

APPLICATION GUIDE



**TOTAL ADMINISTRATION
SERVICES CORPORATION**

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What's inside

What is FlexSystem?

How does it save money?

How does it work?

What we do...

What you get...

Your obligations...

How much does it cost?

Savings Snapshot.

FLEXSYSTEM

WHAT IS FLEXSYSTEM?

FlexSystem is an IRS Code Section 125 Cafeteria Plan that enables employers to offer qualified employee benefits normally paid on an after-tax basis, through salary reduction, on a pre-tax basis instead. With FlexSystem, employers use TASC's third-party administration services to handle the proper administration and operation of the Plan. As a result, your employees can increase their take-home pay without costing you more money. There's more: **Participating businesses save an average of \$300 per employee per year in payroll taxes.**

HOW DOES IT SAVE MONEY?

This Plan controls benefit costs without restricting choices, and reduces your Social Security tax payments for every dollar of employee participation. It also saves your employees money because their necessary benefits are purchased with pre-tax money. FlexSystem not only puts more money in your employees' pockets, but helps your business, too.

HOW DOES IT WORK?

This 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. Section 125 Plans, also known as "Flexible Spending Accounts," can be structured to include a variety of benefits.

Qualified expenses under the Plan typically include things such as:

- Family health insurance premiums
- Out-of-Pocket medical expenses
- Dependent care expenses
- Term life and disability insurance premiums
- Transportation expenses

When a qualified expense is incurred, the employee submits a Request for Reimbursement claim to FlexSystem. The claim is quickly processed and payment is disbursed to the employee. With on-line submission of claims, daily check cutting, and direct deposit, FlexSystem provides the industry's fastest turnaround of claims.

THE AUDIT GUARANTEE

FlexSystem stands behind enrolled Participants if the Participant has adhered to the Plan's outlined procedures and parameters. If all Plan procedures and guidelines are followed correctly, FlexSystem will assume financial responsibility for 100% of any penalty and/or interest charged as a result of an audit as it pertains to FlexSystem.

WHAT WE DO

- Professional and efficient set-up of your FlexSystem Section 125 Plan, including all required documentation, and maintenance of the Plan Document.
- Provide access to our comprehensive on-line processes to help keep paperwork to a minimum.
- Offer daily check cutting and direct deposit for the fastest possible turnaround of claims.
- Offer expert toll-free assistance and information during regular business hours.
- Provide around-the-clock access to account information via the internet and our voice response system.
- Provide all-inclusive fees with no contractual commitments.
- Back up your Plan with an Audit Guarantee.

WHAT YOU GET

- **Reduced payroll costs.** Social security contributions are reduced for each dollar of employee participation.
- **Reduced medical costs.** An employer can control the company's share of medical costs without limiting choice.
- **The ability to customize benefits.** With a diverse workforce, you can offer individually-tailored benefits at little or no additional cost.
- **The goodwill you build.** Employees know Section 125 plans make good financial sense. For very little cost, you can provide a benefits package with their interests in mind.

YOUR OBLIGATIONS

- Upon receipt of the employee enrollment materials, you should review the Summary Plan Description (SPD) and Employer Data Sheet.
- Distribute an employee enrollment kit to all eligible employees.
- Enroll on-line at www.exploretasc.com, making sure to submit your payroll schedule and your employees' enrollment forms.
- Direct your employees to enroll. Also, review account balances, and file requests for reimbursement all on-line or contact FlexSystem for assistance.
- Distribute Participation Kits to your employees who have chosen to take part in FlexSystem.

HOW MUCH DOES IT COST?

SECTION 125 POP	No. of EEs	Annual Administration Fee	Other Fees
	1-25		None
	26-100		None
	101+		None

SECTION 125 FSA	No. of EEs	Monthly* Administration Fee	Other Fees
	1-5		
	6-15		
	16-50		
	51-100		
	101-250		
	251-1000		
	1000+		

Please contact us for current rates.

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

*The fee charged is determined by the number of EEs. 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. Section 125 FSA Groups of 1-5 and 6-15 employees are annual payments only.

SAVINGS SNAPSHOT

**ESTIMATED HEALTH PREMIUMS
PER EMPLOYEE
(EMPLOYEE'S SHARE)**

\$20
\$40
\$60
\$80
\$100

**ESTIMATED ELIGIBLE MEDICAL
EXPENSES PER EMPLOYEE**

\$15
\$25
\$35
\$45
\$55

**ESTIMATED DEPENDENT CARE
EXPENSES PER FAMILY EMPLOYEE**

\$200
\$400
\$600
\$800
\$1000

(Column amounts are typical. Use exact numbers if known.)

LINE 1 Total of Column 1 and Column 2: \$ _____

LINE 2 Add 20% of Column 3: \$ _____

Typically, 20% of eligible family employees take advantage of Dependent Care accounts.

LINE 3 Subtotal: \$ _____

LINE 4 Number of Employees: _____

LINE 5 Multiply Line 3 by Line 4: \$ _____

LINE 6 Multiply Line 5 by .08: \$ _____

This is your monthly tax savings.
This is based on the average payroll savings of 8%, which may include Social Security contributions, unemployment taxes, and worker's compensation insurance.

