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## Section 125 Plan Enrollment Information

Plan Year 2025

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### *Benefits That Increase Your Take Home Pay*



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The intent of this booklet is to provide employees with quick reference information and enrollment instructions to assist in understanding the purpose of a Section 125 election. It also describes the operation of flexible spending accounts. For a complete description of the reimbursement accounts and their rules, please refer to the Summary Plan Description located at <https://benefits.swri.org/> after January 1, 2025.

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## 1 What is a Section 125 Plan?

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A Section 125 Plan is a way of providing you with valuable benefits and significant savings. Section 125 of the Internal Revenue Code is the legal authority to establish and operate this plan.

This plan allows employees to pay “pre-tax” premium dollars for certain benefits and elect spending accounts for out-of-pocket costs not covered by health care plans.

## 2 How does a Section 125 Plan work?

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Under this menu of allowable “pre-taxable” benefits, SwRI can offer certain benefits to you on a “pre-tax” basis if applicable according to the guidelines. You pay for these benefits by redirecting your salary in an amount sufficient to pay for each selected benefit. The advantage of redirecting your salary to pay for these benefits through the Section 125 Plan is that these amounts are redirected from your salary before being subject to federal income tax or social security tax; therefore, lowering your taxable income.

For Flexible Spending Account (FSA) benefits (such as the Health Care Reimbursement Account or the Dependent Care Reimbursement Account), any money you direct for the plan year is taken out on a “pre-tax” basis and placed into a separate benefit account for each benefit you elect. For other benefit plan options, the amount you redirect is used to pay for your coverage.

## 3 How will I benefit from joining the Section 125 Plan?

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You will benefit from joining the plan because your disposable income will rise as you pay for these ongoing expenses with pre-tax rather than after tax dollars.

The following example illustrates the savings to a typical employee:

	Without Section 125 Plan	With Section 125 Plan
<b>Gross Biweekly Compensation</b>	<b>\$1,000.00</b>	<b>\$1,000.00</b>
<b>Less Pre-Tax Expenses</b>		
Medical Expenses (Health Care FSA)		25.00
Childcare Expenses (Dependent Care FSA)		200.00
Medical Coverage Premium (Group Health Plan)		80.00
Vision Care Premium		5.00
<b>Gross taxable Income</b>	<b>1,000.00</b>	<b>690.00</b>
<b>Less Taxes and After-Tax Expenses</b>		
Federal Income Tax at 15%	150.00	108.00
Social Security Tax at 7.65%	76.50	55.08
Medical Coverage Premium	80.00	
Vision Care Premium	5.00	
<b>Net Paycheck</b>	<b>688.50</b>	<b>526.92</b>
Plus, FSA Benefit Deposits		
Health Care Reimbursement Account		25.00
Dependent Care Reimbursement Account		200.00
<b>Biweekly Disposable Income (take-home pay)</b>	<b>\$ 688.50</b>	<b>\$ 751.92</b>

As you can see, by using the Section 125 Plan to pay for expenses you're already incurring, you increase your take home pay. The actual amount you save will depend on various factors including items such as your marital status, the benefits you select, your federal income tax bracket and any state income taxes you pay.

#### **4 *When will I be allowed to enroll and are all employees eligible to participate in the program?***

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Each year during open enrollment, SwRI regular employees are given the opportunity to participate in the Section 125 Flexible Spending Account Plans (a.k.a. Health Care/Dependent Care Reimbursement Accounts). If you elect to not participate in the program, you must wait until the next open enrollment period to participate. However, if you have a "change in family status" or a "qualifying event" that your plan allows, you may be eligible to enroll into the program or change your elections.

#### **5 *What benefits can be offered as part of a Section 125 Plan and are there limits?***

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The listing below indicates the types of benefits that are allowed to be provided on a pre-tax basis.

