Employers Guide to Section 125

Presented By
Administrative Information Management Inc.
Louisville, Kentucky
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 Dataair 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.
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

<table>
<thead>
<tr>
<th></th>
<th>Without Flex Plan</th>
<th>With Flex Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Salary</td>
<td>$1500</td>
<td>$1500</td>
</tr>
<tr>
<td>Taxes</td>
<td>420</td>
<td></td>
</tr>
<tr>
<td>Flex Contribution</td>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Taxable Salary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1340</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Taxes</td>
</tr>
<tr>
<td>Net Income</td>
<td>920</td>
<td>965</td>
</tr>
</tbody>
</table>

Additional Income because of Flex Plan: $45
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

Savings for the Employer  $1147.50
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.
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.

Administrative Information Management
10353 Linn Station Rd
Louisville KY 40223
Phone: 502/426-1235  Fax: 502/426-6569
info@aimadministrator.com
Reasons to Select AIM for your TPA Work

- Single monthly fee per participant
- No annual fee
- Sponsors may choose to have debit cards or checks
- No limit to number of cards per family – no additional charges
- No charge for replacement cards
- No swipe fee per debit card charge
- Personal service for brokers, sponsors or employees
- All accounts (FSA, DCA, HRA and HSA) on one card
- Monthly billing for administrative fees
- Monthly reconciliation of reimbursement accounts
- Monthly reports sent to sponsor
- On line accessibility for sponsors with debit cards, sponsors or participants
LIMITATION OF LEGAL LIABILITY

Plan Name

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

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

Eye Associates of Southern Indiana – Jessica Phillips
302 W 14th St Ste 100
Jeffersonville, IN 47130
812/218-9201

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

First Urology – Kary Holt
P.O. Box 1087
Jeffersonville, IN 47130
812/206-8141

Hospice of the Bluegrass – Sabrina Partin
2312 Alexandria Drive
Lexington, KY 40504
800/756-6005

The Kentucky Center – Judy Wilson
501 West Main Street
Louisville, KY 40202
502/562-0100

Kentucky Country Day School – Annie Karaba
4100 Springdale Road
Louisville, KY 40241
502/423-0440

Lantech, Inc. – Linda Amburgey
1100 Bluegrass Parkway
Louisville, KY 40299-2399
502/267-4288
Milestone Wellness Center – Diane Kelton
750 Cypress Station Dr
Louisville KY 40207
502/896-3900

Mr Davids Flooring - Ashley Zmijewski
865 W Irving Park Rd
Itasca IL 60143
847/250-4604

Nephrology Associates of Kentucky - Corina Manning
6400 Dutchmans Pkwy Ste 250
Louisville KY 40205
502/587-9660

Maeser Plumbing - Barb Guthrie
11101 Electron Dr
Louisville KY 40299
502/736-6227

Marklund - Debbie Masari
1 S 450 Wyatt Dr
Geneva IL 60134
630-593-5480

One North Interactive – Kelsey Kline
222 N Lasalle St
Chicago IL 60601
312/873-6811

Sheehy & Associates – Martha Greenwell
2297 Lexington Road
Louisville, KY 40206-2818
502/456-9007

Southeast Christian Church – Karen Spencer
920 Blankenbaker Parkway
Louisville, KY 40243
502/253-8035

J. B. Speed Art Museum – Shelly Bennett
2035 South Third Street
Louisville, KY 40201-2600
502/634-2705

Stock Yards Bank & Trust - Sara Cahill-King
Louisville, KY 40232
502/582-2571

Stumm Insurance – Jim Stumm
6601 N Avondale
Chicago IL 60631
773/862-7761
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.
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.
You may be reimbursed for dependent care if you meet the following conditions:

- The expenses must 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.
LIST OF REIMBURSABLE MEDICAL EXPENSES  
(IRC SECTION 213)

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

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

Administrative Information Management  
10353 Linn Station Rd  
Louisville KY 40223  
Phone: 502/426-1235  
Fax: 502/426-6569  
info@aimadministrator.com
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)
   - Exclude members of collective bargaining unit
   - Exclude non-resident aliens
   - Exclude Leased Employees
   - Exclude part time Employees who regularly work less than ____ hours per week
   - Exclude seasonal Employees who regularly work less than ___ months per year (Not to exceed 6 months)
   - 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.)
   - No age or service required
   - Requirements are same as group medical insurance plan
   - Minimum age of ____ years. (Not to exceed 21. Partial years may be used.)
   - Minimum of ______ Hours required during each Week Month for part time Employees
   - Minimum of ___ months per Plan Year for seasonal Employees
   - Minimum of ____ consecutive days
     - non-consecutive weeks
     - months, counting his or her employment Commencement Date as the first day
   - 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:
   - the date the eligibility requirements have been met
   - the same day as the Employer's group medical plan
   - the first day of the pay period next following the date eligibility requirements have been met
   - the first day of the next month following satisfaction of the eligibility requirements
   - the first day of the month coinciding with or following the date the eligibility requirements have been met
   - as of the earliest eligibility date for any of the component plans
   - the first day of the month following the date of hire
   - 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)

