



Jenks Public Schools
Sick Leave Payout and
Health Reimbursement Arrangement (HRA)

Effective July 1, 2014

Upon termination of employment, Jenks Public Schools will pay for any unused sick leave accumulated in the Jenks District, which has not been transferred to another Oklahoma School District, up to the allowable Board approved maximum, according to district policy, section 2.28.12.

If the payment for unused sick leave totals \$1,000 or more, the payment will be placed in a Health Reimbursement Arrangement (HRA).

Jenks Public Schools has selected MidAmerica Administrative & Retirement Solutions, Inc. to provide administrative services for your HRA. Your funds will be invested in a guaranteed fixed annuity with American United Life, a OneAmerica financial partner.

The payment to your HRA is made on a tax-free basis. Because there are no taxes, you receive 100% of the value of your approved sick leave payout. Your funds are invested in a fixed annuity with a guaranteed minimum rate of return (2% through 2015 and 1.75% through 2016). All investment earnings are tax free. Distributions made from your account for qualified medical expenses for you, your spouse and qualifying dependents are tax free. Balances in your account carry over year-to-year.

Jenks Public Schools will make the payment to your HRA on your behalf. MidAmerica will send you a Welcome Packet with complete information regarding your HRA, qualifying medical expenses and how to submit claims for reimbursement.

If you have any questions regarding your approved sick leave payout please contact the Jenks Public Schools Payroll department at 918-299-4411. For questions concerning your HRA please contact the MidAmerica customer service center, once you receive your Welcome Packet.

Payment for Unused Sick Leave



Upon retirement or separation of service, Jenks Public Schools will make a payment to you or issue a payment on your behalf for unused sick leave according to the JPS Board Policies and Procedures.

If your payment totals \$1,000 or more, the payment will be placed in an account referred to as a Health Reimbursement Arrangement (HRA); otherwise the payment will be made directly to you.

A Health Reimbursement Arrangement (HRA) helps you pay for eligible medical expenses and/or eligible insurance premiums **TAX-FREE**, with some exceptions. See note below.*

*If your salary is in the top 25% of all JPS employees, you may **only** claim reimbursement for eligible insurance premiums. The Plan Administrator will provide you with information about what type of insurance premiums are eligible for reimbursement.

To understand how a payment to a Health Reimbursement Arrangement (HRA) may benefit you, see the example shown below:

This is an example only. Your specific tax savings will differ based on the amount of your payment and income tax bracket.			
Example: You are a full-time employee who has worked in the district for 20 years. You are contracted to work 8 hours per day, and you have 120 unused sick days. You will be paid \$65 for each unused sick day. Therefore, your payment would be \$7,800 (120 days x \$65).			
If your unused sick leave payment was paid directly to you and subject to payroll taxes, you may only have access to the net amount shown below:		If your payment for unused sick leave is paid directly into an HRA, you will have access to the net amount shown below:	
Payment:	\$7,800.00	Payment	\$7,800.00
Federal Tax 15.0 %	(\$1,170.00)	Federal Tax	None
FICA - 6.2%	(\$ 483.60)	FICA	None
Medicare 1.45%	(\$ 113.10)	Medicare	None
State Tax 5.25%	(\$ 409.50)	State Tax	None
Net Amount paid to you:	\$5,623.80	Net Amount paid into your HRA Account:	\$7,800
Difference	\$2,176.20		

After your separation of service, you will be able to access funds from your HRA by submitting claims for eligible Medical Expenses and eligible Insurance Premiums. You will receive a "Welcome Packet" from our Plan Administrator, MidAmerica Administrative and Retirement Solutions, Inc. The packet will provide you with more detailed information about what is considered an eligible Medical Expense or eligible Insurance Premium.

You may submit claim forms to request reimbursement of funds via *mail, email* or *fax*.

There is a \$5.00 fee for each reimbursement check, not to exceed a total of \$30 per year.

Contact information for the Plan Administrator is:

MidAmerica Administrative and Retirement Solutions, Inc.
Attn: HRA Administration
PO Box 24927
Lakeland, FL 33802

Phone: 1-800-430-7999 or 1-855-329-0095
Fax: 1-863-577-4460
Email: claims@midamerica.biz
Website: www.midamerica.biz

Jenks Public Schools

Health Reimbursement Arrangement (HRA)

Plan Highlights

Effective Date: The effective date of the Plan is July 1, 2014.

Plan Year: The Plan Year ends on June 30.

Eligibility: Participation in this Plan is mandatory for all Employees with unused sick leave amounts of over \$1000, at time of separation from Jenks Public Schools.

Contribution Types: All funds for the Plan shall come exclusively from the Employer and shall be a specified dollar amount as the Employer shall determine.

Contribution Frequency: One time

Investments: Funds are invested in a guaranteed fixed annuity with American United Life Insurance Company, a *OneAmerica Financial Partner*. The interest rate may change on an annual basis, but is guaranteed never to fall below the standard NAIC rate. The guarantee is based on the claims paying ability of AUL. All earnings in the account are tax-free!