##### ***Premium Type Benefits:***

- Medical Care Plan
- Dental Care Plan (for dependents)
- Vision Care Plan
- Long Term Disability Plan
- Cancer and Specified Disease Insurance
- Voluntary Accidental Death and Dismemberment Insurance
- Short-Term Income Replacement Plan

##### ***Flexible Spending Account Benefits***

- Health Care Reimbursement Account: ***Section 125 Plan limits contributions to \$3,300*** (The FSA annual maximum plan contribution limits for 2025 and the official IRS announcement can be found at <https://www.irs.gov/>). ***You can obtain information about the limit for this benefit from your Open Enrollment Guide, the Employee Benefits website at [benefits.swri.org](https://benefits.swri.org) or from the Employee Benefits Office.***
- Dependent Care Reimbursement Account: Federal limits are \$5,000 per year per household, or \$2,500 if married, filing separately. ***Information about the limit for this benefit can be obtained from your Open Enrollment Guide, the Employee Benefits Website at [benefits.swri.org](https://benefits.swri.org) or from the Employee Benefits Office.***

## **6 How will I be reimbursed if I elect to participate in a Flexible Spending Account(s)?**

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Reimbursements are requested by submitting an election claim form via Employee Self Service on the SwRI ITC Portal on the i2net.

Reimbursements from the Dependent Care Reimbursement Account are limited to the balance in your account (the amount deducted during the plan year from your paycheck less previous reimbursements received). Any excess amounts on your claim will be paid once additional dollars are added to your account balance through payroll deductions.

On the Health Care Reimbursement Account, you will be able to withdraw up to your annual election amount throughout the plan year and two-month grace period.

All reimbursements will be direct deposited to the same account that your payroll deposit goes to in approximately two to three working days unless a different account has been designated.

## **7 What kind of expenses can be reimbursed by the Health Care Reimbursement Account?**

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Most “out-of-pocket” health care expenses that can be claimed as federal income tax deductions (Section 213 of the tax code) on yourself and your dependents can be covered under the account. The expenses must be medically necessary and non-cosmetic in nature, prescribed by a physician and the care must involve the treatment or prevention of an illness or disease. For further details on medical tax deductions, see IRS Publication 502 or Attachment A for a **partial** listing of expenses eligible for reimbursement. **Your “out-of-pocket” cost is whatever your health care plans do not cover.** The out-of-pocket cost is determined after the claim for benefits has been processed by the insurance company. Benefits are only payable if the expense is incurred in the current plan year or by the end of February following the plan year and filed by the close of the month of March following the end of the plan year.

## **8 What kind of expenses can be reimbursed by the Dependent Care Reimbursement Account and who qualifies as a provider?**

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Expenses for after school day care can be claimed if both you and your spouse work outside the home, **your child(ren) is(are) under age 13** or is(are) physically or mentally incapable of caring for himself or herself and is claimed as a dependent on your federal income tax return. Qualified expenses must be for services which are custodial (not educational) in nature and incurred for the purpose of allowing yourself (and your spouse, if married) to be gainfully employed or a full-time student. Private school tuition under the first-grade level cannot be considered a day care expense if the state you reside in requires kindergarten as part of the school requirements and a public school system is available. Most individuals can be considered a “provider”, if they will not be claimed as a dependent on your federal income tax return. If services are provided outside the home by a facility which cares for seven or more children, such facility must be a qualified day care center that meets all applicable state and

local regulations governing such facilities. You must furnish the provider's name, address, and taxpayer identification number for an expense to be eligible for reimbursement.

**9 *Once a "pre-tax election" is made to contribute to a flexible spending account, can I make a change during the year and what happens if my employment terminates during the plan year?***

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Once you enroll, you cannot make a change until the next open enrollment period unless you have a change in "family status" or other "qualifying event" that your plan allows. This would include such events as a marriage, divorce, death in immediate family, birth, or adoption of child, change in spouse's job status or a change in your or your spouse's eligibility for benefits. If you separate from service during the year or become disabled, you will have a defined period in which to file claims, if they are incurred prior to the date you left employment. When you are offered COBRA, you will be offered the opportunity to continue your Health Care Reimbursement Account on an "after tax" basis for the remainder of the calendar year. Federal regulations do not allow for your Dependent Care Reimbursement Account to be continued under COBRA. By electing to continue the Health Care Reimbursement Account, this will extend your eligibility period and eliminate the possibility of forfeiting contributed funds.

**10 *What happens if there is money left in my Flexible Spending Account(s) at the end of the plan year?***

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Federal law requires that any monies left in your Flexible Spending Account(s) be forfeited to your employer at the close of the month of March following the end of a plan year. Remember that you design these accounts based on your own personal needs for yourself and your family for the plan year. It is very important to only contribute funds for predictable expenses and make sure you file your claims are filed in a timely manner. See Attachment A for a worksheet to estimate your planned health care costs for the year.

