

**COUNTY OF MONTEREY  
ALTERNATIVE BENEFIT OPTION ACCOUNT  
FLEXIBLE BENEFIT PLAN  
SUMMARY PLAN DESCRIPTION (SPD)**

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**INTRODUCTION**

Monterey County (the “Employer”) is pleased to sponsor an employee benefit program known as an “Alternative Benefit Option Account Flexible Benefit Plan” (the ‘Plan’) for you and your fellow employees. It is called a cafeteria plan because it lets you choose from different benefit options according to your individual needs. The Plan includes a Section 125 plan that provides you with the opportunity to use pre-tax dollars to pay for qualified benefits. In addition, the plan offers post tax (taxable) benefits. You may utilize elective flexible credit dollars contributed by the Employer or you can utilize your own wages by entering into a salary reduction arrangement by which you elect to pay for the benefits instead of receiving a corresponding amount of your regular pay. The Section 125 part of the Flexible Benefit Plan helps you because the benefits you elect may be nontaxable. Under the Section 125 part of the plan, you save Social Security and income taxes on the amount of your Salary Reduction. Alternatively, you may choose to pay for some non-qualified benefits with after-tax elective flexible benefit credit dollars.

This Summary Plan Description (SPD) describes the basic features of the Alternative Benefit Option Account Flexible Benefit Plan, how it operates, and how you can get the maximum advantage from it. This document is only a summary of the key parts of the Plan, and a brief description of your rights as a participant; it is not a part of the official plan documents. There is a Section 125 official plan document you may refer to for specific rights and rules under the plan. If there is a conflict between this SPD and the Section 125 plan document, the Section 125 plan document will prevail.

Each benefit offered under the Plan may have provisions that are not described herein nor are part of the official plan document. If there is a conflict between any official benefit document and this SPD, the benefit document will prevail.

Individual primary medical insurance policies have provisions that are not described herein and are not a part of the official plan document.

**PART I  
GENERAL INFORMATION ABOUT THE  
ALTERNATIVE BENEFIT OPTION ACCOUNT  
FLEXIBLE BENEFIT PLAN**

Q-1. What is the purpose of the Alternative Benefit Option Account Flexible Benefit Plan?

The purpose of the Plan is to allow eligible employees to use funds provided through the employer and/or through employee salary reduction, to choose one or more of the Benefits offered through the Plan, and enable them to pay for the selected coverage(s) with pre-tax and/or post-tax dollars. The Plan is established for the exclusive benefit of participants, their covered dependents, and their beneficiaries, and is administered impartially for the benefit of all eligible employees.

Q-2. What benefits can I purchase through the Plan?

The Benefits currently offered under this Plan include the following:

Section 125 plan which includes the following pre-tax benefit options:

- Employee-Only Alternative benefit option account
- Dependent Alternative benefit option account

After tax (taxable) non-qualified flexible benefit plan options which include:

- Employee-Only Alternative benefit option account
- Dependent Alternative benefit option account
- Cash

The Benefits available under the Plan are more fully described in this SPD.

This Alternative Benefit Option Account Flexible Benefit Plan has been established under the Section 125 portion of the Flexible Benefit Plan in order to record contributions to and reimbursements from the Alternative Benefit Option Account. The Alternative Benefit Option Account is intended to qualify under Section 106 of the Code, so that the value of the qualified benefits you elect to receive may be excluded from your taxable compensation.

The various benefit options available will be described to you in information materials distributed prior to each Open Enrollment period. For the details regarding eligibility provisions, benefit amounts, and premium schedules, please refer to the plan summary of each of the above programs. Ask the Plan Administrator for copies.

Q-3. Who is eligible to participate in the Plan?

Permanent employees (as that term is defined in the Monterey County Personnel Policies and Practices Resolution #98-394) who are regularly scheduled to work 40 or more hours per pay period for the Employer are eligible to participate in the Plan.

