Flexible Spending Account Basics

Flexible Spending Accounts (FSAs) offer you a way to pay for expenses not reimbursed by health care coverage and dependent care expenses on a before-tax basis. There are two types of flexible spending accounts (FSAs):

- Health Care FSA
- Dependent Care FSA

Participation in the FSAs is entirely voluntary. You may choose to participate in one FSA or both. Money cannot be transferred between accounts. In certain situations, different rules may apply. At the end of the calendar year, any money left in either FSA is forfeited in compliance with Internal Revenue Service regulations.

Based on your annual election, money is deducted from your paycheck each pay period on a before-tax basis and set aside into an FSA. This lowers your taxable income, which in turn puts more money in your pocket. See "Tax Advantages" on page 3 for more information.

There are two ways to use your FSAs:

1. FSA stored-value credit card - This convenient option allows you to pay for qualifying expenses using an FSA stored-value credit card. See page 11 for more information.

2. You Pay First & File For Reimbursement Later - Pay for an eligible expense using cash or your personal debit/credit card and manually file for reimbursement later. See page 13 for more information.

You should read this booklet carefully, discuss it with your family, and keep it with your other important documents for future reference. If you have any questions, contact HR Benefits at 310.440.6523 or send an email to Benefits@Getty.edu.

If there is any conflict between this booklet and the plan documents, plan documents, including insurance contracts, will govern. This booklet supersedes any previously issued booklets describing the above mentioned plans. This booklet is not intended as a contract and should not be construed as creating contractual obligations. All benefits are subject to change solely at the discretion of the Getty.

Eligibility

You are eligible to participate in the FSAs if you are a regular, full-time employee regularly scheduled to work 60 or more hours in a two week period.

You are not eligible for the FSAs if you are:

- a limited-term employee,
- covered by a collective bargaining unit and the collective bargaining agreement does not provide for participation in the FSA, or
- regularly scheduled to work fewer than 60 hours in a two week period.

When To Enroll

You may enroll in the Plan during your Initial Eligibility Period which is the first 31 days following:

1. Your date of hire if you are hired as a regular, full-time employee, or

2. The date your employment status changes to a regular, full-time employee.

To continue participation after your initial enrollment, you must enroll each year during Open Enrollment, which is usually mid-October through mid-November. See "Establishing & Using Your Account(s)" on page 4 for enrollment instructions.

When Participation Begins

If you enroll in an FSA, your participation begins the first pay period after the date you become eligible or on the January 1 following Open Enrollment.

You continue to participate in the Plan until:

1. You elect not to participate in accordance with the guidelines described on page 4,

2. You no longer satisfy the eligibility requirements described above,

3. You terminate employment, or

4. The Plan is terminated.

The election that you make is effective for the calendar year and generally cannot be revoked during the calendar year unless you have a change in status as described on page 4.

When Participation Ends

If your employment ends or you otherwise cease to be eligible, your active participation in the Plan will automatically terminate as of that date.

You may elect to continue participation in the Health Care FSA by enrolling in COBRA. See "Health Care FSA Continuation" on page 7 for more information. If you are rehired within the same calendar year and are eligible for the Plan (or you become eligible again), you may make new elections, provided that you are rehired or become eligible again more than 30 days after you terminated employment or lost eligibility. If you are rehired or again become eligible within 30 days or less, your prior elections will be reinstated automatically and remain in effect for the remainder of the calendar year.

Payroll Deductions

The amount(s) you choose to deposit to the FSAs is deducted from your pay in equal installments each pay period *before* taxes are withheld.

Tax Advantages

You make deposits to your Health Care and Dependent Care FSAs with before-tax dollars. This means your deposits will be deducted from your pay before Federal income and Social Security taxes (and in most cases, state and local income taxes) are withheld. The result is that you pay less in taxes because you have a lower taxable income. And, when you reimburse yourself for eligible health care and dependent care expenses, that money is not taxable either.

For example, suppose your annual gross pay is $40,000 and you deposit $1,000 into your Health Care FSA during a given calendar year. Your W-2 tax form for that year would report a Federal taxable income of $39,000. During the year, you can use the before-tax dollars of $1,000 in your Health Care FSA to pay for eligible health care expenses.

You should consult a tax advisor to find out if contributing to one or both FSAs is right for you.

