

Increase Your Take Home Pay!

Does the thought of reducing your taxes appeal to you? How about saving on your bills for dependent care or your health care expenses? Your Flexible Spending Accounts (FSAs) can help you do both.

Your Benefits

FSAs help you stretch your budget for dependent care and health care expenses by allowing you to pay for some of these expenses with before-tax dollars. With health care costs on the rise, this is a particularly great time to take advantage of the cost savings of a health care FSA. To get you started, this brochure will help you see how both accounts work and decide how much to contribute.

As Simple as 1, 2, 3

You select the amount you want to contribute to your accounts for the year based on the expenses you anticipate for the plan year. Estimate carefully because you can't recover money left over in the account at the end of the plan year.

Your contributions are deducted before federal income and Social Security taxes are withheld, possibly state and local taxes as well.

When you incur an eligible expense, you submit an itemized receipt or Explanation of Benefits to Benefit Administration Company, PO Box 550 Seattle, WA 98111-0550. You'll be reimbursed from your accounts.

How to Enroll

Because of tax rules, you must enroll each year to participate in a FSA. **If you would like to start or continue a Dependent Care and/or Health Care FSA, you must enroll before the plan year begins.**

If you have questions about eligible expenses or how the plan works, contact Benefit Administration Company at 206-625-1800 extension 307 or 800-967-3709 ext 307, email flexcs@baclink.com or visit their website at www.benefitadministrationcompany.com.

Changes for 2011

Over-the-counter drugs are no longer eligible for pre-tax reimbursement from your health care FSA without a prescription from a physician.

Special Rule to Know

With FSAs, you decide how much to contribute. Keep in mind, you cannot change the amount you contribute during the year unless you have a change in status. A change in status is an event that affects your eligibility or the eligibility of one of your dependents, for benefits (for example, marriage, divorce, birth or adoption, death of a family member, or employment status change).

Use It or Lose It

FSAs offer sizable tax advantages. The trade-off is that plans like this are subject to strict IRS regulations, including the "use it or lose it" rule.

According to this rule, you must forfeit any money left in your account from the plan year after all your expenses for the year have been reimbursed.

The Flexible Spending Account Worksheets in this brochure can help you estimate your dependent care and health care expenses. Remember, it's better to underestimate than overestimate your expenses.



Changes coming in 2013

The health care FSA federal maximum will be \$2,500 per calendar year, adjusted annually for inflation after 2011.

Health Care Flexible Spending Account

You can use the health care FSA to pay your non-reimbursed out-of-pocket expenses for health care (medical, dental, prescription drug, vision and hearing) services and supplies. Your before-tax contributions to your account reimburse you after you incur eligible health care expenses

Whose Expenses Are Eligible

Your expenses are eligible for reimbursement through the health care FSA. Dependent (spouse & children) expenses are also eligible – even if they are not enrolled on your employer's group health plan. Expenses for a Domestic Partner are not eligible unless they are a Federal tax dependent.

What's Eligible, What's Not

Here are some examples of eligible expenses:

- The portion of covered expenses not paid by a health care plan, such as annual deductibles, co-pays, coinsurance, and charges that exceed the plan's annual maximum.
- Services and supplies that may not be covered by a health care plan but are still considered an eligible expense by the IRS, such as orthodontia, hearing aids and batteries, contact lens solution, acupuncture and home improvements for medical reasons.

Expenses not eligible for reimbursement include health insurance premiums, vitamins, health club dues, physician "access" fees, long-term care costs and cosmetic surgery or treatments.

Debit Card and Expense Reimbursement

You have various options for accessing your health care FSA money: 1) Use your FSA benefits debit card to purchase health care items, retaining your itemized receipts; 2) Submit your itemized receipts and reimbursement claim form to Benefit Administration Company by fax, email or mail; 3) Completing the online claim form and upload your itemized receipt directly into the claim payment system. If you are unable to upload your receipt you are able to print a bar coded coversheet to submit with your receipts via fax or mail. All options allow you to access your full annual contributions amount at any time for eligible expenses.