LINE 7 Multiply Line 6 by 12: \$ _____

This is your annual tax savings.

(1) EMPLOYER/ADMINISTRATOR

Contact Name _____ Plan Number (If known) _____

Company Name _____ Email _____

Telephone Number _____ Fax Number _____

Street Address (not PO Box) _____ City _____ State _____ Zip _____

TASC Administration Options (Check only one option.)

FlexSystem FSA FlexSystem POP Business Federal ID # _____

Tax Filing Status: C-Corp S-Corp Partnership Sole Proprietor Non-Profit LLC Other _____

Total Number of Eligible Employees _____ Specify all applicable payroll cycles, (12, 24, 26, etc.) _____

Number of Payrolls in First Year _____ Number of pre-tax deductions in a typical 12 month Plan Year _____

Do you own interest in any other business? No Yes If yes, Name _____ Federal ID # _____

Do you currently have a Section 125 Cafeteria Plan with another administrator? Yes No With TASC? Yes No

FAST TRACK - If you would like assistance completing sections 2 or 3 of this application, please check the FAST TRACK option, enter a contact name and number, and send this form and payment to FlexSystem. A FlexSystem representative will contact you to help you complete the application.

Best Time to Call: _____ Contact Name: _____ Contact Phone Number: _____

(2) PARTICIPATION AND ELIGIBILITY REQUIREMENTS

Check eligible employees and their respective maximums. If a category is checked, but a maximum is not elected, it will be defaulted to the maximum.

- Part-time employees working at least _____ hours per week will be included (maximum of 30 hours)
- Seasonal employees working at least _____ months within a year will be included (maximum of 6 months)
- Employees reaching _____ years of age will be included (maximum 21 years)
- Employees meeting Probationary period of _____ months will be included (maximum 24 months)
- Members of bargaining unit will be included

FlexSystem first year administration shall begin on the first day of _____ (month/year) and continue for _____ consecutive months. For the second and successive years, the Plan shall operate starting on the first day of _____ (month/year) and continue for the following consecutive successive twelve (12) month period. Your first payroll deduction for FlexSystem administration will be taken on _____ (month/day/year). Note: Plans need not run on the calendar year (i.e. January 1 - December 31).

Entry Date - An employee (other than a rehired employee) is able to enter and participate in the Plan the first day of the Plan Year, or such dates within the Plan Year noted below, and after they have met the eligibility requirements above. _____ (i.e. January 1 and July 1) *see reverse side

(3) AVAILABLE BENEFITS

Select the benefits available to the eligible employee(s). These benefits are taken through salary deductions.

- Medical or Medical-Related Premium - (Group Sponsored - Employee and Family)
- Medical or Medical-Related Expense Reimbursement Account \$_____ Maximum Election - (Employee and Family)
- Dependent Care Reimbursement Account - (Annual Maximum \$5,000, \$2,500 if married filing separately - Employee and Family)
- Transportation Reimbursement Account - (Employee Only - Call for current monthly maximum.)
- Voluntary Term Life Insurance Premium - (Employee Only-Up to \$50,000 in death benefits.)
- Disability Insurance Premium - (Employee Only)
- Cancer Insurance - (Employee and Family)
- Individual Premium Reimbursement Account - Not offered through employer.

(4) PAYMENT

An initial Enrollment Fee is due at the time of plan start-up and must be enclosed. The Administration Fee and invoice frequency are determined by fee schedule and invoiced to Employer. (South Dakota residents add 4% sales tax.) **See Application Guide for fee schedule.**

Initial Enrollment Fee: \$_____ + Tax \$_____ = Total Amount \$_____ Minimum Monthly Admin. Fee \$_____ Per Participant Fee: \$_____

Check #: _____ Master Card Visa American Express Discover Freq. of invoicing Quarterly Annually

Signature: _____ Name of Cardholder (Name on Card): _____

Card #: _____ Exp. Date: _____

(5) AUTHORIZATION

I have read, understand and agree to the terms and conditions stated on the other side of this document as attested by the signature below, effective on the date of the signature.

Employer (sign here) _____ Title _____ Date _____

If you are a current client of TASC; please note which service: MAPP PHiEd

Provider Name: Philip Wallace Lowcher, LLC Provider #: __TASC-002539_

Provider Telephone #: (800) 544-4267 Retail Code: _____

Questions? Contact FlexSystem for assistance at 1-800-422-4661, and press 7.



In the event of an error or omission in the course of administering the Plan on behalf of the employer and participating employees, TASC will notify and remedy the error or omission in a reasonable period following the error or omission. The employer and employees agree to TASC's procedures for correcting including by not limited to payroll reduction. An error by the employer or TASC does not constitute an assumption of liability for the amount of the error.