**11 *Should I participate in the Section 125 Plan?***

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Remember, you automatically participate in the Section 125 plan by paying for some of your benefits on a pre-tax basis. By utilizing the Flexible Spending Accounts to cover your eligible "out-of-pocket" costs, you are further lowering your taxable income and increasing your take home pay. You should also review Publication 503 and Form 2441, "Child and Dependent Care Expenses", to evaluate tax savings from participating in the Dependent Care Reimbursement Account compared to the IRS tax credit for Child and Dependent Care Expenses.

**12 *SwRI Employee Benefits Office flexible spending account(s) processing procedures***

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In a continuing effort on behalf of SwRI to provide the best service possible, we are pleased to provide this handout, to provide a better understanding of our processing procedures regarding Reimbursement Account Administration. If you have any questions about these



procedures, please feel free to contact the Employee Benefits Office (EBO) at (210) 522-2227 or send an email to [benefits@swri.org](mailto:benefits@swri.org).

- **PROCESSING**

Eligible flexible spending account claims are usually processed within 2 days of the received date in the EBO. **All claims must be requested on an electronic claim form.**

This claim form is available electronically through the ITC Portal - Employee Self Service button on the SwRI i2net. The claim support documentation must be scanned and attached to your electronic claim form.

### **Health Care Reimbursement Request Claim Form Requirements**

Eligible expenses must include proper documentation indicating that the expenses have been incurred and have been properly substantiated.

Expenses are incurred when you are provided with the health care that gives rise to the health care expense and not when you are formally billed or pay for the expenses.

Expenses are substantiated by the submission of an Explanation of Benefits (EOB) from the health care provider related to the expense(s) submitted for reimbursement. Other documentation acceptable to substantiate that the health care service was received is described at Attachment B.

Expense(s) submitted for reimbursement that are covered by the participant's medical, dental, or vision care plan must have been submitted to such plan for payment under plan benefits prior to submitting the claim for reimbursement under the participant's flexible spending account. If an expense is reimbursed from a participant's flexible spending account and is later paid by the participant's medical, dental, or vision care plan, the participant is responsible under IRS rules for reflecting the excessive reimbursement on his or her personal income tax return filed with the IRS.

Charges that are not covered by the participant's group health benefits but are medically necessary and non-cosmetic in nature must include an itemized statement and proof of purchase.

A summary of the Health Care Reimbursement Request reimbursement and documentation requirements is included at Attachment B.

## Dependent Care Reimbursement Request Claim Form Requirements

Receipt must be submitted with the following information:

- The dependent's name.
- The period during which the services were incurred and amount.
- The name, address, and taxpayer identification (TIN) of the individual or organization providing services.
- A description of the service provided.

An example dependent care reimbursement receipt is included at Attachment C.

**Claims for the reimbursement of services not yet incurred cannot be submitted. For example, *claims relating to January cannot be claimed until after February 1<sup>st</sup>*.**

Childcare or adult care charges must include the following information:

Dates of service, name, address and tax identification number of provider, child's or adult's name and age and the amount being requested.

- **REIMBURSEMENTS**

Claim reimbursements are automatically deposited into the same account that your payroll deposit goes to unless a different account has been designated. The reimbursement will usually be received within two to three business days from when the reimbursement request was submitted.

Health Care Reimbursement Account claims are payable up to the annual election selected by the participant on the first day of the plan year. Dependent Care Reimbursement Account claims are payable up to the balance in your account (the amount deducted during the plan year from your paycheck less previous reimbursements received). Any excess amounts on your Dependent Care Reimbursement Account claim will be paid once additional dollars are added to your account balance through payroll deductions.