**“Employee”** means an individual that the Employer classifies as a common-law employee and who is on the Employer’s W-2 payroll, but does not include any leased employee (including, but not limited to those individuals defined in Code Section 414(n)), or an individual classified by the Employer as an independent contractor, or as a temporary or casual employee, or any individual who performs services for the Employer but who is paid by a temporary or other employment agency such as “Kelly,” “Manpower,” etc. The term “Employee” includes “former employees” for the limited purpose of allowing continued eligibility for reimbursements hereunder for the remainder of the Plan Year in which an employee ceases to be employed by the Employer.

Those employees who actually participate in the Plan are called “participants”. An employee continues to participate until he or she: i) elects not to participate in accordance with Q-7; or ii) is no longer employed by the Employer.

Q-4. How may an Eligible Employee qualify to participate in the Plan?

To participate on a pre-tax basis, participants must:

- Be paying for a privately owned, individual, primary medical insurance policy (policy may not be through a spouses' employer provided group medical plan)
- Not be participating in any County sponsored medical insurance plan or any medical insurance plan to which the County contributes toward all or a portion of the premium costs however referenced (e.g., health stipend, contribution toward medical coverage, etc)

Q-5. What does the Employer contribute to the Plan?

Under the Plan, Participants may receive elective Flexible Benefit Credit Dollars as set forth below. Employees may elect Benefits within the Plan as described in Question 2 above, and, depending on the benefit, you may be entitled to use your flexible credit dollars and/or your own earnings on a pre-tax basis to pay for coverage under such Benefits.

The County contributes, to eligible Participants, elective Flexible Benefit Credit Dollars to the Alternative Benefit Option Account Flexible Benefit plan as follows:

Elective dollars. The County, pursuant to negotiated MOU's, provides the following elective flex plan credit dollars, depending on your bargaining unit. Note: if you are less than full-time consult with your departmental benefit coordinator to determine the amount of your elective flex dollars:

**Alternative Benefit Option - Alternative Benefit Option credits reduced by 1/2 for eligible, part-time employees**

	<i>A, B</i>	<i>C, D, E, G, L, X, O, Y</i>	<i>F, V, ZF</i>	<i>H, J, P, Q, ZJ</i>	<i>K</i>	<i>M</i>	<i>N</i>	<i>R</i>
Employee / Subscriber	263	263	310	310	320	263	263	263
Dependent	145	424	248	248	258	200	200	240
		Dependent cash out	Dependent cash out		Dependent cash out		Dependent cash out	Dependent cash out

Q-6. Can an employee who is not entitled to any elective flexible benefit dollars through the Alternative Benefit Option Account Flexible Benefit Plan still participate in the plan?

Yes. Employees may participate in order to designate a salary reduction, on a pre-tax basis, to accrue to the Alternative benefit option account.

Q-7. What tax advantages are available through the Plan?

The Section 125 portion of the Plan allows you to allocate all or a portion of the elective benefit dollars to the Alternative benefit option account on a pre-tax basis and/or withhold specified amounts from your salary or wages for such purpose prior to consideration of certain taxes. The amount you authorize to be withheld from your earnings on a pre-tax basis will not count as taxable income for Federal or Social Security tax purposes.

Suppose your monthly gross pay is \$2,500 per month and your pre-tax allocation to the Alternative benefit option account is \$140.00 per month. Also, suppose your total withholdings (income tax and Social Security) are 22.65%. After paying for coverage from your after-tax pay, your take home pay is \$1,794.00. However, under the pre-tax premium plan, you will be considered to have received only \$2,360.00 gross pay rather than \$2,500 for tax purposes with \$140.00 contributed to the Alternative benefit option account. This means your take home pay will be \$1,825.00 with the Pre-Tax Premium plan rather than \$1,794.00 without it. Thus, you save \$31.00 per month (\$372.00 per year) by participating in the pre-tax premium plan. The Table below illustrates this savings.

	<u>With Flexible Benefit Plan</u>	<u>Without Flexible Benefit Plan</u>
Gross Monthly Pay	\$2,500.00	\$2,500.00
Pre-Tax premium allocation	140.00	----
Taxable Income	<u>\$2,360.00</u>	<u>\$2,500.00</u>
Estimated Federal Tax (15%)	354.00	375.00
FICA Tax	181.00	191.00
After-Tax Coverage	---	<u>140.00</u>
Take Home Pay	<u>\$1,825.00</u>	<u>\$1,794.00</u>

The rules regarding the taxation of amounts withheld from your salary or wages for Federal, state or local income tax purposes are all subject to change.

