



IMPORTANT



DOUGLAS COUNTY FLEX BENEFIT PLAN

**FOR ALL REGULAR FULL AND PART TIME
EMPLOYEES (21+ HRS/WK)!**

MANDATORY

BENEFIT FORM ATTACHED.

**PLEASE CAREFULLY READ THE FOLLOWING INFORMATION. WE
NEED YOU TO SIGN AND RETURN THE FORM EITHER
ENROLLING OR WAIVINIG YOUR RIGHT TO PARTICIPATE IN
THE DOUGLAS COUNTY FLEX BENEFIT SECTION 125 PLAN.**

**IF YOU WISH TO PARTICIPATE IN
THE MEDICAL OR DEPENDENT CARE
REIMBURSEMENT PROGRAM OR THE
PRE-TAX DEDUCTION FOR
DEPENDENT PREMIUMS, YOU MUST
RETURN THIS FORM BY NOVEMBER
30, 2005. WE ARE UNABLE TO MAKE
ANY EXCEPTIONS!**

Thank You!



SAVINGS



SECTION 125 FLEX BENEFIT PLAN

All regular full and part time employees (working at least 21 hours per week or more) need to either enroll in the Section 125 Flex Benefit Plan for the plan year 2006, or waive their right to this benefit.

What is a Section 125 Flex Benefit Plan?

A Section 125 Flex Benefit Plan allows you to set aside some of your earnings, pre-tax, for dependent health insurance premiums, medical expenses, and/or dependent care expenses. By setting aside earnings pre-tax, you increase your take home pay, and reduce your taxable income. In other words, you save on federal taxes, and increase your spendable income.

Is there any cost to me?

If you choose the Medical Reimbursement or Dependent Care Plan, a monthly fee of \$2.00 is charged through payroll deduction for administrative expenses. If you choose only the Dependent Premiums (employee paid premiums for dependent medical, dental and vision insurance), there is no monthly fee.

How does the plan work?

Please see the attached "How Flex Benefit Plans Work" document for a detailed explanation of Section 125 Flex Benefit Plan options.

How long does the Section 125 Flex Benefit Plan open enrollment last?

Open enrollment for the Plan will begin November 7, 2005, and run through November 30, 2005. If an employee does not sign up during this time frame, there will not be another opportunity to do so until November 2006, and that employee will not receive the pre-tax deduction benefit, effective January 1, 2006.

Part of my dependent's health insurance premium is deducted from my paycheck every month; does a Section 125 Flex Benefit Plan affect these payroll deductions?

Yes, if you enroll now and choose the Dependent Premium option, your premium will be deducted pre-tax, instead of post-tax, which will help reduce your taxable income and increase your take home pay.

REMINDER: Any employee that does not sign up for the program during the open enrollment period will not be eligible for and will not receive a pre-tax deduction. Non-participating employees will only receive a post-tax deduction and will be deprived of the advantage of a pre-tax deduction.

Thank You!



SAVINGS



HOW FLEX PLANS WORK

The Section 125 Flex Benefit Plan consists of three choices:

- 1) Dependent Premium Deductions;
- 2) Medical Reimbursement Account; and
- 3) Dependent Care Reimbursement Account.

Dependent Premium Deduction allows employees that pay monthly dependent medical, dental and vision premiums to pay those premiums on a pre-tax basis, reducing the employee's taxable income and increasing their take home pay.

Medical Reimbursement Account allows an employee to estimate an *annual* amount of medical expenses they will incur in the coming year, such as deductibles, co-payments, prescription drugs and other medical, dental and vision expenses not covered by insurance (see below for list), and have that annual amount broken down into 24 pay period deductions, pre-tax, reducing the employee's taxable income and increasing their take home pay.

