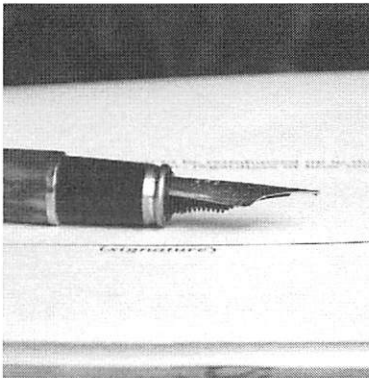
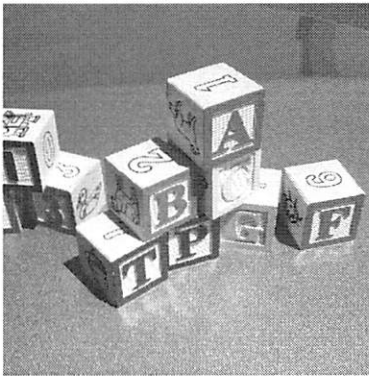




Custom Benefits Solutions

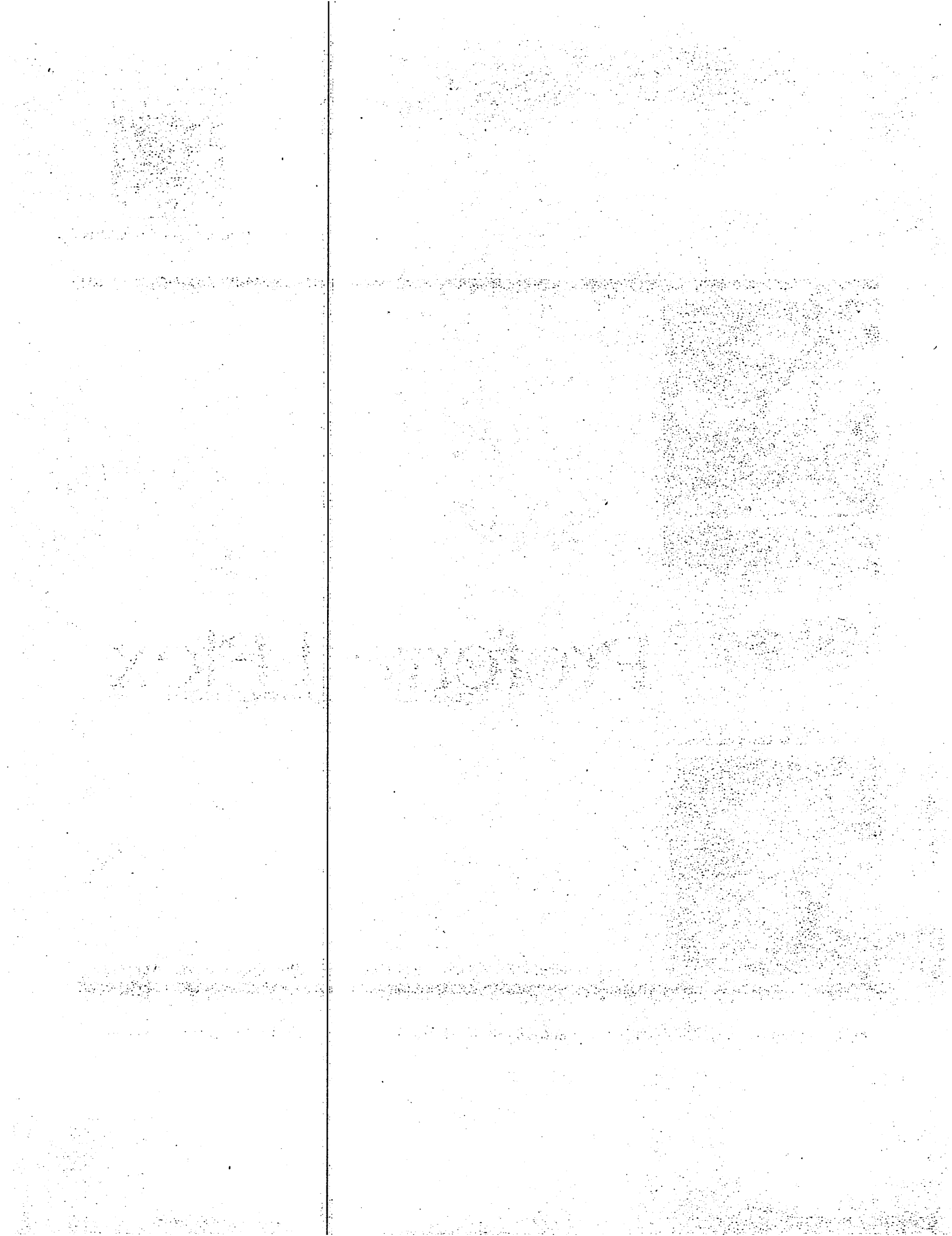


Preferred Flex

I.R.S. SECTION 125 FLEXIBLE BENEFIT PLANS

Features: Health FSA, Dependent Day Care & Premium Expense Accounts

PO Box 15136, Albany, NY 12212-5136 • 866-989-8995 • f 518-641-0325 • www.ThePreferredGroup.com





CHOOSE to Pay for Your
Payroll Deducted Insurance
Costs with **FLEX!**



CHOOSE to Use **FLEXible**
Spending Reimbursement
Accounts and **SAVE!**

Pay for your share of you employer-sponsored
✓ medical ✓ dental ✓ vision ✓ hearing
✓ drug insurance policies with *pre-tax* dollars

- Easy to enroll
- No change to you current insurance coverage
- No calculating required
- Change how you pay for you premiums
- Cost is payroll deducted pre-tax in the exact amount you contribute
- SAVE 30% to 40%
- Savings depends on you tax bracket

Pay for eligible ✓ medical ✓ dental ✓ vision
✓ dependent day care with *pre-tax* dollars

- Three separate accounts from which to choose
- All three save up to 30% to 40% of your out-of-pocket costs (depending on your tax bracket)
- Covers expenses for you, your spouse, and any of your federal income tax dependents
- Enroll in any or all accounts that your employer offers
- Select an annual target amount that you expect to spend on eligible expenses during your plan year for each account
- Payroll takes deductions from your paycheck pre-tax
- Submit claims for expenses during your plan year for each account (Cannot incur claims in run-out period)
- **Same Day** reimbursement for eligible claims
- 90-day run-out period following the end of the plan year to submit vouchers for expenses that occurred *within* the plan year

Cut Your Out-of-Pocket Costs!



Without **FLEX** you **PAY**
100% of your
out-of-pocket costs



With **FLEX** you **Save 30%**
- 40% of your
out-of-pocket costs

Q. If I set aside part of my paycheck before taxes, will I make less money?