**Q-8. How do I enroll in the Plan as a Participant?**

In any Plan Year, you will be entitled to participate in any of the Benefits described in Question #2. You will pay for coverage under such Benefits in the form of pre-tax or after-tax (taxable) Flexible Benefit Credit Dollars or Salary Reduction Dollars. The enrollment (election) form you complete identifies your benefit elections and authorizes the County to withhold an amount from your salary or wages equal to your out-of-pocket shares, if any. If you fail to make a benefit election or complete the enrollment form with respect to any Plan Year, you shall be deemed to have elected not to participate in the Alternative Benefit Option Account Flexible Benefit Plan for that Plan year.

You must make your elections with respect to a Plan Year during the Open Enrollment Period immediately preceding such Plan Year. Pre-Tax Salary Reduction Dollars used to purchase benefits under the Plans selected shall be deducted from your flexible deduction paychecks in substantially equal amounts throughout the Plan Year. Upon your termination of employment with the County, deductions of pre-tax Salary Reduction Dollars will cease.

The Benefits offered under the Plan may be changed from time to time in the sole discretion of the County. The Benefits currently offered under the Plan are described in Question #2. In the event of any changes in such Benefits, you will be notified by the Plan Administrator and provided with a Summary Plan Description (SPD).

In future years, a new Salary Reduction Agreement (benefit election form) will be made available to you by the first day of the Annual Enrollment Period, and you will be given the opportunity to confirm or change your choices made for the previous 12-month period for the coming 12 months beginning on the first day of the next Plan Year. Annual elections for participation in the Alternative Benefit Option Account Flexible Benefit Plan must be made by submitting a salary reduction agreement prior to the

beginning of each plan year; therefore a Participant who fails to complete, sign and file a Salary Reduction Agreement (benefit election form) as required shall be deemed to have elected to discontinue participation in the Plan and will not be permitted to re-enroll into the Plan until the next Annual Enrollment Period.

A-9. When is the Open Enrollment Period?

The Open Enrollment Period for a Plan year will generally be from September 1 through October 15 of the previous Plan Year. Benefit election changes made during open enrollment are effective January 1 (the first payroll deduction will be the last paycheck in December of the previous year). The Employer reserves the right to change the annual open enrollment period as needed.

Q-10. Can I change my election during the Plan Year?

Election changes during the Plan Year are regulated by the Internal Revenue Service not the Employer. Generally, you cannot change your Benefit elections you have selected during the Plan Year, although your election will terminate if you are no longer working for the Employer. You may change your Benefit elections only during the Annual Enrollment Period, and then only for the coming Plan Year.

There are several important exceptions to this general rule: You may change or revoke your previous elections during the Plan year if you file a written request for change with the Plan Administrator within 30 days of any of the following events:

1. **Change in Status.** If one or more of the following Changes in Status occur, you may revoke your old election and make a new election, provided that both the revocation and new election are on account of and correspond with (are consistent with) the Change in Status event (as described below). The occurrences which qualify as a Change in Status include the events described below, as well as any other events which the Plan Administrator determines are permitted under subsequent IRS regulations, but only when those events affect Benefit eligibility of either yourself, your spouse and/or your Dependents:
  - A change in your legal marital status (such as marriage, legal separation, annulment, divorce or death of your Spouse)
  - A change in the number of your tax Dependents (such as the birth of a child, adoption or placement for adoption of a Dependent, or death of a Dependent)
  - Any of the following events that change the employment status of you, your Spouse, or your Dependent and that affects benefit eligibility under either the Benefit Plan (including this Flexible Benefit Plan) of yours, your Spouse, or your Dependents. Such events include any of the following changes in employment status: termination or commencement of employment, a strike or lockout, a commencement of or return from an unpaid leave of absence, a change in worksite, switching from salaried to hourly-paid, bargaining unit, part-time to full-time and vice versa; a reduction or increase in hours of employment; or any other similar change which causes you, your Spouse and/or your Dependent's to become, or cease to be, eligible for a particular Benefit.
  - An event that causes your Dependent to satisfy or cease to satisfy an eligibility requirement for a particular benefit
  - A change in your, your Spouse's or your Dependent's place of residence