Below is an example of eligible medical expenses that qualify under the Medical Reimbursement Account:

Alcoholism, treatment of	Diagnostic fees	Orthopedic shoes
Ambulance	Eyeglasses, including exam fee	Prescribed medicines
Birth control pills	Hearing devices and batteries	Psychiatric care
Braces	Insulin	Routine physicals and other non-diagnostic services and treatments
Chiropractors	Laboratory fees	Surgical fees
Co-insurance	Needed medical supplies, prescribed by doctor	Transportation expenses primarily for rendition of medical services
Contact lenses & cleaning solution	Nurses fees	X-rays
Deductibles	Orthodontia	
Dental fees, unless cosmetic		
Over-the-counter medications such as antacid, allergy medication, pain reliever (must provide receipt & box top)		

The maximum amount you can deposit in the Medical Reimbursement Account is \$3,000.00 annually.

Dependent Care Reimbursement Account allows an employee with children under the age of 13, or an employee with an elderly, disabled or handicapped dependent to estimate an *annual* amount of dependent care expenses they will incur in the coming year, such as child or elder care, and have that annual amount broken down into 24 pay periods, pre-tax, reducing the employee's taxable income and increasing their take home pay.

Please keep in mind that the care-provider cannot be an immediate family member without certification and withholding, and the day care must be directly related to gainful employment.

The maximum amount you can deposit in the Dependent Care Plan is \$5,000.00 annually, or \$2,500.00 if married and filing separate tax returns.



SAVINGS



Once you have decided upon one or more Section 125 Flex Benefit Plan choices, you simply need to fill out the Employee Enrollment form, indicating what plan(s) you want. If you decide upon the Medical Reimbursement Account or the Dependent Care Account, you will need to write in the annual amount you want deducted. Sign the form and return it to Human Resources by November 30, 2005.

After enrolling, you will be placed into the appropriate plan, and deductions will begin with the pay period starting December 17, 2005, for the paycheck received on January 6, 2006. To request reimbursement for medical and/or dependent care expenses, all you need to do is submit a claim to Human Resources for reimbursement, which is a simple voucher form, along with your receipts (receipts must show the type of medical expense, the date it was incurred, place of service or purchase and the dollar amount), and your claim will be paid back to you by Payroll. In order to be reimbursed as quickly as possible, your reimbursement voucher form should be received by Human Resources on or before the Wednesday prior to a payday.

Unless otherwise requested, the system will reimburse the amount of the expense up to the current account balance. It will hold the remainder of the claim for payment at the next deposit. The expenses must be incurred within the Plan Year and cannot be carried over into the next year.

If you are requesting a Dependent Care Account Reimbursement, the system will reimburse the amount of the expense up to the current account balance. It will hold the remainder of the claim for payment at the next deposit. The expenses must be incurred within the Plan Year (2006) and cannot be carried over into the next year. You will be required to submit a receipt or statement on your day care provider's letterhead containing name, date of service, description of services, amount paid, and the date paid. The day care provider's social security number or Tax ID is not required. However, you may need to provide this information to the IRS at a later date. Reimbursement checks can only be paid to the extent of your account balance.

If you decide NOT to participate, you still need to sign and return the reverse side of the enrollment form, which is the employee waiver.

IMPORTANT SECTION 125 FLEX BENEFIT PLAN FACTS

Use-It-Or-Lose-It Rule is important to keep in mind when estimating the annual amount you want to deduct if you choose the Medical Reimbursement Account or the Dependent Care Account. Please be conservative when forecasting the annual amount you decide upon, because if you do not use all of the money you set aside, you will lose it. You do not want any money left in your account at the end of the year.

The employee cannot change or revoke this benefit prior to the open enrollment for the next plan year unless they have a change in family status (such as marriage, divorce, etc.); otherwise, the deductions will be in effect for the entire plan year.

