State of Michigan

Flexible Spending Account

2011 Plan Booklet

Customer Service Contacts

The State of Michigan MI HR Service Center can answer many of your benefits questions. Please have your employee number available at the time of your call.

MI HR Service Center

P.O. Box 30002
Lansing, MI 48909
(517) 335-0529
Toll Free: (877) 766-6447
Michigan Relay Center for the hearing impaired: 711
Fax: (517) 241-5892
7 a.m. – 6 p.m. EST Monday - Friday

Online MI HR Self-Service

www.michigan.gov/selfserv

Employee Benefits Division

(517) 373-7977
Toll Free: (800) 505-5011
8 a.m. – 5 p.m. EST Monday – Friday

Online Flexible Spending Information

www.michigan.gov/employeebenefits
Select “Flexible Spending” in left column

Automatic Data Processing (ADP) ADP Solution Center

Toll Free: (800) 422-3703
Hours 8 a.m. to 8 p.m. EST Monday - Friday

ADP Claims Processing

P.O. Box 1853
Alpharetta, GA 30023-1853
Toll Free: (866) 392-4090 or
(678) 762-5900

ADP Website

https://www.flexdirect.adp.com/mifsa/

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Flexible Spending Accounts (FSAs) Plan Overview

How the Accounts Work

The State of Michigan's Flexible Spending Accounts (FSAs) allow you to set aside ***pre-tax dollars*** to pay for eligible out-of-pocket expenses for health care and dependent care. As a result, it lowers the amount of your income taxes while providing more value for your money.

The State offers two types of FSAs:

- **A Health Care FSA** allows you to put aside pre-tax dollars for health care expenses not covered by any medical, dental or vision care plan. These expenses are allowed for you and qualifying individuals. See page 6 for a list of eligible Health Care FSA expenses.

- **A Dependent Care (Day Care) FSA** allows you to put aside pre-tax dollars to cover child/ incapacitated dependent day care expenses for your eligible dependents so you and/or your spouse can work; or your spouse can attend school full time. See page 13 for a list of eligible Dependent Care expenses.

Annual FSA Contributions

Each year, estimate the amount of out-of-pocket health care and/or dependent care expenses you expect to incur in the next calendar year. To calculate the amount per pay period, divide your total yearly expense by the number of pay periods you choose to have the contributions deducted from your pay warrant.

Each pay period, the contribution amount is deposited into the appropriate FSA and reported to the Plan's claim processor, ADP. Taxes are not paid on the amounts you contribute to either FSA, and your annual taxable income is reduced by the amount of your contributions.

Advantages of FSAs

Lower taxable income. Your FSA contributions are deducted from your bi-weekly pay warrant on a pre-tax (tax-free) basis before Federal taxes, Social Security taxes (FICA), and Michigan state taxes have been applied. For example, if you earn $3,000 and contribute $200 to your Health Care FSA, you pay taxes on $2,800.

Additional advantages. FSAs have a built-in budgeting component. When you make your annual contribution, you have ensured that you will have money available for your anticipated eligible medical and dependent care expenses.

Immediate Realization of Tax Savings each Pay Period. Using an FSA, tax savings are realized immediately every pay period.

Increased Savings using a Health Care FSA for the first $5,000 in expenses. Only those medical expenses that exceed 7.5% of your adjusted gross income can be deducted on your federal income tax return. Amounts up to $5,000 can be contributed to a Health Care FSA and are reimbursable even for small amounts such as co-pays, prescription expenses, and other minor medical and dental expenses.

No "Double Deductions"

Health care and dependent care expenses can be reimbursed through your FSA or taken on your tax return as a medical deduction or as a dependent care tax credit, but they cannot be taken in both places.

Check with your tax advisor to see if a Dependent Care FSA may be more advantageous than taking a Dependent Care tax credit on your tax return.

Eligibility and Enrollment

Eligibility

All State of Michigan employees can participate in FSAs with the exception of non-career and special personal services (SPS) employees. Seasonal employees must ensure that the number of deductions elected does not exceed the number of pay periods you expect to be employed during the year. Additionally, each employee must have sufficient earnings to cover the amount you choose to contribute to an account.

