

# **SECTION 125 FLEXIBLE BENEFIT PLANS**

## ***A Summary of the Reimbursement Account Arrangement***



Unreimbursed Medical Expense Account  
Dependent Day Care Expense Account  
AFES rev 12/12

Dear Participant:

Thank you for electing to participate in the flexible spending portion of the Section 125 Flexible Benefit Plan being sponsored by your employer. The amounts you have elected to be set aside for your Unreimbursed Medical Expense and/or your Dependent Day Care Expense Account will be in force for the next plan year.

Although Section 125 regulations permit an election change due to a qualified event, in most cases, **no election changes are permitted for the Unreimbursed Medical Expense Account except for termination of employment by an employee.** For special rules affecting your plan, please contact your employer. Election changes for valid status changes are permitted for the Dependent Day Care Account. *Only claims incurred while you are contributing to the account(s) will be eligible for reimbursement.*

The following sections are included in this booklet:

*How Your Plan Works*

*How to File a Claim*

*Checking Balance or Claim Status*

*Q&A*

*Information about Direct Deposit*

You may access the necessary forms to claim a reimbursement on-line. Check out our web site at [americanfidelity.com](http://americanfidelity.com) for additional forms and other items of interest. You can also sign up for an account activation code to have secured access to your personal account information, including balance and claim history.

We look forward to assisting you with your Flexible Benefit Plan.

*Linda Reynolds*

Vice President  
Flex Account Administration

# HOW YOUR PLAN WORKS



Flexible spending accounts allow you to direct a part of your pay, on a pre-tax basis, into special accounts that can be used throughout the year to reimburse yourself for certain out-of-pocket medical expenses and/or dependent day care expenses. Because your money goes into your reimbursement accounts before federal and state income taxes are withheld, you pay less in taxes, and ultimately have more disposable income. There are two separate accounts: The Unreimbursed Medical Expense Account and the Dependent Day Care Expense Account.

## ***Unreimbursed Medical Expense Account (URM)***

Your Unreimbursed Medical Expense Account (Health FSA) may be used to reimburse yourself for eligible medical expenses incurred for yourself, your spouse, your eligible dependents, and/or your adult children\* who have not reached age 27 before the end of the calendar year. Your employer establishes your maximum for each plan year.

You may only be reimbursed for expenses incurred for services rendered during the plan year, or if applicable, during the grace period immediately after the end of your plan year. Not all employers offer the grace period; please check with your employer to see if this applies to you. You may also submit your claim for reimbursement on or before the run-off period ends, for claims incurred during the plan year or grace period (if applicable). The length of the run-off period may vary so please consult your employer for details. **Refer to our website for a listing of eligible and ineligible expenses.**

\*As a general rule, employees pay no FICA, federal, or state income taxes on employer or employee Health FSA contributions. However, some state tax rules do not allow the tax-free treatment that applies under federal law and, therefore, Health FSA benefits may need to be included in your income for state tax purposes. For more information, consult with your tax advisor.

## ***Dependent Day Care Expense Account (DDC)***

Your Dependent Day Care Expense Account may be used to reimburse yourself for eligible dependent day care expenses incurred to allow you (and your spouse if you are married) to work, or for your spouse to look for work, go to school full-time, or who is incapable of self-care. Work may include actively looking for work, yet unpaid volunteer work or volunteer work for a nominal salary does not qualify. You may allocate up to \$5,000 per tax year for reimbursement of dependent day care services (\$2,500 if you are married and file a separate return).

### ***Special Rules for Dependent Day Care Include:***

- You must have income from work during the year.
- You (and your spouse if you are married) must have the same principal place of abode with the dependent for more than half of the taxable year and the dependent must stay in your home at least 8 hours per day.
- You must have made payments for dependent day care to someone you could not claim as a dependent, and, if the person you made payments to was your child, he or she must have been age 19 or over by the end of the tax year.
- Child support payments and child care payments qualifying as alimony are not qualified expenses for reimbursement.

