

PRE-TAX HEALTH PREMIUM PLAN SUMMARY PLAN DESCRIPTION (SPD)

Introduction

The money you earn is important to you and your family. To help you keep more of your earnings, the Personal and Family Readiness Division offers you a *pre-tax premium conversion plan*. The Plan is called the Pre-Tax Health Premium Plan, and helps you because you don't pay federal income taxes on the money you spend for medical and dental premiums.

With the Pre-Tax Health Premium Plan, you can pay your medical and dental premiums to the Personal and Family Readiness Division's group health plan on a *pre-tax basis*. This means that your premiums are deducted from your pay before federal income taxes are calculated. Paying your premiums with pre-tax dollars can help you reduce the high cost of medical and dental care. The Plan was set up under Section 125 of the Internal Revenue Code of 1986, and has been in place since 1 January 1991.

This SPD describes the key provisions of this Plan and the benefits you will receive. The Plan described in this summary is governed by a plan document. Should there be a discrepancy between this summary and the provisions of the plan document, the provisions of the plan document will govern. In addition, you should not rely on any oral descriptions of the Plan, since the written descriptions in the plan document will always govern. If you have any questions, contact your local Marine Corps Community Service (MCCS) NAF personnel office.

Participating in the Plan

Effective 1 January 2001 the Pre-Tax Health Premium Plan became optional. You decide whether or not to participate in the Plan. Enrollment is automatic once you are eligible, but you may opt out as described below if you do not wish to participate.

Who is eligible

You are eligible to participate in the Plan if you are:

- a regular full time or regular part time nonappropriated fund civilian employee of nonappropriated fund Marine Corps Community Service or miscellaneous activities;
- regularly scheduled to work 20 or more hours a week;
- work in the U.S. or are a U. S. citizen; and
- are enrolled in the Personal and Family Readiness Division medical and dental plans.

If you wish to opt out

As a current health and dental plan participant, you may request to “opt out” of the Plan only during applicable selection period dates. All “opt out” elections made during the selection period will be effective 1 January following the selection period.

If you are new or have a category change (i.e. flexible to regular) and want to “opt out,” you may do so during your 31-day eligibility period. Otherwise, you will have to wait until the next selection period.

All MCCS NAF Personnel Offices will announce dates for annual selection periods so that you will have an opportunity to make a decision regarding your participation in the Plan.

Changing your enrollment

You may change your enrollment or cancel during a plan year *only* if you have a change in family status or other “qualifying event”. An allowable family status change includes (these are IRS imposed restrictions):

- Your marriage, divorce, legal separation, or annulment;
- The birth, adoption, or placement for adoption of a child;
- The death of your spouse or child;
- Change in your employment status, or that of your spouse, including termination or commencement of employment; change from an ineligible category (flexible) to an eligible category (regular full/time or regular/part time); or commencement of or return from an unpaid leave of absence;
- Dependent status – through ceasing to qualify due to age or student status;
- Change in your worksite or residence or that of your spouse or child;
- Eligibility for COBRA for your spouse or child;
- Acceptance by the Plan of a qualified medical child support order; or
- Entitlement to Medicare or Medicaid by you, your spouse, or your child.
- Employee can make an election change, during a period of coverage corresponding with an open enrollment period change made by a spouse or dependent when the individual’s employer has a different period of coverage.

Financial hardship is not considered a qualifying event for cancellation or changes to coverage.

If any of these events occur and you elect to change your coverage, please notify your local NAF personnel office within 31 days. This 31-day eligibility period applies to any change in coverage (due to addition of a dependent, etc.) You must supply written documentation (for example, a birth certificate for a new child) any qualifying event.

How the Plan Works

When you elect to participate in the Pre-Tax Health Premium Plan, your taxable gross income will be reduced by the amount of your medical and dental bi-weekly premiums. This means that your bi-weekly premiums are paid with pre-tax dollars.

The pre-tax advantage

The Plan offers you a tax advantage because you are already paying for your medical and dental benefits, but with money that has first been subject to income and Social Security taxes. Under this Plan, these same expenses will be paid for with a portion of your pay before federal income tax and Social Security tax are withheld. Tax treatment under state and local laws may vary.

The Plan's pre-tax premium option will reduce your income taxes and, in some cases, your Social Security taxes. This means that you will pay less tax and have more money to spend and save. To calculate your specific tax savings, please consult with your tax advisor.

The impact on Social Security

By paying your medical and dental premiums through the Plan, your Social Security earnings will reflect the reduction. The negative impact on your actual Social Security benefit is minimal. Typically, the advantage of your tax savings while employed is much greater than the impact on your Social Security entitlement.

Other Important Information

If you leave Marine Corps NAF employment or take a leave of absence:

If you terminate employment or take a leave of absence, your pre-tax deductions will automatically stop with your last paycheck and your participation in the Plan will end.

Changes in the law

Plan participants are allowed certain tax advantages through current tax laws. These laws and, therefore, the terms of the Plan, are subject to change. You will be notified if a change in the law requires changes to the Plan.

Retirees

Only active employees, enrolled in Personal and Readiness Division-administered medical and dental coverage, are entitled to participate in the Plan. The Pre-Tax Health Premium Plan does not apply to terminated or retired employees who elect continued or converted health insurance.

Family Medical Leave Act (FMLA)

If coverage lapses because an employee has not made required premium payments, upon the employee's return from FMLA leave the employer must restore the employee to the coverage/benefits level equivalent to those the employee would have had if leave had not been taken, and the premium payment(s) had not been missed, including family and/or dependent coverage. In such cases, an employee may not be required to meet any qualification requirements imposed by the plan(s), including any new pre-existing condition waiting period, to wait for an open season, or to pass a medical examination to obtain reinstatement of coverage.

Any premium arrears are due upon return to work from FMLA leave.

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