## Attachment A

<b>2025 Health Care Reimbursement Account Worksheet</b>	
<i><b>Estimate your out-of-pocket healthcare costs per coverage period*.</b></i>	
<i><b>This should include your best estimate of all family healthcare costs, which may include but are not limited to:</b></i>	
<b>Medical Care:</b>	
General deductible	
Co-insurance (based on percentage you pay)	
Co-payments (physician office visits and prescription drugs)	
Hospital or outpatient surgery co-payments	
Allowable over-the-counter drugs and medications and menstrual products	
Other eligible but not covered medical costs (e.g., Medical Services received by providers not participating in the Plan's network.)	
<b>Dental Care:</b>	
General Deductible (\$50 per individual)	
Co-insurance (based on percentage you pay)	
Charges in excess of annual benefit of \$2,000 per individual	
Charges in excess of \$1,500 lifetime orthodontia benefit per individual	
<b>Vision Care:</b>	
Co-payments for eye exams	
Your share of eyewear cost (amount plan does not pay)	
Non-covered services (LASIK surgery)	
If not in vision plan, full cost of eye exam and contacts or frames/lenses	
<b>Total Estimated Out-of-Pocket Healthcare Costs**</b>	\$
Divide by number of pay periods left in year = total election per pay period	\$

\* 2024 Coverage period includes 14 months (from January 2024 through February 2025).

\*\* The 2025 FSA annual maximum plan contribution limit is \$3,300.

## Attachment A (cont'd.)

An FSA is an IRS-sanctioned benefit, meaning you can use pre-tax dollars to cover eligible expenses. IRS Code 213(d) defines eligible health care expenses as amounts paid for the diagnosis, cure, mitigation or treatment of a disease, and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate a physical or mental defect or illness. To help you better understand what is and isn't eligible, we've developed a list based on our understanding of the IRS Code 213(d) definition. This list is not meant to be all-inclusive. There may be other expenses not on this list which may also qualify.

Abdominal/Back Supports	Menstrual Products
Acupuncture	Metabolism Tests
Alcoholism (inpatient treatment)	Midwife Expenses
Allergist	Naturopath
Ambulance Services	Norplant Insertion or Removal
Arches/Orthopedic Shoes	OB/GYN Exams
Artificial Eyes	OB/GYN Prepaid Maternity Fees (reimbursable after date of birth)
Blood Tests	Oral Surgery
Cardiographs	Orthodontia/Braces
Chiropractor	Osteopath
Christian Science	Over-the-Counter Drugs and Medications
Contact Lenses	Oxygen Equipment
Contraceptive, prescribed	Physical Exam (not employment related)
Counseling	Physical therapy
Crutches	Physician
Dental Services	Prenatal and Postnatal Treatments
Dental X-rays	Prescribed Birth Control and Prescription Drugs
Dentures	Prescribed Medical and Exercise Equipment
Dermatologist	Prescription Sunglasses
Drug Addiction	Prosthesis
Exams/Teeth Cleaning	Radial Keratotomy/LASIK
Extractions	Reconstructive Surgery (if medically necessary due to congenital defect or accident)
Eye Examinations	Rolfing
Eyeglasses	Speech Therapy
Fillings	Spinal Fluid Tests
Guide Dog (for visually/hearing impaired)	Splints/Casts or Support Hose (if medically necessary)
Gum Treatment	Sterilization
Hearing Devices and Batteries	Syringes
Hearing Exams	Transplants (including organ donor)
Homeopath	Transportation Expenses (mileage and parking)
Hospital Bed	Tuition Fee at Special School for Disabled Child
Hospital Services	Urine/Stool Analyses
In Vitro Fertilization	Vaccinations/Immunizations
Infertility	Vasectomy and Vasectomy Reversal
Insulin	Weight Loss Drugs (to treat specific disease)
Laboratory Fees	Weight Loss Programs (as prescribed by your doctor)
Lamaze Class	Well Baby Care
Laser Eye Surgeries	Wheelchair
Lead Paint Removal (if not capital expense and incurred for a child poisoned)	Wigs (hair loss due to disease)
Learning Disability (special school/teacher)	X-rays
Medic Alert Bracelet or Necklace	

## Attachment B

### Reimbursement & Documentation Requirements

Reimbursement will be made for expenses for medical care as defined by the Internal Revenue Service and as interpreted and applied by your Plan Administrator. To be eligible for reimbursement, you, your spouse, or eligible dependent must both **incur** and **substantiate** the expense.

- A. Incur = Expenses are incurred when you are provided with the health care that gives rise to the health care expense and not when you are formally billed or pay for the expense the expense.
- B. Substantiate = an **Explanation of Benefits** from your medical, dental, or vision care plan showing the date services were performed, type of service and amount charged or as listed below.

If the eligible expense is covered by other insurance, you must submit the **Explanation of Benefits**, which details the amounts paid and not paid by the benefit plan as proof of expenses.