- The grace period does not apply to the Dependent Day Care Expense Account.
- You will have a run-off period of 90 days after the end of the plan year to submit dependent care claims incurred during the plan year for reimbursement.

### ***Qualifying Dependent:***

Eligible dependent day care expenses are for a “qualifying individual”, which means your “qualifying child” (as defined in Code Section 152(c)) under age 13 or for any other “qualifying dependent” (qualifying child or qualifying relative, as defined in Code Section 152(c) and (d), respectively), or your spouse who is physically or mentally incapable of self-care and who has the same principal place of abode as you (the taxpayer) for more than half of the taxable year.

If you are divorced or separated and you are the custodial parent of your qualifying child, your qualifying child qualifies if all of the following conditions are met, even though you do not claim a dependency exemption for the child for federal income tax purposes:

- The child is your qualifying child (as defined in Code Section 152 (c)) under age 13 or is not able to care for himself or herself;
- The child must receive over half of the child’s support during the calendar year from the child’s parents;
- The child’s parents must be (1) divorced or legally separated under a decree of divorce or separate maintenance, (2) separated under a written separation agreement, or (3) live apart at all times during the last six months of the calendar year;
- The child must be in the custody of one or both of his or her parents for more than half of the calendar year; and
- A decree of divorce or separate maintenance or written separation agreement between the parents applicable to the year provides that the noncustodial parent shall be entitled to any deduction allowable under Code Section 151 for the child, or the custodial parent will sign a written declaration that the custodial parent will not claim the child as a dependent for the year.

### ***What daycare expenses are reimbursable from your DCAP?***

In order for you to receive reimbursement from your DCAP for a daycare expense, the expense must meet the following requirements:

- it must be for a “qualifying individual”
- it must be for daycare expenses (to ensure the qualifying individual’s well-being and protection) and NOT for education, food, or other goods
- it must be “incurred” during the coverage period. “Incurred” means that the daycare has already been provided (not just that payment for the daycare has been made) and the daycare occurs during the plan year
- you must submit information from the daycare provider describing the service, its date, and the amount of the expense

- you must sign the claim form agreeing that:
  - the total reimbursement does not exceed the lesser of \$5,000, your earned income, your spouse's earned income, or your employer's set maximum
  - you will not claim reimbursement from another source nor will you claim the Dependent Daycare Credit
  - the dependent care giving rise to the expense has already been provided
- A dependent day care center or an individual providing dependent day care must comply with all federal, state and local regulations, if applicable.
- A dependent day care center is a place that provides care for more than six persons (other than persons who live there) and receives a fee, payment or grant for providing services for any of those persons, regardless of whether the center is run for profit.
- Dependent day care expenses are eligible if the care is for your dependent, which would be a qualifying child (as defined in Code Section 152(c)) under age 13 or for any other qualifying dependent (qualifying child or qualifying relative as defined in Code Section 152(c) and Code Section 152 (d), respectively) or your spouse who is physically or mentally incapable of self-care, who has the same principal place of abode as you (the taxpayer) for more than half of the taxable year and who regularly spends at least 8 hours each day in your household.
- The services of a housekeeper, maid or cook are usually considered necessary to run your home if performed in connection with the care of a qualifying dependent.
- The cost of getting a qualifying dependent to and from your home and the care location is not an eligible expense.

### ***Earned Income Limit:***

Your eligible expenses during a calendar year may not be more than your earned income for the year, if you are single at the end of the calendar year, or the smaller of your earned income or your spouse's earned income for the year, if you are married at the end of the calendar year.