Enrollment

Participation in FSAs is completely voluntary. To participate, you must enroll each year, even if you wish to continue the same annual contributions from year to year. If you do not enroll during Open Enrollment in November 2010, your plan participation will expire December 31, 2010.

The enrollment process differs between new and continuing employees.

Current Employees must enroll in an FSA every year during the annual Open Enrollment period. If you wish to participate in an FSA for 2011, you must re-enroll during Open Enrollment in November 2010.

New Employees who wish to enroll in the FSAs must contact the MI HR Service Center at (877) 766-6447 or (517) 335-0529 within 31 days of your hire date. If you do not enroll during this initial eligibility period, you must wait until the next annual open enrollment or until you experience a valid life event change as described on pages 10 and 14.

The enrollment process is not complete until you see the words "CONGRATULATIONS" on your screen. Afterwards, you will have an opportunity to print a confirmation statement.

We strongly recommend that you print and retain this statement for your records. **This confirmation statement is your only proof of successful enrollment.**

At the end of December 2010, you should receive a confirmation statement from ADP stating the annual and bi-weekly contributions and plan(s) for which you are enrolled. Please verify the accuracy of this statement and that your contribution amount comes out correctly in your first pay warrant of the year.

Enrollment must be completed between November 1, 2010 and November 30, 2010 using the MI HR Self-Service at www.michigan.gov/selfserv.

Access to MI HR Self–Service is available 24 hours a day, 7 days a week, except during regularly scheduled maintenance. If you do not have access to a computer or need assistance, please contact the MI HR Service Center at 1-877-766-6447 or 711 to reach the Michigan Relay Center for the hearing impaired.

Period of Coverage

If you are a current employee and you enrolled during Open Enrollment in November 2010, your period of coverage is effective from January 1 through December 31, 2011.

If you are a newly hired employee, your period of coverage is the first day of the pay period after the date your enrollment is processed and ends December 31, 2011.

Before You Enroll

You can only request reimbursements for eligible expenses. Your 2011 FSAs can only be used to reimburse eligible expenses incurred from the effective date of your enrollment through March 15, 2012.

Different rules apply to Health Care FSAs and Dependent Care FSAs. See page 6 for eligible Health Care FSA expenses and page 13 for eligible Dependent Care FSA expenses. If your employment terminates before December 31, 2011, refer to page 10 for options for continued Health Care FSA plan participation.

Your enrollment is effective until December 31, 2011. Once you enroll in an account, you cannot stop or change your deductions unless you have a qualifying life event. See pages 10 and 14 for more information concerning changes in status.

FSA account funds are not transferable. You cannot use a Dependent Care FSA to reimburse expenses in your Health Care FSA. Conversely, you cannot use a Health Care FSA to reimburse expenses in your Dependent Care FSA. Also, you cannot transfer funds from your account into your spouse's account or from your spouse's account to yours.

Estimate your 2011 expenses carefully. Do not contribute more than you can reasonably expect to spend on eligible expenses for the year. The IRS requires that you forfeit any funds left in your account after the reimbursement deadlines have expired. You will not be entitled to receive payment of any amount that represents the difference between the actual eligible expenses you have incurred and the annual reimbursement amount that you have elected. Any money remaining in your FSAs will be forfeited if it has not been applied to reimburse expenses incurred during the plan year.

Your Contributions will lower your Social Security Wage Base. Your FSA contributions will lower your FICA Social Security taxes. Since your Social Security taxes will be calculated after your FSA contributions are subtracted, your Social Security benefits may be slightly lowered, as well.

Other State benefits are not affected. Your FSA contributions lower your taxable income, but they do not lower the amount of salary used to calculate your other benefits – including your Retirement Plan contributions, Long-Term Disability and Group Life Insurance.

Claims

Reimbursements may only be made for claims incurred during the period of coverage. Expenses are incurred when the medical care or dependent care is provided, *not* when the participant is billed or pays for the care.

Important differences to remember. The total amount of your 2011 Health Care FSA contribution is available to claim at anytime throughout the coverage period, regardless of the amount contributed to date. This reimbursement policy is different than the policy for the Dependent Care FSA, where you must have sufficient funds in the account before the claim can be reimbursed. The Health Care FSA allows reimbursement when the funds are needed, regardless of whether sufficient funds are in your account to cover the claim.