Please refer to Attachment A for a listing of eligible medical expenses.

**Cash Register Receipts** – are accepted for over-the-counter drugs and medications used for the diagnosis, cure, mitigation or treatment of a disease, and for treatments affecting any part or function of the body and supplies as listed by your plan. The product information must be printed on the receipt. Cancelled checks and bank/credit card statements are not accepted as substantiation of expenses incurred. Credit card receipts are not accepted as substantiated of medical expenses incurred except when a standard copay is paid (e.g., \$25 primary care physician office visit copay).

**Dental Expenses** – To be eligible for reimbursement, **requests for reimbursement of all dental expenses must include the explanation of benefits received from the dental plan administrator**. Dental expenses requested which only include an itemized bill or credit card receipt from the dental office will be denied. See below for information on submission of orthodontia expenses.

**Letter of Medical Necessity** - some products or services may require additional documentation. Examples: Massage therapy, nutritional supplements, or other dual-purpose services/supplies. The letter must be signed by the treating physician.

**Lodging** - Refer to IRS Publication 502 regarding eligible expenses. Reimbursement is limited to \$50 per night/per person. Maximum allowed is \$100 per night. Meals are not eligible.

**Orthodontia** - Submit a copy of the contract. Upon submission of documentation indicating payment has been made, we will reimburse any down payment and the monthly installments for any amounts not paid by the dental plan administrator. If you paid as a lump sum, we would reimburse the amount paid up to the annual election included in your healthcare reimbursement account.

**Prescriptions** – Non-cosmetic FDA approved medication. Submit the pharmacy receipt that includes the patient's name, date filled (i.e., date of service), Rx number, drug name (optional) and charge amount. **Cash register receipts will not be accepted.**

**Over the Counter Medications and Menstrual Products** – No doctor's prescription is required for over-the-counter drugs and medicines used for the diagnosis, cure, mitigation or treatment of a disease, and for treatments affecting any part or function of the body. Menstrual products, including tampons, pads, liners, cups, sponges, or other similar products, are also eligible expenses and do not require a prescription. A doctor's prescription or letter of medical necessity is still required for general vitamins to be reimbursable under the Healthcare Flexible Spending Account. Cash register receipts are accepted as proof of incurred expense along with a copy of the doctor's script. Please check or circle the item(s) submitted for reimbursement. Do not highlight, as highlighter may erase registers ink.

**Transportation** - mileage to and from hospital or doctor's office; includes parking and toll road fees. The mileage rate is \$0.22 per mile.

**Dependent Care** - Documents for substantiation should include the name and address of the provider, Tax ID or SSN of the provider, dates of care, and amount charged. If a receipt is not available from your care provider, your provider may sign the form on the following page. Reimbursement is based on date of service, not date of payment. Advance reimbursement is not permitted. If a dependent care provider requires payment before the services are provided, the expenses cannot be reimbursed at the time of payment. Tuition for kindergarten and above is not eligible. See IRS Publication 503 for additional guidance.

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Medical or pharmacy expenses may be documented by submitting the claims summary spreadsheet available at [myuhc.com](http://myuhc.com). Instructions for generating the report are available by calling the Employee Benefits Office at (210) 522-2227 or via email [benefits@swri.org](mailto:benefits@swri.org).

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**A FLEXIBLE SPENDING CLAIM REQUEST FORM MUST BE ELECTRONICALLY SUBMITTED VIA EMPLOYEE SELF SERVICE ON THE ITC PORTAL ON THE SWRI I2NET AND INCLUDE ALL NECESSARY DOCUMENTATION DESCRIBED ABOVE. If not provided, the claim will be denied, and the employee must resubmit with the additional necessary documentation.**

**Attachment C**

**DEPENDENT CARE RECEIPT OF PAYMENT**

<b>Provider Name</b>			
<b>Street Address</b>			
<b>City, State, Zip</b>			
<b>Provider's Tax ID or SSN</b>			
<b>Employee Name</b>			
<b>Dependent Name(s):</b>		<b>Age:</b>	
<b>Dates of Service</b>			
<b>From:</b>	<b>To:</b>	<b>Payment Amount:</b>	
		\$	
<b>Total Amount Received:</b>		\$	

**I provided dependent care service as stated above.**

\_\_\_\_\_  
**Care Provider's signature**

\_\_\_\_\_  
**Date**



