

HEALTH AND DEPENDENT CARE FSA PLAN

UNIVERSITY *of* CALIFORNIA



CONEXIS is pleased to be the flexible spending account (FSA) administration partner for the University of California and we look forward to providing you with service of unequalled excellence during your open enrollment period and throughout the plan year.

About CONEXIS

CONEXIS is one of the nation's oldest and most experienced benefits administrators, providing services to employers nationwide since 1986. CONEXIS employs more than 400 professionals dedicated to ensuring that your participation in an FSA plan is both financially beneficial and personally rewarding.

CONEXIS has earned a reputation for providing outstanding service while maintaining strict adherence to IRS rules and regulations. Our dedication to maintaining strict compliance may result in policies that are different from plans you have participated in previously.

We encourage you to read this booklet and familiarize yourself with the general rules regarding the University of California's health FSA and dependent care FSA plans. Additional information is available online at www.conexis.com/myfsa. While visiting us online, be sure to use our savings calculators to determine your election amount and estimate your savings, view a brief video about the plans, review lists of eligible expenses, and much more.

About This Booklet

This booklet contains general information about the University of California's health FSA and dependent care FSA plans. Although this booklet provides a broad range of information regarding these plans, this booklet is not intended to be your single source for information regarding these plans. For a full overview of the plans, including definitive rules regarding participation, election changes, and other plan issues, please review the Summary Plan Description (SPD) available in January 2009.

The savings illustrations included in this booklet assume a 30% tax rate. Savings vary based on your personal annual tax rate. Please consult your tax advisor for more information.

Health Flexible Spending Account

The health flexible spending account (FSA) is a UC-sponsored plan that allows you to set aside a portion of your income on a pre-tax basis and then use that money to pay for qualified out-of-pocket health care expenses.

Participating in the health FSA can significantly reduce your taxes and increase your take-home pay by allowing you to use pre-tax dollars to pay for qualified health care expenses including co-pays and deductibles, prescriptions, and many over-the-counter drugs and items. A comprehensive list of eligible expenses is available online at www.conexis.com/solutions/expenses_EE.asp.

Participating in a Health FSA Saves You Money

Because your health FSA contributions are deducted prior to calculating your income taxes, you can save up to 30% (or more, depending on your tax bracket) on the money you set aside through the plan. For example, if you are in the 30% tax bracket and set aside \$1,000 annually, you will save \$300. That \$300 goes directly to you in the form of increased take-home pay that you would otherwise not receive if you do not participate in the health FSA.

To fully understand the benefit of participating in the plan, it may help to look at your participation in a different way. Assume you have \$1,000 in annual health care expenses. If you do not participate in the health FSA, you must earn more than \$1,428 to pay for those expenses. However, if you participate in the health FSA, you only need to earn \$1,000 to pay for those expenses. When participating in the health FSA, every dollar earned is a dollar you can use to pay for your eligible health care expenses.

Important Plan Rules

Contributions

As a participant in the University of California health FSA, you may set aside up to a maximum of \$5,000 per plan year. To participate, you must contribute at least \$180 to your health FSA on an annual basis.

When participating in a health FSA, every dollar earned is a dollar you can use to pay for your eligible health care expenses.

The Use-It-or-Lose-It Rule

The “use-it-or-lose-it” rule is a provision in the IRS regulations that requires that all money contributed to your FSA must be used to reimburse qualified expenses incurred during that plan year. Money not used to reimburse eligible expenses is forfeited. The unused portion of your health FSA may not be paid to you in cash or other benefits, including transferring money between FSAs. To reduce the risk of forfeiture, it is critical that you carefully estimate your expenses when choosing your annual election amount.

The University of California health FSA plan includes a 2.5-month grace period extension. For more information regarding this grace period, please see “Reimbursement Deadlines” on page 5.