**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)

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)

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
     - b.1. Health Flex Contribution - May only be applied toward the employee share of contributions for the major medical coverage or contributed to a health FSA.
     - b.2. Non-Health Flex Contribution - May be used for any benefit under its cafeteria plan, including non-health benefits; e.g., dependent care expenses, although it is not available as cash. (Automatically select B.3.a 'No cash out option'.)

   **NOTE:** For purposes of the "affordability" safe harbor, health flex contributions help reduce the employee's required contribution, but the non-health flex contributions and cashable flex contributions (cash-out option) do NOT which may negatively affect the employer's shared responsibility.

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:

     | Compensation Range | Number of Flex Credits |
     |---------------------|------------------------|
     | $ __________ 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 no more than $500 toward the Health FSA if no cash-out option is offered.
   - 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 IRS statutory
maximum 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: __________________________________________
3. **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
- c. Revocation due to reduction in hours of service
- d. Revocation due to enrollment in a Qualified Health Plan; i.e., Marketplace, Exchange
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.)
   - [ ] Eligibility Requirements are the same as described in Question A.2 of the checklist
   - [ ] Requirements are same as group medical insurance plan
   - [ ] Minimum age of ____ years. (Not to exceed 21. Partial years may be used.)
   - [ ] Minimum of ____ Hours required during each ☐ Week ☐ Month for part time Employees
   - [ ] Minimum of ____ (Not to exceed 6) months per Plan Year for seasonal Employees
   - [ ] Minimum of ____ ☐ consecutive ☐ non-consecutive ☐ weeks ☐ months, counting his or her employment Commencement Date as the first day
   - [ ] Other - Specify: ____________________________ (Plan)
       ____________________________ (SPD)

   **Note:** In order for the Health FSA to qualify as an "excepted benefit": 1) an employer must offer employees major medical coverage, and 2) the Health FSA waiting period must be equal to or greater than the employer's major medical plan's waiting period.
   
   Also, if part-time employees (working less than 30 hours/week) are eligible for the Health FSA, but are NOT eligible for the employer's major medical plan, the plan must be amended to exclude part-time employees or amend the major medical plan to make part-time employees eligible. Otherwise, the Health FSA will not qualify as an "excepted benefit".

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:
   - [ ] Entry Date is the same as described in Question A.3 of the checklist
   - [ ] The same day as the Employer's group medical plan
   - [ ] The date the eligibility requirements have been met
   - [ ] the first day of the pay period next following the date eligibility requirements have been met
   - [ ] the first day of the next month following satisfaction of the eligibility requirements
   - [ ] the first day of the month coinciding with or following the date the eligibility requirements have been met
   - [ ] 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.)
   - [ ] General-Purpose Option - Participant or his or her Spouse or Dependents for medical care
     - General-Purpose Option exclusions:
   - [ ] Limited Option - Participant or his or her Spouse or Dependents for vision/dental care.
     - General-Purpose Option exclusions:
   - [ ] Employee-Only General-Purpose Option - Participant only for medical care
     - General-Purpose Option exclusions:
   - [ ] Employee-Plus-Children General-Purpose Option - Participant or Participant's Dependents (excluding Spouse) for medical care
     - General-Purpose Option exclusions:
5. **Maximum Annual Benefits for Health FSA**
   The Maximum Annual Benefits Reimbursement for the General-Purpose Health and/or Limited-Purpose Health FSA. (Select option ‘c’ to include automatic increases in the plan document to avoid an annual amendment.)
   - a. Statutory Salary Reduction * Limit of $2,600
   - b. Other - Specify:
     - b.1 General-Purpose Health FSA is $_____ (Not to exceed $2,600)
     - b.2 Limited-Purpose Health FSA is $_____ 
   - c. $2,600 limit to increase with inflation

   * The $2,600 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. **FSA Carryover** - If a balance remains in the Participant's FSA account after all reimbursements have been made for the Plan Year, the balance. (Leave blank if not applicable.)
   - a. May be carried over for:
     - a.1. The statutory maximum of $500; or
     - a.2. A maximum amount less than $500 $______
   - b. The employee must be enrolled in the next plan year.
   - c. Current funds are to be used prior to the carryover funds.
     - c.1. Carryover limited to one year.

