

The background of the entire page is a soft-focus photograph of a silver pen writing on a document. The document appears to be a financial or statistical table. In the lower right quadrant, the word "Change" is written in a bold, italicized font. Below it, several numerical values are visible, including -0.430, -0.950, and 0.050. The overall color palette is a warm, light beige or cream.

***Employers Guide
to Section 125***

Presented By
Administrative Information Management Inc.
Louisville, Kentucky

Employer Information

Section 1

Administration

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About Us

Allow us to introduce AIM to you.

AIM, Inc. was founded in 1989 to meet the growing need for third party administrative work on Cafeteria Plans and Pension Plans. The new laws and more advanced software made both these tax-savings vehicles popular with employers who were trying to offer greater benefits to their employees and save tax dollars as well.

Our investigative work led us to believe that the software developed by Datair Employee Benefit Systems offered us what we wanted in both accuracy, current changes in the laws and technical support. This firm combines the talents of actuaries, ERISA lawyers and computer programmers to allow the third party administrator to work with ease and assurance.

In addition, we have partnered with Alegeus (formerly MBI) to provide a Debit Card option to our Cafeteria Plan clients.

Our office staff includes administrators, a Certified Financial Planner, a computer programmer and a business manager. This allows us to give you accurate information at a reasonable cost. Perhaps our greatest asset to you, however, is that we are a local firm with the ability to understand the problems and concerns that both you and your employees might have and to respond quickly to your needs.

Our mission is to offer businesses of all sizes accurate and worry free administration of both Cafeteria Plans and Pension Plans at a reasonable cost.

All we have to sell is service and if we don't give that, we have no product.



Administrative Information Management
10353 Linn Station Rd
Louisville KY 40223
Phone: 502/426-1235 Fax: 502/426-6569
info@aimadministrator.com



Advantages

of the Cafeteria Plan

EMPLOYEE ADVANTAGES:

- Increased take home pay and/or benefits packages through tax savings.
- A personalized benefit package designed to fit the needs of each individual employee.
- Flexibility to change benefits annually, as needs change.
- A wider choice of benefits that result in greater happiness, security and stability.
- Elimination of double coverage between spouses.

Here is an example of the savings for the Employee

| Without Flex Plan | | With Flex Plan | |
|--------------------------|------------|-----------------------|------------|
| Gross Salary | \$1500 | Gross Salary | \$1500 |
| Taxes | 420 | Flex Contribution | 160 |
| Flex Contribution | 160 | Taxable Salary | 1340 |
| | | Taxes | 375 |
| Net Income | 920 | Net Income | 965 |

Additional Income because of Flex Plan: \$45



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Advantages of the Cafeteria Plan

EMPLOYER ADVANTAGES:

- A reduction of payroll and payroll taxes.
- Cost control regarding the escalating expense of employee benefits.
- Increases employee morale, loyalty and retention.
- Aids in recruiting quality new employees.
- Helps build better employer/employee relations.
- Provides a wider variety of benefits without increasing the cost of the benefits.

Here is an example of the tax savings for the Employer

| | |
|--------------------------------|------------------|
| Fifteen employees elect \$1000 | \$15,000 |
| FICA | x .0765 |
| | <hr/> |
| Savings for the Employer | \$1147.50 |



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Plan Requirements

of a Cafeteria Plan

PARTICIPATION REQUIREMENTS:

Employers may set a number of different parameters for eligibility in a Section 125 Plan. Some of the more common requirements are:

- Length of employment, i.e.: 6 months, 12 months, etc. with a maximum of 36 months.
- Age restrictions, i.e.: 18 or 21 years of age.
- Per week hourly employment, i.e.: 20 hours, 32 hours, 40 hours.

PLAN REGULATIONS:

- A cafeteria plan may not discriminate in favor of highly compensated employees with regard to eligibility, contributions and benefits.
- Funds left (not used) in an employee's account at plan year-end are forfeited. This is generally referred to as the "use it or lose it" principle.
- Employee cannot transfer amounts from one account to another account. It may be used only for items in that elected option.
- No changes are allowed during the year, unless there is a status change, specified in the Plan Document.
- An employee can have up to \$50,000 face amount in group term life: premiums for amount in excess of \$50,000 may be included as taxable income.
- Limit of \$5,000 on dependent care is set by the Federal government, if both employee and spouse are working, or if one is working and the other is going to school full time.
- Medical Reimbursement limits are set by the employer up to \$2500.



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COMPLIANCE

Is your company in compliance with the issues most often questioned in an IRS or DOL audit?

- Employers are required by the IRS to establish and maintain a Plan Document before offering pre-tax benefits.
- The DOL (Department of Labor) requires that you distribute a SPD (Summary Plan Description) to every employee at the beginning of the plan. In addition, the SPD should be distributed periodically and any time that the document is updated.
- Salary reduction agreements must be completed and signed annually and should be kept on file.
- Discrimination testing must be done once a year and be available if the IRS requests it.
- Medical reimbursement plans, as well as welfare benefit plans, with more than 100 participants are required to file an IRS form 5500 annually.
- Plan documents must be updated any time there is a change in the IRS provision and laws regarding USERRA, COBRA, HIPAA, FLMA, new definitions for dependents, over the counter medications, mid-year qualifying events to make election changes, or deductions for domestic partners.
- Employers are required to enforce the twelve month irrevocable deduction rules.
- Employers must follow IRS guidelines if they choose to refund unused funds back to the employees from medical or dependent care accounts at the end of the plan year, i.e. : pro rata across all participants.
- Employers may not discriminate within a class of employees.
- Benefit limits for reimbursement may not be based on seniority or a percentage of pay.
- Owners and family members of persons holding more than 2% stock in an "S" Corp may not participate in a Section 125 Cafeteria plan.
- Highly compensated and key employee deductions may not total more than 25% of group deductions.
- Professional groups, such as physicians, may not set up elaborate insurance and medical expense reimbursement plans that exclude hourly employees.
- Pre-taxing health savings account bank funds through the Section 125 POP plan without proper documentation, is not allowed.
- Employees participating in an HSA plan may only participate in a limited flexible reimbursement plan. The plan document must make provision for a limited plan. i.e.: coverage for dental or vision; coverage for employee (and child) if spouse has a single coverage HSA plan.

Please sign below to acknowledge that you have been made aware of these compliance rules.

_____ Printed Name _____ Date

_____ Signature _____ Title



How it Works

We make the process
as easy as possible.

Employer sets up Enrollment Meetings for an AIM representative to introduce the Plan and go over the enrollment process.

- Sample enrollment information is included in this booklet.
- Employees are given a reasonable amount of time to determine their Cafeteria needs and turn in their enrollment form.

Employer's payroll administrator deducts Plan contributions.

- Your AIM administrator will work with your payroll personnel to work out the specifics of how and when to start contributions and the remittance process.

Employer sends Flex contribution check to AIM.

- AIM will be able to process claims after the first contribution is received.
- Insurance premium deductions are sent to the insurance provider.

Participants submit claims to AIM via fax, email or USPS (regular) mail.

- This takes the burden off the employer for processing claims "in house."
- It protects the Employer from having employees discussing claims internally.
- If participants have any questions about the process, what is eligible or the status of a claim, an AIM Administrator is available to answer these questions.

Your AIM Administrator processes and cuts reimbursement checks twice weekly

- Checks are mailed via USPS.

Everyone is happy.

- Participants are kept informed of their benefit account balance via the reimbursement check stub and quarterly status memos provided by AIM.
- Employers receive a monthly invoice for service. Remember, you are paying this expense from money you are not sending in for payroll tax. In most cases, the Employer still comes out ahead in overall cost benefit.



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ADMINISTRATIVE AGREEMENT SECTION 125 CAFETERIA PLAN

COMPANY NAME: Sample Co

As the employer-sponsor of the above-named employee benefit plan, we hereby request the following listed plan services, for which we agree to pay upon being billed within 30 days of services rendered.

It is further agreed that this fee is subject to change on the plan anniversary date with sixty (60) days notice to us by AIM, Inc. It is further agreed that this agreement may be terminated by either party upon sixty (60) days prior written notice to the other party.

SERVICES:

1. Annual updating of the plan calculations and allocations.
2. Preparation of monthly reports to company, listing Enrollment, Plan Status, and Individual Participant Status.
3. Preparation of quarterly statements, indicating to participants their current and projected balances.
4. Coordinate initial enrollment with payroll department. Annual employee meetings are provided on request of the client.
5. Preparation of Plan Document and Summary Plan Description.
6. Discrimination testing, if applicable.

