City of Eugene

F S A

Flexible Spending Account

and

T R A

Transportation Reimbursement Account

Effective April 1, 2020

FLEXIBLE SPENDING ACCOUNT (FSA)

The City of Eugene offers employees a Flexible Spending Account Program. Take a few moments to read through the following information and learn how the program can go to work for you!

The City's FSA/TRA program is administered by PacificSource Administrators (PSA). Contact information for questions or manual claim submittal is below.

PacificSource Administrators
https://psa.pacificsource.com/PSA/

PO Box 2797
Portland, OR 97208
FSA/TRA Phone: 541-485-7488 or 800-422-7038
Fax: 800-575-1109
Email: psacustomerservice@pacificsource.com

Understanding Your Flexible Spending Account

A Flexible Spending Account (FSA) allows you to take advantage of a tax break authorized by Congress. Through the FSA Program, you can pay for certain medical, dental, vision, and dependent care expenses with before-tax dollars. Expenses must be tax-qualified-that is, allowable deductions under current IRS regulations.

By setting aside dollars under the FSA Program, you reduce the amount of your compensation that is subject to taxes. As a result, you save money through:

- Lower federal income taxes
- Lower state income taxes
- Lower FICA (social security) taxes

Types of Flexible Spending Accounts

Health Care and Dependent Care

Each year you will have the opportunity to enroll in two different kinds of Flexible Spending Accounts:

- **Health Care Account.** No matter what kind of health care insurance you have, you and your family may incur costs which are not covered by your medical, dental, or vision plans. By participating in the Health Care Account, you may use before-tax dollars to reimburse yourself for these out-of-pocket costs.
- **Dependent Care Account.** Providing care for a small child, elderly relative, or other dependent while you're at work can be a financial strain. Through the Dependent Care Account, you can use before-tax dollars to reimburse yourself for day care for children under age 13 or for adult day care for a disabled spouse or other dependent.

The FSA Worksheets provided with this information will help you decide how much to set aside in an FSA. However, we encourage you to consult with your tax advisor for assistance in determining how much to contribute to a Flexible Spending Account.

Premium Conversion Program

The City of Eugene has a Premium Conversion Program as part of our Flexible Spending Account Program. The Premium Conversion Program automatically covers all employees who are required to pay premiums

for health insurance coverage under the City's group health plan by payroll deductions. The portion of the premium that you pay through payroll deductions will be deducted from your compensation on a before-tax basis; in other words, before federal and state income taxes and social security taxes are withheld. This means you will avoid paying taxes on these payroll deductions. As a result, your actual take-home pay may increase because your tax payments have been reduced.

Although the Premium Conversion Program will benefit most employees, you can opt out of this program by signing an election form indicating that you do not want your premiums to be taken on a before-tax basis. Election forms are available from the Risk Services Benefits Program.

Employees who have enrolled their domestic partners in a group health plan maintained by the City are not eligible to participate in the Premium Conversion Program. The employees remain eligible to participate in the Health Care Account and Dependent Care Account aspects of the FSA Program. However, in accordance with IRS rules, qualified expenses incurred by a domestic partner (and the dependents of the domestic partner) are not eligible for reimbursement under these Flexible Spending Accounts unless the domestic partner qualifies as a dependent of the employee for federal income tax purposes.

Eligible Employees

All regular benefitted employees are eligible to participate in the Flexible Spending Account program

Eligible Dependents

Expenses are reimbursable from the FSA Program only if they are qualified expenses that are incurred by:

- You
- Your legal spouse
- Your qualified dependents
- Your non-dependent adult children, through the end of the year in which they turn age 26

In general, a qualified dependent for any year means any of the following individuals if more than one-half of the individual's financial support for the year is provided by you (or, if you are married, by you and your spouse):

- A son or daughter, or a descendant of either
- A stepson or stepdaughter
- A brother, sister, stepbrother, or stepsister
- A father or mother, or an ancestor of either
- A stepfather or stepmother
- A son or daughter of a brother or sister
- A brother or sister of the father or mother
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law
- Any other individual who resides with you and is a member of your household

Expenses for a non-dependent adult child can only be incurred through *the last day of the year* in which they turn age 26. Expenses are not eligible for reimbursement if incurred during any part of the year in which they turn age 27. This means expenses cannot be incurred during the Grace Period following the year a non-dependent adult child turns age 26.