8. **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

   **NOTE:** In the case of a short plan year, the limit MUST be prorated.

9. **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

10. **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

11. **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.

12. **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.

13. **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

14. **Health FSA coverage, whether due to termination or loss of eligibility, shall:**

- a. End the date of termination or loss of eligibility.
- b. Continue through the last day of the month in which employment termination or the loss of eligibility occurs.

15. **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.

16. **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)

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

- A Dependent Care Assistance Component is available

18. **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  non-consecutive  days  weeks  months, counting his or her employment Commencement Date as the first day
- g. Other - Specify: ___________________________ (Plan)
    ___________________________ (SPD)

19. **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)

20. **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)

21. **Minimum Annual Benefits for DCAP**

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

22. **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

23. **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

24. **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
25. **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.

26. **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

27. **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.
   
   - The HSA does not fall under ERISA
   - 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.)
   
   - Solely with Employee's pre-tax salary reductions
   - 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)

_________________________  
________________________________________
________________________________________
________________________________________

d. 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)
Transportation Fringe Benefit Plan
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 15.)
   __________________________________________
   __________________________________________

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: ___/___/_____

4. Plan type
   □ a. Pre-Tax Compensation Reduction Plan (100% Employee funded)
   □ b. Giveaway Plan (100% Employer Funded)
   □ c. Combination (Giveaway/Pre-Tax Compensation Reduction Plan)

Note: Bicycle commuting reimbursements can only be offered as a pure giveaway plan, or as a pure giveaway portion of a plan that uses compensation reduction to fund all or a portion of other qualified transportation fringe benefits. If Qualified Bicycle Reimbursement is the only benefit, a Bicycle Commuting Expense Reimbursement Policy may be used in lieu of a Transportation Plan Document and Summary Plan Description (SPD).

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. **Document Provider** : ____________________________

12. **Trust**
☐ This is a Trusteed Plan

   The Trust shall be known as:

   ______________________________________________________________________________________

   Trust ID Number : __________

   Plan Trustees :
   ______________________________________________________________________________________
   ______________________________________________________________________________________
   ______________________________________________________________________________________
   ______________________________________________________________________________________
   ______________________________________________________________________________________
   ______________________________________________________________________________________

13. **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. Related Employer:
(Complete only for those Related Employers that will be adopting the Plan. See Appendix A.)

a. Related Employer : __________________________________________________________

b. __________________________________________________________

16. 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
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)

   NOTE: Some individuals cannot be allowed to participate in a Qualified Transportation Plan under any circumstances, such as self-employed individuals (partners, sole proprietors, more-than-2% Subchapter S shareholders, and independent contractors), Leased Employees and PEOs, spouses and dependents.

2. Eligibility Requirements - An Employee is eligible to participate in the 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. No age or service required
   - b. Minimum age of ____ years (Not to exceed 21 years of age; partial years may be used.)
   - c. Minimum of ______ hours required during each ___ week ___ month for part-time Employees
   - d. Minimum of ___ months per Plan Year for seasonal Employees (Cannot exceed 6 months)
   - e. Minimum of _____ consecutive calendar days ___ non-consecutive days, counting his/her employment Commencement Date as the first day
   - f. Other - Specify: ________________________________________ (Plan)

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 first day of the next Period of Coverage* coinciding with or following the date the eligibility requirements have been met.
   - c. the first day of the month coinciding with or following the date the eligibility requirements have been met.
   - d. Other - Specify: ________________________________________ (Plan)

   *Period of Coverage is defined in Section Q.6 below.

4. First Plan Year Elections - Failure to file an Election Form/Compensation Reduction Agreement prior to the Entry Date for the first plan year, then the Employee:
   - a. is considered to have elected not to participate for the initial Plan Year.
   - b. may not elect any Benefits under the Plan until the next Period of Coverage.
   - c. may not elect any Benefits under the Plan until the next Open Enrollment.
   - d. Other - Specify: ________________________________________ (Plan)

5. Subsequent Plan Year Elections - If an Eligible Employee fails to file an Election Form/Compensation Reduction Agreement for all subsequent Plan Years, then the Employee:
   - a. is considered to have elected not to participate for the new Plan Year
   - b. shall continue with same elections (automatic/evergreen) as prior year.*
6. Period of Coverage - A period of coverage in which an Election Form/Compensation Reduction Agreement is in effect and irrevocable on the following frequency:
  a. Monthly (default)
  b. Quarterly
  c. Annually
d. Other - Specify: ________________________________________ (Plan)