FSA Grace Period

The IRS provides a 2½ month grace period from January 1, 2012 through March 15, 2012. The extension is designed to reduce losses of FSA funds where participants did not incur eligible costs by the end of the calendar year.

During this period, participants apply eligible costs against any remaining balance in your 2011 Health Care FSA. Claims must be submitted by the end of the grace period if the costs are to be applied to your 2011 account balance.

Claims submitted during this period are applied to the account balance in the order received. Therefore, it is important that claims for costs incurred in 2011 be submitted before claims are submitted for costs incurred in 2012.

Health Care FSA

How the Account Works

A Health Care FSA can be used for eligible health care expenses not covered by any medical, dental, or vision care plan for you and qualifying individuals.

Each year, estimate the amount of your expected out-of-pocket health care expenses. Divide this amount by the number of pay periods you choose to have contributions deducted from your paycheck.

The Health Care FSA is only to be used for expenses remaining *after* claims have been paid by your insurance plan. It does not replace your insurance plan.

Contribution Limits

For 2011, the maximum annual contribution is $5,000 per employee.

Qualifying Individuals

"Qualifying individuals" under the Health Care FSA plan include your legal spouse (in accordance with federal law) and your child/children age 25 and under. Expenses for 25 year old children are only eligible to the date they turn 26.

A qualifying individual also includes your parent or other individual as defined in IRS Code Section 105 (b), such as one who is physically or mentally unable to care for his or herself and is claimed by you as a dependent on your taxes.

Eligible Health Care Expenses

IRS code 213(d) defines eligible Health Care FSA expenses as costs incurred to diagnose, treat or prevent a specific medical condition, or for purposes of affecting any function or structure of the body. This also includes prescription drugs and some over-the-counter items. However, medical expenses for vitamins, nutritional supplements or cosmetic purposes are not eligible unless they are taken to treat a specific medical condition.

Examples of *Eligible* Expenses:

- Co-payments and deductibles
- Acupuncture
- Automobile equipment to assist the physically disabled
- Bandages
- Childbirth classes
- Chiropractic visits
- Contact lens and saline solutions
- Crutches
- Dental care
- Detoxification or drug abuse centers
- Diabetic supplies and insulin
- Eye exams and glasses
- Guide dogs for the visually or hearing impaired
- Hearing aids
- Household visual alert systems for the hearing impaired
- Laser eye surgery
- Orthodontia
- Orthopedic shoes
- Over-the-counter (OTC) medications with a prescription
- Physical exams
- Physical therapy
- Prescription drugs
- Remedial reading
- Sterilization surgery
- Transportation expenses for medical care
- Wheel chairs
- Wigs for hair loss due to a disease

Examples of *Ineligible* Expenses:

- Cosmetic expenses
- Diaper service
- Electrolysis
- Expenses claimed on your income tax return
- Expenses reimbursed by other insurance companies
- Expenses incurred for long term care services
- Face lifts
- Hair loss treatment, plugs or transplants
- Health care expenses paid under any medical plan
- Household help, even if recommended by a physician
- Insurance premiums
- Illegal or experimental treatments, operations or drugs
- Late payment fees
- Nonprescription supplements, herbal remedies, or over-the-counter medicines or drugs
- Teeth whitening or bleaching
- Vitamins/nutritional supplements unless prescribed by your physician to treat a specific medical condition
- Weight reduction programs for general well being

The Patient Protection and Affordable Care Act (PPACA)

The Patient Protection and Affordable Care Act (PPACA) establishes new restrictions on the reimbursement of over-the-counter (OTC) medicines and drugs purchased after December 31, 2010. Under these restrictions, Health Care FSAs can only reimburse medicines and drugs, other than insulin, if the medicine or drug is prescribed by your health care provider.

