

BATH COUNTY SCHOOL BOARD

AGENDA ITEM: INFORMATION {    }                      ACTION { X }                      CLOSED MEETING {    }

**SUBJECT:**                      **SUPERINTENDENT’S REPORT - ACTION**

**Consider Additional Payroll Deductions**

**BACKGROUND:**                      **With the ever changing rules and the possibility of multiple plans concerning health insurance, it is necessary for our employees to have a trusted company to help guide them thru options regarding flexible spending accounts (FSA), limited purpose flexible spending accounts (LPFSA) and health savings accounts (HSA). Education to our employees is perhaps the biggest component of understanding how all the elements must work together to make health insurance more manageable as well as less stressful. On the employer side, we are seeking a company that limits risk to our organization as well as having a presence that employees recognize and trust.**

**We have met with two perspective companies who can provide these services. American Fidelity and Pierce Group Benefits have both met with us the week of December 18<sup>th</sup>.**

**RECOMMENDATION:**                      **Approve American Fidelity (Adam Ashby) as an approved payroll vendor to assist employees and the employer with conforming to Internal Revenue Service Code requirements regarding Section 125 plans, FSA, HSA and LPFSAs as applicable by employee need.**

Education professionals  
deserve a specialist.

AMERICAN FIDELITY  
a different opinion



## Why American Fidelity?

Offering a well-rounded benefits program is important to attract and retain quality employees. But the maintenance that comes with offering a competitive program within the dynamic benefits landscape can be overwhelming. Along with cost and time pressures, and an increasingly complex regulatory environment, employers need someone who can help.

Since 1960, American Fidelity Assurance Company (American Fidelity) has focused on helping the education community overcome these challenges. We specialize in benefit management by offering a wide range of products and services specific to your needs.

### You Deserve a Specialist

Many companies often provide a one-size-fits-all approach, and their knowledge of your special circumstances only goes so deep. However, a specialist like American Fidelity, who has been in your industry for over 55 years, can provide you with a different perspective — a different opinion.

We focus our energy on the education community and our selection of benefits and services are specific to trends that we see in your market. We combine our history of top-notch benefit administration with our unique business model, focused specifically on serving employers like yours. We currently provide administrative services for nearly 13,000 employers and over one million customers nationwide.

With ever-changing school budgets, demanding schedules, and surprise challenges every day, you know the realities of the education world inside and out. You deserve a partner who understands the need to adapt quickly and lead the way. We are dedicated to continually looking at the latest trends in your industry to work toward providing the most effective benefits and services to education professionals.



### An Experienced Benefits Advisor

We believe there is a better way to provide benefit solutions to you and your employees — a way that eliminates some of the hassles of working with multiple carriers and providers. Instead, American Fidelity offers a seamless, cost-efficient administration of your benefit program. As a partner, we support all aspects of your program with a variety of solutions surrounding your benefits — from providing administrative services designed to help employers and employees save money today to supplemental insurance that helps protect your employees.

Our goal is to remove the burden of benefit administration and be the sole resource for all of your needs. We will act as an extension of your Human Resources department by answering employee benefits questions, updating you on any Section 125 or Patient Protection and Affordable Care Act (ACA) changes, and implementing and executing your enrollment.

### Salaried Account Manager

Employee benefits and the administration surrounding them can be difficult to understand and manage. Having someone there to explain and walk you through the details is all you need. Our account managers provide the expertise you may need to help navigate your benefit offerings.

One of our primary roles is to help our account managers monitor the marketplace and industry trends to create benefit programs that will stand the test of time. This approach allows us to better plan the education, enrollment, and interaction with our employers and employees.

### Employee Education

Knowing your employees are well-insured helps provide you with peace of mind knowing they'll be covered in their time of need. Also, a well-educated employee base often means increased participation in your plan, leading to overall savings on employment taxes.

Our salaried, career account managers help employees understand how their total benefit package fits together, including core benefits, supplemental offerings, and expense management tools. This holistic approach focuses on empowering employees to make informed decisions regarding their benefit package. We are here to support you and your employees throughout the open enrollment, new hire enrollment, and with ongoing administration.



### Ratings and Financial Strength

Partnering with a highly rated supplemental benefits provider helps assure you that it has the financial strength to be there when you need it the most.

Since 1982, American Fidelity has been rated "A+" (Superior) by A.M. Best Company. Considered one of the nation's leading insurance company rating services, A.M. Best bases its ratings on an analysis of the financial condition and operating performance of insurance companies in such vital areas as: Competency of Underwriting, Control of Expenses, Adequacy of Reserves, Soundness of Investments, and Capital Sufficiency.

**A+ SINCE 1982**

A.M Best Company rating

<sup>1</sup> [www.ambest.com/consumers](http://www.ambest.com/consumers) (May 26, 2016) (A+ is the 2nd out of 16 with 1 being the highest.)

## Tax-favored benefit services to help employees save.

The administration that comes with offering an employee benefit program can be very time consuming. Let us help take the work off your plate. We provide a full suite of expense management services to help offset much of the employer costs associated with providing employee benefits. All of our services act independently from any major medical plans and may be used with an employer's existing plan(s). These tax-favored benefits help reduce employer and employee tax liabilities.

