

RESOLUTION NO. 2157

**CITY OF WARRENTON ADOPTING A
CAFETERIA PLAN
FOR ITS EMPLOYEES**

Introduced by all Commissioners

Whereas, the governing body of the City of Warrenton finds and determines that it is in the interest of the public, the City of Warrenton and the City of Warrenton employees that the City of Warrenton offer an Internal Revenue Code Section 125 Cafeteria Plan to its employees; and

Whereas, the Cafeteria Plan provides sufficient flexibility to permit employees of the City of Warrenton to select benefits that most suit their needs by providing a choice between cash wages and the option to convert wages to premiums in order to cover their insurance contributions; and

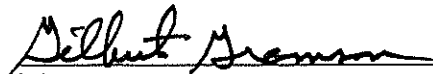
Whereas, the Plan as set forth will allow the employees and the City of Warrenton to share health care utilization, to share responsibility for health care costs and to pursue future means of moderating insurance premium increases.

Now, therefore, be it resolved by the governing body of the City of Warrenton that the City of Warrenton does hereby adopt the employee benefit plan effective August 1, 2006 and authorizes the City Manager to exercise the City's non-fiduciary authority over the Plan and appoints the Plan Administrator, as defined in the Summary Plan Description of the Plan to administer the Plan as a fiduciary of the Plan.

This resolution is effective on August 1, 2006.


Passed by the Warrenton City Commission this 25th day of July in the year of 2006.

Approved by the Mayor of the City of Warrenton this 25th day of July in the year of 2006.



Mayor

ATTEST:



City Recorder



Flexible Benefits

Enjoy More Benefits and Take Home More Money



CONEXIS Flexible Benefits: Add Benefits. Subtract Taxes.

Congratulations! Your employer, through City County Insurance Services (CIS), has decided to offer a Flexible Benefits Plan, also known as a Cafeteria Plan, at your workplace. Signing up for this program is a smart move – you'll enjoy more benefits, increase your take-home pay and lower your taxes — all at the same time. Sound too good to be true? Fortunately, it's all true, but only if you enroll now. It's fast. It's easy.

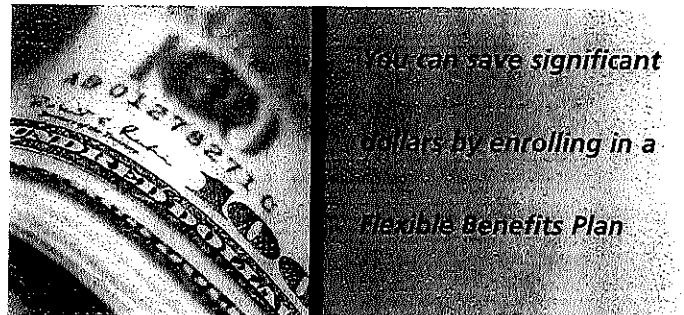
If Congress is Giving You a Tax Break, Shouldn't You Be Taking It?

In 1978, Congress passed legislation authorizing the use of Flexible Benefits Plans, also known as Cafeteria Plans or Section 125 and Section 132 plans. A Flexible Benefits Plan allows you to withhold a portion of your paycheck on a pre-tax basis to pay for healthcare, dependent care or other expenses that are not covered by your employer's benefit plan.

Recent court rulings and flexible spending benefit card innovations are making these plans more attractive and easier to use than ever before. Now you can even use the funds in your flexible benefit account to purchase many over-the-counter (OTC) medications and other eligible items.

The net savings can be substantial, and it's yours for the taking. Perhaps you've heard your friends talking about a similar program they use to pay for things like insurance premiums, eyeglasses, dependent care or even OTC medications and other eligible items. Now it's your turn to SAVE MONEY!

- *Since these pre-tax deductions lower your taxable salary, you pay fewer taxes.*
- *Reimbursement funds are not subject to any taxes.*



A Range of Money-saving Options

- 1. Premium Only Plan** – Redirect a portion of your salary on a pre-tax basis to pay for employer-sponsored insurance program premiums.
- 2. Section 125-Healthcare Flexible Spending Account** – Use pre-tax dollars from your salary to pay for medical, dental and vision expenses not covered by your employer's benefit plan.

- 3. Section 129-Dependent Care Assistance Plan** – Make pre-tax contributions to this account for employment-related child or adult dependent care expenses.

CIS Plan Year

The plan year runs August 1 through July 31. All expenses must be incurred during that time to be eligible for reimbursement.

CONEXIS Direct Deposit

CONEXIS offers flexible benefit claims reimbursement through direct deposit. Simply complete a CONEXIS direct deposit (ACH) form to have your approved claims deposited directly into your checking or savings account.

Premium Only Plan

Pay your share of premiums for your employer-sponsored insurance plans with pre-tax dollars. Keep the same benefits while lowering your taxes and increasing your take-home pay with pre-tax premium contributions. (See tax savings example under the "How the Plan Works" section.)

What Expenses Qualify Under A Premium Only Plan?

- Medical insurance premiums
- Dental insurance premiums
- Vision insurance premiums
- Group Term Life insurance premiums (up to \$50,000 coverage for employee-only)
- Disability/Income insurance premiums*
- Other qualified voluntary insurance*

Your employer must elect these premiums to be eligible through the plan.

**Please note that when disability and other voluntary insurance premiums are deducted on a pre-tax basis through a Flexible Benefits Plan, any income received from the policy becomes taxable income to the recipient. You may wish to speak with a tax professional to determine if this makes sense for you.*

Section 125-Healthcare Flexible Spending Account (FSA)

Use pre-tax dollars for a variety of qualified healthcare expenses. Your participation will increase your disposable income by reducing your taxes when you have qualified out-of-pocket healthcare expenses that can be reimbursed through the Flexible Benefits Plan. Our easy-to-use online savings calculator will help you estimate the amount of funds you should set aside. Your Flexible Spending Account (FSA) acts much like a savings account that covers future healthcare expenses such as those listed on the following page.

Your annual limit for qualified healthcare expenses is \$5,000.

Eligible Healthcare FSA Expenses (partial list) – please see the Quick Reference Expense Guide at www.conexis.org for a full list.

- Ambulance hire
- Artificial limbs and teeth
- Automobile modification (hand controls, special equipment, mechanical lifts)
- Braille books & magazines
- Contact lenses & solutions
- Crutches/slings
- Doctor copays
- Eyeglasses
- Halfway house residency
- Hearing devices
- Hospital bills
- Iron lungs, operating cost
- Laetrile, when prescribed by doctor
- Laser eye surgery
- Lifetime care at medical facility
- Eligible over-the-counter medications
- Nursing care
- Obstetrical expenses
- Oxygen equipment
- Prescription drugs
- Rental of medical or healing equipment (requires doctor's note)
- Seeing-eye dogs
- Special education
- Special television that provides hearing impaired individuals with display of audio portion of television programs
- Telephones for the hearing impaired
- Transportation expense relative to illness (including doctor's office)
- X-rays

Expenses incurred for the following services are eligible for reimbursement if accompanied by an authorized referral and as treatment for a specific ailment.

