



CITY FLEX

FLEXIBLE SPENDING ACCOUNTS FOR HEALTH AND DEPENDENT CARE EXPENSES FOR EMPLOYEES OF THE CITY AND COUNTY OF HONOLULU

INTRODUCTION

The City and County of Honolulu (the "City") has established the "City & County of Honolulu Flexible Benefit Plan" ("City Flex") for eligible City employees, their dependents and beneficiaries. If you anticipate paying for unreimbursed medical expenses such as physician office visits, hospital stays, dental or orthodontic treatment, prescription drugs, vision care or laser eye surgery or you have dependent care expenses, you may wish to redirect a portion of your salary under City Flex.

City Flex allows employees to pay for eligible health and dependent care expenses with TAX FREE money by redirecting a portion of their salary to a Health Flexible Spending Account ("HFSA") and/or a Dependent Care Flexible Spending Account ("DCFSA").

This pamphlet highlights important information concerning City Flex. The pamphlet provides you with eligibility requirements that you must satisfy before participating in City Flex and a brief description of how City Flex works. If the information contained in this pamphlet and the actual City Flex plan document conflict, the actual comprehensive City Flex plan document always governs.

For a copy of the comprehensive City Flex plan document, please visit:

<https://www.honolulu.gov/hr/benefits.html> or contact National Benefit Services, LLC ("NBS"), City Flex's Third Party Administrator. The address for NBS is at the end of this summary. If you choose to enroll in either the HFSA and/or the DCFSA, City Flex requires employees to pay an administrative fee of up to \$5.50 per month total to participate in one or both benefit accounts. Check the City Flex Website regularly for the latest City Flex updates. Please visit the website at www.nbsbenefits.com/cityofhonolulu.

I.

ELIGIBILITY

1. Who is eligible to participate in City Flex?

Most City employees are eligible to join City Flex after completing their first day of employment.

2. Are there any employees who are not eligible?

Yes, certain City employees are not eligible to join City Flex. They are:

- Employees who are leased employees.
- Non-resident aliens.
- Part-time and/ or temporary employees who are not eligible for membership in the Retirement System because their employment is for less than 20 hours per week and/or less than 90 days.

3. What is the best way to understand and get information about City Flex?

OPEN ENROLLMENT SESSIONS are the best way to obtain information on the plans, how to enroll and what expenses may qualify under either the HFSA or DCFSA plans.

If you are unable to attend an open enrollment session or you are a new employee where no open enrollment sessions are scheduled before you must decide to enroll or not, then you are advised to call NBS TOLL FREE at (855) 399-9095 and they will explain in detail how the plan will work to your advantage.

4. When can I enroll in City Flex?

City Flex operates on a fiscal year which is also referred to as the "Plan Year". The Plan Year begins July 1 and ends June 30.

a) New Employees

New hires may enroll within 30 days of their hire/eligibility date. Upon enrollment into City Flex, your entry date will be the first day of the month following your first day of employment or the first day of the month following the date of your enrollment, whichever is later.

b) Current Employees

You must elect to enroll in City Flex before a new Plan Year begins. If you do not enroll during the open enrollment period, then you must wait until the following Plan Year to enroll.

(NOTE: City Flex does not have automatic enrollment from Plan Year to Plan Year. You must elect to re-enroll on an annual basis. If you do not make new elections during the open enrollment period, it will be deemed to mean you have elected not to participate in City Flex for the upcoming Plan Year.)

5. How do I to enroll in City Flex?

You must complete an application to participate in City Flex. The application allows you to enroll in the HFSA and/or the DCFSA. The application also contains your authorization for the City to redirect some of your earnings into your HFSA and/or DCFSA based upon your enrollment choice(s) as well as authorization for deduction of a City Flex

administration fee of up to \$5.50 per month for one or both Plan accounts.

6. Do I have to enroll in City Flex?

No! Enrollment and participation in City Flex are purely optional.

7. Can I stop participation or change the contributions for my Plan account(s) during the Plan year?

Generally, no. Once you elect to participate in City Flex, you cannot stop your participation or change the contribution amounts during the Plan Year unless there is a “change in status.” Currently, federal law considers the following events to be a change in status:

- Marriage, divorce, death of a spouse;
- Change in the number of dependents, including birth, adoption, placement for adoption, or death of a dependent;
- You, your spouse or dependent’s termination or commencement of employment, a strike or lockout, commencement or return from an unpaid leave of absence, or any change in employment status that affects eligibility for benefits;
- One of your dependents satisfies or ceases to satisfy the requirements for coverage due to change in age, student status, or any similar circumstance.

8. Can I change my Plan elections and contribution amounts after my first year of participation?

Yes. Because you must re-enroll in City Flex each Plan Year, you may change the elections that you previously made each plan year. Additionally, you can increase or decrease the amount that you authorize to be redirected from your salary into either or both the HFSA and DCFSA Plan accounts. You may also choose not to participate in City Flex for the upcoming Plan Year.

II

OPERATION

How does City Flex work?

1. You elect to have some of your pay redirected to
2. the HFSA and/or the DCFSA accounts under City Flex.
3. Salary contributions into your HFSA and/or DCFSA Plan accounts are held in a trust account on your behalf with NBS, the Third Party Administrator. The money in your Plan account(s) will be used to reimburse you for qualified medical or dependent care out-of-pocket expenses based upon receipts submitted to NBS.
4. The amount of your salary that is redirected into your HFSA and/or DCFSA Plan account(s) is not subject to Federal, State, or Social Security income taxes. However, if you receive a reimbursement

for an expense under City Flex, you cannot claim a Federal income tax credit or deduction on your return. (NOTE: You may want to consult with your tax advisor to help determine whether City Flex will benefit you.)