Note that you can access your account information (balance, payments, forms) online under Flex Plans > Account Access > Participant Login at

www.benefitadministrationcompany.com

Contact Benefit Administration Company at 206-625-1800 ext 307 or 800-967-3709 ext 307 with questions.

Tax Savings Examples

The examples below show how a health care FSA can help reduce your taxes. The examples show what your take-home income would look like with and without a FSA.

	<i>Without FSA</i>	<i>With FSA</i>
Your Annual Taxable Income	\$30,000	\$30,000
Your Annual Pre-Tax Contributions Amount	0	- 1,000
Your New Annual Taxable Income	\$30,000	\$29,000
Federal & Social Security Taxes	- \$6,6555	- \$6,505
Total Post-Tax Dollars Spent on Eligible FSA Expenses	- 1,000	0
Your Take Home Income	\$22,345	\$22,495
<i>Your Savings would be</i>	0	\$150

The purchasing power of your annual contributions has increased by 15%

*This example assumes single filing status based on 2010 tax brackets, one exemption and standard deductions. Your actual savings may vary depending on your personal financial situation.

	<i>Without FSA</i>	<i>With FSA</i>
Your Annual Taxable Income	\$70,000	\$70,000
Your Annual Pre-Tax Contributions Amount	- 0	- 3,000
Your New Annual Taxable Income	\$70,000	\$67,000
Federal & Social Security Taxes	- \$15,080	- \$14,630
Total Post-Tax Dollars Spent on Eligible FSA Expenses	- 3,000	- 0
Your Take Home Income	\$51,950	\$52,370
<i>Your Savings would be</i>	0	\$450

The purchasing power of your annual contributions has increased by 15%

*This example assumes married filing jointly status based on 2010 tax brackets, four exemptions and standard deductions. Your actual savings may vary depending on your personal financial situation.

Health Care FSA Worksheet

This worksheet has been prepared to help identify expenses for you and your dependents that you might want to fund through a reimbursement account in your Flexible Benefits Plan. (See Eligible Health Care and Over-the-Counter Expenses on the next page for additional examples of allowable expenses).

	Estimated Annual Expense
<hr/> <i>Medical Care Expenses</i> <hr/>	
• Deductible, if any	<hr/>
• Amount over insured percentage and/or co-pays for:	<hr/>
Routine care	<hr/>
Psychological counseling (<i>excludes marital counseling</i>)	<hr/>
• Prescription drugs	<hr/>
• Routine or preventive physical	<hr/>
• Chiropractic expenses	<hr/>
• Diabetic supplies and insulin	<hr/>
• Smoking cessation expenses	<hr/>
• Acupuncture expenses	<hr/>
• Assistance for handicapped	<hr/>
• Lab and X-ray fees	<hr/>
• Massage therapy with a Doctor's prescription	<hr/>
• First Aid Kit	<hr/>
• Prescribed Over the Counter Drugs	<hr/>
<hr/>	
<i>Dental Care Expenses</i> <hr/>	
• Deductible, if any	<hr/>
• Amount over insured %	<hr/>
• Crowns, bridges, dentures, implants	<hr/>
• Orthodontia (including braces)	<hr/>
• Restorative work (fillings, etc.)	<hr/>
<hr/>	
<i>Vision Care Expenses</i> <hr/>	
• Lenses, contacts, saline solution	<hr/>
• Frames	<hr/>
• Eye exams	<hr/>
• Lasik surgery or radial keratotomy	<hr/>
• Prescription sunglasses	<hr/>
<hr/>	
<i>Miscellaneous Expenses</i> <hr/>	
• Prescribed naturopathic remedies	<hr/>
• Flu shots & immunizations	<hr/>
• Hearing aids and batteries	<hr/>
Other _____	<hr/>
<hr/>	
<i>TOTAL ESTIMATED ANNUAL EXPENSES</i>	
<hr/>	

Eligible Health Care Expenses

You may include expenses for yourself, your spouse, your children and other Federal tax dependents.

