

# UCC Flexible Benefit Plan

With health care costs rising faster than both salaries and inflation, wouldn't it be great to find a way to reduce the out-of-pocket costs of clergy and lay employees?

Wouldn't it be great to find a way to pay those costs with before-tax dollars?

Well, it's now possible to do both with one benefit plan – the Flexible Benefit Plan for UCC Ministries (generically referred to as the “Flexible Spending Account” or “FSA”).

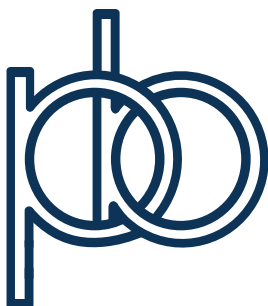
The FSA consists of two reimbursement accounts where clergy and lay employees can elect to set aside a portion of their earnings, before federal income and FICA taxes are withheld, to pay for certain medical and dependent care expenses they will face in the coming year. Each pay period during the year, dollars are deducted from salary and placed in the FSA. National Associates, a nationally-recognized FSA administration firm based in Cleveland, Ohio, has been hired to administer the claims. When an eligible medical expense is incurred, the participant files a claim with National Associates and a reimbursement, up to the amount of the elected annual deferral, is paid from the FSA, even if that amount has yet to be deposited in the participant's account. Dependent care expenses are reimbursed up to the balance in the dependent care reimbursement account.

A detailed list of eligible expenses can be found on the next page, but may include:

- ✦ deductibles and copayments not reimbursed by the UCC Medical and Dental Benefits Plan;
- ✦ expenses such as the cost of eyeglasses that are not covered by the UCC Medical Plan or other insurance;
- ✦ eligible dependent care expenses.

Take a look inside to see how it is possible, at very little cost to UCC churches and church-related employers, to provide clergy and lay employees with an opportunity to keep more of what they earn.

Remember, these are expenses that people will be facing with or without the Flexible Benefit Plan, so why not choose now to help ease the burden?



# How the FSA Allows Clergy and Lay Employees to Keep More of What They Earn

	Without the FSA	Using the FSA
Annual Income	\$38,000	\$38,000
Eligible Expenses	\$ 0	\$ 2,200
Taxable Income	\$38,000	\$35,800
Estimated Income Taxes*	\$ 4,863	\$ 4,533
Estimated FICA Taxes	\$ 2,907	\$ 2,739
After-Tax Expenses	\$ 2,200	\$ 0
Net Disposable Income	\$28,030	\$28,528
Savings Using the FSA		\$ 498

\*Based on 2010 rates for Married Filing Jointly

To the extent not covered by the Medical and Dental Benefits Plan, expenses that qualify for reimbursement may include:

- + Plan deductibles
- + Acupuncture
- + Chiropractic services
- + Plan copayments
- + Certain over-the-counter medications that are obtained with a physician's prescription; insulin will be covered without a physician's prescription
- + Body scanning
- + Well-baby care
- + Birth control pills
- + Transportation to obtain medical care
- + Organized weight loss programs that are medically prescribed
- + Fertility enhancement
- + Smoking cessation programs
- + Vision care, including LASIK
- + Dental expenses
- + Braille books and magazines
- + Hearing aids and related expenses
- + Special home modifications if their purpose is a part of medical care
- + Certain non-standard or experimental medical procedures
- + Contact lenses

Dependent care expenses that may qualify for reimbursement may include:

- + Child care centers that care for six or more children and meet the IRS definition
- + Caregiver for a disabled spouse or dependent that lives with the employee
- + Certain household expenses related to a qualifying dependent's well-being
- + Nursery schools
- + Child care providers
- + Day camps

# How to Make It Happen!

Getting a Plan started is easy.

1. The first step is to have your governing Board of Directors, Council, Congregation or Trustees (as specified in your Bylaws) adopt a resolution stating their desire to join the Flexible Benefit Plan for UCC Ministries.




## **ADOPTING RESOLUTION FOR THE UCC FLEXIBLE BENEFIT PLAN**

**Resolved that, the Flexible Benefit Plan for UCC Ministries** that operates in and is administered through the Pension Boards-UCC be, and the same hereby is adopted for the employees of \_\_\_\_\_; and

**Resolved further,** that such Plan shall include provision for participating clergy and lay employees to elect a health care reimbursement account, a dependent care account or both according to Plan provisions that are substantially of the manner described in the attached materials; and

**Resolved further,** that this Plan shall be made available to our clergy and lay employees as soon as administratively feasible.

2. The second step is to collect the following items:

-  A copy of the resolution
-  A check from the employer for the initial, one time, start-up fee of \$100
-  A cover letter with the name and address of your church or church-related employer and the number of employees interested in participating in the FSA Plan

3. Send these along to:

Member Services  
Pension Boards-UCC  
475 Riverside Drive  
Room 1020  
New York, NY 10115-0059

On receipt of this information, we will send you enrollment forms for your clergy and lay employees. If you provide us with an e-mail address, the forms may be sent electronically. This will expedite the process. The employee enrollment forms, when returned to your payroll provider and to our Member Services team, will be the basis for the monthly billing for the FSA. Payment is due on the 15th of the month following the month FSA monies are deducted from employees' salaries.