Examples of OTC medicines and drugs which are ineligible as of January 1, 2011, unless a doctor's prescription is obtained:

- Acid Controllers
- Allergy and Sinus Medications
- Antibiotic Products
- Anti-diarrheals
- Anti-gas Products
- Anti-itch and Insect Bite Products
- Anti-parasitic Treatments
- Cold Sore Remedies
- Cold, Cough and Flu Products
- Digestive Aids
- Feminine Products
- Hemorrhoid Preparations
- Laxatives
- Motion Sickness Products
- Pain Relief Products
- Rash Ointments/Cream (including baby)
- Respiratory Treatments

Travel Expenses

Expenses for out-of-town travel for health care service are eligible. This includes expenses for parking fees, tolls, airfare, lodging, rental cars, and mileage for use of a privately owned vehicle. However, you cannot be reimbursed for a trip or vacation taken merely for a change in environment, improvement of morale, or general improvement of health, even if you make a trip on the advice of a doctor.

- **Parking Fees and Tolls.** A receipt for the fee or toll and from the health care provider is required to substantiate the claim.

- **Airfare.** A receipt for the airfare and from the health care provider is required to substantiate the claim.

- **Lodging.** You may be reimbursed for the cost of lodging not provided in a hospital or similar institution. The amount included for lodging cannot be more than $50 per night per person. Lodging is also reimbursable for a person traveling with the dependent receiving medical care.

- **Mileage.** Mileage can be reimbursed for trips to and from your health care provider. A visit to your pharmacy will be treated as a visit to your local health care provider. You may calculate the mileage at the rate of $0.190 per mile from January 1 through June 30. The rate for July 1 through December 31, 2011 will be $0.235 per mile. This rate is subject to subsequent IRS revisions.

Funds Availability

The total amount of your 2011 Health Care FSA contribution is available to claim at any time throughout the coverage period, regardless of the amount contributed to date. This reimbursement policy is different than the policy for the Dependent Care FSA, where you must have sufficient funds in the account before the claim can be reimbursed. The Health Care FSA allows reimbursement when the funds are needed, regardless of whether sufficient funds are in your account to cover the claim.

Eligible Expense Period

Your 2011 FSAs can only be used to reimburse eligible expenses incurred from the effective date of your enrollment through March 15, 2012. An expense is incurred when the service or treatment has been performed and not in advance of the service, except for pre-payment of orthodontic expenses. Pre-payment of orthodontics must occur in the same plan year that you request reimbursement. You may not be reimbursed for any expenses arising before your Health Care FSA becomes effective.

Filing a Claim

Obtain a Health Care FSA claim form online from:

ADP at https://www.flexdirect.adp.com/mifsa/. Log into the account and select "Forms".

Employee Benefits Division (EBD) at https://www.michigan.gov/employeebenefits. On the EBD website, select "Forms" from the left menu.

Along with the claim form, you must submit a provider-supplied itemized bill or receipt showing the following:

- The nature of the expense
- The date or dates services were provided
- The amount of the expense

Canceled checks are not to be used in lieu of an itemized bill or receipt. Account statements must include adequate detail for each expense if they are to be used in lieu of a receipt.

Claim forms that are not signed will not be processed. The Plan must be repaid for any improperly paid claims or unsubstantiated expenses.

Time Frame for Claim Reimbursement

Reimbursements for eligible expenses will be made within 5 business days after the claim is processed. All claims must be submitted by the end of the grace period to be eligible for reimbursement. If ADP needs additional information, they will notify you in writing, and you will have 45 days to submit the information.

Appeal Process for Denied Claims

If the claim is denied, you will receive notification in writing no later than 30 days after the receipt of the claim. If you disagree with the decision, you may file a written appeal with ADP no later than 180 days after receipt of the denial letter. If you still disagree with ADP's decision, you may file a written appeal with the Employee Benefits Division within 14 calendar days from the date of the most recent appeal denial.

Mid-Year Changes

If you experience a status change due to a qualifying life event, the IRS allows you to change your Health Care FSA annual contribution. The IRS does not allow mid-year changes to the Health Care FSA annual contribution unless you experience a qualifying life event.

IRS rules also require that contribution changes during the plan year be made consistent with the qualifying life event. This means that your annual contribution can be increased to add the costs for a new dependent for the remaining of the calendar year. However, the annual contribution cannot be increased for both the cost of the added dependent and to make up costs incurred prior to the life event. To verify this, ADP checks that expenses incurred prior to the life event do not exceed the original annual contribution.

The MI HR Service Center must be contacted within 31 days of the life event, and you should be prepared to provide documentation of the change upon request. If your request is approved, it will be reflected the pay period following the approval date.

