EDUCATORS BENEFIT CONSULTANTS

Health Reimbursement Arrangement

PLAN DOCUMENT

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EDUCATORS BENEFIT CONSULTANT'S (EBC)
Health Reimbursement Arrangement (HRA)
Plan Document

1. **Introduction:** Educators Benefit Consultants (hereinafter "EBC") is pleased to offer a Health Reimbursement Arrangement (hereinafter "HRA") that allows employers the opportunity to offer employees a funding vehicle by which they can pay for eligible health care expenses incurred by the employee, the employee's spouse, or dependents, on a tax-free basis. Contributions into the account are made tax-free and any interest or gains a Participant may experience are tax-free. Contributions will be made by employers, into a trust, and amounts credited to an employee's account can be used to pay for eligible health care expenses during active and/or post-employment.

   Participants will be able to choose from at least ten different investment options provided by a Trust Custodian. It is intended that assets in the program accumulate tax-free, and be paid out on a tax-free basis for medical expenses (in accordance with the combination of IRS Publication 502 and Internal Revenue Code Sections 213(d), 105, and 106).
2. **Glossary of Terms:**
   Agreement: Collective Bargaining Agreement or Memorandum of Understanding for union employees for non-union employees some type of written personnel policy.
   Auto Substantiation: Is the use of electronic means to verify the benefit eligibility of Card transactions
   Cardholder: HRA participant that is utilizing the prepaid benefits card
   COBRA: Means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended and as it pertains to continuation coverage.
   Dependent: A ***"dependent"*** includes a spouse and any person who can be legally claimed as a dependent for federal tax purposes. For HRA purposes a dependent is defined in Internal Revenue Code (IRC) Section 152 and IRC 105(b).
   Employer: An employment entity contracting with EBC to provide an HRA to their employees.
   FMLA: Means the Family Medical Leave Act of 1993
   Fund Trustee: Educators Benefit Consultants, LLC, a bonded third-party administrator, is the trustee of the HRA. The Trustee shall adjudicate claims and ensure the compliance of the Plan.
   Plan: The ***"Plan"*** refers to Educators Benefit Consultant's Health Reimbursement Arrangement (HRA) as described in this document.
   Plan Document: ***"Plan Document"*** is this document and future amendments to this document.
   Prepaid Benefit Card: Visa debit card available to HRA participants, on a voluntary basis, used to purchase medically eligible items.
   Trust Custodian: The ***"Trust Custodian"*** means the entity by which funds are held and investment options are offered, currently TD Ameritrade.
   Trust Document: The ***"Trust Document"*** is the legal document which governs and protects the assets of the Plan for the sole benefit of Plan participants.
   USERRA: Means the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended.
3. **Legal Authority:** EBC, intends that the Trust, hereby established, shall be exempt from income tax and FICA tax as a Voluntary Employee Beneficiary Association (hereinafter referred to as a ***"VEBA"***) as provided for under Section 501(c)(9) of the Internal Revenue Code of 1986, and as amended ***(the "IRC")***.

   This Plan is also known by the IRS and the Department of Treasury as an HRA, as described in Revenue Rulings 2002-41, 2006-36, and Notice 2002-45, and other relevant guidance resulting from the Patient Protection and Affordability Act of 2010.
4. **Fiduciary Responsibility:** The Trustee and the Trust Custodian are fiduciaries as provided for in the Trust and Plan Documents, and as such, are willing to hold and administer the Trust funds for the benefit of eligible participants and beneficiaries under and in accordance with the terms of the aforementioned documents.
5. **Employee and Employer Participation:**
   A. ***Eligibility Criteria:*** An employee shall become a participant on the date his/her employer opens an account and/or makes a contribution on his/her behalf.
   B. ***Participation Criteria:*** Employer participation is voluntary. An employer must complete and execute an employer enrollment form and provide all other necessary documents as required by EBC.

C. ***Union Employees:*** Amounts to be put into the account must be negotiated or agreed to by ***both*** the bargaining unit and the employer.

