

# Employee Benefits: Flexible Spending Account



 **Alberta  
Municipalities**  
Strength  
In Members

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# Flexible Spending Account - Overview

A Flexible Spending Account is a great addition to your group plan. It gives employees choice in their benefits package that is flexible to meet their person health and wellness needs.

As the employer, you establish a set amount for each class of employee which will be allocated annually. Employees then make a choice every year as to where they would like to allocate credits between two accounts; a Health Spending Account and/or a Personal Spending Account. Employees can choose one or the other or split their credits between the two accounts in denominations of \$25. If no allocation is made, the credits will default into the Health Spending Account. These credit allocations are then sent in a listing to your Benefit Services Consultant to set up the spending accounts for each employee. Once the benefit year has commenced, the employee will be able to see their spending account details, credit amounts, as well as submit claims through the Sun Life website.

## Health Spending Account (HSA) *Non-Taxable*

An HSA is a natural extension of the health and disability solutions you are already offering employees through the core benefits plan. Employees can use allocated credits to pay for a wide variety of health and dental expenses. Expenses are deemed eligible in accordance with the Canada Revenue Agency and federal Income Tax Act guidelines. This means that no income tax is deducted from employees' credits before they are deposited into the account.

## Personal Spending Account (PSA) *Taxable*

A PSA offers more opportunities for health and wellness outside of the regular benefits plan. It covers a wide range of eligible expenses supporting the mental, physical, and financial well-being of employees and their families. Items offered in a PSA are generally considered a taxable benefit to employees. Reports are provided at year end to use for payroll-related taxes and deductions, as well as related tax reporting to employees.

## Plan Summary

**Benefit year:** January 1 to December 31

**Carry Forward Credits** carry forward for one year

**Proof of Claim Period** Employees have 90 days from the end of the benefit year to submit expenses that were incurred during that year.

## Administration Fee

Each month the municipality is billed for the amount of the claim plus 9.5 percent. This fee includes all administration fees. The Flexible Spending Account fees are subject to annual review and may change as part of the renewal process.

# FAQ

## Who is covered?

Coverage is available to employees and their eligible dependents for both HSA and PSA. However, HSA credits can be used for any dependent if they qualify as a dependent under the Federal Income Tax Act.

## What is an eligible expense?

Spending account claims must be incurred during the benefit year (Jan1-Dec 31) and submitted to Sun Life within 90 days of the end of the benefit year in which it is incurred. Please see the attached listings of eligible expenses for more details on which items and services are eligible.

## Making the most of the credits:

The plan allows for claims to be submitted up to 90 days after the benefit year has ended. These claims must have been incurred during the benefit year. After this time, claims from the previous year will no longer be eligible. Any credits remaining in an employee's account at the end of a benefit year will carry forward into the next benefit year. At the end of that benefit year carry forward credits from the previous benefit year will be terminated.

## What if a flexible spending account is the only benefit an employee has?

Employees with only a flexible spending account can enroll on the Sun Life Plan Member Services member services website and app to submit electronic claims or submit claims through the mail by completing paper claim forms. They will not receive a drug card and Sun Life will mail the employee a temporary code used to validate their registration. If the employee does not wish to wait, they can call the Sun Life Client Care Centre at 1-800-361-6212 and they will assist with providing an immediate registration code. Once received, the employee will go back to [mysunlife.ca](http://mysunlife.ca), and sign in using the email address and password they originally set up and complete their registration.

## Making a claim:

Flexible spending account claims can be submitted online through the Sun Life Plan Member Services website and app, as well as through the mail by completing a paper claim form. Not all claims can be completed online, even though they may be an eligible HSA expense. When online, employees will be asked to select the type of expense from a drop-down list. If the type of expense is not on the list, then employees will have to submit a paper claim. Flexible spending account claims over \$1,000 cannot be sent over the Internet. If employees submit claims online, they must keep their original receipts for twelve months as Sun Life may request an audit of their claims.

## What about direct billed claims?

If there is a balance remaining on a direct billed expense, it is not automatically processed through an employees' spending account. Employees will have to submit a separate claim for the unpaid portion of the claim.

## Spending account coverage under multiple plans?

If employees are covered under more than one plan, such as a spouse's plan, it is to the employee's advantage to send the balance of their claim to the other plan before claiming any amount to the spending account.