For purposes of the Health Care Account, a child of a divorced employee will be treated as a dependent of an employee for a year if more than one-half of the child's support for the year is provided on a combined basis by both divorced parents. This dependent status rule will apply even if the employee is not the custodial parent with respect to the child or is otherwise not eligible to claim a personal exemption deduction with respect to such child for income tax purposes.

For purposes of the Dependent Care Account, a child of a divorced employee will be treated as a dependent of an employee for a year only if the employee has custody of the child for a longer period during the year

than the other parent, regardless of whether the employee is otherwise eligible to claim a dependency exemption deduction with respect to such child for income tax purposes.

The IRS does not recognize an employee's domestic partner as being a qualified dependent for tax purposes (unless the employee provides more than one half of the domestic partner's financial support). Accordingly, expenses incurred by a non-tax-dependent domestic partner (or the dependents of a domestic partner) generally are not reimbursable under the FSA Program.

Enrollment

Participation in the FSA Program is optional. Each year you may choose to take advantage of one, both, or neither of the Flexible Spending Accounts depending on your individual needs. To participate, you must complete an enrollment form within 30 days of your employment commencement date or during the open enrollment period held each December. To continue participation, you must re-enroll prior to January 1 each year. If you have a change in status during the year, you may enroll or change enrollment amounts if the enrollment form is completed within 31 days of the change in status event.

FSA enrollment is completed through Employee Self Service. If you do not have access to a City computer, paper forms are available from Benefits Staff.

When enrolling, indicate which FSA(s) you want to participate in and how much of your **before-tax** salary you want to contribute. Deposits will be made automatically from your paycheck each pay period before taxes are deducted from your gross salary. Once money is set aside into your FSA, it is not subject to federal or state income tax or payroll tax. Since your taxable income is lower, you pay less tax. The difference is extra income for you.

Election Amounts

Health Care Account. You are permitted to deposit $2,500 per calendar year to your Health Care Account.

Dependent Care Account. You are permitted to deposit up to $5,000 per calendar year to your Dependent Care Account.

However, you are cautioned to be careful in regard to the amount which you elect to have set aside in your Flexible Spending Accounts. The primary reason for this caution is the "use it or lose it rule" imposed by the IRS.

Use it or Lose It Rule

By law, any remaining unused funds in your Flexible Spending Accounts are forfeited at the end of the year - you must "use it or lose it." That is why it is important to be conservative when determining how much to put into your FSA each year. You can carry balances from your Accounts forward from month to month, but you cannot carry over to the next year any money remaining in your Accounts as of the end of the year, except as provided under the Reimbursement Grace Period Rule, which is explained below.

Reimbursement Grace Period

Under the IRS grace period rule, if as of the end of a plan year you have a balance remaining in a Health Care or Dependent Care Flexible Spending Account, you can still be reimbursed for any qualified expenses incurred during the grace period (up to the amount of the remaining balance). The FSA reimbursement grace period is the two and one-half month period following the end of the plan year (i.e., through March 15th of the following year). If you have unused funds left in your account as of the end of the plan year, you will have this additional 2½ months to incur healthcare and dependent care expenses that can be submitted for reimbursement under your prior year's account. This gives you more time to exhaust any funds you may have left at the end of the year. You have 90 days after the end of the Grace Period (until June 15th) to submit claims for reimbursement from previous year's account.

Here's an example. For the 2019 plan year, expenses incurred through March 15, 2020 can be reimbursed to you from your 2019 Flexible Spending Account. You would have until June 15, 2020 to submit claims for reimbursement from your 2019 account. Expenses incurred during the grace period that exceed the remaining balance from the prior year can be reimbursed from your Flexible Spending Account for the actual year incurred (i.e., from your 2020 Flexible Spending Account in the example above). Any balance in a Flexible Spending Account for a plan year that still remains unspent as of the end of the grace period cannot be carried forward, and thus will be forfeited pursuant to the use-it-or-lose-it rule discussed above.

The Grace Period does not apply to Transportation Reimbursement Accounts.

