What is TexFlex?

A TexFlex account is a flexible spending account (FSA) that lets you set aside money from your paycheck, pre-tax, to use for eligible out-of-pocket expenses. The IRS regulates the TexFlex program and only IRS-eligible expenses can be purchased using TexFlex funds. All benefits-eligible active employees can participate in TexFlex. You can contribute to a health care and a dependent care account.

- Health care account – used to pay eligible medical, dental, vision, hearing and prescription drug expenses. Currently, there is a $2,500 maximum annual contribution per plan year. The IRS has increased this amount to $2,550 starting in Plan Year 2016.
- Dependent care account – used to pay eligible expenses including child day care and adult care day programs.

How to enroll

You can enroll in a TexFlex account:

- within 31 days of hire date;
- during Summer Enrollment; and
- within 31 days of experiencing a qualifying life event.

Simply log into your ERS account, enroll in the plan and select your annual contribution.

Annual Contributions

Plan Year 2016

<table>
<thead>
<tr>
<th></th>
<th>Annual minimum</th>
<th>Annual maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care account</td>
<td>$180</td>
<td>$2,550</td>
</tr>
<tr>
<td>Dependent care account</td>
<td>$180</td>
<td>$5,000*</td>
</tr>
</tbody>
</table>

*If you and your spouse each have a dependent care account, you are limited to $5,000 between the two of you.

Using your TexFlex funds

Starting September 1, 2015, there are different ways use your TexFlex account funds. You can:

- Use the TexFlex debit card* at the time of purchase.
- Upload your claims through the TexFlex website after you have incurred the expense.
- Submit a claim by mail after you have incurred the expense.
- Submit a claim by fax after you have incurred the expense.

*Starting September 1, 2015, dependent care account participants will no longer be eligible to use the TexFlex debit card and will need to submit a claim online, by mail or fax for reimbursement.

ADP, the new TexFlex administrator starting September 1, 2015, may ask you to provide the receipt to verify your expenses are eligible, per IRS guidelines. It is important to save all your receipts regardless of the method of payment.

For more information, please contact TexFlex Customer Care at ADP toll-free at (844) 884-2364 (TDD – 711) between 7am – 7pm CT, Monday – Friday or visit www.texflex-fsa.com.
Current Participants

If you currently participate in TexFlex, your current contribution elections will continue for Plan Year 2016 unless you make changes during Summer Enrollment. Use the savings calculator to determine if you need to adjust your annual contribution. If you need to make a change, log into your ERS account during Summer Enrollment to make your changes. Summer Enrollment changes will take effect on September 1.

Transition to New TexFlex Administrator

The Employees Retirement System of Texas (ERS) Board of Trustees awarded the third-party administrator contract for the TexFlex program to ADP, LLC (ADP). The contract will cover a four-year term beginning September 1, 2015 through August 31, 2019. ADP will manage the TexFlex program from their Louisville, Kentucky and Salt Lake City, Utah locations.

There will be a delay in claims processing for Plan Year 2015 expenses during the last part of August and the first part of September, as ERS works with the current TexFlex vendor to transfer existing participant information to the new vendor. ERS will provide more information on this delay this summer. Please look for updates in the News About Your Benefits newsletter from ERS in August.

Important Notices

- Dependent care participants will continue to have a grace period from September 1, 2015 to November 15, 2015 to use Plan Year 2015 funds. The grace period only applies to dependent care account participants.

- Starting September 1, 2015, health care account participants will no longer have a grace period. Instead, participants will be allowed to carry over up to $500 from the previous plan year into the new plan year. Any additional money left in the account will be forfeited.

- Health care account participants will have until December 31, 2015 to submit claims for Plan Year 2015 expenses incurred through August 31, 2015. Dependent care participants will have until December 31, 2015 to submit claims for Plan Year 2015 expenses incurred through the grace period.

TexFlex Debit Card

All debit cards issued by the current TexFlex administrator, will be deactivated after August 31, 2015. If you are enrolled in a health care account, you will receive one new ADP TexFlex debit card in late-August. You must activate the card prior to use and the card cannot be used until September 1, 2015. You can request additional cards by calling ADP. There is no charge for the TexFlex debit card.

Starting September 1, 2015, dependent care account participants will no longer be eligible to use the debit card and will need to submit claims online, by fax or mail. IRS rules require that expenses from your TexFlex dependent care account be incurred and services received before funds can be reimbursed to you. The debit card cannot confirm that either of these two criteria has been met, therefore, your card cannot be used for dependent care expenses.

<table>
<thead>
<tr>
<th></th>
<th>Health care account</th>
<th>Day care account</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Maximum</strong></td>
<td>$2,550</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>Contribution</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Submit claims online,</strong></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>by fax or mail</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Use the TexFlex debit card</strong></td>
<td>Yes¹</td>
<td>No, all claims submitted online, by fax or mail.</td>
</tr>
<tr>
<td><strong>Contributions availability</strong></td>
<td>Full annual contribution available starting September 1, 2015</td>
<td>Monthly; as funds are added to your account from paycheck contributions</td>
</tr>
<tr>
<td><strong>Carryover²</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Grace Period³</strong></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Run-out period⁴</strong></td>
<td>September 1, 2015-December 31, 2015</td>
<td>September 1, 2015-December 31, 2015</td>
</tr>
</tbody>
</table>

¹ There is no fee for the card. You will receive one card and can request additional cards by calling TexFlex Customer Care at ADP toll-free at (844) 884-2364.

² Previous plan year (PY15) health care account funds of $25 or more up to $500. These funds would be available for all PY15 and PY16 claims. Does not apply to the day care account.

³ The timeframe in which participants can INCUR new claims in the plan year beginning September 1, 2015 using previous plan year funds. Due to IRS regulations, a grace period is NOT permitted if carry-over is allowed within the plan.

⁴ Timeframe in which the participant can submit claims for reimbursement for services incurred during the previous plan year. The Run-out period also applies to both accounts.