



PROPOSAL

Aflac

Flexible Benefits Solution

CLIENT CONTACT NAME

Job Title

CLIENT NAME

Street Address, City, State, Zip

Phone Number

Fax Number

Email

Month 00, 2014

SALES REP NAME

Job Title

Phone Number

Email

WAGeworks, INC.

1100 Park Place

San Mateo, CA 94403

www.takecarewageworks.com

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take care® by WageWorks

A complete Flexible Benefits Solution

Since 2000, WageWorks has been dedicated to being a world-class provider of benefit services, delivering the easiest-to-use and most convenient solutions that enable employers, individuals, and their families to maximize savings on health, commuting, and other tax-advantaged accounts. Today, WageWorks is the leading provider of tax-advantaged solutions and services in the United States, consistently setting industry standards for high-quality service and innovation.

Key advantages

WageWorks' services are designed to provide an excellent experience for participants. Maximizing employee satisfaction will result in greater participation by employees and greater savings for your company.

Specific advantages include:

- Acclaimed take care® employee education program
- Participants can pay qualified expenses directly from their flex accounts with the take care® Flex Benefits Visa® Debit Card*
- Daily claims processing
- Easy plan funding
- Highly responsive service center
- Account information access 24/7



* The take care® Flex Benefits Visa® Debit Card is issued by Bancorp Bank pursuant to a license from Visa U.S.A. Inc. Bancorp Bank; Member FDIC.



A Team You Can Depend On

The WageWorks support team is exceptionally qualified to provide the highest level of service to your company and its employees. While WageWorks is recognized for our leading-edge technology, our customer-first philosophy ensures that every product is backed by world-class support and service.

Trusted advice

WageWorks flex consultants are industry certified at the level of Certified in Flexible Compensation (CFC) or Certified in Flexible Compensation Instruction (CFCI).

Service excellence

It takes a seasoned team to consistently deliver exceptional service. WageWorks professionals have significant industry experience and bring the advantage of years of working closely together at a single location. They are committed to achieving an 80 percent first-call resolution service standard.

Industry leadership

The people who lead our team also lead the industry. This means that your company can trust that WageWorks flexible benefit plans are the most up-to-date and innovative in the market. We have board-level leadership in key industry groups such as the Employers Council on Flexible Compensation (ECFC)^{1*}, and our compliance officer is the current president and chair of SIGIS (Special Interest Group for IIAS Standards). We also author technical articles and have speakers sought after for industry conferences.

¹ECFC (Employers Council on Flexible Compensation) is a non-profit organization dedicated to the maintenance and expansion of private, tax-advantaged employee benefit programs. ECFC has two levels of certification for flex plan administrators, Certified in Flexible Compensation (CFC) and Certified in Flexible Compensation Instruction (CFCI).



Why You Should Select WageWorks

Brokers and agents trust us

The take care name has been known to insurance carriers, brokers, and agents for over twenty years. By combining take care with WageWorks, an industry leader synonymous with quality, innovation, and service; we have developed the ideal benefit plan for growth-oriented businesses, backed by expertise and tools tailored to the unique needs of this market segment.

Executives understand the value for their employees

Chief executive officers know the importance of running a business. They also know that their employees are their biggest asset. They realize that choosing to work with WageWorks means no skimping or shortcuts with their benefits.

Chief financial officers like the transparency that the interactive websites afford to employers and employees, real-time balances for debit card transactions and accountability of reports. Your team will have their own web portal to efficiently direct your company's plan with real-time reports for participant additions, deletions and changes.

Human resources and payroll teams appreciate our “no hassle” plan administration

Human resource professionals and payroll departments like the ease of introducing and installing flexible benefit plans to employees. Your employees need to understand and effectively take advantage of flexible benefit plans. This is especially important as you move to consumer-directed health plans.

WageWorks values our role in helping employees understand how to maximize the advantage of participating in these accounts and provide excellence in education and enrollment materials.

The Employer Experience

Once the initial interview is complete and your company has received a setup kit and employee enrollment materials, you will be asked to distribute the enrollment forms and the educational materials. The enrollment kit includes posters to hang on the wall, mailbox stuffers for employees, and a CD explaining the plan to your employees and their families.