# Frequently Asked Questions

- Q. How much can I set aside in the UCC Flexible Benefit Plan?
- A. The maximum that can be deferred to the FSA for the 2011 calendar year is \$5,000 for medical expenses and \$5,000 for dependent care. Please note that effective January 1, 2013, to comply with The Patient Protection and Affordable Care Act of 2010 (PPACA), the maximum that can be deferred to the FSA for medical expenses will be \$2,500.
- Q. Are there special governmental rules for the FSA?
- A. Yes. Because of the special tax treatment of the FSA, the Internal Revenue Service has a series of rules that must be followed. We have arranged with an FSA administrative firm to assist in meeting these requirements and keeping the FSA operating within those rules.
- ✦ To qualify for reimbursement, expenses cannot be eligible for coverage through the UCC Medical and Dental Benefits Plan or other insurance.
  - ✦ Before the start of each year or before the employee's salary is earned, the employee must file a written direction electing the amount of salary to be deferred for medical and/or dependent care expenses.
  - ✦ FSA funding must come from an employee's salary deduction; it cannot be funded by employer contributions.
  - ✦ Once an employee has made the election, the amounts cannot be changed unless there is a major change in the employee's life. These include marriage, divorce, birth or death of a child, or change in spouse's employment status.
  - ✦ Deferrals placed in the FSA for medical expenses cannot be used to reimburse dependent care expenses and vice-versa.
  - ✦ Salary deferred to the FSA may only be used for expenses incurred during the year and until March 15th of the following year, the two and a half month grace period allowed by the IRS. In order to be reimbursed, claims must be submitted within the 180-day period immediately following the end of the grace period for the Plan Year. Claims submitted after the 180-day period will not be considered for reimbursement.
- Q. Why is it important for an employee to carefully select the amount of deferral to the FSA?
- A. First, an accurate estimate of expenses assures the maximum savings, so estimating too little does not take full advantage of the FSA. Second, contributions that are not claimed within the 180-day period immediately following the end of the grace period, based on Federal guidelines, will be forfeited by the employee. Known as the "use it or lose it" rule, the forfeited contributions are credited to the benefit plan surplus of the Flexible Benefit Plan for UCC Ministries.
- Q. Do pre-tax deferrals that are deducted from salary and contributed to the FSA Plan affect the salary basis on which the employer calculates the amount contributed to the Annuity Plan?
- A. Pre-tax contributions to the FSA do not affect the salary basis that the employer uses to calculate the contribution made to the Annuity Plan; they do not lower the contributions payable to the member's Annuity Plan account. The salary basis reported to the Pension Boards is the amount before FSA contributions are deducted. When filing taxes, the pre-tax FSA contributions should not be included in the gross salary reported on the W-2, which reduces the federal income tax and the FICA tax that are due.
- Q. Is the cost of over-the-counter (OTC) medications covered by the FSA Plan?
- A. With the passage of The Patient Protection and Affordable Care Act of 2010 (PPACA) in March 2010, Congress enacted the most far-reaching changes in the history of health benefit plans. The PPACA sets forth a new standard, effective January 1, 2011, for reimbursement of expenses for over-the-counter drugs from all workplace health plans, including flexible spending arrangements such as the UCC FSA. As a result, effective January 1, 2011, the cost of over-the-counter medicines, unless prescribed by a physician, cannot be reimbursed from the FSA. Insulin will be covered without a physician's prescription.
- Q. Can new employees join during the year?
- A. Yes. However, the new employee must be employed for one month before becoming eligible to enroll in the FSA. A salary election must be made before medical or dependent care expenses can be covered by the FSA.
- Q. What if an employee leaves employment after being reimbursed their full FSA amount but before a similar amount is withheld from salary?
- A. While this will cause a loss to the Plan, there will be some employees who do not use all of their deferrals, thus helping balance the Plan.
- Q. Will the employer incur any administrative fees once the employees are enrolled in the FSA Plan?
- A. If an employee is not a participant in the UCC Health Plan, the employer will be billed a monthly administrative fee of \$12 for that employee. For employees who participate in the UCC Health Plan, there is no \$12 administrative fee for the FSA.
- Q. Can the administrative fee be withheld from the employee's pre-tax salary?
- A. No, only contributions to the employee's FSA can be deferred from pre-tax salary.
- Q. What if I need more information?
- A. Please contact Sheila Chatterjee toll-free at 1.800.642.6543, ext. 2858 or by e-mail at [schatterjee@pbucc.org](mailto:schatterjee@pbucc.org).