

# Flexible Spending Accounts



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## Your Flexible Spending Account Options

### A Special Note...

Participation in either spending account is an annual election that does not roll over from one year to the next. This means that if you do not make an active election during each open enrollment period, you cannot participate in either spending account the following year.

Eligible employees of Chevron Phillips Chemical Company LP (Chevron Phillips Chemical or the Company) have the opportunity to participate in one or both tax-advantaged flexible spending accounts:

- The Health Care Spending Account, and/or
- The Dependent Care Spending Account.

By using either or both of the flexible spending accounts, you can save tax dollars on eligible health care and dependent care expenses.

You must enroll to participate, and you must re-enroll for each year in which you wish to participate. For more information on eligibility and enrollment, see **How to Participate** on pages 6 – 11.

Your participation ends when the earliest of these occurs:

- December 31,
- You are no longer an eligible employee,
- You terminate employment,
- You retire,
- The plan is terminated, or
- Certain leaves of absence occur (for more information, see **When You're on a Leave of Absence** on page 19).





## How the Accounts Work

Flexible spending accounts allow you to set aside tax-free dollars to reimburse yourself for eligible health and/or dependent care expenses. Each year during the open enrollment period, you decide if you want to participate in either or both of the flexible spending accounts:

- The Health Care Spending Account — for certain medical, dental, prescription drug, vision and hearing expenses not reimbursed by other health plans.
- The Dependent Care Spending Account — for qualified dependent care expenses necessary for you (or, if you are married, for you and your spouse) to work. This account is for dependent care expenses for children and disabled dependents, not for expenses relating to a dependent's health care.

Though the accounts cover different types of expenses, they operate in much the same way. The process for using both accounts is as follows:

### Step 1

During the open enrollment period, estimate your expected eligible expenses for health care and/or dependent care for the next calendar year (which is the plan year). Enroll in one or both of the accounts as described in your open enrollment packet.

### Step 2

The amount you authorize to contribute is automatically deducted tax-free from your paycheck. Your contributions are then deposited in the spending account(s) that you selected. For information on the maximums that apply to each of the accounts, see pages 135 and 139.

### Spending Accounts and Tax Savings

Spending accounts can help lower the taxes you pay. When you participate, your contributions are taken out of your pay before federal income taxes, Social Security taxes and, in most states, state income taxes are calculated. This means you lower your taxable income — so you pay less tax.

Because this is a pre-tax benefit, your participation may slightly reduce your Social Security benefits. You should consult your personal tax advisor to determine the tax consequences for you personally.





### Step 3

When you incur an expense eligible for reimbursement during the calendar year, you file a spending account claim form, unless you are automatically reimbursed through the health care streamlined reimbursement option. For more information, see ***Streamlined Reimbursement*** on page 136.

- For the Health Care Spending Account, at any time during the year you can be reimbursed up to the entire amount you agreed to set aside for the calendar year, less any amount already reimbursed to you.
- For the Dependent Care Spending Account, you are reimbursed up to the amount you have actually contributed to your account at the time your claim is processed. Any balance due to you is paid to you as funds become available in your account during that calendar year.

There are three ways to determine your account balance:

- Each time you receive a reimbursement check, the stub shows your balance.
- You receive two notices a year advising you of your current account balance.
- You may contact Aetna, the flexible spending account claims administrator, at 1-800-238-6226 or via [www.aetnafsa.com](http://www.aetnafsa.com).

### SPECIAL IRS RULES

Because the spending accounts operate under Internal Revenue Service guidelines, special rules apply.

- Once you sign up for a spending account, you cannot change your election for the period January 1 through December 31 unless you have a qualified status change. For more information, see ***How to Participate — Qualified Status Changes*** on page 15. In addition to a qualified status change, you may change your Dependent Care Spending Account election if the cost of child care changes (for example, if you give your babysitter a raise).
- Any change to your election must apply to the specific person or situation affected and must be made within 31 days of the qualified status change.
- All expenses claimed for reimbursement from either account must be for services received during the plan year.



- **Use it or lose it.** You have until the last day of **March** following the end of the calendar year to file a claim for eligible expenses you incurred during that plan year. If Aetna does not receive this request by the last day in March, any money remaining in your account is forfeited. For this reason, careful budgeting is very important.
- Any money forfeited from the accounts is used by Chevron Phillips Chemical to offset administrative costs of the plan.
- If you are participating in both spending accounts, you cannot transfer money from one account to the other, or use money in one account to pay expenses related to the other account.
- Certain information is required when you file a claim for reimbursement. For more information, see **How to File a Claim** on page 142.
- You cannot take a federal tax deduction or credit on your income taxes for expenses reimbursed through these accounts. For more information, see **Tax-Free vs. Tax-Deductible** on page 138 and **Dependent Care Account vs. Federal Tax Credit** on page 141.

