Instructions for using your Flexible Spending Accounts

Medical Care Flexible Spending Accounts
Dependent Care Flexible Spending Accounts
FAQ’s
Requesting Reimbursement
Account Balance
Customer Service
WHAT IS A FLEXIBLE SPENDING ACCOUNT (FSA)?

Under current IRS regulations, an FSA allows you to set aside pre-tax dollars to reimburse you for out-of-pocket medical and/or dependent care expenses. You elect an annual amount and the money is divided by the number of pay periods in a plan year and deducted from your paycheck pre-tax. Pre-tax benefits can help you save 25% - 30% on items and services you currently purchase!

WHO CAN PARTICIPATE?

All benefit-eligible employees.

- You do not need to be enrolled in your organization’s health plan to participate.
- You may also use the Medical FSA for expenses associated with your qualified dependents. Your dependents do not need to be enrolled in your health plan to participate in the FSA. See your Summary Plan Description for more information on qualified dependents.

THERE ARE TWO TYPES OF ACCOUNTS

Your employer may offer one or both accounts and you may elect to participate in either or both accounts. The two accounts work differently.

- **Medical Care FSA**
  - Your employer sets the maximum and/or minimum contribution amounts.
  - You may be reimbursed up to your annual election any time during the plan year.
  - Be sure to elect an amount that you are sure you’ll use because any monies left over will be forfeited.
  - This account is to reimburse you for eligible out-of-pocket medical expenses for you, your IRS-defined spouse and qualified dependents.
  - See the list of eligible expenses accompanying this brochure.

- **Dependent Care FSA**
  - You may use the Dependent Care Flexible Spending Account if you (or you and your spouse, if married) require dependent care so that you and your spouse can work, or so that you can work and your spouse can attend school full-time.
  - If you or your spouse work part-time or attend school full-time, your maximum annual election may be limited. Please refer to your employer’s Summary Plan Description for more information.

<table>
<thead>
<tr>
<th></th>
<th>Without Account</th>
<th>With Both Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly Earnings</td>
<td>$ 500.00</td>
<td>$ 500.00</td>
</tr>
<tr>
<td>Account Deposits</td>
<td>$ 0.00</td>
<td>$ 20.00 (medical)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 96.15 (dependent care)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 116.15 (Total)</td>
</tr>
<tr>
<td>Taxable Wages</td>
<td>$ 500.00</td>
<td>$ 383.85</td>
</tr>
<tr>
<td>Taxes</td>
<td>Federal 15%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FICA 7.65%</td>
<td>$ 138.25</td>
</tr>
<tr>
<td></td>
<td>State 5%*</td>
<td>$ 106.13</td>
</tr>
<tr>
<td>*Not all states permit pre-tax withholdings for FSA contributions.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expense (after tax)</td>
<td>$ 116.15</td>
<td>$ 0.00</td>
</tr>
<tr>
<td>Net Take Home Pay</td>
<td>$ 245.60</td>
<td>$ 277.72</td>
</tr>
<tr>
<td>Weekly Savings</td>
<td></td>
<td>$ 32.12</td>
</tr>
<tr>
<td>Annual Savings</td>
<td></td>
<td>$ 1,670.24</td>
</tr>
</tbody>
</table>

The tax savings above are for illustrative purposes only.
You may request reimbursement of eligible expenses for a child who has not yet reached their 13th birthday and who is your IRS-defined dependent.

You may also request reimbursement of eligible expenses for a spouse, older child or other individual who is an IRS-defined dependent and is physically or mentally incapable of caring for him/herself. (For example, elder care is an eligible expense if provided for your IRS-defined dependent so that you can work.)

Your pre-tax withholdings for this account will be shown in Box 10 of your W-2. You will need to complete IRS Form 2441 with your annual tax return.

The IRS sets the maximum ($5,000 for a single parent or if you are married and file a joint tax return; $2,500 if you are married and you and your spouse file separate tax returns).

You may request reimbursement for expenses up to the amount you have contributed to your account.