Tel 502 426 1235

Fax 502 426 6569

FEES:

- | | |
|-------------------------------------|--|
| 1. Start up cost | \$5.00 per participant (initial setup fee) WAIVED |
| 2. Participant cost (Reimbursement) | \$6.00 per participant per month* |
| 3. Participant cost (Debit Card) | \$6.50 per participant per month* |
| 4. Participant cost (Premium only) | \$1.00 per participant per month* |
| 5. Document | \$200.00 original document (if applicable) |
| 6. Document restatement | \$50.00 when applicable |
| 7. 5500 Form | \$100.00 (more than 100 participants) |

New Age Technologies

Date

10353 Linn Station
Road
Louisville KY
40223

AIM, Inc.

Date

*Participant cost is an either/or charge.

LIMITATION OF LEGAL LIABILITY

Plan Name **Sample Co**

The adopting Employer of this Plan understands and agrees that Administrative Information Management, Inc. (AIM, Inc.) is in no way liable for the legal and tax aspects of this Plan. In addition, AIM, Inc. is in no way liable for any overages paid to participants who have terminated with a balance owing in their reimbursement account. Full legal and tax responsibility is assumed by the undersigned Employer establishing this Plan, which acknowledges that it has reviewed the terms and conditions of the Plan with its legal and tax advisors with respect to the adoption of this Plan and the various options available under the Plan.

Signature

Date

Title



Partial Client List

Abel Construction Company – Charlene French
4600 Robards Lane
Louisville, KY 40218
502/451-2235
Cafeteria Plan

Archdiocese of Louisville – Phyliss Wilkins
P. O. Box 1073
Louisville, KY 40201
502/585-3291
Cafeteria Plan

Eye Associates of Southern Indiana – Marilyn Traugher
302 W 14th St Ste 100
Jeffersonville, IN 47130
812/218-9201
Cafeteria Plan

Fastline Publications - Craig Kremer
PO Box 248
Buckner, KY 40010
502/222-0146
Cafeteria Plan

First Urology – Joy Foster
P.O. Box 1087
Jeffersonville, IN 47130
812/206-8141
Cafeteria Plan

Heartland Blood Centers – Kathi Day
1200 N. Highland Avenue
Aurora, IL 60506
630/820-9434
Cafeteria Plan

Hospice of the Bluegrass – Linda Lewellen
2312 Alexandria Drive
Lexington, KY 40504
800/756-6005
Cafeteria Plan

The Kentucky Center – Harry Hinkle
501 West Main Street
Louisville, KY 40202
502/562-0100
Cafeteria Plan

| | |
|--|--------------------------------|
| <p>Kentucky Country Day School – Annie Karaba 4100 Springdale Road Louisville, KY 40241 502/423-0440</p> | Cafeteria Plan |
| <p>Lantech, Inc. – Linda Amburgey 1100 Bluegrass Parkway Louisville, KY 40299-2399 502/267-4288</p> | Cafeteria Plan |
| <p>Milestone Wellness Center – Diane Kelton 750 Cypress Station Dr Louisville KY 40207 502/896-3900</p> | Cafeteria Plan |
| <p>Nephrology Associates of Kentucky - Lisa Allgood 6400 Dutchmans Pkwy Ste 250 Louisville KY 40205 502/587-9660</p> | Cafeteria Plan |
| <p>Northeast Christian Church – Rhonda Lamb-Laguna 9900 Old Brownsboro Road Louisville, KY 40241 502/426-6668</p> | Cafeteria Plan Pension Plan |
| <p>Rockcastle County Fiscal Court – Patricia Martin 205 East Main Street Mt. Vernon, KY 40456 606-256-2856</p> | Cafeteria Plan |
| <p>Sheehy & Associates – Martha Greenwell 2297 Lexington Road Louisville, KY 40206-2818 502/456-9007</p> | Cafeteria Plan |
| <p>Southeast Christian Church – Karen Spencer 920 Blankenbaker Parkway Louisville, KY 40243 502/253-8035</p> | Cafeteria |
| <p>J. B. Speed Art Museum – Neal Augustus 2035 South Third Street Louisville, KY 40201-2600 502/634-2705</p> | Cafeteria Plan |
| <p>Stock Yards Bank & Trust - Amanda Zorio P.O. Box 32890 Louisville, KY 40232 502/582-2571</p> | Cafeteria Plan |



Flex125 FAQs

Frequently Asked Questions about the Flexible Reimbursement program

If I elect to redirect my compensation, how will this benefit me?

The biggest advantage is the tax savings. Since FLEX 125 uses pre-tax dollars for reimbursement of personal expenses, you reduce your income taxes and Social Security and Medicare taxes by reducing your taxable salary.

If I redirect part of my pay, won't I make less money?

No. Your spendable income will increase by the amount of tax savings.

Why should I participate in the Medical Reimbursement Plan if I already have medical insurance?

The Medical Reimbursement Plan offers reimbursement of medical care expenses *NOT* covered by insurance: for example, eye exams, glasses, contact lenses, co-payments for office visits and prescription drugs, orthodontics and dental visits, and most other medical expense not covered by your major medical.

What if I have an HSA?

You can participate in the Limited Flex plan. The Limited Flex works the same as the regular Flex, but covers only vision and dental expenses. Using the Limited Flex on these expensive items enables you to have more funds to rollover in your HSA at the end of the year. Check with your HR to see if this option is available to you.

Will I be better off participating in Daycare Reimbursement instead of claiming it on my income tax?

It depends on your situation. Your tax advisor can help you determine the best option for you.

What qualifies for commuter reimbursement?

Transit passes, vanpools (that meet IRS rules), parking and some bicycles expenses may qualify, depending on what programs your employer chooses.

Is there a cap on the amount of money I can direct to my account?

Yes. The limit you can defer for the Medical Reimbursement Plan is set by your employer. The maximum for the Daycare Reimbursement Plan is \$5,000. Transportation varies year to year.

Can I change or revoke my elections during the plan year?

In general - no. However, there are exceptions for a change in family status.

What happens if I terminate my employment or I become ineligible to participate in FLEX 125 for any other reason?

You may terminate the compensation reduction agreement. If so, you should contact the HR Representative to determine how long you have in which to file claims. Expenses must have been incurred while you were still employed. Coverage may continue through COBRA, if you elect.

What if I don't use all the money I redirect?

You should conservatively estimate your allowable expenses for the year so you can avoid having unused benefits at the end of the year. However, if you do have funds remaining in your account at the end of the year, that amount will be forfeited.

Are there any other negatives that I should know about?

Yes. You are not paying Social Security tax on that portion of your income that has been redirected, so your Social Security benefits may be slightly reduced.

How do I enroll in the program?

Enrollment forms are available from your HR Representative.

How do I get reimbursed for my medical expenses?

If your employer has elected to provide you with a benefit debit card, you will use the card at the point of sale. Occasionally, you may be asked to remit receipts to ensure valid expenses (so keep those receipts available). A claim form with receipts can always be submitted when you need reimbursement.

How do I get reimbursed for childcare or adult daycare expenses?

The claim form has a section for you to list those expenses. You should submit receipts from any type of daycare center with your claim. If you pay a baby sitter or a nanny for fees to allow you to work, please list the person's Social Security Number on your claim form and provide a copy of your canceled check.

Where do I get a claim form?

You can get a claim form from your HR Representative. In addition, claim forms are available online at www.aimadministrator.com/125. You may also contact your AIM Administrator at 502/426-1235 who can mail, e-mail or fax one to you.

Where do I send my claim form?

Please mail your claim form and receipts to AIM, 10353 Linn Station Rd, Louisville, Kentucky 40223

Can I fax my claim form? What about email?

Yes, you may fax your claim and receipts to 502/426-6569. You do not need to include a cover page when faxing your claims. If you are successful in faxing your claim, please do not mail the originals. If you have a scanner and email, you may send your claim and receipts to claim@aimadministrator.com.

How often will I receive a check?

Claims are processed twice a week for companies without debit cards. Checks are mailed on the same day your claim is processed. Checks are issued when your claim value is over \$10. Please allow ample mailing time to receive your check.

I sent in a claim but did not receive a check. What can I do?

Please contact your AIM Administrator at 502/426-1235. The Administrator will check the files for a claim and let you know when your check was mailed. If enough time has passed, we may be able to stop-pay and reissue a check for you.

What if I don't have a receipt to submit?

If you have lost or misplaced a receipt, you may submit a copy of your canceled check or an invoice showing the provider has received payment.