## Using the Health Care Spending Account

You can use your Health Care Spending Account to pay certain health care expenses incurred by you, your spouse or your dependents. You (or your dependents) do not have to be enrolled in a Chevron Phillips Chemical medical plan to use this account.

### CONTRIBUTION AMOUNT

You decide how much to contribute to the account based on expenses you expect you will have during the year. Contributions are deducted from your paycheck in equal installments throughout the year. The maximum annual contribution is \$6,000.

### If Your Employment Ends for Any Reason

Your tax-free contributions to your spending accounts will stop. However, you may receive reimbursement for eligible expenses:

- > From the Health Care Spending Account — up to the contribution amount you specified at the beginning of the plan year for expenses that were incurred during that plan year on or before the date you terminate employment. You may be eligible to continue participating in the Health Care Spending Account under the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA). Your contributions to this account while you are on COBRA must be made on an after-tax basis. For more information, see **How to Continue Coverage** on page 24.
- > From the Dependent Care Spending Account — up to the amount credited to your account prior to your termination for expenses that were incurred during the plan year on or before the date you terminate employment.





### Streamlined Reimbursement

If you enroll in any of the Chevron Phillips Chemical medical or dental plans, Aetna can automatically reimburse you from your health care account when you incur an eligible medical and/or dental expense, with the exception of prescription drug expenses (see **Reimbursement for Prescription Drug Expenses** at right). To take advantage of streamlined reimbursement, you need to request it when you enroll. Streamlined reimbursement is not recommended if you have coverage under two medical or dental plans that coordinate coverage.



## REIMBURSEMENT

When you have unreimbursed expenses related to eligible health care (medical, dental, vision or hearing care), you file a claim for reimbursement from your health care account. For information on filing a claim, see **How to File a Claim** on page 142.

You receive reimbursement from your account for the amount of your approved claim expense. You may submit claims for up to the total amount you elected to contribute to the account for the calendar year.

### Reimbursement for Prescription Drug Expenses

- Use an FSA debit card: You may use your FSA debit card at time of purchase to pay for prescriptions purchased from any Aetna FSA-certified merchant. You may also use your FSA debit card online to purchase mail order prescriptions through ESI.
- Pay at time of purchase, then submit a claim form: You may pay for prescriptions at time of purchase, then submit a claim form to Express Scripts for reimbursement. Claims for prescription drug expenses not previously reimbursed by Express Scripts may be reimbursed through the Health Care Spending Account. For information on filing a claim, see **How to File a Claim** on page 142.

Streamlined reimbursement cannot be used for prescription drug expenses.

## HEALTH CARE EXPENSES ALLOWED BY THE IRS

Only allowable expenses that are adequately documented and are not covered by insurance are reimbursed. The following is a partial list of expenses that may be eligible for reimbursement if not paid by insurance.



- Abortion
- Acupuncture
- Ambulance
- Artificial limbs
- Birth control pills
- Braille books and magazines (to the extent that cost exceeds prices for regular books and magazines)
- Car with special medical equipment
- Chiropractors
- Christian Science practitioners
- Contact lenses
- Copayments
- Co-insurance
- Crutches
- Deductibles
- Dental treatment, non-cosmetic
- Dermatologists
- Doctor's fees for:
  - *Chiroprodists*
  - *Psychiatrists*
  - *Anesthesiologists*
  - *Ophthalmologists*
  - *Surgeons*
  - *Gynecologists*
  - *Osteopaths*
  - *Pediatricians*
  - *Podiatrists*
- Eyeglasses
- Guide dog
- Hearing aids and batteries
- Hospital services
- Infertility treatment
- Iron lung
- Laboratory fees
- Laetrile
- LASIK surgery
- Lead-based paint removal to prevent lead poisoning
- Medical equipment
- Medicines and vitamins prescribed by a doctor
- Nursing services
- Operations
- Orthodontia
- Over-the-counter medicines used to treat a medical condition or injury
- Oxygen
- Prescription drugs
- Psychoanalysis
- Psychologists
- Routine eye exams
- Smoking cessation programs and drugs
- Solutions and cleaners for contact lenses
- Sterilization
- Substance abuse treatment
- Telephone for the deaf
- Television for the deaf
- Therapy
- Transplants, non-cosmetic
- Wheelchair
- X-rays





### Tax-Free vs. Tax-Deductible

You may approach the tax treatment of your health care dollars in one of two ways:

- > The federal government offers a federal income tax deduction for unreimbursed eligible health care expenses that exceed 7.5% of your adjusted gross income.
- > The Health Care Spending Account offers tax-free reimbursement from the first dollar of your eligible expenses.

