

# Human Resources Memorandum

**Open Enrollment will be from 11/15/10 – 12/3/10  
for the 2011 Dependent Care Flexible Spending Plan Benefit.**

To: All Eligible Contract Employees  
From: Human Resources  
Date: November 8, 2010  
CC: Jim Klein, Lenny Tierney and Mike Mancinelli  
Subject: ***Flexible Spending Account:  
Dependent Care Reimbursement  
Plan Year January – December 2011***

## ***What is a Flexible Spending Account?***

Through a provision in the Federal tax law known as Section 125, employers can offer eligible employees the opportunity to pay for qualified dependent care expenses with pre-tax dollars through payroll deferrals.

The dependent care benefit is for expenses incurred for the care of a child under 13 years of age, or for the care of a dependent disabled adult while you are working.

You may contribute up to the lesser of either \$5,000 per year per family or the lowest paid spouse's income for the dependent care FSA.

## ***How does this work?***

You must decide on an amount to contribute for the 1<sup>st</sup> of the year. Your employer will begin reducing your pay weekly pre-tax and will deposit your contributions into your personal Flexible Spending Account. Your contributions will be sent weekly to Sentinel Benefits Group who is maintaining the Flexible Spending Account.

As you incur qualified expenses, you may file a claim for reimbursement with Sentinel. They will review and process your claim. Claims are processed daily and paid weekly. You will only be reimbursed for the amount that is in your account.

## ***How do I enroll?***

- **It is now Open Enrollment for eligible contract employees to begin participating in January 2011. The deadline for Open Enrollment is December 3, 2010.**
- If you are eligible to join and choose not to join at this time, your next opportunity will be December 2011.

- We will have enrollments on a monthly basis for new employees on the first of the month who are eligible and would like to participate. Example: If an employee was hired November 6, 2010, that person would be eligible on February 1, 2011. Enrollment must be for February or they will have to wait for Open Enrollment in December 2011. You must send in your enrollment form at least one week prior to your eligibility date.

***What is the benefit of signing up on this plan?***

Any money you contribute to pay for your benefits is not subject to Federal Income Tax, Social Security, or State Income. Thus, your benefit costs are quite low, and in some cases, can even result in a net increase in spendable income to you, after you've paid for your benefits. This can be illustrated by the following example:

<b><i>Dependent Care Example</i></b>	<b>With Your Plan</b>	<b>Without Your Plan</b>
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Gross Taxable Wages	\$25,000.	\$25,000.
Pre-tax Contribution	1,800.	N/A
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Taxable Wages	23,200.	25,000.
Estimated Taxes*	3,480.	3,750.
After-tax Contribution	N/A	1,800.
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Take home pay	\$19,720	\$19,450
<b>Potential Annual Savings</b>		<b>\$270</b>

\* Joint return, 15% marginal tax rate

By paying for benefits before taxes are calculated, estimated taxes are reduced by \$270, which is \$22.50 per month more in take-home pay for our example person. In other words, paying for benefits without a Flexible Benefits Plan costs this person \$22.50 more per month. Please consult your tax advisor for a more accurate estimate for your situation.

If you are interested in participating and would like an enrollment form, please call Human Resources at 1-888-806-2347 and ask for either Patty Walker or Irene Taylor. Their email addresses are [pwalker@4funding.com](mailto:pwalker@4funding.com) and [itaylor@4funding.com](mailto:itaylor@4funding.com).

**PLEASE NOTE THAT THIS IS STRICTLY FOR DAYCARE EXPENSES, THIS IS NOT A MEDICAL FLEXIBLE SPENDING PLAN.**