Election Changes

Your election is irrevocable for the plan year unless you have a change in status or other qualified event as defined in the IRS Regulations. Qualified changes in status may include:

- A change in marital status (such as marriage, divorce, or death of your spouse)
- A change in the number of your dependents (such as birth or adoption of a child, or death of a dependent)
- A change in your employment status, or the employment status of your spouse or dependent
- An event causing your dependent to satisfy or cease to satisfy an eligibility requirement for benefits
- A change in residence of you, your spouse, or dependent

Your requested change must be on account of, and consistent with, the event. In general, the change in status must affect eligibility for the coverage. In other words, there are two parts to determining if a change in election should be permitted. First, you must experience a change in status or other qualified event. Second, your requested change must be consistent with the event. The Summary Plan Description will include more information regarding other qualified changes, consistency requirements, and exceptions that may apply.

Termination

If you terminate your employment during the plan year or you otherwise cease to be eligible under the plan, your active participation in the plan as well as your pre-tax contributions will end automatically. Expenses for services rendered after your termination date are not eligible for reimbursement.

PLEASE NOTE: You may be entitled to elect COBRA continuation coverage under the health FSA and receive reimbursement for qualified expenses incurred after your termination, provided you continue to make your required contributions on a post-tax basis. However, you generally do not have the right to elect COBRA continuation coverage if the cost of COBRA continuation coverage for the remainder of the plan year equals or exceeds your remaining account balance. Please see your Summary Plan Description for specific rules governing your plan.

Reimbursements

Eligible expenses you incur during the plan year can be reimbursed through your health FSA by submitting a completed request for reimbursement form along with proper documentation substantiating the expense(s). Acceptable supporting documentation includes:

- An Explanation of Benefits (EOB) from your insurance carrier showing the date of service and your out-of-pocket expenses
- For expenses not covered by insurance, an itemized statement from the service provider. The itemized statement should include the patient's name, date of service, procedure description, provider name, and the charge for the service
- For prescription drugs, a pharmacy statement including the name of the pharmacy, patient's name, date of fill, patient's cost, Rx number, and name of the drug
- An itemized cash register receipt for eligible over-the-counter medications. The name of the medication and the purchase date should be reflected on the receipt

PLEASE NOTE: Cancelled checks, balance forward statements, and credit card and/or cash receipts cannot be used to substantiate expenses (an itemized cash register receipt is acceptable for eligible over-the-counter expenses).

Provided that your coverage is in force, your full health FSA annual election amount (reduced by the amount of any previous reimbursements received during the year) is available to you at any time during the plan year.

The University of California has established a daily payment schedule for the health FSA plan. With this schedule, there is no additional waiting period for reimbursements. Once your request has been reviewed and approved, it is scheduled for payment and your reimbursement is issued the next business day.

Reimbursement request forms are available from the participant section of the CONEXIS Web site. You must first log in to your account to access these forms.

Reimbursement Deadlines

Generally, expenses submitted for reimbursement through your health FSA must be incurred during the plan year. The University of California health FSA includes a 2.5-month grace period extension. This feature creates a grace period (January 1, 2010 through March 15, 2010) during which you may continue to incur expenses against your 2009 health FSA balance. This plan feature ensures that you have the opportunity to maximize the funds in your account and avoid forfeiture of those funds through the "use-it-or-lose-it rule." You should still carefully estimate your planned expenses based on a 12-month period and make a conservative election based on that estimate. Remember, the grace period is meant to help you when your expenses fall a little short of expectations; it is not an extension of the plan year that requires an increase in your election amount.

Your health FSA also includes a “run-out period,” which expires April 15, 2010. The run-out period is a pre-determined period after the end of the 2009 plan year during which you may file claims for expenses incurred during the plan year or the 2.5-month grace period. Claims must be postmarked by the run-out period deadline. After the run-out period has expired, any unused dollars remaining in your health FSA are forfeited, per IRS rules.

University of California 2009 FSA Plan Year Dates

	Starts	Ends
Plan Year	Jan 1, 2009	Dec 31, 2009
2.5-month grace period	Jan 1, 2010	Mar 15, 2010
Run-out period	Jan 1, 2010	Apr 15, 2010

Eligible Expenses

Only qualified expenses are eligible for reimbursement through the health FSA. Qualified expenses must be for out-of-pocket medical care provided to you, your spouse or dependent. Code §213(d)(1)(A) and (B) define medical care as amounts paid for:

- The diagnosis, cure, mitigation, treatment or prevention of disease, or for the purpose of affecting any structure or function of the body
- Transportation primarily for and essential to medical care as defined above

Generally, out-of-pocket expenses such as co-payments and deductibles under your major medical plan; prescription drugs; dental expenses, including exams and cleanings; vision expenses, including exams, contact

lenses and supplies, and laser eye surgery are eligible under a health FSA. A comprehensive list of eligible expenses is available online at www.conexis.com/solutions/expenses_EE.asp.

