

# City of Concord, NH



## Beneflex Program: A Range of Options

Plan Year 2022-2023  
(July 1, 2022-June 30, 2023)

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*This booklet contains our summary plan description and summarizes the benefit options offered through the City of Concord and other insurers. It is not a complete statement of the terms and conditions under which benefits are available. This booklet is intended to describe benefits offered as accurately as possible. Benefits are set forth in, and governed by your coverage certificate, along with its endorsements and riders. In the event of any discrepancy between this booklet and the actual terms and conditions of those documents, the documents will govern. This booklet does not constitute a contract, or an offer to form a contract, and is not binding on any party. The Section 125 Plan is a part of the City's Beneflex Program. The City reserves the right to amend or terminate the Beneflex or Flexible Spending Account plans at any time. Any such changes will be in writing.*

## **General Information on the Flexible Benefits Plan**

### **Name of Plans**

City of Concord, NH Flexible Benefit Plan  
City of Concord, NH Health Care Flexible Spending Account Plan  
City of Concord, NH Dependent Care Flexible Spending Account Plan

### **Plan Sponsor and Administrator:**

City of Concord  
City Hall  
41 Green Street  
Concord, New Hampshire 03301  
603-225-8535

### **Employer Identification Number:**

02-6000177

### **Plan Numbers:**

501 Flexible Benefit Plan  
502 Health Care Flexible Spending Account Plan  
503 Dependent Care Flexible Spending Account Plan

### **Type of Plan:**

The Flexible Benefit Plan is a cafeteria plan under Section 125 of the Internal Revenue Code, allowing a choice between cash and certain qualified benefits.

### **Plan Effective Date:**

August 1, 1989

### **Plan Year**

The Plan year is from July 1 to June 30.

### **Administration:**

Medical, dental, life and disability benefits are provided through insurance contracts, and administered by the insurer. Health and Dependent Care Flexible Spending Account benefits are currently administered by Benefit Strategies.

### **For questions or service of legal process contact:**

Jennifer Johnston  
Director of Human Resources and Labor Relations  
Human Resources Department  
City of Concord, NH  
603-225-8535

### **Please submit Health or Dependent Care Flexible Spending Account claims to:**

Benefit Strategies, LLC  
PO Box 1300  
Manchester, NH 03105-1300

## **Why Beneflex?**

For many years, the City of Concord, as well as most other employers, designed benefit programs to meet the needs of the average employee. But times and lifestyles have changed. There is no “typical” City of Concord employee. Just as individuals differ in terms of capabilities, talents and skills, so are they different in terms of age, marital status, number of dependents, financial resources and personal goals. It stands to reason that their benefit needs and interests are also different. Total compensation of employees consists of two parts — direct salary and benefits. A flexible benefits plan allows employees a greater voice in how benefit dollars are spent, and permits them to spend those dollars more effectively. It also allows them the opportunity to design a benefit package that best meets their individual needs and budgets.

## **Advantages**

Beneflex provides several key advantages over traditional benefit programs. You, the employee, make your own choices and you have a greater variety of benefit options from which to choose. The City provides benefit dollars, subject to City Council appropriation, for use in purchasing benefits. The primary purpose of the Beneflex Program is to provide employees with a full range of benefit options. Beneflex is designed to attract, retain and secure qualified employees. Cash payments to employees for opting out of coverage is considered incidental to this intent and is only permitted when employees have adequate coverage elsewhere.

Under the Beneflex Program, you may find that you wish to:

- Keep the same benefit package you have previously selected.
- Select a reduced cost health benefit and have more cash as compensation.
- Buy more benefits and reduce your cash compensation to pay for them; in most cases, additional benefits can be purchased with pre-tax dollars which means your dollars go further in buying the benefits you want.

## **Salary Redirection**

If you purchase additional benefits, salary redirection is a way in which you can make these purchases with pre-tax dollars. Currently allowable under federal law, salary redirection means that the portion of your salary directed toward the purchase of most benefits is not included in your taxable income. Let’s assume that you need to purchase a pair of eyeglasses that cost \$300. If you use after-tax dollars, and you are in a 15% Federal Income Tax bracket, you would have to earn \$368 to pay for your glasses (if you earn \$368, \$68 is taken out for Federal Income and Social Security taxes leaving you \$300 to spend on your eyeglasses). With salary redirection, on a pre-tax basis using a Flexible Spending Account, you can buy the pair of eyeglasses for \$300, and all you need to earn to pay for the glasses is \$300, rather than \$368, saving you \$68.

You may want to direct a portion of your salary to purchase dental benefits or additional life insurance as well as dependent care services or health care services not covered by insurance. Salary redirection offers distinct tax advantages to you. It helps your dollars go further because it lets you use pre-tax, rather than after-tax dollars to purchase the additional benefits you desire.

Your pre-tax redirection salary contributions toward benefit purchases are made in equal amounts each week for 48 weeks each year.

## **Redirected Dollars: Social Security and State Retirement**

With salary redirection, dollars used to pay for most benefit costs are not subject to Social Security tax either. You do not pay Social Security tax on dollars you redirect to these benefit costs. However, this means that over time your earnings used to calculate your Social Security benefit will be less, and some day your Social Security benefit will probably be slightly reduced. There's no effect on your eligibility to receive Social Security benefits, but the Social Security benefit will be based on somewhat lower lifetime earnings. All employee contributions to Beneflex are treated as earnable compensation for NH Retirement System purposes.

