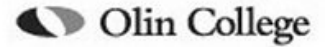




Reimbursement News



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Vol. 1

Flexible Spending Accounts save money!

Franklin W. Olin College of Engineering announces open enrollment in Flexible Spending Accounts!

Your medical insurance plan and other benefits help you pay for many of your expenses, but you still have some portion of these costs that you must pay such as deductibles and copayments. You may also have dental or vision expenses that are not paid by insurance. The Health Care Flexible Spending Account (FSA) can help by allowing you to pay your share of the costs with tax-free income!

Without an FSA, you must pay your medical, dental and vision expenses with your after-tax income. Depending on your tax rate, you could be paying 34% or more in income taxes on the money you spend for these services. Using the FSA could allow you to avoid these taxes, saving you a significant amount of money.

As an example, if you spend \$300 per year for prescriptions, you could save nearly \$100 by avoiding the income taxes on these expenses. The Health Care FSA can be used by eligible employees and their qualified dependents, regardless of where they obtain their medical insurance.

There is a second type of FSA that allows you similar savings on work-related day care expenses. This includes pre-school, after-school care for children from first grade through age 12, and care for dependents over age 12 if they are mentally or physically unable to care for themselves.

Please read the remainder of this newsletter for more information about how the FSAs work. The FSAs are valuable tools you can use to help reduce medical, dental, vision and day care expenses, but you must understand them to take full advantage of the savings they offer.

Who is eligible for the Reimbursement Accounts?

You must be eligible to participate in your employer's medical insurance plan to participate in the FSA plans.

If you are a participant, your family members that you claim as dependents for tax purposes are also participants, no matter where they are covered for medical insurance. So you may seek reimbursement for medical, dental, vision, hearing and day care expenses you incur on their behalf.

Is a Flexible Spending Account right for you?

- | YES | NO | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | 1. Do you have predictable medical, dental or vision expenses such as deductibles, copayments, eyeglasses, contacts, dental work, prescription drugs, etc.? |
| <input type="checkbox"/> | <input type="checkbox"/> | 2. Do any of your dependents have predictable medical expenses? |
| <input type="checkbox"/> | <input type="checkbox"/> | 3. Do you have any work-related day care expenses? |

If you answered Yes to any of the above questions, you can increase your spendable income by reducing your income taxes and FICA taxes.

Your savings can exceed 35%. If you have \$1,000 of eligible expenses, you can save more than \$350.00 in taxes.

The Two Flexible Spending Accounts

Your employer allows eligible employees to participate in Flexible Spending Accounts (FSA) that can save you a significant amount of money on qualified expenses. There are two accounts:

The Health Care FSA allows you to set aside tax-free money out of your paycheck that you can use to cover medical, dental, vision and hearing expenses not reimbursed by insurance.

The Dependent Care FSA can be used to pay for work-related dependent care (day care). Like the Health Care FSA, you decide how much to put into the Dependent Care FSA on a tax-free basis. Money in this account can be used to pay for pre-school expenses for children up to first grade, and after-school care for children through age 12. Care for older dependents is eligible if the dependent is mentally or physically incapable of self-care.

Why Use an FSA?

Most of the money you spend on routine expenses comes out of your after-tax income. This means you earn money, then pay taxes, and spend what is left. By using the FSAs, you can avoid paying taxes on certain qualified expenses, assuming you follow the rules.

For example, a lower-paid employee may pay up to 14% federal income tax and 7.65% in FICA taxes. This is an effective tax rate of 21.65%. By paying your expenses with tax-free income, you can save up to 21.65%.

Most middle income families pay up to 27% in federal income tax and 7.65% in FICA taxes. This means you can save up to 34.65% if you fall into this category. You may save even more if you pay state or local income taxes.

How can this affect you?

If you are a middle-income family and you spend \$200 on a pair of eyeglasses, you would have to pay at least \$78 in taxes on the \$200 expense. Using the FSA can save you the \$78, thereby making the eyeglasses more affordable. If you have \$1,500 in orthodontia, Lasik surgery, or other expenses, you can save more than \$500 in taxes. These taxes are a hidden cost of everything you buy, so why not avoid taxes when possible to give yourself more spendable income?

What is the difference between the Health Care FSA and the Dependent Care FSA?

The Health Care FSA covers medical, dental, vision and hearing expenses you incur for yourself or your qualified dependents. The amount available for reimbursement is the full amount you are expected to contribute during the year.

The Dependent Care FSA is used for work-related dependent care (day care) expenses. The amount available for reimbursement is the actual amount of your contributions.

With both accounts, funds left unused at the end of the plan year will be forfeited, so you should plan carefully. But remember, you can save a substantial amount of money if you use the accounts properly.

How much can go in an FSA account?

With an FSA, if you decide to participate, you decide the amount you want to contribute during the plan year. The maximum Health Care FSA contribution is \$6,000 annually. The maximum contribution to the Dependent Care FSA of \$5,000, or \$2,500 if you are married and file separate tax returns.

What are eligible expenses under the Health Care FSA?

You may request reimbursement of expenses for yourself or your qualified dependents. Eligible expenses must be necessary for the diagnosis, treatment, cure, mitigation or prevention of a specific medical condition. Expenses you incur to improve general health, or cosmetic expenses are not eligible.

The list includes but is not limited to:

- Birth Control Pills
- Chiropractic care
- Crutches
- Coinsurance
- Contact lens expenses
- Copayments
- Deductibles
- Dental care
- Eyeglasses
- Fees paid to doctors
- Hearing aids & batteries
- Hospital services

- Laboratory fees
- Laser Eye Surgery
- Optometrists
- Orthodontia
- Prescription drugs
- Psychiatric services
- Sterilization
- Surgery
- Therapy
- Transportation to Doctor

Ineligible expenses include but are not limited to:

- Cosmetic procedures
- Health clubs (unless medically necessary)
- Vitamins
- Weight loss (unless medically necessary)

How do I plan my Health Care FSA contribution?