- Acupuncture
- Chiropracist
- Chiropractor
- Christian Science practitioner office visits
- Clinic
- Dentist
- Diagnosis
- Diathermy
- Examination, physical
- Family counseling (no marriage counseling)
- Gynecologist
- Hospital
- Laboratory
- Lip reading lessons for the hearing impaired
- Midwife
- Nurse
- Obstetrician
- Oculist
- Operation
- Ophthalmologist
- Optician
- Optometrist
- Oral Surgeon
- Osteopath
- Pediatrician
- Physician
- Physiotherapist
- Podiatrist
- Practical nurse
- Psychiatrist
- Psychoanalyst
- Psychologist
- Psychopathologist
- Sanitarium
- Specialist
- Surgeon (when prescribed as treatment for a specific disease)

Coverage of Over-the-Counter Products

One of the most exciting changes to Flexible Benefits Plans in recent years is a provision that allows for coverage of certain OTC medications and other eligible items. The new rules make purchasing OTCs not only easy, but also much more affordable. OTC products covered include those that are used primarily for medical care, including antihistamines, allergy and migraine medications and smoking cessation products. Some OTC medications such as sleep aids and diet products are also covered, if authorized by your healthcare provider and the condition being treated is noted. A detailed list of products covered is included on our Web site. Be sure to check the list carefully before purchasing your OTCs as you will be responsible for repaying purchases not covered.

Common expenses that are not eligible for reimbursement include: Insurance premiums, cosmetic surgery for non-medical reasons (including liposuction, hair transplants and electrolysis), weight loss programs (unless physician prescribed for treatment of a specific illness) and orthodontia services not received during the plan year.

Section 129-Dependent Care Assistance Plan

Use pre-tax dollars for a variety of dependent care expenses, such as day care. By using pre-tax dollars for dependent care expenses, you will reduce your taxes while increasing your disposable income. Our easy-to-use online savings calculator will help you estimate the amount of funds you should set aside. Your Dependent Care Assistance Plan acts much like a savings account, allowing you to put up to \$5,000 in a calendar year aside to cover dependent care expenses. Remember to consider your additional expenses during the summer months and reduced expenses during any vacation. Expenses reimbursed through a Dependent Care Assistance Plan cannot also be claimed as a tax credit on your taxes. Please be sure to check which option offers you the better tax benefit.

What Expenses Qualify Under A Dependent Care Assistance Plan?

To qualify as an expense under a Dependent Care Assistance Program (DCAP), the expense must be related to dependent care that enables an individual or married couple to remain gainfully employed or to look for work. If married, your spouse must work or be a full-time student. Some examples are:

- **Care of a dependent child** under the age of 13 by babysitters, nursery schools, pre-school or day care centers.
- **Care for any member of your household who is physically or mentally incapable of caring for him/herself** and for whom you can claim an exemption.
- **Care for an elderly dependent family member** who lives with you and qualifies as a tax dependent.



Your Dependent Care Assistance Plan allows you to set aside up to \$5,000 to cover dependent care expenses.

How The Plans Work

Premium Only Plan

- The amount you currently pay toward qualified employer-sponsored benefits, such as medical, dental and vision will be deducted on a pre-tax basis.
- Since your taxable income is reduced, you will reduce your taxes while increasing your disposable income.
- To participate, complete the enrollment form provided by your employer.

Flexible Spending Accounts (FSA)

(Healthcare, Dependent Care Assistance and Transportation)

- Before you enroll, use our online savings calculator to decide how much you want to set aside for allowable out-of-pocket healthcare and/or dependent care and/or transportation expenses. Your election amount should conservatively match your estimated expenses for the plan year.
- Complete the Flexible Benefits Enrollment Form provided by your employer.
- Each pay period an equal portion of your annual election amount will be deducted from your gross pay and transferred into your FSA prior to calculating federal and state income and social security taxes. Again, by participating in an FSA program, you will reduce your taxes while increasing your disposable income.

Flexible Spending Plan Savings Comparison

	With CONEXIS	Without CONEXIS
Semi-monthly Gross Income	\$1,500	\$1,500
Health Insurance Premiums	-\$25	\$0
Healthcare Expenses	-\$25	\$0
Dependent Care Expenses	-\$208	\$0
Total Pre-Tax Flex Plan Elections	-\$258	
Taxable Income	\$1,242	\$1,500
Withholding Taxes:		
Federal Income Tax (13.35%)	\$168	\$200
State Income Tax (4%)	\$50	\$60
F.I.C.A. (Social Security - 7.65%)	\$95	\$115
Total Withholding Taxes	\$313	\$375
Post-Tax Expenses	\$0	\$258
Adjusted Net Income	\$931	\$867
Savings Per Paycheck	\$64	\$0
Annual Savings	\$1,536	\$0



How Reimbursement Works

Simply complete a claim reimbursement form and submit it along with all proper expense documentation (purchase receipts, EOBs, etc...) to CONEXIS. Upon receipt, a CONEXIS claims processor will review your claim and process it for payment after verifying the eligibility of all expenses and confirming receipt of all proper documentation.

Healthcare and dependent care reimbursement claim forms are available to download from the CONEXIS Web site at www.conexis.org or the CIS Web site at www.cciservices.com/Benefits/forms. If you do not have Web access, please contact a CONEXIS participant service representative at 866-279-8385.

(Note: This is an estimated tax savings. Your savings could be different based on your state of residence, tax bracket and other factors.)

We're Here For You — 24 Hours a Day, 7 Days a Week!

Our industry-leading, Web-based technology provides you with the tools and resources necessary to determine how to maximize your benefits and tax savings by participating in a Flexible Benefits Plan. We also have an online video presentation that explains how these pre-tax plans work to help you make an informed decision. And our online savings calculator takes the guesswork out of estimating your annual expenses, as well as your monthly and annual savings.

Here are just some of the things you can do online at www.conexis.org:

- **Check the status of a reimbursement claim** – View the status of your claim within days after you've faxed it to us, including the amount of your reimbursement check and when it was sent.
- **View your account history** – Access your entire Healthcare and Dependent Care FSA payment history, including all pending, approved and denied claims for the plan year.
- **Get answers to your questions** – In addition to numerous FAQs (frequently asked questions) available on the CONEXIS Web site, you can also e-mail us anytime with your questions or comments at: customerdelivery@conexis.com.