How do I check my account balance?

Your available balance is referenced on your check stub. In addition, if your employer is using the benefit debit card, you may log into a web site to check your available balance. You may also call your AIM Administrator during business hours to ask for your balance.

I have other questions not addressed here.

Call the Benefits Administrator at AIM. They can be reached at 502/426-1235.

**Administrative Information Management**

10353 Linn Station Rd

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info@aimadministrator.com



What Qualifying Expenses can I claim for Medical Care?

From dollar one, without regard to the 7.5% of adjusted gross income limitation, you may claim those medical expenses normally deductible on your federal income tax return.

Some examples of those expenses include:

- Co-pays for prescription medicine, birth control pills and vaccines that your doctor prescribes.
- Co-pays for medical doctors, dentists, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists and clinical psychologists.
- Medical examination, tests including x-ray, lab services, MRI, etc.
- Services such as whirlpool baths, massage therapy, and other treatments prescribed by a doctor for a specific condition.
- Nursing help for home care (only services performed for nursing, not housekeeping).
- Treatment at a center for substance abuse.
- Hospital care and the tests and treatment included.
- Dental work including fillings, crown work, dentures, and maintenance care.
- Eye exams.
- Over the Counter (OTC) medications such as antacids, allergy medicines, pain relievers, and cold medicines **with a prescription**.
- Medical aids such as wigs, hearing aids, eyeglasses, contact lenses, braces, orthopedic shoes, crutches, wheelchairs, guide dogs and the cost of maintaining them.
- Transportation expenses including ambulance service and other travel costs to obtain medical care. You may use your own car and calculate expenses at 10 cents a mile. This includes parking and tolls.

There are some exceptions:

- The basic cost of Medicare insurance (Medicare A).
- Life insurance or income protection policies. (These may only be salary reduced.)
- Accident or health insurance for you or members of your family. (These may only be salary reduced.)
- Nursing care for a healthy baby.
- Travel for rest or recuperation.
- Cosmetic surgery or procedures.
- Long term care expenses.

You may claim reimbursement on:

- Yourself.
- Your spouse.
- All dependents that you list on your federal income tax return.



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How do I qualify for Dependent Care Reimbursement?

You may be reimbursed for dependent care if you meet the following conditions:

- The expenses must be for services rendered after the date of this election and prior to the end of the plan year.
- The individuals for whom you incur the expense must be
 - a dependent under the age of 13 whom you are entitled to claim on your federal income tax.
 - a spouse or other tax dependent (child over the age of 13 or a parent) who is physically or mentally unable to care for themselves.
- The expenses are incurred in your home to enable you to be gainfully employed.
- The expenses are incurred for services outside your home.
- The expenses are incurred for a dependent care facility.
- Expenses paid for a pre-school used in lieu of day care for a young child.
- Expenses paid for a day camp used in lieu of day care.
- Expenses paid for after school care.

Are there limitations?

- Expenses may not be paid to a child of yours who is under 19 years of age.
- Expenses may not be paid to your spouse.
- Expenses may not be paid to a private kindergarten or first grade and above.
- Expenses may not be paid to overnight camps.



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LIST OF REIMBURSABLE MEDICAL EXPENSES (IRC SECTION 213)

COST OF:

| | |
|--|--|
| Artificial limbs & teeth | Elastic hose, medically prescribed |
| Automobile modifications for physically handicapped | Eye glasses, contacts |
| Birth control | Hearing aids |
| Braille books and magazines | Oxygen & equipment |
| Capital expenses (i.e. ramps, door widening, etc.) | Telephone, cost & repair for hearing impaired |
| Crutches | Television, cost & repair for hearing impaired |
| Drugs (Legal) (prescription only or insulin) and medical supplies | Wheelchairs |

FEES*:

| | | |
|--|--|--|
| Acupuncture | Mentally handicapped, special home for | Schooling for mentally handicapped |
| Air conditioning to alleviate illness | Midwife | Schooling for physically handicapped |
| Alcoholism | Nurse | Specialist |
| Allergy shots | Nursing home | Sterilization |
| Ambulance hire | Obstetrician | Surgeon |
| Anesthetist | Occultist | Surgery |
| Blood donor (expense) | Ophthalmologist | Termination of pregnancy |
| Chiropracist | Optician | Therapy |
| Chiropractor | Optometrist | Transplants |
| Christian Science Practitioners | Oral surgery | Transportation for medical care |
| Clinic | Orthodontia | Trips for out-of-town medical care |
| Co-pays | Osteopath | X-rays |
| Dentist | Over the counter meds (with Rx) | <i>*This is an abbreviated list. Other fees may apply.</i> |
| Diagnosis | Patterning exercises for physically handicapped | |
| Diathermy | Pediatrician | |
| Doctor | Physiotherapist | |
| Drug addiction | Podiatrist | |
| Examination, physical | Practical Nurse | |
| Eye examination | Psychiatric care | |
| Guide dog | Psychiatrist | |
| Gynecologist | Psychoanalysis | |
| Healing services | Psychoanalyst | |
| Hospital services | Psychologist | |
| Laboratory fees | Psychotherapy | |
| Lead-paint removal | Sanitarium | |
| Lip-reading lessons, for hearing impaired | Sex therapist | |
| Lodging for medical care | | |



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Cafeteria Plan Checklist

DO NOT USE THIS CHECKLIST IN LIEU OF THE PLAN DOCUMENT.

1. Adopting Employer (Enter primary adopting Employer here. Enter other members of affiliated companies in item 16.)

2. Plan Name - The legal name of the Plan is:

3. Dates

- a. Effective Date (Effective date of this document): ___/___/___
- b. Adoption Date (date document is to be executed): ___/___/___
(If this field is left blank, it must be manually entered in the printed document.)

This Plan is a

- c. New plan
- d. Restatement of a plan originally effective: ___/___/___

PART I. The following identifying information pertains to the Employer and the Plan and Trust:

1. Employer Address : _____

(City, State, Zip) _____

2. Employer Telephone : _____

3. Employer Tax ID : _____

4. Three Digit Plan Number : _____

5. Plan Year : ___/___/___ to ___/___/___
(Must be 12 consecutive months.)

6. Short Initial Plan Year : ___/___/___ to ___/___/___

7. Legal Representative : _____
 (same as Employer)

8. Plan Administrator : _____
 (same as Employer)

Appointed to keep the records for the Plan and be responsible for the administration of the Plan:

- a. Plan Administrator
- b. HR Manager
- c. Benefits Administrator
- d. Office Manager
- e. Other : _____

9. Plan Administrator ID Number : _____

10. Benefit Coordinator : _____

11. Named Fiduciary : _____

12. Document Provider : _____

13. Trust

- This is a Trusteed Plan

The Trust shall be known as:

Trust ID Number : _____

Plan Trustees : _____

14. Legal Organization of Employer :

- a. Sole Proprietorship
- b. Partnership
- c. C Corporation
- d. S Corporation
- e. Limited Liability Company (LLC)
- f. Limited Liability Partnership (LLP)
- g. Not for Profit Corporation
- h. Professional Service Corporation
- i. Medical Corporation
- j. Church or Government Plan (Exempt from ERISA)
- k. Other - Explain : _____

15. State of Legal Construction : _____

16. Affiliated Companies:

(Complete only for those Affiliated Companies that will be adopting the Plan.)

Affiliated Companies:

- a. Other Companies: _____

17. Plan is administered by a Third Party Administrator:

- a. Yes, Plan is administered by Third Party Administrator (default)
- b. No, Plan is NOT administered by Third Party Administrator

PART II. Unless specifically provided to the contrary, only one selection may be made for each design category. Section references are relevant to Plan Sections. Defined terms have the meanings provided in the Plan.

A. Eligibility and Entry Date Provisions

1. **Eligible Employees** - The Eligibility and Participation section of the document provides that all Employees, including Employees of certain related businesses and Leased Employees are eligible and including members of a collective bargaining unit and non-resident aliens. (Select all applicable)

- a. Exclude members of collective bargaining unit
- b. Exclude non-resident aliens
- c. Exclude Leased Employees
- d. Exclude part time Employees who regularly work less than ____ hours per week
- e. Exclude seasonal Employees who regularly work less than ____ months per year (Not to exceed 6 months)
- f. Other - Specify: _____ (Plan)
_____ (SPD)

2. **Eligibility Requirements** - An Employee is eligible to participate in the Plan if he satisfies the following requirements. (Select all applicable. Selecting more than one option means that an Employee must meet all indicated requirements for eligibility.)