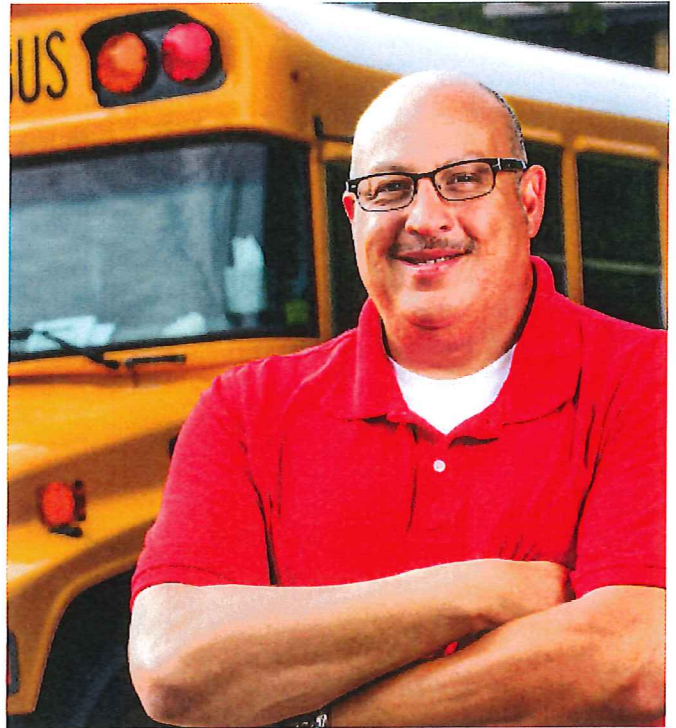
Since 1979, American Fidelity has supported employers in implementing tax-favored benefit programs. From educating employers on program opportunities, assisting with plan documents, creating implementation plans, and enrolling employees, we are here to help turn these somewhat complex programs into simple solutions.

### Section 125 Plans

While offering a Section 125 Plan brings tax savings to both you and your employees, the administration that comes with maintaining the Plan is time-consuming. Keeping track of Plan changes, new regulations, and updating your employees along the way can be challenging. American Fidelity focuses on keeping you compliant while educating both you and your employees. Partnering with us will give you peace of mind knowing that your Plan meets the ever-changing requirements year after year – all at no additional cost to you.<sup>2</sup>

#### Features

- Plan setup & sample Plan Document
- Annual employee education & enrollment
- Year-round maintenance & compliance support team



### Flexible Spending Accounts (FSAs)

As the costs of healthcare and childcare continue to increase, finding cost-effective solutions that help both you and your employees can be challenging. American Fidelity provides a solution by offering a Health FSA and Dependent Day Care FSA for your employees to set aside money on a pre-tax basis to pay for everyday medical and dependent day care expenses. This can also increase your FICA savings as an employer.

#### Features

- American Fidelity funds your Health FSA upfront based on known contributions, creating a cash-flow advantage for you
- Optional Health FSA Risk Insurance at no additional charge<sup>2</sup>
- Health FSA card available for employees, spouses, and each of their qualified dependents

<sup>2</sup>Where permitted by law

# Expense Management Services

## Health Savings Accounts (HSAs)

A Health Savings Account (HSA), paired with a qualified High-Deductible Health Plan (HDHP), allows your employees to set aside pre-tax dollars to help pay for eligible medical, dental and vision expenses. It is an employee-owned account — meaning your employee's funds roll over from year to year and the account is portable.

### Features

- Convenient, secure online system for account holders to maintain their accounts and request distributions.
- Mutual fund options: Participants can choose to invest any HSA balance over \$2,500 into a variety of investment options.

## Health Reimbursement Arrangements (HRAs)

If you're looking to manage high out-of-pocket medical costs but want more control, a Health Reimbursement Arrangement (HRA) may be a solution. HRAs allow employers to set up accounts for their employees to receive reimbursement for eligible medical expenses, at the same time allowing the employer to control how much is contributed and what type of expenses may be reimbursed.

### Features

- Multiple plan choices, allowing employers to customize their plans to best fit employee needs
- Flexible plan funding allows the employer to choose the best method to pay for benefits

## 403(b) and 457(b) Plan Administrative Services

A 403(b) or 457(b) Plan can help employees supplement their retirement incomes. Both plans offer significant tax advantages. Our knowledgeable and experienced professionals can assist with the ongoing administrative services of a 403(b) or 457(b) Plan.

### Features

- Ongoing plan document services to assist with managing responsibilities.
- Contribution limit monitoring to help ensure compliance with the law.

## Pre-Tax Transportation Benefits

A Pre-Tax Transportation Benefit program allows employees to set aside money on a pre-tax basis to pay for qualified commuting costs, such as parking and mass transit expenses. Employers can reduce the payroll tax they owe while helping employees save money on commuting expenses.

### Features

- Employees manage their benefits through an easy-to-use online portal
- Convenient home delivery of mass transit vouchers or prepaid commuter check card

*Some of our products and services may be provided by third party contractors or affiliated companies. Services listed may not be available in all states.*

## Help employees protect tomorrow.

No one understands your employees' needs like you do, and we believe no one understands managing employee benefits in the education community like us. When designing our products and solutions, American Fidelity focuses on the specific needs of both you and your employees. Whether it be unique pay modes, sick leave policies, or new hire eligibility requirements, we tailor our offerings to you.

A great way to attract and retain quality employees in the current competitive job market is through a robust benefits package. By offering a comprehensive package and having well-insured employees, you gain peace of mind that they'll be covered in their time of need. And with many of our plans containing wellness incentives and health screening benefits for preventative care, you may also see a reduction in medical costs.

### Disability Income Insurance\*

When a disabling injury or sickness happens to one of your employees, it can be difficult to know what to do. You want to help with the financial costs but where do you draw the line? That is why offering disability insurance is so important to a comprehensive benefit package. It helps ensure that your employee's finances are protected when they need it the most.

American Fidelity's Disability Income Insurance offers a variety of plan features and benefit amounts to meet the needs of each of your employees. The benefit is paid directly to them and helps provide financial peace of mind so they can focus on getting better and returning to work.

American Fidelity offers both short-term and long-term Disability Income Insurance options to meet the unique needs of your employees.