Over-the-counter medications used to treat a specific medical condition, including antihistamines, allergy medications and cold medicine are also qualified expenses under your health FSA. “Stockpiling” of over-the-counter medications is not permitted and expenses resulting from stockpiling are not reimbursable (i.e. there must be a reasonable expectation that such items can be used during the plan year). Please note the following:

- Expenses reimbursed under your health FSA may not be reimbursed under any other plan or program. Only your out-of-pocket expenses are eligible.
- Expenses must be incurred during the period of coverage. As outlined in Prop. Treas. Reg. § 1.125-2, Q/A-7(b)(6), “expenses are treated as having been incurred when the participant is provided with the medical care that gives rise to the medical expenses, and not when the participant is formally billed or charged for, or pays for the medical care.” Therefore, the date of service must be within the current plan year.
- Expenses reimbursed under the health FSA may not be used to claim any federal income tax deduction or credit.

Ineligible Expenses

As mentioned above, only qualified expenses can be reimbursed through the health FSA. Expenses that do not qualify as medical care cannot be paid for through the health FSA, including:

- Cosmetic surgery and procedures, including dental whitening
- Expenses for services rendered outside the coverage period
- Expenses reimbursed by an insurance provider or another health plan
- Herbs, vitamins, supplements, or OTC medications used for general health
- Insurance premiums
- Family or marriage counseling
- Personal use items (e.g., toothpaste, shaving cream, cosmetics)
- Prescription drugs imported from another country

This list is not complete. A comprehensive list of eligible and ineligible expenses is available online at www.conexis.com/solutions/expenses_EE.asp.

Special Rules Associated with Orthodontia Expenses

Services associated with orthodontia generally are provided over an extended period of time and often are impossible to match with actual costs. As a result, orthodontic expenses are processed differently than any other type of health care expense. The two reimbursement methods used for orthodontic expenses are as follows:

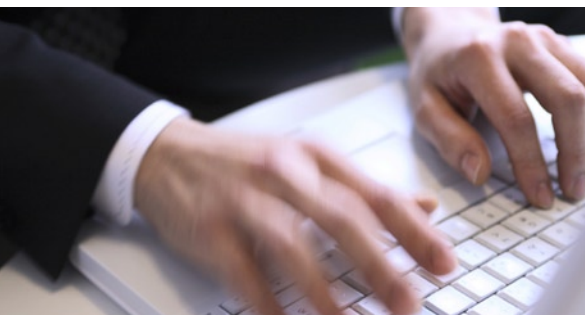
1. Lump Sum Approach – You may be reimbursed up front for all qualified expenses paid in the current plan year. Documentation must include treatment start date, anticipated treatment end date, proof of payment, and a completed claim form. If payment for orthodontia is made in full, the full contract amount, not exceeding your annual election, will be reimbursed. To receive reimbursement for the full contract amount:

- a. Payment must be made within the applicable plan year.
- b. Proof of payment must be provided with your claim.

2. Monthly Approach – You may be reimbursed for the initial payment usually associated with banding fees. Thereafter, you may file a monthly claim for the monthly payment amount. Please note a treatment plan or itemized statement is required with the initial contract/banding claim. The documentation should include the amount of the initial down payment (usually associated with banding fees), the treatment start date, and anticipated treatment end date. For ongoing monthly claims, an itemized statement or payment coupon from the provider and a signed claim form are required.

Account Management

Your account information is available 24/7 from the participant section of our Web site. Additionally, each time a reimbursement is issued from your account you will receive an Explanation of Benefits (EOB) reflecting your current account balance. At the end of the plan year, CONEXIS will send you an annual statement with a complete summary of your account balance.