Additional Special Guidelines

In order to provide you tax savings, the IRS has imposed several important restrictions on Flexible Spending Accounts:

- Each Account must remain separate. In other words, money in your Health Care Account cannot be used to pay dependent day care expenses, nor can money in your Dependent Care Account be used to pay for health care expenses.
- You must elect the total amount to deposit for a year before the start of each year. The amount you elect remains in effect for the rest of the year unless you have a qualified change in status.
- Health care expenses reimbursed through the Health Care Account cannot also be claimed as a deduction on your personal income tax return. In addition, the amount of expenses which may be claimed for the dependent care tax credit will be reduced, dollar for dollar, by the amount of expenses reimbursed through the Dependent Care Account.

Changing FSA Elections

You may change the amount you deposit into your Flexible Spending Accounts when you re-enroll prior to January 1 each year. Normally, once you begin depositing before-tax salary into your Flexible Spending Accounts, that contribution election must remain in effect for the rest of the calendar year (January 1 through December 31). In other words, you generally will not be able to modify or revoke your election during a year. The same rule applies to your election not to participate in the FSA Program for a year. In that case, you generally cannot enroll until the following year.

An exception to this general rule applies if you incur what the IRS rules refer to as a **"change in status"**. Under this exception, you may modify or revoke an election for a year or elect to enroll in the FSA Program for the remainder of the year, if you, or your spouse or dependent, incurs such a change in status. However, the modification, revocation or enrollment election must be consistent with and on account of the change in status.

To change your election, complete a new FSA enrollment event through Employee Self Service. The event must be submitted within 31 days of the applicable event.

Change in Status Qualifying Events

For purposes of the Premium Conversion Program and the Health Care Account, the "change in status" events that may allow you to change your FSA election for a year are as follows:

- An event that changes your legal marital status, including marriage, death of your spouse, divorce, legal separation, or annulment
- An event that changes the number of your dependents, including the birth, adoption, placement for adoption, or death of a dependent
- Commencement of employment
- Termination of employment of a dependent. Termination of employment of a City of Eugene employee is not a qualifying event due to continued FSA participation through the final paycheck rule. See "Termination of Employment" for more information.
- The change in employment status, such as a transfer between part-time and full-time employment status

- The commencement of or return from an unpaid leave of absence or leave governed by the Family and Medical Leave Act (FMLA)
- An event that causes a dependent to satisfy or cease to satisfy the requirements for coverage under the City's group health plan due to attainment of age, student status, or similar circumstance
- A change in work location or residence
- A judgment, decree or order resulting from a divorce, legal separation, annulment or change in legal custody that obligates you to provide group health coverage for your child, or which releases you from such an obligation
- Enrollment in Medicare (Part A or Part B)
- Any other event that the Risk Services Benefits Program determines will permit the making, changing or revocation of any election during a year pursuant to regulations and rulings issued by the IRS

Under the IRS rules, a change in election in regard to the Premium Conversion Program or the Health Care Account by reason of a change in status event will be permitted only if the event affects the coverage of you, your spouse or your dependent under the City's group health plan or another employer-sponsored group health plan.

With respect to the Dependent Care Account, you can modify or revoke your election during a year, or elect to enroll in the program for the remainder of a year, under one of the following circumstances:

- You incur a change in status described above which causes you to incur, or cease to incur, qualified dependent care expenses, such as a child attaining age 13 and thus ceasing to be a "qualifying individual"
- A change in the cost of the dependent care expenses due to a change in the dependent care provider or in the amount of care provided, such as a decrease in the hours of care upon the child's commencement of school
- An increase in the amount charged by the dependent care provider (but only if the provider is not a member of the employee's family or household)
- Any other situation that the Risk Services Benefits Program determines will permit enrolling in, or modifying or revoking an election under, the Dependent Care Account during the year

If you revoke a contribution election with respect to the Health Care Account or the Dependent Care Account during a year (other than in connection with your leaving employment), you will not be deemed to have revoked your participation in the program for the year. Instead, you will be deemed to have changed the amount of your total contribution for the year to equal the contributions made under the applicable FSA Program through the effective date of the revocation. You will continue to be eligible for reimbursements under the FSA Program for the remainder of the year, even though no further contributions are being made.

