



Save Money By Enrolling In *Island Flex* Today

State of Hawaii

Sponsored by Department of Human Resources Development

Island Flex - a Flexible Spending Accounts Program, offered by the State as one of your many benefits.

What is Island Flex?

Island Flex flexible spending accounts is a tax savings benefit program that offers you two ways to reduce your federal and state withholding taxes and social security taxes. The first way is a *Medical Flexible Spending Account* (Medical FSA). The *Medical FSA* allows you to pay eligible out-of-pocket unreimbursed health care expenses on a **BEFORE-TAX** basis. This provides a great tax benefit if you cannot deduct medical expenses on your income tax return because the amount does not exceed the 7.5 percent of your adjusted gross income. The second way is the *Dependent Care Flexible Spending Account* (Dependent Care FSA). The *Dependent Care FSA* allows you to pay for eligible dependent care expenses, such as pre-school, on a **BEFORE-TAX** basis.

What do you mean BEFORE-TAX?

Island Flex lets you set aside money from your paycheck in a special account **BEFORE** you have paid federal and state income taxes, and social security taxes! The amounts you set aside reduce your reported W-2 income, so you are never taxed on these dollars!

Who is eligible?

If you are an employee of the Executive, Judicial or Legislative Branch, OHA, or HHSC; and are a member of the Employees' Retirement System, you are eligible to participate.

How can the money in these accounts be used?

The money in your Medical FSA can be used to repay yourself **tax-free** for eligible unreimbursed or uninsured medical, dental, drug, and vision expenses incurred by you or your family members. Reimbursable items may include, but are not limited to, such things as deductibles, co-payments, dental and orthodontic fees, eye care, LASIK eye surgery, glasses/contact lenses, prescriptions, physical exams, chiropractic care, and acupuncture.

The money in your Dependent Care FSA may be used for eligible child care and after school care costs of a dependent child under age 13 or a dependent child or adult incapable of self-care. Reimbursable expenses may include, but are not limited to, eligible child care services inside your home or someone else's home, charges by a licensed pre-school facility, adult care inside your home or someone else's home, or the A+ after school program.

What are some IMPORTANT POINTS about *Island Flex*?

- To enroll in a Medical FSA or Dependent Care FSA, or both:
 - ❖ Call National Benefit Services, LLC (NBS), the third party administrator, for a Compensation Reduction Agreement (enrollment form), complete and return the form within 90 days of becoming eligible or during the annual open enrollment period (usually during March and April).
 - ❖ The amount you designate on your Compensation Reduction Agreement will be deducted from your salary each pay period before taxes are calculated. The deduction will be deposited into your FSA account.
- There is a monthly fee per month to participate, whether you enroll in one or both accounts. The fee will also be deducted from your paycheck on a **BEFORE-TAX** basis. Call NBS for the current monthly fee.
- There is **NO** minimum contribution. Currently, the maximum you may contribute is:
 - ❖ **MEDICAL FSA:** \$2,400 per year, which does **not** include the administration fee.
 - ❖ **DEPENDENT CARE FSA:** \$5,000 per year, which **includes** the administration fee.
- Enrollment must continue for the entire plan year, which is July 1 through June 30. If you enroll during the plan year, your participation will end on June 30. Your coverage will begin on the 1st of the month following receipt of your enrollment form. You **MUST RE-ENROLL** every plan year.
- You may not make changes during the plan year unless:
 - ❖ You have a qualifying "status change", such as marriage, divorce, death, or birth of a child.

- ❖ Call NBS for a Status Change Form, complete and return it to NBS within 90 days of the change.

If you don't have an allowable status change or don't submit the status change form to NBS within 90 days, your account deductions must continue for the rest of the plan year.

What happens if I don't spend all of the money by the end of the plan year?

Any money left in your Dependent Care account after September 30th, (after all claims have been processed for that plan year), will not be reimbursed and will be forfeited to the State pursuant to the Internal Revenue Code (IRC). After September 30th, any amount left in your Medical Spending account, up to \$500, will carry over to the new plan year to be used towards expenses incurred in that new plan year. Any money which exceeds \$500 after September 30th, (after you have claimed all eligible expenses for that year), will not be reimbursed to you and will be forfeited to the State pursuant to the IRC. The IRS considers the date of a claim as the date the service is rendered, not when the bill is actually paid.

- Participation in **Island Flex** will NOT affect:
 - ❖ Your benefits in the Employees' Retirement System.
 - ❖ Your maximum allowable contribution to a 403(b) Tax Sheltered Annuity Plan (if you are a DOE or UH employee).
 - ❖ Your participation in the Premium Conversion Plan.
 - ❖ Your maximum allowable contribution to a 457 Deferred Compensation plan.
- Your Social Security benefits may be slightly reduced because your Social Security benefits and taxes will be calculated on your reduced salary amount.
- Reimbursement requests will be promptly processed once you complete and mail your reimbursement form, along with a copy of your paid itemized receipt, to the administrator. Medical and Dependent Care reimbursement claims are processed daily.
- More information is available by calling National Benefit Services, LLC, at 465-2284 or neighbor islands may call toll free at 1-855-399-3035; or by attending an open enrollment informational workshop during the months of March through April.
- Check the **Island Flex** website at www.nbsbenefits.com/islandflex.

How much money can I save by participating?

Results will vary depending on your tax bracket but let's look at an example:

Hypothetical Example for Employee Leilani*

\$1200 Per Check	Currently	With Island Flex
Gross Pay	\$1,200.00	\$1,200.00
Medical FSA	\$0.00	\$25.00**
Dependent Care FSA	\$0.00	\$200.00**
Taxable Income	\$1,200.00	\$975.00
Federal Withholding	\$76.53	\$45.18
State Withholding	\$55.03	\$40.18
FICA (Social Security)	\$91.80	\$74.59
Net Pay	\$976.64	\$815.05
Medical Expenses	\$25.00	\$0.00
Dependent Care Expenses	\$200.00	\$0.00
Spendable Income	\$751.64	\$815.05
Savings Per Paycheck		\$63.41
Savings Per Month		\$126.82
Savings Per Year		\$1,521.84

*Claiming 2 exemptions

**Does not include the administration fee

Note: If you need this brochure in an alternate format, call National Benefit Services, LLC at 465-2284, or neighbor islands may call 1-855-399-3035 for assistance.

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