Since the government will not allow two tax breaks on the same expense, you cannot claim a tax deduction for expenses reimbursed from the Health Care Spending Account.

Most people find the Health Care Spending Account offers a greater tax advantage. However, because tax laws are complicated and change from time to time, you should consult your personal tax advisor to find out which approach is best for you.

## HEALTH CARE EXPENSES NOT ALLOWED BY THE IRS

The following are examples of expenses not eligible for reimbursement. These include, but are not limited to:

- Books about medical care
- Cosmetic surgery and procedures (except to improve a deformity or repair injury)
- Cosmetics, toiletries
- Custodial care in an institution
- Funeral or burial expenses
- Health club fees and dues
- Household help
- Insurance premiums, including premiums for plans maintained by the employer of your spouse or other dependent
- Long-term care expenses
- Meals
- Mileage in your own car
- Non-prescription medicine, vitamins, bandages and dressings
- Nursing care for a well baby
- Over-the-counter medicines used for general health or cosmetic purposes
- Transportation to/from work for the handicapped
- Vacation travel for health programs
- Weight loss programs

For more information about eligible expenses, see *IRS Publication 502, Medical and Dental Expenses*. This publication is available online at [www.irs.ustreas.gov](http://www.irs.ustreas.gov) and [www.aetnafsa.com](http://www.aetnafsa.com). However, the list includes some things, such as insurance premiums, that aren't eligible expenses.



## Using the Dependent Care Spending Account

The Dependent Care Spending Account allows you to use tax-free dollars to pay dependent care expenses that are necessary so that you — and your spouse if you are married — can work, or so that your spouse can go to school full-time. Eligible dependents include the following:

- Your children under age 13 whom you can claim as dependents on your income tax return (if you are divorced and the custodial parent, you may participate in the Dependent Care Spending Account even if, by agreement, you may not claim your child as a dependent on your income tax return),
- Your spouse, if physically or mentally incapable of self care, and
- Any other person considered a dependent for tax purposes who is physically or mentally incapable of self care, regardless of age.

The cost of care rendered outside of your home for your spouse or for dependents of any age who are mentally or physically disabled is reimbursable only if that person spends at least eight hours in your home each day.

If you are divorced or legally separated, child care expenses are eligible for reimbursement only if you have custody of the child for a longer period during the plan year than does the other parent.

### CONTRIBUTION AMOUNT

You can set aside in your account up to \$5,000 a year to pay for dependent care expenses. Your contribution is deducted from your paycheck in equal installments throughout the year. If you are married, the IRS puts additional limits on your contributions:

- If you and your spouse both work, you are limited to the lesser of \$5,000, or your spouse's annual pay. For example, if your spouse works part-time and has an earned income of \$1,200, you cannot contribute more than \$1,200 for the whole year into the spending account.
- If you file separate income tax returns, the most you can contribute is \$2,500.

### Dependent Care Expenses While Job Hunting

If your spouse is actively searching for gainful employment, you may be reimbursed for dependent care expenses through the spending account in certain circumstances. Under IRS guidelines, the determination of whether such an expense is eligible is based on the facts and circumstances of each situation. You may want to consult your personal tax advisor or *IRS Publication 503, Child and Dependent Care Expenses*. The plan administrator (or its designated claims administrator) has the authority to determine the eligibility of these types of expenses for reimbursement.





- If your spouse has a similar account with his or her employer, your limit is \$5,000 a year for both accounts combined.
- Generally, both you and your spouse must be working in order for expenses to be eligible for reimbursement. However, if your spouse is either disabled and unable to provide self care, or is a full-time student for at least five months during the year and has no income, you still may participate in this account. In this case, you can contribute up to \$200 per month for one child or \$400 per month for two or more children for each of the months your spouse is disabled or enrolled in school full-time.

## REIMBURSEMENT



With the Dependent Care Spending Account, you pay the expense first and then file a claim for reimbursement from your account. The process for filing a claim is discussed in ***How to File a Claim*** on page 142.

You receive a reimbursement check from your account for the amount of your approved claim expense, up to your current account balance as of the date your claim was processed.

