CSU lifornia State University

January 2013

Dependent Care Reimbursement Account (DCRA)

This brochure is intended to provide highlights of the California State University (CSU) Dependent Care Reimbursement Acc (DCRA) Plan. There are many important rules regarding this plan, so please read this material carefully. Complete details of t plan are provided in the of cial plan document, which is at all times the ruling plan document. If you have questions about the plan, or wish to review a copy of the plan document, contact your campus Bene ts Representative.

OVERVIEW

The CSU Dependent Care Reimbursement Account (DCRA), a voluntary bene t for eligible employees, offers you the ability to pay for eligible out-of-pocket dependent care expenses with pre-tax dollars. If you enroll in the plan, the contributions you make to your account are deducted from your pay before federal, state and FICA taxes are calculated. Your taxable income is reduced, and consequently, your taxable income re ected on your annual W-2 statement is reduced. Expenses eligible to be reimbursed from the Dependent Care Reimbursement Account include certain expenses for dependent care if the care is required in order for you (your spouse or domestic partner) to work. The "Eligible Expenses" section of this brochure provides more information on reimbursable expenses.

DCRA plan enrollment is based on calendar year from January 1–December 31.

Please Note: If you wish to participate in this plan, you must enroll each year you want to participate because your annual enrollment will not automatically renew.

The annual open enrollment period is normally September–October. The effective date of the plan coverage will be January 1–December 31 of the following year.

ELIGIBLE EMPLOYEES

You are eligible to enroll in the Dependent Care Reimbursement Account if you are in an Executive, Management Personnel Plan (MPP), Con dential or other nonrepresented position, or are covered by a collective bargaining agreement that provides the bene t. Rehired annuitants and employees under the Faculty Early Retirement Program (FERP) are not eligible to participate.

ENROLLMENT AND EFFECTIVE DATE OF COVERAGE

Employees may enroll in the plan within 60 days of hire, or due to a subsequent change in status (see explanation under the "Change in Status" section of this brochure) or during open enrollment.

For new employees that are enrolled after the plan year begins, participation in DCRA will be for the remai-r6r 48 the plan year, and coverage will become effective on the 1st 48 the month following enrollment (subject to campus and State Controller's Of ce processing timelines).

Once coverage begins, you will not be able to change your contribution amount unless you have had a change in status.

HOW TO ENROLL

You will need to obtai- a Dependent Care Reimbursement Account Enrollment Authorization Form from your campus Bene ts Representative. On the form, list the amount you want deducted each month from your paycheck on a pre-tax basis. You will be charged a small administrative fee that is deducted from your salary on an after-tax basis.

YOUR DEPENDENT CARE REIMBURSEMENT ACCOUNT (DCRA)

The CSU Dependent Care Reimbursement Account provides reimbursement for eligible dependent care expenses from your pretax income, via a special tax-free account set up for this purpose.

Each month, the dollar amount you preselect is deducted from your salary before federal, state and FICA taxes are withheld. These deductions are held in your personal Dependent Care Reimbursement Account until you incur eligible expenses and le a claim for reimbursement. Even when paid out as reimbursements, the funds remain tax-free. Tax-free Dependent Care Reimbursement Accounts are governed by a number of rules, most of which are set by the Internal Revenue Service (IRS) and can be changed only by that agency.

ELIGIBLE EXPENSES

CHANGE IN STATUS

Once the plan year has begun, you cannot make changes in your authorization unless there has been a change in your status, as de ned by the IRS.

Please note that your election must be on account of and consistent with one of the following events:

- Change in Marital Status – Marriage, divorce, death of spouse, legal separation or annulment;
- Death of domestic partner ;
- Change in Number of Dependents – The birth, death, adoption or placement for adoption of a child;
- Termination/Commencement of Employment – The beginning or the end of employment of the employee, spouse, domestic partner or dependent;
- Change in Work Hours – Change in work schedule including a reduction or increase in hours, full-time/part-time switch, start/stop of unpaid leave of absence or a strike or lockout of employee, spouse, domestic partner or dependent;
- Dependent begins or ceases to meet eligibility Your dependent satis es (or ceases to satisfy) dependent eligibility requirements for DCRA;
- Signi cant increase or decrease in cost of your dependent care provider (as long as provider is not a relative); or
- Change in dependent care provider.