Other Important Plan Information

The Use-It-Or-Lose-It Rule

A Flexible Benefits Plan can improve your cash flow and save you taxes. However, IRS regulations require that all money contributed to a Flexible Spending Account (FSA) in any plan year may only be used to reimburse qualified expenses incurred during that plan year. Money not used to reimburse eligible expenses is forfeited. The unused portion of an FSA may not be paid to participants in cash or other benefits, including transferring money between FSAs. For this reason, it is critical for you to consider your annual out-of-pocket expenses carefully (our online savings calculator can help). Then, choose a conservative election amount to reduce the risk of forfeiture.

Election Changes

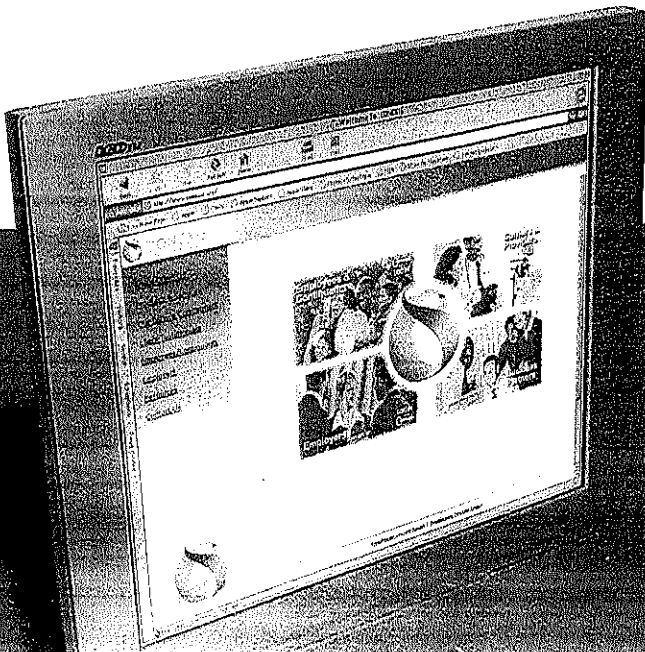
You will be given the opportunity to make new elections during the annual open enrollment. Once you have made your elections and a plan year has commenced, IRS rules allow you to change your election (increase, decrease or stop your pre-tax contribution) during the plan year only if you have a change in status event and the requested change is consistent with the event. These include marriage, divorce, death, birth or adoption, an unpaid leave of absence, a spouse's employment termination or a significant change in your family's healthcare related to your spouse's employment.

Contact Us

- **By phone** – 866.279.8385
- **By fax** – 888.866.3312

Signing Up Is A Simple 3-Step Process

1. Simply estimate your annual expenses using our online savings calculator.
2. Complete your enrollment form.
3. Save money!



We're Here For You – 24 Hours a Day, 7 Days a Week!

CONEXIS' leading-edge technology provides you with the tools and resources you need to determine how to maximize your benefits and tax savings by participating in a Flexible Benefits Plan. We even have a real-time video presentation to help explain how these pre-tax plans work, so you can make an informed decision from the comfort of your home, allowing you to discuss your decisions with those that matter most...your family! And our Online Savings Calculator will help take the guesswork out of estimating your annual expenses, as well as monthly and annual savings.

Sponsored by your employer and City County Insurance Services (CIS)



The programs described in this brochure are offered by your employer and City County Insurance Services (CIS). CIS, based in Salem, is the leading sponsor of employee benefits for local public employees in Oregon. By bringing city and county employers together for the purchase of benefits, your employer is able to obtain comprehensive benefit plans, often at a lesser cost than it would be able to purchase on its own.



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6191 North State Highway 16
Suite 400
Irving, TX 75038

MASTER CAFETERIA PLAN

This Document is effective for the Sponsoring Employer as set forth in the Plan Information Appendix

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PREAMBLE

Effective as of the date set forth in the attached Plan Information Appendix, the Sponsor Employer has adopted the Master Cafeteria Plan as its own, as sponsoring employer, for the benefit of its Employees for purposes of providing eligible Employees with the opportunity to choose from among the Benefit Package Options available under the Plan. The Plan is intended to qualify as a cafeteria plan under the provisions of Code Section 125.

MASTER CAFETERIA PLAN

ARTICLE I DEFINITIONS

1.01 "**Affiliated Employer**" means any entity that is considered with the Employer to be a single employer in accordance with Code Section 414(b), (c), or (m).

1.02 "**After-tax Contribution(s)**" means amounts withheld from an Employee's Compensation pursuant to a Salary Reduction Agreement after all applicable state and federal taxes have been deducted. Such amounts are withheld for purposes of purchasing one or more of the Benefit Package Options available under the Plan.

1.03 "**Anniversary Date**" means the first day of any Plan Year.

1.04 "**Benefit Package Option(s)**" means those Qualified Benefits available to a Participant under this Plan as set forth in the Summary Plan Description, as amended and/or restated from time to time.

1.05 "**Board of Directors**" means the Board of Directors or other governing body of the Employer (the "Board") such as the Board of Governors. The Board, upon adoption of this Plan, appoints the City Manager to exercise the Employer's non-fiduciary authority over the Plan and appoints the Plan Administrator to administer the Plan as a fiduciary of the Plan.

1.06 "**Change in Status**" means any of the events described in the Summary Plan Description, as well as any other events included under subsequent changes to Code Section 125 or regulations issued under Code Section 125, that the Plan Administrator (in its sole discretion) decides to recognize on a uniform and consistent basis as a reason to change the election mid-year. Note: See the Summary Plan Description for requirements that must be met to permit certain mid-year election changes on account of a Change in Status.

1.07 "**Code**" means the Internal Revenue Code of 1986, as amended.

1.08 "**Compensation**" means the cash wages or salary paid to an Employee by the Employer.

1.09 "**Dependent**" means any individual who is a tax dependent of the Participant as defined generally in Code Section 152(a); however, that in the case of a health benefits, a Dependent shall be defined as set forth in Code Section 105(b). For purposes of Dependent Care FSA (if offered under the Plan) a Dependent shall also be defined as in Code Section 21(e)(5) (i.e., dependent of the parent with custody for the greatest portion of the year).

1.10 "**Effective Date**" of the Plan means 8/1/2004. This is the date the Plan was established. It will not necessarily coincide with the date of this document as set forth in the title page.

