

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

Introduction

The money you earn is important to you and your family. To help you retain more of your earnings, the Semper Fit and Exchange Services Division offers you the opportunity to pay your medical and dental bi-weekly premiums with pre-tax dollars. This opportunity is called the Pre-Tax Health Premium Plan, and allows you to reduce your taxable gross earnings because you don't pay federal taxes on your bi-weekly medical and/or dental premiums.

With the Pre-Tax Health Premium Plan, you can pay your medical and dental premiums to your Marine Corps Nonappropriated Fund (NAF) employer sponsored health plans on a pre-tax basis. Your medical and/or dental premiums are deducted before your Federal 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 Service Code of 1986, and has been in place at the Marine Corps since 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 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 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 NAF civilian employee of a Marine Corps Community Service activity or miscellaneous NAF activity (such as the Billeting Funds);
- Paid on the U.S. payroll, have a Social Security Number (or Individual Tax Identification Number) and are subject to U. S. taxes and are not subject to a Status of Forces Agreement provisions that preclude eligibility
- Enrolled in a Marine Corps NAF employer sponsored medical and/or dental plan

If you wish to Opt Out

As a current medical and/or dental plan participant, you may request to “opt out” of the Plan only during applicable annual open enrollment period. All “opt out” elections made during the open enrollment period will be effective 1 January following the open enrollment period.

If you are a new employee or have a category change from the flex status 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 open enrollment period.

If you have a “qualifying” event you may be eligible to make a change during your 31 day eligibility period following the documented event. A description of possible eligible changes is provided below.

Changing your enrollment

You may change your enrollment or cancel during a plan year **ONLY** if you have a **documented change** in family status or other “qualifying event”. An allowable family status change includes (as required by the IRS):

- 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 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 Temporary Continuation of Coverage (COBRA-like) 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 to change, during a period of coverage corresponding with an open enrollment period change made by a spouse or dependent when that individual’s employer has a different period of coverage.

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

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

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 Plans, 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.

Paying premiums with pre-tax dollars may disqualify them from inclusion on annual income tax filing for medical tax deductions (if applicable).

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 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 the Marine Corps NAF administered medical and/or dental plan(s) 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 as required, 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

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

Flexible Spending Accounts (FSA)

If you are an eligible employee and enrolled in one or both of the Marine Corps NAF FSA plans your contributions to your FSA account are also deducted on a pre-tax basis. All FSA deferrals are subject to IRS requirements and guidelines, to include qualifying events. Specifications of the FSA plans are described in detail in the FSA summary plan description.

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