Qualifying Life Events

Qualifying life events are listed below:

- **Legal Marital Status.** Change in your marital status, including marriage, legal separation, annulment, divorce or death of spouse
- **Qualifying Individuals.** Change in the number of your qualifying individuals including the birth or adoption of a child, gain or loss of custody, foster care or death
- **Employment Status.** Changes that effect eligibility of the employee or the employee's spouse or qualifying individual, such as commencement or termination of employment, or a change from full-time to part-time employment, or loss or gain of coverage
- **Judgments, Decrees, Court Orders or Change in Legal Custody.** Requirement by one of these legal documents to either add or terminate coverage for your dependent
- **Eligibility for Medicare or Medicaid.** If you become eligible or lose eligibility for Medicare or Medicaid

Heroes Earnings Assistance and Relief Tax Act of 2008

The "Heroes Earnings Assistance and Relief Tax Act of 2008" (H.R. 6081) was signed into law in June 2008. Under this law, individuals called up from the reserves to active military duty for a period of at least six months would be allowed to receive a taxable distribution of the Health Care FSA funds to avoid forfeiture.

Retirement, Layoff, or Separation from State Service

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) allows employees to continue their Health Care FSA with after-tax contributions even after losing their eligibility to participate, such as termination of employment. Your continuation of coverage under COBRA only lasts for the remainder of the plan year in which your qualifying event occurred.

The advantage in doing this is to extend the time period for which Health Care FSA funds may be used in the year. Without COBRA, claims incurred after your last day worked would not be eligible.

For example, if you elected a Health Care FSA benefit of $1,000 and have only received $200 in reimbursement at the end of your employment, you may choose to pay the remaining contributions allowing your expenses to be eligible throughout the entire plan year and grace period.

If the full amount of your annual contribution has not been made before your termination of employment, you can make up the remaining balance. The cost for continuation of coverage is a monthly amount calculated and based on the amount you were contributing via pre-tax salary deductions before the qualifying event. These contributions are made with after-tax dollars versus pre-tax dollars.

If you are retiring and want to make-up your remaining contributions from your last pay warrant, you must contact the Employee Benefits Division one month prior to your last day worked.

Using the Health Care FSA Debit Card

Using the FSA Debit Card

Use of the Health Care FSA debit card is voluntary. Using the FSA debit card, you can pay for purchases directly from your Health Care FSA account. Debit cards are not available for Dependent Care FSAs. The Health Care FSA debit card:

- Allows you easy access to your account funds to pay for health care costs when the cost is incurred
- Works like a credit card, except the funds are deducted from your Health Care FSA account

Be sure to request itemized receipts for all purchases with your Health Care FSA debit card. ADP may request a copy of your receipt to substantiate a claim. If an itemized receipt cannot be provided, you may be requested to pay back the amount you were reimbursed. IRS regulations state that you must retain receipts for at least one year.

The Health Care FSA debit card can be used at dental offices and medical offices, and also at retail establishments and pharmacies where an Inventory Information Approval System (IIAS) has been implemented. A listing of retailers supporting the IIAS infrastructure can be found on the ADP website.

Situations Where Substantiating Documentation Is Not Required

- When the debit card payment matches the co-pay amount under your medical plan
- When the debit card payment matches your insurance carrier's electronic file

Claims Substantiation

Please submit documentation to substantiate your claim ONLY if requested by ADP. ADP will notify you via mail or e-mail if documentation is required. You will need to submit the Substantiation Form with your receipt. The form is located at: www.michigan.gov/employeebenefits. Select "Forms" from the left menu and scroll to the "ADP FSA Card Expense Substantiation Form" link.

Debit Card Activation

There is no fee to you for the issuance or activation of a debit card. If you are a new participant in the 2011 Health Care FSA, a card will be mailed to you during December 2010.

If you enrolled in the 2010 Health Care FSA, and have enrolled in the 2011 Health Care FSA, you will not receive a new card until 30 days before your current card is due to expire. If you did not enroll in the 2011 Health Care FSA, but were enrolled in 2010, your card will be shut off December 31, 2010.