## **Annual Leave Exchange**

All full and permanent part-time employees may exercise the option of trading their future annual leave accruals in exchange for additional dollars. For full-time employees, the maximum amount of annual leave time which may be exchanged shall be limited to 120 hours. For permanent part-time employees, the maximum amount of annual leave time which may be exchanged shall be limited to the equivalent of three (3) weeks of the employee's scheduled hours. These exchanges are for future annual leave accruals unless otherwise noted in your collective bargaining agreement. Your annual leave balance immediately preceding the exchange must be the equivalent of at least one week of scheduled hours. The number of dollars earned by selecting this option will vary based upon your wage rate and amount of leave exchanged at the time of enrollment. Annual leave exchanged during open enrollment will be divided equally over each of the next 12 months. Annual leave is not adjusted during the plan year to reflect changes to compensation rates. For full-time employees, the exchange of future annual leave accruals may also be subject to NH Retirement System contributions and reporting. Once annual leave is exchanged, it cannot be credited back to you, for any reason.

## **A Range of Benefits**

The City of Concord is offering you benefit choices in each of the following areas:

- Health Care
- Dental Care
- Life Insurance
- Accident and Sickness Plan
- Flexible Spending Accounts

## **Plan Year**

Full time employees will have access to a Point Sheet, which indicates the total dollars or "points", provided by the City of Concord and the benefit options. The points provided to employees are based on Federal eligibility guidelines, as well as, the employees' respective collective bargaining agreement. The exception to the Federal eligibility guideline falls under Healthcare Reform's Affordable Care Act with regard to adult dependent children. The Affordable Care Act requires employers offering dependent coverage to cover adult children between the ages of 19-26, regardless of student status. Points are provided to cover adult dependent children up to age 26 as required by this act. However, there is no requirement to provide additional dollars or points for adult children who do not participate in the City's insurance. Therefore, there is no opting out premium savings for adult children who are not students.

On June 26, 2013, the Supreme Court struck down part of the Defense of Marriage Act of 1996 by overturning a law that originally denied federal benefits to same-sex couples. NH RSA 457-A had already defined marriage as the legally recognized union of two people regardless of gender. This decision allows same-sex couples to receive the same federal benefits as heterosexual couples, such as coverage under the Family Medical Leave Act.

Benefits will be elected electronically via the Employee Self-Service portal and elections will need to be made by deadline indicated in the portal. Final electronic submission of your elections authorizes the City to deduct benefit premiums from your paycheck. Employees are responsible to understand and select the appropriate point eligibility based on family make up and enrollment status. Self-selection of point eligibility will be audited and reviewed to ensure accuracy and proof may be required to support selection.

The total dollars or “points” provided to you are determined by collective bargaining agreements or city council appropriation. Plan costs in excess of what the City provides will be deducted from your pay.

You will select benefit options on a Plan Year basis. The choices you make will remain in effect for the Plan Year unless you experience a qualifying change in status event during the Plan Year. Most qualifying change in status events are effective on the day of the event. However, any applicable payroll adjustments will begin the next payroll cycle immediately following the event. The City operates on a July 1 through June 30 fiscal year and Plan Year.

### **Qualifying Change in Status Events**

A qualifying change in status event is defined as a:

- Change in employee’s legal marital status;
- Change in number of dependents;
- Change in employment status of employee or spouse;
- Dependent satisfying or ceasing to satisfy dependent eligibility requirements;
- Change in place of residence;
- Adoption placement;
- Loss of Medicaid Coverage Eligibility; and
- Loss of Children’s Health Insurance Program (CHIP) coverage

You are responsible to notify the Human Resources Department within 30 days of any such status change. The only exception to this is in the event that you lose coverage under the Children’s Health Insurance Program (CHIP) or Medicaid. In the event of a loss in CHIP or Medicaid coverage, you have 60 days to notify the Human Resources Department of the status change. If you fail to notify the Human Resources Department, you will be required to pay the City the premium cost differential.

Under the Affordable Care Act, the State of New Hampshire has created a Health Insurance Marketplace in which individuals may purchase qualified medical coverage. Cafeteria plan participants may not change their elections mid plan year except in certain circumstances allowed by the IRS. However, we will now allow employees to revoke their election of employer-sponsored health coverage to enroll in a plan through the Marketplace. The City of Concord will allow an employee to revoke an election of coverage due to enrollment in a qualified health plan in the Marketplace plan if the employee is eligible to enroll either through a special enrollment period or during the open enrollment period, and coverage in the Marketplace plan begins no later than the day immediately following the last day of the original coverage that is revoked.

## **Eligibility**

All full-time City of Concord employees are eligible for participation in the City's Beneflex programs commencing the first day of the month following 30 days of employment. Permanent part-time employees are eligible to participate in the City's Health and Dental program at their own expense and receive Short Term and Long Term Disability at the City's expense.

Situations that could result in no longer being eligible for participation in Beneflex or a reduction in plan benefits include: termination of employment, retirement, leave of absence, reduction in hours, or any of the qualifying change in status events described above. In the event of a termination, or retirement, plan benefits will end the last day of the month in which the employee is no longer employed. Each individual benefit plan has its own requirements described in its specific plan document.

