



**Save an average of  
\$300 per employee in  
payroll taxes!**

*Application Guide*

**Flex\$ystem™**

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# Find Out What a Little Flexibility Can Do For You!

Section 125 allows employees to select certain benefits normally paid on an after-tax basis and, through payroll deduction, to pay for these benefits on a pre-tax basis. Paying for these benefits on a pre-tax basis allows your employees to increase their take home pay without costing you more money (See Exhibit 1). Section 125 Plans, also known as "Cafeteria Plans" or "Flexible Spending Accounts," can be structured to include a variety of benefits. The most common include

- **Premium Conversion Plans** - Family health insurance benefits enable employees to pay their share of health insurance with pre-tax dollars.
- **Medical Flexible Spending Accounts** - Employees can use salary reduction to reimburse certain medical expenses on a pre-tax basis through individual accounts.
- **Dependent Care Flexible Spending Accounts** - Employees can use salary reduction to reimburse dependent day care expenses on a pre-tax basis through individual accounts.
- **Term Life (up to \$50,000) and Disability Insurance Premiums** - Policies covering the employee only may also be reimbursed on a pre-tax basis.
- **Transportation Expenses** - Employees pay for transit passes, commuter highway vehicles, and qualified parking with pre-tax dollars.

By offering Section 125, employers are able to realize the benefits of

- **Reducing Payroll Costs** - Social Security contributions are reduced for each dollar of employee participation.
- **Controlling Cost** - An employer can control the company's share of medical costs without limiting employee choices.
- **Addressing the Needs of a Diverse Workforce** - An employer can offer individually tailored benefits at little or no additional cost to the company.
- **Recruiting and Retaining Quality Employees** - An employer is viewed in a positive light by employees because a benefit package is being provided with the employee's interests in mind.

Exhibit 1	Without Flex	With Flex
Salary	\$1,600	\$1,600
Flex Dollars	\$ 0	\$ 400
Taxable Income	\$1,600	\$1,200
Income Tax	\$ 240	\$ 180
State Tax	\$ 128	\$ 96
Social Security	\$ 122	\$ 91
After Taxes		
Income	\$1,110	\$ 833
Med. Premium	\$ 150	}
Med. Expenses	\$ 50	
Dependent Care	\$ 200	
		\$ 0
Take Home Pay	\$ 710	\$ 833
<b>Net Increase</b>		<b>\$ 123</b>
Pay Periods		x 12
<b>Annual Increase</b>		<b>= \$1,476</b>
<b>Employer's Savings</b>		
\$400 x 12 months = \$4,800 x .0765		= \$367
This is for illustration purposes only. Actual savings may vary.		

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# FlexSystem's Services

With FlexSystem's third-party administrative services, you and your employees receive all the benefits of a Section 125 Plan, and we handle the administration. Some of the benefits of using FlexSystem include

- **Timely Reimbursements** - Reimbursement requests and checks are processed daily.
- **Phone Enrollment Assistance** - Customer Service Representatives will assist employees in completing the enrollment forms. After enrollment, employees have access to toll-free support.
- **Reporting of Accounts** - An account report is printed on each reimbursement check. Quarterly reports and annual reports are also available. The information is also available on the internet at [www.tasconline.com](http://www.tasconline.com).
- **Section 125 Plan Compliance** - We maintain the Plan Document, perform the non-discrimination testing and prepare the Form 5500.

