USE THIS FORM IF YOU ARE TRYING TO...

NDPERS FLEXCOMP FORMS:

If You Are Trying To:	Use This Form

For each new permanent and temporary employee, the authorized agent must complete the on-line "Setup New Employee". See your PERSLink Employer Self Service Guide.

Did you know that employees can complete their benefit plan enrollment(s) using PERSLink Member Self Service (MSS)!

PERSLink MSS provides on-line access to benefit information, the ability to complete benefit enrollments and changes, as well as updating personal profile instead of completing paper forms and submitting to NDPERS.

Enrollments & Qualified Change in Status

Enroll a new employee in the FlexComp Plan.	New Hire Kit
Change an election amount, or enroll or discontinue participation based on a qualified change in status event.	FlexComp Change in Status **SFN 53511**

Leave of Absence

Report employee payment of FlexComp contributions during leave of absence.	FlexComp Change in Status **SFN 53511**

Separation of Employment

Notify NDPERS of an employee's separation of employment.	Provide employee the appropriate separation of employment kit.

Notice of Transfer

Report an employee transferring to another agency	Notice of Transfer Kit

Request Reimbursement

Medical Spending Account Dependent Care Account	**ADP web sites at spendingaccounts.info or myspendingaccount.shps.com (must set up account with user name and password)**
For products and services that may have both a medical purpose and/or general health purpose	**myspendingaccount.shps.com**

NDPERS FLEXCOMP PLAN
FLEXCOMP ENROLLMENT SFN 53851

ELIGIBILITY REQUIREMENTS

The FlexComp Plan is available to eligible employees of the State of North Dakota, participating District Health Units, and members of the Legislative Assembly. Employees of the university system and political subdivisions do not participate in the plan. To be eligible, an employee must be 18 years of age, work at least 20 hours per week for at least (20) weeks per year and be in a permanent position that is regularly funded and not of limited duration.

*New employees will be eligible to participate the first day of the month following their permanent full-time employment. However, the election period will be extended 60 days from a new employee's date of hire. An election made during the extended 60-day period will not be effective until the first contribution is received. Participation is limited to expenses incurred from the effective date through the end of the plan year on December 31.

*The enrollment effective start date should be based on your ESS Benefit Enrollment Report.

FLEXCOMP BENEFITS

The FlexComp Plan is a tax favored plan established and administered under Section 125 of the Internal Revenue Code. It allows employees to save taxes on the amount they pay for eligible payroll deducted insurance premiums, medical and dependent care expenses. The FlexComp Plan is administered by the North Dakota Public Employees Retirement System (NDPERS). Benefit information for the FlexComp Plan can be found in the **FlexComp Program Guide**.

Salary reductions as a result of FlexComp participation reduce an employee's gross salary for Federal, State and FICA tax. However, retirement contributions are still based on the employee's gross salary. Employees may elect to participate in any combination of the three pre-tax accounts.

1. **Premium Conversion** allows the employee to pay, with pretax dollars, premiums for various insurance programs available for payroll deduction through their employer.

   The following plans are administered by NDPERS and the premiums are eligible for pre-tax deduction:

   Delta Dental Insurance
   Superior Vision Insurance

   Voluntary insurance product premiums eligible for pretax payroll deduction are:

   AFLAC - Cancer, Hospital Indemnity, Intensive Care, & Confinement products, Accident, Lump Sum Critical Illness, & Specified Health Event (disability products and the dental, vision & life insurance plans are not eligible for pre-tax payroll deduction)

   Central United - Cancer

   Colonial Life & Accident – Cancer, Accident, Disability, Medical Bridge

Conseco - Cancer

Total Dental Administrators (TDA) – Elite Choice Dental

USable – Cancer, Accident, Hospital Confinement

Premiums for the voluntary products that are not eligible for pre-tax treatment include, disability products and disability riders to cancer policies, unless tax reporting procedure have been adopted by the company, long term care insurance, whole life insurance policies, dental, vision and life policies, and employee supplemental life premium in excess of $50,000 and any dependent or spouse supplemental coverage.