NOTE: If elections are made semi-monthly, such as on the first and 15th days of the month, the excludable amount for each compensation reduction cannot exceed half of the applicable monthly limit. The regulations state only that "[e]ach month, the amount of the compensation reduction may not exceed the combined applicable statutory monthly limits for transportation in a commuter highway vehicle, transit passes, and qualified parking. Require employees to make their elections on a benefit-by-benefit basis (e.g., $X per month for parking and $Y per month for transit passes.)"

7. Election Changes - A Participant may change their election prospectively by submitting a new Election Form/Compensation Reduction Agreement before the first day of the Period of Coverage affected.
  a. No limit applied.
  b. Limit the number of changes allowed to ___ per Plan Year.
c. Other - Specify: ________________________________________ (Plan)

8. Treatment of Rehires - If a Participant terminates his/her employment for any reason, including, but not limited to, disability, retirement, layoff or voluntary resignation, and then is rehired then the Employee:
  a. must re-satisfy Plan eligibility requirements to rejoin the Plan or before becoming eligible to participate in the Plan (complete the waiting period).
  b. may rejoin the Plan without having to re-satisfy Plan eligibility requirements (complete the waiting period).
c. Other - Specify: ________________________________________ (Plan)

9. Participation Following 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 Plan eligibility requirements to rejoin the Plan or before becoming eligible to participate in the Plan (complete the waiting period).
  b. may rejoin the Plan without having to re-satisfy Plan eligibility requirements (complete the waiting period).
c. Other - Specify: ________________________________________ (Plan)
B. Funding and Contribution

1. Funding Method - The transportation benefits will be funded by: (Select one)
   - a. Pre-Tax Compensation Reduction (100% Employee funded.)
   - b. Giveaway (100% Employer Funded)
   - c. Combination (Giveaway/Pre-Tax/Post-Tax Compensation Reduction)
   - d. Other - Specify: ____________________________________ (Plan)
     ____________________________________ (SPD)

   Note: Pre-tax compensation reduction funding for bicycle commuting is not permitted—must be 100% Employer funded.

2. Employer Contributions - 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/Compensation Reduction Agreement.
   - a. All Participants receive the same amount or percentage of contributions
   - b. The Employer will contribute $____ per Period of Coverage; i.e., monthly, quarterly, annually toward Transit Passes Expenses.
   - c. The Employer will contribute $____ per Period of Coverage; i.e., monthly, quarterly, annually toward Qualified Parking Expenses.
   - d. The Employer will contribute $____ per Period of Coverage; i.e., monthly, quarterly, annually toward Commuter Highway Expenses.
   - e. The Employer will contribute $____ annually toward Bicycle Commuting Expenses.
   - f. Participants will receive matching contributions equal to their amount of total compensation reductions for the Plan Year
     - but not more than $____. (Check if matching contributions are limited.)
   - g. Other - Specify: ____________________________________ (Plan)
     ____________________________________ (SPD)

   Compensation Definition - Compensation is defined as:
   - h. Gross Compensation (Default)
   - i. Base Compensation – Bonus and overtime excluded
   - j. Other - Specify: ____________________________________

3. Carryovers - A plan may permit current participants to carry over unused amounts to buy transportation benefits in subsequent periods of coverage (or months).
   - a. Carryovers permitted in subsequent periods of coverage (or months), but not into subsequent plan years.
   - b. Carryovers permitted in subsequent periods of coverage (or months) and into subsequent plan years.
   - c. Carryovers not permitted.

4. 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*. (Default)
   - b. Other - Specify: ____________________________________ (Plan)
     ____________________________________ (SPD)

   Note: State escheat laws may apply if the transportation plan is not held in the general assets of the employer.
C. Transportation Benefits Offered

1. Available Transportation Benefits - The Transportation Plan provides the following coverage options where a Participant may receive reimbursement for expenses incurred during a Period of Coverage, as limited by the Plan Coverage Options listed below: (Select all applicable)

   a. Transit Passes Expenses: Permits employees to pay for their share of expenses for mass-transit passes, vouchers, etc. for commuting to work on a pre-tax compensation reduction basis. (Expenses for transit passes are only reimbursable if vouchers or similar item are not readily available for distribution.)
      □ Transit Passes Exclusions (Appendix):

   b. Transit Pass Vouchers: Vouchers are readily available for direct distribution by the employer to the employee.