Effect on Your Social Security Benefits

Because you do not pay Social Security taxes on your FSA contributions, your future Social Security benefits may be slightly reduced if:

- You earn less than the Social Security wage base, <u>or</u>
- Your before-tax contributions to your accounts reduce your pay below the Social Security wage base.

If you earn more than the Social Security wage base, your Social Security benefits are not affected. For most people, the current value of tax savings outweighs the potential impact on possible future Social Security benefits.

Establishing and Using Your Account(s)

Step 1 – Estimate annual out-of-pocket health care and/or dependent care expenses.

For health care expenses, include expenses for yourself and anyone who will be included on your Federal income tax return (spouse, children, etc.). Expenses for same-sex domestic partners are not eligible. For dependent care expenses, see page 9 for additional eligibility requirements. Visit https://www.flexdirect.adp.com/FSAinfo/learning/index.html for information and tools on how to estimate eligible expenses.

Step 2 – Enroll in the Health Care and/or Dependent Care FSA.

Complete the FSA Enrollment Form and submit it to HR Benefits by the last day of Open Enrollment or within 31 days from the date you become eligible. See "Eligibility" and "When To Enroll" on page 2 for guidelines. Forms are available on www.getty.edu/staff, or you may request one from your HR Coordinator.

Step 3 – Incur eligible expenses.

Eligible expenses must be incurred during the calendar year in which you are participating. See "Eligible Health Care Expenses" on page 6 and "Dependent Care Expenses" on page 10 for more information on eligible expenses.

Step 4 – Pay for eligible expenses.

If the service provider or vendor accepts VISA, you may pay for eligible services and/or products using the FSA stored-value credit card. If you do not use the FSA stored-value credit card, you must pay for the expense first and then send a request for reimbursement to the Claims Administrator.

Step 5 – Submit a request for reimbursement.

If you pay for eligible expenses upfront, you must submit a request for reimbursement, along with appropriate documentation substantiating the expense to the Claims Administrator. See "How To File An FSA Claim" on page 13 for more information. You have until March 31 of the following year to request reimbursement for expenses incurred in the previous year.

Changing Your Participation

After you decide to enroll in an FSA, your decision must stay in effect for the entire calendar year. However, if you have a qualifying status change, you may change your contribution amount—or even start or stop contributing, depending on the change. To make a change, you must notify HR Benefits within 31 days of the status change. You are considered to have a qualifying status change if:

- You marry, divorce or become legally separated,
- Your spouse or eligible dependent dies,
- You gain a dependent through birth or adoption, or through another event,
- You go on or return from an unpaid leave of absence,
- Your spouse begins or ends employment, or
- Your work hours are reduced, making you ineligible for this plan.

Any FSA change you make must be consistent with the change in status. For example, if you marry, you can begin or increase your contributions; if you divorce, you can stop or reduce your contributions to the accounts. To find out if your status change will allow you to make a change in your FSA, contact HR Benefits.

If, because of a status change, you decide to stop contributing to your account, you can still submit any expenses incurred before you stopped contributing.

Unused Account Balances

If you have any money remaining in your accounts after submitting all expenses incurred during the year, the IRS requires that you forfeit that money.

Visit https://www.flexdirect.adp.com/FSAinfo/tools/index.html for information and tools on how to estimate eligible expenses.

Effects on FSAs While on a Leave of Absence

You will continue to be an active participant in the Plan while you are on a paid leave of absence. Your FSA contribution will continue to be deducted from each paycheck on a pre-tax basis.

Your benefits under the Plan will terminate on the date you begin an unpaid leave of absence unless you elect to continue participation. With respect to your Health Care FSA Account, you will be able to be reimbursed for expenses incurred while a participant prior to termination. You will be able to submit claims for reimbursement under your Dependent Care FSA through the end of the calendar year provided the claims are incurred before year end.

You may elect to continue participation in the Health Care FSA while you are on an unpaid leave of absence. Because you are no longer receiving a paycheck, however, you must continue your contributions on an after-tax basis and you do not receive the same tax advantages as you do when your money is taken from your Getty paycheck on a before-tax basis. You submit your contribution by check during your leave to HR Benefits.

Upon commencement of an unpaid leave of absence, HR Benefits will send you information on how to continue your participation.