A. No. Your spendable should remain the same or show an increase for your Plan Year. Here is an example of a married individual earning \$35,000 and paying \$1,500 in out-of-pocket medical expenses and health insurance premiums.

How Does FLEX Work?

	Using After-Tax Dollars	Using Pre-Tax Dollars
Income	\$ 35,000	\$ 35,000
Eligible Expenses	0	-1,500
Taxable Income	35,000	33,500
Estimated Taxes	-9,905	-9,458
Income After Taxes	25,095	24,042
Eligible Expenses	-1,500	0
Spendable Income	23,595	24,042
FLEX Plan Savings!		\$ 447

The \$447 shows this individual's 30% savings in paying for eligible services of \$1,500 with *pre-tax* dollars

FLEX PLAN RULES

Medical FSA Account (Unreimbursed Medical)

- Pay for medical, dental, vision, and hearing co-pays and deductibles with *pre-tax* dollars
- Pay for out-of-pocket costs, including eligible expenses not covered by your insurance
- Immediate reimbursement up to your annual target amount
- Cosmetic procedures are not eligible for this account unless medically necessary
- No medical premiums are eligible for this account

Dependent Day Care Account

- Pay with *pre-tax* dollars, for day care services that allow you and your spouse to work or attend full-time school
- Expenses for children **12 and under**; disabled and elderly dependents are eligible at any age
- Dependents receiving services must spend at least 8 hours a day within your household
- Overnight camps and medical costs are not eligible for this account
- Pre-School tuition is eligible
- No Kindergarten tuition

Q & A

Q. *What is a FLEXible Benefit Plan and how can it benefit me?*

A. FLEXible Benefit Plan allows you to pay for necessary eligible expenses with pre-tax dollars. When you set aside money before the government deducts taxes from your paycheck, you save up to 30%-40% (depending on your tax bracket) on expenses that you already have. These expenses can include medical, dependent day care costs and health insurance premiums. The plan is designed to allow you to participate in any, or all, of the benefits that your employer offers, to any degree. This means that you can tailor the Plan to suit your needs.