If the employee elects to pretax an insurance premium, they may not change or drop coverage during the plan year unless they experience an IRS Qualified Change of Status.

NDPERS Group Life Plan – The employee supplemental life insurance premium up to the first $50,000 of coverage is a pre-tax deduction unless the employee declines this action by signing in Part B on enrollment form.

2. Medical Spending Account

An employee may redirect a portion of their salary for eligible medical expenses up to a maximum of $2,500. Requests for reimbursement from a medical spending account will be paid throughout the plan year according to the employee's total annual election amount.

3. Dependent Care Account

An employee may redirect a portion of their salary up to a maximum limit of $5,000 for a single parent, $5,000 for a married couple filing a joint tax return or $2,500 for a married person filing a separate tax return. Requests for reimbursement from a dependent care account will be paid according to the dollars available in the employee's account to date.

<u>Dependent Care Account vs. Dependent Care Tax Credit</u>

The dependent care account is an alternative to the employee taking a dependent care tax credit on their income tax return. The employee must choose whether to take the tax credit or enroll in a dependent care account. The IRS will not allow two tax breaks on the same expenses.

The income level of the employee or the employee and their spouse, if married, will determine whether the dependent care account or the income tax credit is more favorable. This is for general information only and is not intended to provide specific advice or recommendations. The employee must consult their accountant or tax advisor with regard to their individual situation.

Payments made from a dependent care account are not taxable, but the amount redirected will appear on the employee's W-2 form. This will inform the IRS that the employee has received a tax break on their dependent care expenses. The employee is required to file Form 2441 with their tax return.

NEW HIRE ENROLLMENT

AGENCIES USING THE PEOPLESOFT PAYROLL SYSTEM

Setting up the FlexComp record in PeopleSoft Benefits Administration

The new hire event is created when you set up the employee's job data. If the employee's participation in the FlexComp plan will start with their first paycheck, and you receive the form in time to enter it for their first paycheck, then use the new hire event to enroll the employee in medical spending or dependent care account. If the form is received after the employee has already received their first

paycheck, then the participation date will be the 1st of the following month. Use a manual PRN event, with an event date equal to the 1st of the following month, to enroll the employee in a medical spending or dependent care account.

AGENCIES WITH THEIR OWN PAYROLL SYSTEM will set up the employee pre-tax payroll deductions and submit payments to NDPERS.

FLEXCOMP CHANGE IN STATUS
SFN 53511

FlexComp Change in Status Form SFN 53511 must be completed and submitted to NDPERS within 60 days of the change in status event.

IRS QUALIFIED CHANGE IN STATUS EVENTS

In most circumstances, an employee's annual election amounts or any insurance premiums they are having payroll deducted cannot be changed. An employee may change their election if they have a qualifying life event and the election change is consistent with the event prompting the change.

Qualifying life events that may allow an employee to change their election include:

1. The employee's legal marital status changes through marriage, divorce, death, legal separation or annulment.
2. The employee's number of dependents changes because of birth, adoption (or placement for adoption), or death.
3. There is a change in the employee's employment status or the employment status of their spouse or any dependents. The employment status change must affect eligibility under this plan or a plan maintained by the employer of their spouse or dependent due to commencement or termination of employment or a change from full-time to part-time or part-time to full-time employment. The election change must correspond with the gain or loss of coverage.
4. An employee's dependent satisfies or ceases to satisfy the requirements of the Flexcomp Plan. This may allow the employee to make a corresponding change to increase or where appropriate, decrease coverage under this plan for the dependent.
5. If an employee is served with a judgment, decree or court order. This includes divorce, legal separation, annulment, or change in legal custody. The election change must be consistent and correspond to the court order.
6. The employee's spouse, or any of their dependents, become eligible or lose eligibility for coverage under Medicare or Medicaid. The election change must correspond with the gain or loss of coverage.
7. The employee's dependent care expenses change due to a provider rate change. This includes both increases and decreases in expenditures. However, the provider must not be the employee's relative.
8. Change in dependent care provider. The employee may make an election change to reflect the cost of the new provider.