## Putting Your Plan Into Action

- 1) *Upon receipt of the employee enrollment materials, review the Summary Plan Description (SPD) and Employer Data Sheet.* Specific attention should be given to the allowable benefits and the eligibility requirements for employees.
- 2) *Distribute an employee enrollment kit to all eligible employees.* The kit includes an enrollment form, an operations summary, and a FlexSystem brochure. You may customize the kit with a special envelope, insert, or memo. The kits should be distributed to all eligible employees. A supply of paycheck stuffers are available with the Phone Enrollment Assistance Kit.
- 3) *Direct employees to contact FlexSystem for assistance with enrollment forms.* Employees should contact a FlexSystem Enrollment Specialist for assistance with their elections. **This is not enrollment by phone.** The Enrollment Specialist will assist employees in completing their enrollment forms and then direct the employees to return the completed forms to their employer.
- 4) *Transmit completed enrollment forms to FlexSystem.* FlexSystem will then prepare a Payroll Contribution Verification Report that itemizes all pre-tax deductions with the exception of group sponsored health insurance premiums by employee. The Payroll Contribution Verification Report is sent to you prior to each pay period. Any member or contribution changes must be indicated on this report, and a copy is returned to FlexSystem with the appropriate Change of Election, Termination and/or Enrollment form(s).
- 5) *Distribute Participant kits.* Participant kits are distributed to **only the employees participating** in the Section 125 Reimbursement Plan. You will be sent a group folder including Change of Election, Termination, COBRA and Employee Data forms.

## Audit Guarantee

FlexSystem will support and assist any enrolled employers or participants who have their Section 125 Cafeteria Plan challenged by the Internal Revenue Service and have adhered to our plan procedures and parameters. Additionally, if all procedures are adhered to, FlexSystem will assume financial responsibility for any penalty and/or interest charged as a result of an audit requiring the payment of tax as it pertains to FlexSystem.

## Flexible Spending Accounts

		Annual Administration Fee	Other Fee
No. of EEs:	1 - 5	\$6.00/PE/mo (Min.: \$30/mo)	\$300.00/GP/Initial Enrollment
No. of EEs:	6 - 15	\$5.00/PE/mo (Min.: \$50/mo)	\$400.00/GP/Initial Enrollment
No. of EEs:	16 - 50	\$4.50/PE/mo (Min.: \$50/mo)	\$25.00/EE/Initial Enrollment
No. of EEs:	51 - 100	\$4.00/PE/mo (Min.: \$100/mo)	\$20.00/EE/Initial Enrollment
No. of EEs:	101 - 250	\$3.50/PE/mo (Min.: \$150/mo)	\$15.00/EE/Initial Enrollment
No. of EEs:	251 - 1000	\$3.50/PE/mo (Min.: custom)	Custom Bid/EE/Initial Enrollment
No. of EEs:	1000 +	Custom Bid/PE/mo (Min: custom)	Custom Bid/EE/Initial Enrollment

GP = Group, EE = Eligible Employee, PE = Participating Employee

\*Administration fees are based on number of PEs. A PE is an employee who has elected to participate in a flexible spending account during the Plan Year at the time of billing. The individual remains a PE in the Plan through the close out of that Plan Year including the run-out period after the Plan Year. There will be a one-time enrollment fee of \$15 for employees who become eligible to participate after the initial enrollment.

## Premium Only Plans

		Annual Administration Fee	Other Fee
No. of EEs:	1 - 25	\$300.00	None
No. of EEs:	26 - 100	\$400.00	None
No. of EEs:	101 +	\$500.00	None

## What Can Your Company Save with FlexSystem?

Estimate the potential payroll savings realized by implementing a FlexSystem Section 125 Plan on the Employer's Tax Savings Worksheet below.

Total Number of Employees _____	
<b>A. Estimated Health Premiums</b>	
Total monthly amount paid by all eligible employees =	\$ _____
<b>B. Estimated Eligible Medical Expenses</b> (Vision, Dental, Deductibles, etc.)	
Number of employees _____ x \$25/month =	\$ _____
* Average amount of \$25 for eligible medical expenses should be adjusted if more accurate amounts are available.	
<b>C. Estimated Dependent Care</b>	
Number of (Employees with families) _____ x 20% x \$250/month =	\$ _____
* Based on current figures, 20% of family employees take advantage of Dependent Care Accounts, with an average cost of \$250.00/month.	
<b>D. Calculated Payroll Tax Savings</b>	
Totals of A, B, and C =	\$ _____
	x 8%
	\$ _____
	x 12
	\$ _____
	<b>Estimated Potential Yearly Savings</b>
* The average payroll saving is 8%, which may include Social Security contributions, Unemployment Taxes and Worker's Compensation Insurance. All figures are estimated and not guaranteed.	