

SECTION 125

CAFETERIA PLAN

Sometimes called a flex plan, this plan allows employees to pay for insurance premiums, out-of-pocket medical, day care expenses and individual health insurance premiums with pre-tax dollars. Pre-tax dollars are those dollars deducted from your gross pay before taxes are calculated – saving you taxes! On average, most people save \$0.15 - \$0.30 in taxes for each \$1.00 they set aside.

There are several parts to a cafeteria plan:

Pre-tax insurance premiums – If you enroll in the any of the PRO benefits, the deductions will automatically be taken pre-tax (unless otherwise stated). If you wish to opt out, please contact PRO.

Health Care Reimbursement Account – this account allows you to set aside money, before taxes, to pay for out-of-pocket health care expenses such as office visit co-pays, prescriptions, deductibles, glasses, contacts, chiropractic, medical equipment, orthodontia (etc) for you, your spouse and eligible dependents.

Expenses incurred before your coverage effective date or after your termination date are not eligible for reimbursement (unless you are eligible to continue coverage through COBRA).

Dependent Care Reimbursement Account – this account is to cover day care expenses you incur for your eligible dependent while you are at work. To qualify for dependent care expenses, your dependent must be either under age 13 or a qualifying older dependent. A qualifying older dependent (such as a disabled adult or an elderly parent) must meet the following criteria:

- Depend on you for at least half of his or her financial support
- Is physically or mentally unable to care for himself or herself
- Spend at least 8 hours each day in your home

If you're married and want to participate in the Dependent Care Account, your spouse must meet at least one of these conditions:

- Work (either full-time or part-time)
- Be actively looking for work
- Be a full-time student
- Be incapacitated

Premium Reimbursement Account – this account allows you to set aside money to pay for premiums associated with individual health insurance premiums you pay out of pocket for health insurance for you and your family. This account is not for amounts paid through PRO or other group health plans.

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SECTION 125 CAFETERIA PLAN (Continued)

How the Reimbursement Accounts Work

The accounts allow you to set aside money from your pay on a pre-tax basis to pay for your eligible health care and dependent care expenses as well as your individual health insurance premiums.

The accounts work like this:

When you enroll, you choose how much to contribute to the accounts, up to the maximum allowed for the year.

Your contribution is taken from your pay before taxes are calculated.

When you incur an eligible expense, you file a claim with PRO.

You're then reimbursed for eligible expenses according to the rules of the plan.

Note: You can't deduct expenses that are reimbursed through the spending accounts from your federal income taxes.

Planning How Much to Contribute

The accounts are separate accounts and have different limits on how much you can contribute.

Before you enroll, you should estimate what your expenses will be during the year, and then decide how much to contribute, up to \$2,500 for the Health Care Account, \$5,000 for the Dependent Care Account and up to your annual premium amount for the Premium Reimbursement Account. It's important to plan carefully because:

If you contribute more to the accounts than you claim in expenses during the year, federal law requires you to forfeit the leftover money in your accounts.

You can't start or stop contributing or change your contribution amounts in either account during the year unless you have a qualified change in status.

You can't use extra funds in your Health Care Account to fund a shortfall in your Dependent Care Account or vice versa.

What's the Real Benefit? Tax Savings!	Your Paycheck	Without Flex Plan	With Flex Plan
	Let's assume your gross pay is \$1,000 every two weeks. You set aside money on a pre-tax basis to pay for day care and health care expenses. In addition, your insurance premiums are also taken pre-tax. Based on these assumptions, you could increase your take home pay by \$67 per pay check by using the Health Care and Dependent Care Spending accounts rather than paying for those expenses with after-tax dollars.	Gross Pay <i>(Before taxes)</i>	\$1,000
Qualifying Expenses			
Pay Subject to Tax		- 0	- 268
Taxes paid by you: <i>(Federal, State, FICA—Approximately 25%)</i>		\$1,000	\$732
Your Expenses			
I. Independent Premiums		- 22	0
II. Dependent Care		200	0
III. Medical, Dental, Vision Expense		46	0
*(Total of I, II, III = \$268)			
Net Spendable Income		\$482	\$549
Increased Spendable Income		+ \$67	

SECTION 125 CAFETERIA PLAN (Continued)

Eligible Healthcare Expenses

Following is a condensed listing of eligible healthcare expenses. For a more complete listing, visit the participant IRS Publication 502. Please note this listing is subject to change at any time and without notice due to new legislation.