If you lose coverage, you may be able to obtain coverage through COBRA. Details regarding COBRA are provided in individual plan certificates.

## **Retirement Health Coverage**

State law stipulates that most retirees are eligible for enrollment in the City's group health plan. The plan selected at the last open enrollment will be the plan in effect upon retirement. Retirees are eligible for annual open enrollment, typically held during the month of June. Open enrollment is the time each year when retirees have the opportunity to make changes to their benefit selections. It is the retiree's and/or employee's responsibility to notify the City of any desired changes.

Please note special circumstances may exist for the City Premium Benefit Subsidy for health insurance. Contact the Human Resources Department prior to enrollment if you are considering retirement during the next plan year.

## **Health Care**

The City of Concord offers a competitive benefits package (Beneflex) to its Full Time and Permanent Part Time employees. This year there are three (3) different health plans offered to employees. These plans are insured by Harvard Pilgrim Health Care and employees are given the option of choosing between the separate plans.

## **How to Select Your Health Plan**

Selecting a less expensive health insurance option or a lower level of coverage is referred to as **OPTING DOWN**. If you, your spouse, your dependent children up to age 19, or dependent children who are full time students aged 19-25 have insurance coverage through another family member's employer-sponsored group plan, you have the option of "**OPTING OUT**" of health insurance. By **OPTING OUT**, you will be allowed to keep a portion of the premium savings as cash or for purchase of other benefits through the various plan options. You must provide proof of employer-sponsored insurance (such as a copy of the plan ID card) which shows the name of the employer, the insurance company, and the group and certificate number of the coverage. Since health insurance is one of the most costly benefits, you will want to choose your coverage carefully. Also, please remember that it is your responsibility to keep the Human Resources Department informed of any changes in the number of your dependents.

**NOTE:** Please refer to the health insurance schedules of benefits, plan descriptions, and the benefit summary sheet that follows for additional details.

	Plan Choice 1	Plan Choice 2		Plan Choice 3
	Best Buy \$500 Low \$25	HMO Elevate Health Option		Best Buy HSA
		Tier 1	Tier 2	
Office Copay	\$25 copay / visit <i>(No copay for preventive visits)</i>	\$25 copay / visit <i>(No copay for preventive visits)</i>	Deductible then 20% coinsurance <i>(No copay for preventive visits)</i>	Deductible then CIF / visit <i>(No charge for preventive visits)</i>
Individual/Family Deductible	\$500/\$1500 per plan year	\$500/\$1000 per plan year	\$1500/\$3000 per plan year	\$2000/\$4000 per plan year
Surgery	Covered in full after deductible	Deductible then \$150 copay	Deductible then 20% coinsurance	Covered in full after deductible
Inpatient Hospital Stay	Covered in full after deductible	Covered in full after deductible	Deductible then 20% coinsurance	Covered in full after deductible
ER Copay	\$100 / visit	Deductible then \$100 copay		Covered in full after deductible
MRI / CT Scan	Covered in full after deductible	Covered in full after deductible	Deductible then 20% coinsurance	Covered in full after deductible
Ambulance	Covered in full after deductible	Covered in full after deductible	Deductible then 20% coinsurance	Covered in full after deductible
Outpatient Mental Health	\$25 copay / visit for individual \$5 copay / visit group therapy	\$25 copay / visit for individual \$5 copay / visit group therapy	Deductible then 20% coinsurance	Covered in full after deductible
Inpatient Mental health	Covered in full	Covered in full	Deductible then 20% coinsurance	Covered in full after deductible
Outpatient Substance / Alcohol Rehabilitation	\$25 copay / visit for individual \$5 copay / visit group therapy	\$25 copay / visit for individual \$10 copay / visit group therapy		Covered in full after deductible
Inpatient Substance / Alcohol Rehabilitation	Covered in full	Covered in full		Covered in full after deductible
PT / OT	\$25 copay per visit (unlimited)	\$25 copay per visit (unlimited)	Deductible then 20% coinsurance	Covered in full after deductible (60 visits combined PT/ST/OT)
ST (Speech Therapy)	\$25 visit per visit (unlimited)	\$25 visit per visit (unlimited)	Deductible then 20% coinsurance	Covered in full after deductible (60 visits combined PT/ST/OT)
Skilled Nursing Facility / Inpatient Rehabilitation	Combined up to 100 days /py Covered in full after deductible	Combined up to 100 days /py Covered in full after deductible	Deductible then 20% coinsurance	Combined up to 100 days /py Covered in full after deductible
Chiropractic Care (limit combined in/out)	\$25 copay per visit (unlimited)	\$25 copay per visit (unlimited)	Deductible then 20% coinsurance	Covered in full after deductible Up to 12 visits/py
Labwork	Covered in full	Covered in full	Deductible then 20% coinsurance	Covered in full after deductible
Routine Eye Exams	1 visit per py \$25 copay / visit	\$25 copay / visit	Deductible then 20% coinsurance	1 visit per py No charge
DME (Durable Medical Equipment)	Covered at 80% after \$100 deductible	Covered at 80% after \$100 deductible	Deductible then 20% coinsurance	Covered in full after deductible
Out of Pocket Maximum	\$2,000 individual / \$4,000 Family	\$2,000 individual / \$4,000 Family		\$2,000 individual plans only / \$4,000 2P or Family plans
Lifetime Maximum	Unlimited	Unlimited		Unlimited
<b>Please note that on the High Deductible plan, Harvard considers a 2 Person plan "Family"</b>				
<b>Prescription Drug Benefits</b>				
Retail (up to 30 day supply)	\$5/\$25/\$40/30% (\$300 max per scrip for Tier 4)	\$5/\$25/\$40/30% (\$300 max per scrip)		Covered in full after deductible <i>(preventive RX not subject to deductible and covered in full)</i>
Mail Order (up to 90 day supply)	\$5/\$25/\$40/30% (\$300 max per scrip for Tier 4)	\$5/\$25/\$40/30% (\$300 max per scrip)		Covered in full after deductible
Out of Pocket Maximum	\$4,000 individual / \$8,000 Family	\$4,000 individual / \$8,000 Family		N/A



