small>	Pre-Tax Premium Plan ("POP") If you contribute toward the cost of your group health insurance, you are automatically enrolled in the pre-tax premium plan (POP). You do not need to sign any forms to save taxes on your health insurance contributions.		
3	Salary Reduction Agreement				
	I authorize my employer to reduce my taxable compensation as directed above each pay period during the year. I fully understand that: <ul style="list-style-type: none"> ➤ I understand that I must be "common law employee" (as defined by my employer) to participate in the Plan. I further understand that if I am "self-employed" (as defined under Code § 401©, which includes a sole proprietor, partner in a partnership, over 2% owner of a S-Corp (or the employee spouse or dependent of a more than 2% owner of an S-Corp), I may not participate in the Plan. ➤ Once made, my elections are "irrevocable" during the plan year unless I experience a "qualifying and related change in status" or other permissible event as defined in the Plan and by the Internal Revenue code(IRS). I further understand that my employer may modify or revoke my elections in any way it deems necessary in order to maintain the flexible benefit plan in compliance with all applicable provisions of the IRS. I further understand that my elections are in addition to any other agreements I have with my employer. ➤ If my contributions for health insurance change by an insignificant amount during the plan year, my employer will automatically adjust my pre-tax contributions accordingly. ➤ I will forfeit contributions that I have not claimed from my FSA accounts after the end of each plan year (the run-out period). The length of the run-out period is stated in my Summary Plan Description. ➤ I may be offered COBRA for my Medical Expense FSA if I otherwise qualify. ➤ Tax-free reimbursements from my FSA's may only be made for qualified expenses incurred (date services are rendered) during the plan year and may not be carried over into future plan years. I understand that reimbursements are based on the amount I owe for qualified expenses and NOT on the amount I pay or have paid. ➤ Services must be rendered (performed) before I may be reimbursed. ➤ By participating in my flexible benefit (cafeteria) plan, I could potentially reduce my social security benefits. ➤ This agreement is subject to all the terms and conditions of our flexible benefit plan, as amended and revokes any prior election and redirection agreement I may have completed. ➤ Prior to the start of each plan year, I will have the opportunity to change my premium (POP) election for the following plan year. If I do not change my POP election, my current election will automatically renew for the new plan year. However, I understand that I must make a new election for the reimbursement accounts prior to each future plan year in order to continue my participation from year to year. ➤ If applicable, electing to pay the premium for disability insurance with pre-tax dollars will result in my having to pay taxes (including wage taxes during the first six months of benefit payments) on any benefits received under the disability insurance policy. ➤ Prior to the start of each plan year, I will have the opportunity to change my elections for the following plan year. ➤ I am responsible to compare (or obtain assistance from a qualified tax advisor) the benefits provided by applicable tax credits and have determined that my election is in my best interest. ➤ I am responsible to reimburse my employer for benefits paid, taxes, penalties or interest that may be imposed as a result of my knowingly violating the terms of the Plan. ➤ If I participate in one or more of the reimbursement accounts, I understand that (1) My employer will deduct a fee from my pay each pay period to offset the administrative expenses of the Plan; (2) I will not be charged an additional fee if I participate in more than one account; and (3) I pay nothing to participate in the premium (POP) account. I authorize the above elections and subsequent adjustments to my base annual salary. I understand and agree to abide by the rules and restrictions of the plan.				
	EMPLOYEE SIGNATURE: _____			DATE: ____ / ____ / ____	
	<small>To be completed by Employer</small>				
	AUTHORIZED SCUSD SIGNATURE	BENEFITS EFFECTIVE DATE (May not precede date employee signed form)	BARGAINING UNIT	HIRE DATE	NUMBER OF PAY PERIODS (CIRCLE ONE): 12 / 11 / 10