### Critical Illness Insurance\*+,##

Many employees are unprepared for the financial impact when faced with an illness, such as a heart attack or stroke. Having the resources to cover these types of events can make all the difference for their recovery. American Fidelity's Limited Benefit Critical Illness Insurance Plan provides a solution for your employees and their families if they suffer from a covered illness. This plan can help cover both direct and indirect costs and includes a Health Screening Benefit and a Recurrent Diagnosis Benefit.

### Hospital GAP PLAN® Insurance\*+,

Offer employees a plan designed to provide a benefit to help pay for out-of-pocket expenses while receiving inpatient or outpatient services. This plan provides benefits for diagnostic testing and outpatient surgery, emergency room sickness or accident, and inpatient confinements.

## Accident Only Insurance<sup>\*,+</sup>

An unexpected accident can have a financial impact for your employees and their families. Being prepared can make all the difference. American Fidelity's Limited Benefit Accident Only Insurance can help provide your employees with a financial solution to cover the accidents that life sometimes delivers. Employees may apply with no medical questions asked and choose from multiple benefit options. This plan also includes a wellness benefit.

## Cancer Insurance<sup>\*,+</sup>

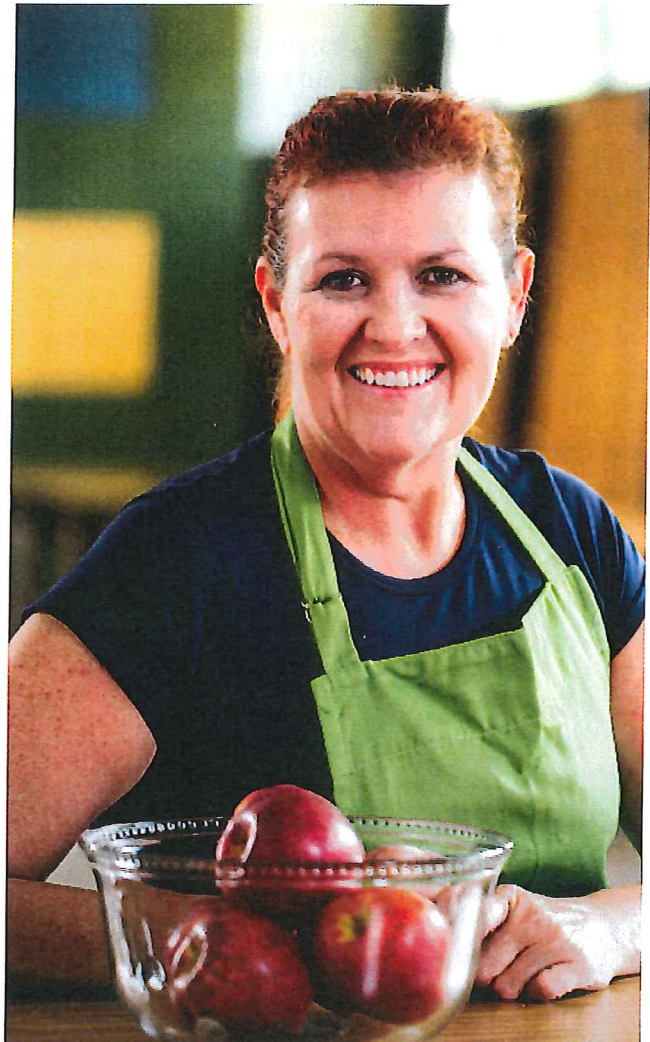
Even with a high-quality medical insurance plan, if one of your employees or covered family members were to be diagnosed with cancer, their out-of-pocket medical expenses could be extensive. That's why it is important to offer a Limited Benefit Cancer Insurance plan to help cover the overall costs of cancer. The plan has 30 benefits specifically designed to help your employees and their families with the financial costs of being diagnosed with cancer, which allows them to focus on their treatment. This plan can help cover both direct and indirect costs of cancer and includes a Preventative Care Benefit to help with early detection.

## Life Insurance<sup>\*,\*\*</sup>

Offering Group Life insurance to your employees may not be enough to fully protect their loved ones in their absence. An individual life policy can increase the overall benefit amount while giving your employees a policy that they own. American Fidelity offers policies designed for your employees, spouses, and children – making it convenient for them to provide life insurance protection for their entire family. Only three health questions are required to issue coverage, and your employees don't have to participate in any invasive medical exams.

## Annuities<sup>\*\*,\*\*\*</sup>

Provide employees with the option to supplement their retirement incomes or achieve other long-term goals. American Fidelity provides variable and fixed annuities in which the funds accumulate on a tax-deferred basis until withdrawn. Annuities offer employees many options upon retirement, including income for a specific period of time or an entire lifetime.



*\*These products may contain limitations, exclusions and waiting periods. \*\*Not generally qualified benefits under Section 125 Plans. \*\*\*Variable Annuities offered by American Fidelity Securities, Inc. +This product is inappropriate for people who are eligible for Medicaid coverage. The company reserves the right to change premium rates by class. For individual tax advice, please consult your tax advisor. Benefit plans listed may not be available in all states.*



## Helping employers manage resources.

Managing expenses is something on every employer's mind. American Fidelity understands the administrative needs employers have, particularly in light of the Patient Protection and Affordable Care Act (ACA). We are able to offer resources and services that help simplify benefit plan management and control costs.

When it comes to managing employee benefits, we can serve as an extension of your human resources department. We offer a single source for helping employers design, deliver, and manage a benefit program. In addition, we have a large collection of resources to help employers save time, simplify benefit plan administration, and identify possible cost-saving opportunities.