1.11 "**Employee**" means an individual who the Employer classifies as a common-law employee and who is on the Employer's W-2 payroll, but does not include any of the following: (a) any leased employee (including, but not limited to, those individuals defined in Code § 414(n)); (b) an individual classified by the Employer as a contract worker or independent contractor; (c) an individual

classified by the Employer as a temporary employee or casual employee, whether or not any such persons are on the Employer's W-2 payroll; and (d) any individual who performs services for the Employer but who is paid by a temporary or other employment agency such as "Kelly," "Manpower," etc., or any employee covered under a collective bargaining agreement, except as otherwise provided for in the collective bargaining agreement.

1.12 "Employer" means the entity identified in the attached Plan Information Appendix as a Sponsoring Employer and any Affiliated Employer who adopts the Plan pursuant to authorization provided by the Employer. Notwithstanding the previous sentence when the Plan provides that the Employer has a certain power (e.g., the appointment of a third party administrator, entering into a contract with a third party insurer, or amendment or termination of the plan) the term "Employer" shall mean only the Sponsoring Employer identified in the Plan Information Appendix attached hereto. Affiliated Employers who adopt the Plan shall be bound by the Plan as adopted and subsequently amended unless they clearly withdraw from participation herein. Affiliated Employers who have adopted the Plan are set forth in the Summary Plan Description.

1.13 "Highly Compensated Individual" means an individual defined under Code Section 125(e), as amended, as a "highly compensated individual" or a "highly compensated employee."

1.14 "Nonelective Contribution(s)" means any amount that the Employer, in its sole discretion, may contribute on behalf of each Participant to provide benefits for such Participant and his or her Dependents, if applicable, under one or more of the Benefit Package Option(s) offered under the Plan. The amount of employer contribution that is applied towards the cost of the Benefit Package Option(s) for each Participant and/or level of coverage shall be subject to the sole discretion of the Employer and may be adjusted upward or downward at any time in the contributing Employer's sole discretion. The amount shall be calculated for each Plan Year in a uniform and nondiscriminatory manner and may be based upon the Participant's dependent status, commencement or termination date of the Participant's employment during the Plan Year, and such other factors as the Employer shall prescribe. To the extent set forth in the Summary Plan Description or enrollment material, the Employer may make Nonelective Contributions available to Participants and allow Participants to allocate the Nonelective Contributions among the various Benefit Package Options offered under the Plan in a manner set forth in the Summary Plan Description or enrollment material. In no event will any Nonelective Contribution be disbursed to a Participant in the form of additional, taxable Compensation except as otherwise provided in the Summary Plan Description or enrollment material.

1.15 "Participant" means an Employee who becomes a Participant pursuant to Article II.

1.16 "Plan" means this Master Cafeteria Plan, as adopted by the Employer and set forth herein.

1.17 "Plan Administrator" means the person(s) or Committee identified in the Summary Plan Description that is appointed by the Employer with authority, discretion, and responsibility to manage and direct the operation and administration of the Plan. If no such person is named, the Plan Administrator shall be the Employer.

1.18 "Plan Year" shall be the period of coverage set forth in the Summary Plan Description.

1.19 "Pre-tax Contribution(s)" means amounts withheld from an Employee's Compensation pursuant to a Salary Reduction Agreement before any applicable state and federal taxes have been

deducted. The amounts are withheld for purposes of purchasing one or more of the Benefit Package Options available under the Plan. This amount shall not exceed the premiums or contributions attributable to the most costly Benefit Package Option afforded hereunder, and for purposes of Code Section 125, shall be treated as an Employer contribution (this amount may, however, be treated as an Employee contribution for purposes of state insurance laws).

1.20 "Qualified Benefit" means any benefit excluded from the Employee's taxable income under Chapter 1 of the Code other than Sections 106(b), 117, 124, 127, or 132 and any other benefit permitted by the Income Tax Regulations (i.e., any group-term life insurance coverage that is includable in gross income by virtue of exceeding the dollar limitation on nontaxable coverage under Code Sec. 79). Notwithstanding the previous sentence, long-term care insurance is not a "Qualified Benefit."

1.21 "Salary Reduction Agreement" means the actual or deemed agreement pursuant to which an eligible Employee or Participant elects to contribute his share of the cost of chosen Benefit Package Options with Pre-tax or After-tax Contributions and/or Benefit Credits (if offered under the Plan) in accordance with Article III herein. If the Employer utilizes an interactive voice response (IVR) system or web-based program for enrollment, the Salary Reduction Agreement may be maintained on an electronic database in accordance with all applicable federal and/or state laws.

1.22 "Spouse" means an individual who is legally married to a Participant (and who is treated as a spouse under the Code).

1.23 "Summary Plan Description" or "SPD" means the Flexible Benefits Plan SPD and all appendices incorporated into and made a part of the SPD that is adopted by the Employer and attached to this Plan Document as Attachment I, as amended from time to time. The SPD and appendices are incorporated hereto by reference.

1.24 "Student" means an individual who, during each of five (5) or more calendar months during the Plan Year, is a full time student at any college or university, the primary function of which is the conduct of formal instruction, and which routinely maintains a regular faculty and curriculum and normally has an enrolled student body in attendance at the location where its educational activities are regularly presented.

ARTICLE II ELIGIBILITY AND PARTICIPATION

2.01 Eligibility to Participate. Each Employee who satisfies the eligibility requirements set forth in the SPD shall be eligible to participate in this Plan as of the Eligibility Date set forth in the SPD. Eligibility to participate in this Plan means only that the Eligible Employee is entitled to contribute his share of the cost of applicable Benefit Package Options for which he is eligible with Pre-tax Contributions. The provisions of this Article are not intended to override any eligibility requirement(s) or waiting period(s) specified in the applicable Benefit Package Options and the terms of eligibility and participation for the Benefit Package Option(s) offered under the Plan shall be subject to the requirements specified in the governing documents of the Benefit Package Options.

2.02 Termination of Participation. Participation shall terminate on the earliest of the dates set forth in the SPD.

2.03 Qualifying Leave Under Family Leave Act. Notwithstanding any provision to the contrary in this Plan, if a Participant goes on a qualifying leave under the Family and Medical Leave Act of 1993 (the "FMLA"), then to the extent required by the FMLA, the Participant will be entitled to continue the Participant's Benefit Package Options that provide health coverage on the same terms and conditions as if the Participant were still an active Employee. The requirements for continuing coverage, procedures for FMLA leave and payment option(s) provided by the Employer (as described above) will be set forth in the SPD and will be administered in accordance with the regulations issued under Code Section 125 and in accordance with the FMLA.

2.04 Non-FMLA Leave. If a Participant goes on an unpaid leave of absence that does not affect eligibility under this Plan or the Benefit Package Options chosen by the Participant, then the Participant will continue to participate and the contributions due for the Participant will be paid by one or more of the payment options described in the SPD and implemented by the Employer on a uniform and consistent basis in accordance with the Employer's internal policy and procedure. If a Participant goes on an unpaid leave that affects eligibility under this Plan or the Benefit Package Options chosen by the Participant, the election change rules in Section 3.04 will apply. If such policy requires coverage to continue during the leave but permits a Participant to discontinue contributions while on leave, the Participant will, upon returning from leave, be required to repay the contributions not paid by the Participant during the leave.

