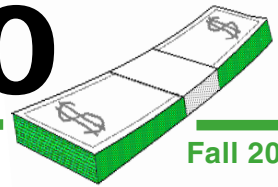


Open
Enrollment
News

Tax\$ave 2010



Fall 2009

Published Annually for New Jersey State Employees

Enroll in Tax\$ave and Keep More of What You Earn

The **Tax\$ave 2010 Open Enrollment** period begins on **October 1, 2009** and ends on **October 31, 2009**. Tax\$ave Open Enrollment is your opportunity to save tax dollars in the 2010 tax year with the **Premium Option Plan** and two **Flexible Spending Accounts (FSAs)** for **Unreimbursed Medical Expenses** and **Dependent Care Expenses**.

Enrollment in the **Premium Option Plan** component of Tax\$ave is automatic every year. The **Flexible Spending Accounts** require that you re-enroll each year with Fringe Benefits Management Company (FBMC). FBMC provides a variety of easy ways to enroll in a FSA plan.

- ✓ You may enroll over the phone by calling FBMC's Interactive Voice Response system at 1-800-865-FBMC (3262) between October 1 – October 31, 2009.
- ✓ You may enroll over the Internet during the same time period at: www.myFBMC.com.
- ✓ You can enroll by obtaining an *Enrollment Form* from your benefits administrator or from FBMC. These forms must be postmarked or faxed to 1-850-514-5806 by October 31, 2009, in order to enroll for the 2010 plan year.

For more information about the Tax\$ave plans, see the *Premium Option Plan* and *FBMC's Flexible Spending Accounts* fliers distributed with your paycheck, or visit the Tax\$ave Web page at: www.state.nj.us/treasury/pensions/taxsave.htm

Save Taxes on Health Care Contribution with the POP

The health care contribution of 1.5 percent of salary, required from most State employees for medical and prescription drug coverage under the SHBP, is eligible for payment with before tax dollars when you are enrolled in the Tax\$ave **Premium Option Plan (POP)**. This reduces the federal income, Medicare, and Social Security taxes you would otherwise pay on these contributions.

State employees covered under labor agreements that retain earlier Premium Sharing arrangements are also eligible for the POP and can reduce federal income, Medicare, and Social Security taxes paid on the shared premiums.

Enrollment in the POP is automatic every year for all eligible State employees — unlike the Flexible Spending Accounts which require that you re-enroll each year.

FSA Eligible Expense and Claim Periods

The period for which expenses are considered eligible for reimbursement for **BOTH** the **Unreimbursed Medical** and **Dependent Care FSAs** extends until March 15 of the following year. The deadline for submitting any claim forms for a particular plan year extends to April 30 of the following year.

- ✓ **For Tax\$ave 2009 members**, eligible FSA expenses may be incurred until March 15, 2010, and claims must be filed with FBMC **no later than April 30, 2010**.
- ✓ **For Tax\$ave 2010 members**, eligible FSA expenses may be incurred between January 1, 2010 and March 15, 2011, and claims must be filed with FBMC **no later than April 30, 2011**.

Important Notice: Under the IRS guidelines for Unreimbursed Medical and Dependent Care Flexible Spending Accounts, any contributions that remain unclaimed after the April 30 deadlines are forfeited by the plan participants.

Direct Deposit Available for FSA Payments

FBMC offers direct deposit of reimbursement payments from your **Medical** or **Dependent Care Flexible Spending Accounts**. The *Direct Deposit Enrollment Form* is available from FBMC at: www.myFBMC.com or by calling FBMC Customer Service at 1-800-342-8017. Processing of Direct Deposit enrollment may take between four to six weeks.

Medical FSA Maximum Allowance \$2,500

The maximum annual allowance that can be set aside for a Tax\$ave **Unreimbursed Medical FSA is \$2,500** for the 2010 plan year. You can save federal income, Medicare and Social Security taxes on up to \$2,500 of unreimbursed medical expenses and up to \$5,000 on dependent care expenses. Enrolling in a Tax\$ave FSA makes sense when paying for doctor visit and prescription drug copayments, health plan deductibles, orthodontics, eyeglasses, Lasik surgery, many uncovered dental fees, or certain over-the-counter medications (see article below). To enroll in either or both of the FSA plans, visit: www.myFBMC.com or call FBMC's Interactive Voice Response system at 1-800-865-FBMC (3262).

myFBMC CardSM Available with Medical FSAs

Tax\$ave **Unreimbursed Medical FSAs** include the *myFBMC Card*SM Visa® Card that draws on the value of your annual Medical FSA election amount. The *myFBMC Card* is included **free** when you sign up with FBMC for the Unreimbursed Medical FSA during Tax\$ave Open Enrollment.

