

# New Hire Packet

## Section 125 Eligible Employee

### *General Information and Election Forms*

Your school district is pleased to provide you with a Section 125 plan.

#### **SECTION 125 BENEFIT NEWS**

As a district benefit eligible employee, you are entitled to participate in a Section 125 Flexible Benefit Plan. The plan is provided by American Fidelity Assurance Company.

Enrollment opportunities are limited to the plan year dates.

A Section 125 Flexible Benefit Plan allows you, the employee, to select from a list of available benefits that will meet your needs. The benefits that you choose are then paid for with benefit dollars made available by your employer. Salary reduction means that you are able to use “pre-tax” dollars to pay for certain benefits that you may have previously paid for with “after-tax” dollars.

#### **WHAT IS A SECTION 125 FLEXIBLE BENEFIT PLAN?**

#### **HOW CAN THIS PLAN HELP YOU?**

By implementing this plan, your employer is helping you reduce your taxes and increase your spendable income. The cost saving advantage of the plan is simple.

Any benefit costs or insurance premiums you pay under the plan are paid on a pre-tax basis. The example below illustrates the advantage of the Section 125 Plan in comparison to a plan without the benefits.

<b><u>WITHOUT SECTION 125</u></b>		<b><u>WITH SECTION 125</u></b>	
Average Monthly Salary	\$2,000	Average Monthly Salary	\$2000
Less Estimated Federal & State Taxes (20%)	- 400	Less your out-of-pocket Benefit Costs	- 250
Less Estimated FICA (7.65%)	- 153	Taxable Income	\$1,750
	\$1,447	Less Estimated Federal & State Taxes (20%)	- 350
Less your out-of-pocket Benefit Costs	- 250	Less Estimated FICA * (7.65%)	- 133
<b>Spendable Income</b>	<b>\$1,197</b>	<b>Spendable Income</b>	<b>\$1,267</b>

\* If you are subject to FICA taxes, there may be a slight reduction in your Social Security benefits due to the reduced FICA contributions.

## ***Cafeteria Plan*** **Enrollment**

**Dependent Care Expenses:** Up to \$5,000 per year for dependent care expenses may be deducted on a pre-tax basis. In most cases your savings will increase using this process instead of the federal tax credit.

**Medical Reimbursement:** Up to \$3,600 per year may be deducted on a pre-tax basis for medical expenses that you incur for treatment of you, your spouse, and your eligible dependents. This includes but is not limited to medical co-payments, orthodontics, eye exams, glasses, contact lenses, and prescription drugs.

**Out of Pocket Health Insurance Premiums:** The premium conversion part of the plan allows you to use pre-tax dollars for group health premiums. By reducing your income by these health insurance premiums, you might pay less in taxes, and by paying less in taxes, you free up dollars that could either increase your take-home pay or be used to purchase additional benefits. Federal, State and Social Security taxes may be saved by deducting insurance premiums on a pre-tax basis. The potential benefit is **tax-free, not tax deferred.**

## **Protect Your Family**

**Cancer Coverage:** The American Fidelity cancer policy, with an intensive care rider, can be paid for with PRE-TAX dollars. The policy highlights include such benefits as annual diagnostic testing, experimental treatment and radiation-chemotherapy charges. All benefits are paid in addition to your medical insurance benefits. This allows you to use the proceeds as you deem necessary.

**Life Insurance:** Life Insurance isn't for people who die; it's for the people who live. Would your family be well taken care of if suddenly you were not there to provide for them? You should consider if your family would have enough money to make house and car payments, save for your children's education, and still afford a comfortable standard of living. American Fidelity offers permanent and term life insurance to fit your needs.

## **Protect Your Income**

**Income Protection:** Are you protecting your income? Many people forget their most valuable asset – the ability to provide an income. You should consider insurance to protect your ability to pay for the rent/mortgage, utilities, car payment, groceries, etc.

## **Protect Your Future**

**Tax Sheltered Annuities:** Have you started saving for retirement? At retirement, do you want to live at your current standard of living? Or better? – American Fidelity offers various before tax annuity plans that can help you save for your retirement needs, as well as help you save in taxes today!

**Long Term Care Insurance:** People today are living longer thanks to medical advances and healthier lifestyles. However, even with advancements, the chances of developing a chronic illness or disability increase with age. In fact 40 percent of people over 65 will spend some time in a nursing home. (HIAA long term care guide, January 2001) Maintain your independence and freedom of choice with Long Term Care Insurance.

**This information sheet highlights some features of the product. We will be glad to supply you with costs and complete details of coverage, please call. 1-541-653-6668**

# Lincoln County School District

## Section 125 Flexible Benefit Plan

### Interest Form for 10/01/17 - 09/30/18 Plan Year

Please mark the appropriate line &/or boxes and return:

\_\_\_\_\_ I WOULD LIKE TO PRE-TAX MY CURRENT MEDICAL/DENTAL/VISION PREMIUMS AT MY APPOINTMENT.

\_\_\_\_\_ I WOULD LIKE MORE INFORMATION ABOUT THE FOLLOWING VOLUNTARY PRODUCTS: (by appointment)

- Disability/Income Protection Insurance
- Pre-taxed Term Life Insurance
- Permanent, Portable Life Insurance
- Pre-taxed Cancer Supplemental Insurance
- 403(b) Tax-sheltered Retirement Savings



\_\_\_\_\_ I WOULD LIKE MORE INFORMATION ON THE FOLLOWING REIMBURSEMENT ACCOUNTS AVAILABLE THROUGH SECTION 125: (by appointment)

- Medical Expense Reimbursement
- Dependent Care Reimbursement

\_\_\_\_\_ I AM NOT INTERESTED IN PARTICIPATING IN THE SECTION 125 PLAN YEAR AT THIS TIME (10/01/17 - 09/30/18).