- Employees will complete the enrollment form and return it to the appropriate person within your company.
- Enrollment information is then entered into the WageWorks' employer website. Your plan consultant will introduce you to the employer website and provide an online training video for your convenience.
- WageWorks then takes care of the rest. Our processes are built to keep your company's contacts informed and to work with you at your convenience.
- From the employer website you may access information about your company's plan. Reports are available to keep you advised of account balances, debit card activity, contributions, and disbursements in the plan.
- You will only be asked to tell us about new participants in the plan, changes that current employees may experience and terminated employees. You will communicate these changes through your website.
- Your funding of the plan is easy because it's automated via electronic funds transfer (EFT). We move the funds at pre-determined intervals, so no funding deadlines are ever missed.
- Your monthly invoice won't contain any surprises. There are no additional fees for work we do throughout the plan year. You know the exact amount of each monthly bill before the plan year starts and your bill will not change unless your plan experiences more than a 10% increase in participation during the plan year.
- WageWorks will work directly with a member of your human resources/benefits department to assist in ongoing administration. All ongoing eligibility changes can be processed on our website or communicated to WageWorks via appropriate media.
- Our compliance team will provide Plan Document & Summary Plan Document updates/amendments as required. We will also perform the necessary nondiscrimination testing.
- Our standard Administrative Service Agreement is included for your review.
- Finally, our employer services team is available during normal business hours to answer any questions you might have.

The Employee Experience

- WageWorks supplies all enrollment and educational materials employees need to learn about the flexible benefit plans your company offers. Materials are available both in hard copy and online.
- Employees are encouraged to view the education video at www.takecareWageWorks.com or the CD included in the setup kit either at work or at home, so family members can get the same information about these great benefits.
- Before the beginning of each plan year, employees are asked to complete and sign an enrollment form in order to participate in the plans. Participants in the plan then receive a welcome notification that introduces them to the employee website.
- Participants and dependents also receive a free take care[®] flex benefit card to use for eligible expenses. One card can access their health spending account, dependent care account and health reimbursement account. Assuming transactions are made for eligible benefits at qualified merchants, this means no out-of-pocket expenses that require reimbursement later.
- Manual claims are processed daily and reimbursements are issued within 2 business days. Employees can be reimbursed via check or direct deposit.
- Throughout the year, participants are encouraged to go to the employee website to check their account balance and view a list of eligible expenses customized for their plans. They can even file a claim online.
- Our employee services team is available during normal business hours to answer any questions your employees might have. Account information is also available via IVR.

Healthcare Flexible Spending Accounts (FSA)

Sometimes referred to as FSAs, flexible spending accounts, cafeteria plans, Section 125 plans or flex plans, healthcare flex accounts let employees set aside a portion of each paycheck before paying income taxes.

The portion of salary that an employee directs to the plan is not taxed. Employees save federal income tax, state and local taxes (where applicable), and Social Security tax (assuming the employee's salary is below the maximum Social Security wage base).

The employee's pre-tax payroll deduction is "banked" in an account maintained by us for the employee. Qualified expenses incurred by the employee are reimbursed tax-free from dollars "banked" in the account.

Employees save 25% to 40% on everyday items not covered by insurance

- Co-pays to doctors and pharmacies
- Over-the-counter drugs* (except vitamins)
- Prescription drugs
- Office visits and checkups
- Prescribed sunglasses and eyeglasses
- Contact lenses, solutions, and supplies
- Eye exams, surgery, and LASIK
- Dental cleanings, fillings, and X-rays
- Braces, spacers, and retainers
- Wisdom teeth, implants, and oral surgery
- Psychologist and psychiatrist fees
- Obstetrics and fertility
- Lab tests and body scans
- Chiropractic and podiatrist fees
- Hearing aids, batteries, and exams
- Walkers, canes, and wheelchairs
- Physical and speech therapy
- Weight-loss program (if prescribed by doctor)
- Alcoholism, smoking cessation, and drug treatment programs
- Medical alert bracelet and fees
- Reconstructive surgery
- Special schooling for disabled child
- Travel and mileage to doctor or hospital

Is there a limit on how much employees can save?

Your company determines the maximum annual amount an employee can set aside in their account. Typically, employers choose an amount between \$1,000 and \$2,550.

What about the advantage of the grace period?

The grace period is a relatively new component of the flex plan that gives employees up to an additional 2 months to spend the money in their accounts. Since the grace period gives employees more time to spend their money, there's less chance of them losing (or forfeiting) their dollars when the plan year ends. Your company must actively choose to include this benefit feature when setting up your plan. Please visit takecareWageWorks.com to learn more about healthcare flexible spending accounts.

Carryover Option

When it comes to a Healthcare FSA, the "Use It or Lose It" rule is no longer the only option. Your company may now allow your employees to carry over up to \$500 of Healthcare FSA balances remaining at the end of a plan year. The carryover option may not be combined with a grace period. Key benefits of the carryover option include:

- Higher employee participation rates
- Greater tax savings for your company
- More flexibility and choice for your company and employees
- Automated and hassle-free Implementation

* The IRS requires that reimbursement for OTC medicines and drugs be accompanied by a physician's prescription in order to be reimbursed under Health Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs) and Health Savings Accounts (HSAs).

