Flex-Plan Services, Inc.
Open Enrollment Instructions

Dear Valued Client,

In order to facilitate a smooth open enrollment for your Section 125 benefits, we have included a brief outline of the tasks that need to be completed to begin the administration of your plan:

- Distribute enrollment packets to each eligible employee.
- Conduct an enrollment meeting or benefits fair to explain the benefit(s) offered. If you would like a Flex-Plan representative to conduct the enrollment meeting, please contact us for date, time, and location. Fees may apply – see your Administrative Services Agreement.
- Only employees who want to utilize the Flexible Spending Arrangement benefit need to complete and sign the election form.
- Ensure that all completed forms indicate the name, address, SSN, date of birth, email address, signature, annual election amount and paycheck deduction amount. Missing information for even one employee can delay the processing of all your enrollment materials.

Employee Enrollment Information

- Provide Flex-Plan Services with copies of completed enrollment forms, **OR**
- Provide enrollment information electronically (request file format).

Please send all Section 125 FSA enrollment forms in one of the following ways:

- Email: election@flex-plan.com
- Fax: 425-233-6366
- Mail: PO Box 53250, Bellevue, WA 98015-3250

Flex-Plan will send participants a confirmation statement, claim form, and instructions once enrollment information is received and processed.

A nondiscrimination pre-test can be performed at anytime during the plan year. For information regarding nondiscrimination testing please see below.



NONDISCRIMINATION TEST RED FLAGS



If your plan contains any of the following situations or plan designs please contact Heather Crist or Tina Davis at ndt@flex-plan.com as soon as possible to have your plan reviewed and tested.

- Only HCEs eligible for Premium Conversion Plan or the Health & Day Care FSA;
- The plan excludes a high percentage of employees (part-time, seasonal, etc.);
- Not all employees receive the same employer contributions toward medical premiums;
- KEYs or HCEs receive more employer contributions toward medical premiums;
- Disparate waiting periods (salary wait 30 days, hourly wait 90 days);
- Different benefits provided to employees;
- Only 5% Owners participating in the Day Care FSA;
- The plan has >25% of KEYS eligible and/or contributing to the medical plan or FSA;
- Only HCEs participating in the Day Care FSA;
- Only one participant in the Day Care FSA and that participant is an HCE.

Plans frequently fail the Day Care Test. The plan cannot have only HCEs participating in this portion of the plan or it will fail.

DEFINITIONS

Highly Compensated Employee (HCE)

Whether an individual is a Highly Compensated Employee depends on their status during the prior plan year (or the current year in the case of the first year of employment).

- An Officer; or
- An owner owning more than 5% of the Employer, voting power, or value of all classes of stock; or
- An Employee who earned in excess of $110,000 in the 2011 plan year (for 2012 plan year tests) or $115,000in the 2012 plan year (for 2013 tests).
- A spouse or dependent of an individual described above that works for the same Employer.

Key Employee (KEY)

Whether an individual is a Key employee depends on their status during the prior plan year.

- An Officer who earned in excess of $160,000 in the 2011 plan year (for 2012 tests), or $165,000 in the 2012 plan year (for 2013 tests); or
- A more than a 5% owner; or
- A more than a 1% owner receiving compensation in excess of $150,000 in the prior plan year.
- Note Government Entities do not have Key Employees.

INELIGIBLE INDIVIDUALS

More than 2% owners of an S-Corp (and their spouse, children, grandchildren, and parents), partners in a partnership, or members of an LLC are not eligible to participate in a Section 125 plan—this includes the premium only plan as well as the Health or Day Care Flexible Spending. In the event these individuals are participating in the plan please promptly remove them and do not consider them for any of the enclosed questions.