- a. No age or service required
- b. Requirements are same as group medical insurance plan
- c. Minimum age of ____ years. (Not to exceed 21. Partial years may be used.)
- d. Minimum of _____ Hours required during each Week Month for part time Employees
- e. Minimum of ____ months per Plan Year for seasonal Employees
- f. Minimum of ____ consecutive days
 non-consecutive weeks
 months,
counting his or her employment Commencement Date as the first day
- g. Other - Specify: _____ (Plan)
_____ (SPD)

3. **Entry Date** - The Eligibility and Participation section of the document provides that an Employee who satisfies the eligibility requirements enters the Plan on the Entry Date. The Entry Date is:

- a. the date the eligibility requirements have been met
- b. the same day as the Employer's group medical plan
- c. the first day of the pay period next following the date eligibility requirements have been met
- d. the first day of the next month following satisfaction of the eligibility requirements
- e. the first day of the month coinciding with or following the date the eligibility requirements have been met
- f. as of the earliest eligibility date for any of the component plans
- g. the first day of the month following the date of hire
- h. Other - Specify: _____ (Plan)
_____ (SPD)

4. First Plan Year Elections - If an Eligible Employee fails to file an Election Form/Salary Reduction Agreement within the time period described in Method and Timing of Elections for the first plan year, then the Employee:

- a. is considered to have elected not to participate for the initial Plan Year and may not elect any Benefits under the Plan until the next Open Enrollment Period or until an event occurs that would justify a mid-year election change, as described under Irrevocability of Elections; Exceptions
- b. shall continue with the same benefit choices as the prior year for Premium Insurance Benefits and will pay for them with after-tax dollars outside of this Plan
- c. if a new hire, shall have 30 days after their date of hire to return the election Form/Salary Reduction Agreement
- d. *will automatically be enrolled in the Premium component, with the employee's salary reduced pretax to pay for a portion of the cost of the coverage, unless the employee affirmatively elects otherwise before a date specified in the open enrollment materials.
- e. Other - Specify: _____ (Plan)
_____ (SPD)

NOTE * An automatic enrollment must be preceded by a notice informing employees about the automatic enrollment, the cost of coverage, and the procedure for opting out and the timing for making an opt-out. Additionally, some state wage withholding laws may limit an employer's ability to initiate automatic and evergreen/rolling elections, based on wage withholding laws.

5. Subsequent Plan Year Elections - If an Eligible Employee fails to file an Election Form/Salary Reduction Agreement for subsequent Plan Years, then the Employee:

- a. is considered to have elected not to participate for the new Plan Year and may not elect any Benefits under the Plan (a) until the next Open Enrollment Period; or (b) until an event occurs that would justify a mid-year election change.
- b. shall continue with same elections as prior year for
 - b.1. insured/premium benefit(s)
 - b.2. reimbursement benefit(s)
- c. Other - Specify: _____ (Plan)
_____ (SPD)

6. Treatment of Rehires - Less than 30 Days - If a Participant terminates his or her employment for any reason, including (but not limited to) disability, retirement, layoff, or voluntary resignation, and then is rehired within 30 days or less after the date of termination of employment and is otherwise eligible to participate in the Plan, then the Employee:

- a. will immediately rejoin the Plan and be reinstated with the same elections that the individual had before termination.
- b. will immediately rejoin the Plan, but would not be allowed to elect new Benefits unless an applicable Change in Status occurs.
- c. will not be allowed to rejoin the Plan until the first day of the following Plan Year unless an applicable Change in Status occurs.
- d. Other - Specify: _____ (Plan)
_____ (SPD)

7. Treatment of Rehires - More than 30 Days - If a former Participant is rehired more than 30 days following termination of employment and is otherwise eligible to participate in the Plan, the Employee:

- a. may immediately rejoin the Plan and may make new benefit elections. Any unused reimbursement benefits account balance prior to the initial separation of service date will be forfeited.
- b. will not rejoin the Plan until the first day of the following Plan Year, unless the Employee should incur an applicable Change in Status. Any unused reimbursement benefit account balance prior to the initial separation of service date will be forfeited.
- c. will not rejoin the Plan until the first day of the following Plan Year, regardless of whether or not the Employee should incur an applicable Change in Status. Any unused reimbursement benefit account balance prior to the

initial separation of service date will be forfeited.

- d. will be treated as a new hire and must resatisfy (complete the waiting period) Plan eligibility requirements to rejoin the Plan.
- e. Other - Specify: _____ (Plan)
_____ (SPD)

8. Participation after loss of Eligibility - If an Employee ceases to be an Eligible Employee for any reason other than for termination of employment, including, but not limited to, a reduction of hours, and then becomes an Eligible Employee again, the Employee (select one)

- a. must re-satisfy (complete the waiting period) Plan eligibility requirements to rejoin the Plan (or before becoming eligible to participate in the Plan)
- b. may rejoin the Plan without having to re-satisfy (complete the waiting period) Plan eligibility requirements

9. Termination of Participation

- a. Eligibility continues beyond the date on which the Employee ceases to be an Eligible Employee, for purposes of pre-taxing COBRA coverage.
- b. Eligibility does not continue beyond the date on which the Employee ceases to be an Eligible Employee, for purposes of pre-taxing COBRA coverage.

10. FMLA Continuation Coverage - if a Participant goes on a qualifying leave under the FMLA, then to the extent required by the FMLA, the Employer will continue to maintain the Participant's coverage on the same terms and conditions as if the Participant were still an active Employee.

- a. FMLA coverage is not offered
- b. FMLA coverage is offered
- c. Employer pays 100% of FMLA costs
- d. Employee pays FMLA costs based on the following: (select all applicable)
 - d.1. Pre-pay with after-tax dollars
 - d.2. Pre-pay with pre-tax dollars
 - d.3. Pay-as-you-go Method
 - d.4. Catch-up Method

11. Non-FMLA Continuation Coverage - If a Participant goes on an unpaid leave of absence that does not affect eligibility, then the Participant will continue to participate and the Contributions due for the Participant will be paid in one of the following ways: *(Options must be at least as favorable as those offered to employees not on FMLA leave.)*

- a. Employer pays 100% of Non-FMLA costs
- b. Employee pays Non-FMLA costs based on the following: (select all applicable)
 - b.1. Pre-pay with after-tax dollars
 - b.2. Pre-pay with pre-tax dollars
 - b.3. Pay-as-you-go Method
 - b.4. Catch-up Method

B. Funding and Contribution

1. **Funding Method** - Funding for the Plan is provided by: (select all applicable)

- a. Salary Reduction
- b. Flex Credits

2. **Employer Contribution** - The Employer may contribute a portion of the Contributions as provided in the open enrollment materials furnished to Employees and/or on the Election Form/Salary Reduction Agreement. (You may select one of a, b, c, d, or f; however, option 'e' may be selected in combination with other options.)

- a. All Participants receive the same number of Flex Credits \$_____ or _____% per plan year
- b. Participants are provided with an amount of Flex Credits equal to ____ credits per _____ dollars of salary not to exceed _____ credits
- c. Flex Credits based on salary ranges:

| <u>Compensation Range</u> | <u>Number of Flex Credits</u> |
|---------------------------|-------------------------------|
| \$ _____ to \$ _____ | _____ |
| \$ _____ to \$ _____ | _____ |
| \$ _____ to \$ _____ | _____ |
| \$ _____ to \$ _____ | _____ |
| \$ _____ to \$ _____ | _____ |
| \$ _____ to \$ _____ | _____ |
| \$ _____ to \$ _____ | _____ |
| \$ _____ to \$ _____ | _____ |
| \$ _____ to \$ _____ | _____ |

- d. Deferring participants receive matching contributions equal to their amount of total deferrals
 - d.1. but not more than \$_____. (Check if matching contributions are limited.)
- e. Limit Employer contribution to Health FSA to less than \$500
- f. Other - Specify: _____ (Plan)
 _____ (SPD)

Compensation Definition - Compensation is defined as:

- g. Gross Compensation
- h. Base Compensation - Bonus and Overtime excluded
- i. Other - Specify: _____ (Plan)
 _____ (SPD)

Employer Premium Adjustments - Select if the employer wants the option to temporarily adjust premium contributions (select all applicable)

- j. temporarily increase the Employers share of premiums (premium holiday)
- k. temporarily increase the Participants cost

NOTE: Employer contributions to a health FSA (e.g., flex credits, matching, etc.) will be subject to the \$2,500 annual limit and taken into account when determining whether an employee has exceeded the limit unless the contributions cannot be cashed out or used for any other purpose. (Select option 3.a. No cash-out option offered.)