CONEXIS Benefit Card

The CONEXIS Benefit Card is a stored-value card that simplifies the process of paying for qualified health care expenses. As an alternative to the traditional method of filing claims, the CONEXIS Benefit Card lets you electronically access the funds in your health FSA. You may use the CONEXIS Benefit Card at qualifying medical merchant locations where MasterCard® is accepted. Examples of qualified FSA locations and providers include hospitals, physician offices, dental offices, vision service providers, and some pharmacies.

The Easier, Quicker Way to Pay

The CONEXIS Benefit Card allows you to pay for qualified medical expenses at the point of service by providing:

- Immediate access to your FSA account – you avoid paying out-of-pocket with cash or check
- Immediate payment of your expense – you avoid waiting for a reimbursement check as funds are transferred immediately from your FSA at the time you incur the expense
- Reduced paperwork and ease-of-use at the point of sale

Using Your Benefit Card

The CONEXIS Benefit Card may only be used at health care providers who have a health care-related merchant category code (such as physicians, dentists, vision care offices, hospitals, and other medical care providers)

or at grocery stores, discount stores, and pharmacies who utilize an Inventory Information Approval System (IIAS). You may not use your benefit card at any merchant that does not have a health care-related merchant category code unless that merchant utilizes an IIAS.

As you incur qualified health care expenses, simply present your benefit card for payment. The amount of the qualified expense is automatically deducted from your FSA, and the funds are electronically transferred to the provider/merchant for immediate payment.

You may use your benefit card for qualified expenses only. A list of eligible and ineligible items is available online at www.conexis.com/solutions/expenses_EE.asp.

Inventory Information Approval System (IIAS)

Merchants who use an Inventory Information Approval System (IIAS) will only allow the benefit card to be used to purchase those items identified on a list of eligible health care expenses maintained by the merchant. For example, when purchasing eligible health care-related items AND ineligible non-health care-related items, the merchant will only accept the benefit card as payment for the health care-related items. You must pay for the ineligible items with another form of payment (cash, personal credit or debit card, etc). A list of merchants utilizing an IRS-approved IIAS is available online at www.conexis.com/IIASvendors.

Supporting Documentation – SAVE YOUR RECEIPTS

The required documentation for benefit card transactions is the same documentation required for traditional paper claims. You must retain copies of all itemized receipts for each benefit card transaction. We recommend you keep all documentation in a separate envelope at home or work for at least one year following the close of the plan year.

If your expense(s) is not automatically substantiated through the IAS process or one of the methods listed below (see “Supporting Documentation Not Required In Certain Scenarios”), you will be required to submit documentation to CONEXIS to substantiate your expense(s). You will receive notification from CONEXIS when this is required and you must submit appropriate documentation within the time frame outlined in the notification. Failure to provide appropriate documentation may lead to the deactivation of your benefit card.

Appropriate documentation includes:

- For office visits – Your insurance plan’s Explanation of Benefits (EOB) statement or an itemized receipt or bill from the provider that includes the patient’s name, a description of the service, the original date of service, and your portion of the charge
- For over-the-counter medications and expenses – An itemized cash register receipt with the merchant name, name of the item/product, date, and amount
- For prescription drug purchases – A pharmacy statement or printout from your pharmacy

including the patient’s name, the prescribing physician’s name, the Rx number, the name of the drug, the date the prescription was filled, and the amount

In some cases, a letter of medical necessity from a medical practitioner may be required. Credit card receipts, cancelled checks, and balance forward statements do not meet the requirements for acceptable documentation.

Supporting Documentation Not Required In Certain Scenarios

In many cases, your transaction will be automatically substantiated by the card system using one of the IRS-approved methods outlined below:

- **Co-pay Matching.** The expense matches a specific co-payment you have under your employer’s medical, pharmacy, behavioral health, and vision or dental plan. For example, you may not be required to submit a receipt if you are subject to a \$10.00 co-pay for physician office visits and a payment was made to a physician’s office in the amount of \$10.00.
- **Recurring Expense.** Recurring expenses will not result in a request for documentation as long as the expense equals the same amount, duration, and provider as a previously approved expense. Recurring transactions will be processed and approved without documentation only after substantiating receipts or other documentation is provided and the initial transaction is reviewed and approved.
- **IAS-Approved.** You purchase your FSA-eligible items at a merchant utilizing an Inventory Information Approval System (IAS).