Card Holder Agreement

In order to use the card, you must agree to abide by the terms and conditions of the Plan, as set forth in the Cardholder Agreement. This includes the limitations on card usage, and the Plan's right to withhold and offset for ineligible claims. When you activate your card, the Cardholder Agreement becomes a part of the terms and conditions of your Plan.

Reporting Lost Cards or Requesting Additional Debit Cards

You may report a lost or stolen card or request additional cards by calling the ADP Solution Center at (800) 422-3703. Additional cards can be requested for your spouse or qualifying individuals over age 18. There is no charge to you for the additional card.

Automatic Card De-Activation

The Health Care FSA debit card will be automatically turned off if:

- Employment or coverage terminates
- You do not provide appropriate documentation to substantiate your claim when requested by ADP; or
- The debit card is used for an ineligible expense under the program

Leave of Absence or Lost Time and Your Debit Card

If you go on an unpaid leave of absence or experience lost time, your Health Care FSA debit card will remain available for you to use while you are off.

You will be required to make up all of your missed contributions when you return to work.

If you return to work after the end of the plan year, the State of Michigan will collect the remaining amount due from your pay check on a post-tax basis. This will also happen if there are not enough pay periods remaining in the plan year to make up your missed contributions.

Dependent Care (Day Care) FSA

How the Account Works

A Dependent Care FSA allows you to put aside pre-tax dollars to cover child care (day care) expenses for your eligible dependents so you and/or your spouse can work; or your spouse can attend school full time.

Each year, estimate the amount of your expected out-of-pocket dependent care expenses. Divide this amount by the number of pay periods you choose to have the contributions deducted from your paycheck.

Maximum Annual Contributions

Federal tax laws place limitations on the amount you can contribute to a Dependent Care FSA each plan year. You may choose an annual contribution of any whole dollar amount up to the maximum family amount for which you qualify. Your maximum contribution depends upon your annual earnings, your tax filing status, your spouse's annual earnings and several other factors. The contribution maximums are:

- $5,000 per year if you are married and filing jointly
- $2,500 per year if you are married and filing a separate income tax return
- $5,000 per year if you are single and filing as head of household
- The lower of your two incomes, if either you or your spouse earns less than $5,000 per year
- $3,000 for one dependent or $5,000 for two dependents if your spouse is a full-time student or incapable of self-care

It is your responsibility to ensure your annual contributions do not exceed the maximum amount allowed by the IRS.

Eligible Dependents

Each individual for whom you incur an expense must be a "qualifying individual". A "qualifying individual" is:

- An individual age 12 or under who (a) lives with you; (b) does not provide over half of his/her own support; and (c) is your "child" (son, daughter, grandchild, step child, brother, sister, niece, nephew), or
- A spouse (as defined for purposes of federal law) or other tax dependent (as defined in IRS Code Section 152) who is physically or mentally incapable of caring for himself or herself and who has the same principal place of abode as you for more than half of the year.

If you are divorced or separated, your child usually must be your dependent for whom you can claim an exemption on your tax return in order to be a qualifying individual.

> **Note:** There is a special rule for children of divorced parents. If you are divorced, the child is only a qualifying individual of the "custodial" parent [as defined in IRS Code Section 152(e)].
>
> If you are the *custodial parent*, you can treat your child as an eligible dependent even if you cannot claim the child as an exemption on your tax return. If you are the *non-custodial parent*, you cannot treat your child as a qualifying individual even if you can claim the child as an exemption on your tax return. See IRS guidelines for further details on this exception to the rule.

FEDERAL FORM 1040

Amounts you contribute to a Dependent Care FSA are reported in box 10 on your W-2 form. However, this does not mean you are taxed on your reimbursement. This notifies the IRS that the taxpayer should also be filing IRS Form 2441. This form requires you to list the names and taxpayer identification numbers of the dependent care providers you used during the calendar year.

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Eligible Dependent Care Expenses

Your expenses are only reimbursable if the dependent care is provided to make it possible for you and your spouse (if applicable) to work, look for work, or to enable your spouse to attend school full time.

Eligible Dependent care expenses can be claimed on your income tax return or reimbursed from your FSA, but not both.

Eligible expenses can only be incurred from January 1, 2011 through March 15, 2012. Any expenses not claimed, will be forfeited by the participant.