## **Wellness Program**

The City of Concord recognizes that staying well involves more than just being covered by a medical plan. That's why we are pleased to partner with our insurers to offer a wellness program to all full-time employees and City-insured spouses. Together, we're working toward healthy living.

### **How the Plan Works**

Wellness encourages you to participate in wellness activities by offering *wellpoints* for developing healthy habits. You can then use your wellpoints to help offset your share of health insurance premiums.

You can earn wellpoints by participating in:

- Beneflex education sessions (orientations for newly hired employees)
- Wellness education sessions
- Fitness Challenges or Healthcare Consumerism workshops (every other year)
- Health Risk Appraisals (alternate every other year)
- Health education programs
- Physical exercise activities
- Health screenings

Wellpoints earned the previous Beneflex year will be awarded during the City's open enrollment period, typically held during the month of May. If you do not need the additional Wellpoints to purchase health insurance, they may be used for other aspects of the Beneflex program or received as cash back. Research has clearly shown that promoting health and fitness at the workplace and at home helps employees reduce the rate of premium increases and related health insurance costs, improve overall health, reduce stress levels, and become wiser health care consumers. The potential value of wellness programs to employers is just as impressive, with results such as reduced absenteeism, lower health care costs, improved employee morale, reduced employee turnover, better customer service, and enhanced employee recruitment. It is a win-win situation for everyone!

*Funding for the City's Wellness Program as described in this document is subject to annual appropriation by City Council.*

### **Dental Care**

You are not required to take dental care coverage. This year full-time employees, who elect medical coverage through the city, will have 90% of their premium cost covered by the City of Concord, per the terms of their collective bargaining agreement (CBA). In cases where the CBA is silent or for non-contractual employees, this Flexbook will govern. If an employee opts out of medical insurance, the cost of the dental insurance premium paid for by the EMPLOYEE shall be reduced from the opt out dollars awarded. If an employee opts down on medical insurance, the employee will have 90% of their premium cost covered of the dental insurance plan selected by the employee. Subscribers in the dental plan insured by Northeast Delta Dental (NEDD) may visit the dentist of their choice. If you select a non-participating dentist, the dental office will bill NEDD (the dental carrier) directly and may accept their maximum allowance as the fee for your dental procedure.

#### **Under the dental care option, when you visit a participating dentist:**

- Coverage A services (diagnostic and preventive) are paid, up to 100% of the maximum
- Coverage B services are paid at 60%, and
- Coverage C and D services are paid at 50%.
- There is an annual deductible for Coverage B & C services.

## The four categories of covered services are described below:

### Coverage A Services - Preventative

- Cleanings & Examinations
- Topical Fluoride Applications
- X-Rays (Full mouth and Bitewing)
- Space Maintainers
- Sealants
- Periodontal Maintenance (including Periodontal cleanings)

### Coverage B Services – Basic Restorative

- Basic Restorative
- Endodontics – Root Canal
- General Anesthesia
- Oral Surgery - Simple Extractions
- Oral Surgery – Surgical Extractions
- Amalgam & Composite Fillings

### Coverage C Services – Major Restorative

- Implants
- Bridges
- Dentures
- Crowns/Inlays/Onlays – Prefabricated Stainless Steel & Resin Crowns

### Coverage D Services - Orthodontia

- *Orthodontics* (correction of malposed (crooked) teeth for adults and dependent children up to the age limit)

Orthodontic benefits are provided for each eligible subscriber and dependent. These benefits are not subject to a lifetime maximum and may be submitted once per Plan Year as long as the patient is eligible and still in active treatment.

## Your Dental Care Option

Services	Benefit
Coverage A Services	Covered at 100%
Coverage B Services	Covered at 60%
Coverage C Services	Covered at 50%
Coverage D Services	Covered at 50%
Coverage B & C Annual Deductible	\$50 Individual/\$150 Family
Maximum Annual Benefit Per Person	\$1,500**

\*\* This may be any combination of Coverage A, B, C, and D as indicated above.

*NOTE: The above information is presented in summary form; please refer to the Dental Plan Description booklet for complete benefit information.*

## Life Insurance

Providing security for your survivors in the event of your death is an important responsibility. Most people hope to leave behind a positive legacy. Your benefit program provides a basic amount of life insurance protection for all employees (core coverage). Additional coverage can be selected according to your individual financial circumstances, future needs of your survivors, and last wishes.