### Dependent Verification Reviews

Verifying eligibility of dependents ensures employers are not paying premiums for non-covered dependents. To assist you with this process, American Fidelity offers dependent verification reviews (also known as dependent eligibility reviews or medical eligibility audits) through one-on-one benefit meetings during enrollment.

#### Features

- Cost savings on employer medical premiums by eliminating non-qualified dependents
- Update important employee information including emergency contact information & beneficiaries
- Provides an opportunity to communicate and educate employees about benefit changes

### COBRA Administration

COBRA Administration guards employers from costly penalties from COBRA violations. COBRA compliance is an administratively intensive process that requires employers to send a variety of notices, bill and collect premiums, monitor strict timelines, remit payments to carriers, and more. Retiree billing is also available.



## Affordable Care Act Support

The Patient Protection and Affordable Care Act (ACA) has presented employers with a once-in-a-generation challenge that is both complex and dynamic. We want to be your partner and primary resource for managing the challenges and changes resulting from the ACA. We understand the requirements and how those responsibilities can impact both employers and employees. We provide a variety of services to educate employers on the developing law, assist with implementation and ongoing compliance, and communicate plan changes to employees.

## AFComply™ - ACA Eligibility Software

We offer a software solution for both tracking and reporting in conjunction with ACA consulting services. AFComply™ is a service offered through American Fidelity Administrative Services (AFAS) that combines tracking and reporting software with a dedicated ACA Compliance Support Team.

### Features

- Employer mandate tracking service
- Forms 1094/1095 reporting service
- Access to a dedicated year-round ACA Consultant & ACA Service Specialist call center

## Health Plan Consulting

Partnering with American Fidelity Administrative Services (AFAS) for your Health Plan Consulting needs can help you mitigate your compliance risk and improve employee communication, while conserving valuable financial and human resources.

### Some of our Health Plan Consulting services include:

- Variable Hour Employee Billing
- Employee Notice and Reporting
- Non-Discrimination Testing
- ERISA Wrap Documents

## Leave of Absence Support

While it may seem straightforward to determine who qualifies for Family Medical Leave (FML), most employers find it to be a very complex process. Our service provider, ComPsych, provides guidance on FML requirements and employee eligibility, handles the administrative tasks, coordinates the leave benefit on behalf of the employer and trains and consults with the employer on how best to apply FML.

### Features

- Provides consistent application of FML policies
- Access to resources to answer FML questions

*NOTE: A software system alone does not ensure compliance; if you do not understand how the data you enter will impact the calculation, the information generated may not be correct. Your consultant will help explain those parameters and assist you with creating a process to achieve the results you desire.*

*Some products and services may be provided by third party contractors or affiliated companies. Sales tax may apply to some services or deliverables. American Fidelity Assurance Company and American Fidelity Administrative Services, LLC do not provide tax or legal advice and, given the complexity of the ACA rules, we always recommend working with your own legal counsel to discuss how your plans could be affected and to review guidance provided by our consultants.*

## Helping employers save time.



We understand that times are changing and that employer and employee needs are evolving when it comes to enrolling in benefits. To meet your needs, American Fidelity has created tools and technology to make enrollment convenient, faster, and more efficient. As your partner, we will manage your entire enrollment process for you, giving you back time and resources.

### Year-Round Service Commitment

From our dedicated, local account managers to our home office customer care team, American Fidelity offers year-round service and support for both employers and employees. We are committed to helping ensure employers and employees understand their benefit plans, and we are available to assist with any benefit questions or concerns throughout the year.

### Ideal Enrollment Implementation Timeline

Before each plan year's enrollment, an account manager will meet with the employer's administrative staff to develop an implementation timeline, collect key information, identify enrollment needs, and educate the administrative staff on the enrollment process.

Phase 1

- Administration Meetings
- Payroll Meeting to Provide Enrollment Information

Phase 2

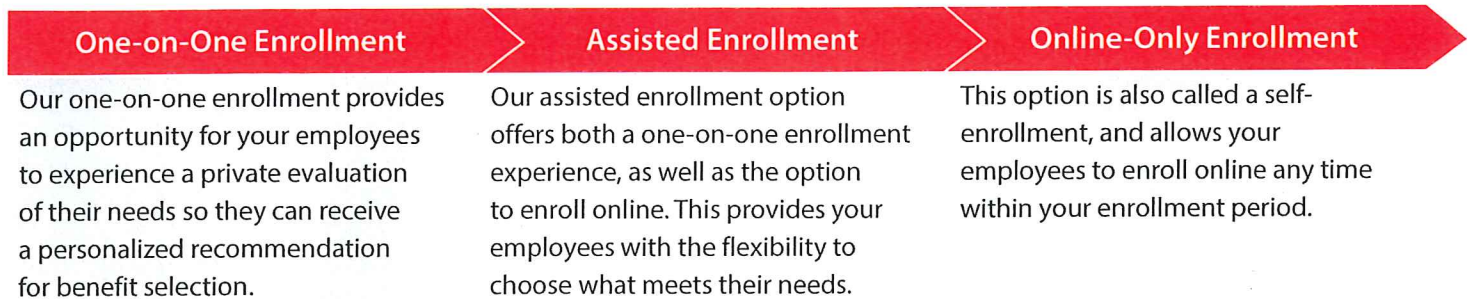
- Employee Group Meetings
- Individual Benefit Reviews
- Annual Enrollment

Phase 3

- Post-Enrollment Review
- A Plan for Ongoing Support and New Hire Orientation

## Three Enrollment Options

We offer a three step enrollment plan that you can transition through during your relationship with American Fidelity. You will work with your account manager to determine which enrollment option is best for your group's needs.



