

# HR Concepts, LLC

*"Your Third Party Administrator of Choice"*

## **Section 132 Administration Proposal** (Commuter, Parking and Bicycle Expense Accounts)

**2011 Plan Year**

**Presented By:**

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HR Concepts, LLC  
Your Third Party Administrator of Choice

## **Company Overview**

### **Our Mission**

“Our mission is to be dedicated to providing an administration solution that addresses the overwhelming changes in the benefits market today, with a focus on member satisfaction, ease of use, and an advanced technology platform, at the most cost effective price.”

**Peter H. Jennings, Founder**  
Human Resource Concepts, LLC

### **Our Background**

HR Concepts, LLC was founded in 2001 with the sole purpose of becoming a company’s “Single Source Solution” to Third Party Administration and Benefit Consulting/Design. We have grown to be among the leading TPA’S in New England by offering similar services as our competitors, but with a focus on delivering exceptional customer service, utilizing an enhanced technology platform, and distributing our services through a brokered/association focused channel. HR Concepts has positioned itself competitively by offering service enhancements that other Third Party Administrators do not offer, and by utilizing technology, we have been enabled to deliver our services with a new marketing appeal at a reduced cost of administration. Our exceptional customer service focus and commitment to this space has enabled HR Concepts to stand out as a regional leader in Third Party Administration.

### **Our Approach**

The outsourcing of certain key functions of a company has been a growing trend that employers are utilizing to maintain expenses, stay current with all the new compliance regulations, streamline and become more effective in certain overhead draining expenses, and to allow companies to focus on their core business elements. HR Concepts offers full service third party administration at wholesale pricing. We handle all of a client’s benefit administration needs, documents, compliance, and employee education, at a fraction of the cost of our competition. Our services are delivered through insurance brokers and associations which enable us to reduce our cost of marketing and certain business overhead costs. HR Concepts is comprised of multiple layers of services, that when combined, the depth of our capabilities, provides a “Single Source Solution” to manage all of a company’s benefit administration needs.

### **Our Commitment**

HR Concepts offers Third Party Administrative services for Flexible Spending Accounts (FSA), Healthcare Reimbursement Arrangements (HRA), Parking and Transit Accounts (PRA & TRA), Healthcare Savings Accounts (HSA), Dental Reimbursement Plans (DR), and COBRA Administration. We are committed to taking the needs and uniqueness of each of these services, combined with the talent and experience of our staff, and deliver them to our clients with a focus on exceptional customer service, the most advanced technology platform, integrity, honesty, and a fair price. Our firm is dedicated to being your Third Party Administrator of Choice!



## **Section 132 Components**

### **Commuter Expense Account (CEA)**

#### **1. What is a CEA?**

A Commuter Expense Account is a provision under the Internal Revenue Code Section 132 that enables employers to allow their employees to have certain commuter expenses taken out of their paycheck on a pretax basis and deposited into an account. These expenses would be taken out before the Federal tax, FICA tax, and the State tax. The CEA also allows the employers to save on the matching FICA that they would have had to contribute on this amount.

#### **2. How Do CEA'S Work?**

An employee elects to have an amount transferred from his gross paycheck, before taxes are taken out, and put into a Commuter Expense Account. When the employee incurs an eligible out-of-pocket expense for this account, they would present their CEA Debit Card for payment or receive a receipt indicating the date of service, what was done/purchased, and for how much. If they use their CEA Debit card, the funds would be deducted directly from their account. If they paid for the service or product by some other means, they would submit the receipt with a claim form, and would receive back out of their account the funds. This check would be tax-free.

#### **3. What Expenses Qualify?**

- Pass For Mass Transit
- Token For Mass Transit
- Other Items Paid to Access Mass Transit
- Fare Card For Mass Transit
- Voucher For Mass Transit
- Other Expenses Incurred to travel to work

#### **\* Transit may be via:**

- **A mass transportation system**
- **A private mass transit enterprise**

#### **\* Maximum Election \$230/Month - \$2,760/Year**

#### **4. Are There Legal Requirements to Having a CEA?**

Yes, a company must follow the regulations set forth by the Federal Government in order to establish and maintain a Section 132 CEA. These requirements include:

- Legal Documents
- Corporate Resolution
- Summary Plan Descriptions (SPD'S)
- Employee Enrollment



## Section 132 Components

### Commuter Expense Account (CEA) (Continued)

#### 5. How Much Will The Company Save?

It is rather simple to estimate how much a company will save by implementing a CEA. In most cases, the tax savings for the employer will exceed the cost to have such a plan.