ARTICLE III PREMIUM ELECTIONS

3.01 Election of Contributions. A Participant may elect any combination of Pre-tax Contributions or After-tax Contributions (to the extent set forth in the enrollment material) to fund any Benefit Package Option available under the Plan, provided that only Qualified Benefits may be funded with Pre-tax Contributions. The Employer may, but is not required to, allocate Non-elective Contributions to one or more Benefit Package Options offered under the Plan and to the extent set forth in the SPD or enrollment material, may allow the Participants to allocate his allotted share of Nonelective Contributions among the various Benefit Package Options in a manner set forth in the SPD or enrollment material.

3.02 Initial Election Period.

- (a) **Currently Eligible Employees.** An Employee who is eligible to become a Participant in this Plan as of the Effective Date must complete, sign and file a Salary Reduction Agreement (sometimes referred to as an "Enrollment Form" with the Plan Administrator (or its designated third party administrator as set forth on the Salary Reduction Agreement) during the election period (as specified by the Plan Administrator) immediately preceding the Effective Date of the Plan in order to become a Participant on the Effective Date. The elections made by the Participant on this initial Salary Reduction Agreement shall be effective, subject to Section 3.04, for the Plan Year beginning on the Effective Date.
- (b) **New Employees and Employees Who Have Not Yet Satisfied The Plan's Waiting Period.** An Employee who becomes eligible to become a Participant in this Plan after the Effective Date must complete, sign and file a Salary Reduction Agreement with the Plan Administrator (or its designated third party administrator as set forth on the Salary Reduction Agreement) during the Initial Election Period set forth in the SPD or the

enrollment material. Participation will commence under this Plan as set forth in the SPD. Coverage under the component Benefit Package Options will be effective in accordance with the governing provisions of such Benefit Package Options.

- (c) **Failure to Elect.** An eligible Employee who fails to complete, sign and file a Salary Reduction Agreement in accordance with paragraph (a) or (b) above during an initial election period may become a Participant on a later date in accordance with Section 3.03 or 3.04.

3.03 Annual Election Period. Each Employee who is a Participant in this Plan or who is eligible to become a Participant in this Plan shall be notified, prior to each Anniversary Date of this Plan, of his right to become a Participant in this Plan, to continue participation in this Plan, or to modify or to cease participation in this Plan, and shall be given a reasonable period of time in which to exercise such right: such period of time shall be known as the Annual Election Period (sometimes referred to as "Open Enrollment"). The date on which the Annual Election Period commences and ends will be set forth in the SPD or the enrollment material. An election is made during the Annual Election Period in the manner set forth in the SPD. The consequences of failing to make an election during the Annual Election Period will be set forth in the SPD.

3.04 Change of Elections. A Participant shall not make any changes to the Pre-tax Contribution amount or, where applicable, to the Participant's elected allocation of Nonelective Contributions except under the circumstances set forth in the SPD and for changes made during the Annual Election Period, changes caused by termination of employment or cessation of eligibility, and changes pursuant to the Family and Medical Leave Act. Except as provided in the SPD for HIPAA special enrollment rights arising from the birth, adoption, or placement for adoption of a child, all election changes shall be effective on a prospective basis only (i.e., election changes will become effective no earlier than the first day of the first pay period coinciding with or immediately following the date that the election change was filed) but, as determined by the Plan Administrator, election changes may become effective later to the extent the coverage in the applicable component plan commences later.

3.05 Impact of Termination of Employment on Election or Cessation of Eligibility. Termination of employment or cessation of eligibility shall automatically revoke any Salary Reduction Agreement. Except as provided below, if revocation occurs under this Section 3.05, no new election with respect to Pre-Tax Contributions may be made by such Participant during the remainder of the Plan Year except as set forth in the SPD.

ARTICLE IV PREMIUM PAYMENTS AND CREDITS AND DEBITS TO ACCOUNTS

4.01 Source of Benefit Funding. The cost of coverage under the component Benefit Package Options shall be funded by Participant's Pre-tax and/or After-tax Contributions and/or any Nonelective Contributions provided by the Employer. The required contributions for each of the Benefit Package Options offered under the Plan shall be made known to employees in enrollment materials. Pre-tax or After-tax Contributions (as elected by the Employee on the Salary Reduction Agreement and permitted by the Employer) shall equal the contributions required from the Participant less any available Nonelective Contributions allocated thereto by the Employer, or where applicable, the Participant for coverage of the Participant or the Participant's Spouse or Dependents under the Benefit Package Options elected by the Participant under this Plan. Amounts withheld from a Participant's Compensation as Pre-tax Contributions or After-tax Contributions shall be applied to fund benefits as soon as administratively

feasible. The maximum amount of Pre-tax Contributions, plus any Nonelective Contributions made available by the Employer, shall not exceed the aggregate cost of the Benefit Package Options elected.

4.02 Reduction of Certain Elections to Prevent Discrimination. If the Plan Administrator determines, before or during any Plan Year, that the Plan may fail to satisfy for such Plan Year any requirement imposed by the Code or any limitation on Pre-tax Contributions allocable to Key Employees or to Highly Compensated Individuals, the Plan Administrator shall take such action(s) as he deems appropriate, under rules uniformly applicable to similarly situated Participants, to assure compliance with such requirement or limitation. Such action may include, without limitation, a modification or revocation of a Highly Compensated Individual's or Key Employee's election without the consent of such Employee.

ARTICLE V BENEFITS

5.01 Qualified Benefits. The maximum benefit a Participant may elect under this Plan shall not exceed the sum of the aggregate maximum premium and/or contribution for all Benefit Package Option(s) set forth in the SPD.

5.02 Cash Benefit. To the extent that a Participant does not elect to have the maximum amount of his Compensation contributed as a Pre-tax Contribution or After-tax Contribution hereunder, such amount not elected shall be paid to the Participant in the form of normal Compensation payments; provided, however, that any applicable Nonelective Contributions may not be received in the form of cash compensation, except as otherwise provided for in the SPD or the enrollment material.