## DEPENDENT CARE EXPENSES ALLOWED BY THE IRS

The following is a partial list of expenses that may be eligible for reimbursement through a Dependent Care Spending Account:

- A qualified day care center, nursery school or summer day camp,
- A housekeeper whose duties include day care,
- Someone who cares for an elderly or incapacitated dependent,
- A baby-sitter inside or outside your home,
- After-school care, or
- A relative who cares for your dependents, as long as that relative is not one of your dependents or one of your children under age 19.

### No Reimbursement for Health Care Expenses

Keep in mind that the Dependent Care Spending Account is designed to help you pay for certain child care or elder care expenses only. You cannot use the account for reimbursement of any health care expenses for you or your dependents.



## DEPENDENT CARE EXPENSES EXCLUDED BY THE IRS

The following are examples of expenses not eligible for reimbursement. These include, but are not limited to:

- Baby-sitting expenses for reasons other than to enable you to work,
- Cleaning and cooking services not provided by a caregiver,
- Overnight camp,
- Child support payments,
- Food, clothing and entertainment,
- Activity fees and late payment fees, and
- Education, including tuition for private schools.



You may also refer to *IRS Publication 503, Child and Dependent Care Expenses*, available from the IRS or through the IRS Web site at [www.irs.ustreas.gov](http://www.irs.ustreas.gov).

### Dependent Care Account vs. Federal Tax Credit

The federal government allows you to take a tax credit for eligible dependent care expenses. Under the Internal Revenue Code, the tax credit is an amount equal to a percentage of your dependent care expenses, limited to \$3,000 for one dependent or \$6,000 for two or more dependents. This amount may change from year to year and you should request this information annually from your tax advisor.

If you are considering using the Dependent Care Spending Account, you might want also to consider the effect of your participation on taking the tax credit. Here are your options:

- > You may take the full tax credit allowed by the IRS,
- > You may pass your expenses through the Dependent Care Spending Account, or
- > You may use the spending account for a portion of your dependent care expenses and take the tax credit for the remaining amount. If you use the Dependent Care Spending Account, the amount you contribute to your account offsets dollar for dollar the amount you can take as a tax credit.

The payment method that is best for you depends on your individual situation. In some cases, using the Dependent Care Spending Account saves you more. In other cases, you may save more by taking the credit on your tax return. In most cases, if your family income is over \$30,000 or you spend more than \$3,000 on care for one dependent, your savings will be greater through a spending account.

To help you determine whether the Dependent Care Spending Account or the tax credit is better in your particular situation, you should consult a tax specialist or contact the IRS to obtain *Publication 503, Child and Dependent Care Expenses*.



An expense is incurred when the service is rendered — not when you are charged or billed, or when you pay the expense.



## How to File a Claim

The process for filing a claim for reimbursement is basically the same for both accounts; minor differences are discussed below. Here are the steps you must take:

- Complete a flexible spending account claim form to receive reimbursement for health care or dependent care expenses. Claim forms can be obtained via [www.benefitium.com](http://www.benefitium.com) or [www.aetna.com](http://www.aetna.com) or by calling Aetna at 1-888-238-6226. Attach to your completed form proof of services rendered — a written statement from an independent third party verifying the expense was incurred — and the amount of the expense.

— For health care expenses, the type of expense dictates how you file your claim for reimbursement:

- If your expense is not covered by an insurance plan (for example, the copayment for a doctor's office visit or prescriptions, prescription glasses or a hearing aid), send an itemized bill, invoice or receipt from your physician or pharmacy directly to the health care account showing the copayment and detailing the services rendered or prescription medicine provided.
- When you receive eligible health-related care (medical, dental, vision or hearing) covered by insurance during the plan year, you first submit the expenses for reimbursement to any insurance plan that pays benefits (including your spouse's medical, dental and/or vision plans, or an ex-spouse's plans if they cover your children). You must do this even if your expenses only apply toward your deductible. After submitting expenses to the insurance plan for reimbursement, you will receive an explanation of benefits (EOB) form indicating expenses not covered or not paid by the insurance plan. Send the EOB form indicating that the expense is not covered or was only partially paid by the insurance plan directly to the health care account.

— For dependent care expenses, proof of payment is a signed, itemized receipt including the date or period of service and the amount of the expense. You also are required to provide your caregiver's:

- Name,
- Complete address, and
- Taxpayer identification number or Social Security number.

Please note that a charge card receipt or a canceled check is not sufficient evidence to request a reimbursement under either account.