You should contact the Risk Services Benefits Program if you have questions as to whether a particular event will allow you to make, change or revoke an FSA Program election during a year.

Qualified Health Care Expenses

Your Health Care Account can be used to pay for medical, dental, and vision expenses for you and your qualified dependents which are not covered by the City's group health plan (or any other group health care plan), and which are considered qualified medical expenses by the IRS. These expenses include:

- Expenses which are covered under your group health plan, but which are not reimbursable because of the annual deductible and co-payment provisions of the plan
- Qualified medical expenses that are not covered under the group health plan, including Over-the-Counter (OTC) products if the OTC product is for medical care and primarily for a medical purpose. For information regarding expenses that are eligible for reimbursement, contact PacificSource Administrators

Qualified Dependent Care Expenses

Typically, these include the dependent care expenses listed below as long as the day care is needed so you
can work:

- Day care provided by individuals who care for young children up to age 13 in or outside the home
- Nursery school, pre-school, day-care centers or a similar program for children below the level of kindergarten
- Day care programs must comply with State and local government laws and regulations, provide care for more than six individuals who do not live at the center, and receive payment for services
- Before or after school care of a child in kindergarten or a higher grade
- Programs (including summer day camps and specialty day camps) for children up to age 13 while schools are not in session
- Special care for mentally or physically handicapped dependents
- Home care, non-medical nursing, or nurse's aide services for a dependent parent who lives with you (medical care falls under health care expenses)
- Dependent care centers which provide day care for adults, not residential care
- The cost of transportation of a dependent by a qualifying Dependent Care Provider to or from a place where care is being provided. The cost of transportation that is provided by someone other than the Dependent Care Provider is not a qualifying Dependent Care Expense

Additional Dependent Care Account Regulations

In addition to the "use it or lose it" rule discussed earlier, there are other factors you should be aware of before you elect to have amounts set aside in your Dependent Care Account.

The first relates to the limitations on the amount of reimbursements from that Account which will ultimately be exempt from income taxation. More specifically, the maximum amount of reimbursements from your Dependent Care Account, which you can exclude from income for any year, is the least of the following amounts:

- $5,000 ($2,500 if you are married but file a separate federal income tax return);
- The amount of your taxable wages for the year; or
- If you are married, your spouse's actual or deemed earned income for the year.

For purposes of the third factor above, your spouse, if not employed, will be deemed to have earned income for any month during a calendar year in which he or she is either physically or mentally incapable of self-care, or is a full-time student during at least five calendar months during that year. The amount of such deemed earned income for each such month is $200 if you have one minor child or other individual qualifying for dependent care coverage, and $400 per month if you have two or more qualifying individuals.

You should keep the above statutory limits in mind when calculating the amount you wish to have set aside in your Dependent Care Account for a year.

Qualified Dependent Care Expenses paid for a period during only part of which the Participant is gainfully employed or in active search of gainful employment must be allocated on a daily basis. However, dependent care expenses for a Participant who is gainfully employed are not required to be allocated in the case of a short, temporary absence from work, such as for vacation or minor illness, provided that the care-giving arrangement requires the Participant to pay for care during the absence. An absence of two consecutive calendar weeks is a short, temporary absence. Whether an absence that is longer than two consecutive calendar weeks is a short, temporary absence is to be determined by the Plan Administrator on the basis of all the facts and circumstances.

The dependent care expenses for a Participant who is employed part-time generally must be allocated between days worked and days not worked. However, if the part-time Participant is required to pay for dependent care on a periodic basis (such as weekly or monthly) that includes both days worked and days

not worked, the allocation of the expense is not required. A day on which the Participant works at least one hour is a day of work.

Federal and Oregon dependent care tax credits that are also available to employees. Most employees will realize greater tax savings by participating in the Dependent Care Account. However, certain employees may be better off not participating in the Dependent Care Account program in order to be eligible for the dependent care tax credits.

Termination of Employment

Dependent Care Account: the plan will allow reimbursement of expenses incurred after termination of an employee's participation through the end of the Plan Year (or the end of the 2½ month grace period for plans adopting the grace period).

If you become reemployed with the City within 30 days of your termination, then your prior FSA elections will be automatically reinstated. If you resume employment more than 30 days following your termination, you will be permitted to make a new FSA election for the remainder of the year.