Health Reimbursement Arrangement (HRA)

As employers search for that “silver bullet” to reduce their growing healthcare costs, many are turning to high-deductible health plans. These high-deductible plans mean lower premiums and savings for clients—however, it means more out-of-pocket expense for employees.

To help take some of the sting out of higher deductibles, many employers are coupling their employer-sponsored health plan with a Health Reimbursement Arrangement (HRA) to pay a portion of the expenses the employee must incur before meeting their deductible.

How an HRA works with your health plan

- Select a high deductible health plan that’s best for your company.
- Decide how much you want to allocate into a health reimbursement account for each employee. You can choose the same amount for everyone or more for families. The choice is yours.
- Design an HRA that is best for you. You can design an HRA that pays only prescriptions or medical expenses that are subject to the deductible. Or, you can choose a more comprehensive plan that pays for items like over-the-counter* (OTC) drugs, contact lenses, orthodontics, prescribed weight loss or smoking cessation programs.

Questions to guide you in designing a plan that is best for you and your employees

- How much should I allocate for each employee and his or her family?
- Do I want to give employees the ability to pay for items through the HRA that a typical health plan does not cover? (Items like over-the-counter drugs, eyeglasses, contact lenses, orthodontics, etc.)
- Would I like to recoup any HRA allocations that employees don’t use during the year, or allow employees to accumulate unused allocations from year to year?
- Do I want to maximize my savings by limiting the expenses paid from the HRA to cover only a portion of the prescription medicines and medical expenses that fall below the deductible?
- If my employees need to budget even more for expenses than are covered in the HRA, do I also want to allow my employees to make a pre-tax contribution to a healthcare flexible spending account?

* The IRS requires that reimbursement for OTC medicines and drugs be accompanied by a physician’s prescription in order to be reimbursed under Health Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs) and Health Savings Accounts (HSAs).

Health Savings Account (HSA)

Employers are looking for ways to reduce their healthcare premiums and provide a way for employees to save tax-free money to pay for healthcare expenses the insurance plan doesn't pay. Many are turning to qualified high deductible health plans with an accompanying Health Savings Account (HSA) to provide an affordable alternative to more traditional plans.

The HSA allows employees and employers to deposit pre-tax dollars into an employee-owned account to pay for out-of-pocket healthcare expenses that insurance doesn't pay.

Employees will save 25% to 40% in taxes.

The portion of salary that an employee directs to the plan is not taxed. Employees save federal income tax, state and local taxes (where applicable), and Social Security tax (assuming the employee's salary is below the maximum Social Security wage base).

The employee's pre-tax payroll deduction is "banked" in their HSA account maintained at a custodial bank. Qualified expenses incurred by the employee are reimbursed tax-free from dollars "banked" in the account.

Employees can save 25 to 40 percent on everyday items not covered by insurance, including but not limited to:

- Co-pays to doctors and pharmacies
- Over-the-counter drugs (except vitamins)
- Prescription drugs
- Office visits and checkups
- Prescribed sunglasses and eyeglasses
- Contact lenses, solutions and supplies
- Eye exams, surgery and LASIK
- Dental cleanings, fillings and X-rays
- Braces, spacers and retainers
- Wisdom teeth, implants and oral surgery
- Psychologist and psychiatrist fees
- Obstetrics and fertility
- Lab tests and body scans
- Chiropractic and podiatrist fees
- Hearing aids, batteries and exams
- Walkers, canes and wheelchairs
- Physical and speech therapy
- Weight-loss program (if prescribed by doctor)
- Alcoholism, quit-smoking and drug treatment programs
- Medical alert bracelet and fees
- Reconstructive surgery
- Special schooling for disabled child
- Travel and mileage to doctor or hospital

Is there a limit on how much employees can save?

The IRS sets the annual contribution limits to HSAs. The limits for 2016 are \$3,350 for an individual or \$6,750 for a family. The employee can spend any or all of the funds in their account at any time. Additionally, employees decide where their money goes, and when and how to spend it. An employee's HSA is portable; this means if an employee separates from service for any reason, they take their HSA with them, similar to a 401(k) account.

Limited Healthcare Flexible Spending Account

A Limited Healthcare Flexible Spending Account (LFSA) allows employees who max out their HSA funds (or want to save it for the future) to increase their tax savings through a LFSA which cover only dental and vision expenses.