      NOTE: Cash reimbursement is only available if vouchers are not readily available, which involves running detailed tests to determine whether vouchers are subject to certain restrictions. An employer cannot reimburse its employees for the transit passes that they buy on their own if exchangeable vouchers are readily available to the employer—the employer must distribute vouchers to its employees instead.

   c. Qualified Parking Expenses: Permits employees to pay for their share of expenses for parking on or near the Employer's premises or at a location from which they commute to work on a pre-tax compensation reduction basis.
      □ Qualified Parking Exclusions (Appendix):

   d. Commuter Highway Vehicle Transportation/Vanpooling Expenses: Permits employees to pay for their share of vanpool expenses for commuting to work on a pre-tax compensation reduction basis.
      □ Vanpooling Exclusions (Appendix):

   e. Bicycle Commuting Expense Reimbursements: Permits employees commuting to work by bicycle to be reimbursed for reasonable expenses incurred during the calendar year for the purchase of a bicycle and bicycle improvements, repair, and storage, if such bicycle is regularly used for travel between the employee's residence and place of employment.
      □ Qualified Parking Exclusions (Appendix):

2. Maximum Annual Benefits - The maximum annual benefits reimbursement for the Transportation Benefit is:

   a. Applicable Statutory Limits for each respective benefit (Default)
   b. Other $____ (Not to exceed the Statutory Limits)

   Note: The limit for parking is $255 per month for 2017. The combined limit for transit passes and vanpooling expenses is the same as the limit for parking ($130 per month) for 2017. These limits are subject to cost-of-living adjustments (if any) for future years, as announced by the IRS before the beginning of each calendar year. Bicycle commuting benefits are also subject to a statutory limit, but that limit is applied on an annual basis and gets no cost-of-living adjustment. The limit is determined by multiplying an employee’s qualified bicycle commuting months during the calendar year times $20 (up to a maximum benefit of $240 per year).
D. Other Administrative Provisions

1. Plan Expenses - All reasonable expenses incurred in administering the Plan are currently paid by:
   - a. the Employer.
   - b. both, the Employer and the participants’ account balances.
   - c. Other - Specify: _______________________________________ (Plan)
       ___________________________________________ (SPD)

2. 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 Employee has to request review: ___ (must be 180 days or greater)
   - c. Other - Specify: _______________________________________

3. Run-out Period - Period following the end of each period of coverage (calendar month, quarter, year) during which the reimbursement claims must be submitted.
   _____ days (Not to exceed 180 days after date incurred or paid)

   Note: A 180-day safe harbor period for transportation fringe benefit expenses is triggered by the date on which the expense is paid and not by the date on which the expense incurred; reimbursements may be made when the expenses are paid or incurred. A more conservative solution might be to have run-out periods of 60 days or so following the end of each calendar quarter, so that the plan will meet the 180-day safe harbor without having to track the precise date on which each expense is paid.

4. 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)

   Note: If the plan is "funded" (i.e., the monies are held in separate accounts for participants) as opposed to "unfunded" (where amounts remain in the employer's general assets), state laws (e.g., escheat laws) must be taken into account.

5. Debit Card Availability - MCC-restricted debit card, stored value card, or credit card that allows a Participant to access funds in a reimbursement account to pay the service provider at the point of sale.
   - Debit card is offered (Leave blank if not available.)
Health Reimbursement Arrangement (HRA)
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**

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

This HRA Plan is a

☐ New plan
☐ Restatement of a plan originally effective: ___/___/_____

4. **Plan type**

☐ Stand-alone HRA Plan *
☐ Integrated HRA with Employer's major medical plan
☐ Integrated HRA with Employer's major medical plan or the group health plan of another employer (e.g., the spouse's employer)
☐ Integrated HRA with Employer's High Deductible Health Coverage (HDHC)
☐ Integrated HRA with Employer's HDHC plan or the HDHC plan of another employer (e.g., the spouse’s employer)

* Due to the Health Care Reform’s ban on annual and lifetime limits, Employers can no longer offer stand-alone HRAs unless the HRA is structured to provide only vision, dental, or is a retiree-only HRA. HRAs integrated with other coverage (as part of a larger group health plan) are not subject to the annual limit restrictions, so long as the other coverage complies with annual and lifetime limits.