ARTICLE VI PLAN ADMINISTRATION

6.01 Allocation of Authority. The Board of Directors or applicable governing body (or an authorized officer of the Employer) appoints a Plan Administrator that keeps the records for the Plan and shall control and manage the operation and administration of the Plan. The Plan Administrator shall have the exclusive right and discretion to interpret the Plan and to decide all matters arising thereunder, including the right to make determinations of fact, and construe and interpret possible ambiguities, inconsistencies, or omissions in the Plan and the SPD issued in connection with the Plan. All determinations of the Plan Administrator with respect to any matter hereunder shall be conclusive and binding on all persons. Without limiting the generality of the foregoing, the Plan Administrator shall have the following powers and duties:

- (a) To require any person to furnish such reasonable information as he may request for the purpose of the proper administration of the Plan as a condition to receiving any benefits under the Plan;
- (b) To make and enforce such rules and regulations and prescribe the use of such forms as he shall deem necessary for the efficient administration of the Plan;
- (c) To decide on questions concerning the Plan and the eligibility of any Employee to participate in the Plan and to make or revoke elections under the Plan, in accordance with the provisions of the Plan;

- (d) To designate other persons to carry out any duty or power which may or may not otherwise be a fiduciary responsibility of the Plan Administrator, under the terms of the Plan. Such entity will be referred to as a third party administrator and shall be identified in the SPD;
- (f) To keep records of all acts and determinations, and to keep all such records, books of account, data and other documents as may be necessary for the proper administration of the Plan;
- (g) To do all things necessary to operate and administer the Plan in accordance with its provisions.

6.02 Provision for Third-Party Plan Service Providers. The Plan Administrator, subject to approval of the Employer, may employ the services of such persons, as it may deem necessary or desirable in connection with the operation of the Plan and may rely upon all tables, valuations, certificates, reports and opinions furnished thereby. Such entity will be identified in the SPD as a third party administrator. Unless otherwise provided in the service agreement, obligations under this Plan shall remain the obligation of the Plan Administrator.

6.03 Fiduciary Liability. To the extent permitted by law, the Plan Administrator shall not incur any liability for any acts or for failure to act except for their own willful misconduct or willful breach of this Plan.

6.04 Compensation of Plan Administrator. Unless otherwise determined by the Employer and permitted by law, any Plan Administrator who is also an employee of the Employer shall serve without compensation for services rendered in such capacity, but the Employer shall pay all reasonable expenses incurred in the performance of their duties.

6.05 Bonding. Unless otherwise determined by the Employer, or unless required by any federal or state law, the Plan Administrator shall not be required to give any bond or other security in any jurisdiction in connection with the administration of this Plan.

6.06 Payment of Administrative Expenses. The Employer currently pays all reasonable expenses incurred in administering the Plan.

6.07 Funding Policy. The Employer shall have the right to enter into a contract with one or more insurance companies for the purposes of providing any Benefit Package Options offered under the Plan and to replace any of such insurance companies or contracts. Any dividends, retroactive rate adjustments or other refunds of any type that may become payable under any such insurance contract shall not be assets of the Plan but shall be the property of, and shall be retained by the Employer. The Employer will not be liable for any loss or obligation relating to any insurance coverage except as is expressly provided by this plan. Such limitation shall include, but not be limited to, losses or obligations that pertain to the following:

- (a) Once insurance is applied for or obtained, the Employer will not be liable for any loss which may result from the failure to pay premiums to the extent premium notices are not received by the Employer;

- (b) To the extent premium notices are received by the Employer, the Employer's liability for the payment of such premiums will be limited to such premiums and will not include liability for any other loss which result from such failure;
- (c) The Employer will not be liable for the payment of any insurance premium or any loss that may result from the failure to pay an insurance premium if the benefits available under this plan are not enough to provide for such premium cost at the time it is due. In such circumstances, the Employee will be responsible for and see to the payment of such premiums. The Employer will undertake to notify a Participant if available benefits under this plan are not enough to provide for an insurance premium, but will not be liable for any failure to make such notification;
- (d) When employment ends, the Employer will have no liability to take any step to maintain any policy in force except as may be specifically required otherwise in this plan, and the Employer will not be liable for or responsible to see to the payment of any premium after employment ends.

ARTICLE VII CLAIMS PROCEDURES

The Plan has established procedures for reviewing claims denied under this Plan and those claims review procedures are set forth in the SPD. The Plan's claim review procedures set forth in the SPD shall only apply to issues germane to the pre-tax benefits available under this Plan (i.e., such as a determination of: a Change in Status; change in cost or coverage; or eligibility and participation matters under this Cafeteria Plan document).

ARTICLE VIII AMENDMENT OR TERMINATION OF PLAN

8.01 Permanency. While the Employer fully expects that this Plan will continue indefinitely, due to unforeseen, future business contingencies, permanency of the Plan will be subject to the Employer's right to amend or terminate the Plan, as provided in Sections 8.02 and 8.03, below. Nothing in this Plan is intended to be or shall be construed to entitle any Participant, retired or otherwise, to vested or non-terminable benefits.

8.02 Employer's Right to Amend. The Employer reserves the right to amend at any time any or all of the provisions of the Plan. All amendments shall be made in writing and shall be approved by the Employer in accordance with its normal procedures for transacting business. Such amendments may apply retroactively or prospectively as set forth in the amendment. Each Benefit Package Option shall be amended in accordance with the terms specified therein, or, if no amendment procedure is prescribed, in accordance with this section. Any amendment made by the Employer shall be deemed to be approved and adopted by any Affiliated Employer.

8.03 Employer's Right to Terminate. The Employer reserves the right to discontinue or terminate the Plan without prejudice at any time and for any reason without prior notice. Such decision to terminate the Plan shall be made in writing and shall be approved by the Employer in accordance with

its normal procedures for transacting business. Affiliated Employers may withdraw from participation in the Plan, but may not terminate the Plan.

8.04 Determination of Effective Date of Amendment or Termination. Any such amendment, discontinuance or termination shall be effective as of such date as the Employer shall determine.

ARTICLE IX GENERAL PROVISIONS

9.01 Not an Employment Contract. Neither this Plan nor any action taken with respect to it shall confer upon any person the right to continue employment with any Employer.

9.02 Applicable Laws. The provisions of the Plan shall be construed, administered and enforced according to applicable federal law and the laws of the Applicable State, as identified in the Plan Information Appendix, to the extent not preempted.

9.03 Requirement for Proper Forms. All communications in connection with the Plan made by a Participant shall become effective only when duly executed on any forms as may be required and furnished by, and filed with, the Plan Administrator.

9.04 Multiple Functions. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

9.05 Tax Effects. Neither the Employer, nor the Plan Administrator makes any warranty or other representation as to whether any Pre-tax Contributions made to or on behalf of any Participant hereunder will be treated as excludable from gross income for local, state, or federal income tax purposes. If for any reason it is determined that any amount paid for the benefit of a Participant or Beneficiary are includable in an Employee's gross income for local, federal, or state income tax purposes, then under no circumstances shall the recipient have any recourse against the Plan Administrator or the Employer with respect to any increased taxes or other losses or damages suffered by the Employees as a result thereof. The Plan is designed and is intended to be operated as a "cafeteria plan" under Section 125 of the Code.