Q. *Is there any limit on the amount of money that I can set aside in a FLEXible Spending Account?*

A. Yes. Your employer sets a maximum (and sometimes a minimum) amount that you can set aside in the Unreimbursed Medical Account. The maximum amount for the Dependent Day Care Account is set by the I.R.S. at \$5,000 (or \$2,500 if married and filing separate tax returns). There is no limit on the Premium Expense Account.

Q. *Once I set aside money before taxes, how do I get it back?*

A. You are reimbursed for eligible expenses that occur within your Plan Year. In order to be reimbursed from any FLEXible Spending Account, you submit a signed and completed reimbursement voucher with third-party receipts to support your claim. You also have a 90-day Run-Out Period following the end of the Plan Year to submit vouchers for expenses that occurred within the Plan Year. Please see THE PREFERRED GROUP'S Reimbursement Voucher for more details on each Account.

Q. *What if I have to pay for expenses during the Plan Year, even though the services did not occur during the Plan Year?*

A. Reimbursement is made based on dates of service, not dates of payment. As a result, previous balances cannot be reimbursed.

Q. *What if I submit an amount for reimbursement that exceeds my payroll deductions at the time my voucher is received?*

A. The Unreimbursed Medical Account allows you to be reimbursed up to the annual amount that you set aside at any time during the Plan Year, regardless of how much you have deposited in your Account. The Dependent Day Care and Premium Expense Accounts are different than the Unreimbursed Medical Account. For these Accounts, you can only be reimbursed up to your deposits at the time that your voucher is received. The portion of your claim that is not reimbursed at the time that your voucher is received will be reimbursed as further payroll deductions are deposited in your Account.

Q. *What if there is money left in my FLEXible Spending Account(s) at the end of the Plan Year?*

A. A balance remaining in the Medical spending account (up to \$500) will rollover to the new plan year as long as you remain an active employee. This rollover takes place after the 90 day grace period. Any money remaining in your Dependent Day Care or Premium Expense Accounts will be forfeited. In addition, The Preferred Group counselors are available by phone from 8 AM – 5 PM Monday through Friday to review your Account(s) and answer any questions you may have. The Preferred Group encourages all of its participants to be conservative in their elections.

Q. *Which I.R.S. rules apply to the FLEXible Spending Reimbursement Accounts?*

A. The I.R.S. has established a few rules that participants in a FLEXible Spending Account need to be aware of: 1) Your employer will establish the Plan Year 2) To participate in one or more FLEXible Spending Accounts, you must enroll each year. The elections you make at the time you enroll cannot be changed until the following year, unless you experience an I.R.S. defined change in status:

- Legal marital status
- Number of dependents
- Employment status

Change in status must be authorized by your employer.

The change in election must be consistent with the change in status. Funds in one FLEX Account cannot be transferred to another Account during the Plan Year. Each employer may have their own definitions. Please check your Summary Plan Description before submitting a change in status request.

Q. *Will my retirement benefits be affected by a FLEX Plan?*

A. No. Most retirement systems' benefits, such as the NY State Employees' and Teachers' Retirement Systems are not affected by a FLEXible Benefit Plan and will continue to be based on your Gross Income. Check with your retirement plan to be sure.

