

University of California



Dependent Care Flexible Spending Account for Academic Student Employees Factsheet

The Dependent Care Flexible Spending Account (DepCare FSA) for Academic Student Employees allows you to pay for eligible dependent care expenses on a pretax, salary reduction basis. Dependents can be either children or adults. The DepCare FSA is established under Internal Revenue Code (IRC) §129. For additional information on the DepCare FSA refer to UC's *Dependent Care Flexible Spending Account (DepCare FSA) Summary Plan Description*.

The DepCare FSA for Academic Student Employees is designed to serve the academic student employees (ASEs) represented by the UAW as well as Graduate Student Researchers (GSRs).

The program is effective January 1, 2009. Continuing participation beyond September 30, 2009 for represented ASEs will be subject to ongoing negotiation.

The way the DepCare FSA works is simple:

- You determine the amount you wish to contribute.
- You complete an enrollment form.
- The contribution amount you choose is taken from your pay each month.
- You pay your dependent care expenses as usual.
- You submit a claim form and copies of your dependent care receipts to CONEXIS in order to receive reimbursement.

Important Facts to Consider

For detailed information on the DepCare FSA, read the *Dependent Care Flexible Spending Account (DepCare FSA) Summary Plan Description (SPD)* or the Health and Dependent Care FSA Plan brochure.

Please note the following:

- You are responsible for reading the SPD to ensure that you are participating correctly in the DepCare FSA.
- Dependent care expenses must meet the statutory requirements of IRC §21 and §129.
- You are responsible for making sure that all expenses submitted for reimbursement are eligible. UC cannot provide tax advice. Consult your tax advisor for the following:
 - If you need advice about whether the DepCare FSA or the dependent care tax credit will be best for you,

- To find out if a dependent care expense (not listed in the *DepCare FSA Summary Plan Description* or IRS Publication 503) is eligible or ineligible, or

- To discuss how DepCare affects your individual tax situation.

- You will forfeit (i.e. “use it or lose it”) any contributions you can’t claim for the plan year.
- Review all options available before enrolling in the DepCare FSA plan including the federal tax credit.

For more information about dependent care and eligibility information, refer to the IRS Publication 503 Child and Dependent Care Expenses. IRS Publication 503 is available through the IRS website: www.irs.gov or by calling the IRS toll-free at 1-800-829-1040.

Program Overview

Eligibility

ASEs/GSRs with an eligible title code and at least a 43.75 percent appointment may enroll in this program.

When May I Enroll?

You may enroll during your period of initial eligibility (PIE) or when you have a change in family or employment status (see SPD for details). For example, if you are appointed for winter term, your PIE will be from January 1 through January 31, 2009.

Which Dependents are Eligible?

Dependents are eligible as defined by IRC §21 and §129. Qualifying dependents include:

- A child under age 13 in your custody whom you claim as a dependent on your tax return;
- A legal spouse who is physically or mentally incapable of self-care;
- A dependent who lives with you such as a child age 13 or older, parent, sibling, or in-law any of whom is physically or mentally incapable of self-care, and whom you claim as a dependent on your tax return.

Contributions

The IRC limits the amount you can contribute to the program during a calendar year. You may contribute up to the lesser of (see IRS Publication 503 for more information):

- \$5,000 per plan year (\$2,500 if you are married and filing a separate income tax return), or
- Your total earned income (applies only if your spouse is incapable of self-care or is a full-time student), or
- Your spouse's total earned income (you may not contribute to DepCare FSA plan if your spouse's earned income is \$0) if your spouse is capable of self-care or is not a full-time student.

Which Expenses are Eligible?

Expenses that meet the requirements of the program include: In-home dependent care and care provided at a day-care center or other location outside your home. Additional information on eligible expenses is available on the CONEXIS website: www.conexis.org/myfsa.

Questions and Answers

Eligibility

1. Am I eligible for both the DepCare FSA and ASE Childcare reimbursement program benefits?

Academic Student Employees covered by Article 4 of the UAW collective bargaining agreement are eligible to participate in both. However, you cannot submit a claim for the same expense under both programs.

2. The DepCare FSA SPD says an eligible dependent includes a child under age 13. What happens when my child reaches age 13?