Calculate The Company's Savings:

1. Add all the employees' total annual CEA Election: \$ \_\_\_\_\_
2. Multiple by the FICA Savings: X 7.65%
3. Total Annual Employer Savings: \$ \_\_\_\_\_

### Parking Reimbursement Account (PRA)

#### 1. What is a PRA?

A Parking Reimbursement Account is a provision under the Internal Revenue Code Section 132 that enables employers to allow their employees to have certain Parking Expenses associated with work to be taken out of their paycheck on a pretax basis and deposited into an account. These expenses would be taken out before the Federal tax, FICA tax, and the State tax. The PRA also allows the employers to save on the matching FICA that they would have had to contribute on this amount.

#### 2. How Do PRA'S Work?

An employee elects to have an amount transferred from his gross paycheck, before taxes are taken out, and put into a Parking Reimbursement Account. When the employee incurs an eligible out-of-pocket expense for this account, they would present their PRA Debit Card for payment or receive a receipt indicating the date of service, where they parked, and for how much. If they use their PRA Debit card, the funds would be deducted directly from their account. If they paid for the service or product by some other means, they would submit the receipt with a claim form, and would receive back out of their account the funds. This check would be tax-free.



## Section 132 Components

### **Parking Reimbursement Account (PRA) (Continued)**

#### **3. What Expenses Qualify?**

- Parking at a facility near employee's work
- Parking at a facility where the employee commutes to work from (I.E., Train lot)

**\* Maximum Election is \$230/Month - \$2,670/Year**

#### **4. Are There Legal Requirements to Having PRA?**

Yes, these requirements are the same requirements that are listed under CEA'S.

#### **5. How Much Will The Company Save?**

You can calculate the savings to the company by applying the same principles used for CEA'S. Just add-up all the annual election for this account and multiple by the FICA savings (7.65%)



## **Biker Commuter Account (BCA)**

### **1. What costs are covered?**

The intent of this provision is to help defray some of those fixed costs such as; the purchase of a decent commuter bicycle; bike lock; helmet; bike parking facilities; shower facilities; and general maintenance.

### **2. What is considered a bicycle commuting month?**

A qualified bicycle commuting month is any month in which an employee: (I) regularly uses a bicycle for a substantial portion of the travel between his/her residence and place of employment, and (II) does not receive any other qualified transportation benefit for such as transit, and parking.

### **3. Who is eligible under Section 132?**

As a rule, the qualified transportation fringe benefit can only be provided by employers to employees. Common Law employees and officers of corporations are eligible (the law does not include non-discrimination requirements for the benefit). Sole proprietors, partners, independent contractors and two-percent shareholders of S corporations are not eligible for this transportation fringe benefit.

### **4. How it works.**

A qualified bicycle commuting reimbursement means any employer, if they choose to do so, may provide a reimbursement of up to \$20 per month for reasonable expenses incurred by the employee in conjunction with their commute to work by bicycle.

Please note however, that unlike the other qualified transportation fringe benefits, a qualified bicycle commuting reimbursement benefit cannot be funded through employee pre-tax income, nor can an employee receive both the transit and bicycle QTF in the same month.



## Outline of Services

### **Initial Setup / Installation / Take-Over**

**1. Plan Documents**

Whether it is a new plan or take-over, HR Concepts will take the time necessary to consult with you to design the legal documents, integrate your existing plan, and bring your current plan into compliance.

**2. Summary Plan Descriptions**

After the Documents have been completed, HR Concepts will design a customized summary plan description that will be distributed to every eligible employee.

**3. Corporate Resolution**

If you require a corporate resolution or adoption agreement, HR Concepts will provide you with a template that you can use or customize onto your own company letterhead.

### **Employee Communications**

**1. Enrollment Forms / Materials**

HR Concepts will provide you with a customized enrollment form that will be used to enroll the employees into the CEA'S and the PRA'S.

**2. Enrollment Meetings**

Upon the initial setup or takeover, HR Concepts will provide enrollment meetings and education sessions to introduce the Section 132 to the employees. After this initial time, HR Concepts will conduct enrollment meetings for employees annually and when there is a significant amount of new hires.