Reimbursements: Participants may request reimbursements from their accounts as soon as the accounts are funded upon retirement or separation of service, but only for allowable medical expenses incurred subsequent to becoming eligible to participate in the Plan. Participants must exhaust any funds available in a flexible spending arrangement ("FSA") prior to receiving reimbursement from this Plan. Funds in a participant's account at the end of each year shall be rolled into the following year.

Vesting Schedule: Participants shall own their account balance in accordance with the following vesting schedule:

- 100% Immediate

Run-off Times: Participants who are no longer participating in the HRA or no longer have access to the funds for reimbursement will be allowed 0 (zero) days to continue incurring expenses after the date that their Participation in the Plan ends. The Run-off time for Participants to submit claims for reimbursement from funds that shall be forfeited will be 90 (ninety) days. The Run-off time for funds that shall be forfeited due to death will be one year.

Death Benefit: If a Participant dies prior to exhausting a vested account balance, the Participant's surviving spouse and/or dependents are eligible to be reimbursed under this Plan for their eligible medical expenses until the vested account balance is exhausted. In the event of the death of the Participant, the Participant's spouse, and all of the Participant's qualifying dependents, any funds remaining in the account shall be forfeited in accordance with the Plan's provisions. Forfeited funds shall reduce future Employer contributions.

Administrative Fees: Participants will be charged a reimbursement processing fee of \$5.00 for each claim processed, up to a maximum annual reimbursement processing fee of \$30.00.

Reports: On demand statements available anytime by logging into your account at www.midamerica.biz. Quarterly statements are mailed approximately 6 to 8 weeks after plan quarter end.

Representative: Aaron Casper, National Insurance Services

Contact: To access account information, request forms, or for plan related questions, please contact MidAmerica toll-free at (855) 329-0095 or visit our website at www.midamerica.biz.

Please mail all forms to: MidAmerica Administrative & Retirement Solutions, Inc., Attn: HRA ADMIN
P.O. Box 24927, Lakeland, FL 33802

Please refer to the Plan Document for more information on the Plan. In the event of a discrepancy, the Plan Document will prevail.



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Health Reimbursement Arrangement (HRA)

Questions and Answers for Employees

What is a Health Reimbursement Arrangement?

A Health Reimbursement Arrangement (HRA) is an Employer funded “accident or health plan” (Plan), that (i) provides individual accounts for reimbursing employees, retirees and their dependents for eligible medical expenses and (ii) permits any unused portion of the account at the end of the year to be carried forward to the next year. Unlike flexible spending accounts, there is no annual “use it or lose it” requirement.

What are the tax implications of a HRA?

Are contributions to a HRA taxable to Participants?

Participants are not taxed on Employer contributions. Internal Revenue Code (“IRC”) Section 106 provides tax-exclusion for contributions an Employer makes to a HRA. Therefore, Participants are not taxed on eligible claims paid from a HRA.

Are withdrawals from a HRA taxed?

No. Assets used to pay for eligible medical expenses are not taxed. IRC Section 105 provides tax-exclusion for amounts received as reimbursement of health expenses.

How do I file my tax return when I have taken a distribution from the HRA?

Expense reimbursements under HRAs for eligible medical expenses are not reportable to the IRS. No other distributions from the HRA are allowed and therefore, there is no IRS reportable event.

Who is eligible for a HRA?

Eligibility requirements are as established by the Plan. For information specific to your Employer’s HRA plan, please refer to your *Plan Highlights*.

A HRA may have a minimum age and/or service requirement.

Unlike Health Savings Accounts (HSA), there is no requirement that a Participant in a HRA also participate in a High Deductible Health Plan.

A HRA may provide reimbursements for active Participants and/or former Participants after termination of employment or retirement.

Are there any fees associated with participation in the HRA?

Claim processing fees may apply. For information specific to your Employer’s HRA plan, please refer to your *Plan Highlights*.

What are the rules for making contributions to a HRA?

How are contributions determined in a HRA?

The amount and frequency of Employer contributions are determined by the Plan.

There are no Internal Revenue Code (IRC) limits to the amount that the Employer may contribute. The Plan, however, may place limits on contributions.

Can I make contributions to my HRA?

No. The IRS has recently provided HRA guidance that prohibits contributions other than Employer contributions to a HRA.

How do I get access to the assets in my HRA account?

Assets in a HRA may only be used to reimburse an eligible plan Participant for eligible medical expenses.

Who is an eligible plan Participant?

An eligible Participant is an Employee, a previous employee, the spouse or dependent of an employee or previous employee who has a vested benefit under the Plan. (See your Employer's plan document for a detailed explanation of eligible Participant.)

Can a HRA have a vesting schedule?

Yes. It is possible your Employer implemented a vesting schedule. Assets in your HRA account are only available to pay claims once you have satisfied the vesting requirements and reimbursement eligibility of your plan. For information regarding your Plan's vesting schedule, please refer to your *Plan Highlights*.