*The election concerning Section 125 Plan participation and the benefits elected, if any, will remain in effect and cannot be revoked and changed during the plan year. The only exception is that you may change your election on account of and consistent with a change in status (e.g. marriage, child, change of employment, status of spouse or other qualified event). Medical expense reimbursement participation may not be changed and may only be terminated on account of termination of employment.*

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

Work Phone: \_\_\_\_\_

Home Phone: \_\_\_\_\_

Site: \_\_\_\_\_ Class/Cert/Mgmt: \_\_\_\_\_ New Hire? \_\_\_

**American Fidelity Assurance Company**  
A member of the American Fidelity Group®  
SB-6493-0103

Eric Plews  
13535 SW 72<sup>nd</sup> Suite 120  
Tigard, OR 97223  
Phone- (541) 653-6668  
Fax- (877) 295-1091

# FLEXIBLE SPENDING ACCOUNT

## BENEFIT ELECTION AGREEMENT

### AMERICAN FIDELITY ASSURANCE COMPANY

Name of Employer: \_\_\_\_\_  
Name of Employee: \_\_\_\_\_  
Social Security Number: \_\_\_\_\_  
Employee Address: \_\_\_\_\_  
City, State, ZIP: \_\_\_\_\_  
Employee Phone: \_\_\_\_\_ Work Site: \_\_\_\_\_

Plan Year Beginning: 10/01/17 Ending: 09/30/18

A. \_\_\_\_ I do not wish to participate in either plan. (Initial)

B. \_\_\_\_ I have elected to participate in the following plan(s):

1. Medical Expense Reimbursement (DO NOT INCLUDE ANY PREMIUMS OF ANY KIND IN THIS ACCOUNT):

\$\_\_\_\_\_ Per pay period. \_\_\_\_\_ # of Pay Periods Total plan year election \$\_\_\_\_\_ (\$2,600 per plan year max)  
(\$300 per plan year min)

2. Dependent Care Expense Reimbursement:

\$\_\_\_\_\_ Per pay period. \_\_\_\_\_ # of Pay Periods Total plan year election \$\_\_\_\_\_ (\$5,000 per plan year max)  
(\$300 per plan year min)

I HAVE READ THE FLEXIBLE SPENDING ACCOUNT PARTICIPATION RULES AND I UNDERSTAND THE RULES FOR PARTICIPATION IN THE EXPENSE REIMBURSEMENT PORTION OF THE SECTION 125 PLAN.

SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_

PLEASE COMPLETE THIS FORM AND RETURN TO  
*Lincoln County School District* PAYROLL DEPARTMENT  
BEFORE  
*30 days after Employment date*

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### IMPORTANT

American Fidelity Assurance direct deposits your Flexible Spending Account reimbursement directly into the checking or savings account of your choice. Please complete the following information:

#### BANK INFORMATION:

Please check the appropriate item: \_\_\_\_\_ Checking Account \_\_\_\_\_ Savings Account

PLEASE ATTACH VOIDED CHECK

## **Reimbursement Rules for Participation**

### **Flexible Spending Accounts**

- ◆ I understand that if the dollars allocated for reimbursement to me under the provisions of this plan are not used for such benefits, the balance of the unused amounts must be forfeited to my Employer ("Use it or lose it"). Unused amounts cannot be carried forward into the next plan year.
- ◆ Medical expenses reimbursed under this plan are not eligible as tax deductions on my federal income tax return.
- ◆ Medical expenses for reimbursement include certain expenses incurred during the plan year for the diagnosis, cure, mitigation, treatment, or prevention of disease for which there has been no other reimbursement through insurance, damages, or otherwise. Certain cosmetic surgery expenses and medical insurance premiums are not eligible for reimbursement.
- ◆ I understand that during an unpaid leave of absence, contributions to the medical expense reimbursement account must be made on an after-tax-basis-just like any insurance premiums. When I return to work, the pre-tax contribution will resume. In most cases, no change may be made in the medical expense reimbursement account except for termination of the plan due to termination of my employment. For special rules affecting your plan, please contact your employer.
- ◆ If I terminate my employment and do not elect to continue my medical expense account payments on an after-tax basis, only expenses incurred during the period of coverage will be reimbursed. Coverage under the medical expense reimbursement account ceases when the payments cease.
- ◆ Dependent care expenses reimbursed under this plan are not eligible for the dependent care tax credit on my federal income tax return.
- ◆ Dependent care expenses eligible for reimbursement must be provided by third parties meeting both applicable state law requirements and federal tax law requirements. Claims may only be made for dependent care that has already been provided. The amount allocated by federal tax law is \$5,000 (or \$2,500 if married and filing separately) for the calendar year.
- ◆ I understand that I will receive expense vouchers to assist in filing for the expense reimbursement and in keeping track of eligible expenses under the plan. I also understand that I must complete one of these vouchers and submit it with proper documentation in order to be reimbursed for any expenses on a timely basis.
- ◆ I understand that I must submit documentation as requested by American Fidelity for all expenses reimbursed under this plan.
- ◆ I agree to notify my Employer if there is reason to believe that any item for which reimbursement has been made is not allowable under the terms of the Plan.

### **Employee Elections:**

Medical Reimbursement            \$ \_\_\_\_\_

Dependant Day Care            \$ \_\_\_\_\_

Pre-Taxed Cancer Coverage    \$ \_\_\_\_\_

Disability Insurance            \$ \_\_\_\_\_

Permanent Life Insurance      \$ \_\_\_\_\_

403(b) Contributions            \$ \_\_\_\_\_