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
A. Eligibility and Participation 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)
   - Exclude members of collective bargaining unit
   - Exclude non-resident aliens
   - Exclude Leased Employees
   - Exclude part time Employees who regularly work less than ___ hours per week
   - Exclude seasonal Employees who regularly work less than ___ months per year (Not to exceed 6 months)
   - Other - Specify: ________________________________________ (Plan)
     __________________________________________ (SPD)

   NOTE: Self-employed individuals (e.g., sole proprietors, partners, and more-than-2% Subchapter S corporation shareholders) may not receive tax-free benefits. Self-employed individuals, including partners in a partnership and more-than-2% shareholders in an S corporation, cannot participate in an HRA on a tax-favored basis. A sole proprietor, partnership, or an S corporation can have an HRA for its common-law employees. But unlike a sole proprietorship or a partnership, however, neither the employee-spouse of the more-than-2% shareholder in an S corporation, nor the more-than-2% shareholder's children, parents, and grandparents, can participate in the S corporation's HRA. This is because of the ownership attribution rules contained in Code § 318.

2. Eligibility Requirements - An Employee is eligible to participate in the 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.)
   - No age or service required
   - Requirements are same as group medical insurance plan
   - Minimum age of ____ years (Not to exceed 21 years of age; partial years may be used.)
   - Minimum of ______ hours required during each week month for part-time Employees
   - Minimum of ___ months per Plan Year for seasonal Employees (Cannot exceed 6 months)
   - Minimum of ____ consectutive calendar days non-consecutive days, counting his/her employment Commencement Date as the first day
   - Enrolled in the Employer's High Deductible Health Coverage (HDHC) Plan
   - Enrolled in the Employer's group medical insurance plan
   - 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:
   - the date the eligibility requirements have been met.
   - the same day as the Employer's group medical plan.
   - the first day of the month coinciding with or following the date the eligibility requirements have been met.
   - the first day of the month following the date of hire.
   - Other - Specify: ________________________________________ (Plan)
     __________________________________________ (SPD)

4. Enrollment Process - For the first year of the Plan, once an Employee meets the eligibility requirements he or she:
   - will automatically be enrolled in the Plan and no Enrollment form is required, unless the employee opts out.*
   - must complete an Enrollment form prior to the Entry Date; failure to file an Enrollment form will result in exclusion from the Plan.
   - Other - Specify: ________________________________________ (Plan)
     __________________________________________ (SPD)
NOTE: “Employees (and former employees) must be offered the opportunity to permanently opt out of and waive future reimbursements from the HRA at least annually. And on termination of employment, the HRA must either be forfeited, or it must allow the employee to permanently opt out of and waive future reimbursements.

5. 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:
   - a. must re-satisfy Plan eligibility requirements to rejoin the Plan or before becoming eligible to participate in the Plan (complete the waiting period).
   - b. may rejoin the Plan without having to re-satisfy Plan eligibility requirements (complete the waiting period).

6. Treatment Rehires - Less than 30 Days - If a Participant terminates his/her employment, or ceases to be an Eligible Employee, for any reason, including, but not limited to, disability, retirement, layoff or voluntary resignation, and then is rehired within 30 days or less of the date of termination of employment and is otherwise eligible to participate in the Plan, then the Employee:
   - a. may immediately rejoin the Plan and be reinstated with the same HRA account balance that the individual had before termination.
   - b. may not be allowed to rejoin the Plan until the first day of the following Plan Year.
   - c. Other - Specify: ____________________________ (Plan)

7. Treatment of Rehires - More than 30 Days - If an Employee (whether or not a Participant) terminates employment and is not rehired within 30 days or ceases to be an Eligible Employee for any other reason, including, but not limited to, a reduction of hours, and then becomes an Eligible Employee again, the Employee:
   - a. will be treated as a new hire and must re-satisfy (complete the waiting period) Plan eligibility requirements to rejoin the Plan. Any unused reimbursement benefits account balance prior to the initial separation of service date will be forfeited.
   - b. may immediately rejoin the Plan without having to re-satisfy (complete the waiting period) Plan eligibility requirements. Any unused reimbursement benefits account balance prior to the initial separation of service date will be forfeited. (Should only be checked if B.1.a.1 (pro rata Accruals) is selected.)
   - c. may immediately rejoin the Plan and be reinstated with the same HRA account balance that the individual had before termination.

B. Funding/Contributions

1. a. Accruals (Employer Contributions) - The Employer will fund the full amount of the Participants' HRA Accounts on:
   - a.1. a pro rata (monthly) basis of _______/month (e.g., $100 per month).
   - a.2. an annual basis at the beginning of the Plan Year.
   - a.3. Other - Specify: ____________________________ (Plan)

2. Short Plan Year - If the initial plan year is a short plan year, please specify if the Participants' HRA Accounts will:
   - b.1. be pro rated based on the remaining number of months.
   - b.2. be credited with a full plan year's contributions.

