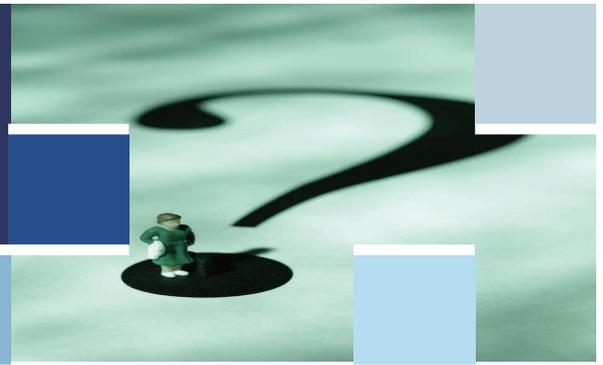


FAQs on Flexible Spending Accounts



What is an FSA?

An FSA is an employee benefit plan that allows you to set aside money before gross wages are taxed. The Internal Revenue Service allows you to use these pre-tax dollars for qualifying medical, dental and dependent care expenses. This means you will pay less tax and have more to spend and save.

What taxes are saved?

Your flexible benefits plan will help you keep more of the money you earn by lowering the amount of taxes you pay. On dollars directed to the plan, you will not pay:

1. Federal income tax
2. State and local taxes, where applicable
3. Social Security tax

How does the FSA work?

Prior to the first payroll, usually before the start of the plan year, you will elect how much you want to be set aside in pre-tax dollars for medical expenses and dependent care. These funds are placed in a flexible spending account set up for you. You submit a claim using PB&H Benefits easy claims submission process; and you receive a payment for your eligible expenses.

What expenses are eligible?

Basically, the plan consist of three separate areas of eligible expenses:

Insurance Premiums: You can use your FSA to pay for your employer-sponsored health and supplemental insurance premiums. Unlike your other medical or dependant care expenses, health insurance premiums are paid directly to the provider with your pre-tax dollars. This allows you to take advantage of the tax savings without the need for payment for the premiums. You only need to sign up for the insurance with the provider.

Medical, Dental & Vision Care Expense: You can pay for out-of-pocket medical, over-the-counter, dental and vision expenses with the funds deferred into your FSA.

Dependent/Child Care Expenses: You may pay for dependent/child care expenses with your pre-tax dollars such as day care and after- school care.

The expenses may be for you, your spouse or your eligible dependents (for whom an exemption may be claimed). Please see the expense listing provided in this guidebook for a more detailed listing of eligible expenses. Also, you can obtain the most up-to-date information by contacting your local Internal Revenue Service office or check the IRS Web site at www.irs.gov

How do I enroll in the Flex Plan?

Complete the enrollment form provided by your HR director. Simply check the benefit(s) you wish to participate in and enter the annual deduction for each benefit.

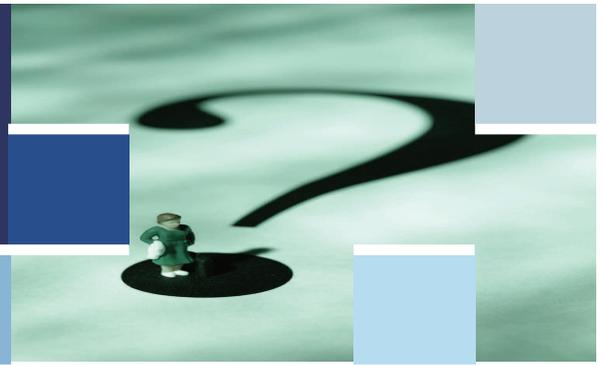
When can I change my elections during the year?

Changes in your plan participation can only be made if you have a qualifying event. Qualifying events include:

- Marriage or divorce
- Death of your spouse or dependent
- Birth or Adoption of a child
- Termination or change in spouse's employment
- Leave of absence or change in status (e.g. part-time to full-time)

Please contact your administrator for more detailed information if you feel this applies to you.

FAQs on Flexible Spending Accounts



How is my account balance determined?

Your account balance is the amount you are immediately entitled to for payment. For the medical FSA, your account balance is the difference between your total annual election and the claims paid to you. This means that your entire annual election is available to you at the beginning of the plan year. However, your account balance for the dependent care FSA is the difference between current contributions and claims paid. This means that you can only be reimbursed for dependent care claims up to the amount you have contributed to the plan to date.

What happens to unused money in my FSA?

According to federal regulations, money that has not been used at the end of the plan year will be forfeited. Certain grace periods apply depending on your specific plan rules. Money cannot be interchanged between plan years or between medical and dependent care. Risk of forfeiture is why it is so important to budget carefully.

How can I access my account?

You will receive a statement on your account each quarter showing all payments made as well as your account balance and contributions to date. In addition to quarterly statements, you will receive a supplemental statement prior to the end of your plan year to remind you of the upcoming deadline for using all of your FSA funds. This year end statement will include important information on your plan's grace period for claim submission, if applicable.

You will also have web access to your Flexible Spending Account, through the PB&H Benefits website at www.pbhbenefits.com. Your default user ID is your social security number with no dashes and your default password is the last four digits of your social security number. Our website will provide you with access to the following information:

- Detailed claim history - all claims submitted and paid
- Contributions to date
- Current available balance
- Ability to change your personal information and log-in information
- Blank claim forms

How do I complete a claim form?

Complete all information on the claim form for each amount that a payment is requested.

Make sure the claim form does not include items for more than one plan year.

Please sign and date the claim form.

Attach a copy of a bill, invoice, or other written statement showing a description of services, fees, and date of expense for each payment request. Credit card receipts and cancelled checks are not acceptable documentation for payment.

Claim forms can be sent via mail, fax or email, or delivered to:

PB&H Benefits, LLC
Attn: Flexible Benefits Director
401 W. Hwy 6
P.O. Box 20725
Waco, TX 76702-0725
FAX: (254) 772-0455
Email dmoon@pbhcpa.com