Health Care Account: If you have elected to participate in a Health Care Account for a year and you leave employment during the year, the remaining monthly contribution will be taken from your final paycheck on a pre-tax basis. If the balance of your account is not taken out of your final paycheck on a pre-tax basis you will need to reimburse the City with after-tax dollars. You will remain a participant in the Health Care FSA program through the end of the plan year and will have until the end of the plan year's grace period to incur eligible expenses.

Leave of Absence

Your treatment under the FSA Program upon the taking of a leave of absence depends upon the particular type of leave. (*Note that you cannot receive reimbursements for Dependent Care expenses incurred during a leave of absence period from the City, unless you need childcare so you can work*.)

Paid Leave of Absence

If you take a paid leave of absence, your participation under the FSA Program will continue on the same basis as if you were otherwise actively employed by the City.

Unpaid Leave of Absence

- **Non-FMLA/OFLA Unpaid Leave**

  If you take an unpaid leave of absence that is not covered under the Federal Family and Medical Leave Act (FMLA) or the Oregon Family Leave Act (OFLA), then in order to continue participation under the program at your full elected annual reimbursement amount, you must submit the required premium amount to the Risk Services Benefits Program by the first of each month. You may also pre-pay the premiums that will become due during your leave or have the deduction taken out in the first pay period after you return to work. The pre-payment may be made by increasing the amount of your payroll deduction for the pay period (or pay periods) preceding your unpaid leave. If you do not pre-pay, you must have the deduction taken out or otherwise remit the premium by the first pay period after your return. Otherwise, you will be deemed to have modified your reimbursement election for the year to equal the premiums previously paid by you for the year. You will continue to be eligible for reimbursements under the FSA Program for the remainder of the plan year (based on the modified election amount).

- **FMLA/OFLA Unpaid Leave**

  If you take unpaid FMLA/OFLA leave, you may continue participation under the FSA Programs by pre-paying or otherwise timely remitting the required premium each month as generally described

above. You may alternatively elect to suspend participation during the period of your FMLA/OFLA leave. However, no expenses incurred by you during the period of suspension will be reimbursable under the FSA Program.

If you elect to suspend your participation during the FMLA/OFLA leave period, or if your participation is deemed to be suspended because you failed to timely pay the required premium, then you will be treated as having modified your annual reimbursement election as discussed in the unpaid leave provision above. In addition, you may elect to resume full participation upon returning from the FMLA/OFLA leave. In that event, you can choose to pay the same monthly amount as you were paying prior to the taking of the FMLA/OFLA leave. If you make this choice, the total amount reimbursable from your Health Care Account and Dependent Care Account for the year will be reduced to take into account the period of FMLA/OFLA leave for which no premiums were paid.

For example, if you were contributing $100 per month ($1,200 for the year) to your Health Care Account, and you took one month of unpaid FMLA/OFLA leave for which you did not make your usual $100 premium payment, then upon your return, you can elect to continue making premium payments in the amount of $100 per month. However, your reimbursement limit for the year will be reduced from $1,200 to $1,100.

Upon returning from unpaid FMLA/OFLA leave, you may also instead choose to have reinstated the full reimbursement amount for the year as elected and in effect prior to the FMLA/OFLA leave (e.g., $1,200 using the above example). In that event, your monthly premiums for the remainder of the year will be increased as necessary to make up for the premiums that had not been paid during the FMLA/OFLA period.

In all regards, while you are on FMLA/OFLA leave, you will have the same election rights under the FSA Programs as available to employees who are not on FMLA/OFLA leave.

- **Qualified Reservist Distributions**

If you are a “reservist,” and if you are ordered or called to active duty for a period of 180 days or more or for an indefinite period, you may be eligible to request a qualified reservist distribution from your Health Care Account. Taking a qualified reservist distribution ensures that the balance of your Health Care Account will not be forfeited. For this purpose, a “reservist” is a member of the Army National Guard of the United States, the Army Reserve, the Navy Reserve, the Marine Corps Reserve, the Air National Guard of the United States, the Air Force Reserve, the Coast Guard Reserve, or the Reserve Corps of the Public Health Service.

