



In Put More Out-of-Pocket Your Pocket

Health Care Reimbursement Account

Dependent Care Reimbursement Account



January 2006

More for me?

Tell Me More!

We all have expenses we have to pay out of our pockets—unreimbursed medical, dental or vision care expenses, child care expenses, and for some of us, expenses to help care for our dependent parents.

At CSU, you can offset these out-of-pocket expenses with the CSU's

Health Care Reimbursement Account (HCRA)

and

Dependent Care Reimbursement Account (DCRA)

The result? More out-of-pocket IN your pocket!

“How does HCRA and/or DCRA put more out-of-pocket IN my pocket?” you ask.

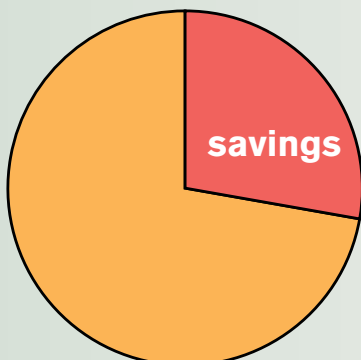
With HCRA and DCRA, you pay for certain health care and dependent care expenses tax-free. Your contributions are deducted from your pay before taxes are withheld. Since your taxable pay is lowered by the amount you contribute, you pay less in taxes. When you have an eligible expense, the Account reimburses you with dollars that aren't taxed. You never pay taxes on the money you use for these expenses. (Be assured that benefits based on your pay, such as disability pay or CalPERS retirement, are not impacted by HCRA or DCRA. Benefits are calculated on your full pay—before taxes are withheld.)

You, too, can enjoy the Reimbursement Account advantages!

You can enroll in the HCRA and/or DCRA if you're in a nonrepresented position such as Executive, Management Personnel Plan, Confidential, or if you're covered by a collective bargaining agreement that provides for the benefit. If you're not sure whether you're eligible, contact your Benefits Representative.

You can **track** your HCRA and DCRA **balances and claims** online or via interactive phone system.

Contributions are easy—you make them each pay period through before-tax payroll deductions.






Sign up NOW for Savings!

Using HCRA and/or DCRA to pay for eligible expenses will help you save by reducing the amount of Social Security, federal and state taxes you pay. That means you can save 20% to 40% on taxes for every dollar you contribute—and that's a \$20 to \$40 saving for every \$100 in expenses.

Tell me more about CSU's Health Care Reimbursement Account (HCRA)

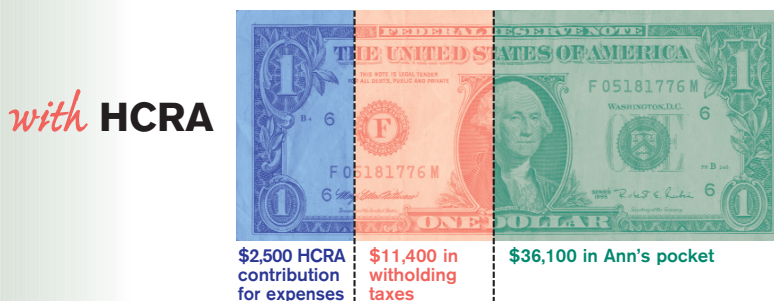
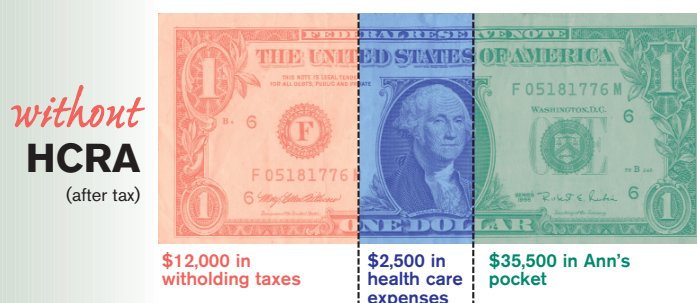
You can set aside up to \$5,000 a year in your HCRA to pay for expenses such as:

-  Deductibles and copayments for medical, dental and vision care
-  Routine doctor visits
-  Chiropractic care
-  Prescription and certain over-the-counter drugs
-  Hearing aids and exams
-  Dental expenses, such as fillings, crowns, braces
-  Eye exams, eye wear (including prescription sunglasses), LASIK surgery

If you switch from an HMO to a non-HMO for your health care coverage, you can help **offset anticipated out-of-pocket medical expenses** with the tax savings offered by CSU's HCRA.

What difference can CSU's HCRA really make?

Good question! Let's look at Ann. She's married with two kids and files her taxes jointly with her husband. Ann's taxable wages are \$50,000 annually and she anticipates \$2,500 in eligible out-of-pocket health care expenses next year. Based on an assessed tax rate of 24% (state, federal and FICA taxes), this chart shows that Ann will have \$600 more in her pocket next year if she pays these expenses through CSU's HCRA rather than outside the HCRA with after-tax money.



This example is for illustration purposes only. Your tax situation will be different.

For Details:

- Ask your Benefits Representative for the HCRA brochure.
- Contact the IRS for Publication 502, a discussion of deductible health care expenses—or log on to the IRS website at <http://www.irs.gov>. Note that not all the expenses listed as deductible in IRS Publication 502 are eligible for reimbursement under the HCRA. See the HCRA brochure for more information.
- Visit our Reimbursement Account administrator's website at <http://www.asiflex.com>.

To learn how to enroll, see page 6.

Health care is expensive enough—why pay more than you have to?