2. Mid-Year Hire Contributions - If a Participant enters the HRA Plan mid-year, then the Participant shall receive:
   - a. the full annual contribution (no proration)
   - b. pro-rated contributions (i.e., annual contribution divided by 12 x number of eligible months)

3. Maximum Annual Benefits - The maximum annual reimbursement for the HRA Benefit is: (Select all applicable)
   - a. $_____ for employee-only coverage per Plan Year
   - b. $_____ for employee plus spouse coverage per Plan Year
   - c. $_____ for employee plus children coverage per Plan Year
   - d. $_____ for family coverage per Plan Year
   - e. $_____ Other (Specify) ____________________________
4. Suspension of HRA Account - If a Participant suspends his or her HRA account for a Plan Year in order to be HSA eligible, the Employer will: *(Leave blank if not applicable.)*
   - a. continue to make contributions to the HRA account.
   - b. cease to make contributions to the HRA account.

5. Unused Funds - If any balance remains in the Participant's HRA account after all reimbursements have been made for the Plan Year, such balance shall be:
   - a. forfeited.
   - b. carried over indefinitely.
   - c. carried over to the next plan year not to exceed $_____ or _____ of remaining balance per Plan Year.
   - d. Other - Specify: ________________________________________ (Plan)
     __________________________________________ (SPD)

6. Funding Assets - All amounts payable under this Plan shall be paid from:
   - a. the Employer's general assets.
   - b. the Trust.
   - c. Other - Specify: ________________________________________ (Plan)
     __________________________________________ (SPD)

**NOTE:** Many employers do not realize that they may need a trust to satisfy requirements under ERISA, such as when HRAs have "plan assets" triggering the need for a trust and compliance with ERISA’s exclusive benefits rule. For example, one warning sign (there are others) that a trust may be needed is if checks written in connection with the Plan are drawn on any account other than the Employer's general checking account. Additionally, ERISA might require a trust for all HRAs because COBRA premiums paid to an HRA by individuals to continue their HRA coverage are plan assets. As plan assets, they must be held in trust until they are used to pay benefits, unless an exception applies.

C. HRA Benefits

1. Available HRA Plan Options: The HRA Plan provides the following coverage options where a Participant may receive reimbursement for expenses incurred during a Period of Coverage, as limited by the Plan Coverage Options listed below: *(Select all applicable)*
   - a. General-Purpose HRA: Reimburses eligible out-of-pocket medical expenses that meet the definition of medical care under Code § 213(d) for the employee, spouse, and dependents, such as co-pays, deductibles, COBRA premiums (that a participant pays on an after-tax basis under any other group health plan sponsored by the Employer), prescriptions, long-term care insurance, and medical expenses that are not covered under the employer's health plan on a first dollar basis;
     - General-Purpose Exclusions (Appendix): ________________________________________
   - b. Limited-Purpose HRA: Only reimburses expenses not covered by insurance. *(Select all applicable)*
     - b.1. Vision expenses *(HSA Eligible)*
     - b.2. Dental expenses *(HSA Eligible)*
     - b.3. Preventive Care expenses *(HSA Eligible)*
     - b.4. Prescription Drug Coverage
     - b.5. Other: *(Specify)*
       __________________________________________ (Plan)
       __________________________________________ (SPD)
   * NOTE: No other expenses prior to the HSA Deductible being met are eligible for reimbursement.
   - Limited-Purpose HRA Exclusions (Appendix): ________________________________________
   - c. Bridge HRA: Reimburses only health care expenses incurred after the Code §223(c)(2)(A)(i) minimum annual HDHP deductible has been satisfied-providing a bridge between the out-of-pocket expenses and insurance coverage. Eligible medical expenses are those incurred after the deductible level required for an HDHP has been met on a first-dollar basis and Preventive Care expenses;
     - Other: *(Specify)*
       __________________________________________ (Plan)
       __________________________________________ (SPD)
Bridge HRA Exclusions (Appendix): ________________________________________

- d. **Insurance Premiums**: Reimburses only Insurance Premiums. Only premiums that qualify as a medical expense under Code § 213(d) can be an eligible expense under an HRA. *(Select all applicable)*
  - d.1. Dental insurance premiums
  - d.2. Long-term care insurance premiums
  - d.3. Other: *(Specify)*
    - ____________________________________________ (Plan)
    - ____________________________________________ (SPD)