How often will I receive statements of account?

You will receive hardcopy statements of account on a quarterly basis.

How can I access information about my account?

You may access your account information online at www.midamerica.biz or you may contact MidAmerica directly at 1-800-430-7999.

What is an eligible medical expense?

Eligible medical expenses are defined under Section 213(d) of the Internal Revenue Code. A list of eligible medical expenses is included in your initial Participant welcome kit. IRS Publication 502 can also be used as a guide. However, there may be instances where the information in IRS Publication 502 does not apply to Health Reimbursement Arrangements.

How do I submit a claim for reimbursement?

Simply complete and submit to MidAmerica a HRA claim form along with the appropriate documentation for processing. The claim form can either be mailed to MidAmerica at ATTN: HRA Department, 402 South Kentucky Ave., Suite 500, Lakeland, FL 33801, or faxed to 863-688-4200.

How do I obtain a claim form?

You may call MidAmerica's customer service line at 1-800-430-7999 to request a form to be mailed to you. We also include a claim form in your initial Participant welcome kit upon receipt of your first contribution into the program. Lastly, you can obtain HRA claim forms on our website at www.midamerica.biz. Click on Participants, Health Reimbursement Arrangement and Download Forms.

What documentation is required to "substantiate" a claim?

MidAmerica's HRA claim form provides you with detailed instructions as to what is acceptable documentation. IRS rules require any claim to be substantiated and supported with backup documentation in order to be reimbursed. The backup documentation must include the date of service, description of services rendered, for whom the services were rendered, and the dollar amount of the services rendered. Any third-party documentation including this information will suffice. Here are some common examples of acceptable documentation:

- Explanation of Benefits (EOB) statement from the insurance carrier. (The summary of services rendered sent out by the insurance company after services are provided.);
- Co-pay receipts if you are covered under a managed care or prescription drug program;
- Itemized bill that provides the name of provider, patient, cost, date, and description of service.

How often are claims processed?

Claims are processed within 7-14 business days (pending approval).

What if I have a monthly recurring expense, such as monthly health or dental insurance premiums?

There are specific IRS rules for recurring claims, which must be followed in order to take advantage of this HRA benefit. MidAmerica must receive documentation each and every month to process the claim; however, the documentation required is relaxed after the initial set-up of the recurring claim. Claim forms are included in your initial welcome kit as well as on our website at www.midamerica.biz. The claim form also provides additional instructions as to what documentation is acceptable.

What are examples of initial proof to set up a recurring distribution?

When requesting a recurring claim, you must submit documentation that contains the following information:

- Completed & signed HRA “recurring” claim form
- Date of Service (or term of the agreement)
- Services Rendered
- Recipient of the Services Rendered
- Cost of the Service

What are examples of documentation needed for subsequent months?

Once the initial claim has been setup, there is a decreased burden of proof for the subsequent payments. Therefore, you will only need to send either a proof of payment (cancelled check showing that it was cashed [both sides of check], bank statement, etc.) or proof that the claims were incurred (letter from insurance company showing the policy still in force, monthly statement, etc.).

Can I get reimbursed in advance for medical expenses that I have not yet incurred?

No. The IRS prohibits paying claims prior to the claim being incurred. Therefore, you would need to wait until a particular expense has been incurred prior to submitting a claim for reimbursement. Per IRS regulations, the term “incurred” refers to the date you or your eligible dependent is provided with the care that gives rise to the medical, dental, vision, prescription, or other eligible expense. This date could be different than the date you are billed or pay for the expense. Once the expense is incurred, you would then use any of the above referenced examples as your documentation to support your claim.

What happens if one of my claims is denied?

MidAmerica’s HRA distribution department will attempt to contact you by phone at least two times in an effort to obtain appropriate documentation or get clarification on any questions regarding the claim. If we are unable to reach you directly, we will process the portion of the claim that is eligible (if any) and send you a letter notifying you that part of your claim was not eligible.

Can I use my HRA to pay for medical expenses I incurred prior to becoming a member of the plan?

No. A HRA may not reimburse a medical care expense that is attributable to a deduction allowed under §213(d) for any prior taxable year. Additionally, a HRA may neither reimburse a medical care expense that is incurred before the date the HRA is in existence nor reimburse a medical care expense that is incurred before the date a Participant first becomes enrolled under the HRA.

What happens to the assets in my account at death?

If a spouse or eligible dependent remain, they continue accessing funds for eligible purposes. If there is no Participant, surviving spouse, or dependent, accounts remaining can be used to reimburse eligible medical expenses and premiums, not previously submitted on their behalf. If an account balance still remains, according to the Plan, account balances are either forfeited to the Employer or re-allocated amongst the remaining plan Participants.

If I leave my Employer can I move my account to my new Employer?

No. However, should you be vested in the Plan, you will be able to submit claims against the assets in your account. The account would continue to reside in the trust your Employer established to hold the assets.



MidAmerica

Administrative & Retirement Solutions, Inc.

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