NOTICE:

Effective January 1, 2011, the list of items that will require a prescription includes, but is not limited to acne medicine; allergy medicine; cough, cold & flu medicine; eye drops; indigestion medicine; laxatives; nasal sprays, drops; ointment for cuts, burns, rashes; pain relievers.

Items that will remain eligible without a prescription include, but are not limited to band aids, birth control, braces & supports, contact lens solutions & supplies, elastic bandages & wraps, first aid supplies, and reading glasses.

Acupuncture	Flu Shots	Schools and education, special (for mentally impaired or physically disabled person - see <i>IRS Publication 502</i>)
Alcoholism treatment	Guide dog or other animal used to assist persons with physical disabilities	Special home for person adjusting from life in mental institution to community living
Ambulance service	Health institute	Sterilization procedures (vasectomy or tubal ligation)
Artificial limb/teeth	Hearing aids and batteries	Stop-smoking programs
Bandages, band-aids, wraps and splints	Hospital services	Surgical fees (for legal operations not cosmetic in nature)
Breast-reconstructive surgery following mastectomy	Insulin, syringes	Therapy, physical or speech
Birth control pills (Norplant, ovulation kits)	Laboratory fees	Transplants (donor expenses, if you pay those expenses)
Braille books and magazines	Lead-based paint removal	Transportation and related travel expenses for person seeking treatment (See <i>IRS Publication 502, Transportation and Trips</i>)
Chiropractor professional fees	Legal fees (fees you pay that are necessary to authorize treatment for mental illness)	Treatment for learning disability caused by mental or physical impairment or nervous system disorders (treatment must be recommended by physician - see <i>IRS Publication 502, Learning Disability</i>)
Christian Science Practitioner fees	Lodging (see <i>IRS Publication 502, Lodging</i>)	Vaccinations
Cold medicine (see notice above)	Meals (only as part of inpatient hospital care)	Vasectomy
Contact lenses	Medical conference admission and transportation to/from (if concerns chronic medical condition of you, spouse or child)	Weight-loss program (only if medically necessary to treat existing disease (such as heart disease) and undertaken under physician's direction)
Contraceptives	Nursing home (if necessary for medical care and only the portion for medical services)	Wheelchair
Crutches	Nursing services	Wigs (if purchased upon advice of physician for mental health of patient)
Dental treatment (includes exams, x-rays, fillings, root canals, gum disease treatment, crowns, bridges, dentures, implants, orthodontia; does not include cosmetic treatments such as teeth whitening, bonding, etc.)	Operations (legal operations that are not cosmetic in nature)	X-ray fees
Diagnostic services and tests	Orthodontia	
Drug dependency treatments	Orthopedic devices	
Drugs (prescription drugs, insulin; see Over-the-counter Drugs/Medicines; does not include cosmetic drugs e.g., Retin-A, Renova, Propecia, etc.)	Osteopath fees	
Eye surgery (includes cataract, LASIK, corneal rings, etc.)	Oxygen equipment	
Eyeglasses, prescription (includes prescription sunglasses and over-the-counter reading glasses)	Pain reliever (for arthritis pain, head/back pain, menstrual pain, muscle or joint pain, e.g., aspirin, ibuprofen; does not include physical therapy include vitamins or herbal supplements) (see notice above)	
Fertility treatments (ovulation predictor kits and pregnancy tests, in vitro fertilization, surgery or operations to reverse a prior surgery that prevents you from having children)	Pregnancy test kits	
	Psychiatric care (for medical reasons)	
	Psychologist fees	