Q. *Will my Social Security be affected by a FLEX Plan?*

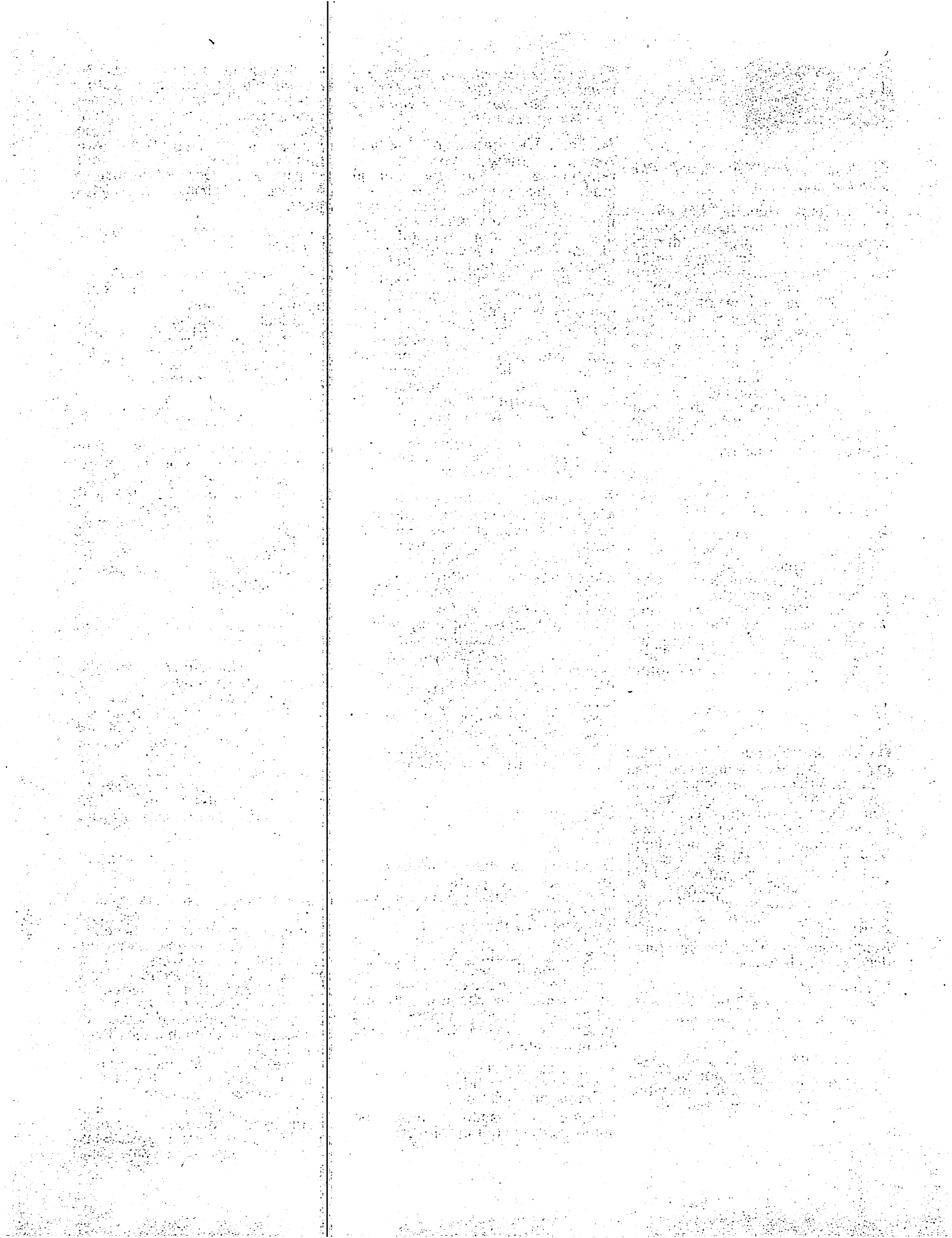
A. Yes. Because you do not pay Social Security taxes on the part of your income that you set aside, your Social Security benefits will be only slightly reduced. The reduction of benefits is minimal, and the advantages of the tax savings from a FLEXible Benefit Plan outweigh the reduced Social Security payments.

Q. *Can I be reimbursed for an expense that is not covered by my insurance carrier?*

A. Yes. The Unreimbursed Medical Account can reimburse you for many eligible expenses that are not covered by your health insurance plan. In general, expenses that are medically necessary to treat or cure a specific condition are reimbursable. There are a few exceptions, so please be sure to verify the eligibility of known expenses prior to the start of your Plan Year.

Q. *Do all states offer tax-free benefits under Flex?*

A. In all states, taxpayers receive waivers of Federal Income and FICA taxes on Flex Plan benefits. Similarly, all state income tax payers receive state tax waivers on Flex funds except for taxpayers in New Jersey and Pennsylvania, as follows: New Jersey income tax payers will have to pay state income taxes on the amounts sheltered in a Flex Plan. Pennsylvania income tax payers will not have to pay state income taxes on funds sheltered in a Flex Plan to pay for medical expenses – e.g. medical premiums and unreimbursed medical account funds. However, there is no state tax waiver for dependent day care funds.





Your FLEXible Spending Account Worksheet

This worksheet will help you determine your annual out-of-pocket costs for each FLEX Account.