## Employee Education

Employees appreciate the opportunity to make informed decisions regarding their benefit plans. Complimentary benefit education materials (both electronic and print) are available for employees as well as the following:

### Group Meetings

We offer group meetings to educate employees and answer questions on their complete benefit offerings. When employees attend this meeting, they are more prepared going into their annual enrollment, often knowing exactly what benefits they will select.

### Custom Benefits Site

This website gives your employees a single place to go to review all of their benefit offerings, including your medical, dental, and vision plans, and to get answers to common questions before enrollment. This site includes tax-savings calculators, educational videos, and more.

## Full Benefits Enrollment

While your employees are using our online platform to enroll in their voluntary benefits, they can also enroll in their core benefits, such as medical, dental, and vision. We can work with your health plan providers to incorporate their application processes into our electronic web-based platform.

## Enrollment Platform

American Fidelity's online enrollment system saves time for benefit administrators. We provide automated data uploads to ensure fast and efficient transfer of benefits and billing information before and after enrollment. This eliminates the need for staff to enter data manually.

## New Hire Enrollments

A dedicated account manager will be available to provide new hire benefit orientation throughout the year, educating new hires on their benefit options.

## Helping employers stay compliant.



Managing the requirements and responsibilities to ensure you remain compliant with the current law may seem overwhelming. We can help simplify this process. American Fidelity's history is rooted in understanding and implementing tax-favored plans. Since 1979, we have provided benefits and services for Internal Revenue Code Section 125 Plans and other benefit programs, providing the support necessary to help our customers remain compliant with current law.

### **Keeping Employers Updated**

Staying knowledgeable of the current law is challenging. With an entire compliance team dedicated to monitoring and educating our customers as changes occur, we can help turn complicated material into something more understandable. We offer lunch-and-learns, VIP email notifications, newsletters, and one-on-one meetings with our account managers to give you a head start with trying to understand new rules.

### **Section 125 Plan Documentation**

From plan documents to board resolutions, American Fidelity can provide sample Section 125 Plan documents prior to each year's plan renewal for an employer to review with legal counsel. We work with employers to amend their plan documents to reflect changes made by employers or that are mandated by law. For newly eligible employees and during annual enrollment each year, American Fidelity will collect affirmative elections from employees, allowing employers to demonstrate every eligible employee had an equal opportunity to enroll in the plans.

### **Health FSA Claims Adjudication**

Federal law dictates which expenses are qualified for reimbursement from certain plans, such as Health FSAs, and establishes strict guidelines for third party substantiation for claims submitted manually and through Health FSA card swipes. We have established a process for claims adjudication to comply with federal law to help ensure an employer's plan will continue to operate within the law.

# Complimentary Compliance Support

## Tax Reporting Assistance

American Fidelity can assist employers with some of their tax reporting requirements. To help employers complete their Form W-2, we provide information on Dependent Day Care FSAs, applicable insurance claims, and data for American Fidelity premiums that larger employers have to report pursuant to the ACA. Additionally, Third-Party Sick Pay Reports are now available monthly for employers to review, download, and print anytime via our Online Service Center. Third-Party Sick Pay Reports show the tax due and information needed for Form W-2 for employees who receive disability income benefits.

## Plan Communication

Our enrollment model is designed to educate employees on the benefits and services available to them. We also make sample employee communication required by the ACA available to our employer customers. For 403(b) programs, the IRS requires that plan eligibility be communicated to employees at least once per year; a dedicated account manager will provide sample eligibility notification materials annually to help ensure employers satisfy the annual education requirement.

## Major Medical Plan Waivers

Waivers are a great way to document that an employer satisfied the Patient Protection and Affordable Care Act (ACA) obligations each year. We can provide documentation that the employer offered coverage to the minimum number of full-time employees required to avoid triggering a penalty.



*American Fidelity does not provide legal or tax advice. We recommend you work with your counsel to ensure your plan's compliance.*

## Support the way customers want it.

Your employees expect quick service, knowledgeable staff, and dependable insurance coverage. We work hard to ensure your experience exceeds those expectations. At American Fidelity, we want to make it easy for your employees to file a claim, access account information, and get the support they need. From our secured website and our convenient mobile app to our on-site account managers and dedicated customer service team, American Fidelity is a different opinion.

### **americanfidelity.com**

Our website offers secured account access and educational resources for your employees.

#### **Features**

- View and File claims through an online submission form
- Download and print insurance policies
- View Flexible Spending Account balances
- View Annuity account balance
- Section 125 & FSA calculators to estimate tax savings
- Answers to the most frequently asked questions
- Educational videos

### **Mobile App – AFmobile®**

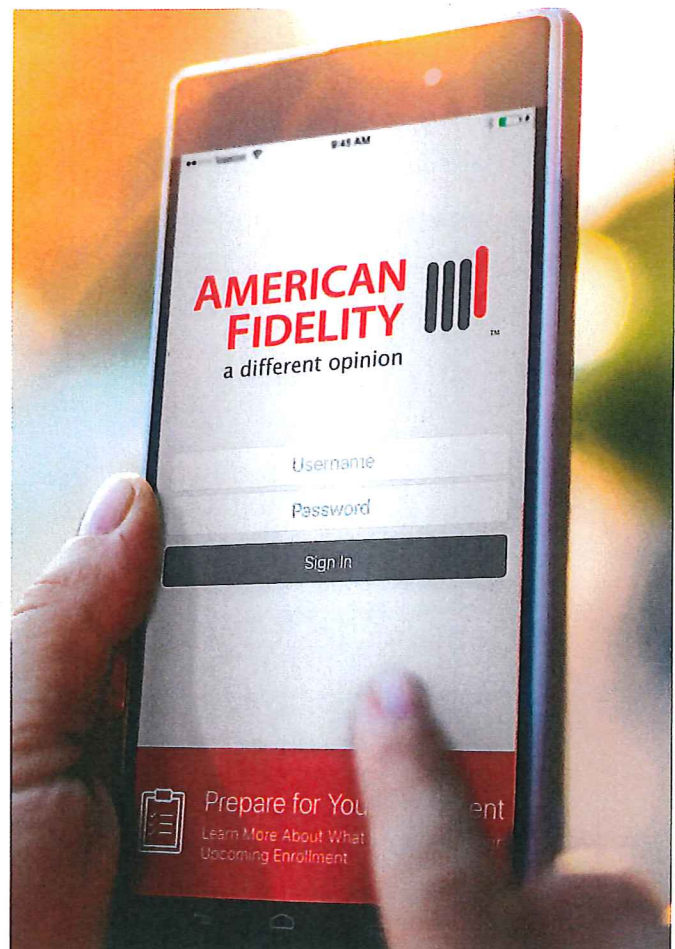
Participants also have the ability to manage their account through our mobile app, AFmobile®. From the app, participants may update their contact information, sign up for direct deposit, snap pictures of receipts to easily substantiate Health FSA and HRA card transactions, and submit requests for reimbursement from their FSA and/or HRA. The app is available to download for free on any Apple or Android device.