Using the *myFBMC Card* is easy because funds are immediately transferred from your Unreimbursed Medical FSA at the time you incur a qualifying expense; improving your cash flow because you don't have to lay out cash at the time of purchase. You can use the *myFBMC Card* at approved providers and merchants for qualifying expenses such as covered prescription copayments, health plan deductibles, orthodontics, doctor and emergency room copayments, eyeglasses, Lasik surgery, and uncovered dentist or other provider fees. The *myFBMC Card* can also be used for eligible over-the-counter medical expenses at certified IAS merchants (see article below).

The *myFBMC Card* contains a "look back" feature that will access any unused 2009 Unreimbursed Medical FSA funds before using funds contributed in the 2010 plan year.

IIAS Guidelines for Using Your *myFBMC Card*SM

Effective July 1, 2009, all drugstores, grocery stores, and discount stores were required to implement a certified Inventory Information Approval System (IIAS) or register as selling mostly FSA-eligible items. This means that there are now three types of merchants:

- 1. Merchants that are IIAS compliant.** Your *myFBMC Card* will work at these merchants for prescriptions and approved over-the-counter items, with no paperwork required. Transactions are automatically adjudicated and the electronic record contains all information needed by the Internal Revenue Service (IRS). For items in your purchase deemed ineligible; IIAS will automatically deny payment with your *myFBMC Card* and request another form of payment for those items.
- 2. Merchants certified to have at least 90% of their sales from FSA-eligible items.** Your *myFBMC Card* will work at these merchants, however, you may be required to submit supporting documentation to FBMC because the electronic record of the transaction does not contain information required under IRS rules.
- 3. Merchants that are not IIAS compliant,** are not registered, or do not accept credit or debit cards for transactions. These merchants can no longer accept health payment cards of any type

A listing of IIAS certified merchants is available at: www.myFBMC.com.

Over-the-Counter Medications Covered by FSA

Internal Revenue Service rules permit many over-the-counter products/medications that are deemed for "medical care" to be reimbursable through the **Unreimbursed Medical FSA**. "Medical care" includes amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease. While purchases of medicines and drugs for medical care are eligible for reimbursement, expenditures that are merely beneficial to your general health, such as vitamins and other supplements, are not eligible. For a list of expenses that are eligible under the FSA, please visit: www.myFBMC.com.

Pennsylvania State Non-taxability

If you live in Pennsylvania, contributions to your **Unreimbursed Medical FSA*** are exempt from Pennsylvania state income tax. This means that you save money on both your federal **and** Pennsylvania state taxes. It's one more reason or Pennsylvania residents to sign up for an Unreimbursed Medical FSA during the Tax\$ave Open Enrollment.

*Dependent Care FSAs are subject to Pennsylvania state income tax but remain exempt from federal tax.



NEW Year, Chances, Choices.

Fringe Benefits Management Company (FBMC) and the State of New Jersey work to bring the State of New Jersey employees premier benefits and services. As your Tax\$ave Flexible Spending Account (FSA) administrator, FBMC is here to help you during the upcoming Open Enrollment in all your needs. To help get you started we wanted to let you know:

- Your Tax\$ave enrollment period for Plan Year 2010 is October 1, 2009 through October 31, 2009.
 - Enrollment will be available:
 - On the Web at **www.myFBMC.com**,
 - Over the phone through the Interactive Voice Response* (IVR) system by calling 1-800-865-3262,
 - Or simply fax or mail an Enrollment Form by October 31, 2009
- Fax to: 1-850-514-5806
Mail to: Fringe Benefits Management Company
Enrollment Processing
P.O. Box 1800
Tallahassee, FL 32302-1800

**Note: To access IVR system, the last four digits of your Social Security number (SSN) will be your first PIN. After your initial login, you will be asked to change this PIN for access in the future. Your new PIN cannot be the last four digits of your SSN, cannot be longer than eight digits and must be greater than zero.*

Remember you must re-enroll to continue your benefits, even if you are not making any changes!

Your current plan year ends December 31, 2009. A "grace period" of two months and 15 days (March 15, 2010) after this exists to incur any eligible Unreimbursed Medical and Dependent Care FSA expenses. Any unused funds remaining in your account cannot be refunded or rolled-over to your 2010 Plan Year FSA.

You also have a "run-out period," which is not the same! The run-out period is until April 30, 2010 and allows for filing claims incurred anytime during the 2009 Plan Year. This includes claims incurred during the grace period mentioned above.

Paper claims and myFBMC CardSM transactions are processed in the order in which they are received by FBMC, and your account(s) are debited accordingly. Any funds remaining in an appropriate account from the prior plan year will be used first until exhausted. All subsequent claims will be deducted from your new plan year account balance.