If you have a change in status, you may increase (up to the appropriate IRS limit), decrease, start or stop your contributions by ling a new Authorization Form within 60 days of the status change. Any change you make must be on account of and consistent with the change in status.

If you stop your contributions, you may continue to submit any eligible expenses incurred before you stopped participating for the remainder of the plan year or until your account is exhausted, whichever comes rst. (The same rule applies if you should terminate your CSU employment for any reason.)

AMOUNT YOU CAN CONTRIBUTE

You can contribute any amount from a minimum of $20 per month to a maximum of $416.66 a month ($5,000 a year). However, if you are married but le a separate tax return, your annual maximum is $2,500.

Please Note: The federal tax rules regarding DCRA described in this section do not apply to registered domestic partners or same-sex married couples.

The IRS requires certain other limits in special situations.

If you or your spouse earned income of less than $5,000 a year, your maximum contribution is equal

Any one of the following documents may be used to show due diligence:

1. A completed Form W-1O, Dependent Care Provid - er's Identi cation and Certi cation. This is an IRS form that individuals should give to each of their care providers to complete and return;

2. A copy of the care provider's Social Security card or driver's license;

3. A recently printed letterhead or printed invoice from the provider if it includes the name, address and TIN of the provider; or

4. A copy of the completed Form W-4, Employee's Withholding Allowance Certi cate, if the provider is the taxpayer's household employee.

HOW TO PLAN YOUR CONTRIBUTIONS

If you are already paying dependent care expenses, you probably know your annual expenditures. By looking at your records for the past year, and in - quiring about any increase in fees planned by your provider, you can estimate your contributions.

If dependent care expenses will be a new item in your budget, because you are expecting a baby or planning to take charge of a disabled relative, you will need to investigate available resources and their costs.

You mu0 1Npldr if it includes e7

processed against the previous plan year first if there is an account balance remaining after December 31 and filed by the claims filing deadline. However, you can request that a claim incurred January 1 through March 15 be applied to the current plan year (must be enrolled) rather than the previous plan year. Such requests must be in writing and submitted with the claim for special handling.

If you choose to not re-enroll in DCRA for the subsequent plan year, you can utilize only the remaining account balance in your account as of December 31 for reimbursement of eligible grace period claims that are incurred January 1 through March 15 of the following year.

Claims applicable to DCRA cannot be reimbursed from HCRA account balances, and vice versa.

Please Note: if your participation in DCRA is terminated prior to December 31, you are ineligible to file any claims under the grace period extension.

CLAIMS DENIAL AND APPEAL

You will receive written notice of any denied claims. You will have 60 days from the date of the written notice to file an appeal of that specific claim denial with the Claims Administrator. The Claims Administrator will provide you with a written notice of the resolution of the appeal within 60 days of the appeal.

TERMINATION OF YOUR PARTICIPATION/PLAN

Your participation in the Dependent Care Reimbursement Account will end as of the later of the following:

- At the end of the month in which you last contributed (for claim filing purposes, eligible expenses only will be reimbursed for services provided through the end of this period). For example, if you terminate in May, your last contribution to DCRA is taken from your May salary, and your participation ends June 30.
- The end of the current plan year if you fail to re-enroll during the annual open enrollment period.
- Upon termination of your employment.
- The date of your death.
- Upon termination of this plan.

This plan may be terminated by the CSU only as of the end of any plan year.

Any amounts credited to your account as of the end of the plan year, that remain unclaimed through the reimbursement process by the following June 30, will be forfeited.

FINAL NOTE

Through the Dependent Care Reimbursement Account, it is possible to pay for dependent care expenses on a tax-advantaged basis easily and automatically. If you carefully consider your decision to participate, you will find it a worthwhile addition to your CSU benefits package.

Refer to Internal Revenue Service (IRS) Publication 503 for additional information.

The IRS website address is: http://www.irs.ustreas.gov.