

MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania Governor's Office

Subject: Family Care Account Program	Number: 505.28 Amended
Date: August 22, 2013	By Direction of:  Kelly Powell Logan, Secretary of Administration
Contact Agency: Office of Administration, Office for Human Resources Management, Bureau of Employee Benefits and Services, Telephone 717.787.9872	

This directive establishes policy, responsibilities, and procedures for the Family Care Account Program (FCAP). Marginal dots are excluded due to major changes.

- 1. PURPOSE.** To establish policy, responsibilities, and procedures for the commonwealth's FCAP.
- 2. SCOPE.** This directive applies to all departments, boards, commissions, and councils (hereafter referred to as agencies) under the Governor's jurisdiction and to those independent agencies using SAP which have chosen to participate in FCAP.
- 3. OBJECTIVE.** To provide employees with the opportunity, through payroll deductions, to use pre-tax income to pay for family care expenses that are incurred to enable them to work.
- 4. DEFINITIONS.**
 - a. Change In Status.** The exclusive list of events specified by the Internal Revenue Service (IRS) which allow possible enrollment in FCAP, disenrollment from FCAP, or change to FCAP deduction amount:
 - (1) Birth or adoption of a child.
 - (2) Placement for adoption.
 - (3) Gain custody of dependent.
 - (4) Lose custody of dependent.

- (5) Child becomes 13 years old.
- (6) Death of dependent.
- (7) Marriage.
- (8) Annulment.
- (9) Legal Separation.
- (10) Divorce.
- (11) Death of spouse.
- (12) Change in residence of self, spouse, or dependent that affects eligibility for coverage.
- (13) Change in employment status of self, spouse, or dependent (includes start or end of employment, strike or lockout, beginning or end of a leave without pay, and change in worksite).
- (14) Change in provider.
- (15) Significant increase in cost of family care (increase in provider fee charged by a relative does not qualify as a mid-year change).
- (16) Increase or decrease in hours of family care.
- (17) Dependent receiving care is no longer eligible.

b. Eligible Dependent. An individual that can legally be claimed as a dependent for income tax purposes. Eligible dependents include: children up to 13 years of age that have the same principal place of abode as the employee for more than one-half of the taxable year, a spouse who is incapable of self-care and has the same principal place of abode as the employee for more than one-half of the taxable year, and other adults and dependent children age 13 and over if they meet **all** of the following criteria: they have the same principal place of abode as the employee for more than one-half of the taxable year, they cannot care for themselves, and their income does not exceed the individual exemption amount shown on Federal Income Tax Form 1040 for the taxable year.

c. Eligible Employee. An employee expected to work at least 750 hours during the plan year who has an eligible dependent(s). If the employee is married, the employee's spouse must work, be a full-time student, or be mentally or physically incapable of caring for himself or herself.

d. Eligible Employment Related Family Care Expenses. Expenses for family care that are incurred for eligible dependent(s) to enable the employee to be employed by the commonwealth.

e. Employee FCAP Account. An accounting of the employee's payroll deductions and reimbursements made during the year.

- f. **Family Care Reimbursement.** The reimbursement to the employee for eligible employment related family care expenses that have been paid by the employee.
- g. **FCAP.** The program that allows eligible employees to pay for expenses incurred for eligible employment related family care with pre-tax income.
- h. **FCAP Payroll Deduction** The biweekly payroll deduction authorized by the employee for FCAP. The total of those deductions cannot exceed the annual limits specified by the IRS.
- i. **FCAP Plan Document.** A document describing FCAP.
- j. **Open Enrollment.** The period of time in November of each calendar year when enrollments for the following plan year are accepted.
- k. **Plan Year.** The 12-month period ending December 31 of each calendar year.

5. POLICY.

- a. This program qualifies as a Dependent Care Assistance Program as defined under *Section 129* of the *Internal Revenue Code (IRC)*.
- b. This program operates in accordance with the commonwealth's FCAP Plan Document.
- c. Employees who participate in FCAP will have their FCAP payroll deductions excluded from their gross earnings and those payroll deductions will be exempt from federal income and social security taxes.
- d. Any payroll deductions from the prior plan year that remain in an employee's FCAP account will be forfeited to the commonwealth if a reimbursement request is not submitted within 90 days of the end of the calendar year (March 31st).
- e. Practices will be in compliance with *IRC Sections 89, 125, 129, and 414*, and will not discriminate in favor of highly compensated employees in regard to program eligibility, contributions, or benefits.
- f. An open enrollment period will be held in November each year, for enrollment in FCAP in the following calendar year. Employees who wish to participate in FCAP must enroll on an annual basis.
- g. Enrollments outside of the open enrollment period and changes in annual contribution amounts (including disenrollment) can only occur when a change in status occurs.

6. RESPONSIBILITIES.

- a **Office of Administration, Bureau of Employee Benefits and Services** shall:
 - (1) Serve as plan administrator.