- Remember to budget carefully •
- Be conservative •

Medical FSA Account (Unreimbursed Medical)	
	Annual
Deductible(s)	\$ _____
Co-Pays	\$ _____
Co-Insurance	\$ _____
Prescriptions & OTC Rx Drugs	\$ _____
OTC Supplies (See our website for info)	\$ _____
Special Equipment	\$ _____
Physicals	\$ _____
Medical Travel Costs	\$ _____
Hearing Aids & Batteries	\$ _____
Medical, Dental & Vision Exams	\$ _____
Orthodontia	\$ _____
Monthly Treatments	\$ _____
Dentures	\$ _____
Bridgework	\$ _____
Partial Plates	\$ _____
Contacts & Supplies	\$ _____
Other _____	\$ _____
_____	\$ _____
Total Medical, Dental & Vision	\$ _____

Dependent Day Care Account	
	Annual
Day Babysitters	\$ _____
Day Care Centers	\$ _____
Elder Care	\$ _____
Day Camp	\$ _____
Before & After School Programs	\$ _____
Nursery School	\$ _____
Other: _____	\$ _____
_____	\$ _____
Total Dependent Care	\$ _____

Examples of Eligible Medical Expenses:

- | | |
|--|---|
| Acupuncture | Laboratory Fees |
| Alcoholism Treatment | Mammography |
| Ambulance Services | Mental Health Care |
| Artificial Limbs | Nursing (RN/LPN) |
| Braille Books | OB/GYN Examinations |
| Chiropractors | Orthodontia |
| Contact Lenses & Supplies | Orthopedic Shoes & Braces |
| Contraceptives | Over-the-counter drugs (FDA Approved with Rx) |
| Co-Pays | Over-the-counter Supplies (See our website for info) |
| Crowns, Bridges & Dentures | Physicals |
| Crutches | Physical Therapy |
| Deductibles | Prescriptions |
| Dental Cleanings | Psychiatric Services |
| Dermatologists | Seeing Eye Dog & Upkeep |
| Eye Examinations | Sterilizations & Reversals |
| Eye Surgery incl. Lasik & Epi-Lasik eye correction | Substance Abuse Treatment |
| Eyeglasses and Prescription Sunglasses | Surgical Expenses |
| Fillings | Telephone Equipment for the Deaf |
| Hearing Aids & Batteries | Transportation for Medical Purposes & Mileage Reimbursement |
| Home Health Care | Well-Child Care Visits |
| Home Improvements for Medical Purposes | Wheelchairs |
| Hospital Bills | X-Rays |
| Infertility Treatment | |
| Insulin & Syringes | |

Examples of Eligible Employment Related Dependent Day Care Expenses:

- Babysitters (Daytime Only)
- Before/After School Programs
- Day Care Centers
- Elder Care Centers
- Nursery School
- Summer Day Camps

Examples of Eligible Privately Held Insurance Premium Expenses:

- COBRA
- Contact Lens & Eyeglass Insurance
- Non-Employer Health, Vision & Dental
- Medicare Supplement
- Supplemental Health