3. **Unused Flex Credits** - **NOTE:** The term 'cash-out option' refers to a plan provision under which the participant may be paid additional cash compensation in exchange for forgoing a benefit that the employer otherwise would have paid for. Before an employer offers a cash-out option, they should always check with its insurance carrier to make sure the offering does not violate minimum participation requirements or other insurance contract terms. (Check **one** box only)

- a. No cash-out option offered

- b. Unused Flex Credits not applied by the Participant toward the cost of Benefits shall be applied to an Eligible Employee 401(k) in an amount not to exceed _____% (not less than 1.00%.)
- c. Credits not applied toward the cost of Benefits shall be paid as cash compensation in a maximum amount of _____ \$ or % (not less than 1.00% or \$1.00 whichever is greater) for any Plan Year. Such compensation shall be paid
 - c.1. per pay period
 - c.2. monthly
 - c.3. quarterly
 - c.4. semi-annually
 - c.5. annually, end of Plan Year
 - c.6. annually, beginning of Plan Year
- d. Credits not applied toward the cost of Benefits shall be paid as cash compensation in a maximum amount of _____ \$ or % (not less than 1.00% or \$1.00 whichever is greater) for any Plan Year provided the Participant has submitted an Election Form/Salary Reduction Agreement. Such compensation shall be paid
 - d.1. per pay period
 - d.2. monthly
 - d.3. quarterly
 - d.4. semi-annually
 - d.5. annually, end of Plan Year
 - d.6. annually, beginning of Plan Year
- e. Other - Specify: _____ (Plan)
 _____ (SPD)

4. Maximum Employee Contribution - Participants who elect Benefits under the Plan may pay for the cost of that coverage on a pre-tax salary reduction basis by completing an Election Form/Salary Reduction Agreement

- a. A fixed dollar amount: \$ _____
- b. A Percent of Salary: _____%
- c. Sum of costs of most expensive benefit choices
- d. Other - Specify: _____ (Plan)
 _____ (SPD)

5. Benefit Acceleration - Salary Reduction Balance Upon Termination of Coverage

- If, as of the date that any elected coverage under this Plan terminates, a Participant's year-to-date salary reductions exceed or are less than the Participant's required Contributions for the premium insurance coverage, the Employer will, as applicable, either return any unused premiums to the Participant as additional taxable wages or recoup the due salary reduction amounts from any remaining Compensation.

6. Funding Assets - Contribution and Reimbursement Assets are handled in the following manner:

- a. Amounts payable may be paid from the general assets of the Employer, but Premium Payment Benefits are paid as provided in the applicable insurance policy.
- b. Only contributions for reimbursement benefits are made to the Trust and paid out of the Trust
- c. All contributions are deposited in the Trust and payments made out of the Trust
- d. Other - Specify: _____ (Plan)
 _____ (SPD)

C. Premium Component

1. **Premium Component Availability** - Premium insurance benefits that may be offered under the Premium Payment Component for premium-type benefits pursuant to an insurance policy issued by an insurance company, or a contract with a point of service organization to provide medical, dental, vision, or other qualified benefits under Section 125.

a. Premium Component is Available

2. **Insurance Benefits Provided** - Insurance benefits provided by the insurance provider(s) include:
(select all applicable)

a. Basic Health

a.1. Participant Only

a.2. Participant and Dependents

a.3. Dependents Only

b. HMO

b.1. Participant Only

b.2. Participant and Dependents

b.3. Dependents Only

c. PPO

c.1. Participant Only

c.2. Participant and Dependents

c.3. Dependents Only

d. POS

d.1. Participant Only

d.2. Participant and Dependents

d.3. Dependents Only

e. Dental

e.1. Participant Only

e.2. Participant and Dependents

e.3. Multiple Plan Deductibles

e.4. Orthodontic Coverage

f. Vision

f.1. Participant Only

f.2. Participant and Dependents

g. Group Term Life Insurance

g.1. Multiple Coverage

h. Disability Benefits

h.1. Multiple Coverage

i. Other Premium Benefits:

Benefit Title 1: _____

Described in another document. Document Name: _____

Described in this document: _____ (Plan)

(SPD)

Benefit Title 2: _____

Described in another document. Document Name: _____

Described in this document: _____ (Plan)

(SPD)

Benefit Title 3: _____

Described in another document. Document Name: _____

Described in this document: _____ (Plan)

(SPD)

Benefit Title 4: _____

Described in another document. Document Name: _____

Described in this document: _____ (Plan)
_____ (SPD)

3. Premium Grace Period - A Participant's salary reductions during a Plan Year may be applied by the Employer to pay the Participant's share of the Contributions for Premium Insurance Benefits that are provided to the Participant during the Grace Period, an additional period of time (not to exceed 2.5 months) immediately following the close of that Plan Year.

- a. Grace Period does not apply to the Premium Component
- b. Grace period of ____ additional Days Months following the end of each Plan Year

4. Change in Status - A Participant may make a new election upon the occurrence of certain events, including a Change in Status. The events constituting a Change in Status are:

- a. All of the events constituting a Change in Status under the regulations shall be allowed
- b. A Participant may change an election as described below upon the occurrence of the stated events: (If restrictions apply, select all applicable)
 - b.1. Change in Employee's Legal Marital Status
 - b.2. Change in the number of Employee's Dependents
 - b.3. Change in Employment Status of Employee, Spouse or Dependent that Affects Eligibility
 - b.4. Change in Participant's Residence
 - b.5. Event Causing Employee's Dependent to Satisfy or Cease to Satisfy Eligibility Requirements
 - b.6. Cost Changes with Automatic Increase/Decrease in Elective Contributions
 - b.7. Significant Cost Increase or Significant Cost Decrease
 - b.8. Significant Curtailment of Coverage (With or Without Loss of Coverage)
 - b.9. Addition or Significant Improvement of a Benefit Package Option
 - b.10. Change in Coverage Under Another Employer Cafeteria Plan or Qualified Benefits Plan
 - b.11. Medicare or Medicaid Entitlement

D. Reimbursement Components

1. **Health FSA Component** - (Leave blank if Health FSA is not offered)

A Health Flexible Spending Account Component is available

2. **Health FSA Eligibility Requirements** - An Employee is eligible to participate in the Health FSA if he satisfies the following requirements. (Select all applicable. Selecting more than one option means that an Employee must meet all indicated requirements for eligibility.)

- a. Eligibility Requirements are the same as described in Question A.2 of the checklist
- b. Requirements are same as group medical insurance plan
- c. Minimum age of ____ years. (Not to exceed 21. Partial years may be used.)
- d. Minimum of ____ Hours required during each Week Month for part time Employees
- e. Minimum of ____ (Not to exceed 6) months per Plan Year for seasonal Employees
- f. Minimum of ____ consecutive days
 non-consecutive weeks
 months,
counting his or her employment Commencement Date as the first day
- g. Other - Specify: _____ (Plan)
_____ (SPD)

3. **Health FSA Entry Date** - The Health FSA section of the Plan Document provides that an Employee who satisfies the eligibility requirements enters the Health FSA on the Entry Date. The Entry Date is:

- a. Entry Date is the same as described in Question A.3 of the checklist
- b. The same day as the Employer's group medical plan
- c. The date the eligibility requirements have been met
- d. the first day of the pay period next following the date eligibility requirements have been met
- e. the first day of the next month following satisfaction of the eligibility requirements
- f. the first day of the month coinciding with or following the date the eligibility requirements have been met
- g. Other - Specify: _____ (Plan)
_____ (SPD)

4. **Available Health FSA Coverage** - The Health FSA section of the Plan Document provides the following coverage options (Select all applicable. Option b is Employee HSA compatible, options c and d are Spouse HSA compatible.)