5. At the end of each Plan Year, any unused salary contributions remaining in your HFSA and/or DCFSA Plan accounts **are forfeited**.

Hypothetical Example for City Employee

\$1,200 Per check	Currently	With City Flex
Gross Pay	\$1,200.00	\$1,200.00
Dependent Care FSA	\$ 0.00	\$ 200.00
Plan Administration Fee	\$ 0.00	\$ 3.00
Taxable Income	\$1,200.00	\$ 997.00
Federal Withholding	\$ 105.28	\$ 75.05
State Withholding	\$ 64.33	\$ 49.43
FICA (Social Security & Medicare tax (1.65%))	\$ 91.80	\$ 76.27
Net Pay	\$ 938.59	\$ 796.25
Dependent Care Expenses	\$ 200.00	\$ 0.00
Spendable Income	\$ 738.59	\$ 796.25
Savings per Paycheck		\$ 57.66
Savings Per Month		\$ 115.32
Savings Per Year		\$1,383.84

III

CONTRIBUTIONS

- **How much of my pay can I redirect into City Flex?**
 - a) HFSA (Medical expenses)
You may redirect a **maximum of \$2,750 per** plan Year of your salary into your HFSA.
N
 - b) DCFSA (Dependent Care expenses)
If you have work-related dependent care expenses, you may redirect the lesser of: (a) \$5,000 (if you are married filing a joint return or you are head of a household) or \$2,500 (if you are married filing separate returns); (b) your taxable compensation; or (c) your spouse’s actual or deemed earned income (a spouse who is a full time student or incapable of caring for himself/herself has a monthly earned income of \$250 for one dependent or \$500 for two or more dependents).

Caution: Any money left in your DCFSA after August 31st, (after all claims have been processed for the plan year), will not be reimbursed and will be **forfeited**. After August 31st, any amount left in your HFSA, up to \$250, will carry over to the new plan year to be used towards expenses incurred in the new plan year. Any money which exceeds \$250 after August 31st, (after all claims have been processed for the plan year), will not be reimbursed and will be **forfeited**.

- **Who is a qualified “dependent” under DCFS?**

An eligible dependent is someone you claim on your Federal Income Tax form 2441 “Credit for Child and Dependent Care Expenses.” For example:

- Children under age 13;
- Dependents who are physically or mentally unable to care for themselves.

- **What *may* qualify as reimbursable dependent care expenses:**

- Preschool;
- Babysitter;
- Before/after school care;
- Intercession;
- Summer Fun;
- Child care in your home or at someone’s home;
- Adult day care in your home, someone else’s home or at a care facility.

- **What may not qualify as reimbursable dependent care expenses?**

- Payments to an unlicensed care giver/facility;
- Babysitting provided by a sibling;
- Payments paid in cash;
- After school extra-curricular activities;
- Summer school.

- **When do I have to decide whether to enroll in City Flex or to make changes in my enrollment (if permitted)?**

If you are a new employee and meet participation eligibility requirements under City Flex, then you must elect to enroll within 30 days of your start date. For existing eligible employees, Federal law and plan provisions require that you decide during the open enrollment period before the Plan Year begins.

If you have a change in status that enables you to stop participation or change your contributions, you must elect to stop participation or change your contributions within 90 days of the change in status event.

- **How can I tell by looking at my paycheck stub if my City Flex contributions are being deducted?**

Your paycheck stub will show 2-3 codes under “Deductions/Reductions” column:

- CODE “FLEX ADMIN” (Administrative fee)
- CODE “FLEX ACT MED” (Health FSA)
- CODE “FLEX ACT DEP CR” (Dependent care FSA)

IV

APPEAL RIGHTS

If your claim for benefits under City Flex is denied, NBS shall provide you with written notice **within 5**

business days of the denial detailing reasons for the denial of your claim.

You may file an appeal by writing NBS **within 60 days** after receiving notice of the denial. Your appeal must be made in writing and set forth all of your reasons for appealing the denial.

NBS shall act upon your appeal **within 60 days** after receipt of your request for review, unless special circumstances require an extension of time for processing (such as the need to hold a hearing), in which event a decision should be rendered as soon as possible, but in no event later than 120 days after such receipt.

You shall be provided a written decision by NBS and it will include specific reasons for the decision. The decision of NBS shall be final and conclusive on all persons.

V

HIGHLY COMPENSATED EMPLOYEES

Who are highly compensated employees (HCE)

Under the Internal Revenue Code, “highly compensated employees” and “key employees” generally are Participants who are officers, shareholders or highly paid.

If you are within these categories, the amount of contributions and benefits for you may be limited so that the Plan as a whole does not unfairly favor those who are highly paid, their spouses or their dependents. Please refer to your Summary Plan Description for more information. You will be notified of these limitations if you are affected.

VI

MORE INFORMATION

If you have more questions about City Flex or wish to obtain a copy of the comprehensive City Flex Plan document, **go to:**

<https://www.honolulu.gov/hr/benefits.html> or **contact:**

National Benefit Services, LLC

PO Box 219393

Kansas City, MO 64121-9393

TOLL FREE: (855) 399-3035

Fax: (800) 478-1528

NBS website:

www.NBSbenefits.com/cityofHonolulu

Email: Service@NBSbenefits.com

The City Flex comprehensive plan document can be made available to individuals who have special needs or who need auxiliary aids for effective communication (i.e., large print or audiotape), as required by the Americans with Disabilities Act of 1990, by contacting DHR Administration at: (808) 768-8536.