**3. Claim Forms**

If employees decide to not use the CEA/PRA Debit card, or for expenses not covered by the card, HR Concepts will provide claims forms that can be submitted for reimbursement from the accounts.

### **On-Going Administration Services**

**1. Daily Claims Administration**

HR Concepts provides employers with a CEA/PRA Debit card for each employee. These cards are considered Visa Cards, however, they can only be used at predefined locations. If an expense cannot be put through on the card, then the employee can submit this claim by mailing, faxing, or dropping it off to HR Concepts. Upon receipt, the claim will be processed and a check will be dispensed.

**2. Online Employee Account Balances**

Employees will have access to checking their balances of their accounts online. They will also be allowed to download claim forms and enrollment material.

**3. Online Employer Account Statuses**

Employers will have access to periodic plan activity and employee's account balances via the web or by calling HR Concepts.



## Implementation and Ongoing Administration Schedule

### **Phase I**

1. Application taken and plan designed
2. Documents, Corporate Resolution, Summary Plan Descriptions completed
3. Set the Enrollment Dates
4. Setup/Installation charges billed (Due within 30 days)

### **Phase II**

1. Enrollment meeting letter goes out with paychecks or posted
2. Enrollment meetings performed
3. Employees complete their enrollment forms and return them to HR
4. HR forwards the completed enrollment forms to HR Concepts
5. HR Concepts enters data from the enrollment forms
6. HR Concepts assists the employer in setting up their payroll and account funding
7. HR Concepts sends out confirmation letter to employees with CEA/PRA debit card and claim forms

### **Phase III**

1. First quarter billing for accounts is sent
2. Daily processing of claims commencing
3. The online web access opened up for employees to check balances

### **Phase IV**

1. Ongoing quarterly billing of accounts
2. Daily processing of claims
3. Future employee enrollment meetings conducted
4. Updates and plan amendments completed



## Fee Schedule

HR Concepts is a full servicing Third Party Administrator. Our philosophy on pricing is to include all of our services for the plan you purchase for one simple fee. We do not have any additional charges other than what is outlined below. All Section 132 plans have an installation price, renewal fee, and when applicable, an employee fee for the Commuter Expense Account/Parking Reimbursement Account. All of the services outlined with this proposal are included in our pricing model. We appreciate a company's necessity to gather competitive pricing to compare costs, so if there are any questions or comments on our pricing / services, please don't hesitate to ask. Thank you for considering HR Concepts, LLC as your Administrator of choice.

### **Section 132 Plan Option 1**

### **Standard Pricing**

Installation/Takeover: \$750

Renewal: \$450

Employee Account  
Administration Fee: \$5.15/Employee/Month with a CEA/PRA  
Account. (Minimum billing of \$61.80/Month)



## Section 132 Plan Option 2

## Green CEA/PRA

Installation: \$650

Renewal: \$400

Employee Account

Administration Fee: \$4.50/ Employee/Month with a CEA/PRA account.  
(Minimum billing of \$54.00/Month)

Same services as outlined in this proposal, except:

- Email Address required for all participants
- Completed Direct Deposit form required for all participants
- Claims paid via VISA or (manual claims) via Direct Deposit
- Encourage online forms
- PDF version of enrollment/education materials provided to Employer for distribution to Employees
- Enrollment via Excel spreadsheet
- Employee and Employer reports/notifications sent via email monthly

## Section 132 Plan Bicycle Commuter Account

Installation: \$100 (When added to existing Section 132 plan)

Renewal: \$50

Employee Account

Administration Fee: \$1/Employee/Month (When added to existing PRA or TRA plan)

\$2.95/Employee/Month (By itself)

(If an employee has a CEA/PRA and an FSA, HR Concepts will charge a combined rate of \$6.75 instead of \$5.15 for the FSA and \$5.15 for the CEA/PRA - **A \$3.55 Savings**)

(The combined installation rate for a company who has an FSA and a CEA/PRA is \$1,000 instead of \$750 for the FSA and \$750 for the CEA/PRA - **A \$500 Savings**)

(The combined renewal rate for a company who has an FSA and an CEA/PRA is \$700 instead of \$450 for the FSA and \$450 for the CEA/PRA - **A \$200 Savings**)