- a. General-Purpose Option - Participant or his or her Spouse or Dependents for medical care
 General-Purpose Option exclusions:
- b. Limited Option - Participant or his or her Spouse or Dependents for vision/dental/preventative care.
 Exclude preventive care
 General-Purpose Option exclusions:
- c. Employee-Only General-Purpose Option - Participant only for medical care
 General-Purpose Option exclusions:
- d. Employee-Plus-Children General-Purpose Option - Participant or Participant's Dependents (excluding Spouse) for medical care
 General-Purpose Option exclusions:
- e. Post-Deductible Option - Participant or his or her Spouse or Dependents for preventive care or medical expenses incurred after the minimum annual deductible under Code section 223(c)(2)(A)(i) is satisfied.
- f. Exclude Adult Children under Notice 2010-38 & Code sections 105(b) and 106

5. Maximum Annual Benefits for Health FSA

The Maximum Annual Benefits Reimbursement for the General-Purpose Health and/or Limited-Purpose Health FSA

- a. Statutory Salary Reduction * Limit of \$2500 (Effective 1/1/2013)
- b. Other - Specify:
 - b.1 General-Purpose Health FSA is \$ _____
 - b.2 Limited-Purpose Health FSA is \$ _____
- c. \$2,500 limit to increase with inflation beginning 1/1/2014

* The \$2,500 limit applies to health FSA "salary reduction contributions" (on a plan-year basis), and not to other employer contributions. Therefore, nonelective employer contributions to a health FSA (e.g., flex credits, matching contributions, etc. that cannot be cashed out or used for any other purpose) are not subject to the limit and are not taken into account when determining whether an employee has exceeded the limit.

6. Minimum Annual Benefits for Health FSA

The Minimum Annual Benefits Reimbursement for the Health FSA is \$ _____ (Leave blank if no Minimum)

7. Health FSA Proration Rule - If a Participant enters the Health FSA Component mid-year or wishes to increase his or her election mid-year, then the Participant's maximum dollar limit could be prorated based on a percentage of the plan year remaining. (Leave blank if not applicable)

- Proration of Maximum limit applies

8. Over The Counter (OTC) Drugs - Over-the-counter (OTC) drugs or medicines may be reimbursed from a Participant's Health FSA Account only if such medicine or drug is a prescribed drug (determined without regard to whether such drug is available without a prescription) or is insulin. (Leave blank if not applicable)

- OTC Reimbursement is available

9. Health FSA Grace Period - A Participant's salary reductions during a Plan Year may be applied by the Employer to pay the Participant's share of the Contributions for Health FSA Benefits that are provided to the Participant during the Grace Period, an additional period of time (not to exceed 2.5 months) immediately following the close of that Plan Year.

- a. Grace Period does not apply to Health FSA
- b. Grace period of _____ additional Days Months following the end of each Plan Year

10. Health FSA Plan Year Adjudication - If the Health FSA has a Grace Period, the Participant may not choose to have the claim adjudicated against all applicable Plan Years. (Leave blank if not applicable)

- The Employee can specify against which Plan Year a claim may be adjudicated

11. Health FSA Change in Status - A Participant may make a new election upon the occurrence of the following permitted election changes:

- a. All of the events constituting a Change in Status under the regulations shall be allowed
- b. A Participant may change an election as described below upon the occurrence of the stated events: (If restrictions apply, select all applicable)
 - b.1. Change in Employee's Legal Marital Status
 - b.2. Change in the Number of Employee's Dependents
 - b.3. Change in Employment Status of Employee, Spouse or Dependent that Affects Eligibility
 - b.4. Event Causing Employee's Dependent to Satisfy or Cease to Satisfy Eligibility Requirements
 - b.5. Medicare or Medicaid Entitlement
- c. Limit the number of Change in Status elections per Year

Maximum number of changes: ____

- d. Only 'Increase' in election allowed.

12. ERISA Coverage of Health FSA - A Health FSA can be an employer-sponsored employee benefit plan. In such a case it falls under the rules of ERISA.

- a. The Health FSA does not fall under ERISA
 b. The Health FSA falls under ERISA

13. Health FSA Reimbursement After Termination; COBRA - To the extent required by COBRA, the following Participants shall be given the opportunity to continue Health FSA Benefits on a self-pay basis for the year in which the COBRA qualifying event occurs, with premiums generally to be paid after-tax:

- a. Only Participants with positive Health FSA Account balances at the time of the COBRA qualifying event.
 b. All Participants, whether they have positive or negative Health FSA Account balances.
 c. If Employer Contributions (Flex Credits) and the Health FSA qualifies as a Special Limited COBRA Obligation, only Participants with positive Health FSA Account balances at the time of the COBRA qualifying event, may extend coverage beyond the current Plan Year in which the COBRA qualifying event occurs.

14. Qualified Reservist Distributions - This will allow a Participant/reservist who is called to active duty for 179 days or more and not able to fully use amounts credited in his or her health FSA to cash out, on a taxable, penalty free basis, the unused benefits and not forfeit them under the "use-it-or-lose-it" rule that applies to health FSAs. The amount available as a qualified reservist distribution will be determined by the: (Leave blank if not applicable.)

- a. Contributed amount reduced by reimbursements: The qualified reservist distribution amount is the amount contributed to the health FSA as of the date of the qualified reservist distribution request, minus health FSA reimbursements received as of that date.
 b. Other - Specify: _____ (Plan)
_____ (SPD)

15. Dependent Care Assistance Plan (DCAP) Availability - (Leave blank if DCAP is not offered)

- A Dependent Care Assistance Component is available

16. DCAP Eligibility Requirements - An Employee is eligible to participate in the DCAP Plan if he/she satisfies the following requirements. (Select all applicable. Selecting more than one option means that an Employee must meet all indicated requirements for eligibility.)

- a. Eligibility Requirements are the same as described in Question A.2 of the checklist
 b. Requirements are same as group medical insurance plan
 c. Minimum age of ____ years. (Not to exceed 21. Partial years may be used.)
 d. Minimum of ____ Hours required during each Week Month for part time Employees
 e. Minimum of ____ (Not to exceed 6) months per Plan Year for seasonal Employees
 f. Minimum of ____ consecutive days
 non-consecutive weeks
 months,
counting his or her employment Commencement Date as the first day
 g. Other - Specify: _____ (Plan)
_____ (SPD)

17. DCAP Entry Date - The DCAP section of the Plan Document provides that an Employee who satisfies the eligibility requirements enters the DCAP on the Entry Date. The Entry Date is:

- a. the same as described in Question A.3 of the Checklist
- b. the same day as the Employer's group medical plan
- c. The date the eligibility requirements have been met
- d. the first day of the pay period next following the date eligibility requirements have been met
- e. the first day of the next month following satisfaction of the eligibility requirements
- f. the first day of the month coinciding with or following the date the eligibility requirements have been met
- g. Other - Specify: _____ (Plan)
 _____ (SPD)

18. Maximum Annual Benefits for DCAP

The Maximum Annual Benefits Reimbursement for DCAP is:

- a. Statutory limit of \$5000
- b. Other - Specify: _____ (Not to exceed statutory limit)

19. Minimum Annual Benefits for DCAP

The Minimum Annual Benefits Reimbursement for DCAP is \$_____ (Leave blank if no Minimum)

20. DCAP Proration Rule - If a Participant enters the DCAP Component mid-year or wishes to increase his or her election mid-year, then the Participant's maximum dollar limit could be prorated based on a percentage of the plan year remaining. (Leave blank if not applicable)

- Proration of Maximum limit applies

21. DCAP Grace Period - A Participant's salary reductions during a Plan Year may be applied by the Employer to pay the Participant's share of the Contributions for DCAP Benefits that are provided to the Participant during the Grace Period, an additional period of time (not to exceed 2.5 months) immediately following the close of that Plan Year.

- a. Grace Period does not apply to DCAP
- b. Grace period of _____ additional Days Months following the end of each Plan Year

22. DCAP Plan Year Adjudication - If the DCAP has a Grace Period, the Participant may not choose to have the claim adjudicated against all applicable Plan Years. (Leave blank if not applicable)

- The Employee can specify against which Plan Year a claim may be adjudicated

23. DCAP Change in Status - A Participant may make a new election upon the occurrence of the following permitted election changes:

- a. All of the events constituting a Change in Status under the regulations shall be allowed
- b. A Participant may change an election as described below upon the occurrence of the stated events: (If restrictions apply, select all applicable)
 - b.1. Change in Employee's Legal Marital Status
 - b.2. Change in the Number of Employee's Dependents
 - b.3. Change in Employment Status of Employee, Spouse or Dependent that Affects Eligibility
 - b.4. Event Causing Employee's Dependent to Satisfy or Cease to Satisfy Eligibility Requirements
 - b.5. Significant Cost Changes: Significant Cost Increase or Significant Cost Decrease
 - b.6. Significant Curtailment of Coverage (With or Without Loss of Coverage)
 - b.7. Addition or Significant Improvement of a Benefit Package Option
 - b.8. Change in Coverage Under Another Employer Cafeteria Plan or Qualified Benefits Plan
- c. Only 'Increase' in election allowed.