Be sure to elect an amount that you are sure you’ll use because any monies left over will be forfeited.

Expenses Eligible for Reimbursement:
- Before and after-school care
- Pre-school
- Day camps
- Wages paid to a childcare provider in your home, including employment taxes
- Child care center
- Fees charged by a childcare provider working out of his or her home
- Fees charged by your childcare provider for transportation to/from place of care

Ineligible Dependent Care Expenses:
- Kindergarten
- Child support payments
- Overnight camp
- Deposits for services not incurred
- Activity fees
- Meals
- Incidental babysitting

FREQUENTLY ASKED QUESTIONS

May I change my election mid-year? The IRS prohibits election changes unless you have a qualifying event. A qualifying event is any one of the following life events:

1. You gain or lose a dependent through:
   - Birth, death, marriage, divorce, separation, adoption or a change in eligibility because of age or dependent status.
2. You gain or lose responsibility for a dependent’s medical or daycare expense due to a court order.
3. You gain or lose eligibility for the plan during the plan year.
4. If your spouse loses employment, you may enroll in or increase your Medical FSA.

*This is a summary of current IRS regulations. Your employer’s Summary Plan Description details when and if you may change your elections under the plan.

When can I make changes to my Dependent Care Account? In addition to the qualifying events above, you may also make changes to your Dependent Care Account when there is a change in cost, a change in provider, or a change in the number of hours needed for care.

What if I lose my check? Call GDI’s Accounting Team at 1-800-626-3539.
May I transfer money from a Dependent Care FSA to a Medical FSA? No. IRS regulations prohibit such transfers.

What happens if my employment terminates?

1. Medical FSA
   - You are eligible to submit reimbursement requests for services incurred up to and including your last day of work. You have until the end of the plan year’s run-out period to submit receipts for these expenses.
   - You may have the option to elect COBRA to extend the coverage period for your Medical FSA.

2. Dependent Care
   - You may continue to submit reimbursement requests for services incurred through the end of the plan year in order to exhaust the balance in your account at the time of termination.

Do I need to report an FSA on my taxes? If you participate in the Dependent Care FSA, you must file IRS Form 2441 with your annual tax return. There is no obligation to file any additional forms on behalf of your Medical FSA.

What about the IRS Child Care Credit?

Obtain a copy of IRS Form 2441 and review the amount of credit due to you in your income bracket. Generally speaking, employees with combined family adjusted gross income of $40,000 and higher save more by participating in a Dependent Care FSA.

REQUESTING REIMBURSEMENT

1. Print an FSA Reimbursement Request form from www.gdynamic.com
2. Complete the form and be sure to:
   - Sign the form
   - Attach receipts and/or itemized statements
3. Fax, mail or email the form and receipts to GDI:
   - Fax: 207-781-3841
   - Mail: 411 US Route One, Falmouth, ME 04105
   - Email: claims@gdynamic.com
4. Requests received by noon (Eastern Time) Tuesday are paid each Thursday.

If you have any questions about FSAs, please visit www.gdynamic.com, or call GDI at 1-800-626-3539.

CHECKING YOUR ACCOUNT BALANCE

1. Visit www.gdynamic.com
   - Select My Account
   - PIN: Assigned by GDI
   - If you need assistance, please call our Reimbursement Team at the number below.
2. Call our Reimbursement Team
   - 1-800-626-3539 or 207-781-8800

Our Reimbursement Team is available Monday through Friday, 8:00 AM - 5:00 PM Eastern Time. You may leave a message during non-business hours and your call will be returned by 10 AM the following business day.
Medical FSA Eligible Expenses

The list below includes generally eligible IRS Code Section 213 expenses. Items marked with a * require a copy of a current prescription (written on a prescription pad). The prescription must be submitted each time a request for reimbursement is submitted for these items.

REMEMBER:
1. All services must be provided by a licensed practitioner.
2. Stockpiling of supplies is prohibited by the IRS.
3. Services must be rendered or items purchased during the plan year (or grace period, if applicable).
4. You must use your flex account money during the plan year (or grace period, if applicable) or it is forfeited.