D. ***Non-Union Employees:*** Amounts to be put into the account must be included in a written personnel policy and must cover all employees covered under the personnel arrangement.

Once contributions are approved and established in a collective bargaining agreement (hereinafter referred to as Agreement) or personnel policy, all employees covered under the contract must participate as set out in the Agreement. An individual employee who meets the eligibility requirements set out in the Agreement cannot opt out of the HRA Plan, and participation is mandatory. Employees must complete and submit enrollment forms to EBC for HRA accounts to be established.

6. **Funding Sources:** An employer can contribute either a specified dollar amount or a percentage of employees' salaries into separate accounts established for each employee in the Trust fund. Contributions may be derived from one or more of the following sources, as determined by the employer and the union when applicable:

Employer Contributions: Contributions can be made in addition to salary and other benefits provided to employees.

Bargained Employee Contributions: An Agreement can mandate employee contributions. No voluntary employee contributions are allowed.

Sick or Vacation Pay Outs: Many employers pay unused vacation or sick leave as a taxable cash payment at the time an employee terminates employment. An Agreement can mandate that all or a portion of such cash payment will be paid to the HRA tax-free.

Funding arrangements shall be reviewed by an EBC representative to ensure compliance. EBC has sole discretion when determining funding legality and has the right to deny a funding source that does not meet IRS requirements. Contributions made for the benefit of non-union employees will be reviewed by EBC to ensure compliance with IRC 105(h). IRC 105(h) prohibits discrimination in favor of the highly compensated.

7. **Plan Assets and Investment Options:** Once the funds in a participant's account exceed *two thousand dollars* ($2,000) participants may elect to invest in any one or more of the available investment options in accordance with the Trust Document.[1] These funds are held in trust for the sole purpose of paying eligible health care expenses of participants, as provided in Sections 1 and 9 of this Plan Document and paying fees and expenses described in Section 6.2 of the Trust as established in the Trust Document. The investment choices and a description of each will be provided in an Addendum to this document.

Initially, all dollars put into a start-up account will default to the money market investment option or a fixed interest account of EBC's choice. The funds will remain invested in the money market or fixed interest account until a *two thousand dollar* ($2,000) minimum is reached. Once the minimum is met, the participant makes his/her own investment designations for amounts in excess of the $2,000 minimum. A participant may change his/her investment selections. Participants can contribute to as many of the additional available investment options as they wish. The additional investment options may impose individual investment restrictions or guidelines the participant must adhere to (e.g., minimum initial purchase and minimum periodic automatic investing. Participants will receive an account statement no less frequently than annually. Participants may go on-line to view their account information, with the use of a personal identification number, at will.

Neither EBC, nor the Trust Custodian, guarantees investment performance or returns nor assumes any liability for loss in any account.

8. **Administrative & Investment Fees:** All ***administrative fees*** are set by EBC and are set forth and agreed upon in a contract executed by authorized EBC and employer representatives.

All ***investment fees*** are established by the Fund Custodian and are set forth in an addendum to this Plan Document.

9. **Administrative Features:**

A. ***Plan Year:*** For administrative purposes, the plan year will be identified as a calendar year running from January 1 to December 31.

The $2,000 threshold may be adjusted to a higher amount by employer direction. Participants will be notified of any investment threshold changes.

B. ***Payouts – Eligibility:*** Participant's ability to draw from their account will be established by the employer in the Collective Bargaining Agreement for union employees and in the written personnel policy for non-union employees.
Hardship withdrawals or loans are not permitted under the HRA Plan. No cash disbursements other than for the reimbursement of substantiated eligible medical expenses shall be made from this account.

C. ***Coordinating Your HRA with a Medical Flexible Spending Account (FSA):*** If an employer sponsors an IRC Section 125 Medical Flexible Spending Account and an HRA, both of which provide coverage for the same medical care expenses, it is the intent of the employer that the HRA is not available for reimbursements of medical care expenses that are covered by the Medical FSA until funds in the Medical FSA are exhausted.