If a Change in Status occurs, you must inform the Plan Administrator and complete a new Salary Reduction Agreement (benefit election form) within 30 days of the occurrence. If you wish to change your election based on a Change in Status, you must establish that the Change in Status affects you, your Spouse's or your Dependent's Benefit eligibility and that the election change is on account of and corresponds with the Change in Status event. As a general rule, a desired election change will be found to be consistent with a Change in Status event if the event affects coverage eligibility. In

addition, you must also satisfy the following specific requirements in order to alter your election based on that Change in Status:

- *Loss of Dependent Eligibility.* A special rule governs which type of election changes are consistent with the Change in Status. For a change in Status involving your divorce, annulment or legal separation from your Spouse, the death of your Spouse or your Dependent, or your Dependent ceasing to satisfy the eligibility requirements for coverage, you may only elect to cancel health benefits for the affected Spouse or Dependent. A change in election for any individual other than your Spouse involved in the divorce, annulment, or legal separation, your deceased Spouse or Dependent, or your Dependent that ceased to satisfy the eligibility requirements would fail to correspond with that Change in Status.

**Example:** Employee Mike is married to Sharon, and they have one child. The employer offers a calendar year flexible benefit plan that allows employees to elect no health coverage, employee-only coverage, employee-plus-one-dependent coverage, or family coverage. Before the plan year, Mike elects family coverage for himself, his wife Sharon, and their child. Mike and Sharon subsequently divorce during the plan year; Sharon loses eligibility for coverage under the plan, while the child is still eligible for coverage under the plan. Mike now wishes to cancel his previous election and elect no health coverage. The divorce between Mike and Sharon constitutes a Change in Status. An election to cancel coverage for Sharon is consistent with this change in Status. However, an election to cancel coverage for Mike and/or the child is not consistent with this Change in Status. In contrast, an election to change to employee-plus-one-dependent coverage would be consistent with this change in Status.

- *Gain of Coverage Eligibility Under Another Employer's Plan.* For a Change in Status in which you, your Spouse, or your Dependent gain eligibility for coverage under another employer's cafeteria (flexible benefit) plan (or qualified benefit plan) as a result of a change in your marital status or a change in your, your Spouse's, or your Dependent's employment status, your election to cease or decrease coverage for that individual under the Plan would correspond with that Change in Status *only* if coverage for that individual becomes effective or is increased under the other employer's plan.
2. **Special Enrollment Rights.** If you, your Spouse and/or a Dependent are entitled to special enrollment rights under a group health plan, you may change your election to correspond with the special enrollment right. Thus, for example, if you declined enrollment in medical coverage for yourself or your eligible dependents because of other medical coverage and eligibility for such coverage is subsequently lost due to certain reasons (i.e., due to legal separation, divorce, death, termination of employment, reduction in hours, or exhaustion or COBRA period), you may be able to elect coverage under the Plan for yourself and your eligible dependents who lost such coverage. Furthermore, if you have a new dependent as a result of marriage, birth, adoption, or placement for adoption, you may also be able change your election provided that you request the change within 30 days after the marriage, birth, adoption, or placement for adoption.
  3. **Certain Judgments and Orders.** If a judgment, decree or order from a divorce, separation, annulment or custody change requires your Dependent child (including a foster child who is your tax Dependent) to be covered under this Plan you may change your election to provide coverage for the Dependent child. If the order requires that another individual (such as your former spouse) cover the Dependent child, you may change your election to revoke coverage for the child.
  4. **Entitlement to Medicare or Medicaid.** If you, your Spouse, or a Dependent becomes entitled to or loses medical coverage under Medicare or Medicaid, you may add or cancel that person's coverage under this Plan.
  5. **Loss of coverage Under Group Health Plan of Governmental or Educational Institution.** Mid-year election changes may be permitted on account of certain coverage losses under group health plans of certain governmental or educational institutions.
  6. **FMLA/COBRA.** Mid-year election changes may be permitted on account of qualifying FMLA leave or due to qualifying events leading to COBRA coverage eligibility.