Example: You have an \$800 balance in your Plan Year 2009 Unreimbursed Medical Expense FSA on December 31 2009 and a new Plan Year 2010 Unreimbursed Medical Expense FSA election of \$1000 effective January 1, 2010. You purchase eyeglasses for \$875 on January 2, 2010 and swipe your myFBMC CardSM to pay. The \$800 balance from 2009 will be reduced to zero, the 2010 balance will be reduced to \$925. Remember: If you have qualified expenses that you wish to submit for 2009 then do not submit 2010 claims until after the 2009 claims have been sent to FBMC and paid out to you, and your card purchases have been substantiated with FBMC.

For more information, visit the FBMC Web site at **www.myFBMC.com**, or contact the Customer Care Center at 1-800-342-8017, Monday - Friday, 7 a.m. - 10 p.m. EST.

Contract Administrator
Fringe Benefits Management Company
Customer Care Center 1-800-342-8017 • 1-800-955-8771 (TDD)
www.myFBMC.com

FBMC
Premier Benefits Solutions

Tax\$ave, Civil Unions, and Domestic Partners

State employees are able to add a civil union partner or same-sex domestic partner to their SHBP medical and dental insurance coverage. However, before any payroll contributions or premiums that the employee pays for a partner can be made on a pre-tax basis under the Tax\$ave **Premium Option Plan**, the civil union partner or domestic partner must be able to qualify as a “tax dependent” of the employee for federal tax filing purposes under Internal Revenue Code Section 152.

Similarly, the civil union partner or domestic partner must qualify as the employee’s tax dependent before an out-of-pocket medical expense incurred by the partner can be reimbursed under the **Unreimbursed Medical Flexible Spending Account**. See *IRS Tax Topic 354 - Dependents* for additional information on the requirements for establishing dependent status for federal tax purposes.

If the civil union partner or domestic partner is not a “qualified tax dependent” of the employee, any premium deductions made for the partner’s coverage must be made on an after-tax basis and funds in the Unreimbursed Medical Spending Account cannot be used to cover the partner’s medical expenses.

Additional information about the New Jersey Civil Unions can be found in Fact Sheet #75, *Civil Unions*. Information about New Jersey Domestic Partners can be found in Fact Sheet #71, *Benefits Under the Domestic Partnership Act*. Both fact sheets are available on the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions

Children Age 23 to 31

Chapter 375, P.L. 2005, permits continued SHBP medical plan coverage for certain children until their 31st birthday. Contributions or premiums that an employee pays for coverage of an over age child cannot be made on a pre-tax basis under the Tax\$ave **Premium Option Plan**, nor can an out-of-pocket medical expense incurred by the over age child be reimbursed under the **Unreimbursed Medical Flexible Spending Account**, unless the child qualifies as a “tax dependent” of the employee for federal tax filing purposes under Internal Revenue Code Section 152.

See *IRS Tax Topic 354 - Dependents* for additional information on the requirements for establishing dependent status for federal tax purposes. For more information about continued coverage for children age 23 to 31, see Fact Sheet #74, *Health Benefits Coverage of Children Until Age 31 Under Chapter 375*.

FSA Has Minimal Impact on Social Security

Because payments to the **Flexible Spending Accounts** and benefits premium payments under the **Premium Option Plan** are not subject to Social Security deductions, some members opt not to participate in Tax\$ave because it would reduce their Social Security benefit. This may not be a good financial decision.

For example, consider an employee who retired in 1998 at age 65 and whose wages had been at the maximum wages subject to Social Security deductions. Upon retirement, this individual’s monthly Social Security allowance was \$1,343. If the same person had been contributing \$2,000 a year to a Flexible Spending Account for the last 10 years of employment, the tax savings would amount to \$353 – \$653 per year (depending on the person’s tax bracket).

By contrast, the subsequent reduction in Social Security wages would have produced a monthly Social Security allowance of \$1,335, a difference of \$8 per month (\$96 per year).

Compare the two, and you can decide for yourself if this is reason enough to choose against saving on taxes now!

Commuter Tax\$ave Program

Tax savings on commuter mass transit and parking expenses are available anytime of the year as a separate benefit to State employees under the **Commuter Tax\$ave Program**, administered by TransitCenter, Inc. See Fact Sheet #67, *Commuter Tax\$ave Program*, or contact TransitCenter at 1-877-440-4407 for details.

NJ Division of Pensions and Benefits

Tax\$ave 2010 **Open Enrollment News**

Fall 2009

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Tax\$ave Open Enrollment News is published annually by the New Jersey Division of Pensions and Benefits to provide news and information to State employees regarding the New Jersey State Employees Tax Savings Program (Tax\$ave). The articles in this publication are for information purposes only and, while every attempt at accuracy is made, it cannot be guaranteed.

Access Tax\$ave forms and interactive calculation tools by visiting : www.state.nj.us/treasury/pensions/taxsave.htm