Acupuncture
Alcoholism treatment program fees
Allergy medicine *
Ambulance service
Antacids *
Anti-Diarrhea medicine *
Artificial limbs

Bandages
Braille books and magazines
(above the cost of regular print)

Car Modifications for equipment
installed for the use of a person
with a disability
Childbirth classes
(mother’s costs only)
Chiropractic care
Christian Science practitioner fees
Co-insurance charges
Co-payments
Cold medicine *
Cold/Hot packs for injuries
Contact lenses
(including cleanser and saline solution)
Cough drops *
Crutches

Deductible expenses
Dental expenses
(non-cosmetic services only)
Dentures
Diabetic supplies
Dietary Supplements *
Drug addiction treatment at a
therapeutic center

Eye drops *
Eye exams
Eyeglasses

First aid kit

Gauze pads
Guide dog or other animal used by
a person with a physical disability

Hearing aids/batteries
Hemorrhoid medications *
Herbs *
Hospital fees

Immunizations
Incontinence supplies
Insulin

Lasik Surgery
Laboratory fees
Laxatives *
Learning disability (fees paid to a
special school or a specially trained
tutor for a child with severe learning
disabilities caused by mental or physical
impairments, provided that the child’s
physician recommends that the child
attend the school or be tutored)

Massage therapy (only if prescribed by
a physician for a specific diagnosis and
provided by a licensed massage therapist)
Medical services provided by physicians,
surgeons, and specialists (non-cosmetic
services only)
Mileage related specifically to transportation
to/from an eligible medical appointment
Motion-sickness medications *

Nasal Spray *
Nicotine gum or patches *

Ointments for muscle or joint pain or
for first aid purposes *
Operations
Optical care provided by Optometrists,
Ophthalmologists or Opticians
Organ transplants
Orthodontics
Orthotic inserts
Osteopathic treatment
Oxygen

Pain relief medications *
Physical exams
(unless employment related)
Physical therapy
Prescription drugs
Prosthesis
Psychiatric care
Psychoanalysis
Psychological treatment
Pre-natal vitamins *
Pregnancy test kits

Reading glasses
Rubbing Alcohol *
Radial Keratotomy

Sales tax payable for eligible services or items
Sinus medicines *
Smoking cessation programs
Special foods (prescribed by a physician
at costs in excess of the costs of commonly
available products)
Special schools for a mentally impaired
or physically disabled person if the
primary reason for using the school is
its resources for relieving the disability
(e.g. a school that teaches Braille to
a visually impaired child or teaches
American Sign Language to a hearing
impaired child)
Suppositories *

Thermometers

Vaccines
Vitamins *

Wheelchair costs

X-rays
<table>
<thead>
<tr>
<th>ELIGIBLE OVER-THE-COUNTER ITEMS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allergy medicines ★</td>
</tr>
<tr>
<td>Antacids ★</td>
</tr>
<tr>
<td>Anti-diarrhea medicines ★</td>
</tr>
<tr>
<td>Bandages</td>
</tr>
<tr>
<td>Cold/flu medicines ★</td>
</tr>
<tr>
<td>Cold/hot packs</td>
</tr>
<tr>
<td>Cough Drops ★</td>
</tr>
<tr>
<td>Dietary Supplements ★</td>
</tr>
<tr>
<td>Eye Drops ★</td>
</tr>
<tr>
<td>First Aid Kit</td>
</tr>
<tr>
<td>Gauze Pads</td>
</tr>
<tr>
<td>Hemorrhoid medicines ★</td>
</tr>
<tr>
<td>Herbs ★</td>
</tr>
<tr>
<td>Incontinence Supplies</td>
</tr>
<tr>
<td>Laxatives ★</td>
</tr>
<tr>
<td>Motion-sickness medicines ★</td>
</tr>
<tr>
<td>Nasal Spray ★</td>
</tr>
<tr>
<td>Ointments for muscle or joint pain or for first aid ★</td>
</tr>
<tr>
<td>Pain Relief medicines ★</td>
</tr>
<tr>
<td>Pre-natal Vitamins ★</td>
</tr>
<tr>
<td>Pregnancy Test Kit</td>
</tr>
<tr>
<td>Reading Glasses</td>
</tr>
<tr>
<td>Rubbing Alcohol ★</td>
</tr>
<tr>
<td>Sinus Medicines ★</td>
</tr>
<tr>
<td>Suppositories ★</td>
</tr>
<tr>
<td>Thermometers</td>
</tr>
<tr>
<td>Vitamins ★</td>
</tr>
</tbody>
</table>