Additionally, the Plan's Administrator may modify your election(s) downward during the Plan Year if you are a Key Employee or Highly Compensated Individual (as defined by the Internal Revenue Code), if necessary to prevent the Plan from becoming discriminatory within the meaning of the Federal income tax law.

Q-11. How are my Premium Reimbursements Made?

When you become a Participant, your premiums will be eligible to be reimbursed from that portion of your elective benefits and/or gross income that you have elected to forego through pre-tax Salary Reduction Dollars and/or Elective Flexible Benefit Credit Dollars.

Q-12. What if I terminate my employment during the Plan Year?

If your employment with the Employer is terminated during the Plan Year, your active participation in the Plan will cease, and you will not be able to make any more contributions to the Plan. If you are rehired within the same Plan year and are eligible for the Plan, your prior elections shall remain in effect for the remainder of the Plan year.

Q-13. Will I pay any administrative costs under the Plan?

The employer is currently bearing the entire cost of administering the Plan.

Q-14. How long will the Plan remain in effect:

Although the Employer expects to maintain the Plan indefinitely, it has the right to modify or terminate the program at any time. It is also possible that future changes in state of Federal tax laws may require that the Plan be amended accordingly.

A-15. What happens if a claim for benefits is denied?

If you are denied a benefit under this Plan (such as the ability to pay for premiums on a pre-tax basis) due to an issue germane to your coverage under this Plan (i.e., such as a determination of a Change in Status; a "significant" change in premiums charged; or eligibility and participation matters under the Flexible Benefit Plan document), the claims procedure under this Plan will apply, and you will be notified in writing by the Plan's Administrator within 90 days of the date you submitted your claim if the claim is denied. Such notification will set out the reasons your claim was denied, and further advise you of your right to request an administrative review of the denial of the claim; you may request a review any time within the 60-day period after you have received notice that the claim was denied. You or your authorized representative will have the opportunity to review any important documents held by the Plan Administrator, and to submit comments and other supporting information. In most cases, a decision will be reached within 60 days of the date of your request for a review.

Q-16. What effect will Plan participation have on Social Security and other benefits?

Plan participation on a pre-tax basis will reduce the amount of your taxable compensation. Accordingly, there could be a slight decrease in your Social Security benefits and/or other benefits (e.g., pension, disability and life insurance) which are based on taxable compensation.

## PART IV ALTERNATIVE BENEFIT OPTION ACCOUNT BENEFIT

You will have the opportunity to elect to receive income tax-free reimbursement for some or all of your premiums for a qualified, individually owned, private primary policy of medical insurance. Under this Plan, you purchase a specific level of Alternative Benefit Option Account benefits, paying for coverage through either the Flexible Benefit Credit Dollars and/or Salary Reduction Dollars (in lieu of a corresponding amount of current pay). This is done through the Salary Reduction Agreement (benefit election form). The contributions you make to the Alternative Benefit Option Account will be with pre-tax funds only if the privately held primary medical insurance policy meets specified criteria; otherwise the contributions you make to the Alternative Benefit Option Account will be on a post-tax (taxable) basis. The pre-tax arrangement helps you because the level of reimbursement you elect is nontaxable, and you save Social Security and income taxes on the amount of the premiums you pay.

Q-1. Who can participate in the Benefit?

Each employee who is eligible to participate in the Employer's other Flexible Benefits Plan may participate in the Alternative Benefit Option Account benefit. However, employees participating in a County sponsored medical plan or participating in a plan for which the County already pays a stipend or portion of the premium cannot participate in the Alternative Benefit Option Account Flexible Benefit Plan. Employees may enroll in a County sponsored plan for themselves and use the Alternative Benefit Option Account benefit of this Plan for their dependent coverage subject to all applicable rules. Employees may not participate in Alternative Benefit Option Account for themselves and concurrently cover their dependents under a County sponsored health care plan.