The portion of salary that an employee directs to the plan is not taxed. The employee saves federal income tax, state and local taxes (where applicable), and Social Security tax (assuming the employee's salary is below the maximum Social Security wage base).

The employee's redirected salary is banked in an account maintained for the employee. Qualified expenses incurred by the employee are reimbursed tax-free from dollars banked in the account.

Employees save 25% to 40% on dental and vision expenses

- Prescribed sunglasses and eyeglasses
- Contact lenses, solutions, and supplies
- Eye exams, surgery, and LASIK
- Dental cleanings, fillings, and X-rays
- Sealants, crowns, bridges, and dentures
- Braces, spacers, and retainers
- Wisdom teeth, implants, and oral surgery

Child Day Care Accounts

A Day Care Account allows employees to set aside pre-tax payroll deductions for day care expenses of a dependent child under age 13. Please note that child day care expenses that qualify must allow the participant or their spouse to work or look for work.

Employees save 25% to 40% on day care expenses

- Nanny expenses, for services provided inside the home, are eligible to the extent they are attributable to dependent care expenses and expenses of incidental household services.
- Dependent care expenses incurred for services outside the home provided they are incurred for the care of a qualifying dependent that regularly spends at least 8 hours per day in the home.
- Registration fees to a day care facility are eligible as long as the fees are allocable to actual care and not described as materials or other fees.
- Pre-kindergarten or nursery expenses are eligible even if the school also furnishes lunch and educational services.
- Before- and after-school care through age 12.
- Day camp expenses through age 12 are eligible.
- Food and incidental expenses (diapers, activities, etc.) may be eligible if part of dependent care charge.
- Expenses paid to a relative, e.g. child, parent, or grandparent of participant, are eligible. However, the relative cannot be under age 19 or a tax dependent of the participant.

How does this plan compared to the credit on an employee's Form 1040?

Whether or not to participate in the dependent care benefit or to take the tax credit when your employees file their taxes depends on their individual income, filing status, number of dependents, and annual day care expenses.

Is there a limit on how much employees can save?

Total day care expenses (including child, elder, and adult dependent care expenses) may not exceed the smaller of the following limits:

- The maximum allowed under the plan.
- \$5,000 if married and filing a joint tax return, or \$2,500 if separate returns are filed.*
- Participant's taxable compensation after all salary redirections.
- If married, the spouse's actual or deemed earned income.
- Eligible expenses include day care costs for dependent children under the age of 13, or a child who is physically or mentally incapable of self-care.

* The IRS sets the annual contribution limits for the dependent care benefit.

Elder Care and Adult Day Care Accounts

Employees set aside pre-tax payroll deductions for day care expenses of a dependent elder or adult who cannot physically, or mentally, take care of themselves.

Elder and adult dependent day care expenses that qualify must allow the participant or their spouse to work or look for work.

Employees Save 25% to 40% on elder or adult day care expenses

- Housekeeper and nurse's fees, for services provided inside the home, are eligible to the extent they are attributable to elder care expenses and expenses of incidental household services.
- Elder care expenses incurred for services outside the home provided they are incurred for the care of a qualifying dependent that regularly spends at least 8 hours per day in the home.
- Food and incidental expenses may be eligible if part of dependent care charge.
- Expenses paid to a relative are eligible. However, the relative cannot be under age 19 or a tax dependent of the participant.
- FICA and FUTA payroll taxes of day care provider.

Is there a limit on how much employees can save?

Total day care expenses (including child, elder, and adult dependent care expenses) may not exceed the smaller of the following limits:

- The maximum allowed under the plan.
- \$5,000 (if married and filing a joint tax return) or \$2,500 if separate returns are filed
- Participant's taxable compensation (after all salary redirections)
- If married, the spouse's actual or deemed earned income.
- Eligible expenses include day care costs for dependent elders or dependents that are physically or mentally incapable of self-care.

Commuter Benefit Account

Commuter benefit programs give working people a great way to lower the cost of living by reducing the cost of transportation and parking expense to and from work.

Commuter benefit plans play a critical role in an era when employers are looking for ways to reduce their corporate environmental footprint. By emphasizing the environmental benefits in your commuter program, you can help strengthen your company's sustainability programs while providing a powerful incentive to increase participation rates and tax savings for you and your employees.

Industry leading services

- The take care® flex benefits card for parking and transit expenses
- One card for all your tax advantaged accounts
- Transit pass and advanced parking option
- Fast program setup and easy ongoing maintenance
- Choices for virtually any commute
- Convenience of free home pass delivery
- Pay my parking provider option

Employees save 25% to 40% on commuter expenses

- Parking near their place of employment
- Parking from which employees take mass transportation or carpool
- Transit passes for bus, subway, or train
- Vanpooling

Is there a limit on how much employees can save?

