

<p>Office of Employee Benefits</p> <p>Administrative Manual</p> 	<p><b>UT FLEX</b></p> <p><b>CONTRIBUTION REPORTING</b></p>	<p><b>571</b></p>
	<p><b>EFFECTIVE DATE: SEPTEMBER 1, 2003</b></p>	
	<p><b>LATEST REVISION DATE: AUGUST 1, 2013</b></p>	
	<p><b>PURPOSE:</b> To explain the requirements for processing of UT FLEX flexible spending account contributions and the calculation of mid-year election changes</p>	
	<p><b>SCOPE:</b> All U.T. institutions reporting UT FLEX plan contributions for Health Care Reimbursement Accounts and Dependent Day Care Reimbursement Accounts</p>	
<p><b>RELATED POLICY:</b> 570. UT FLEX Program</p>		

## 1.0 BACKGROUND

The Office of Employee Benefits (OEB) has the responsibility for reporting Employee UT FLEX flexible spending account contributions from each University of Texas System (System) institution to the UT FLEX Flexible Plans Administrator.

This Policy describes the process for creating the contribution remittance dataset and provides examples for recalculating an Employee's flex payroll deductions when election changes occur in the middle of the plan year.

## 2.0 PROCESS FOR CREATING CONTRIBUTION REMITTANCE DATASET

Each institution must create its UT FLEX datasets using the following layout posted on the OEB website:

<https://utdirect.utexas.edu/sgwww/sgwwdl.wb> (UT Direct access only)

Once created, the UT FLEX dataset should be placed within the U.T. institution's directory on the OEB server. The dataset will be automatically retrieved by OEB Information Systems (OEB-IS) and processed. Each designated institution flex e-mail recipient will receive an e-mail the following morning explaining either that the dataset has been processed successfully, or that an error occurred which needs to be addressed.

After a dataset has been funded and approved, a second dataset of UT FLEX records will be generated overnight to be sent to the Plan Administrator. Each Flex e-mail recipient will also receive e-mail notifying them that their UT FLEX records have been approved by OEB and sent to the UT FLEX Plan Administrator.

UT FLEX dataset questions can be addressed to Office of Employee Benefits – Information Systems at [oeb-is@utsystem.edu](mailto:oeb-is@utsystem.edu).

### **3.0 STEPS FOR PROCESSING CONTRIBUTION ACKNOWLEDGEMENTS BY PLAN ADMINISTRATOR**

The following describes the action steps involved in the process of the Plan Administrator receiving the flex dataset and funds from OEB:

#### **3.1 Step One**

- a. System institution transmits dataset (by Secured FTP) to OEB-IS server; and
- b. System institution notifies OEB Finance of transmission via e-mail that includes the amount of money that will be transferred.

#### **3.2 Step Two**

- a. System institution and OEB Finance receive e-mail from OEB-IS mainframe stating “LOAD SUCCESS IN SGPBFNEA”; and
- b. OEB Finance approves dataset; and
- c. OEB-IS sends dataset (by SFTP) overnight to Plan Administrator; and
- d. OEB Finance verifies that funding matches their System institution’s dataset and notifies the institution that funds will be wired to the appropriate account.

### **4.0 UT FLEX CONTRIBUTION CALCULATIONS**

#### **4.1 UT FLEX Basic Principle**

**On the last day of each plan year (8/31), the sum of all deductions from the account must equal the annual election amount for all active Employees.**

***Important:* The below examples do not reflect the following annual fee to be deducted from the Employee’s first payroll contribution of the plan year:**

- **Administrative Fee of \$12.00 for enrollment in each UT FLEX account. This fee is pro-rated a sum of \$0.75 for each month and each UT FLEX account if the Employee enrolls during the plan year.**

#### **4.2 CALCULATION OF THE UT FLEX PAYROLL DEDUCTION AMOUNTS ON 9/1**

An Employee’s flex payroll deduction amount should equal the Employee’s annual election amount divided by the number of pay cycle periods for the plan year for that Employee.

*Example 1:* For a 12-month Employee who elected \$1,200 for the plan year:

Annual Election Amount = \$1,200  
Monthly Deduction = \$100 ( $\$1,200 \div 12$  months)

*Example 2:* For a 9-month Employee who elected \$1,200 for the plan year:

Annual Election Amount = \$1,200  
Monthly Deduction = \$133.33 for 6 months and \$133.34 for 3 months to total \$1,200 for the 9-month period

### 4.3 MID-YEAR FAMILY STATUS CHANGE FOR EMPLOYEES CURRENTLY ENROLLED IN A FLEXIBLE SPENDING ACCOUNT – RECALCULATING THE FLEX ELECTION AND DEDUCTION AMOUNTS

An Employee may request a change in their health and/or dependent spending account contribution outside of the annual enrollment period in conformity with proof of a qualifying Change of Status event.

The new election amount must equal the sum of all deductions received before the change added to the sum of all EXPECTED deductions to be received after the change. The new EXPECTED payroll deduction amount must equal the new annual election amount, less the sum of deductions to date, divided by the number of REMAINING pay periods in the plan year.

*Example 3:* For a 12-month employee who initially had an annual election of \$1,200 on 9/1, but increased to \$1,700 on 11/1:

Before change on 11/1:      Annual Election Amount = \$1,200  
   Monthly Deduction = \$100

After change on 11/1:      Annual Election Amount = \$1,700  
   Monthly Deduction = \$150 =  $(\$1,700 - (\$100 + \$100)) \div 10$  months remaining

### 4.4 MID-YEAR ADDITIONS FOR NEWLY BENEFITS ELIGIBLE EMPLOYEES – CALCULATING THE FLEX PAYROLL DEDUCTION AMOUNT

Newly benefits eligible Employees may elect to contribute to a UT FLEX spending account within 31 days of their eligibility date.