### ***Dependent Care Tax Credit Alternative:***

- You should be aware that you may be able to take a federal tax credit, depending on your adjusted gross income, ranging from 20% to 35% of the amount you pay for dependent day care expenses instead of participating in the Dependent Day Care Expense Reimbursement Account.
- You may use up to \$3,000 of dependent day care expenses to figure your credit if you have one qualifying dependent and up to \$6,000 if you have two or more qualifying dependents.
- The tax credit is a direct reduction of the tax you owe to the federal government, unlike the income exclusion of participating in the Dependent Day Care Expense Account. Many states also provide a state tax credit for dependent day care expenses.
- You should consult with your tax advisor as to whether the tax credit may be more favorable for you than participating in the Dependent Day Care Expense Account. You may also wish to obtain IRS Publication 503 for more information about the federal tax credit.

## ***Important Tax Information for Dependent Care:***

Regardless of whether you participate in the Dependent Day Care Expense Account under Section 125 or claim the dependent care tax credit on your income tax, **you must provide the IRS with the name, address and taxpayer identification number (TIN) of your dependent care provider(s) by completing Schedule 2 of Form 1040A or Form 2441 and attaching it to your annual income tax return.** Be sure that you follow the current instructions given by the IRS for preparing your annual income tax return. Failure to provide this information to the IRS could result in loss of the pre-tax exemption for your dependent care expenses.

## ***Important Information About Your Flexible Spending Account(s):***



- You must elect to participate prior to the beginning of each plan year. There is no allowance for late enrollment.
- The amounts that you designate for reimbursement of medical expenses may not subsequently be used for reimbursement of dependent day care expenses, and vice versa.
- If you are enrolled in the Unreimbursed Medical Expense Account and take a leave of absence during the plan year, you may:
  1. Prepay the contributions pre-tax, or
  2. Continue the contributions on an after-tax basis (pre-tax contributions may continue when you return to work), or
  3. Prorate the unpaid contributions over the remaining pay periods when you return to work. Failure to make all election contributions will result in termination of your account as of the date contributions ceased.
- Your employer may have added a grace period provision to your Section 125 Flexible Benefit Plan for the Unreimbursed Medical Expense Account only. The grace period is an additional 70 days at the end of your plan year during which you can incur and/or submit medical expense claims for reimbursement. At the end of the grace period, you will have a runoff period of an additional 20 days during which you can submit claims for reimbursement from the immediately preceding plan year and grace period. **Not all employers offer the grace period on their Section 125 Flexible Benefit Plan. Please check with your employer to determine if this provision applies to you.** If your employer does not offer the grace period provision, you will have a 90 day runoff period after the end of the plan year to submit medical expense claims for reimbursement from the immediately preceding plan year.
- The grace period does not apply to the Dependent Day Care Expense Account. You will have a 90 day runoff period after the end of the plan year to submit dependent care claims for reimbursement from the immediately preceding plan year.

**If you do not file sufficient claims for reimbursement, you will forfeit the unused amounts. This is often referred to as the “use or lose” rule.**

## ***Election Changes***

Dependent day care elections are irrevocable for the period of coverage (the plan year), except for a change in status which affects your need for day care. Examples of a change in status include marriage, divorce or legal separation; birth or adoption of a child; loss of a spouse or child; change in residence affecting your daycare, or change in your or your spouse's employment status. An election change may also be allowed due to a judgment, decree or order, or cost change. If you revoke your dependent day care election due to a change in status, only claims incurred while you are actively participating will be eligible for reimbursement.

**In most cases, no changes are permitted for the Unreimbursed Medical Expense Account for any reason except for termination of employment.** Contact your employer for special rules affecting your plan.

## ***Options at Employment Termination:***

Upon termination of employment an employee may elect to discontinue participation in the Unreimbursed Medical Expense Account or to continue the payment, if eligible, either by pre-taxing the remaining contributions for the plan year from W-2 taxable income or paying for them on an after-tax basis (COBRA) through the end of the plan year. If you elect to continue all remaining contribution on an after-tax basis, the coverage under the Unreimbursed Medical Expense Account will continue until the premium ceases and expenses incurred during the period of coverage (including grace period) will be reimbursed.