To receive the qualified reservist distribution, you must request a payment by March 15 following the year in which you are called to active duty. The request for the distribution must be accompanied by a copy of the order or call to active duty.

If you request a qualified reservist distribution, you will remain eligible to be reimbursed for qualified medical expenses incurred before the date a distribution is requested. However, you will not be eligible for reimbursement for any medical expenses incurred after the date of the request. Therefore, you will not be permitted to elect COBRA continuation coverage with respect to expenses incurred after the distribution request date.

Under IRS rules, the qualified reservist distribution will be included in your gross income. The City will report the distribution as wages on your Form W-2 for the year in which the distribution is paid to you.

Reimbursement

Reimbursement from your Health Care or Dependent Care Flexible Spending Accounts depends on the type of account you have and whether you have signed up for either the Benefits Card or for EasyPay.

Dependent Care Account: You will need to submit a manual claim form for all dependent care expenses, available at www.eugene-or.gov/employeebenefits. The maximum reimbursement for dependent care expenses as of any time is limited to your current Dependent Care Account balance. For example, if you submit a claim for $100 and there is only $50 in your account, you will then be reimbursed only $50 and the balance will be paid as money accumulates in your account.

Health Care Account: You have several options for reimbursement:

1. Enroll in FSA EasyPay, which will automatically reimburse you for any out of pocket expenses on claims processed through PacificSource or Delta Dental, *without the need to file a claim form*. You pay the provider your out of pocket expense and PacificSource Administrators will reimburse you automatically once the claim has been processed through PacificSource or Delta Dental. With this program you will need to file manual claims for any expenses not processed through PacificSource or Delta Dental.
2. Unless you enroll in FSA EasyPay, you will be sent a Benefits Card, which can be used to pay for eligible expenses at the point of service. With this program you do not normally need to submit a manual claim form, but you may be required to submit documentation of the expense to PacificSource Administrators. Be sure to save all receipts in case documentation is requested. Your Benefits Card may be deactivated if requested documentation is not received in a timely manner. Contact PSA if you have questions about your Benefits Card.
3. Submit manual claims for your expenses either through your online PacificSource Administrators Member Account, via mail, email or fax to PacificSource Administrators. A Flexible Spending Account Claim Form, complete with instructions, is available on the Employee Benefits website at www.eugene-or.gov/employeebenefits. If you sign up for Direct Deposit, reimbursement from your FSA will be automatically deposited into your bank account. Otherwise, PacificSource Administrators will send you a check for the reimbursement amount.

Additional information on reimbursement from your FSA account is below:

- When you have an eligible expense that is not reimbursed through EasyPay or the Benefits Card, first pay the bill or submit insurance claims for the services and follow the steps below:
    1. Submit your claim through your online member account on the PacificSource Administrators website at https://psa.pacificsource.com/PSA/, or submit a manual Flexible Spending Account Claim Form, available on the Employee Benefits website at www.eugene-or.gov/employeebenefits or from the Employee Resource Center, to PacificSource Administrators. Contact information for assistance or manual claim submittal is in the front of this handbook.
    2. Attach proof of your expenses - either an Itemized Bill from your medical provider (indicating patient's name, name of the medical provider, and amount of expenses incurred), an Explanation of Benefits (EOB) from your Claims Administrator, or a Statement of Services from your dependent care provider indicating the name and the date(s) of service, and the amount of the incurred expense.
- Requests for reimbursement can be made at any time if the accumulated expenses equal at least $25 (several small claims equaling $25 may be filed together). During the last three months of the calendar year and at termination of employment, claims of any dollar amount may be submitted. You will be reimbursed from your Account(s) after PacificSource Administrators (PSA) has received your FSA Claim Form and processed your check. Your reimbursement checks will be mailed to your home address; or, you may have your reimbursement funds directly deposited into a checking or savings account.
- For Orthodontia claims, PSA requires a copy of the signed contract between you and the Orthodontist. The City of Eugene's Health Care FSA Plan allows for "up-front" reimbursements for orthodontia.
- You can submit expenses incurred during the 2½ month grace period (through March 15) to either the current plan year or the previous plan year. You have until June 15 of the following year to submit claims to the previous year's account.