Unless your child is incapable of self-care as defined by the IRS, dependent care expenses incurred on and after the day your child becomes age 13 are generally not eligible for DepCare FSA reimbursement. See IRS Publication 503 for examples.

It's important that you review and, if necessary, adjust or cancel your DepCare FSA contribution when your child reaches age 13. You must adjust your contribution amount or cancel your participation within 31 days after your child's birthday. Unless you adjust your contribution amount, your current contributions will continue for the remainder of the Plan year, even though expenses incurred after your child reaches age 13 cannot be reimbursed.

3. Are schooling/educational expenses eligible for reimbursement?

Generally not, but there are some exceptions, usually for children enrolled in programs for children not yet eligible for kindergarten.

For children in kindergarten or above, you can only request reimbursement for costs associated with before- and/or after-school day care, including day

care with an educational component. See IRS Publication 503 for more information or contact your tax advisor.

4. If I have two different appointments and the combined appointments are at least 43.75 percent, can I enroll?

Yes, if both appointments otherwise qualify for participation in the DepCare FSA plan.

5. If I have employment as an ASE/GSR or even as a non-ASE/GSR during the summer, can I claim benefits for that period?

Yes, if you are enrolled in the DepCare FSA and you have eligible expenses and continuous employment from the spring.

Enrollment

1. What will be my “effective date?” (An employee is not eligible for expenses incurred before their effective date.)

The effective date is the first day of the month following your enrollment, subject to payroll deadlines.

2. What will be the termination date of my participation in the DepCare FSA? How is it related to the end date of my appointment? How is it related to the last deduction?

Your monthly contribution continues only as long as you remain on active pay status and are otherwise eligible. When your appointment ends or you cease being eligible to participate, your participation generally ends at the end of the pay period in which your last DepCare FSA contribution is deducted from your paycheck. For example, if you are paid monthly and your appointment ends in March, your last DepCare FSA contribution is taken from your March earnings, which typically would be paid on the first day of the next pay period, and your participation in DepCare FSA ends April 30. You may submit claims for eligible expenses incurred through the last day of participation in the plan.

3. How do I figure out what my monthly contribution should be?

You will need to determine how many months you will be working during the calendar year. See examples on page 4.

4. Can I sign up multiple times in a year if I have appointments in various terms? Will I have a PIE each time I start another appointment? Will it matter if the terms are consecutive?

You may have a new PIE during the year depending on the length of the break in service. If you are reappointed within less than 120 days and within the same plan year, enrollment is limited to the monthly salary reduction agreement in effect at the end of the previous appointment. Additionally, if you have a change in family or employment status during the break in service, you may make a change consistent with the change in the status. If you are rehired after a break in service of more than 120 days, you are treated as a newly eligible employee. For example, if you have a winter quarter position followed by a fall quarter appointment, the gap between appointments exceeds 120 days, so you will need to re-enroll for the program in the fall.

5. Where do I submit my enrollment form?

Enrollment forms are processed by the local employee payroll office or employee benefits office. The responsibility for processing the enrollment form varies by campus location. Check with your hiring department or the appropriate office.

6. Do I need to sign up for DepCare FSA each calendar year?

Yes, if you continue to be eligible.

Contributions

1. When will my first deduction occur?

Your first deduction will occur on the first paycheck you receive after submission of your enrollment form subject to monthly payroll deadlines. Typically, if your enrollment is received by the 15th of the month, your first deduction will be taken from your next monthly paycheck.

If you are paid more than once a month, the calendar year and payroll schedule at your location will determine from which check(s) your DepCare FSA contribution will be withheld. Please contact your Benefits or Payroll Office for more information.

2. For the fall term, when will my last deduction occur?

Your last deduction will occur for November earnings paid in December. You will be reimbursed for claims for dependent care expenses incurred during the month of December.

3. How can I monitor my DepCare FSA Account?

You may access your account on the CONEXIS website.

4. When are my DepCare FSA contributions available to pay for my dependent care costs?

DepCare FSA contributions are credited through payroll to your DepCare FSA account around the 10th of each month. Usually, amounts withheld from your paycheck near the beginning of the month are available to pay claims near the end of the month.