### **Customer Support**

We want to provide customers with support in the way that is most convenient for them, whether through email or phone. We are available to assist from both our home office and through our local account managers.

### **Salaried Account Managers**

Your account manager only supports your industry and is uniquely aware of your needs. Your dedicated account manager is available year-round to answer any questions you or your employees may have.



## Customer Service Team

Our customer service team is available from 7:00 a.m. to 7:00 p.m. CST, Monday through Friday, and can be contacted through our toll-free number or through our website's contact form. Our call center offers a call back feature. Instead of waiting on hold, participants may opt in for a call back without losing their place in the queue.

After hours, we offer the option to leave a voicemail and our customer service team will return the call the next business day. In addition, your employees have 24/7 access to our toll-free automated phone system where they may check their FSA and annuity balances.

## Easy Claim Filing with Direct Deposit

We want to make it simple for your employees to file a claim, so we offer a variety of options. A customer may file a claim online, through our mobile app, AFmobile®, or submit a claim via mail or fax to our home office in Oklahoma City. To assist in speeding up the reimbursement process, we offer complimentary direct deposit into employees' bank account.

For a complete video on claim filing instructions, visit <http://americanfidelity.com/fileclaim>.





By choosing American Fidelity, we can assist you in designing a custom package of service solutions and employee benefits that will best suit you and your employees. From our local, salaried, career account managers who provide a year-round service commitment to our streamlined electronic enrollment options, we work diligently to share our experience in delivering expense management benefits and services to help you and your employees. With 3,500 school districts nationwide using American Fidelity as their Section 125 Plan, Section 403(b) Plan or insurance provider, we consider it a privilege that so many districts and employees have put their trust in us. American Fidelity partners with 44 state and national education associations. To learn more about how American Fidelity can help you, contact us today at 800-654-8489.

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# Plan Today for Tomorrow's Expenses

## Understanding Your Employer's Section 125 Plan

If there was a program available that could save you money on your taxes and help you proactively plan for out-of-pocket expenses, would you take advantage of it? That's exactly what a Section 125 Plan does – reduces your tax and increases your spendable income. Under a Section 125 Plan, employers can offer eligible benefits to employees, through payroll deduction, on a pre-tax basis.

This employer-sponsored program is designed to help you save money on important expenses like eligible insurance premiums, health-related expenses, and dependent day care expenses.

### See How Much You Could Save

This example shows what a sample employees' bi-weekly paycheck could look like when using a Section 125 Plan. The sample is based on 24 pay periods.

With a Section 125 Plan		Without a Section 125 Plan	
Gross Bi-Weekly Income	\$2,000.00	Gross Bi-Weekly Income	\$2,000.00
Insurance Premiums		Less Tax	
- Medical insurance	-\$250.00	- Federal & State at 20%	-\$400.00
- Dental insurance	-\$30.00	- FICA at 7.65%	-\$153.00
- Vision	-\$25.00		
- Cancer insurance	-\$20.00		
- Accident insurance	-\$15.00		
- Health Flexible Spending Acct	-\$50.00		
Taxable Bi-Weekly Income	\$1,610.00	Bi-Weekly Income Before Benefits	\$1,447.00
Less Tax		Insurance Premiums	
- Federal & State at 20%	-\$322.00	- Medical insurance	-\$250.00
- FICA at 7.65%	-\$123.17	- Dental insurance	-\$30.00
		- Vision	-\$25.00
		- Cancer insurance	-\$20.00
		- Accident insurance	-\$15.00
		- Health Flexible Spending Acct	-\$50.00
Net Bi-Weekly Salary	\$1,164.83	Net Bi-Weekly Salary	\$1,057.00

*If you are subject to FICA taxes, there might be a slight reduction in your social security benefit due to the reduction of FICA contributions. Example is for illustrative purposes only. Please consult your tax advisor for actual tax savings.*

# Health Flexible Spending Accounts

## How It Works

A Health Flexible Spending Account (Health FSA) may be used to pay for common medical expenses throughout the year. You determine how much money you may spend on eligible medical expenses and then set that amount aside pre-tax in a Health FSA. Throughout the year, when you purchase those items, you may reimburse yourself from the account.

## Eligible and Ineligible Expenses

You may use your Health FSA to pay for a wide variety of common medical expenses for you, your spouse, and your eligible tax dependents. The Internal Revenue Service (IRS) determines which expenses are eligible for reimbursement. The following are common types of eligible and ineligible expenses.