If you do not elect to continue the payments on an after-tax basis, only expenses incurred during the period of coverage will be reimbursed (grace period provision will not apply). **Coverage under the Unreimbursed Medical Expense Account ceases when the payments cease.**



## **HOW TO FILE A CLAIM**

1. **Complete an Expense Reimbursement Voucher**, along with the third party documentation. See list of acceptable documentation below.
2. **Submit your completed form and documentation** to American Fidelity's Flex Department. You can either mail it to the address located on the bottom of the voucher or fax it toll-free to **1-800-543-3539**.
3. **American Fidelity's Flex Team will process the voucher** and you will be reimbursed for your eligible expenses. The medical expense reimbursement will be for the amount of the eligible expenses claimed up to the maximum benefit amount you elected for the plan year. The dependent day care expense reimbursement will be for the amount of the eligible expense you claimed up to the amount you have accumulated in your account. If the dependent day care expense claim is in excess of your account balance, the balance of the amount due will be forwarded to you as additional contributions are received.
4. You can choose to have your reimbursement mailed to you or electronically deposited into your checking account.

### **Unreimbursed Medical Acceptable Documentation with a Voucher Form:**

1. Professional bill or receipt that includes provider of service, type of service rendered, original date of service and charge for the service. NOTE: the date of service, not the date of payment, must fall within the plan year for which you are enrolled.
2. Insurance Company Explanation of Benefits (EOB).
3. Pharmacy statement that includes Rx number and the name of prescription, along with amount charged.
4. Over-the-counter drugs and medicine require a medical practitioner's prescription and receipt

### **Dependent Care Acceptable Documentation with a Voucher Form:**

1. Dependent Day Care Provider Acknowledgment Form.

### **Unreimbursed Medical Unacceptable Documentation with a Voucher Form:**

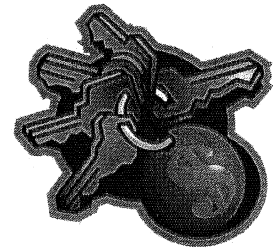
1. Cancelled checks / credit card receipts.
2. Bill or receipt that shows a balance forward / previous balance or payment.
3. Documentation that is not legible.



## ***American Fidelity's Service Commitment:***

- Quick processing of claims. Our average turnaround time is approximately 5 to 7 business days from receipt of claim.
- Toll-free fax line for the submission of your claim. You can fax your claim to: 1-800-543-3539 and save mail time.
- Ability to have your reimbursement directly deposited into your checking account. Simply fill out the "Flex Authorization for Direct Deposits" located on our web site.
- Toll-free customer service line to assist you with filling out your voucher form and answering any questions you have on your flexible spending accounts. Contact us at 1-800-325-0654.

## **HOW TO CHECK YOUR BALANCE OR CLAIM STATUS:**



*As a Flexible Spending Account participant, you have several options to inquire on the status of your reimbursement account.*

### ***1. By Automated Telephone:***

American Fidelity's FlexConnection® is an automated interactive voice response system that allows you to make inquiries about your Unreimbursed Medical and/or Dependent Day Care Expense Account from your touch-tone telephone. The FlexConnection® is available 24 hours a day, not just during our office hours! By calling FlexConnection® you can obtain your current account balance plus review the latest activity in your account, the date and amount of your last reimbursement, your last claim entry, and your last deposit.

#### **American Fidelity's FlexConnection®:**

Oklahoma City, Oklahoma Area: (405) 523-2029, then choose option 1

Outside Oklahoma City Area: (800) 325-0654, then choose option 1

### ***2. By Internet:***

Our web site – [americanfidelity.com](http://americanfidelity.com) – offers flexible spending account participants access to a secured area providing account information, including online flexible spending account balances and claim status.

In order to utilize the secured site, you will need to register online by selecting the "Your Account" option on the header bar at our home page – [americanfidelity.com](http://americanfidelity.com). The system will then guide you through the steps necessary to register. You will then be ready to review your account's activity throughout your plan year.