DepCare FSA Examples

The following are examples of payroll deduction schedules to show how you may claim eligible expenses under the DepCare FSA program. The examples assume that you submit a completed enrollment form to the designated office in time for processing by the 15th of the first month of your eligible appointment.

The first deduction is taken from your first payroll check received on the first of the following month for monthly paid employees.

| Example #1—An appointment for Winter Quarter (1/1 to 3/31) | |
|---|---|
| January | • Jan. 15—submit enrollment form. |
| February | • Feb. 1—1st deduction from payroll check (Jan. earnings). • 1st month you can claim eligible expenses. |
| March | • March 1—2nd deduction from payroll check (Feb. earnings). • 2nd month you can claim eligible expenses. • March 31—appointment ends. |
| April | • April 1—3rd deduction from payroll check/ final payroll check (March earnings). • Final month you can claim eligible expenses. |

It's important to estimate your dependent care expenses carefully. The IRS requires that you forfeit any unclaimed money in your DepCare FSA after enrollment is terminated or the closing date for the plan year, whichever occurs first.

| Example #2—An appointment for Spring Quarter (4/1 to 6/30) with Summer Employment (7/1 to 9/30) and an appointment for Fall Quarter (10/1 to 12/31)* | |
|---|--|
| April | • April 15—submit enrollment form. |
| May | • May 1—1st deduction taken from payroll check (April earnings). • 1st month you can claim eligible expenses. |
| June | • June 1—2nd deduction from payroll check (May earnings). • 2nd month you can claim eligible expenses. |
| July | • July 1—3rd deduction from payroll check (June earnings). • 3rd month you can claim eligible expenses. |
| August | • Aug. 1—4th deduction from payroll check (July earnings). • 4th month you can claim eligible expenses. |
| September | • Sept. 1—5th deduction from payroll check (August earnings). • 5th month you can claim eligible expenses. |
| October | • Oct. 1—Fall quarter begins. • Deduction continues if you continue to receive earnings. |

* DepCare FSA option may end 9/30/09 for ASEs.

Example #3—An appointment for Fall Semester (8/1 to 12/31)*

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|-----------|---|
| August | <ul style="list-style-type: none"> • Aug. 15—submit enrollment form. |
| September | <ul style="list-style-type: none"> • Sept. 1—1st deduction from payroll check (Aug. earnings). • 1st month you can claim eligible expenses. |
| October | <ul style="list-style-type: none"> • Oct. 1—2nd deduction from payroll check (Sept. earnings). • 2nd month you can claim eligible expenses. |
| November | <ul style="list-style-type: none"> • Nov. 1—3rd deduction taken from payroll check (Oct. earnings). • 3rd month you can claim eligible expenses. |
| December | <ul style="list-style-type: none"> • Dec. 1—4th deduction taken from payroll check. (Nov. earnings). • 4th month you can claim eligible expenses. • DepCare for the plan year ends at this time. |
| January | <ul style="list-style-type: none"> • No payroll deduction. • Re-enrollment required during PIE if you have a Spring appointment. |

* DepCare FSA option may end 9/30/09 for ASEs.

Example #4—An appointment for Fall Quarter (10/1 to 12/31)*

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|----------|--|
| October | <ul style="list-style-type: none"> • Oct. 15—submit enrollment form. |
| November | <ul style="list-style-type: none"> • Nov. 1—1st deduction taken from payroll check (Oct. earnings). • 1st month you can claim eligible expenses. |
| December | <ul style="list-style-type: none"> • Dec. 1—2nd deduction taken from payroll check (Nov. earnings). • 2nd month you can claim eligible expenses. • DepCare for plan year ends at this time. |
| January | <ul style="list-style-type: none"> • No payroll deduction. • Re-enrollment required during PIE if you have a Winter appointment. |

- Effective date is the first day of the month following your enrollment if enrolled by campus deadline.
- DepCare FSA termination date is generally at the end of the pay period in which your last DepCare FSA contribution is deducted from your paycheck. In Example #1, the DepCare FSA termination date is April 30.
- Reimbursement occurs after claim form has been submitted and processed by CONEXIS.

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