

FLEXIBLE SPENDING ACCOUNTS PLAN

The Flexible Spending Accounts Plan consists of two accounts, the Health Care Reimbursement Account and the Dependent Day Care Reimbursement Account, which allow you to pay for a variety of health care and dependent day care expenses on a before-tax basis. By paying for expenses on a before-tax basis, you reduce your income for the purpose of state, federal and Social Security taxes. Enrollment in the Flexible Spending Accounts Plan is optional.

WHO IS ELIGIBLE FOR THE FLEXIBLE SPENDING ACCOUNTS PLAN?

Active Employees

All regular employees who work at least 20 hours per week are eligible to participate in the Flexible Spending Accounts Plan on the first day of active employment.

Participation in the Dependent Day Care Reimbursement Account also requires that you are:

- a single parent and require dependent day care so you can work, or
- married and require day care so you can work and your spouse can work or be a full-time student.

ENROLLMENT

Eligible employees may enroll in the Health Care and/or Dependent Day Care Reimbursement Accounts within 30 days of their date of hire. Once you enroll, you must continue participation in the plan until the end of the calendar year. If you do not enroll for coverage within 30 days of your date of hire, you will be required to wait until the next Open Enrollment Period or when you have a Qualifying Event to elect coverage.

To enroll, you must complete an enrollment form and indicate the amount you want to contribute to the Health Care and/or Dependent Day Care Reimbursement Accounts. Enrollment forms are available through the Human Resources Division. By completing the form, you will authorize an

annual salary reduction amount. Your actual contributions will be made from your paycheck in equal monthly or weekly installments depending on your pay status.

Coverage begins on your date of hire if you complete the enrollment form and submit it to the Human Resources Division within 30 days of your date of hire.

Enrollments completed during an Open Enrollment Period will be effective on January 1 of the following calendar year.

HEALTH CARE REIMBURSEMENT ACCOUNT

Benefits Provided

You can use the Health Care Reimbursement Account to reimburse yourself for eligible health care expenses with before-tax dollars. You determine what types of expenses you expect to have during the plan year and fund your Health Care Reimbursement Account through automatic salary reduction. You draw money out of your Account to reimburse yourself for the health care expenses as you and your eligible dependents incur them.

Your eligible dependents include:

- Your spouse.
- Your unmarried children up to age 19.
- Your unmarried children age 19 or over who are full-time students at an accredited college or university.
- Your unmarried children who are mentally or physically incapable of earning their own living.

What Health Care Expenses are Reimbursed?

Expenses that are reimbursable under the Health Care Reimbursement Account are mainly those goods and services currently allowed by the Internal Revenue Service (IRS) as an income tax deduction, but not all items that qualify for a tax deduction also qualify for the Reimbursement Account. However, this does not include premiums paid for insurance coverages. Eligible expenses include, but are not limited to:

- Deductibles and co-insurance payments that are not reimbursed under the medical or dental insurance plans.
- Out-of-pocket expenses.
- Charges not reimbursed by the medical or dental insurance plans that are above reasonable and customary charges.

- Hearing and vision care expenses such as exams, eyeglasses, and contact lenses.
- Annual physical examinations.
- Approved weight-loss and stop-smoking programs, if prescribed by a physician to treat a specific condition.
- Over-the-counter medications used to alleviate or treat personal illness or injuries. Dietary supplements to maintain one's health (such as vitamins) do not qualify for reimbursement.

How Much May You Contribute Each Year to the Health Care Reimbursement Account?

You may contribute any amount from a minimum of \$300 to a maximum of \$3,500 each calendar year.

It is extremely important that you carefully determine the amount you elect to contribute, if any, since under IRS regulations, all amounts that you do not use toward expenses incurred in the calendar year will be forfeited.

DEPENDENT DAY CARE REIMBURSEMENT ACCOUNT

Benefits Provided

You can use the Dependent Day Care Reimbursement Account to reimburse yourself for eligible dependent day care expenses with before-tax dollars. Estimate the amount you will be spending in the coming year on day care. Then, to cover these costs, you contribute to the Account through automatic salary reduction. Throughout the year, you draw money out of your Account and reimburse yourself for payments you have made to your day care provider.