### ***3. Contact our Customer Service Department:***

You can also speak directly with one of our Customer Service Representatives at **1-800-325-0654** during our office hours of 7:00 am to 6:00 pm (CST), Monday through Friday.

## QUESTIONS & ANSWERS:



### **Q: Can I view my account on-line?**

*Yes, simply go to our web site at [americanfidelity.com](http://americanfidelity.com). To sign up for access to our secured Online Service Center. You will then be able to securely review your account, including deposits, reimbursement requests, reimbursements issued and balance.*

### **Q: How long will it take for my claim to be processed?**

*Once the first deposit is received, claims are processed within an average of 5-7 business days from the received date. If you fax your claim, you will save on mail time. You can also sign up to have your reimbursement deposited directly into your checking account.*

### **Q: How often do I need to submit my claims?**

*You may submit your claims as often as is convenient for you. Because of the increased volume of claims submitted at the end of the calendar year, the processing time may be longer than during the rest of the year. We would suggest submitting claims all throughout the plan year to avoid delays.*

### **Q: What paperwork is required for an unreimbursed medical claim?**

*We need a professional receipt or an itemized statement from the medical provider of service that includes:*

- 1. Original date of service, 2. Type of service rendered, 3. Charge for the service, and 4. Provider of service.*

*Effective January 1, 2011, you must provide a medical practitioner's prescription in order to be reimbursed for over-the-counter drugs or medicines. Please refer to the eligible expense chart located at the back of this booklet for additional information.*

*Some expenses require a doctor's statement to justify the expense. When a doctor's statement is required, it should be on the doctor's letterhead (or prescription pad) and should state that the treatment or expense is necessary to treat the specified medical condition. Please refer to the eligible expense chart located at the back of this booklet for additional information.*

### **Q: How can I find out if you received my fax?**

*We receive a very large volume of faxes daily. They are tracked in our system by the date received. You can include your e-mail address on your election form or reimbursement voucher. Once your e-mail address has been entered into our system, you will receive notifications when your claim is received, when it has been processed, and of a direct deposit.*

### **Q: The run-off period for my plan will end very soon. Does my claim have to be in your office by the last day of the run-off period, or just postmarked by this date?**

*Claims **must be received** in our office on or before the last day of the run-off period. American Fidelity will not honor claims received after the run-off ends.*

**Q: How Do You Get The Flex Debit Card?**

*Unreimbursed Medical Expense Account participants are eligible to enroll in the Flex Debit Card program during the Section 125 enrollment period if your employer has elected this option. Debit cards can be issued to you and your dependents who meet the eligibility requirements for the card! The Flex Debit Card program may be subject to fees - your American Fidelity Account Representative can provide you with full plan details.*

**Q: How do I get reimbursed for my mileage?**

*The cost for mileage which is primarily for medical treatment may be reimbursed through the Unreimbursed Medical Expense Account by either submitting a Medical Travel Log, or by submitting all of the required information listed on the Medical Travel Log, with your voucher. This would include the number of miles traveled, reason for treatment, who the treatment was for, where the facility was located, and the dollar amount that is being claimed. The Medical Travel Log is located on our web site.*

**Q: How do I claim over-the-counter expenses?**

*Effective January 1, 2011, you will be required to submit a medical practitioner's prescription, along with a receipt and completed voucher, in order to be reimbursed for over-the-counter drugs and medicines purchased on or after this date. If the item is not a drug or medicine, but is considered a dual-purpose item, then you will need to submit a doctor's statement explaining the need for the item in order to be reimbursed. Please refer to the eligible expense chart located at the back of this booklet for additional information.*

**Q: What paperwork is required for a dependent day care claim?**

*You will need to submit the Dependent Day Care Voucher/Acknowledgment form. If you are only claiming daycare expenses, you can use the combination form. If you are claiming both medical expenses and daycare expenses at the same time, you will need to submit the Expense Reimbursement Voucher and the Dependent Day Care Provider Acknowledgment Form. The form must include the tax ID or individual social security number of the provider. These forms can be located on the web site.*