Limited-Purpose HRA Exclusions (Appendix): ________________________________________

- e. **Deductible/Co-Pays/Co-Insurance HRA**: Reimburses all medical expenses that are applicable to the health plan's deductible, a co-pay amount, or a co-insurance amount. Qualified expenses are those incurred by the employee or the employee's family.
  - e.1. Deductible-Only
  - e.2. Co-Pays
  - e.3. Co-Insurance (health plan premiums; e.g., Employer's HDHP)

**Deductible/Co-Pays/Co-Insurance HRA Exclusions (Appendix):**

**NOTE:** An HRA cannot be used to pay the employee's share of premiums for employer group health coverage (or individual coverage) if the employee could pay those costs on a pre-tax basis through the employer's cafeteria plan. Such an arrangement would violate the prohibition on HRAs being directly or indirectly funded through cafeteria plan pre-tax salary reductions.

**CAUTION:** HRAs used solely to pay for individual policies for major medical coverage (premium reimbursement purposes) raise special HIPAA compliance concerns.

2. **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.

**Run-out Period:** ___
- Days *(Typically 30, 60 or 90 days)*
- Weeks
- Months

**NOTE:** An expense incurred by a participant in one year may be properly paid out of the HRA balance attributable to a subsequent year, provided that the individual was a participant when the expense was incurred and remains a participant in the subsequent year.

3. **Ordering Rule/Coordination of Benefits** - If the Participant's Medical Care Expenses are covered by both this Plan and a Health FSA, then the: *(Leave blank if not applicable.)*
  - a. HRA will pay first and the health FSA will pay last. *(general rule)*
  - b. HRA pays only after health FSA amounts are exhausted.
D. Other Administrative Provisions

1. COBRA Continuation Coverage - A Participant and his or her Dependents, whose coverage terminates under this 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 before the qualifying event for the periods prescribed by COBRA.

   - a. COBRA Continuation Coverage is offered
   - b. An alternative coverage is available in place of COBRA 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 the grace period (late COBRA payment) for non-payment
   - f. COBRA payments are due on the ___th day of the month (i.e., 1st, 15th, etc.)
   - g. Days to notify Administrator of other Qualifying Event ___ (Must be at least 60 days)

   COBRA Administrator
   - (Same as Plan Administrator. If not, fill out information below.)

   __________________________
   __________________________
   __________________________
   __________________________
   __________________________
   __________________________
   __________________________

   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 HRA functions
   - b.3. Benefits Manager
   - b.4. Plan Administrator
   - b.5. Other - Specify:

     __________________________ (Plan)
     __________________________ (SPD)

   HIPAA Privacy Officer
   - (Same as Plan Administrator. If not, fill out information below.)

   __________________________
   __________________________
   __________________________
   __________________________
   __________________________
   __________________________

NOTE: While not likely, it is possible that certain HRAs may not be subject to HIPAA’s portability requirements. For example, a 100% employer-paid stand-alone HRA with an annual limit less than or equal to $500 and no carryovers will not be subject to the portability requirements of HIPAA if the employer makes major medical insurance available to all employees who are eligible for the HRA. This is because such an HRA may be considered to be a health FSA and would qualify as an excepted
benefit. The above HIPAA exception will not apply to most HRAs. HRAs that permit carryovers, or HRAs with an employer-funded benefit of more than $500, will be subject to HIPAA’s portability requirements (including the certificate of creditable coverage requirement and the rules prohibiting discrimination based on health status). Regardless of whether an HRA permits carryovers or limits the employer-funded benefit, the HRA is likely to be subject to HIPAA’s other requirements (e.g., administrative simplification rules covering privacy, security, and EDI).

3. **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)

4. **ERISA Coverage of HRA** - The HRA can be an employer-sponsored employee benefit plan. In such a case, it falls under the rules of ERISA.
   a. The HRA is subject to ERISA. (general rule)
   b. The HRA is not subject to ERISA

5. **Plan Expenses** - All reasonable expenses incurred in administering the Plan are currently paid by:
   a. the Employer.
   b. both, the Employer and the participants’ account balances.
   c. the participants’ account balances.

6. **Compensation Definition** - Compensation is defined as:
   a. Gross Compensation
   b. Base Compensation - Bonus and overtime excluded.
   c. Other - Specify: ______________________________________ (Plan)
      ______________________________________ (SPD)

7. **Debit Card Availability** - Debit card, stored value card, or credit card that allows a Participant to access funds in a reimbursement account to pay the service provider at the point of sale.
   a. Debit card is offered (Leave blank if not available.)