- For reimbursement, send in your completed form and proof of payment to:

Aetna  
P.O. Box 4000  
Richmond, KY 40476-4000



## WHEN YOU CAN EXPECT A REIMBURSEMENT

Claims for reimbursement are processed on a daily basis by Aetna and are mailed to your home weekly. If your home address changes, it is your responsibility to call the Chevron Phillips Employee Service Center at 1-800-446-1422 (option 3).

Please note that you must accumulate at least \$25 in eligible expenses before a check will be processed.

## CLAIMS ASSISTANCE

For assistance with questions or problems concerning benefits under this plan, call Aetna at 1-800-238-6226.

All decisions concerning the payment of claims under the plan are at the sole discretion of the plan administrator (or its designated claims administrator). If you disagree with the way your claim is handled, apply for a formal review. For more information, see the **Claims** section beginning on page 297.

## YOUR ERISA RIGHTS

As a participant in a Chevron Phillips Chemical benefit plan, you have certain rights under the Employee Retirement Income Security Act of 1974 (ERISA). For information about your rights under ERISA and other important information, see **Your ERISA Rights** on page 322.





## LOOKING FOR SOMETHING? TIPS FOR FINDING INFORMATION ... FAST!


There is a wealth of important information included in this summary, but who has time to look for it? Believe it or not, you can find what you need without having to search through pages and pages of information. By taking advantage of the summary's "search" function and "bookmarks," you can find the information you need in a matter of seconds.

### LOOKING FOR GENERAL, BIG PICTURE INFORMATION?

Just scroll down the table of contents — or "bookmarks" — shown at the left. Click on the applicable bookmark, and you will be taken to that section of the document.

### WANT SPECIFICS?

Use the summary's "search" function. To access this function:

- On the toolbar at the top of the screen, click on the Search tool .
- Type the word, words, or part of a word for which you want to search. If you want, you can refine the search by selecting one or more of the following options:
  - "Whole words only" to find only occurrences of the complete word you enter in the text box. For example, if you search for the word "doctor," the words "doctors" and "doctor's" will not be selected during the search.
  - "Case-Sensitive" to find only occurrences of the words that are in the case that you typed. For example, if you search for the word "doctor," the search would find "doctor," but wouldn't find "Doctor."
  - **Note:** For searching this summary, you do not need to select "Search in Bookmarks" or "Search in Comments."
- Click on "In the current PDF document" to show that you just want to search this summary. (Searching multiple PDF documents works well for PDFs that are copied onto your hard drive, but not for searching online PDFs such as our benefit summaries.)
- Click on "Search."
- All occurrences of the text for which you are searching will be shown in the results box. Scroll through the list and click on the applicable highlighted text to be taken to that text in the document.

Click on "New search" if you want to perform another search.

*(continued)*



## REAL-WORLD EXAMPLES ...

The following examples show you how to make the best use of the PDF search function.

### ■ To find out if you can enroll your domestic partner under your plan coverage:

- Access the search function, and search for “domestic.” The search results will be displayed in the results box. Click on the link to be taken to the exact information you need.
- Time spent searching? **5 seconds!**

### ■ You are getting married, and you want to see if you can enroll your new spouse in your coverage:

- You can save time by searching for “married,” “marriage” and “marry” all at the same time. To do so, access the search function, and search for “marr” (the first four letters of all three search terms). Every instance of “**married**,” “**marriage**” and “**marry**” in the summary will be displayed in the results box. Click on the links to see the plan provisions that apply. **Hint:** If you typed in “marr” and no instances were found, make sure the “Whole words only” box was not checked.
- Alternatively, you could have clicked on “When You Can Change Coverage” in the “bookmarks” shown at the left of the summary to be taken to that section of the summary. By scrolling through that section, you would have found the information you need in order to enroll your new spouse.
- Time spent searching? **20 seconds!**

### ■ You need to take a military leave of absence and want to know how your benefits will be affected:

- Access the search function, and search for “military.” The search results will be displayed in the results box. Click on the link to be taken to the “Military Leave” section of the summary.  
**Hint:** Do not narrow your search too much. If you had entered a very specific term, such as “military leave of absence,” the search function would not have helped you because those exact words are not used in this summary. It is better to start with a more generic search term, such as “military,” and then narrow your search later if necessary.
- While you are reading the “Military Leave” section information, you see references to the “Uniformed Services Employment and Reemployment Rights Act (USERRA).” If you perform a follow-up search for “USERRA,” you will learn more about military leaves and your Company benefits.
- Time spent searching? **20 seconds!**