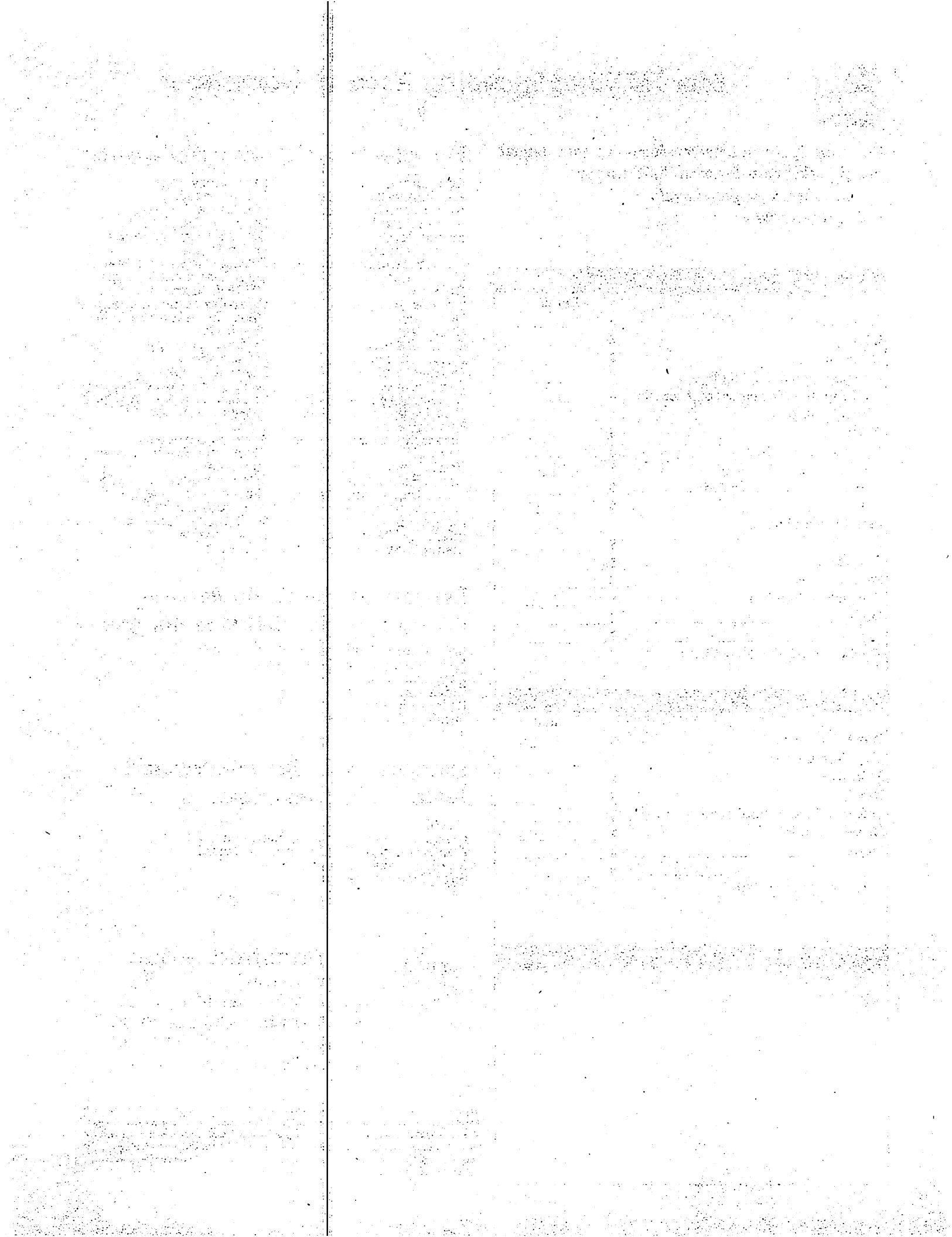


Custom Benefits Solutions

The Preferred Group

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 Albany, NY 12212-5136
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 Claims Fax: (518) 641-0325
www.ThePreferredGroup.com

The Preferred Group Plans, Inc. Section 125 Plans are NYSUT Member benefits Trust (Member Benefits) endorsed programs. Member Benefits has an expense reimbursement/endorsement arrangement of \$.20 per participant per month. All such payments to Member Benefits are used solely to defray the costs of administering it's various programs and, where appropriate, to enhance them. Member Benefits acts as your advocate; please contact Member Benefits at (800) 626-8101 if you experience a problem with any endorsed program.





CUSTOM BENEFITS SOLUTIONS

CLAIM SUBMISSION GUIDELINES

P.O. Box 15136, Albany, NY 12212-5136
www.ThePreferredGroup.com

The federal regulations governing the administration of FSAs and HRAs are definitive and specific regarding reimbursements through these tax advantaged accounts.

You will need to attach *copies of third-party invoice(s)* to your completed voucher to substantiate your claim. These may include receipts, insurance Explanation of Benefits (EOB) or other documentation. *Canceled checks cannot be accepted as proof of a reimbursable expense.*

Each invoice must contain the following information:

Date of Service. Reimbursement is made based on date of service, not on date of payment.

Nature of Service. Receipts must specify the nature of service so that we may determine its eligibility under the plan.

Individual Receiving Service. Only plan participants and their dependents may be eligible for benefits.

Amount of Service. Please provide documentation indicating the cost of services for which you are responsible.

Provider of Service Tax ID# or SS# is required for Dependent Care FSA

Dependent Care Expenses - \$5,000 Maximum (FSA Only)

An eligible dependent is any dependent who is less than 13 years old and your dependent under federal income tax rules. An eligible dependent may also include your mentally or physically impaired spouse or a dependent who is incapable of caring for him or herself (for example, an invalid parent). The dependent must spend at least eight hours per day in your home.