## Eligible Expenses

### Health Spending Account (HSA)

Employees can use the Health Spending Account (HSA) to cover medical, hospital, and dental expenses that are eligible under the Income Tax Act (Canada) and are not paid, or not paid in full, under their group benefits plan, spouse's plan, or any government-sponsored plan. For a full list of eligible expenses please refer to the CRA website. Some eligible expenses include but are not limited to the items listed below:

- Health or dental expenses and out of pocket expenses such as deductibles, coinsurance, or amounts over plan maximums.
- Premiums for health or dental benefits
- Services performed by a qualified medical or dental practitioner
- Eyeglasses, contact lenses or laser eye surgery
- Medical devices, supplies or equipment
- Prescription medication prescribed by a licensed medical practitioner
- Paramedical practitioners (physiotherapists, psychologists, etc.)
- Dental care services including dental exams, fillings, and orthodontic services
- Payments to a public or licensed private hospital
- Artificial eyes and limbs, limb braces, wheelchairs, and hearing aids
- Alterations to a dwelling for access or mobility
- Transportation and travel services, including ground or air ambulance
- Diagnostic screening, laboratory or radiological procedures

## Personal Spending Account (PSA)

The PSA covered a wide range of expenses supporting the mental, physical, and financial well-being of employees and their families. A full list of health and wellness eligible expenses is available on the Sun Life Plan Member Services member services website. Some eligible expenses include but are not limited to the items listed below:

- Fitness services
  - Fitness club or gym memberships
  - Registration fees for fitness-related programs, lessons or courses
  - Sports team memberships and registration fees
  - Hunting and fishing licenses
- Fitness equipment
  - Purchase or rental of exercise equipment
  - Fishing gear and supplies, camping gear, tents and sleeping bags
- Health products and services
  - Nutrition programs and counselling
  - Smoking cessation programs and products
  - First aid and CPR (cardiopulmonary resuscitation) training
- Professional services
  - Estate planning, financial investment counselling and tax return preparation
  - Legal expenses (such as wills, divorces, and house purchases or sales)
- Education and personal development
  - Tuition fees for university, college or continuing education (including books and supplies)
  - Fees or dues for professional memberships or associated with maintaining a professional designation
- Green living
  - Public transit passes
  - Solar energy and wind energy products
  - Composters, rain barrels, recycling bins and recycling fees for atypical items (such as electronics)
- Work-life balance
  - Childcare expenses
  - Elder-care expenses
  - Pet-care services (such as kenneling, obedience training, dog walking and veterinarian fees)
- Safety initiatives
  - Baby safety equipment
  - First aid products
  - Smoke alarms, carbon monoxide (CO) detectors, and fire extinguishers
- Insurance premiums
  - Life and Critical Illness insurance premiums
  - Pet insurance premiums
- Financial
  - Registered Retirement Savings Plan (RRSP) contributions
  - Registered Education Savings Plan (RESP) contributions
  - Tax-Free Savings Account (TFSA) contributions

# Letter Template

Use this letter as a guide to introduce the flexible spending account to employees. Simply copy and paste the wording into your company letterhead and tailor the messaging to suite your needs.

Dear [employee name],

We recognize the value of your health and wellness and the important role it plays in bringing employees best to work. That's why we've enhanced employees group benefits plan with the addition of a Flexible Spending Account.

A Flexible Spending Account is a natural extension of the health and disability solutions that are already on your plan, and it allows you to choose where to apply your credits towards. Every year you will be able to choose if you would like credits under a Health Spending Account (HSA) and/or a Personal Spending Account (PSA). Please see the attached reference guide that outlines the differences between these accounts and how they may support employees mental, physical, and financial well-being.

Submitting expenses is easy and can be done from anywhere through the **my Sun Life Mobile app** or online at **mysunlife.ca**. And because these spending accounts are fully digital, your claims can be processed in less than 48 hours!

There are dozens of eligible expenses that will help to keep you and any dependents on your plan healthy and vibrant. Some examples of eligible expenses include:

#### Health Spending Accounts:

- Premiums for health or dental benefits
- Eyeglasses, contact lenses or laser eye surgery
- Medical devices, supplies or equipment
- Diagnostic screening, laboratory or radiological procedures

#### Personal Spending Accounts:

- Bikes, strollers, fitness gaming consoles, childcare expenses
- Gym memberships, sports team registrations, athletic wear, and electronics
- RRSP/RESP contributions, legal expenses, elder care, personal trainer, camping
- Hobbies and general interest courses, medical alert products, public transit passes

Find out more about your spending account coverage by reviewing the attached or contacting our HR representative at [Contact information]. Once enrolled you can learn more by visiting **mysunlife.ca**.

Sincerely,

[signature of employer]