10. **Reimbursing Participants:**

A. ***Eligible Expenses:*** Expenses are "allowable" if they are for health care expenses (as defined in Internal Revenue Code Sections 213(d), 105 and 106) for an eligible participant, spouse, or dependent. Eligible expenses may include: copays, coinsurance, deductible amounts, doctor and dental bills, medical supplies and /or equipment, and prescription drugs. Other eligible expenses may include health insurance premiums, COBRA premiums and long term care premiums (up to the limit provided in IRS Publication 502). All claims for reimbursement will be verified against the most recent IRS rulings to ensure compliance with Internal Revenue Code sections 213(d), 105, and 106 and all other relevant law that resulted from the Patient Protection and Affordable Care Act of 2010 (PPACA).

Note: Effective January 1, 2011, reimbursement for expenses incurred for a medicine or a drug shall be treated as a reimbursement for medical expenses only if such medicine or drug is a prescribed drug. This includes drugs and medicines without regard to whether such drug or medicine is available without a prescription. Insulin is an exception to the new rule.

A participant may receive reimbursement for health care expenses up to the unused amount in the participant's HRA account. A health care expense is incurred at the time the medical care or service is provided, not when the expense is formally billed or paid. Expenses that are covered by your insurance are not eligible expenses. Expenses that have been reimbursed through a Medical FSA are not eligible expenses.

B. ***Eligibility – Participants:*** Employees' eligibility/participation in the Plan is established through the collective bargaining process for union employees and through a personnel policy or other mutually agreed upon written agreement. A Participant's spouse and/or legal dependent(s) as defined in Internal Revenue Code Sections 152 and 105(b) may indirectly share the Participant's benefits under the Plan through the Participant's submission of eligible expenses for reimbursement under the Plan.

11. **Paper Claims:**

A. ***Payouts – Proof of Expenses:*** In order to receive reimbursement for eligible medical expenses, a participant must complete the EBC "Health Reimbursement Arrangement Claim Form" and attach any invoices or receipts, and/or any other documentation that EBC determines is needed to verify that the expense is a legitimate expense.

B. ***Proper Receipts:*** EBC must follow IRS substantiation guidelines for electronic and paper claims alike. All receipts accompanying a claim shall provide the following information to EBC:

- ***Date of service or purchase; and***
- ***Description of product or service; and***
- ***Cost of product or service; and***
- ***Whom received the product or service purchased***

If a receipt does not provide EBC with the information bulleted above the receipt does not substantiate the expense. The Participant will receive a ***"Letter of Non-Paid Claim"*** or an e-mail requesting a proper receipt or additional information. Until a proper receipt is received the expense has not been substantiated and shall not be paid. A proper receipt does not include a cancelled check or a check carbon. A receipt must be provided through the service or product provider. Participants can not self-certify an expense. A statement that provides a balance forward does not qualify as a proper receipt; unless, all the bulleted items listed above are clearly provided on that statement.

C. ***Denied Claim:*** If a claim is denied, EBC will notify the participant in writing (within 7 days) or by electronic communication if agreed upon, of why the claim was denied. If appropriate, participant may resubmit claim

with any additional receipts or provider explanation necessary. EBC will not reimburse for any claims other than those allowed under the Internal Revenue Code's rules and regulations.

D. ***Payout – Schedule:*** Out-of-pocket expenses will be paid out at least quarterly—unless another payout schedule has been arranged by the employer and EBC. Premium payments will be paid out at least once a month unless another arrangement has been made between the employer and EBC.

EBC shall establish any procedures necessary to process payments and transfer funds or mail reimbursement checks to participants.

12. **Prepaid Benefits Card:** Some Employers will provide the opportunity for participants to use a ***"Prepaid Benefits Card"*** hereinafter referred to as the Card to reimburse for eligible health care expenses. Since the IRS requires that 100% of HRA claims be substantiated the IRS provides a number of approved auto-substantiation methods to meet that goal at approved merchants.