- For example: You still have funds left in your 2019 Healthcare FSA account and have a doctor's appointment on March 1, 2020. You would have until June 15, 2020 to submit the claim for reimbursement from the 2019 plan year.

Tax Return Considerations

You do not need to report reimbursements that you receive from your Health Care Account on your federal income tax return. However, because the monies that you contributed to this Account were made on a tax-favored basis, you also cannot claim these contributions as a medical expense deduction on your personal income tax return.

If you receive reimbursement from your Dependent Care Account for a year, you must report the amount of those reimbursements on your IRS income tax return. To assist you in completing your IRS forms, the W-2 Form that we provide you following the end of each year will disclose the amount of reimbursements actually paid to you during the year.

Reimbursement Denial Appeal

If PacificSource Administrators determines that your reimbursement request is to be denied in whole or in part, they will provide you with a written notification of such denial. You may appeal that denial by submitting a written request for review to PacificSource Administrators within 180 days of the notice that the claim was denied. If you do not appeal within this time frame you will lose the right to appeal.

A written appeal should state the reasons that the claim should not have been denied and should include any additional facts and/or documents that support the claim. The decision regarding the appeal will be made no later than 60 days after submission of the appeal. This review will be independent of the initial reimbursement request denial.

You will be provided with written notification of the decision regarding the appeal of your reimbursement request denial. If your appeal is to be denied in whole or in part, the notice will include the following:

- The specific reason or reasons for the appeal denial; and
- Reference to the specific plan provisions upon which the appeal denial is based.

Health Care Account Worksheet

The following worksheet can help you estimate your eligible health care expenses and how much, if any, to contribute to a Health Care Account. First, list out-of-pocket medical, dental, and vision care expenses you and your dependents will have incurred this year. Next, try to estimate what health care expenses both you and/or your dependents may have next year (from January 1st through December 31st) by making a comparison to this year's expenses.

Remember generally, if a health care expense is deductible for Federal income tax purposes, it is considered "qualified" for reimbursement under your Health Care Account.

	THIS YEAR'S EXPENSES	NEXT YEAR'S ESTIMATED EXPENSES
Medical, dental, vision deductibles	$	$
Medical, dental, vision co-payments	$	$
Prescription drug co-payments	$	$
Over-the-counter drugs and medications* A prescription is required for all over-the-counter drugs, except insulin	$	$
Over-the-counter supplies		
Other medical services not covered by health plan	$	$
Denture replacements	$	$
Other dental services not covered by dental plan	$	$
Replacement of glasses/lenses/frames	$	$
Laser refractive eye surgery	$	$
Other vision services not covered	$	$
Total Estimated Annual Expenses	**$**	**$**

Total your estimated expenses for the upcoming plan year (if enrolling mid-year, estimate expenses from your enrollment date to the end of the plan year). That number is a suggested amount that you may want to contribute to the Health Care Account. Remember, be conservative - unused money will be forfeited as required by IRS regulations.

Dependent Care Account Worksheet

The following worksheet can help you estimate your eligible dependent care expenses and how much, if any, to contribute to a Dependent Care Account. First, list out-of-pocket dependent care expenses you have incurred this year. Next, try to estimate what dependent care expenses you may have next year (from January 1st through December 31st) by making a comparison to this year's expenses.

	THIS YEAR'S EXPENSES	NEXT YEAR'S ESTIMATED EXPENSES
Pre-school or day care expenses	$	$
Babysitting in or outside your home (while you are at work)	$	$
Other non-educational programs to care for children when school is out, such as summer day camps and specialty camps	$	$
Non-medical home care or nursing for a dependent parent or handicapped child	$	$
Total Estimated Annual Expenses	**$**	**$**

Total your estimated expenses for the upcoming plan year (if enrolling mid-year, estimate expenses from your enrollment date to the end of the plan year). That number is a suggested amount that you may want to contribute to the Health Care Account. Remember, be conservative - unused money will be forfeited as required by IRS regulations.