First, you need to understand what your insurance plans will pay. The FSA will not reimburse you for expenses paid by insurance.

If after carefully considering what insurance will pay (including any non-employer sponsored plans), you have additional expenses you expect to incur, use the worksheet below to carefully estimate your annual contribution to cover these expenses for yourself and any dependents.

Deductible	_____
Copayments	_____
Coinsurance	_____
Dental Care	_____
Contact Lenses	_____
Eyeglasses	_____
Prescription drugs	_____
Surgery	_____
Other	_____
Total	_____

This is the amount to contribute to the Health Care FSA.

How does the Dependent Care FSA work?

Like the Health Care FSA, you must decide how much to contribute. This is usually easy with the Dependent Care

Account because expenses are predictable. You just figure out what you spend on a per-payday basis for preschool, after-school or care for older dependents that is necessary for you to work, or if you are married, for both you and your spouse to work. The day care services can be provided in a licensed day care center, or by an individual in your home or the day care provider's home. Day camps are also eligible if the services are used in lieu of regular day care.

Unlike the Health Care FSA, you can change your contribution level if your expenses change (subject to plan limits). If your expenses are different during the summer when school is not in session, you can make a corresponding change when your costs change.

The other major difference is that you may obtain reimbursement for expenses only up to the amount you have contributed. If you have contributed \$100 and you request \$150 in reimbursements for eligible expenses, you will only receive \$100 until future contributions are received (in the same plan year). Then the remaining \$50 will automatically be paid.

You may be eligible for a Child Care Tax Credit. Please check with your tax adviser to find out which program works best for your situation

How do I plan my Dependent Care FSA contribution?

Food and education will be covered if provided by the nursery school or day care center as part of its preschool care services. Food and education expenses are not covered for first grade or higher. Good planning and careful estimating is the best way to take full advantage of your Spending Accounts. Review your records for the last few months and estimate your expected expenses for the next 12 months (January 1, 2007 through December 31, 2007):

Child Day Care Expenses	_____
Pre-school Expenses	_____
Summer Day Camp Expenses	_____
Adult Day Care Expenses	_____
Total	_____

How do I enroll in the FSAs?

First, use the worksheets to estimate the expenses you expect to incur during the coverage period. If you sign up during the annual open enrollment period, you should consider expenses from January 1, 2007 through December 31, 2007. The coverage period is called a plan year. If you sign up after a plan year has started because you are newly eligible or have experienced a qualifying event, you should consider expenses only through the end of that plan year.

How do I use the FSAs?

You may access your FSA by either using your SmartFlex™ Debit Card or by submitting a Request for Reimbursement for qualified expenses.

If you use the SmartFlex™ Debit Card, you must submit third-party documentation for all expenses within 30 days, showing at a minimum the date of service, the nature of services, the name of the provider and the amount you paid, along with a properly completed Debit Card Transaction Form. Such documentation is not required for standard office visit copayments or standard prescription copayments, but you should still obtain such documentation in case it is requested. If you do not submit adequate documentation in a timely manner your debit card may be blocked and you may be required to repay the expense. The Debit Card Transaction form is available from Human Resources or you may download and print the form at the BenefitsWorkshop website, BenefitsWorkshop.com/olin. Please read the enclosed SmartFlex™ Debit Card insert for more information.

If you choose to submit a Request for Reimbursement form rather than using the debit card, you may obtain the form from Benefits/Risk Management or you go online and print the form at the BenefitsWorkshop website, BenefitsWorkshop.com/olin. You then complete the form, following the instructions on the back of the form. Appropriate documentation for a Request for Reimbursement is a detailed receipt, bill, or Explanation of Benefits from an insurance company for each expense you incur.

Forms and documentation may be faxed to the BenefitsWorkshop at the number shown on the form, or it can be mailed to the indicated Post Office Box.

Requests for Reimbursement are processed weekly. Requests received by Thursday of each week are processed on Friday and resulting payments are mailed

to your home address on the following Tuesday. These dates may be adjusted for holidays.

You have until March 31, 2008 (or from three months from the date you become ineligible) to file for expenses incurred while you were a participant during the plan year.

Are there any special FSA rules?

Yes. You must sign up for the FSAs during the annual open enrollment period or within 30 days of a qualifying event. Qualifying events include:

- Marriage or divorce
- Gaining or losing a dependent
- Becoming eligible for coverage
- Losing eligibility for coverage

Once you are enrolled in the FSAs, you may not change your contributions unless you experience one of the qualifying events. The exception is that you may begin, change or terminate Dependent Care FSA contributions if your expenses change.

Participation ends in the Health Care FSA when you terminate employment, lose your eligibility or cease making contributions due to a qualifying event. Expenses incurred after participation ends will not be reimbursed and unused funds will be forfeited. You may have a right to continue participation after termination or loss of eligibility under COBRA by making additional contributions, but this participation may not extend beyond the end of the plan year.

Again, unused funds in the FSAs at the end of the plan year are forfeited, so please plan carefully to take full advantage of the tax savings without unnecessary risk.

How do I get more information?

You may contact the BenefitsWorkshop at:

Toll-free Phone - (888) 537-3539

E-mail – info@benefitsWorkshop.com

Web: BenefitsWorkshop.com/olin

The content of this newsletter is believed to be correct; however, if there is a discrepancy between the newsletter and the plan documents covering these benefits, the plan documents will govern the operation of the plan.