PLEASE NOTE: In rare circumstances, purchases made at merchants utilizing an IAS

may fail to process appropriately. In those cases, you will be required to submit receipts or other substantiating documentation.

- **Electronic File.** In limited scenarios, your claim information may be provided through an electronic file from your insurance carrier or other provider. In these scenarios, expense substantiation may not be required if the electronic claim file is accompanied by an electronic or written confirmation from the health care provider that identifies the nature of your expense and verifies the amount.

IMPORTANT! You must still obtain and retain third-party receipts whenever you use your benefit card, even if you believe the transaction will not require review. All receipts should be retained for at least one year following the close of the plan year in which the expense is incurred. If the card system is unable to automatically substantiate your transaction, you will be required to provide supporting documentation to substantiate the expense.

Lost Receipts and Ineligible Transactions

Missing or lost receipts will result in a denied claim. You may request a replacement receipt from the service provider or merchant. If you are unable to obtain a replacement receipt, or if you use your card to pay for ineligible expenses, your claim will be denied and you will be required to reimburse the plan with post-tax dollars. If you do not reimburse the plan accordingly, your benefit card will be deactivated.

Dependent Care FSA

The dependent care flexible spending account (FSA) is a UC-sponsored plan that allows you to set aside a portion of your income on a pre-tax basis and then use that money to pay for eligible employment-related dependent care expenses incurred for a qualifying individual.

Participating in the dependent care FSA can significantly reduce your taxes and increase your take-home pay by allowing you to use pre-tax dollars to pay for eligible employment-related dependent care expenses incurred for a qualifying individual. A comprehensive list of eligible expenses is available online at www.conexis.com/solutions/expenses_EE.asp.

Participating in a Dependent Care FSA Saves You Money

Because your dependent care FSA contributions are deducted prior to calculating your federal and state income taxes, you can save up to 30% (or more, depending on your tax bracket) on the money you set aside through the plan. For example, if you are in the 30% tax bracket and set aside \$5,000 annually, you will save \$1,500. That \$1,500 goes directly to you in the form of increased take-home pay that you would otherwise not receive if you do not participate in the dependent care FSA.

To fully understand the benefit of participating in the plan, it may help to look at your participation in a different way. Assume you have \$5,000 in annual dependent care expenses. If you do not

participate in the dependent care FSA, you must earn more than \$7,100 to pay for those expenses. However, if you participate in the dependent care FSA, you only need to earn \$5,000 to pay for those expenses. When participating in a dependent care FSA, every dollar earned is a dollar you can use to pay for your eligible dependent care expenses.

Important Plan Rules

Dependent care expenses must be for a qualifying individual. A qualifying individual is:

- Your dependent child under the age of 13 who lives with you for more than half the year
- Your spouse or other qualifying dependent that is physically or mentally incapable of self-care and lives with you for more than half the year

A Special Note for Divorced Individuals: If you are divorced and you are the custodial parent, your child is a qualifying individual even if you do not claim the child as a tax dependent. A divorced, non-custodial parent cannot be reimbursed under a dependent care FSA, even if the divorced, non-custodial parent claims the child as a tax dependent.

Dependent Care Expenses Must Be “Employment-Related”

To be eligible for reimbursement under your dependent care FSA, an expense must be incurred to enable you (and your spouse, if married) to work or look for work. For this purpose, “work” may include actively looking for work but does not include unpaid volunteer work or volunteer work for a nominal salary. Your

spouse is considered to have worked if he or she is a full-time student for at least five calendar months during the tax year or if he or she is physically or mentally incapable of self-care.

Expenses you pay for dependent care while you are off work due to illness generally are not eligible for reimbursement. However, temporary absences from work may be disregarded if you are required to pay for dependent care expenses during the absence. Whether an absence is temporary depends on the facts and circumstances of the situation; however, IRS regulations stipulate that an absence of up to two consecutive weeks due to illness or vacation is a short-term or temporary absence.