9.06 Gender and Number. Masculine pronouns include the feminine as well as the neuter genders, and the singular shall include the plural, unless indicated otherwise by the context.

9.07 Headings. The Article and Section headings contained herein are for convenience of reference only, and shall not be construed as defining or limiting the matter contained thereunder.

9.08 Incorporation by Reference. The actual terms and conditions of the separate component Benefit Package Options offered under this Plan are contained in separate, written documents governing each respective benefit, and shall govern in the event of a conflict between the individual plan document, and this Plan as to substantive content. To that end, each such separate document, as amended or subsequently replaced, is hereby incorporated by reference as if fully recited herein. In addition, the SPD for this Plan contains many of the actual terms and conditions of this Plan. To that end, the SPD, as amended from time to time, is incorporated herein.

9.09 Severability. Should a court of competent jurisdiction subsequently invalidate any part of this Plan, the remainder thereof shall be given effect to the maximum extent possible.

9.10 Effect of Mistake. In the event of a mistake as to the eligibility or participation of an Employee, or the allocations made to the account of any Participant, or the amount of distributions made or to be made to a Participant or other person, the Plan Administrator shall, to the extent it deems possible, cause to be allocated or cause to be withheld or accelerated, or otherwise make adjustment of, such amounts as will in its judgment accord to such Participant or other person the credits to the account or distributions to which he is properly entitled under the Plan. Such action by the Administrator may include withholding of any amounts due the Plan or the Employer from Compensation paid by the Employer.

**MASTER CAFETERIA PLAN
PLAN INFORMATION APPENDIX**

This Appendix provides information specific to the Employer who is adopting the Master Cafeteria Plan as its own for the benefit of its employees. The Effective Date of the adoption of this Plan by the Employer is as set forth below.

1. Name, address, and telephone number of the Employer who is adopting this Plan as its own (i.e. the "Sponsoring Employer"):	City of Warrenton 225 S Main Street Warrenton, OR 97146 503-861-2233
2. Name, address, and telephone number of the Plan Administrator of this Plan (as adopted by the Employer/Plan sponsor identified above): The CIS Flexible Spending Account Plan Sponsor shall have the exclusive right to interpret the Plan and to decide all matters arising under the Plan, including the right to make determinations of fact, and construe and interpret possible ambiguities, inconsistencies, or omissions in the Plan and the SPD issued in connection with the Plan.	City of Warrenton 225 S Main Street Warrenton, OR 97146 503-861-2233
3. Employer's federal tax identification number:	93-6002276
4. Plan Number:	n/a
5. Effective Date of the Plan: This is the date that the Plan was first established.	8-1-06
6. Adopting Employers participating in the Plan:	1. City of Warrenton

IN WITNESS WHEREOF, the Employer identified above as the Sponsoring Employer has adopted this Cafeteria Plan as its own as of the date set forth below.

SPONSORING EMPLOYER

By: _____

Title: _____

Date: _____

**MASTER CAFETERIA PLAN
SUMMARY PLAN DESCRIPTION**

**Information relating to the employer who has adopted this Plan is set forth in the attached Plan
Information Summary**

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MASTER CAFETERIA PLAN SUMMARY PLAN DESCRIPTION

GENERAL INFORMATION ABOUT THE PLAN

The employer identified in the Plan Information Summary has adopted the Master Cafeteria Plan as its own for the benefit of its eligible employees. It is called a "cafeteria plan" because it lets you choose from several different benefit programs (which we refer to herein as "Benefit Plan Options") according to your individual needs, and allows you to use Pre-tax Contributions to pay for the benefits by entering into a salary reduction arrangement with your Employer. This Plan helps you because the benefits you elect are nontaxable (i.e., you save social security and income taxes on the amount of your salary reduction). Alternatively, you may choose to pay for any of the available benefits with after-tax contributions on a salary deduction basis to the extent described in your enrollment materials.

The Cafeteria Plan is summarized in this document. Information relating to the Plan that is specific to your Employer that has adopted this Plan is described in the Plan Information Summary. For example, you can find the identity of the Third Party Administrator, the Employer, and the Plan Administrator in the Plan Information Summary as well as the Plan Number and any applicable contact information. The Cafeteria Plan summary and the attached Appendices constitute the Summary Plan Description for the **CIS Flexible Spending Account Plan**. The SPD (collectively, the Summary Plan Description or "SPD") describes the basic features of the Plan, how it operates, and how you can get the maximum advantage from it. The Plan is also established pursuant to a master plan document into which the SPD has been incorporated. However, if there is a conflict between the official plan document and the SPD, the plan document will govern. Certain terms in this Summary are capitalized. Capitalized terms reflect important terms that are specifically defined in this Summary or in the Plan Document into which this Summary is incorporated. You should pay special attention to these terms as they play an important role in defining your rights and responsibilities under this Plan.

Participation in the Plan does not give any Participant the right to be retained in the employ of his or her Employer or any other right not specified in the Plan. If you have any questions regarding your rights and responsibilities under the Plan, you may also contact the Plan Administrator (who is identified in the Plan Information Summary).

CAFETERIA PLAN COMPONENT SUMMARY

Q-1. What is the purpose of the Cafeteria Plan?

The purpose of the Cafeteria Plan is to allow eligible employees to pay for certain benefit plans (Benefit Plan Options) with pre-tax dollars ("Pre-tax Contributions"). The Benefit Plan Options to which you may contribute with Pre-tax Contributions under this Cafeteria Plan are described in the Plan Information Summary. Pre-tax Contributions are described in more detail below.

Q-2. Who can participate in the Cafeteria Plan?

Each employee of the Employer (or an Affiliated Employer identified in the Plan Information Summary) who (i) satisfies the Cafeteria Plan Eligibility Requirements and (ii) is also eligible to participate in any of the Benefit Plan Options will be eligible to participate in this Cafeteria Plan. If you meet these requirements, you may become a Participant on the Cafeteria Plan Eligibility Date. The Cafeteria Plan Eligibility Requirements and Eligibility Date are described in the Plan Information Summary. Those employees who actually participate in the Cafeteria Plan are called "Participants". (See below for instructions on how to become a Participant.) You may only pay for the coverage of yourself and your tax

dependents as defined in Code Section 152 generally (except as otherwise defined in Code Section 105(b) and the regulations issued under Code Section 106) under this Plan and as set forth in the SPD.