BABY/CHILD TO AGE 13

- Lactation Consultant*
- Lead-Based Paint Removal
- Special Formula*
- Tuition: Special School/Teacher for Disability or Learning Disability*
- Well Baby/Well Child Care

DENTAL

- Dental X-Rays
- Dentures and Bridges
- Exams and Teeth Cleaning
- Extractions and Fillings
- Oral Surgery
- Orthodontia
- Periodontal Services

EYES

- Eye Exams
- Eyeglasses and Contact Lenses
- Laser Eye Surgeries
- Prescription Sunglasses
- Radial Keratotomy

HEARING

- Hearing Aids and Batteries
- Hearing Exams

LAB EXAMS/TESTS

- Blood Tests and Metabolism Tests
- Body Scans
- Cardiograms
- Laboratory Fees
- X-Rays

MEDICAL EQUIPMENT/SUPPLIES

- Air Purification Equipment*
- Arches and Orthotic Inserts
- Contraceptive Devices
- Crutches, Walkers, Wheel Chairs
- Exercise Equipment*
- Hospital Beds*
- Mattresses*
- Medic Alert Bracelet or Necklace
- Nebulizers
- Orthopedic Shoes*
- Oxygen*
- Post-Mastectomy Clothing
- Prosthetics
- Syringes
- Wigs*

MEDICAL PROCEDURES/SERVICES

- Acupuncture
- Alcohol and Drug/Substance Abuse (inpatient treatment and outpatient care)
- Ambulance
- Fertility Enhancement and Treatment
- Hair Loss Treatment*
- Hospital Services
- Immunization
- In Vitro Fertilization
- Physical Examination (not employment-related)
- Reconstructive Surgery (due to a congenital defect, accident, or medical treatment)
- Service Animals
- Sterilization/Sterilization Reversal
- Transplants (including organ donor)
- Transportation*

MEDICATIONS

- Insulin
- Prescription Drugs

OBSTETRICS

- Breast Pumps and Lactation Supplies
- Doula*
- Lamaze Class
- OB/GYN Exams
- OB/GYN Prepaid Maternity Fees (reimbursable after date of birth)
- Pre- and Postnatal Treatments

PRACTITIONERS

- Allergist
- Chiropractor
- Christian Science Practitioner
- Dermatologist
- Homeopath
- Naturopath*
- Optometrist
- Osteopath
- Physician
- Psychiatrist or Psychologist

THERAPY

- Alcohol and Drug Addiction
- Counseling (not marital or career)
- Exercise Programs*
- Hypnosis
- Massage*
- Occupational
- Physical
- Smoking Cessation Programs*
- Speech
- Weight Loss Programs*

Note: This list is not meant to be all-inclusive, as other expenses not specifically mentioned may also qualify. Also, expenses marked with an asterisk (*) are "potentially eligible expenses" that may require a Note of Medical Necessity or Prescription from your health care provider to qualify for reimbursement. For additional information, check your Summary Plan Document or contact your Plan Administrator.

Ineligible Health Care Expenses

- | | | |
|---|-----------------------------------|-----------------------------------|
| ■ Insurance or Warranties on Contact Lens or Eyeglasses | ■ Insurance Premiums and Interest | ■ Missed Appointment or Late Fees |
| ■ Cosmetic Surgery/Procedures | ■ Long Term Care Premiums | ■ Personal Trainers |
| ■ Electric toothbrush/picks | ■ Marijuana | ■ Sunscreen (spf less than 30) |
| ■ Electrolysis | ■ Marriage or Career Counseling | ■ Swimming Lessons |
| ■ Funeral Expenses | ■ Hygiene Products | ■ Teeth Whitening |
| | ■ Gym Membership | ■ Warranties |

Note: This list is not meant to be all-inclusive.

Please Note: The IRS does not allow Over-the-Counter (OTC) medicines or drugs to be purchased with Health Care FSA funds unless accompanied by a prescription.