Also remember, your total reimbursements for the year cannot exceed the least of:

- Your income; or
- If you are married, your spouse's income; or
- $5,000 ($2,500 if married and will file separate tax return)

TRANSPORTATION REIMBURSEMENT ACCOUNT (TRA)

Program Summary

The City of Eugene's Transportation Reimbursement Account (TRA) program is similar to the City's Flexible Spending Account program and is administered by PacificSource Administrators. This program is allowed under the Transportation Equity Act for the 21st Century (TEA 21), is regulated by Internal Revenue Code § 132(f) and is officially known as the Commute Expense Reimbursement Account (CERA) program. Employees who pay to commute to work have the opportunity to set aside a portion of their salary to pay for certain qualified transportation expenses without being taxed on these amounts.

When you participate in this program, the contributions you make to your TRA will be deducted from your compensation on a before tax basis; before state, federal, and social security taxes are withheld. This means you will avoid paying taxes on these deductions.

Please review the following information before you make your decision to participate in this program.

The City's FSA/TRA program is administered by PacificSource Administrators. Contact information for questions or manual claim submissions is in the front of this handbook.

Eligibility

All regular employees are eligible to participate in this program. In addition, AFSCME-represented Limited Duration and Recreation Activity Employees (RAEs) and IATSE-represented employees who are eligible for City-provided health insurance benefits are eligible to participate in the program.

Enrolling in a TRA

Open enrollment is held annually in December of each year. Your TRA account will be effective the first of the month following the completion of the Participation Agreement. New employees must enroll within 31 days of their date of hire.

Enrollment is through Employee Self Service through the Benefit Details tile.

IMPORTANT NOTE: Employees who park in City parking lots should NOT also enroll in the TRA parking program. They will not have to fill out a TRA enrollment form unless they intend to participate in the Van Pool or Mass Transit features of the program, instead they would register for a parking permit through the permit portal.

Participation Agreement Changes

The Participation Agreement may be revoked or changed at any time, effective the first of the following month. To continue participation in a new plan year, you must re-enroll during the City's FSA/TRA Open Enrollment held each December. The employee's Participation Agreement ends upon termination of employment.

Qualified Transportation Expense

Expenses incurred by the employee to purchase or pay for transit pass expenses, commuter vehicle expenses (van pools), or qualified parking expenses incurred for the purpose of transportation between an employee's residence and place of employment or for parking in conjunction with use of mass transit or van pool qualifies as a transportation expense.

Mass transit is a public system or private enterprise provided by a company/individual who is in the business of transporting people in a commuter highway vehicle, i.e., buses. Such vehicle must have a seating capacity of six or more adults (not including the driver) and at least 80 percent of the vehicle's

mileage must be from transporting individuals to and from their place of work. The vehicle must be carrying at least three passengers (not including the driver). This does not include carpooling.

Mass transportation includes transit passes for mass transportation to and from work. Qualified amounts include costs of any pass, token, fare card, voucher, or other item that entitles the employee to use mass transit for the purpose of traveling to or from his/her place of work.

Van pool means that the vehicle must seat at least six adults **plus** a driver and at least 80 percent of the vehicle's mileage is used to commute between home and work. Expenses incurred for transportation in a van pool are eligible provided such transportation is in connection with travel between the individual's residence or park-and-ride lots and place of employment.

Parking expenses are fees for parking at or near your primary work location, the location where you take mass transit, or the location where you pick up the van pool. Only the expense of parking the vehicle is a covered expense through TRA. Fuel, maintenance, and insurance costs are not covered.

TRA Contribution Limits

(Subject to change by the IRS)

Transportation Reimbursement Account	Per Month
Parking	**$270**
Transit Pass and Van Pooling (combined)*	**$220**

*The Transit Pass maximum contribution amount has been reduced by the value of the bus pass purchased for employees by the City.

Use It or Lose It Rule

The "Use it or Lose it" rule works differently for TRA accounts than it does for FSA accounts. By law, any remaining unused funds in your TRA are forfeited if you are no longer participating in a TRA account. However, while unused funds remaining in your TRA account at the end of the plan year cannot be refunded to you, they can be rolled over for use in the next plan year providing you re-enroll in the same TRA program.

Reimbursement

Per IRS regulations, transportation expenses must be submitted for reimbursement within 180 days of the date services are received. Complete the claim form available on the Employee Benefits website, and then submit the claim form and receipt(s) to PSA.

Contact information for questions or manual claim submissions is in the front of this handbook.