These plans include Accidental Death and Dismemberment coverage which increases the benefits you would receive in the unfortunate event of an accidental death or dismemberment. Your life insurance benefit is based upon your regular annual base wages at the time of enrollment but claims are paid using wages at the time of death. Premiums on life benefits in excess of \$50,000 are subject to Federal withholding and FICA tax. Options under the benefit plan are:

	High Option	Mid Option	Low Option
Death Benefit Equal to	3 times your annual salary	2 times your annual salary	1 times your annual salary up to a \$150,000 max

Shaded block represents core coverage.

If an employee elects to increase life insurance coverage more than 31 days from date of hire, or if the supplemental amount of life insurance elected is \$150,000, or greater, the life insurance company will require a completed evidence of insurability form.

The insurance company will notify the employee in writing if the increased coverage level has been approved or not. The current life insurance provider is Unum.

*\*Benefits are reduced 35 % for employees age 65 and over and an additional 15% at age 70.*

## Income Protection Plans For Accident and Sickness

The income protection plan for accident and sickness will pay you a portion of your income if you are unable to work due to injury or illness.

### Full Coverage Plan

The Full Coverage Plan includes three separate and distinct elements: a Sick Leave Account, Short-Term Disability Income Insurance and Long-Term Disability Income Insurance. The Short-term Disability and Long Term Disability Insurances are insured by Unum.

Under the Sick Leave Account, non-exempt (hourly), probationary employees accrue .0577 hours of sick leave for each regularly scheduled hour of work during the first six months of employment. After six months, the accrual rate is .0308 hours of sick leave for each regularly scheduled hour of work. The maximum accrual is 200 hours for full-time employees and 100 hours for permanent part-time employees. This account is used from the onset of sickness or injury for a fourteen (14) calendar day period. Exempt (salaried) employees accrue no sick leave, but are paid their regular salary for absences, due to sickness or injury, of less than one (1) week, or for no more than a fourteen (14) calendar day period, while awaiting disability insurance determination.

Short-Term Disability Insurance provides income continuation for employees from the 15<sup>th</sup> calendar day of an absence up to the 105<sup>th</sup> calendar day of a disability related absence that is not job-related. This insurance policy pays 66<sup>2/3</sup>% of your regular weekly base gross wages less taxes and mandatory deductions (at the rate of pay just prior to the date your disability begins), up to a maximum of \$1,200 per week. In addition, for both exempt and non-exempt employees, the City supplements Short-Term Disability Insurance payments, for fifteen (15) calendar days of each disability, to 100% of current weekly base gross wages for each full year of service to the City completed as of the onset of the disability.

An employee who is receiving Short-Term Disability Insurance and who does not have sufficient service time to be eligible for the full service based City supplement, shall be required to apply for annual leave through the usual annual leave process to cover time that is not covered by the insurance payments. The Sick Leave Account is used for authorized absences of less than 15 calendar days only. The Sick Leave Account may not be used to supplement Short-Term or Long-Term Disability Insurance. You may be able to use your annual leave account to supplement certain types of leaves of absence as defined with the City Procedures for Requesting Leave. Please check with the Human Resources Department if you have questions.

Employees receiving Worker’s Compensation payments beyond the third consecutive day of disability also receive a pay supplement from the City, up to the employee’s base net wage less mandatory deductions for taxes and retirement contributions, for a maximum of fifteen (15) weeks.

The Long-Term Disability Insurance Plan commences after 105 calendar days of disability. It pays you 60% of your regular weekly base wages (just prior to the date disability begins) up to a maximum payment of \$7,833 per month. (If you receive benefits on a monthly basis from other group plans, such as Workers’ Compensation, Social Security or pension, this plan supplements those benefits up to the 60% or \$7,833 benefit limit. However, regardless of other coverage, this plan pays no less than \$100 monthly.) The Benefit Duration is the maximum time for which benefits are paid. Depending on the age at which disability occurs, the maximum duration may vary.

**Benefit Duration**

<b>Age Disabled</b>	<b>Benefits Payable-Maximum Period of Payment</b>
Less than Age 62	To Social Security Normal Retirement Age
Age 62	60 months
Age 63	48 months
Age 64	42 months
Age 65	36 months
Age 66	30 months
Age 67	24 months
Age 68	18 months
Age 69 and over	12 months

If you are entitled to a wage increase while you are out on Short-Term Disability, the increase will be reflected in the City supplement only. The Short-Term Disability insurance administrator will pay your regular weekly salary at the time of disability.

*Please refer to the Personnel Rules & Regulations and/or applicable policies for additional information and specific procedures.*

## **Health Savings Accounts**

Health Savings Accounts (HSAs) offer a tax-effective way for you to pay certain health care related expenses. When contributing dollars to a HSA, you pay no Federal Income or Social Security tax on those dollars. This can mean significant savings. Eligibility for a Health Savings Account is predicated on enrollment into a qualified High-Deductible Health Plan.

During the calendar year, through payroll deduction, you can contribute to a HSA, up to a maximum of \$3,650 for a Single plan and \$7,300 for a 2-Person or Family plan for 2022. If you are over the age of 55, you can also contribute an additional \$1,000. This money is deposited into an account that can then be used to pay for health care, dental or vision expenses not covered or not paid for by your medical, dental or vision coverage. Any amount contributed to your HSA by the City counts toward your annual maximum above.