What Dependent Day Care Expenses are Reimbursed?

Expenses that are reimbursable under the Dependent Day Care Reimbursement Account are mainly those currently allowed by the IRS as a tax credit, but not all items that qualify for a tax credit also qualify for the Reimbursement Account. All day care must be rendered by eligible providers. Eligible expenses include, but are not limited to:

- Care of a dependent in your home by a paid provider.
- Care of a dependent outside of your home by a licensed nursery or day care center.

- Household services, such as a housekeeper, provided some portion of the service is to a dependent.

A relative is considered an eligible provider of dependent day care if he or she is not claimed as your dependent for tax purposes. The provider's name, address and Tax Identification Number or Social Security Number must be supplied to receive reimbursement.

Who are Eligible Dependents?

Expenses may be claimed for:

- A child under age 13 who is claimed as a dependent on your income tax return.
- Any dependent you claim for income tax purposes who requires day care because of physical or mental inability.

How Much May You Contribute Each Year to the Dependent Day Care Reimbursement Account?

You may contribute any amount from a minimum of \$300 to a maximum of \$5,000. However, there are certain guidelines you must follow. If you are single or if you are married and file separate income tax returns, the maximum amount you may contribute is \$2,500 in a calendar year. Your total contribution in any calendar year may not exceed your annual earnings or, if less, your spouse's annual earnings.

It is extremely important that you carefully determine the amount you elect to contribute, if any, since under IRS regulations, all amounts you do not use toward expenses incurred in the calendar year will be forfeited.

Dependent Day Care Reimbursement Account or Tax Credit

Federal law currently permits an individual to take a tax credit against federal income taxes for allowable dependent care expenses. When considering contributions to the Dependent Day Care Reimbursement Account, you may want to consider if it is better to take the tax credit or to pay for your dependent care expenses through the Flexible Spending Account.

With the dependent care tax credit, you pay your dependent day care expenses yourself and claim a credit for them on your federal income tax return.

You may use only one of these methods for any given dollar of dependent care costs. You cannot use the Dependent Day Care Reimbursement Account for a particular expense and also claim a credit for that same expense on your tax return.

You should consult your tax advisor to determine whether it is better for you to reimburse yourself for day care expenses with the Dependent Day Care Reimbursement Account or use the tax credit on your income tax return.

Does the Use of Before-Tax Contributions to the Flexible Spending Accounts Plan Affect Any Other Benefits?

It may. If your annual salary is below the Social Security wage base, your future Social Security benefit may be reduced, but only minimally.

CLAIMS

How to File a Claim

To file a claim, you must complete a Reimbursement Account Request Form, available in the Human Resources Division.

For Dependent Day Care expense claims, you will need to provide the name, address, and Tax Identification Number or Social Security Number of your day care provider.

For Health Care expense claims, you must first submit your medical and dental claims to the applicable insurance company. You will receive your Explanation of Benefits (EOB) from the insurance company. If you are not enrolled in the medical or dental plans or are enrolled in an HMO, you must provide itemized bills.

When you have gathered the EOB and/or itemized bills, complete the Health Care or Dependent Day Care Request Form, attach the necessary information, and mail it to the address on the form.

Checks will be issued monthly for eligible health care and dependent day care expenses. If your claims do not total at least \$50, they will be held until additional claims are submitted unless it is the final reimbursement of the plan year.

How Long Do You Have to Submit Claims for Reimbursement?

You have until March 31 following the calendar year in which you incurred expenses to submit claims for reimbursement. So, for example, if you buy eyeglasses in December, you would still have up to March 31 to claim the expense, provided there is money remaining in your Health Care Reimbursement Account.

Questions About Claims

If you have a question about your Flexible Spending Account claim, you should contact CIGNA at (800) 242-2269.

How to Appeal a Claim

If your claim is denied, you will receive a written notice of the denial from the insurance company. The notice will explain the reason for the denial and indicate the review procedures. You may request a review of the denied claim. The request must be submitted in writing to CIGNA Reimbursement Accounts, P.O. Box 0976, Bristol, CT 06010 within 60 days after you receive the denial notice. Submit your request, including your reasons for requesting the review and any additional documents which you believe support your claim. CIGNA will review the claim and ordinarily notify you within 60 days of the date your request for review is received. In special cases requiring a delay, CIGNA will render a decision no later than 120 days after your request for review is received.