Expense limits for 2016 are \$255 per month for parking and \$255 per month for transit passes and commuter highway vehicles.*

* The IRS sets the annual contribution limits for the transit and parking benefits.

Adoption Reimbursement

Deciding to adopt a child requires careful planning and significant financial resources. The WageWorks adoption reimbursement program enables participants to set aside pre-tax payroll deductions to help pay for expenses which directly relate to attaining a legal adoption.

Expenses eligible for reimbursement

Expenses that are reasonably and directly related to adoption—and are consistent with IRS guidelines—are eligible for reimbursement. Some examples of reimbursable adoption expenses include:

- Home study and application fees
- Reasonable and necessary legal adoption fees
- Agency and placement fees
- Legal/attorney fees and court costs
- Medical expenses and counseling associated with placement and initial adjustment (beyond what is covered under an employer's medical plan)
- Temporary foster care costs
- Travel and transportation costs (including amounts spent for meals and lodging)
- Otherwise eligible expenses that were part of an unsuccessful attempt to adopt a different child

Adoption assistance expenses that do not qualify:

- Adoption of a child belonging to the participant's spouse
- Illegal adoption fees
- Surrogate parenting arrangements
- Legal adoption expenses for which another deduction or credit is allowed
- Please note that eligibility and adoption rules vary for international and U.S. adoptions.

Employee savings

The IRS sets the annual contribution limits for the Adoption benefit. The 2016 maximum annual credit allowed is \$13,400. The excludable amount begins to phase out for taxpayers with a modified adjusted gross income in excess of \$201,010 and is completely phased out for taxpayers with a modified adjusted gross income of \$241,010.

Payroll Deducted Insurance Premiums

The Section 125 Premium Only Plan (POP) saves your company and your employees money by reducing payroll taxes. It works by making a simple adjustment in the payroll process—employees pay their portion of insurance premiums or applicable HSA contributions, if any, on a pre-tax basis rather than after taxes.

Premiums eligible for POP employer-sponsored plans

- **Health plans** including medical insurance, dental insurance, vision care insurance, critical illness insurance, accidental death/dismemberment insurance, and cancer insurance.
- **Group-term life insurance** up to \$50,000.
- **Disability insurance.** Although short- and long-term disability premiums may be deducted on a pre-tax basis, there may be negative consequences when and if a claim is made. That's because when disability insurance is payroll deducted on a pre-tax basis, any benefits received in the future will be taxable to the employee
- **Health Savings Account (HSA).** Employees may payroll deduct, on a pre-tax basis, elected contributions to a Health Savings Account established on their behalf. Employers may also contribute matching or other employer contribution amounts through this Plan
- **Accident or Accidental Death Dismemberment (ADD) coverage**

Employers save taxes

Your taxable payroll is reduced by the total amount of employee contributions to the applicable benefits. So that for every \$100 employees deduct (pre-tax) from their payroll checks to pay their portion of insurance premiums or contributions to an FSA or HSA, the employer saves \$7.65 in FICA taxes.

Employees save 25% to 40% on their share of contributions to insurance and HSAs

Employees do not pay FICA, federal, or where applicable, state or local taxes on money used to pay for their portion of employer-sponsored insurance premiums, or contributions to their Health Savings Account (HSA).

There is no charge for your Premium Only Plan when you sign up for any other flexible benefit plan.



How to Get Started

Simply complete the *Flexible Benefit Account Plan Application* and WageWorks will take care of the rest.

Plan setup and ongoing administration is easy with our turnkey service

- **Consulting.** Upon receiving your application, a plan specialist will contact you about plan options.
- **Plan setup.** The setup kit includes “signature ready” custom plan documents and forms and a checklist for plan implementation. For existing plans, the service also includes a new updated plan document.
- **Employee account management.** Contributions are collected for each pay period and credited to employees’ account balances. Daily services include account balance tracking, claims adjudication, and expense payment by check or direct deposit. A flex benefit card is issued at no additional charge.
- **Participant assistance.** Employees have 24-hour access to their accounts online, through a toll-free interactive voice response line and daytime access to our toll-free call center. Employee statements are included on claims payment stubs, on demand, and online.
- **Annual compliance.** Services include reconciliation and reporting of employee account balances, plus compliance with discrimination testing requirements. A “signature-ready” IRS form 5500 and any plan amendments are provided, if necessary.