Special Rules for Part-Time Employees

In general, if you work part-time you must allocate expenses between days worked and days not worked. However, if you work part-time but are required to pay for dependent care expenses on a periodic basis (including non-working days), you do not have to allocate expenses between days worked and days not worked. These two scenarios are illustrated in the examples below.

Allocation Required. You work three days a week and have voluntarily placed your child in day care five days a week so you may remain gainfully employed. Your cost for the childcare is \$50.00 per day and \$250.00 for the week. Because you work part-time and are not required to pay the

full \$250.00 expense, you must allocate your expenses according to your days worked. In this case, your allocated expenses equal \$150.00 (\$50.00 per day for the three days worked).

Allocation Not Required. The facts are the same as above, but in this scenario your dependent care provider requires that you pay the full \$250.00 fee regardless of the number of days that care is actually provided. In this case, the full \$250.00 expense may be considered an employment-related expense and allocation of the expense based on days worked is not required.

Contributions

As a participant in the University of California dependent care FSA, you may set aside up to a maximum of \$5,000 per plan year. To participate, you must contribute at least \$180 to your dependent care FSA on an annual basis.

Although the general annual maximum is currently set at \$5,000, your maximum annual contribution amount may not exceed the earned income limitation. If you are single, the earned income limitation is your salary (excluding your contributions to the dependent care FSA plan). If you are married, the earned income limitation is the lesser of your salary (excluding your contributions to the dependent care FSA plan) or your spouse's salary.

If you are married and file a joint tax return, your combined maximum dependent care FSA election amount is \$5,000 (i.e. you and your spouse may

not claim \$5,000 each). The maximum amount available to you if you are married but filing separate returns is \$2,500. Expenses reimbursed under your dependent care FSA may not be reimbursed under your spouse's dependent care FSA and vice versa (i.e. no "double-dipping").

The Use-It-or-Lose-It Rule

The "use-it-or-lose-it" rule is a provision in the IRS regulations that requires that all money contributed to your FSA must be used to reimburse qualified expenses incurred during that plan year. Money not used to reimburse eligible expenses is forfeited. The unused portion of your dependent care FSA may not be paid to you in cash or other benefits, including transferring money between FSAs. To reduce the risk of forfeiture, it is critical that you carefully estimate your expenses when choosing your annual election amount.

The University of California dependent care FSA plan includes a 2.5-month grace period extension. For more information regarding this grace period, please see "Reimbursement Deadlines" on page 14.

Election Changes

Your election is irrevocable for the plan year unless you have a change in status or other qualified event as defined in the IRS regulations. Qualified changes in status include:

- A change in marital status (such as marriage, divorce, or death of your spouse)
- A change in the number of your dependents

(such as birth or adoption of a child, or death of a dependent)

- A change in employment status of you, your spouse, or dependent
- An event that causes your dependent to satisfy or cease to satisfy an eligibility requirement for benefits
- A change in residence of you, your spouse, or dependent

Your requested change must be consistent with the event. With respect to your dependent care FSA, you may change or terminate your election only if:

- Such a change or termination is on account of, and corresponds with, a change in status that affects eligibility for coverage under the Plan
- Your election change is on account of, and corresponds with, a change in status that affects the eligibility of dependent care assistance expenses for the available tax exclusion

You also may change your dependent care FSA election when an independent, third-party provider (other than a relative) significantly increases or decreases the cost of dependent

care or when there has been a coverage change (e.g., a change in providers).

Termination

If you terminate your employment during the plan year or you otherwise cease to be eligible under the plan, your active participation in the plan, as well as your pre-tax contributions, will end automatically. Expenses for services rendered after your termination date are not eligible for reimbursement. Unlike the health FSA, the dependent care FSA is not eligible for continuation under COBRA.

Important Tax Information

Reporting Requirements

When participating in a dependent care FSA, you must identify all persons or organizations that provide care for your child or dependent by filing IRS Form 2441 - Child and Dependent Care Expenses, along with your Form 1040 each year (or Schedule 2 for Form 1040A). Please note that filing requirements are subject to change by the IRS. Consult your tax advisor for more information.