### Examples of Eligible Expenses:

- Medical expenses, including medical bills to cover deductibles and copayments
- Prescription drugs and over-the-counter medicines prescribed by your doctor
- Vision expenses, including eye exams, glasses, contact lenses, Lasik surgery
- Dental expenses, including dental exams, fillings, and orthodontia expenses<sup>1</sup>
- Transportation expenses relative to medical care, including mileage at the IRS allowable rate

### Examples of Ineligible Expenses:

- Cosmetic procedures
- Toothbrushes
- Insurance premiums
- Vitamins for general wellness
- Any expenses reimbursed under other health plans

## “Use or Lose”

It is important that you carefully choose your election amount each year. Under IRS regulations, if you don't use your full election amount during the required timeframe, any remaining funds are forfeited. Check with your employer to see if your plan offers a Runoff Period, Carryover Provision, and/or Grace Period.

- **Runoff Period** - A period after the plan year ends when you are able to submit claims that you incurred during the previous plan year but have not yet submitted.
- **Carryover Provision** - You are able to carry over up to \$500 of unused contributions from one plan year to the next, which may be used to reimburse eligible medical expenses incurred anytime during the next plan year.
- **Grace Period** - An additional two and a half months following the end of the plan year in which you are allowed to incur Health FSA claims and still receive reimbursements.

# Dependent Day Care Flexible Spending Account

## How It Works

A Dependent Day Care Flexible Spending Account (Dependent Day Care FSA) is used to reimburse yourself, with tax-free funds, for eligible dependent care expenses incurred while you are working. Your contribution is withheld from your paycheck before tax, which in turn reduces your overall tax. You may allocate up to \$5,000 pre-tax per calendar year for reimbursement of dependent care expenses if you are married or \$2,500 if filing separate tax returns.

## Who May Participate

Any employee who meets certain eligibility requirements and who has a qualifying dependent may participate in a Dependent Day Care FSA. If you are considering participating, you should be aware that you may be able to take a federal and/or state tax credit instead of participating in the Dependent Day Care FSA. Consult your tax advisor to review your options.

Visit with your American Fidelity Assurance Company account manager to learn more.

### Randy Carter

#### Senior Account Executive

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EMPLOYER BENEFIT SOLUTIONS FOR YOUR INDUSTRY

A photograph of a smiling family of three. A woman with long dark hair is on the left, a man with short dark hair is on the right, and a baby is in the center. They are all smiling and looking towards the camera. The background is a bright, slightly blurred indoor setting.

## Health Savings Accounts

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## Why a Health Savings Account?

Healthcare is constantly changing. With rising deductibles and larger gaps in coverage, you need a solution. A Health Savings Account (HSA) may be the answer. Combined with a High Deductible Health Plan (HDHP), an HSA provides the security of knowing you have the funds needed to help cover healthcare costs before you satisfy your deductible.

## How it Works

An HSA allows you to set aside money pre-tax to help pay for eligible medical expenses. Your contributions can build year over year and any interest you earn will grow tax free.

To participate in an HSA, **you must first be enrolled in a qualified HDHP**. You may be enrolled in the plan either through your employer or spouse's plan. Combining a qualified HDHP with an HSA helps you control your healthcare costs and expenses.

## The Value of an HSA

### An Account You Own

Like a personal savings account, the money in an HSA rolls over annually, meaning the funds never expire and you can take it with you wherever you go – even if you change jobs, change health plans, or retire.

### Potential for Growth

The money in your HSA earns interest, so the more you save, the more you earn. Additionally, an HSA offers significant advantages and provides investment opportunities.

Account holders can choose to invest any funds over \$2,500 into a variety of investment options. This is a great way to potentially grow your savings for future healthcare costs or retirement.

### Triple Tax Advantage

- The money you put in to the account is deducted from your paycheck tax-free,
- The interest and earnings you make on the account grow tax-free, with the opportunity to invest in mutual funds, and
- When you take money out for eligible medical expenses, it is generally tax-free.



## Eligibility Requirements

Once you're covered by a qualified HDHP, you can contribute to an HSA if you:

- Are not covered by any non-HSA eligible health plan including a general purpose Healthcare Flexible Spending Account (also known as a Healthcare FSA or HCFSA) or a Health Reimbursement Arrangement (HRA). *Additionally, if your spouse has a Healthcare FSA that allows reimbursements for your expenses, you may not participate.*
- Are not enrolled in Medicare or Tricare. *If you are over 65, as long as you have not enrolled in Medicare, you can continue to make contributions and use your funds. Once you are enrolled in Medicare or Tricare, you can no longer make contributions but you may still continue to use your funds.*
- Are not being claimed as a dependent on someone else's tax return.

If you are no longer covered by a qualified HDHP, you may still use your HSA funds, however, you may not continue to contribute to your account.

# Health Savings Accounts

## Contributing to Your HSA

The easiest way to contribute to your HSA is through payroll deduction. Through payroll deduction, your contribution amount is automatically deducted from your paycheck, pre-tax. If you decide to contribute directly to your account, you will need to take the appropriate steps on your annual tax return to receive the tax savings benefit.

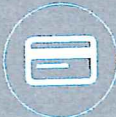



The IRS sets an annual maximum contribution amount:

Year	Self-Only Coverage	Family Coverage
2017	\$3,400	\$6,750
2018	\$3,450	\$6,900

Individuals 55 and over may contribute an extra \$1,000 catch-up contribution.

## Accessing Your Funds

We offer four convenient ways for you to access your HSA funds to pay for healthcare expenses for you, your spouse, and your dependents, regardless of their health plan.