CHANGES IN CONTRIBUTION AMOUNTS

The amount of pre-tax dollars you elect to contribute to your Health Care or Dependent Day Care Reimbursement Account is irrevocable and thus, will remain in effect for the entire calendar year. You may be eligible to change your contribution only if you have a Qualifying Event.

OPEN ENROLLMENT PERIOD

Open enrollment is held once a year. During an Open Enrollment Period, you may elect your contribution amount for the following calendar year. Your election during the Open Enrollment Period will be effective January 1 of the following calendar year. Coverage will not automatically carry forward from year to year. You must elect coverage during the Open Enrollment Period for the following calendar year. Your elections will be in effect for the remainder of the calendar year unless you notify the Human Resources Division of a Qualifying Event within 31 days of the event.

QUALIFYING EVENT

A Qualifying Event is a change in your family status and includes:

- Change in legal marital status
 - marriage
 - death of spouse
 - divorce
 - legal separation
 - annulment
- Change in the number of dependents
 - birth
 - adoption
 - placement for adoption
 - death of a dependent
- Change in employment status
 - termination or commencement of employment of the employee, spouse or dependent (other than for misconduct)
- Changes in work schedule
 - an increase or decrease in the number of hours of employment by the employee, spouse or dependent
 - a switch between full-time and part-time status
 - a strike or lockout
 - commencement or return from an unpaid leave of absence
- The dependent satisfies or ceases to satisfy the requirements for unmarried dependents
 - attainment of age
 - student status
- A change in the place of residence or work site of the employee, spouse or dependent

You have 31 days from the date of a Qualifying Event to make changes to your contributions. The change requested must relate to the change in your family status that affects eligibility for Flexible Spending Account coverage. Changes are made by completing an enrollment form, available through the Human Resources Division. The completed form must be submitted, with proof of the Qualifying Event, to the Human Resources Division. Your contributions will then be changed for the remainder of the calendar year. Coverage will become effective as of the date of the event.

If you do not make a change to your contributions within 31 days of the Qualifying Event, you must wait until the next Open Enrollment Period.

MISCELLANEOUS

General Information

Information regarding the plan identification number, plan year, plan funding, type of plan, plan sponsor, plan administrator, agent for legal process, your rights under ERISA, prudent actions by plan fiduciaries, and modification, suspension, or termination of the plan can be found in the General Information section of this booklet.

Leave of Absence

If you are on an approved Leave of Absence, you may continue your Flexible Spending Accounts coverage by paying your elected contributions for the remainder of the calendar year. If you discontinue contributions, only expenses incurred prior to the leave will be eligible for reimbursement. If you discontinued contributions at the time of your leave, upon return to work, you may elect to participate for the remainder of the calendar year by completing an enrollment form.

Restrictions

Flexible Spending Accounts are allowable under Section 125 of the Internal Revenue Code, and certain restrictions apply to them.

- Determination of your annual contributions to your Flexible Spending Account(s) must be made prior to the start of the plan year.
- To be eligible for reimbursement, expenses must be incurred in the same year that your salary reductions are credited to the Plan.
- Health care expenses cannot be reimbursed from a Dependent Day Care Reimbursement Account, nor dependent day care expenses from a Health Care Reimbursement Account.
- All unused Account balances remaining at the end of a plan year are forfeited.
- Expenses reimbursed from your Account(s) cannot be claimed as deductions or credits on your federal income tax return.
- Re-enrollment is required each year to have your before-tax contributions made to the Flexible Spending Accounts Plan.
- The IRS considers the two Flexible Spending Accounts totally separate and thus, does not allow you to transfer money from one account to the other.

Termination of Coverage

Flexible Spending Accounts Plan benefits will cease on the earlier of the date your employment terminates or the date you are no longer eligible for coverage. You may continue your Flexible Spending Accounts coverage by paying your elected contributions for the remainder of the calendar year. If you discontinue contributions, only expenses incurred prior to your termination or ineligibility date will be eligible for reimbursement.