Participating in the Dependent Care FSA vs. the Dependent Care Tax Credit

You may not claim any other tax benefit for the tax-free amounts received by you under the dependent care FSA, even though the balance of your eligible, employment-related dependent care expenses (if any) may be eligible for the dependent care credit. In limited situations, it may be to your benefit to take advantage of the tax credit rather than participate in the dependent care FSA. Consult your tax advisor for more information.

Reimbursements

Eligible expenses you incur during the plan year can be reimbursed through your dependent care FSA by submitting a completed request for reimbursement form along with proper documentation substantiating the expense(s).

Substantiating Dependent Care Expenses. If the employee and provider certifications on the reimbursement request form are completed and signed, no additional documentation is required. If the provider certification is not completed and signed, you must submit an itemized statement from your provider including the date(s) of service, the name(s) and date(s) of birth of your dependent(s), an itemization of charges and the provider's name, address and Tax ID/SSN number.

The University of California has established a daily payment schedule for the dependent care FSA plan. With this schedule, there is no additional waiting period for reimbursements.

Once your request has been reviewed and approved, it is scheduled for payment and your reimbursement is issued the next business day. Reimbursement request forms are available from the participant section of the CONEXIS Web site. You must first log in to your account to access these forms.

Reimbursement Deadlines

Generally, expenses submitted for reimbursement through your dependent care FSA must be incurred during the plan year. The University of California dependent care FSA includes a 2.5-month grace period extension. This feature creates a grace period (January 1, 2010 through March 15, 2010) during which you may continue to incur expenses against your 2009 dependent care FSA balance. This plan feature ensures that you have the opportunity to maximize the funds in your account and avoid forfeiture of those funds through the "use-it-or-lose-it rule." You should still carefully estimate your planned expenses based on a 12-month period and make a conservative election based on that estimate. Remember, the grace period is meant to help you when your expenses fall a little short of expectations; it is not an extension of the plan year that requires an increase in your election amount.

Your dependent care FSA also includes a "run-out period," which expires April 15, 2010. The run-out period is a pre-determined period after the end of the 2009 plan year during which you may file claims for expenses incurred during the plan year or the 2.5-month grace period. Claims must be postmarked by the run-out period deadline.

After the run-out period has expired, any unused dollars remaining in your dependent care FSA are forfeited, per IRS rules.

University of California 2009 FSA Plan Year Dates		
	Starts	Ends
Plan Year	Jan 1, 2009	Dec 31, 2009
2.5-month grace period	Jan 1, 2010	Mar 15, 2010
Run-out period	Jan 1, 2010	Apr 15, 2010

Eligible Expenses

The dependent care FSA covers qualified dependent care expenses incurred for the care of one or more qualifying individuals as described above. Typical eligible expenses include:

- Before school and after school care
- Expenses for preschool/nursery school
- Extended day programs
- Au pair services (amounts paid for the actual care of the dependent)
- Babysitter (in or out of the home)
- Nanny services (amounts paid for the actual care of the dependent)
- Summer day camp for your qualifying child under the age of 13
- Elder day care expenses of a qualifying individual

This list is not complete. You may view a comprehensive list of eligible expenses online at www.conexis.com/solutions/expenses_EE.asp.

Ineligible Expenses

Ineligible expenses include the following:

- Amounts paid to your spouse, your child under age 19, a parent of your child who is not your spouse, or an individual for whom you or your spouse is entitled to a personal tax exemption as a dependent
- Expenses attributable to a disabled spouse or tax dependent living outside your household
- Educational expenses
- Tuition for kindergarten and above
- Food expenses (unless inseparable from care)
- Incidental expenses (e.g., extra charges for special events or activities unless inseparable from care)
- Overnight camp

This list is not complete. You may view a comprehensive list of eligible and ineligible expenses online at www.conexis.com/solutions/expenses_EE.asp.

Account Management

Your account information is available 24/7 from the participant section of our Web site. Additionally, each time a reimbursement is issued from your account you will receive an Explanation of Benefits (EOB) reflecting your current account balance. At the end of the plan year, CONEXIS will send you an annual statement with a complete summary of your account balance.