**Q: Can I cancel my Dependent Day Care Expense Account?**

*The only way the Dependent Day Care Expense Account may be cancelled is if you have a change in status that affects your need for the benefit. Otherwise, the plan will remain in force until the end of the plan year.*

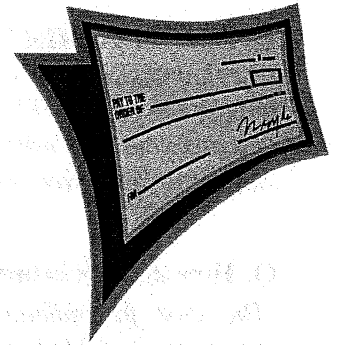
**Q: Why do I receive only partial reimbursements for my dependent day care?**

*Dependent day care reimbursements are paid up to the amount available in the account. If a contribution is posted and there is a pended amount (claims in excess of deposits) then we will automatically pay on the pended amount. As additional claims are received, we will continue to send reimbursements up to the amount that has accumulated in the account.*

**Q: Can I submit a claim for expenses under my dependent day care account that have not been incurred yet?**

*Dependent day care reimbursements may not be made until after the daycare services have already been provided. Though payment may be made to your daycare provider for future services, they cannot be reimbursed from your account until they have been fully rendered.*

# DIRECT DEPOSIT



Have you signed up to have your flexible spending account reimbursement deposited directly into your checking account?

- \* Direct deposit eliminates the possibility of your check being lost or delayed in the mail!
- \* Direct deposit eliminates that trip to the bank to deposit your reimbursement check!

Each time a deposit is made to your account, you will be mailed an Explanation of Benefits that shows the deposit made as well as a summary of your account. If you have provided us with your e-mail address, this notification will be e-mailed to you. This will let you keep track of your account just as you always have.

## *How do you get started on Direct Deposit?*

Just complete the Flex Authorization for Direct Deposits that you will find on the web site and mail or fax it back to us!

## *How do you make a change?*

If you change banks or account numbers, simply complete a new authorization agreement. We will stop your deposits as soon as we receive the new authorization.

## *How long will this authorization remain in effect?*

This authorization will remain in effect until you send us written notification to terminate it. If you elect to participate in the reimbursement account for the next plan year, your authorization will carry over. If you elect not to participate in the reimbursement accounts for the next plan year, no deposits will be made to your account following the run-off period.

We hope that you will decide to take advantage of this convenient service! If you have any questions, please call us at **1-800-325-0654**.

# HELPFUL TIPS ON YOUR REIMBURSEMENT ACCOUNT:

Provide us with your e-mail address and you will be notified electronically when:

- Your claim has been received!
  - Your claim has been processed!
  - Your direct deposit has been sent!

Just enter your e-mail address on your election form or reimbursement voucher!

Need more forms? Visit us online at [americanfidelity.com](http://americanfidelity.com). You can select and print the flex reimbursement forms you need. While visiting our web site, be sure to sign up for your secured access to detailed account information, including account balance and claims history.

**FlexConnection®** – Review your account information or request forms at any time of the day or night by calling our interactive phone response system.

Oklahoma City, Oklahoma Area:	(405) 523-2029, then choose option 1
Outside Oklahoma City Area:	(800) 325-0654, then choose option 1

**Customer Service Representatives:** We are happy to help with any questions or concerns you may have regarding your account. You can contact our Flex Department at (800) 325-0654 and one of our friendly Customer Service Representatives will assist you. Our call center is open Monday through Friday, 7:00 am to 6:00 pm (CST).

## *Put Your Claim on the Fast Track:*

**Fax Claim Toll Free to: 1-800-543-3539**

**Sign up for Direct Deposit of Reimbursement**

**Visit us online at [americanfidelity.com](http://americanfidelity.com) for voucher forms, important information and secured access to your account.**