## **Flexible Spending Accounts**

Flexible Spending Accounts (FSAs) offer a tax-effective way for you to pay certain health care and dependent care expenses. When contributing dollars to either or both FSAs, you pay no Federal Income or Social Security tax on those dollars. This can mean significant savings. In addition, if you have selected reduced health benefits, some of your benefit dollars from the City may be left over to use in these accounts as well.

Permanent part-time employees are eligible to participate in Flexible Spending Accounts at their own expense.

## **Health Care Reimbursement Account (HCA)**

During the plan year, you can deposit dollars through payroll deduction into your Health Care Reimbursement Account. The maximum annual amount you may contribute is \$2,850. This pre-tax money can be used to pay health care expenses not covered or not paid for by your medical or dental coverage.

On October 31, 2013, the IRS introduced the ability for employers to offer a rollover option to its employees. This option is still available to you. Therefore, any balance of \$570 or less that is remaining in a HCA as of June 30, 2023 will be carried over into the next plan year and can be used for any eligible expense incurred during that next plan year.

Below is a list of eligible expenses to consider reserving money for:

- The deductible or copayment under your health insurance plan
- The percentage of covered expenses your health plan doesn't pay
- Prescription drug costs, including retail, and mail order co-payments
- Dental expenses, including orthodontia
- Vision expenses, including examinations, eyeglasses (lenses and frames), prescription safety glasses, contact lenses, solutions and seeing-eye dogs
- LASIK eye surgery
- Fertility treatment expenses
- Insulin
- Weight-loss program (disease specific)
- Stop smoking programs
- Smoking deterrents

- Hearing expenses, including examinations and hearing aids
- Physical examinations (except job-related physicals)
- Psychoanalysis, psychiatric therapy, learning disability counseling by a licensed professional, inpatient care and treatment (including special schooling, if necessary) for a mental or physical handicap and services provided by a qualified, licensed psychologist, if not paid by your health plan
- Chiropractic expenses
- Acupuncture
- Midwife expenses
- Christian Science practitioner expenses
- Special medical equipment, bought or rented because of a medical problem, such as wheelchairs, crutches and orthopedic shoes
- Medicine or other drugs prescribed by a doctor and not paid by your health plan such as vitamins, dietary supplements and birth control items
- Transportation essential to medical care, such as ambulance service
- Other medical expenses qualifying as legitimate deductions as outlined in IRS Publication #502, not including insurance premiums.
- On March 27, 2020, the president signed into law the CARES Act, permanently reinstating the coverage of Over the Counter (OTC) drugs and medicines as items eligible for reimbursement under Code 213(d) expenses in FSA, HRA, and HSA plans. With this law, the drugs and medicines will no longer require participants to have a prescription to prove eligibility. In addition to the reinstatement of OTC eligibility, the bill expands the eligible OTC definition to include menstrual care products (i.e. tampons, pads, etc.).

*This plan is only eligible to those employees who do not enroll in a High-Deductible Health Plan (HDHP) with a Health Savings Account.*

### **Health Care Reimbursement Account-Limited Purpose (LPHCA)**

During the plan year, you can deposit dollars through payroll deduction into your Health Care Reimbursement Account. The maximum annual amount you may contribute is \$2,850. This pre-tax money can be used to pay dental or vision care expenses not covered or not paid for by your dental or vision coverage.

On October 31, 2013, the IRS introduced the ability for employers to offer a rollover option to its employees. This option is still available to you. Therefore, any balance of \$570 or less that is remaining in a LPHCA as of June 30, 2023 will be carried over into the next plan year and can be used for any eligible dental or vision expense incurred during that next plan year.

Below is a list of eligible expenses to consider reserving money for:

- Dental expenses, including orthodontia
- Vision expenses, including examinations, eyeglasses (lenses and frames), prescription safety glasses, contact lenses, solutions and seeing-eye dogs
- LASIK eye surgery

*Only employees who enroll in a High-Deductible health Plan (HDHP) with a Health Savings Account (HSA) are eligible for this plan.*

## **Dependent Care Assistance Account**

You can make deposits to and use your Dependent Care Assistance Account in the same manner as your Health Care Reimbursement Account. For your Dependent Care Assistance Account, the dependent must be under age 14 (or incapable of self-care) and be claimed as a dependent on your income tax return. You should determine if this is more advantageous than taking the direct IRS Child and Dependent Care Tax Credit on the 1040 tax form. Eligible dependent care expenses include:

- Payments made for services provided in your home as long as services are not provided by someone you also claim as a dependent, or your other children under age 19.
- Payments made for dependent care services outside your home.
- Day camp programs (provided both parents are working).
- If a dependent care center is used, it must be in compliance with state and local law.

Your maximum contribution to a Dependent Care Reimbursement Account is the lowest of the following:

- \$5,000, whether single or married
- \$2,500 if married, filing separately, or
- the lower of your or your spouse's earned income.

If married, both you and your spouse must earn income to use the Dependent Care Assistance Account. The only exception is if your non-earning spouse is disabled or a full-time student. Your spouse was a full-time student if he or she was enrolled as a full-time student at a school for some part of each of five (5) calendar months during the year. The months need not be consecutive. A school does not include an on-the-job training course, correspondence school, or a school offering courses only through the Internet. Your spouse was disabled if he or she was not physically or mentally capable of self-care.