Ineligible Over-the-Counter Medicines and Drugs

(unless prescribed in accordance with state laws)

- | | | |
|---------------------------------|--|---|
| ■ Acid controllers | ■ Cough, cold & flu | ■ Medicated nasal sprays, drops, & inhalers |
| ■ Acne medications | ■ Denture pain relief | ■ Medicated respiratory treatments & vapor products |
| ■ Allergy & sinus | ■ Digestive aids | ■ Motion sickness |
| ■ Antibiotic products | ■ Ear care | ■ Oral remedies or treatments |
| ■ Antifungal (Foot) | ■ Eye care | ■ Pain relief (includes aspirin) |
| ■ Antiparasitic treatments | ■ Feminine antifungal & anti-itch | ■ Skin treatments |
| ■ Antiseptics & wound cleansers | ■ Fiber laxatives (bulk forming) | ■ Sleep aids & sedatives |
| ■ Anti-diarrheals | ■ First aid burn remedies | ■ Smoking deterrents |
| ■ Anti-gas | ■ Foot care treatment | ■ Stomach remedies |
| ■ Anti-itch & insect bite | ■ Hemorrhoidal preps | ■ medicated nasal sprays, drops & inhalers |
| ■ Baby rash ointments & creams | ■ Homeopathic remedies | ■ medicated vapor products |
| ■ Baby teething pain reliever | ■ Incontinence protection & treatment products | |
| ■ Cold sore remedies | ■ Laxatives (non-fiber) | |
| ■ Contraceptives | | |

OTC items that are not medicines or drugs remain eligible for purchase with FSAs. You can use your benefits card for these items.

Eligible Over-the-Counter Items

(Product categories are listed in bold face; common examples are listed in regular face.)

- | | | |
|--|--|---|
| ■ Baby Electrolytes and Dehydration
Pedialyte, Enfalyte | ■ Eye Care
Contact lens care | ■ Home Health Care (limited segments)
Ostomy, walking aids, decubitis/pressure relief, enteral/parenteral feeding supplies, patient lifting aids, orthopedic braces/supports, splints & casts, hydrocollators, nebulizers, electrotherapy products, catheters, unmedicated wound care, wheel chairs |
| ■ Contraceptives
Unmedicated condoms | ■ Family Planning
Pregnancy and ovulation kits | ■ Incontinence Products
Attends, Depend, GoodNites for juvenile incontinence, Prevail |
| ■ Denture Adhesives, Repair, and Cleansers
PoliGrip, Benzodent, Plate Weld, Efferdent | ■ First Aid Dressings and Supplies
Band Aid, 3M Nexcare, non-sport tapes | ■ Prenatal Vitamins
Stuart Prenatal, Nature's Bounty Prenatal Vitamins |
| ■ Diabetes Testing and Aids
Ascencia, One Touch, Diabetic Tussin, insulin syringes; glucose products | ■ First Aid Kits
Many are eligible* | ■ Reading Glasses and Maintenance Accessories |
| ■ Diagnostic Products
Thermometers, blood pressure monitors, cholesterol testing | ■ Foot Care Treatment
Unmedicated corn and callus treatments (e.g., callus cushions), devices, therapeutic insoles | ■ Unmedicated nasal sprays |
| ■ Ear Care
Unmedicated ear drops, syringes, ear wax removal | ■ Glucosamine &/or Chondroitin
Osteo-Bi-Flex, Cosamin D, Flex-a-min Nutritional Supplements | |
| ■ Elastics/Athletic Treatments
ACE, Futuro, elastic bandages, braces, hot/cold therapy, orthopedic supports, rib belts | ■ Hearing Aid/Medical Batteries | |
- *Drugstore.com has an extensive listing

For additional information, please contact BAC at 206.625.1800 ext 307 or flexcs@baclink.com

Dependent Care Flexible Spending Account

The Dependent Day Care FSA allows you to pay for qualified dependent care expenses with pre-tax dollars. To be eligible, the expense must be incurred so that you (and your spouse-if applicable) may work or look for work.

What is the Maximum Contribution Amount?

You may contribute a maximum amount of \$5,000 per calendar year. That amount may be further reduced depending on your marital status and/or federal income tax filing.

If you are...	Maximum Amount
Single	\$5,000
Married and file a joint tax return	\$5,000
Married and file separate tax returns	\$2,500

Exceptions may apply to these maximum amounts if:

- you or your spouse earns less than \$5,000 each year
- your spouse is a full-time student for at least five months of the year
- your spouse is physically or mentally incapable of self-care.

Whose Expenses Are Eligible?