Child care services will qualify for reimbursement from the Dependent Care Reimbursement Account if they meet these requirements:

- The child must be under 13 years old and must be your dependent under federal income tax rules.
- The services may be provided inside or outside your home, but not by someone who is your minor child or dependent for income tax purposes (for example, an older child).
- If the services are provided by a day-care facility that cares for six or more children at the same time, it must be a qualified day-care center.
- The services must be incurred to enable you, or you and your spouse if you are married, to be employed or a full time student.
- The amount to be reimbursed must not be greater than your income or the combined income of an employee and spouse, whichever is lower.
- Services must be for the physical care of the child, not for education, meals, etc.

Allowable Dependent Care expenses include payments to the following when the expenses enable you to work*:

- Child care centers
- Family day care providers
- Babysitters
- Nursery Schools
- Caregivers for a disabled dependent or spouse who lives with you
- Household services, provided that a portion of these expenses are for a qualifying dependent incurred to ensure the dependent's well-being and maintenance

Dependent Care expenses that are **NOT** eligible:

- Dependent care expenses that are provided to one of your dependents by a family member, unless the family member is age 19 or over by the end of the year and will not be claimed as a dependent.
- Expenses for food and clothing
- Education expenses from kindergarten on
- Health care expenses for your dependents
- Overnight camps

*refer to IRS publication 503 for additional information

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Flexible Spending Account Expenses that are Eligible

The following list identifies *some* of the common medical, dental and health related expenses that the IRS* considers to be deductible expenses. These expenses are eligible for reimbursement through your FSA provided that you have not been reimbursed for them through any other benefits plan.

Abortion, legal
Acupuncture
Alcoholism treatment
Ambulance
Artificial limbs and teeth
Birth control pills
Braces
Braille books and magazines (to the extent prices exceed prices for regular books and magazines)
Car (special medical equipment within)
Contact lenses including saline solution and enzyme cleaner (must submit cash register receipt)
Crutches
Dental treatment
Diathermy
Durable Medical Equipment
Electrolysis or hair removal (medically necessary)
Examination, physical
Eye examination
Eyeglasses
Fees for health club (medically necessary)
Fees to doctors, hospitals, etc. for:
 Anesthesiologist
 Chiropractor
 Christian Science practitioners
 Clinic charges
 Dentist
 Dermatologist
 General Practitioner
 Gynecologist
 Internist
 Midwife
 Neurologist
 Obstetrician
 Ophthalmologist
 Optometrist
 Osteopath, licensed
 Podiatrist
 Practical Nurse
 Psychiatrist
 Psychoanalyst (medical care only)
 Psychologist (medical care only)
 Sex therapist (medical care only)
 Surgeon
First Aid Supplies

Guidedog and its upkeep
Hair transplant (medically necessary)
Health spa in home (to extent value of home not increased)
Hearing aids and batteries
Hospital services
HMO (Health Maintenance Organization) co-payments
Insulin
Iron Lung
Laboratory Fees
Lead-based paint removal to prevent lead poisoning
Legal fees to allow treatment for mental illness
Lip-reading lessons
Lodging for medical care
Medical information plan (amounts paid to plan that keeps your medical information)
Mentally retarded, special home
Nurses' expenses and board
Nursing care
Nursing home (if for medical reasons)
Operations and related treatments
Over-The-Counter-Drugs (RX generally needed)
Oxygen equipment
Prescribed drugs and medicine
Radial Keratotomy
Rental of medical equipment
Sanitarium
Smoking cessation programs
Special schooling for physically or mentally handicapped family member
Sterilization
Telephone (for the deaf)
Television equipment which displays the audio part of TV programs for the deaf
Therapy (for medical treatment)
Transplants
Transportation costs to and from doctor, hospital and/or Pharmacy *
Vitamins (that require a prescription for purchase)
Weight loss programs (physician approved)
Wheelchair
Wigs to cover baldness due to medical reasons
X-ray

* refer to IRS publication 502 for additional information
See an A-Z listing on www.ThePreferredGroup.com.

Flexible Spending Account Expenses that are NOT Eligible

Any illegal treatment
Cosmetic services and procedures (unless necessary to restore normal functioning)
Medications specifically used for cosmetic purposes
Cost of remedial reading classes for non-disabled child
Dancing or ballet, even when recommended by doctor
Funeral expenses
Food for weight loss programs

Diaper service
Health and beauty aids
Insurance premiums
Over-The-Counter-Drugs for general well being (including health & beauty aids, vitamins, and nutritional supplements)
Teeth whitening