- (2) Develop and maintain forms to be used for enrollment, change in deduction amounts and reimbursement requests.
- (3) Make the plan document available for review to employees upon request.
- (4) Hear final appeals of cases involving disputed enrollment, change in deduction amount (including disenrollment), and reimbursement claims.
- (5) Monitor and evaluate the efficiency and effectiveness of the program.

b. Human Resource (HR) Service Center or Agency HR Office Designee shall:

- (1) Receive and process eligible requests for enrollment, change of deduction amount (including disenrollment), and reimbursement.
- (2) Disseminate information concerning open enrollment dates in FCAP to employees.
- (3) Contact employees who have any payroll deductions from the prior plan year that remain in their FCAP accounts in January to remind them that those deductions will be forfeited to the commonwealth if a reimbursement request is not submitted within 90 days of the end of the calendar year (March 31st).
- (4) Hear first level appeals for denied requests for enrollment, change of deduction amount (including disenrollment) and reimbursement.
- (5) Inform employees whose first level appeals are denied that they may file an appeal with the plan administrator.

c. Employees shall:

- (1) Enroll in the program each year that they wish to do so by completing the appropriate form.
- (2) Provide the commonwealth with information and evidence, as requested, for administration of the program.
- (3) Ensure that their annual FCAP payroll deduction amount requested is in accordance with amounts mandated by *IRC 129*.
- (4) Notify the HR Service Center or agency HR office designee of any change in status that may alter their eligibility for the program, or as a result of which they would like to increase or decrease their deduction or to disenroll from FCAP, within 60 days of the change in status.
- (5) Submit requests for reimbursement of eligible employment-related family care expenses that were incurred during the plan year, along with proper documentation, no later than March 31 of the following plan year.
- (6) Comply with all applicable tax laws.

7. PROCEDURES.

a. Enrollment. Open enrollment will occur every November for the following plan year. Mid-year enrollments are allowed as employees become eligible.

- (1) Upon submission of the completed Open Enrollment or Mid-Year Enrollment Form, the HR Service Center or agency HR office designee shall verify the employee's eligibility to enroll and ensure the input of the necessary payroll deduction information into SAP as an annual contribution.
- (2) Deductions for employees who have enrolled during open enrollment begin on the third pay date of the new plan year following the open enrollment period.
- (3) New employees may enroll in FCAP within 60 days of the date of hire. Payroll deductions will be effective with the pay period in which the enrollment is entered. There is no retroactivity for payroll deductions.
- (4) Mid-year enrollments must be requested by the employee within 60 days of the date of a change in status. Payroll deductions will be effective with the pay period in which the mid-year enrollment is entered. There is no retroactivity for payroll deductions.
- (5) The plan administrator will disseminate any information in regard to changes in procedures, eligibility requirements, etc., prior to the next open enrollment period.

b. Change of Deduction and Disenrollment.

- (1) Upon submission of the completed Status Change Form, the HR Service Center or agency HR office designee shall verify the employee's eligibility for the requested change and ensure the input of the necessary payroll deduction information into SAP to increase, decrease or stop the annual contribution.
- (2) Requests for changes must be submitted within 60 days of the change in status. Payroll deductions will be effective with the pay period in which the status change is entered. There is no retroactivity for payroll deductions.

c. Reimbursement.

- (1) Upon submission of the completed Reimbursement Claim Form, the HR Service Center or agency HR office designee shall review the form and related documentation, verify the employee's eligibility for the requested reimbursement, and ensure the input of the necessary information into SAP so that the reimbursed amount will be on the employee's next biweekly paycheck.

- (2) Reimbursement claim forms must be submitted by the employee by March 31 of the next plan year. All claim forms must be accompanied by copies of itemized bills or statements and must contain the following:
 - (a) The name of the eligible dependent(s).
 - (b) The name and social security or federal tax number of the person or organization to whom payments were made.
 - (c) The type of service for which the expense(s) were incurred.
 - (d) The dates the employment related expenses were incurred.
 - (e) The dollar amount of the employment related expenses.
- (3) Reimbursements will not exceed the amount that is in the employee's FCAP account. Claims that exceed the employee's available FCAP account balance will be paid as funds become available in the account.
- (4) Once the employee has been reimbursed for all eligible expenses for the plan year, any balance in his or her account is forfeited to the commonwealth.

d. Appeals.

- (1) The HR Service Center or agency HR office designee shall provide a written explanation to the employee for any rejected request for enrollment, status change, or reimbursement. The written explanation is to be provided promptly, but no later than 90 days following the request.
- (2) The employee may appeal any such rejection through the following process:
 - (a) Within 20 work days of the written rejection notice, the employee may request reconsideration from the HR Service Center or agency HR office designee by filing a written request, and provide any additional information, clarification and/or further documentation of expenses.
 - (b) The HR Service Center or agency HR office designee shall review the employee's reconsideration request and notify the employee in writing of the decision within 20 work days of receipt of the request.
 - (c) If the employee's reconsideration request is denied, the employee may appeal in writing to the plan administrator within 20 work days of the receipt of the reconsideration request denial.
 - (d) The plan administrator shall review the employee's appeal and notify the employee in writing of the decision within 30 work days of receipt of the appeal. The plan administrator's decision is final.

e. Reporting.

- (1) Employees will be provided with a summary of FCAP payroll deductions taken and reimbursements made on each biweekly earnings statement. The final earnings statement of the plan year will contain the year-end status information.
- (2) The total FCAP payroll deduction taken during the plan year will be shown in a separate block on the employee's W-2. Federal taxable wages on the W-2 will be reduced by the total FCAP payroll deduction amount.
- (3) The commonwealth will report the employee's total FCAP payroll deduction amount to the IRS for each year the employee participates in the program.

This directive replaces, in its entirety, *Management Directive 505.28*, dated October 11, 2005.