



CHRISTIAN SCHOOLS
INTERNATIONAL

CSI Flexible Benefits Plan

UPDATE

Date: February 17, 2004

- Change in Benefit Election Forms
- 2002/2003 Plan Year Account Balances

To: Participating Member Schools

From: Brian C. Meekhof, Benefits Administrator

Change in Benefit Election Forms

If you have an employee who wishes to make a change in benefit election amounts:

1. Use your Administrative Manual to verify that the change is permissible under IRS regulations by reviewing pages 1-6 and 1-7. More information can be found in Exhibit N under Tab 3.
2. The employee must complete a Change in Benefit Election form – not an Enrollment form. Be sure to provide the type and date of change.
3. The Change in Benefit Election form must be completed within 30 days of the change in status.
4. Forward the form to the CSI Benefits Office by fax at (616) 301-2149.

2002/2003 Plan Year Account Balances

Attached is an Employee Account Balance report showing remaining balances for the 9/1/02 to 8/31/03 Plan Year. As you know, any balances remaining after the 3-month grace period ending November 29 have been forfeited, as required by IRS regulations. Also enclosed is a refund check from the Plan for the total of the account balances.

You have the following choices regarding use of the forfeitures:

1. **Defray Administrative Expenses.** You may defray or offset the administrative fees you paid to EBS (our Third Party Administrator).
2. **Return to Participants in the Form of Cash.** You may return the total of the forfeitures in the form of cash; however, the forfeitures must be allocated to participants

on an equal basis. Forfeitures *cannot* be returned based on the amounts forfeited by participants. Cash returned to employees are considered W-2 wages for purposes of FICA withholding and for federal/state income tax purposes.

For example, if you had a total of ten participants in the Health FSA in 2002/2003, and one of those participants forfeited \$100, you would give each of the ten participants \$10 as taxable wages.

3. **Increase Annual Coverage Amount for Subsequent Plan Year.** Forfeitures can be used to increase the annual coverage amount (benefits received by participants) for the Plan Year following the year to which the forfeitures are attributable. In other words, the Health FSA would reimburse claims incurred above the actual amount of elections made by the participants. The amount would be divided equally among the participants in the subsequent Plan Year.

For example, if you had the same scenario in number two above, and there were ten participants in the 2003/2004 Plan Year, you would increase their Health FSA elections for the 2003/2004 Plan Year by \$10 each.

We will assume that you will choose either option 1 or 2 unless you contact CSI that you would like to choose option 3 and increase the annual amounts for the 2003/2004 Plan Year.

If you have any questions, please feel free to contact CSI at (616) 957-1070 or (800) 635-8288, ext. 267 or EBS at (800) 325-7477.