24. DCAP Reimbursements After Termination - Participants shall be given the opportunity to obtain

reimbursement of Dependent Care Expenses incurred during the following timeframes:

- a. During the Period of Coverage prior to termination
- b. During the Period of Coverage prior to termination - including expenses incurred in the month following termination if such month is in the current Plan Year
- c. During the Period of Coverage following termination - that is, through the balance of the Plan Year if such expenses are otherwise qualifying expenses under the Code

25. Other Reimbursement Benefits - Other Reimbursement Benefits offered besides Health FSA and DCAP

- Other Reimbursement Benefits:
 - Benefit Title 1: _____
 - Described in another document. Document Name: _____
 - Described in this document: _____ (Plan)
_____ (SPD)
 - Benefit Title 2: _____
 - Described in another document. Document Name: _____
 - Described in this document: _____ (Plan)
_____ (SPD)
 - Benefit Title 3: _____
 - Described in another document. Document Name: _____
 - Described in this document: _____ (Plan)
_____ (SPD)
 - Benefit Title 4: _____
 - Described in another document. Document Name: _____
 - Described in this document: _____ (Plan)
_____ (SPD)

E. HSA Component

1. **Health Savings Account (HSA) Availability** - (Leave blank if HSA not offered)

A Health Savings Account is available

2. **ERISA Coverage of HSA** - An HSA can be an employer-sponsored employee benefit plan. In such a case it falls under the rules of ERISA.

a. The HSA does not fall under ERISA

b. The HSA falls under ERISA

NOTE: HSAs funded with salary reductions or cashable flex credits generally will not be subject to ERISA and is not considered an Employer-sponsored plan (unless the Employer imposes restrictions). If an Employer makes contributions outside of the Cafeteria plan, they must make comparable contributions to all participating Employees.

3. **Employer and Participant Contributions for Cost of Coverage for HSA** - The HSA will be funded: (Specify amount, not to exceed the statutory maximum limit.)

a. Solely with Employee's pre-tax salary reductions

b. Employee's pre-tax salary reductions and Employer contributions in the form of flex credits (*Complete section 'B. Funding and Contributions' Question 1.b. Flex Credits.*)

F. Other Administrative Provisions

1. **COBRA Continuation Coverage** - A Participant and his or her Dependents, whose coverage terminates under the medical insurance plan because of a COBRA qualifying event, shall be given the opportunity to continue on a self-pay basis the same coverage that he or she had under the medical insurance plan the day before the qualifying event for the periods prescribed by COBRA.

- a. COBRA Continuation Coverage is offered
- b. An alternate coverage is available in place of continuation coverage
Note: Selection of an alternate coverage causes loss of rights to continuation coverage

COBRA Administrative Information (select all applicable)

- c. Provide COBRA Continuation Coverage regardless of employee count
- d. Employer pays the cost of COBRA
- e. Coverage is suspended during grace period (late COBRA payment) for non-payment
 - f. COBRA payments are due the ___ day of the month
 - g. Days to notify Administrator of other Qualifying Event ___ (Must be at least 60 days)

COBRA Administrator

- (same as Plan Administrator)

- h. Include COBRA Initial Notice in SPD

2. **HIPAA Privacy Provisions** - Provision of Protected Health Information to Employer

- a. Plan is not subject to HIPAA privacy requirements for self-administered, self-funded group health plans with fewer than 50 employees eligible to participate.
- b. HIPAA privacy requirements apply
Effective Date: ___/___/_____

Protected Health Information (PHI)

PHI access is allowed by the following (select all applicable)

- b.1. Human Resource Manager
- b.2. Human Resource and payroll staff performing Health FSA functions
- b.3. Benefits Manager
- b.4. Plan Administrator
- b.5. Other - Specify: _____ (Plan)
_____ (SPD)

HIPAA Privacy Officer

- (same as Plan Administrator)

3. **Debit Card Availability** - Debit card, stored value card, or credit card that allows a Participant to access funds in a Health FSA or Health Savings Account to pay the service provider at the point-of-sale.

Debit card is offered

4. **Appeals Procedure** - If a claim for reimbursement under this Plan is wholly or partially denied, the claim shall be administered in accordance with the claims procedure set forth below:

- a. Days until denial notice: ____ (must be 30 days or less)
- b. Days to return additional information: ____ (must be 45 days or greater)
- c. Days Employee has to request review: ____ (must be 180 days or greater)
- d. Additional Days to Process Claim: ____ (must be 15 days or less)
- e. Days until Review Decision: ____ (must be 60 days or less)

5. **Plan Expenses** - Plan expenses are paid by:

- a. completely by the Employer
- b. partially by the Employer and partially by the Employees
- c. entirely by the Employees

6. **Run-out Period** - Period after the close of a Plan Year or other period during which the Participants may request reimbursement for expenses incurred during the period of coverage.

- a. ROP for current employees: _____ Days
 Weeks
 Months

b. ROP for employees that terminated or for loss of eligibility begins:

- b.1. from termination date or loss of eligibility date
- b.2. from plan year end

7. **Forfeitures** - All forfeitures under this Plan shall be used as follows:

- a. To offset losses, administration of the Plan or use toward Benefits for subsequent Plan Years.
- b. Other - Specify: _____ (Plan)
_____ (SPD)

8. **Making New Election if Exception to Irrevocability Applies** - A Participant who becomes eligible to make a new election must do so: (selections are required for both a and b)

- a. within ____ days (Typically 30, 60 or 90 days)
- b. A Participant's new election shall be effective as of:
 - b.1. The First day of the next calendar month
 - b.2. Other - Specify: _____ (Plan)
_____ (SPD)

Execution:

To record the adoption of this Plan and Trust the Employer and each affiliated employer, if any, has caused this Agreement to be executed by its duly qualified officers and the Trustee has executed this Agreement, as of the day and year first above written

Signatories:

FLEX 125 WILL WORK FOR YOU!

By electing to redirect a portion of your salary to FLEX 125, you essentially "bank" your money in a *tax-free* account. The money is used to pay for those *out of pocket expenses* that formerly ate away at your take home pay.

This is an additional fringe benefit which enables you to save tax dollars because you are paying for the benefit through FLEX 125. Here is how one employee increased his monthly take home pay by \$83.00 through participation in FLEX 125.

| COMPARE | | |
|---|---------------------|------------------|
| | Without FLEX 125 | With FLEX 125 |
| Salary | \$1000 | \$1000 |
| Day Care | | (200) |
| Unreimbursed Med. | | (100) |
| Taxable Salary | \$1000 | \$700 |
| Income Tax (20%) | (200) | (140) |
| FICA (7.65%) | (77) | (54) |
| Take Home Pay | \$723 | \$506 |
| Day Care | (200) | |
| Unreimbursed Med. | (100) | |
| Net Spendable Income | \$423 | \$506 |
| <i>Additional Spendable Income \$83</i> | | |

Qualified Expenses

Some Items With Co-Pays:

Medical Doctor's Fee
Chiropractor's Fee
Prescription Medication

Some Items Which May Not Be Covered By Insurance:

X-Rays, Lab Fees,
Hospital Services, Surgery,
Ambulance Services

Some Other Allowable Items:

Birth Control (with limitations),
Crutches, Dental Examinations, Orthodontics,
Eye Examinations,
Over the counter medications
(with Rx)
Eyeglasses, Contact Lenses,
Hearing Aids, False Teeth,
Nursing Home Costs,
Psychiatrists, Psychologists,
Acupuncturists

Not sure if it's qualified? Call AIM.



**Administrative
Information
Management, Inc.**

10353 Linn Station Rd Louisville KY 40223
502/426-1235

FLEX 125

**NOT FOR
PUBLIC RELEASE**

SAMPLE DOCUMENT

Company name and/or
logo goes in this space.

*Clients may provide a disk or email their logo.
Otherwise, the company name is inserted here.*

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***LET'S YOU
ENJOY MORE
TAKE-HOME
PAY***

www.aimadministrator.com



is a voluntary plan which provides you the opportunity to pay for after-tax benefits with before-tax dollars.

By participating in FLEX 125,
you can

Pay

for certain medical and dental expenses, as well as adult or child dependent care fees, with “BEFORE-TAX” dollars.

Reduce
your taxes.
+
Increase
your take home pay.

If I elect to redirect my compensation, how will this benefit me?

The biggest advantage is the tax savings. Since FLEX 125 uses pre-tax dollars for reimbursement of personal expenses, you reduce your income taxes and Social Security and Medicare taxes by reducing your taxable salary.

If I redirect part of my pay, won't I make less money?

No. Your spendable income will increase by the amount of tax savings.