★Items marked with a ★ require a copy of a current prescription (written on a prescription pad). The prescription must be submitted each time a request for reimbursement is submitted for these items.

Some Important Points...

- You can be reimbursed for out-of-pocket expenses incurred by you, your IRS-defined spouse and children, even if health insurance coverage is from another source.
- The money you choose to set aside must be used toward eligible expenses during your plan year (or grace period, if applicable) or it is forfeited.
- Remember you save taxes on each dollar you set aside for the account!

Questions? 1-800-626-3539
Email: clientservices@gdynamic.com
www.gdynamic.com

<table>
<thead>
<tr>
<th>GENERAL MEDICAL EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allergy Care</td>
</tr>
<tr>
<td>Deductible or Coinsurance</td>
</tr>
<tr>
<td>Diabetic Supplies</td>
</tr>
<tr>
<td>Hearing Aids &amp; Batteries</td>
</tr>
<tr>
<td>Lab or X-ray</td>
</tr>
<tr>
<td>Massage Therapy ★</td>
</tr>
<tr>
<td>Office Visit co-pays</td>
</tr>
<tr>
<td>Orthopedic Inserts</td>
</tr>
<tr>
<td>Over-the-counter Items</td>
</tr>
<tr>
<td>Pharmacy co-pays</td>
</tr>
<tr>
<td>Preventive Care</td>
</tr>
<tr>
<td>Psychotherapist</td>
</tr>
<tr>
<td><strong>TOTAL GENERAL MEDICAL</strong></td>
</tr>
</tbody>
</table>

★ Massage Therapy: A note of medical necessity is required.

<table>
<thead>
<tr>
<th>DENTAL EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridges</td>
</tr>
<tr>
<td>Crowns</td>
</tr>
<tr>
<td>Dentures</td>
</tr>
<tr>
<td>Fluoride Treatment</td>
</tr>
<tr>
<td>Orthodontia (Adult or children)</td>
</tr>
<tr>
<td>Teeth Cleaning</td>
</tr>
<tr>
<td>Fillings</td>
</tr>
<tr>
<td><strong>TOTAL DENTAL</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VISION EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eye Glasses (Prescription or OTC Reading Glasses)</td>
</tr>
<tr>
<td>Contact Lenses</td>
</tr>
<tr>
<td>Contact Lens Solution</td>
</tr>
<tr>
<td>Vision Exam</td>
</tr>
<tr>
<td>Lasik Surgery</td>
</tr>
<tr>
<td><strong>TOTAL VISION</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRAND TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GRAND TOTAL</strong></td>
</tr>
</tbody>
</table>

Multiply Grand Total by 27% for a rough estimate of payroll tax savings.
October 1, 2010 Update: Over-the-Counter Drugs & Medicines

We appreciate your patience as we keep up with this moving target! Our most recent Alert indicated that an Rx number would be required for the reimbursement of over-the-counter drugs and medicines as of January 1, 2011. We are pleased to announce the following update to this process:

GDI will accept a current copy of a prescription (written on a prescription pad) for purposes of reimbursing over-the-counter drugs and medicines. A “note of medical necessary” will not be a valid form of substantiation as of January 1, 2011.

As a reminder:

- Insulin, medical devices, bandages, contact lens solution, etc. continue to remain eligible for reimbursement without a prescription.