Eligible Employees

The employer must establish the eligibility requirements in order for employees to participate in the Plan and may select up to the maximum listed or instead select lower requirements for participation. The ability to select a lower requirement applies to any of the regulations for participation in the Plan. Many of the regulations listed may exclude an employee from participating in the Plan. If you choose to not select any exclusions, all employees will be eligible for participation. Any excludable options left blank will also be considered as being included.

Highly Compensated Employees

Section 125 of the Internal Revenue Code requires that Cafeteria Plans be offered on a non-discriminatory basis. In assuring compliance, the Internal Revenue Code does not provide one simple test. Section 125 has its own non-discrimination test, just as the individual benefits (Section 105, Section 129 and Section 79) have separate tests that must be met. The complication of this aspect of a Cafeteria Plan stems from the uncertainty of each test's application. Although the various tests tend to be subjective in relation to each other, you will find the concept of fairness is consistent throughout.

Because of the uncertainty, FlexSystem has created a test which considers the similarities of all tests. Since the Internal Revenue Service has not provided much guidance, administrators are left to define a common ground in meeting the non-discrimination requirements. In doing this, it is first necessary to define who is highly compensated. After this determination has been made, it is necessary to apply the concentration test which states that those deemed highly compensated may contribute no more than 33% of total contributions made by the non-highly compensated employees. Those who are defined as highly compensated include:

1. Any officer.
2. Any individual owning 5% or more of the corporation.
3. Any employee earning in excess of \$90,000 (2002 figures) and in the top paid group.
4. Any dependent of an employee meeting the above criteria.

FlexSystem will perform non-discrimination tests for you. However, employers should consider the concentration test when highly compensated employees are making their Plan elections. They may be asked to provide additional information for accurate testing. The employer will be notified of the results.

Appointment

Subject to the supervision of the Administrator/Employer, the signee on the other side of this agreement, the appointed Administering Agent will administer the Plan, including the amendments thereto in accordance with its terms. All of the provisions of the Plan, including the provisions governing indemnification and limitations of liability, are hereby incorporated by reference. The Administrator of the Plan is limited to: monitoring of benefit accounts and plan deferral limits, processing of benefit claims, preparation of a Summary Plan Description, employee election forms, and Summary Annual Reports. The Administrator acts as an agent for the Employer in receiving payments from the Employer and processing employee benefit payments. The Plan will remain in the possession of the Administrator and will be kept within the guidelines of Section 125 of the Internal Revenue Code and ERISA. The employer also appoints and authorizes FlexSystem to act as its agent and in its name for the employer's use and benefit with respect to establishment of the plan using the Plan Application.

Plan Number

A Plan Number will be assigned to this Plan and communicated to the Client. The client should make note of the Plan Number and use it when contacting TASC's Customer Service Department to ensure efficient and accurate transferring of plan-related information.

Entry Date - Choosing this option does not constitute an open enrollment. It allows newly eligible participants to enroll on the specified dates only. This is optional.

Employer Responsibilities

The Employer shall provide to the Administrator the information necessary to administer the Plan in a timely manner. This information should include the employee census data. Each payroll period the Employer shall pay to the Administrator the Employee's salary reduction amounts for that period. Plus administration costs calculated by the Administrator are due as invoiced. The Employer agrees to TASC's procedures related to the operation of the Employee's Plan, including but not limited to enrollment, claims, account maintenance, disputes, error corrections, reporting, eligibility, and any other processes involved in the Plan.

Termination

This Plan may be terminated by proper notice of one party to the other. Following the termination of the Plan, this agreement shall automatically terminate, and all benefits shall be paid and final reports prepared. Terms by which this Plan can be terminated are by written notice sixty (60) days in advance from either party or by written notice fifteen (15) days in advance to the Employer for failure to forward to the Administrator funds from employee deductions. Upon this sooner termination, the Administrator shall use the funds in its possession for the payment of benefits to the Employer and for its own fees and expenses. The Administrator has no responsibility to enforce the Employer's funding of benefits required under the Plan. Upon and after the expiration or termination of this Application, the rights granted to the employer pursuant to this Agreement shall revert back to FlexSystem, a division of Total Administrative Services Corporation. Within 20 days after termination or expiration of this Application, the employer shall return to FlexSystem all manuals, brochures, computer programs, customer and vendor data bases, and any other documents regarding the FlexSystem programs and systems and any copies thereof. In addition, the employer shall refrain from any further direct or indirect use of or reference to the FlexSystem marks, systems, publications, manuals, brochures, documents, computer programs and computer databases in connection with the marketing, use, implementation, license, sale or distribution of any program or system that enables employers to offer employee benefits on a pre-tax basis. Finally, the termination of this Application shall not affect the duty of the employer not to infringe on FlexSystem's trademarks and copyrights and not to disclose and keep confidential all said Confidential Information supplied to the employer by FlexSystem.

Money Back Guarantee

If you are not entirely pleased with FlexSystem simply return all the FlexSystem materials to receive a full refund. You may return FlexSystem within 30 days of the date received to be refunded for the full purchase price.

Please mail your Plan Application along with your enrollment fee to the following address:

Total Administrative Services Corporation
2302 International Lane
P.O. Box 14140
Madison, Wisconsin 53704-3140