

BOLTON *Benefits*

BOLTON & Company

ABOUT BOLTON BENEFITS

For over 70 years, Bolton Benefits has been a leader in providing creative solutions in analyzing, designing and implementing employee benefit programs. In addition to preferred carrier relationships and broad market access, we are able to provide a comprehensive array of services ranging from network analysis to Internet/ Intranet services to human resources consulting.

Products and Services:

- **Group Medical, Vision, Dental and Life**
- **401 (K) Plans**
- **Long Term Care**
- **Employee Handbook Guidance**
- **Employee Assistance Programs**
- **And Much More....**

MOST LARGE EMPLOYERS WILL COVER OTC DRUGS IN FSA'S

A recent poll conducted by the Washington Business Group on Health (WBGH) finds that almost all large employers will allow workers to pay for over-the-counter (OTC) drugs with funds in their health care flexible spending accounts (FSAs).

In Rev. Rul. 2003-102, issued in September of 2003, the IRS said that over-the-counter, non-prescription drugs can be reimbursed by health FSAs and other employer-provided health plans on a pre-tax basis if the drugs are properly substantiated by employees. It is important to note that Rev. Rul. 2003-102 does not require health FSAs to reimburse employees for OTC drugs but merely allows them to do so. Although employees have been clamoring for reimbursement of OTC drugs, how employers would react to this ruling initially was far from certain.

The ruling distinguishes between OTC drugs used for medical care, which are reimbursable, and those that are just beneficial to general good health, which are not reimbursable. The ruling specifically mentions antacids, allergy medications, pain relievers, and cold medicines as items that are reimbursable. It specifically disallows reimbursement for dietary supplements, such as vitamins, if they are taken for general good health. Toiletries, such as toothpaste, cosmetics, and sundry items are also not reimbursable.

Distinguishing between eligible and ineligible expenses under the ruling could prove to be difficult as there are a number of "gray areas." One thing to consider doing is developing a list of OTC drugs eligible for reimbursement under your plan and giving it to your employees.

2004 NEW CONTRIBUTIONS AND BENEFIT LIMITS FOR 401(K) AND OTHER QUALIFIED PLANS

1. The maximum elective deferral under a 401(k) plan will be increased from \$12,000 to \$13,000.
2. The dollar limitation on the annual benefit that may be provided under a defined benefit plan under section 415 will be increased from \$160,000 to \$165,000.
3. The maximum annual contributions that can be allocated to a participant in a 401(k), profit sharing, money purchase or target benefit plan for a plan year will be increased to the lesser of 100% of compensation or \$41,000.
4. The maximum contribution amount to a traditional IRA remains unchanged at the lesser of \$3,000 or 100% of compensation.
5. The annual allowable compensation limit for deduction, benefit and contribution purposes will be increased from \$200,000 to \$205,000.
6. The annual maximum amount of compensation an employee may elect to defer under a SIMPLE plan will be increased from \$8,000 to \$9,000.
7. The limitation on deferrals under governmental and tax-exempt organization section 457 plans will be increased from \$12,000 to \$13,000.
8. The dollar limitation for catch-up contributions to a 401(k), 403(b), or 457 plan for individuals over aged 50 or over in 2004 is increased from \$2,000 to \$3,000.
9. The dollar limitation for catch-up provisions to a SIMPLE 401(k) or 408(p) SIMPLE IRA for individuals aged 50 or over in 2004, is increased from \$1,000 to \$1,500.
10. The dollar limitation for catch-up contributions to a traditional IRA, for individuals aged 50 and over in 2004, remains unchanged at \$500.

CALIFORNIA FAMILY TEMPORARY DISABILITY LEAVE PROGRAM (FTDI)

Employers will be required to make a new payroll deduction for the FTDI program beginning January 1, 2004. This program is funded entirely by employee payroll deduction. The contribution rate will begin at .08% (.0008) of taxable wages to a maximum of \$68,829 – resulting in a maximum contribution of \$55.06 in 2004. In 2005, the wage maximum will be \$79,418, with a maximum contribution of \$63.53.

Employees will be eligible for paid leave under this program beginning July 1, 2004. There is a seven day waiting period in which no benefits are payable. Benefits are payable beginning with the eighth day of leave. The program uses calendar days and not work days. It is available to all employees regardless of the total number of employees.

Paid benefits are available for leave taken to care for the serious health condition of a child, parent, spouse or domestic partner. In addition benefits are payable for leave due to the birth of a child of the employee or the employee's spouse or domestic partner as well as the placement of a child with the employee, employee's spouse or domestic partner (such as foster care, adoption, etc.)

Benefits are calculated in the same manner as benefits for State Disability Income. (Note: the two plans are entirely separate). Benefits will range from \$50 to \$728 per week depending upon income. The maximum benefit will increase on January 1, 2005 to \$840 per week. The maximum benefit is approximately 55% of earnings.

Employees are eligible for this benefit for up to six weeks during a 12-month period. Employees are not eligible if they are receiving State Unemployment Income benefits, State Disability Income benefits, or Workers' Compensation benefits.

We're on the Web!
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