

Flex Administration Services



What is a Section 125 Plan?

A Section 125 Plan is a part of the Internal Revenue Code that allows employees to convert a taxable cash benefit (salary) into non-taxable benefits. You may choose to pay for benefit premiums and other qualified expenses before any taxes are deducted from your paycheck.

What is a Flexible Spending Account?

A Flexible Spending Account (FSA) is a special account for healthcare and dependent care expenses. You elect an annual amount to contribute to your FSA, and equal pre-tax payments will be deducted throughout your plan year. These funds will be deducted “pre-taxed” and automatically deposited in your account through payroll deduction.

There are two kinds of Flexible Spending Accounts - Health FSA and Dependent Care FSA. You can choose to participate in both accounts. Expenses for these accounts must be incurred during your employer’s plan year. You must spend the funds by the end of the plan year or it will be subject to IRS “use it or lose it” rules.

The Health Care FSA allows you to pay for medical, dental and vision expenses not paid by your employer’s insurance plan. These expenses may be incurred by you or your dependents. Funds in the Health FSA are available on the first day of the plan. Eligible health expenses include deductibles, co-pays, orthodontics, glasses and contacts. OTC Drugs and medicine (*with the exception of insulin*) are not eligible for reimbursement without a physician's prescription after 12/31/2010. Medical supplies will still be eligible for the Health FSA after 12/31/2010.

Dependent Care Assistance Program (“DCAP”) FSA provides for day care expenses that enable you and your spouse to work or attend school full-time. This can also include the care for children or elder dependents that rely on care. These include qualified expenses for: care in and outside the home, day care, before and after school care, nursery school, preschool tuition, day care camps and facilities. Your provider must report day care income on their taxes to be considered as eligible.

If your spouse has a dependent care at their employment, the two accounts cannot exceed \$5,000 during a given plan year. Funds in this account are not pre-funded like the Health FSA and must be available in your account before you can be reimbursed.

How will a Flex Plan effect my take-home pay?

Employees do not have to pay federal income tax, FICA taxes, or in most cases, state or local income taxes on qualified insurance premiums. At a minimum, employees should save 21.65%. This is based on the 14% federal income tax rate and a FICA tax rate of 7.65%. Employees subject to state and local income taxes may save even more. The following example illustrates the estimated tax savings with a Section 125 plan.

A participant's monthly expense includes:

- ▶ \$175 for insurance premiums
 - ▶ \$50 for health FSA
 - ▶ \$250 for dependent care FSA
- } *The total monthly eligible expenses are \$475.00*

Salary and Expenses	Without Flex Plan	With Flex Plan
Gross Monthly Salary	\$3,000.00	\$3,000.00
Pre-Tax Insurance Premiums	0.00	\$ 175.00
Health FSA & DCAP FSA	0.00	\$ 300.00
Taxable Salary	\$3,000.00	\$2,525.00
Estimated Taxes	\$494.00	\$415.00
Expenses not paid pre-tax with FSA	\$475.00	0.00
Take Home Pay	\$2,032.00	\$2,110.00
Monthly Tax Savings with FSA	0.00	\$ 78.14
Annual Tax Savings with FSA	0.00	\$ 937.65

MGM Benefits Group is continuously improving our services to better service our customers. Through email notifications, you may receive account communications including: payroll deduction data, claims payment information and other reports, via e-mail to keep you up to date on the activity in your account. Once your enrollment has been entered into our administrative system, you will have immediate access to your online account. Look for an enrollment confirmation via email with instructions for setting up your participant website. From your participant online account, you have 24/7 access to:

- ▶ Create your personal password with security question
- ▶ Add your eligible dependents to expedite claim payments
- ▶ Sign up for the direct deposit reimbursement option. An initial MGM Direct Deposit Authorization form must be completed with a voided check to set-up your direct deposit request. Reimbursements will automatically be deposited in your account. Authorizations are also effective for subsequent plan years
- ▶ Manage your account online. You can view your claim status, account balance, advice of direct deposits and notifications for documentation to substantiate your claims.

How Do I get reimbursed for my expenses?

MGM offers three options for filing your eligible reimbursement expenses:

- 1) You can file claims for reimbursement online through your participant website
- 2) If your employer offers the MGM Flex Card, you can purchase eligible items with the Card
- 3) You can pay for your eligible health expenses and submit a claims form for reimbursement.

Dependent Care expenses are not eligible for the MGM Flex Card. Claims may be submitted through online claims or manual claims may be submitted for reimbursement.

The MGM Flex Card



Our special use Visa® Card allows you to immediately access your Health Flexible Spending Account (FSA) funds to pay for eligible medical expenses that are not reimbursed by insurance. Instead of paying out-of-pocket with cash, check, or personal credit card, the MGM Flex Card allows you to easily pay for eligible medical expenses while eliminating the need to file a claim and wait for reimbursement.

Keep your valid documentation for your records

Please keep your original documentation for purchases and only send copies to MGM Benefits Group when filing claims for health FSA or dependent care FSA reimbursement.