- All medicines and drugs (including those available over-the-counter) require a prescription as of January 1, 2011 for reimbursement from a Medical FSA or HRA. GDI will process claims of this type with a current copy of a prescription that has been written on a prescription pad. The prescription must be submitted with each reimbursement request for OTC drugs & medicines.

- Benny Card participants will not be able to use the card to pay for OTC drugs & medicines at IIAS merchants as early as January 1, 2011 and no later than January 15, 2011.

- GDI has updated its Medical FSA Eligible Expense list to accommodate these changes. Please discard all copies that do not have “Jan2011 REV” as a footnote.

Please call GDI’s Reimbursement Team or Client Services Team at 1-800-626-3539 for more information.
To view your account activity select:

**My Account**

**User ID:** Your social security number

**PIN:** Assigned by GDI*

*If you lose your PIN, please call our Reimbursement Team at 800-626-3539 and a representative can assist you.

Here are some more valuable tools you can find on our website:

- FSA Claim Form
- Participant Resources
- Tax Savings Calculator
- List of Eligible Expenses
- FAQ’s
It’s Your Choice!
Introduction to the Benny™ Card

The Benny™ Card is an alternative to submitting “paper claims” for reimbursement of eligible Medical Flexible Spending Account (FSA) expenses. The Card is simple to use when paying for office visit co-pays, prescription drug co-pays, balances remaining after your insurance has paid and certain “over the counter” health care products.

Here are the steps for obtaining and using the Benny™ Card:

- At open enrollment, make an election to participate in the Medical FSA and select the Benny™ Card option. (Please note that you may only choose the Benny™ Card when you first enroll in the Medical FSA or during open enrollment.)

- If you are responsible for paying the yearly card fee, this cost will be deducted from your annual Medical FSA election.

- You will receive two cards (both in your name) that look and work like credit cards.

- When you incur eligible expenses, you give the card to the provider and the cost is deducted from your Medical FSA balance.

**SAVE RECEIPTS!!** If a transaction needs to be substantiated, you’ll receive a letter from Group Dynamic, Inc. requesting the itemized receipt for the transaction(s) in question. If you do not respond within the time period indicated in the letter, your Benny™ Card will be temporarily suspended until we receive the requested documentation or the funds to reimburse the plan for the transaction(s).

Some Special Notes about using the Benny™ Card:

- You should not use the Benny Card “up front” for services that may be fully or partially reimbursed by your (or your spouse’s) medical insurance.

- Your Benny™ Card can be used **ONLY** for dates of service within the current plan year.

- Do not use the Benny™ Card for pre-payment of services. Pay for the service via another means and submit a paper claim once service has been received.

- **DO NOT** discard the Benny™ Card once you have been reimbursed your annual Medical FSA election. The same card will be used each plan year.

If you have questions about the Benny™ Card, please call us at 1-800-626-3539.
**Benny™ Card Substantiation**

- The Benny™ Card is a tool for Medical FSA claim payments. It protects your cash flow, **BUT** the process is not paperless. Therefore, it is important for participants to save receipts from ALL card transactions.

- IRS Revenue Ruling 2003-43 governs substantiation requirements for debit card use and dictates that “charges other than matched co-payments, recurring expenses and real-time substantiation are treated as conditional pending confirmation of the charges through additional third-party verification.”

- GDI will mail participants a letter requesting documentation for services that require substantiation.

- IRS regulations require card de-activation if the required documentation is not received by the date indicated in the letter.

- The chart below displays the types of situations where substantiation will be required and those where no follow up is required.

<table>
<thead>
<tr>
<th>Type of Charge on Benny™ Card</th>
<th>Substantiation Required</th>
<th>No Follow-up Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matched Co-pays</td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Transactions at IIAS-certified merchants*</td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Recurring Expenses</td>
<td>1 time only</td>
<td><strong>No further substantiation required if subsequent transactions are at the same merchant for the same dollar amount.</strong></td>
</tr>
</tbody>
</table>

*Dental Care ●

*Vision Care ●

*Medical Care ●

*For a list of IIAS certified merchants: [www.gdynamic.com](http://www.gdynamic.com).