Tell me more about CSU's **Dependent Care Reimbursement Account (DCRA)**

You can set aside up to **\$5,000 a year (\$2,500 if you're married and you and your spouse file separate tax returns) in CSU's DCRA to pay for expenses such as:**



Day care charges for children under age 13 so you (and your spouse if you're married) can work



Before- and after-school care



Day camp expenses



Adult day care provided for a spouse or other adult dependent who is mentally or physically disabled and whom you claim as a dependent on your income tax return.

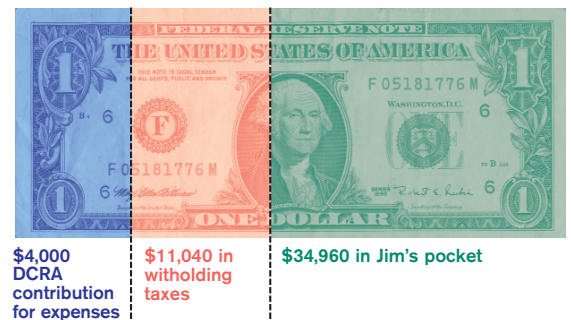
What difference can CSU's DCRA really make?

Yet another good question! Let's look at Jim. He's married with one child and files his taxes jointly with his wife. His annual taxable wages are \$50,000 and he has \$4,000 in eligible childcare expenses. Based on an assessed tax rate of 24% (state, federal and FICA taxes), this chart shows that Jim will have \$960 more in his pocket for the year if he pays these expenses through CSU's DCRA rather than with after-tax money.

without
DCRA
(after tax)



with **DCRA**



This example is for illustrative purposes only and does not take into account any possible dependant care tax credits. Your tax situation will be different.

For Details:

- Ask your Benefits Representative for the DCRA brochure.
- Contact the IRS for Publication 503, a detailed discussion of eligible and ineligible dependent care expenses—or log on to the IRS website at <http://www.irs.gov>.
- Visit our Reimbursement Account administrator's website at <http://www.asiflex.com>.

To learn how to enroll, see page 5.

Why pay more taxes than necessary?

OK, So **What's the Catch?**

In exchange for the tax breaks you receive through participating in CSU's HCRA and DCRA, the IRS does place some restrictions and limitations on Reimbursement Accounts:

- ⦿ You must re-enroll for CSU's HCRA and/or DCRA each year. (But you don't need to enroll in both plans if you only want one.)
- ⦿ Reimbursement Accounts just reimburse expenses you incur in the calendar year for which you are enrolled. If you put more money in your Account than you need, you'll forfeit the leftover amount. In other words, you have to **use it or you lose it**. In addition, you must file all your claims for expenses by **June 30** after the end of the Plan year. Claims submitted after that date will not be reimbursed.
- ⦿ Once you've enrolled, your contributions will be in effect for an entire year, unless you have a qualified status change, such as marriage, divorce, birth or adoption.
- ⦿ Since HCRA and DCRA are separate accounts, you can't transfer money from one Reimbursement Account to another.

Reimbursements

are timely and easy—
they're made as often as
three times a month and
you can be notified by
email that they've been
direct deposited into
your bank account.

Use it or lose it! That's too risky for me.

It's not really all that bad—this feature just means you have to do a little planning. To be safe, elect to contribute only the amount you know you'll have in out-of-pocket expenses for the year. If you're really nervous, just contribute the amount of your deductibles. At least you'll save the taxes on that amount. If it works well, you might think about contributing more to your account next year.

I'm convinced. How do I enroll?

It's as easy as 1-2-3!

- 1** Get more details about the HCRA and/or DCRA from the sources listed in this brochure.
- 2** Figure out how much you know you and your dependents will have in eligible out-of-pocket health care and dependent care expenses. We're giving you a head start with the work sheets on page 6.
- 3** Complete and return to your Benefits Representative the: Health Care/Dependent Care Reimbursement Account Plans Enrollment Authorization form to enroll in HCRA and/or DCRA.

That's all there is to it!

Use These **Simple Worksheets**

See how much you want to put into CSU's HCRA and/or DCRA.

Health Care Expense Worksheet

List the amounts you **know** you'll spend for the year.

Deductibles (medical, dental, vision)\$ _____

Copayments/coinsurance.....\$ _____

Prescription drugs\$ _____

Out-of-pocket dental and orthodontic expenses.....\$ _____

Eye exams, contacts, glasses, contact lens solution.....\$ _____

Hearing exams and hearing aids.....\$ _____

Other unreimbursed health care expenses\$ _____

Total eligible health care expenses for the year\$ _____

How much do you feel safe contributing to a HCRA?\$ _____ *

**Divide by twelve for your monthly contribution amount.*

Dependent Care Expense Worksheet

List the amounts you **know** you'll spend for the year.

Day care center for eligible child or adult\$ _____

Babysitters during work hours.....\$ _____

Pre-school\$ _____

Before- and after-school care\$ _____

Other eligible dependent care expenses.....\$ _____

Total eligible dependent care expenses for the year\$ _____

How much do you feel safe contributing to a DCRA?\$ _____ *

**Divide by twelve for your monthly contribution amount.*

This brochure provides highlights of the Health Care Reimbursement Account and Dependent Care Reimbursement Account offered through the California State University. Details are contained in the HCRA and DCRA brochures and Plan documents. In the event of a discrepancy between this document and the Plan documents, the Plan documents will govern. The California State University reserves the right to amend or terminate these plans at any time.