A. ***Approved Merchants:***

IIAS Merchants - The Card can be used to pay for eligible medical items at merchants using the Inventory Information Approval System (IIAS). **Transactions at these merchants are fully substantiated and no paper follow-up is needed**. A list of IIAS Merchants is available on our website at www.ebcsolutions.com. Click on the picture of the Benny Card and then click on the ***List of Participating Merchants*** link.

90% Merchants: The Card may also be used at merchants that have been identified through a Merchant Category Code system (MCC). These merchants are eligible because 90% of their revenue is from sales of medically eligible items. These merchants are sometimes referred to as 90% merchants. Transactions at these merchants are substantiated via the following IRS approved methods:

- **Co-Pay Matching** – Entered in our system from information given to us from the employer
- **Recurring Expense Logic** – Entered in our system from information given to us by the employee. Pattern is noticed by the system for same payment amounts, (e.g., monthly orthodontia payments)
- **After-The-Fact Substantiation** – Letters or e-mails are sent out to participant requesting receipts to verify the expense. When the Cardholder uses the Card to pay for eligible items at an IIAS merchant that accepts Visa®, eligible expenses are deducted from the account balance at the point of sale. Transactions are fully substantiated, and no paper follow-up is needed. The Card can also be used to pay a hospital, doctor, dentist, or vision provider that accepts Visa®. The Plan uses IRS approved auto-substantiation technology to electronically verify the transaction's eligibility.

To assure compliance with IRS regulations, The Card uses the ***maximum*** electronic substantiation capabilities to drive the ***minimum*** amount of paper. At the point of sale, the Card screens transactions first by availability of IIAS and by MCC, enabling us to disallow use of the Card in locations that do not relate to the benefits (e.g., gas stations). The Card uses the following substantiation options:

B. ***All IRS Approved Auto-Substantiation Solutions Utilized by EBC:***

Merchants Using Inventory Information Approval Systems (IIAS) – When the Cardholder makes a purchase at merchant using IIAS, the merchant's system automatically recognizes and separates Medical FSA-eligible from non-eligible purchases. Eligible purchases can be placed on the Card, and the consumer is asked for an alternative payment method for ineligible items. The IRS mandated that pharmacies, mail-order pharmacies, discount stores, department stores, and supermarkets all have to use IIAS to continue accepting benefits debit cards.

Patented Real-Time Data Matching at Point of Sale – The Card has in place direct data links with the premier pharmacy benefit managers (PBMs). Real-time substantiation occurs during the Card swipe authorization in the pharmacy prior to the transaction's being approved, and requires no special handling on the part of the merchant or Cardholder. The Card transaction is matched to the claims data at the point of sale. If they match, the Card swipe transaction is approved and considered substantiated, requiring no further action. If the transaction cannot be matched, it is declined. This method is ideal for plan designs that require more information than is available through IIAS alone, for example, insurance plans with a restricted prescription formulary.

Retrospective Data Matching – Paid Card transactions are compared to adjudicated claims from health plan, vision, and dental carriers. If they match, the Card swipe transaction is considered substantiated and requires no further action. The Card provider currently receives feeds from over 145 carriers.

Employee-Level Copayment Matching – EBC collects employee copayment information from the employer and provides it to the Card administrator, which matches it retrospectively against the Card transactions. The Card system automatically calculates multiple and combination copayments (up to 5) consistent with IRS guidelines.

Recurring Expense Logic – After a transaction has been substantiated once, transactions for the same amount in the same setting are substantiated electronically and do not require another review.

C. ***When Auto-Substantiation Methods Are Not Available or Fail:*** If the Card is unable to substantiate the transaction automatically after applying all the IRS-approved methods, the Cardholder will receive a letter or e-mail requesting a receipt to ensure compliance with IRS substantiation regulations. The Card's management system provides full support to EBC for this process. EBC will send out two notices (mail or e-mail) for substantiation then the Card will be turned off until receipts are received or funds are returned.