The monthly contribution to be deducted must equal the annual election amount divided by the number of REMAINING pay periods.

*Example 4:* For a 12-month employee hired on 11/1 who elected \$1,000 for the current plan year:

Annual Election Amount      = \$1,000  
Monthly Deduction              = \$100  $(\$1,000 \div 10$  months remaining)

### 4.5 MID-YEAR PAYROLL PERIOD CHANGES FOR EMPLOYEES CURRENTLY ENROLLED IN A FLEXIBLE SPENDING ACCOUNT – RECALCULATING THE FLEX PAYROLL DEDUCTION AMOUNT

When a payroll period change occurs for an Employee, that Employee's new deduction amount must equal the new annual election amount, less the sum of deductions to date, divided by the number of REMAINING pay periods in the plan year.

*Example 5:* For a 12-month Employee who elected to deduct \$100 a month on 9/1, but changed to a 9-month payroll period on 11/1:

Before change on 11/1:      Annual Election Amount = \$1,200  
   Monthly Deduction = \$100

After change on 11/1:      Annual Election Amount = \$1,200  
   Monthly Deduction = \$142.86 =  $(\$1,200 - (\$100 + \$100)) \div 7$  months remaining

## 4.6 HANDLING ADJUSTMENTS

Administrative errors may require flexible spending account deduction adjustments during the plan year.

These “adjustments” are not election changes and should not affect election amount calculations.

*Example 6:* For a 12-month Employee who elected \$1,200 for the plan year on 9/1, did not have any monthly deduction on 11/1, followed by a double deduction on 12/1:

9/1:		
Annual Election Amount	=	\$1,200
Monthly Deduction	=	\$100
11/1:		
Annual Election Amount	=	\$1,200
Monthly Deduction	=	\$0
12/1:		
Annual Election Amount	=	\$1,200
Monthly Deduction	=	\$200
1/1:		
Annual Election Amount	=	\$1,200
Monthly Deduction	=	\$100

Each System institution must differentiate between deduction changes “due to an election change” that result from a mid-year qualified Change in Status event, and a deduction change “due to an adjustment”.

***Important:*** An Employee’s annual election cannot exceed \$2,500 per plan year for a Health Care Reimbursement Account (HCRA) or \$5,000 per calendar year for the Dependent Day Care Reimbursement Account (DCRA). It is the Employee’s responsibility to ensure their overall family DCRA election does not exceed the Internal Revenue Service allowed amount of \$5,000 per married couple filing jointly or \$2,500 if married filing separate federal income tax returns.

## 5.0 FLEX CALCULATIONS FOR TERMINATING EMPLOYEES

Records of an Employee who ceases employment, or who terminates flex coverage mid-year (by ending all flex deductions for the remainder of the year) should reflect the following record changes:

- a. A deduction of \$0
- b. The same election amount

*Example 7:* During Annual Enrollment, an Employee elects a \$100 monthly deduction and \$1,200 election effective 9/1. During the year, the Employee ceases employment on 3/10. The Employee’s next record will reflect the following:

- a) The deduction amount should be \$100\*;
- b) The election amount should remain \$1,200\*\*; and
- c) The end date should be 3/31 \*\*\*.

\* The deduction should be \$0 effective April 1 because no more payroll deductions will occur.

\*\* The election should remain \$1,200 even though no additional deductions will be made over the next six months.

\*\*\* The end date for participation in UT FLEX should be changed to 3/31. Because the Employee has ceased employment, the flex deduction will cease as well. The Employee will still be able to submit claims for reimbursement AFTER the termination date for services incurred PRIOR to the end of the last day of the month in which the Employee left employment (March 31).

## **6.0 FLEX CALCULATIONS WHEN EMPLOYEE CEASES EMPLOYMENT AND RETURNS TO U.T. EMPLOYMENT DURING SAME PLAN YEAR**

An Employee who terminates employment mid-year and then returns to employment in a subsequent month of the same plan year should be treated as a newly benefits eligible Employee.

*Example 8:* During Annual Enrollment, an Employee elects a \$100 monthly deduction and \$1,200 election effective 9/1. During the year, the Employee terminates employment and drops UT FLEX coverage on 1/1. At the date of termination, the Employee had \$400 (four months of contributions) withheld from their paycheck and had been reimbursed for \$300 of eligible expenses. The Employee is re-hired by the same U.T. institution on 3/1 and elects a \$100 monthly deduction for the remaining months of the plan year. The Employee's next record will appear as follows:

- a) The deduction amount should be \$100;
- b) The election amount should be \$600\*; and
- c) The start date should be 3/1.

\* The \$400 contributed from the prior employment period can be claimed up to the date of termination.

*Example 9:* During Annual Enrollment, an Employee elects a \$100 monthly deduction and \$1,200 election effective 9/1. During the year, the Employee terminates employment and drops UT FLEX coverage on 1/1. At the date of termination, the Employee had \$400 (four months of contributions) withheld from their paycheck and had been reimbursed for \$700 of eligible expenses. The Employee is re-hired by the same UT institution on 3/1 and elects a \$125 monthly deduction for the remaining months of the plan year. The Employee's next record will appear as follows:

- a) The deduction amount should be \$125;
- b) The election amount should be \$750; and
- c) The start date should be 3/1.

Note: The \$400 contributed from the prior employment period has already been claimed as of the date of termination. The additional \$300 reimbursed to the Employee is not considered in the new election.