Manhattan Area Technical College
Institutional Policy & Procedure Manual

Policy No. 7.4.2

Title: **Benefits—Flexible Spending**	
Originated by: Vice President of Business Services Signature Date	
Approved: Signature Date	
Reviewed: August 2011	Revised:

Policy Statement: The College offers a comprehensive benefit package. The package includes a Flexible Compensation Plan under Section 125 of the Internal Revenue Code, which allows employees to elect to have a designated number of dollars deducted from their salary to pay for group health premiums including medical and dental insurance coverage, approved un-reimbursed medical expenses, and approved dependent care expenses on a pre-tax basis.

Rationale: Faculty and staff are critical to the success of the institution. Employees who enjoy the benefits of proper health care and dependent care are absent less frequently and are generally happier, more productive workers.

Procedure:

1. Eligibility: All employees, age 18 and older, who work a minimum of 630 hours per year are eligible to participate in the flexible benefit plan.

2. Enrollment: Each new employee who meets the eligibility criteria will have the opportunity to complete an enrollment at the time employment begins, subject to the plan guidelines. All elections require participation through the end of the plan year. Only family status changes may change the election during the plan year.

3. Administrative Fee: Employees participating in the medical and/or dependent care accounts will not be required to contribute to the cost for monthly administration of their accounts. There will be no fee charged for participation in the payment of insurance premiums on a pre-tax basis.

4. Special Enrollment: The plan year of this program is July 1 through June 30. An employee is allowed to enroll in this program within 31 days from the employee's date of hire.

5. Open Enrollment: Employees are eligible to make changes in their payroll deductions once per year for unreimbursed medical and dependent care expenses at the beginning of every plan year. Changes cannot be made at any other time during the plan year unless there is a qualifying event, such as a change in family status or a loss of other

health benefits. Individuals are no longer eligible to be covered in the Section 125 plan upon termination of employment with the College.

6. Social Security: Social Security taxes are not deducted from the amount an employee pays in Flexible Compensation premiums and/or payroll deductions on a pre-tax basis. This could result in a small reduction in Social Security benefits at retirement. The tax advantages gained through the Flexible Compensation Plan may offset any possible reduction in Social Security benefits.

7. Forfeitures: If the total benefits paid or reimbursed to a participant with respect to any plan year are less than the benefits credited to an employee's flexible spending account(s), the unused portion shall be forfeited three months following an employee's date of termination or three months after the end of the plan year, whichever is earlier. No participant shall be entitled to carry over any unused benefits to the succeeding plan year, to reallocate the unused portion to any other benefit, or to receive any unused benefits in the form of additional cash.

8. Reimbursements: The amount credited to a participant's spending account(s) for any plan year shall be used only to reimburse the participant for qualified benefits incurred for such plan year, and only if the participant applies for reimbursement on or before the 90th day following the close of the plan year.

Election: Approximately 30 days prior to the beginning of the plan year, the College shall provide a written election form, which shall include a salary reduction agreement, to each participant and any other employee who is expected to become eligible by the first day of the plan year. All salary reduction agreements shall be executed before the close of the enrollment period for the plan year during which such agreements will be effective or, in the case of participants who were not eligible to participate in the plan at the beginning of the plan year, salary reduction agreements will be executed before the first day of the pay period after the date on which they become eligible to participate in the Plan. Each salary reduction agreement shall remain effective throughout the plan year unless revoked or suspended by the employer. No salary reduction agreement may be revoked by any participant during the plan year except by reason of a family status change. Any participant who fails to execute appropriate agreements during the enrollment period shall be deemed to have elected his or her prior year's plan for health options and will not be eligible for Flexible Compensation spending account. Any newly eligible employee who fails to execute appropriate agreements during the enrollment period to become a participant shall be deemed to have elected cash compensation to the extent permissible.

9. Mid-Year Changes: There are seven changes in status that can prompt mid-year election changes:

    a. A change in an employee's marital status – such as marriage, divorce, annulment, legal separation, or spouse's death.

    b. A change in the number of employee's dependents caused by birth, adoption, placement for adoption, or death.

c. A change in the number of dependents whose care can be reimbursed on a pre-tax basis, as it applies to dependent-care elections.

d. The start or end of an adoption proceeding as it applies to adoption-assistance elections.

e. A change in residence for an employee, spouse, or dependent. An election change is permissible where a change in residence affects the employee's eligibility for health coverage, but it precludes any changes to the health Flexible Spending Account.

f. A change in employment status of an employee, spouse, or dependent. These may include changes in worksite, strike, lockout, starting or ending employment, starting or returning from an unpaid leave of absence, a change in job status (for example, from part-time to full-time) or other changes that affect plan eligibility.

g. A change that causes an employee's dependent(s) to start or stop meeting the plan's eligibility criteria. Examples include attaining the limiting age (normally your unmarried child under 23 years of age).

For specific information pertaining to provisions and administration of the Flexible Compensation Plan, please contact the Human Resources Department.