Q-2. How do I enroll in the Alternative Benefit Option Account benefit?

By electing the Alternative Benefit Option Account Benefit during the Initial or Annual Enrollment Periods.

Q-3. What is an "Alternative Benefit Option Account"?

If you elect benefits under this portion of the Plan, your contributions (via your flex plan) will accrue to the non-interest bearing Alternative Benefit Option Account. A record will be kept of each individual Participant's contributions, withdrawals and balances during each Plan Year.

Q-4. What annual benefits are available under the Alternative Benefit Option Account and how much will they cost?

You may choose any amount of Plan Year reimbursement you desire.

Q-5. How do I know how much to contribute to my Alternative Benefit Option Account?

Under the Alternative Benefit Option Account benefit, employees are only allowed to be reimbursed from their Alternative Benefit Option Account funds for the costs of properly substantiated medical insurance premiums. Any unclaimed funds remaining in the Account after the end of the plan year are forfeited to the employer. Therefore, employees participating in the Alternative Benefit Option Account benefit should contribute an amount that coincides with the annual anticipated cost of their private insurance premium. Employees who anticipate that their personally held medical insurance premiums will change sometime *during* the Flexible Benefit Plan Year need to closely estimate their

annual premium costs taking into consideration the cost of the premiums both before and after the anticipated increase.

Example: During open enrollment, Jane Doe is paying \$240/month for her privately owned, primary medical insurance. She anticipates that her premiums will remain \$240/month until June of the next Plan Year. At that time, she anticipates that her premium will increase by 10%. During open enrollment, Jane needs to calculate her next Plan Year's contribution to the Alternative Benefit Option Account as follows:

$$\begin{array}{r} \$240 \times 5 \text{ (January through May)} \\ \$264/\text{month } (\$240 \times 1.10\%) \times 7 \text{ (June through December)} + \underline{\$3,048} \\ \hline \$4,248 / 12 \text{ months} = \$254/\text{month} \end{array}$$

Q-6. Can I stop/change my Alternative Benefit Option Account benefit during the plan year?

Generally no. The amount that employees decide to contribute at open enrollment will be applicable to the entire plan year unless changed as the result of a qualifying status change discussed earlier.

Q-7. How is my Alternative Benefit Option Account benefit paid for?

When you complete the Salary Reduction Agreement (benefit election form), you specify the amount of Alternative Benefit Option Account you wish to pay for with your Salary Reduction and/or Elective Flexible Benefit Dollars. Thereafter, you must pay a contribution for such coverage by having an equal portion of the annual contribution deducted from each flexible benefit paycheck.

Q-8. What amounts will be available for Alternative Benefit Option Account reimbursement at any particular time during the Plan Year?

Provided that you have continued contributions due for this benefit, the amount available to you at any given time during the Plan Year will consist of the aggregate of your contributions to date minus any reimbursements made for premium claims.

Q-9. How do I submit claims/receive reimbursement under the Plan?

If you elect to participate in this Plan, you will have to take certain steps to be reimbursed for your eligible premiums expenses. When you incur an expense that is eligible for payment, you must submit a claim to the Plan's Administrator on a Claim form that will be supplied to you. You must include written statement(s)/bill(s) from an independent third party(ies) stating that the premium expense(s) have been incurred, and the amount of such expense(s) along with the Claim Form.

If you have paid the premiums for the coverage you have elected, you will be reimbursed for your Eligible Expenses, generally, in the month that follows the month you submitted the claim. Remember though, you cannot be reimbursed for any expenses above your currently available balance in the Alternative Benefit Option Account. If your claim was for an amount that was more than your current Account balance, the excess part of the claim will be carried over into following months, to be paid out as your balance becomes adequate. Remember, though, that you cannot be reimbursed for any total expenses above your available, annual credits to your Account.