D. ***When Paper Claims Are Necessary:*** Although using the Card will automatically adjudicate the majority of transactions, in cases where the Card isn't used, the Cardholder can pay by other means and apply for reimbursement using EBC's normal manual claims process. All Card transactions and related balances are synchronized using file interfaces. The single database holding the Participant's information is updated to reflect both the Card swipe transactions and any paper transactions that EBC has manually processed and is pending for payment.

E. ***Card Reporting:*** EBC has access to Card transaction and account usage activity in real time and uses it to monitor the daily efficiency of Card processing. Daily reports are provided to EBC through a secure URL.

F. ***Card Activation:*** The Card system captures the production and mail dates for each Card, so EBC can respond to customer inquiries. Following best practices for Card security, Cards are not active when delivered. Prior to first usage, the Card must be activated by either calling the Interactive Voice Response (IVR) toll-free number or accessing the web site listed on the Card. Upon activation, both Cards will be available for use. By activating the Card, Cardholders consent to abide by the Cardholder agreement.

G. ***Participant Enrollment:*** Eligible Participants may sign up for the Card at any time during the Plan Year after the Card has been implemented by the employer. The cost of the Card will be prorated based on the monthly cost.

H. ***Lost or Stolen Cards:*** Cards that are lost or stolen must be reported to EBC immediately. Lost or stolen cards will be shut off and a new Card will be reissued. Report a lost or stolen Card to:

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Cambridge, MN 55008
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13. **Nondiscrimination in the Plan:** Any interpretations required, or discretionary powers granted, in connection with this Plan shall be made and exercised in a nondiscriminatory manner. The provisions of the Plan shall be construed, and the Plan shall be operated, so that it satisfies all applicable nondiscrimination requirements set forth in the Code and Regulations, including without limitation those prescribed under IRC Section 105(h).
14. **FMLA and USERRA Leaves of Absence:** Notwithstanding any provision to the contrary in this Plan, if a participant goes on a qualifying leave under the FMLA or USERRA, then to the extent required by law, as applicable, the employer will continue to maintain the participant's benefits on the same terms and conditions as if the participant were still an active employee.
15. **Compliance With COBRA:** If the employer normally employed more than 19 employees on a typical business day during the calendar year preceding the Plan Year, and if this Plan is neither a governmental plan nor a church plan, COBRA shall apply in the event that a qualifying event as defined under IRC Section 4980B relating to COBRA, causes a Participant to lose coverage under this Plan, but only to the extent required by and in accordance with COBRA and only if cash contributions are made by the covered individual within the period of time required by COBRA.
16. **Establishing Plan Rules:** EBC may establish Plan rules regarding the administrative functions and items that are not clearly articulated in Federal or State Law. EBC will notify participating employers and employees in

writing of any Plan changes. The notification shall be written and shall be distributed to aforementioned parties at least 60 days prior to implementation.

17. **Procedures for Amending the Plan:** EBC has the authority to amend the Plan at any time, in whole or in part. Plan participants will be given written notification at least 60 days prior to effective date of any Plan changes.

    Changes imposed by the Internal Revenue Service, either by law change, regulations or ruling, will be effective immediately.

18. **Divorce and Child Support Procedures:** None of the money in the HRA is assignable either in law or in equity or subject to estate tax, or to execution levy, attachment, garnishment, or other legal processes. It may be used to reimburse parties to a divorce or a qualified domestic relations order.

19. **Plan Termination:** EBC, in its discretion, may authorize the termination of the Plan. Amounts credited to the participants' accounts will remain in the participants' accounts. Individual participants will continue to utilize their accounts as set out in this Plan Document until their accounts are exhausted.

20. **Death of Participant:** As established by Internal Revenue Ruling 2006-36, if a participant passes away, the employee's spouse and/or legal dependent(s) (dependent as defined in Internal Revenue Service Code, section 152 and 105(b)) continue to use the funds in the account on a tax-free basis for their eligible health care expenses.

    If participant passes away leaving behind no legal dependents the funds in the account may be used to pay for final and remaining eligible expenses incurred up to the date of death. Any funds remaining, after final eligible expenses are paid, will be returned to the sponsoring employer and employer contributions into the HRA will cease.