- Children under age 13 who qualify as dependents on your federal income tax return
- Spouse who is mentally or physically incapable of self-care and spends at least 8 hours a day in your home
- Relative or household member who:
 - ⇒ Qualifies as a dependent on your tax return
 - ⇒ Is mentally or physically incapable of self-care
 - ⇒ Spends at least 8 hours a day in your home, and
 - ⇒ Depends on you for more than half of his or her support.

The expenses that you incur for the care of eligible dependents must allow you to work or look for work. If you are married, your spouse must also be either employed, a full-time student (at least 5 months per year) or be incapable of self-care to use the account.

What is Eligible, What is Not?

Eligible dependent care expenses may include:

- Care provided inside or outside your home by anyone other than your spouse, a person you list as your dependent for income tax purposes, or one of your children under age 19
- A dependent care center or child care center (if the center cares for more than six children, it must comply with all applicable state and local regulations)
- A housekeeper, au pair or nanny whose services include providing care for the qualified dependent
- Summer Camps as long as long as they are not overnight.

Ineligible dependent care expenses may include:

- Care not necessary for you and your spouse to work or look for work, or for your spouse to attend school full time (unless your spouse is incapable of self-care)
- Overnight camps
- Transportation
- Around-the-clock convalescent nursing home costs for an elderly parent or disabled spouse
- Educational fees for a child
- Your dependent's food, clothing, education or entertainment expenses.

How to Request Reimbursement

Claims for reimbursement must be accompanied by a Request for Reimbursement Form and substantiation from a third party that the service was provided. Such as a receipt or statement from the provider. You will be reimbursed for the amount of your eligible expenses, up to the remaining amount contributed to date. If your remaining balance is insufficient to cover the entire amount of your claim, the remainder will be reimbursed when deposits to your account are sufficient to cover the expense.

Submit a signed claim form, along with supporting documentation to:

Benefit Administration Company
P.O. Box 550
Seattle, WA 98111-0550

By FAX: (206) 682-8016
By email: flexcs@baclink.com

Dependent Care Planning Guide

Use this worksheet to help estimate annual and per pay period dependent day care costs. This is intended to be used as a guide so budget carefully to avoid over-contributing to this account. Any dollars contributed to this account must be used during the plan year or they will be forfeited.

Anticipated Monthly Expenses

Amounts paid to a day care center (e.g., child or adult day care)

Amounts paid for dependent care services inside your home
(sitter or nanny)

Summer care if different from care during the school year
(e.g., day camps)

Other:

Total monthly cost:

Multiply the number of months in your plan year

Anticipated plan year expenses

Subtract for vacations, holidays, sick days, etc.*

Net anticipated plan year expenses

Divide by the number of pay periods in your plan year

Per pay period salary reduction amount

*If you do not have to pay your child care provider for those days when your child is absent due to a vacation, holiday, or sick day, remember to subtract these from your estimates.

Remember:

- Care must be allowing you, and if married, your spouse to work.
- Overnight camp sessions for children are ineligible for reimbursement.
- Extended day kindergarten costs are NOT eligible daycare expenses.
- Before and after school care are eligible daycare expenses.
- Summer Camps, as long as it isn't overnight, are eligible daycare expenses.
- Care for a spouse or parent who is unable to care for themselves may be eligible.

FSA Account/Customer Service Information

To Access Account

You can log onto the BAC website 24 hours a day for information and account access. To see your balance and recent transactions please go to

www.benefitadministrationcompany.com.

Use the Flex Plans tab > select Account Access> and Participant Portal, which will take you into the login screen to access your account.

When you get to the login screen for the first time you will need to "Create" your account.

Your Employee ID is your SSN without any dashes or punctuation. You may need to add zero(s) to the front to make it nine digits long.

Your Employer ID is BAC007534.

You will be asked to create your own User ID and select a password – this will need to contain both numbers and letters and must be at least 8 digits long. Passwords are required to be changed every 90 days so please make a note of your security words.

Once logged in, you will be able to review your account, upload claims directly, upload requested receipts, set up direct deposit and update personal information. Instructions can be found on the Account Access page.

Customer Service Phone #
8am-5pm PST

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Toll Free: (800) 967-3709 ext. 307

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