Employees may start submitting claims directly to the Plan's Administrator after the beginning of each plan year. In order to be processed, claims must be:

- Substantiated. This means that the claim must include a statement of premium expenses from an independent third-party and a participant claim form certifying the amount of reimbursement requested
- For eligible expenses. The only eligible reimbursable expenses are the premiums paid for a privately paid medical insurance plan subject to the conditions in Q1.
- For expenses incurred within the plan year. “Incurred” means when the service that gives rise to an expense is performed. In the context of the Alternative Benefit Option Flexible Benefit Plan, incurred shall mean premium expense obligations of the employee that arise during the Plan Year, for services within the same Plan Year. This means that claims for reimbursement in 2001 must be for expenses incurred in 2001. Claims for premium expenses incurred outside the current plan year or claims for prospective premium expenses, eligible or not, will not be honored.

Properly submitted claims will be reimbursed directly to the employee from the Plan’s Administrator. Employees who enroll in the Alternative Benefit Option Account benefit will be provided with claims packets. Employees can submit claims for reimbursement as often as they wish. Reimbursements will be processed twice monthly beginning January of each plan year. At the end of each plan year, there is a run-out period of three months (January, February & March) in which employees may continue to submit prior year claims against the prior year’s plan. Once the run-out period has passed, any remaining funds in the trust fund are forfeited to the County.

To have your claims processed as soon as possible, please read the claims instructions you have been furnished. Please note that it is *not* necessary that you have actually paid an amount due to an Eligible Expense—only that you have *incurred* the expense, and that it is not being paid for or reimbursed from any other source.

Q-10. What is an “Eligible Expense?”

An “Eligible Expense” means a premium expense for an individually employee owned, private policy of primary medical insurance. The following limitations apply:

- employees purchasing their primary medical insurance through a group health plan of their spouse’s employer, may not receive their reimbursement on a pre-tax basis (this is an IRS rule). They may receive their reimbursement on a post-tax (taxable) basis.
- Employees may not be reimbursed for plan premium expenses for a plan sponsored by the County or for a plan to which the County contributes a stipend or any portion of the premium (e.g., Operating Engineers, CalPERS).
- Employees may only be reimbursed premiums for ONE primary medical insurance policy and employees in the Alternative Benefit Option Flexible Benefit Plan may not be concurrently enrolled in any County sponsored group health plan.

Q-11. How can I participate in the Alternative Benefit Option Account benefit if I purchase my private insurance through my spouses employer and thus am not eligible to be reimbursed on a pre-tax basis?

The County recognizes that many employees who currently participate in the ABO program are paying for their private insurance through an employer provided health plan (most likely their spouse’s plan). Since the Internal Revenue Service Code does NOT allow these employees to be reimbursed on a pre-tax basis, the County is providing the Alternative Benefit Option Account benefit option on a post-tax (taxable) basis.

Q-12. Will the post-tax reimbursement program work the same as the pre-tax?

The sign-up, account accrual and claims reimbursement processes will be the same. However the account accrual and claim reimbursement processes will work differently.

*How the pre-tax account accrual and claim reimbursement process will work:*

The employee pre-determines an amount on their Alternative Benefit Option Account Flexible Benefit election form that they will contribute to the Alternative Benefit Option Account, either from their elective flexible credits under the Plan or from their own salary on a pre-tax basis. This amount will automatically accrue to the Alternative Benefit Option Account on a monthly basis. When a employee submits a properly substantiated claim, the claims administrator will send the payment (reimbursement) directly to the employee from the funds in the Account.

*How the post-tax (taxable) claim reimbursement process will work:*

The employee pre-determines a monthly benefit amount on their Alternative Benefit Option Flexible Benefit Plan election form that is to be deducted from their elective flexible credits under the Plan. The employee is required to properly substantiate their coverage and the monthly premiums at their initial sign-up. The approved amount (reimbursement) will be automatically included in the employee's Alternative Benefit Option flex deduction paycheck on a post-tax basis (this means that the designated benefit amount will be added to the employee's regular earnings for the purposes of calculating income tax withholding).

Under the post-tax (taxable) process, the employee may utilize their elective flexible credits to pay for all or any portion of their premium expenses; however, no post-tax (taxable) out-of-pocket deductions will be necessary.