If an employee goes on a leave of absence, military leave, or a leave covered by the Family and Medical Leave Act (FMLA), their medical spending and dependent care contributions or pre-tax insurance premiums may be made as follows:

Under the pre-pay option, the employee may pay the amounts due while on leave on a pre-tax basis by having the total amount due payroll deducted prior to the leave.

Under the pay-as-you-go option, the contribution may also be made pre-tax from any taxable compensation, such as annual leave or sick leave during the leave period.

Under the "catch-up option", NDPERS will continue coverage during an unpaid leave. Upon return from leave, a participant will catch up with pre-tax payroll deductions.

The employee may elect not to participate while on leave. If they elect not to participate while on a leave of absence, they will not be entitled to receive reimbursements for claims incurred

beyond the last day of the month a contribution is received. Upon returning from leave, the employee may reinstate the coverage that was in effect prior to their leave or reinstate the coverage less the contributions that were missed during the leave.

A change in election is allowable and consistent with IRS regulations only if the change in status results in the employee, or their spouse or dependent, gaining or losing eligibility for coverage under the employer's plan. The election change must correspond with the gain or loss of coverage.

If the change in status event is the birth of a child, and the employee is a participant in the plan at the time of birth, the effective date of coverage is the date of birth. If the change in status event is for reasons other than the birth of a child and the employee is a participant in the plan, the effective date of coverage is the first appropriate pay period after the election is received.

If an employee is not enrolled in the Plan prior to the change in status event, the effective date of coverage is the date the first payroll contribution is received.

Upon receipt of the form, NDPERS will review the change in status request and send the agency payroll/human resource contact and employee notification indicating request is either approved or denied. **Important – Agency Payroll/Human Resource Staff – Do not make any changes to employee benefit record or change pre-tax deductions until you receive notification from NDPERS.** The enrollment effective start date should be based on your ESS Benefit Enrollment Report.

AGENCIES USING THE PEOPLESOFT PAYROLL SYSTEM

Entering the FlexComp Change in Status on PeopleSoft Benefits Administration
To enter new enrollments or changes in annual pledge amounts, use a manual PRN event with an event date equal to the Approved Effective Date. Enter the annual pledge amount(s) for the medical spending or dependent care accounts.

To terminate coverage for employees who elect not to participate while on leave, use a manual PRT event with an event date equal to the last date deductions were received. (Example: if employee went on leave March 15 and received their last paycheck April, the event date would be April 1). Remove the FSA option and annual pledge amount from the election entry page.

To reinstate coverage for employees who elected not to participate while on a leave, use a manual PRN event with an event date equal to the Approved Effective Date. Enter the annual pledge amount(s) for the medical spending or dependent care accounts.

AGENCIES WITH THEIR OWN PAYROLL SYSTEM will set up or change employee pre-tax payroll deduction based on information received from NDPERS and submit payment to NDPERS.

CONTINUATION OF COVERAGE IN A MEDICAL SPENDING ACCOUNT (COBRA)
SFN 53512

SEPARATION FROM EMPLOYMENT

AGENCIES USING THE PEOPLESOFT PAYROLL SYSTEM

Terminating FlexComp due to Separation from Employment for agencies on PeopleSoft Benefits Administration System

A termination event will be created when the employee's termination date is entered in job data. Processing the termination event will stop the FlexComp medical and dependent care deduction from being taken from the employee's last paycheck. In order for the deductions to be stopped, the termination event must be finalized/closed before the employee's last paycheck is issued.

AGENCIES WITH THEIR OWN PAYROLL SYSTEM will remove the pre-tax payroll deduction from the payment to NDPERS.

COBRA CONTINUATION – MEDICAL SPENDING ACCOUNT:

If participation terminated due to a separation from employment and the employee returns to state employment within 30 days in the same plan year, their election may be reinstated as it was immediately prior to the separation of service. If the employee returns to state employment after 30 days in the same plan year, they can not participate for the remainder of the plan year

If an employee separates from employment they will be offered COBRA continuation coverage through the end of the plan year. The employee will have sixty (60) days from the date of the COBRA notice to elect continuation coverage and complete the Continuation of Coverage in Medical Spending Account (COBRA) SFN 53512. Unless an employee elects COBRA, their coverage will end on the last day of the month of the separation of service.