Example of Section 125 Flex Benefit Plan



	Without Flex	With Flex
Salary:	\$1,600.00	\$1,600.00
Flex Dollars:	-	\$ <u>400.00</u>
Taxable Income:	\$1,600.00	\$1,200.00
Income Tax:	\$ 240.00	\$ 180.00
Income After Taxes:	\$1,360.00	\$1,020.00
Medical Premium:	\$ 150.00	
Medical Expenses:	50.00	
Dependent Care:	\$ <u>200.00</u>	\$ _____
Take Home Pay:	\$ 960.00	\$1,020.00
Net Increase:		\$ 60.00
Pay Periods:		<u>x 12</u>
Annual Savings:	=	\$ 720.00

Section 125 Flex Benefit Plans are regulated by the IRS, and our documentation guidelines are intended as a means to ensure eligibility of your claims for reimbursement. It is the participant's responsibility to comply with these guidelines and to avoid duplication of claims or submission of ineligible charges. Failure to adhere to the requirements could lead to payment delays or denial of expenses.

YOUR SIGNATURE IS REQUIRED ON THIS FORM!

**IF YOU ARE A CURRENT PLAN PARTICIPANT,
YOU MUST RE-ENROLL EVERY YEAR**

EMPLOYEE ENROLLMENT FORM

DOUGLAS COUNTY SECTION 125 FLEX BENEFIT PLAN - 2006

I. Name:_____ **SS#:**_____

NEW and/or RE-ENROLLMENT

This benefit is available after 6 months of employment; employee must re-enroll every year for pre-tax Dependent Premium Deductions, Medical Reimbursement Account, and Dependent Care Reimbursement Account.

A fee of \$1.00 is charged each pay period (24 pay periods) for the following:

() Medical Reimbursement Account** \$_____Annually

() Dependent Care Reimbursement Account** \$_____Annually

Total employee cost annually: \$_____

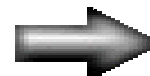
****Please do not over-estimate the accounts above, as by law, you will forfeit any amount left in your account(s) at the end of the plan year.**

I understand that I cannot change or revoke this benefit election form prior to the open enrollment for the next plan year unless I have a change in my family status (e.g. marriage, divorce, death of spouse or child, birth or adoption of a child or change of employment of spouse). NOTE: Changes are required within 30 days of qualifying event. If required contributions for the elected benefits are increased or decreased while this agreement remains in effect, pay changes will automatically be adjusted.

The Plan Administrator may reduce or cancel the amount of my pay reduction or otherwise modify this Agreement in accordance with the Flexible Benefits Plan if it is advisable in order to satisfy provisions of the Section 125 Internal Revenue Code.

II. () YES, PRE-TAX: I agree to pay \$2.00 per month for administrative services to participate in the Medical Reimbursement Account and/or Dependent Care Reimbursement Account (no charge for participation in the Dependent Premium Deductions). I certify the above information to be true to the best of my knowledge and that the children on whom I will be claiming dependent expenses or child care either reside with me in a parent-child relationship or are legally dependent on me for their support. I agree to have my compensation reduced by the deduction amount(s) state above. I understand that any amounts remaining in my account(s) not used for qualified expenses incurred during the plan year will be forfeited in accordance with current plan provisions and tax laws. I further understand that the Flexible Compensation deduction(s) will be in effect for the entire plan year and cannot be revoked unless I experience a change in my family status or employment.

III. Signature:_____ **Date:**_____



**EMPLOYEE WAIVER FORM
DOUGLAS COUNTY FLEX BENEFIT
PLAN YEAR 2006
Section 125**

**DO YOU WANT YOUR DEPENDENT PREMIUMS DEDUCTED FROM YOUR
PAYCHECK PRE-TAX?**

YES ()

No monthly administrative charge;
24 pre-tax pay period deductions
annually.

NO ()

Name: _____ SS#: _____

Date: _____

() **I WAIVE ELECTION OF BENEFITS:** I do not wish to participate in the pre-tax Dependent Premium Deductions, Medical Reimbursement Account, and/or Dependent Care Reimbursement Account, and I choose (if applicable) to elect Dependent Premium Deductions as a **post-tax** deduction (premiums are deducted after withholding taxes).

Name: _____ SS#: _____

Date: _____

**PLEASE RETURN TO HUMAN
RESOURCES BY NOVEMBER 30, 2005**