## **Important Considerations**

The IRS allows your employer to offer this tax advantage through the Flexible Spending Accounts, but it has also imposed several restrictions. Each year, you must use all the money set aside in your Dependent Care Reimbursement Account and anything over \$570 in your medical FSA or forfeit the money left over. Because of this restriction, it is very important to plan carefully when you decide how much money you want to set aside in each account.

Generally, amounts should be used for predictable expenses. For example, working parents with children in day care usually can count on a certain level of dependent care expenses; or if you know that you need a new pair of eyeglasses or braces for your child in the coming year, the FSA would be a tax-effective way to pay for those expenses.

You cannot pay for services through an FSA and also take the tax advantage available for those same services at income tax time. In other words, if you pay for medical expenses through a Health Care Account, you cannot also itemize those expenses as deductions on your tax return. If you pay for child or dependent care expenses through a Dependent Care Account, you cannot also take the Child and Dependent Care Tax Credit for those same expenses, and your maximum allowable expenses for the Tax Credit are reduced by the amount you are reimbursed through your FSA.

You cannot change the amount of your payroll deduction for your FSA after the beginning of the plan year except in the event of a qualifying change in status event. If you terminate your employment with the City during the plan year, you may be eligible to continue your participation in a Flexible Spending Account through COBRA. For more information, contact the Human Resources Department.

Finally, because you reduce your taxable income for FICA purposes by setting aside money in a Flexible Spending Account, your Social Security earnings for the year will be reduced. This may reduce your Social Security benefits at some time in the future. However, the tax savings you receive now should more than make up for it.

**Example**

Here is an example of how tax savings through redirected dollars work: Let’s take the case of a married employee with one child whose family income totals \$40,000 a year. This employee takes the standard deduction and three exemptions and pays \$5,500 a year for non-covered and eligible medical or dependent care expenses. Your tax situation may vary.

	Without FSA*	With FSA
Gross Pay	\$40,000	\$40,000
Medical FSA Contribution		(\$1,500)
Dependent Care Reimbursement Account Contribution		<u>(\$4,000)</u>
Taxable Income	\$40,000	\$34,500
Taxes (Federal Income and FICA)†	(\$8,225)	(\$6,979)
Eligible Expenses (paid after tax)	<u>(\$5,500)</u>	
Spendable Income	\$26,275	\$27,521
Tax Savings	\$ 0	\$ 1,246

\*Flexible Spending Account

†Based on 15% Federal Tax Bracket

**Receiving a Payment from Your Account**

The Health Care Reimbursement accounts are prefunded at the beginning of their plan year with their full election available to them to use if need be. The Dependent Care Assistance account balances are set up to auto-post on the payroll deduction dates. When you have an eligible expense, you can apply for a reimbursement from your account. All Flexible Spending Account participants will also enjoy the added convenience of Benefit Strategies PINless FlexExpress debit card service at no additional charge, which looks and works like a typical debit card simply without the PIN number.

The FlexExpress debit card provides you with a convenient way to purchase eligible health and dependent care expenses. With the Health Care Reimbursement Account, your total annual election is immediately available for purchases made with the card. For the Dependent Care Assistance Account, the amount available for purchases is only equal to the account balance at the time of the transaction.

When the FlexExpress debit card is used it will automatically debit the charged amount from the available balance. Part of the IRS rules and regulations requires that you keep all documentation associated with the use of the FlexExpress debit card. Benefit Strategies may ask that you to send in documentation to substantiate a reimbursement to ensure that the service was for an eligible expense incurred during the plan year.



Documentation is not required if the expense equals the copayment amount required by one of the City's health plans for a doctor's office visit or by the City's plan for a pharmacy prescription. Also, if a retail store uses an Inventory Information Approval System to verify if a purchased item is on the IRS list of eligible expenses (through the item's SKU number), documentation of that purchase is not required.

If you do not wish to utilize the debit card provided to you, there is a reimbursement request form you will need to complete to receive payment from your Flexible Spending Account. You may obtain the form on the City's Intranet located at [www.onconcord.org](http://www.onconcord.org) under City Forms. Benefit strategies also has the option to receive reimbursement via check or direct deposit. The direct deposit form is also located on the City's Intranet located at [www.onconcord.org](http://www.onconcord.org).

Claim forms and receipts may be submitted to Benefit Strategies on a daily basis. You will need to provide bills or receipts which include date of service, name of service provider, name of patient, service provided, and amount requested for reimbursement. Medical expenses must first be filed with your health plan. A provider's tax ID# is required only for dependent care claims. Benefit Strategies LLC processes reimbursements twice a week, on Monday's and Thursday's. You have 90 days after the end of each Plan Year to submit claims incurred during that plan year.

Health Care Reimbursement Account claims will be processed twice a week and you will receive a payment in the amount of your claim not to exceed the amount of your yearly contribution.

Your Dependent Care Reimbursement Account claims will be processed twice a week and you will receive a payment not to exceed the current balance in your account. When a claim exceeds your account balance, unpaid amounts are carried forward and paid to you weekly as future deposits go into your account to cover the expense.

Your Flexible Spending Account reimburses you for money paid for certain services. Benefit Strategies will not issue checks to doctors or drug stores, but will reimburse you directly for money you have paid. Benefit Strategies will try to help you use the FSA only for eligible expenses. However, Benefit Strategies and the City bear no responsibility for your taxes. You remain fully accountable to the IRS to prove the eligibility of any expense you submit.