If the employee becomes widowed, divorced, or legally separated or their dependent child ceases to be a dependent under the terms of the Plan, their spouse or dependent(s) may have the right to continuation coverage. It is the responsibility of the person seeking continuation coverage to inform NDPERS within 60 days of the occurrence of the event.

COBRA PREMIUM PAYMENT OPTIONS

- **Pay with Pre-tax Dollars**
  Employee's who elect COBRA continuation coverage, are permitted to pre-tax their COBRA premiums and pre-pay the premium through the end of the current plan year from their final paychecks.

  Upon receipt of the form, NDPERS will send the agency contact and the employee notification of the Flexcomp COBRA premium payment.

  Agencies using the PeopleSoft Payoll System will set up a one-time pre-tax deduction to pay employee COBRA premium through the end of plan year.

Agencies with their own payroll system will set up one-time pre-tax payroll deduction to pay employee COBRA premium through the end of the plan year and submit payment to NDPERS.

- **Pay with After Tax Dollars**
  COBRA payments may also be paid by the employee with after-tax dollars by personal check or money order through the end of the plan year. Coverage may terminate earlier if the premiums are not paid within 30 days of the 1st business day of each month.

  If an employee elects to pay for COBRA continuation coverage with after-tax dollars, the premium will be the election amount in effect at separation plus a 2% administrative charge.

DEPENDENT CARE ACCOUNT

If an employee separates from employment their contributions will cease and payroll deductions will stop after the last day of the month of their separation from service. There is no COBRA continuation option. The employee may continue to file claims for qualifying expenses incurred during the plan year until they have been reimbursed the remaining balance in their account.

The final day for accepting claims for the Plan Year from either an employee's medical spending or dependent care account, for services received while the employee was a participant, is four months after the plan year ends on December 31 or until April 30.

NOTICE OF TRANSFER
SFN 53706

All instructions, terms and conditions are in the NDPERS Notice of Transfer Kit.

If an employee separates from employment and transfers to an employer that participates in the NDPERS FlexComp Plan, their coverage will transfer to the new employer. No change in contributions will be allowed unless there is an IRS qualified change in status.

FILING PROCEDURE: Original to NDPERS – Please retain a photocopy for your records.

REPORTING FLEXCOMP CONTRIBUTIONS & FICA TAX

Chapter **54-52.3-03** of the North Dakota Century Code requires that the FICA tax savings be remitted to defray expenses of administering the program.

AGENCIES ON THE PEOPLESOFT PAYROLL SYSTEM

The Section 125 administrative fee has been setup on PeopleSoft payroll system to automatically calculate the FICA tax savings and send the payment to NDPERS.

AGENCIES NOT ON THE PEOPLESOFT PAYROLL SYSTEM

Agencies will use form SFN 59026 FlexComp Transmittal of Deduction to report their FlexComp contributions.

Agencies will send the form electronically to the NDPERS Secure File Transfer site.

Agencies have the option to submit their FlexComp payments by Electronic Funds Transfer (EFT) or with a check or money order.

APPEALS PROCEDURE

The appeals procedure is for those situations in which the circumstances contributing to the delay for requesting reimbursement are beyond the participant's control. After four (4) months from the close of the plan year and before the end of 360 days following the close of the plan year, the participant may request the Appeals Committee to authorize reimbursement of a qualifying medical expense incurred during the plan year. The following guidelines will apply:

- A written request must be submitted by the participant to the Appeals Committee specifying the request and the reason(s) why the qualifying medical expense was not submitted on or before the end of the four (4) month run out period following the close of the plan year (December 31). The request should be sent to NDPERS, Attn: FlexComp Administrator, PO Box 1657, Bismarck, ND 58502-1657.

- The Appeals Committee may authorize payment for any reason constituting good cause not involving fault on the part of the participant, if such payment would be permitted under Section 125 of the Internal Revenue Code.

- Upon authorization from the Appeals Committee, NDPERS will reimburse the participant for the amount not to exceed the account balance. The decision of the Appeals Committee is final.