 <p><b>Benefits Debit Card</b> Use your Benefits Debit Card to pay for eligible medical expenses; the amount is deducted directly from your account.</p>	 <p><b>Distribution Request Form</b> Fax or mail a Distribution Request Form to receive reimbursement by check or direct deposit.</p>
 <p><b>Online Reimbursement</b> Request funds online and receive a check or direct deposit into your personal checking or savings account.</p>	 <p><b>Online Bill Pay</b> Request funds online to pay your provider directly from your HSA account.</p>

## Eligible Expenses

The Internal Revenue Service (IRS) determines which expenses are eligible for reimbursement. The following are examples of common types of eligible and ineligible expenses. For a complete list, visit [afhsa.com](http://afhsa.com).

### Examples of Eligible Expenses

- Medical expenses, including medical bills to cover deductibles and copayments
- Prescription drugs and over-the-counter medications prescribed by your doctor
- Vision expenses (including prescription glasses, contacts and Lasik)
- Dental treatment (including orthodontia)
- Chiropractor
- Immunizations, Flu shots
- Medical exams, X-rays

### Examples of Ineligible Expenses

- Late fees on medical bills
- Cosmetics
- Dependent care expenses
- Toothbrushes or toothpaste
- Vitamins for general well-being
- Over-the-counter medicines (unless prescribed by a licensed medical practitioner)
- Cosmetic procedures (including face lifts or teeth whitening/bleaching)

## Pairing Your HSA with a Limited Purpose FSA



If you know you'll have extra expenses, you may consider pairing your HSA with a Limited Purpose Flexible Spending Account (LPFSA). An LPFSA reimburses eligible dental and vision expenses only, allowing you to use your HSA funds to pay for eligible medical expenses. Participating in both plans allows you to maximize tax savings and tax benefits.

## Differences in Healthcare FSAs and HSAs

Healthcare FSAs and HSAs are both common types of reimbursement accounts. They both allow you to set aside money for medical expenses, while reducing your overall tax burden.

There are significant differences between a Healthcare FSA and an HSA:

- With an HSA, you own the account, the funds are never forfeited at the end of the plan year, and you can take it with you wherever you go.
- Also, unlike a Healthcare FSA, your funds are available in your account only as contributions are made, instead of at the beginning of the plan year.

HSA	HCFSA
<b>Eligibility Requirements</b>	
Must have a qualified HDHP and no other disqualified health plan.	No HCFSA specific eligibility requirements.
<b>Availability of Funds</b>	
Funds are available only as contributions are made.	The full election amount is available up front at the beginning of the plan year.
<b>Changing Contribution Amounts</b>	
May change at any point during the year subject to plan provisions.	Changes may only be adjusted at open enrollment or with a qualifying change in employment or family status.
<b>Rollover</b>	
Any unused balance always rolls over in to the next plan year.	With a few exceptions, HCFSA's are "use or lose" and you forfeit any unused balance at the end of the plan year.
<b>Connection to Employer</b>	
It's your account. You can take it with you wherever you go.	Generally, you'll lose your HCFSA with a change in employment.
<b>Effect on Taxes</b>	
Contributions may be taken out of your paycheck pre-tax. Growth and distributions for qualified expenses are tax free.	Contributions are taken out of your paycheck pre-tax. Distributions are tax free for qualified expenses.

**Consider signing up for an HSA today to take control of your healthcare expenses.**

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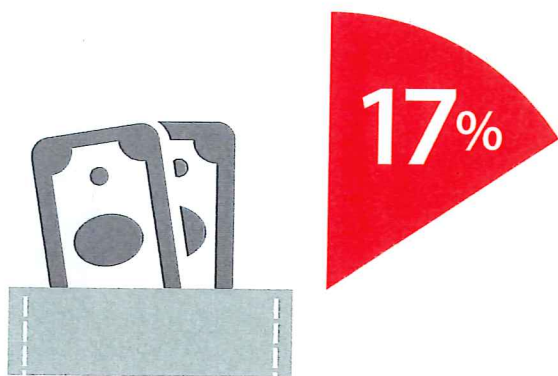
9000 Cameron Parkway  
Oklahoma City, Oklahoma 73114  
800-654-8489

[americanfidelity.com](http://americanfidelity.com)

## Differences in HSAs and Health FSAs

Health Savings Accounts (HSAs) and Health Flexible Spending Accounts (Health FSAs) are common types of reimbursement accounts offered by American Fidelity Assurance Company. These accounts allow you to set aside money for medical expenses, while reducing your overall tax burden.

However, there are significant differences between an HSA and a Health FSA. With an HSA, you own the account and can take it with you wherever you go, with funds that you can't lose. Also — unlike a Health FSA — your funds are available in your account as contributions are made, instead of from the beginning of the plan year.



### Did You Know?

17% of total healthcare costs are paid out-of-pocket<sup>1</sup>. Both HSAs and Health FSAs help pay for those out-of-pocket expenses using pre-tax dollars.

<sup>1</sup>2016 Milliman's Medical Index, May 2016.

### HSA

### Health FSA

#### Eligibility Requirements

Must have a qualified HDHP and no other disqualified health plan.

No Health FSA specific eligibility requirements.

#### Availability of Funds

Funds are available as contributions are made.

The full election amount is available up front at the beginning of the plan year.

#### Changing Contribution Amounts

May change at any point during the year subject to plan provisions.

May be adjusted at open enrollment or with a qualifying change in employment or family status.

#### Rollover

Always! Any unused balance rolls over in to the next plan year.

With a few exceptions, Health FSAs are "use or lose" and you forfeit any unused balance at the end of the plan year.

#### Connection to Employer

It's your account. You can take it with you wherever you go.

In most cases, you'll lose your Health FSA with a change in employment.

#### Effect on Taxes

Contributions may be taken out of your paycheck pre-tax. Growth and distributions for qualified expenses are tax free.

Contributions are taken out of your paycheck pre-tax. Distributions are tax free for qualified expenses.

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