The expense must be incurred for the care of a qualifying individual (as described on page 12), or for related household services, and is incurred to enable you to be gainfully employed. Expenses for overnight stays or overnight camp are not eligible.

If the expense is incurred for services outside your household and such expenses are incurred for the care of a "qualifying individual" who is age 13 or older, such dependent must regularly spend at least 8 hours per day in your home.

Examples of *Eligible* Expenses:

- Home based licensed day care
- Licensed day care center (elder or child care)
- Nursery school
- Private babysitter in your home or theirs
- Private preschool program
- Providers of care for disabled dependents
- Public or private summer day camps

You can be reimbursed for day care expenses you pay to your child, age 19 or older, or any other individual you do not claim as a dependent on your income tax return, or immigrants who have filed and are waiting for their green card only if they have a U.S. Social Security number.

For a more detailed list of eligible expenses, contact the ADP Participant Solution Center at (800) 422-3703, Monday through Friday, 8:00 a.m. to 8:00 p.m.

Examples of *Ineligible* Expenses:

- Baby sitting for social events
- Care provided by your child under age 19 or any other person you claim as a dependent on your income tax return
- Cost of food, clothing, and diapers
- Cost of transportation between your home and the place where dependent day care service are provided
- Cost of specialty or educational programs before or after school
- Expenses for overnight camps
- Expenses for which a dependent care tax credit is taken or expenses which are reimbursed under a Health Care FSA
- Expenses for education
- Late payment fees
- Placement fees, fees for sports lessons, field trips or clothing

Filing a Claim

You can submit a claim for reimbursement prior to the last date of service. However, the claim will not be paid until after the services are provided and the money is available in your account. Services are incurred when the care is provided, not when you pay for the care.

Obtain a Dependent Care FSA claim form on the ADP website: https://www.flexdirect.adp.com/mifsa/. Select "Forms" from the left menu. Submit a claim form and a detailed receipt that includes the following:

- The nature of the expense
- The date or dates the services were provided
- The amount of the expense

The taxpayer identification number for your dependent care service provider is not required on the Dependent Care FSA claim form.

Reimbursements for eligible expenses will be made within 5 business days after the claim is processed. All claims must be submitted by April 15, 2012 to be eligible for reimbursement. If ADP needs additional information they will notify you in writing and you will have 45 days to submit the information.

If the claim is denied, you will receive notification in writing no later than 30 days after the receipt of the claim. If you disagree with the decision, you may file a written appeal with ADP no later than 180 days after receipt of the denial letter. If you still disagree with ADP's decision, you may file a written appeal with the Employee Benefits Division within 14 calendar days from the date of the most recent appeal denial.

Mid-Year Changes

The IRS does not allow you to change the amount of your contribution for a plan year, unless you experience a status change due to a qualifying life event. IRS rules require that changes to contribution amounts during the plan year must be made consistent with the qualifying life event. This means that your annual contribution cannot be increased to cover costs incurred prior to the life event. ADP ensures that expenses claimed prior to the life event date do not exceed the original annual contribution.

The Employee Benefits Division must be contacted within 31 days of the life event, and you will be required to provide documentation to substantiate the change.

Qualifying life events that allow a mid-year change in your Dependent Care FSA are as follows:

- Change in legal marital status, which includes marriage, legal separation, annulment, divorce or death of spouse
- Change in the number of your eligible dependents, which includes birth or adoption, gain or loss of custody, foster care or death
- Significant change in cost of dependent care
- Dependent turning 13
- Change in need for dependent care
- Change in number of dependents needing care
- Paid or unpaid leave of absence
- Gain or loss of coverage under another employer's plan

Leave of Absence, Layoff, Separation from State or Retirement

Your eligibility for the Dependent Care FSA ends on your last day of work. Any expenses incurred after your last day worked for the State of Michigan will not be eligible for reimbursement, even if you have a balance remaining in your account.

If you return to work during the same calendar year, your contributions will restart at the same bi-weekly contribution in place before you left, unless you request a change due to a life event.

Dependent care expenses incurred while off work are not eligible for reimbursement using the Dependent Care FSA. After you return to work, dependent care expenses incurred are again eligible for reimbursement.

If you are using annual leave or sick leave and are still receiving pay but would like your Dependent Care FSA to stop, contact the Employee Benefits Division.