Why should I participate in the Medical Reimbursement Plan if I already have medical insurance?

The Medical Reimbursement Plan offers reimbursement of medical care expenses *NOT* covered by insurance: for example, eye exams, glasses, contact lenses, co-payments for office visits and prescription drugs, orthodontics and dental visits, and most other medical expense not covered by your major medical.

Will I be better off participating in Daycare Reimbursement instead of claiming it on my income tax?

It depends on your situation. The AIM Administrators will provide you information to help you determine the best option for you.

Is there a cap on the amount of money I can direct to my account?

Yes. The limit you can defer for the Medical Reimbursement Plan is set by your employer. The maximum for the Daycare Reimbursement Plan is \$5,000.

Can I change or revoke my elections during the plan year?

In general - no. However, there are exceptions for a change in family status. This includes marriage, divorce, death of a spouse or child, birth or adoption of a child, and termination of a spouse's employment.

What happens if I terminate my employment or I become ineligible to participate in FLEX 125 for any other reason?

You may terminate the compensation reduction agreement. If so, you should contact the HR Coordinator to determine how long you have in which to file claims. Expenses must have been incurred while you were still employed. Coverage may continue through COBRA, if you elect.

What if I don't use all the money I redirect?

You should conservatively estimate your allowable expenses for the calendar year so you can avoid having unused benefits at the end of the year. However, if you do have funds remaining in your account at the end of the year, that amount will be forfeited.

Are there any other negatives that I should know about?

Yes. You are not paying Social Security tax on that portion of your income that has been redirected, so your Social Security benefits may be slightly reduced.

I have other questions not addressed here.

Call your AIM Administrator at
at 502/426-1235.

REQUEST FOR REIMBURSEMENT FROM EMPLOYEE FLEXIBLE SPENDING ACCOUNT

Please complete this form and attach appropriate receipts before submitting for reimbursement.

EMPLOYER: Sample Company DATE: _____
 NAME: _____ SS#: _____
 ADDRESS: _____ check if new address
 CITY: _____ STATE: _____ ZIP: _____
 E-MAIL: _____ PHONE: _____

PLAN YEAR: ***** Please fill out separate forms for separate Plan Years. *****

MEDICAL EXPENSE *The Health Care Reform Act requires that all OTC medication claims be substantiated with a Physician's Rx.*

| SERVICE DATE | PROVIDER | DESCRIPTION | AMOUNT |
|----------------------|----------|-------------|--------------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| TOTAL EXPENSE | | | <input type="checkbox"/> |

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DAY CARE EXPENSE *Care performed by individuals can be substantiated with a canceled check if the provider's SSN is attached.*

| SERVICE DATE | PROVIDER | Tax ID # | AMOUNT |
|----------------------|----------|----------|--------------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| TOTAL EXPENSE | | | <input type="checkbox"/> |

To the best of my knowledge, the information provided in this request for reimbursement is complete and true. I am claiming reimbursement only for eligible expenses incurred during the applicable Plan Year and for eligible plan participants. **I acknowledge that I have a valid Rx for all OTC medications claimed.** I certify that these expenses have not been previously reimbursed under this or any other benefit plan and will not be claimed as an Income Tax deduction. I authorize my FSA amount to be reduced by the amount requested up to the total eligible for the Plan Year.

EMPLOYEE'S SIGNATURE: _____ DATE: _____

For proper administration, this form and supporting documentation should be sent to:



ADMINISTRATIVE INFORMATION MANAGEMENT, INC.
 10353 Linn Station Rd
 Louisville KY 40223
 FAX: (502) 426-6569

**** SAVE PAPER - USE THIS CLAIM FORM AS YOUR COVER PAGE. ****

BENEFIT ELECTION & COMPENSATION REDUCTION AGREEMENT

EMPLOYER: Sample Company Date: _____
 NAME: _____ SS #: _____
 MAILING ADDRESS: _____
 CITY: _____ STATE: _____ ZIP: _____
 EMAIL ADDRESS: _____

| | Amount Per Pay Period | No of PP | Total for Year | Start Date |
|--|-----------------------|----------|----------------|------------|
| 1. Payroll Deducted Benefits - Insurance Premiums | | | | |
| Dental | \$ _____ | X _____ | = \$ _____ | _____ |
| Medical / Health | \$ _____ | X _____ | = \$ _____ | _____ |
| Vision | \$ _____ | X _____ | = \$ _____ | _____ |
| Other _____ | \$ _____ | X _____ | = \$ _____ | _____ |

| | | | | |
|---|----------|---------|------------|-------|
| 2. Flexible Benefits | | | | |
| Unreimbursed Medical | \$ _____ | X _____ | = \$ _____ | _____ |
| Dependent Care | \$ _____ | X _____ | = \$ _____ | _____ |
| <i>Please list provider and TIN</i> | | | | |
| NOT FOR PUBLIC RELEASE | | | | |
| <i>Additional Debit Cards are available to employees who are members to get additional cards.</i> | | | | |
| Name | | | Relation | |
| _____ | | | _____ | |
| _____ | | | _____ | |

Waiver of Benefits
 _____ By initialing here, I hereby certify that I have been given the opportunity to participate in the Flexible Benefit Plan provided by my employer. The benefits of the Plan have been thoroughly explained to me and I decline to participate for this Plan Year.

I understand that:
 I am authorizing my employer to reduce my cash compensation by the amount(s) indicated above for each pay period during the year following the date of this agreement.
 This election form cannot be revoked or changed during the Plan Year, unless there is a *change in my family status* (e.g. marriage, divorce, death of a spouse or child, birth or adoption of a child and termination of employment of spouse) which justifies the revocation or change.
 Salary reduction must be reimbursed for expenses incurred during the Plan Year and may not be carried over into future plan years. **Claims made must be for eligible expenses and all OTC claims must have a valid Rx.** If at the end of the Plan Year, the total reduction in compensation exceeds the substantiated expenses, the difference in the amounts will be property of the employer.
 I understand that claims can only be incurred during the time in which I am actively paying into the Plan. Once the Plan has terminated or I terminate employment, I should consult with my HR Coordinator as to the last date and length of time which I have to submit claims for reimbursement so as not to forfeit my contributions.
 I have examined this agreement and to the best of my knowledge, it is true, correct and complete.

 Signature Date

Completed forms must be remitted to your Human Resources Representative for processing.

ADMINISTRATIVE INFORMATION MANAGEMENT, INC.
 10353 Linn Station Rd - Louisville KY 40223
 FAX: (502) 426-6569

Salary Reduction Agreement Change and Revocation Form

Company: Sample Company

Plan year: _____

I. Participant Name: _____ SS #: _____ - _____ - _____

II. Change or Revocation of Salary Reduction Agreement

Please indicate the change in your Salary Reduction Agreement in the area below. If there is a change in family status, as provided in the Internal Revenue Code and Regulations, which justifies a change in your Salary Reduction Agreement, you may change or revoke your Salary Reduction Agreement. However, once you make the change, indicated on this form, you may not reinstate or revise your Salary Reduction Agreement as of a date before the first day of the next Plan Year unless there is another change in family status. If you are reducing or increasing your salary reductions, please indicate the new amount PER PAY PERIOD under "Change". If you are ending participation in the Plan, mark "Revoke".

| 1. Premiums | Current | Change | Revoke | Effective Date |
|----------------------------------|---------|--------|--------|----------------|
| Cancer | _____ | _____ | _____ | _____ |
| Dental | _____ | _____ | _____ | _____ |
| Medical / Health | _____ | _____ | _____ | _____ |
| Vision | _____ | _____ | _____ | _____ |
| Other | _____ | _____ | _____ | _____ |
| 2. Unreimbursed Medical Expenses | _____ | _____ | _____ | _____ |
| 3. Dependent Care Expenses | _____ | _____ | _____ | _____ |



III. Reason

In the area provided below, describe the change in family status which justifies the change or revocation requested on this form and enter the date of the event.

- Marriage or Divorce on _____
- Birth or adoption of child on _____
- Change in employment by you or your spouse on _____.
Circle (termination of employment, leave of absence, reduction in hours)
- Other. Describe and provide the date of the change in family status:

IV. Signature

I have examined this authorization to modify my Salary Reduction Agreement and to the best of my knowledge, it is true, correct and complete.

Participant's Signature Date Employer's Representative Date

**** Please FAX To AIM, Inc. (502) 426-6569 BEFORE the change takes place. ****

ADMINISTRATIVE INFORMATION MANAGEMENT, INC.
10353 Linn Station Rd
Louisville KY 40223