Q-13. When must the expenses be incurred that I may be reimbursed for?

Eligible Expenses must have been incurred during the same Plan Year in which they are reimbursed. Participants are given a 90 day run-out period at the end of each Plan Year during which they may still submit claims for reimbursement against the prior Plan Year. You may not be reimbursed for any expenses arising before the Plan Year became effective, before your Salary Reduction Agreement (benefit election form) becomes effective, or for any expenses incurred after the close of the Plan Year, or after a separation from service.

Q-14. What if the medical premium expenses I incur during the Plan Year are less than the annual amount I have elected for Alternative Benefit Option Account?

You will not be entitled to receive any direct or indirect payment of any amount that represents the difference between the actual medical premium expenses you have incurred, on the one hand, and the annual coverage level you have elected and paid for, on the other. Any amount allocated to the Alternative Benefit Option Account shall be forfeited by the Participant and restored to the Employer if it has not been applied to provide the elected benefit for any Plan Year by the ninetieth (90<sup>th</sup>) day following the end of the Plan year for which the election was effective. Such amounts will be forfeited to the Employer and the employee will have no further legal claim to those monies.

Q-15. Forfeiture of Unclaimed Alternative Benefit Option Account Benefits

Any Alternative Benefit Option Account benefit payments that are unclaimed (e.g., no claims were submitted or uncashed benefit checks) by the close of the Plan Year following the Plan Year in which the premium expense was incurred shall be forfeited.

Q-16. What happens if I go on leave of absence without pay?

Under current policy, employees on leave of absence without pay do not receive any paid benefits. Under the Alternative Benefit Option Account benefit program, employees going on a leave of absence must suspend their contributions to their Alternative Benefit Option Account benefit. They may continue to submit claims for reimbursement up to the amount they have contributed to their Alternative Benefit Option Account. Upon return from leave, the participant's annual contribution will be reduced proportional to the number of monthly contributions that were missed.

Q-17. What happens when I terminate employment?

Terminating employees cease participation in the Alternative Benefit Option Account as of their date of termination. Terminated employees have 90 days from their date of termination to submit claims for reimbursement of expenses incurred (spent) within the plan year up to the total amount they contributed prior to their termination.

### **PART III ELECTING LESS THAN THE MAXIMUM ANNUAL BENEFIT**

If you are in a bargaining unit that provides for a dependent 'cash-out' Benefit under the Plan, any portion of your ABO Dependent Elective Flexible Credit Dollars that you do not choose to apply toward the purchase of the Benefits in the Plan will be paid to you as regular, taxable Compensation, unless you are receiving a "cash-out" benefit through The County of Monterey Flexible Benefit Plan. Benefit options elected through the County of Monterey Flexible Benefit Plan in which a cash-out option is available to an eligible, participating employee, supersede any cash-out options available to said employee participating in dependent benefits through the County of Monterey Alternative Benefit Option Account Flexible Benefit Plan

### **PART IV ERISA RIGHTS**

Pursuant to Title 29 U.S.C. Sections 1003(b)(1) and 1002(32), government plans are exempt from the provisions of the Employee Retirement Income Security Act (ERISA).

### **PART V GENERAL INFORMATION ABOUT OUR PLAN**

This Section contains certain general information which you may need to know about the Plan.

#### 1. General Plan Information

The name of the Plan is "The County of Monterey Alternative Benefit Option Account Flexible Benefit Plan"

The Plan inception date is January 1, 2002

The Plan Year is each January 1 to December 31  
The Plan Administrator is the Employer  
The plan's administration is conducted by Employee Benefits Specialists

2. Employer Information

Your Employer's name and address are:

County of Monterey  
P. O. Box 1877  
Salinas, Ca 93902

3. Plan Administration Information

The name, address and business telephone number of the plan's administration is:

Employee Benefits Specialists  
5674 Stoneridge Drive, Suite 209  
Pleasanton, Ca 94588  
800-229-7683

4. Service of Legal Process

The name and address of the Plan's agent for service of legal process is:

County of Monterey  
County Administrative Office  
P. O. Box 1877  
Salinas, Ca 93902