The FSA offers a tax-effective means for you to save for certain benefit needs. Remember, there are important considerations to keep in mind and you must plan carefully to use this benefit wisely.

### **457 Deferred Compensation Plan(s)**

A 457 Deferred Compensation Plan is a supplemental retirement savings program that allows you to make contributions on a pre-tax basis. Federal, and in most cases, state income taxes are deferred until your assets are withdrawn, usually during retirement when you may be in a lower tax bracket. The City of Concord offers plans through MissionSquare (formerly ICMA), Empower (formerly Great West), and PFPOPE.

What are the benefits of participating in a 457 plan?

- You reduce your current income taxes while investing for retirement.
- Your earnings accumulate tax-deferred.
- You can dollar cost average through convenient payroll deductions.\*

- You may be allowed to make additional "catch-up" contributions if you are 50 (or older) or within three years of your normal retirement age and already contributing the maximum to your plan.
- If you change jobs, you have the flexibility to move your account into your new Employer's retirement plan.
- If you retire or leave service early, there is no penalty for withdrawals.
- Supplemental investments are helpful in states, communities and jobs where no contribution is made to Social Security.
- You can increase, decrease, stop and restart contributions as often as you wish without fees or penalties.
- You may choose from a wide range of investment options. There are no restrictions or charges for reallocating your investment mix and all funds offered through all our 457 plan providers are no-load (no costs to participants) with the exception of two funds offered through PFPOPE.
- There are no minimum investment requirements.
- Your designated beneficiaries are entitled to receive all remaining funds in your account in the event of your death.
- You have the most flexible withdrawal payment options available. You determine the payment schedule that is right for you.
- You control your account even while you are withdrawing assets.

\* Dollar cost averaging does not assure profit or protect against loss in a declining market. Since dollar cost averaging involves continuous investing, regardless of fluctuating prices, investors must consider their level of comfort in continuing to invest during a declining market.

### **Keep in Mind:**

- \* There are Internal Revenue Code limits on the amount you may contribute each year.
- \* There are two "Catch-Up" provisions that allow you to contribute over-and-above the normal annual contribution amount. ***You will need to complete paperwork to trigger those "catch-up" provisions.***
- \* If you retire or leave service early, there are no penalties for withdrawals. However, you will pay taxes on the amount that you withdraw.
- \* You are required to begin withdrawing from the account by a certain age. In addition to the 457 plans offered by these vendors, the City also offers a 457 Roth and a Roth IRA.

### **457 Roth**

The 457 plan offered by Empower and PFPope, allows for both pre-tax and Roth 457 contributions. Roth contributions are made with after-tax dollars which means you pay fewer taxes at distribution. Roth 457 contributions reduce your take-home pay because you pay taxes on your Roth 457 contributions up front, rather than deferring those taxes until you take a distribution. Your Roth distributions are income tax- and penalty-free if you withdraw your Roth contributions and earnings after you have reached a qualifying event, have had the account for at least five taxable years and:

- \* You are at least 59 1/2 or
- \* You become disabled; or
- \* You die (after which your beneficiary (s) will take the withdrawal).

### **Roth IRA**

MissionSquare offers a traditional payroll Roth IRA which is funded through contributions that are made directly from your after tax income. Making regular contributions through payroll deduction is a simple and efficient way of investing for your retirement.

You will not pay any taxes on your investment earnings while they remain in the Roth IRA. In addition, you will be free of any taxes or penalties on the assets you withdraw from a Roth IRA, as long as, 1) your Roth IRA has met certain five year aging requirements and 2) you have a qualifying event (e.g. first time home purchase, age 59 ½ ). This opportunity for lifetime tax-free earnings makes a Roth IRA an attractive way to build retirement assets. Contributions can be withdrawn any time, without penalty and tax-free. There is no minimum distributions from a Roth IRA when you turn age 70 ½.

**Keep in Mind:**

There are Internal Revenue Code limits on the amount you may contribute each year.

There is one "Catch-Up" provision with a Roth IRA that allows you to contribute over-and-above the normal annual contribution amount.

Visit <http://www.icmarc.org> for additional information on the ROTH IRA offered by the City of Concord.

**Severance Payment**

The City provides a severance payment which is based on City years of service and sick leave usage. As outlined in the Personnel Rules and Regulations at (34-4-9), eligibility for a severance payment shall extend to employees who are non-contractual at the time of actual retirement, and who retire from the City having completed at least ten (10) years of creditable service within the N.H. Retirement System. The applicable collective bargaining agreement article for contractual employees shall govern this payment.

The amount to be paid to non-contractual employees shall be determined by the following formula: Deduct the number of sick leave days used during an employee's last two (2) years of employment from the number "30" and apply the balance to the payment formula below. The base for calculations during 2022 shall be two hundred and four dollars and sixty cents (\$204.60). This base shall be indexed to the annual across-the-board wage increases.

Years of Service Payment Formula

10 years thru 14 years .25 \* Current Base \* number of days

15 years thru 19 years .50 \* Current Base \* number of days

20 years thru 24 years .75 \* Current Base \* number of days

25 years and over Current Base \* number of days

In no case shall the amount paid per day exceed the employee's standard daily rate. Consecutive sick leave days used involving more than three (3) days shall be computed as single events for purposes of calculating this benefit.

Please refer to the Personnel Rules & Regulations or the appropriate collective bargaining agreement when administering this benefit.