The terms of eligibility of this Cafeteria Plan do not override the terms of eligibility of each of the Benefit Plan Options. In other words, if you are eligible to participate in this Cafeteria Plan, it does not necessarily mean you are eligible to participate in the Benefit Plan Options. For details regarding eligibility provisions, benefit amounts, and premium schedules for each of the Benefit Plan Options, please refer to the plan summary for each Benefit Plan Option. If you do not have a summary for a Benefit Plan Option, you should contact the Plan Administrator for information on how to obtain a copy.

Note: One or more of the Benefit Plan Options offered under this Plan may be sponsored by City County Insurance Services (CIS).

Q-3. When does my participation in the Cafeteria Plan end?

Your coverage under the Cafeteria Plan ends on the earliest of the following to occur:

- (i) The date that you make an election not to participate in accordance with this Cafeteria Plan Summary;
- (ii) The date that you no longer satisfy the Eligibility Requirements of this Cafeteria Plan or all of the Benefit Plan Options that you have elected;
- (iii) The date that you terminate employment with the Employer, subject to any right you may have to continue your coverage and pay for such coverage through this Plan; or
- (iv) The date that the Cafeteria Plan is either terminated or amended to exclude you or the class of employees of which you are a member.

If your employment with the Employer is terminated during the Plan Year or you otherwise cease to be eligible, your active participation in the Cafeteria Plan will *automatically* cease, and you will not be able to make any more Pre-tax Contributions under the Cafeteria Plan except as otherwise provided pursuant to Employer policy or individual arrangement (e.g., a severance arrangement where the former employee is permitted to continue paying for a Benefit Plan Option out of severance pay on a pre-tax basis). If you are rehired within the same Plan Year and are eligible for the Cafeteria Plan (or you become eligible again), you may make new elections if you are rehired or become eligible again more than 30 days after you terminated employment or lost eligibility (subject to any limitations imposed by the Benefit Plan Option(s)). If you are rehired or again become eligible within 30 days or less of your termination date, your Cafeteria Plan elections that were in effect when you terminated employment or stopped being eligible will be reinstated and remain in effect for the remainder of the Plan Year (unless you are allowed to change your election in accordance with the terms of the Plan).

Q-4. How do I become a participant?

If you have otherwise satisfied the Cafeteria Plan's eligibility requirements, you become a Participant by signing an individual Salary Reduction Agreement (sometimes referred to as an "Enrollment Form") on which you agree to pay your share of the Benefit Plan Options that you choose with Pre-tax Contributions. You will be provided with a Salary Reduction Agreement on or before your Cafeteria Plan Eligibility Date. You must complete the form and submit it to the Plan Administrator or the Third Party Administrator (per the instructions provided on or with your Salary Reduction Agreement) during one of the election periods described in Q-6. below. You may also enroll during the year if you previously elected not to participate and you experience a change described below that allows you to become a participant during the year. If that occurs, you must complete an election change form during the Election Change Period described in Q-8. below. In no event can you become a Participant in this Cafeteria Plan prior to the date you complete and properly submit the Salary Reduction Agreement. The Third Party Administrator is identified in the Plan Information Summary.

In some cases, the Employer may *require* you to pay your share of the Benefit Plan Option coverage that you elect with Pre-tax Contributions. If that is the case, your election to participate in the Benefit Plan Option(s) will constitute an election under this Cafeteria Plan.

You may be required to complete a Salary Reduction Agreement via electronic communication, or any other method prescribed by the Plan Administrator. In order to utilize electronic means, you may be required to sign an authorization form authorizing issuance of personal identification number ("PIN") and allowing such PIN to serve as your electronic signature when utilizing the electronic means. The Plan Administrator and all parties involved with Plan administration will be entitled to rely on your directions through use of the PIN as if such directions were issued in writing and signed by you.

Q-5. What are tax advantages and disadvantages of participating in the Cafeteria Plan?

You save both federal income tax and FICA (Social Security) taxes by participating in the Cafeteria Plan.

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

Q-6. What are the election periods for entering the Cafeteria Plan?

The Cafeteria Plan basically has three election periods: (i) the "Initial Election Period," (ii) the "Annual Election Period," (sometimes referred to as "Open Enrollment") and (iii) the "Election Change Period, which is the period following the date you have a Change in Status Event (described below). The following is a summary of the Initial Election Period and the Annual Election Period.

6a. What is the Initial Election Period?

If you want to participate in the Cafeteria Plan when you are first hired, you must enroll during the "Initial Election Period" (within 31 days of the date of hire). If you make an election during the Initial Election Period, your participation in this Cafeteria Plan will begin on the later of your Eligibility Date or the first pay period coinciding with or next following the date that your election is received. The effective date of coverage under the Benefit Plan Options will be effective on the date established in the governing documents of the Benefit Plan Options. The election that you make during the Initial Election Period is effective for the remainder of the Plan Year and generally cannot be changed during the Plan Year unless you have a Change in Status Event described in **Q-8.** below. If you do not make an election during the Initial Election Period, you will be deemed to have elected not to participate in this Cafeteria Plan for the remainder of the Plan Year. Failure to make an election under this Cafeteria Plan generally results in no coverage under the Benefit Plan Options; however, the Employer may provide coverage under certain Benefit Plan Options automatically. These automatic benefits are called "Default Benefits." Any Default Benefit provided by your Employer will be identified in the enrollment material. In addition, your share of the contributions for such Default Benefits may be automatically withdrawn from your pay on a pre-tax basis. You will be notified in the enrollment material whether there will be a corresponding Pre-tax Contribution for such default benefits.

6b. What is the Annual Election Period?

The Cafeteria Plan also has an "Annual Election Period" during which you may enroll if you did not enroll during the Initial Election Period or change your elections for the next Plan Year. The Annual Election Period will be identified in the enrollment material distributed to you prior to the Annual Election Period. The election that you make during the Annual Election Period is effective the first day of the next Plan Year and cannot be changed during the entire Plan Year unless you have a Change in Status Event described below. If you fail to complete, sign and file a Salary Reduction Agreement during the Annual Election Period, you will be deemed to have elected not to participate in the Cafeteria Plan for the next Plan Year. The consequences of failing to make an election under this Cafeteria Plan during the Annual Election Period are described in the Plan Information Summary.

The Plan Year is generally a 12-month period (except during the initial or last Plan Year of the Plan). The beginning and ending dates of the Plan Year are described in the Plan Information Summary.

Q-7. How is my Benefit Plan Option coverage paid for under this Plan?

You may be *required* to pay for any Benefit Plan Option coverage that you elect with Pre-tax Contributions. Alternatively, the Employer may allow you to pay your share of the contributions with after-tax contributions. The enrollment material you receive will indicate whether you have to pay with Pre-Tax Contributions or whether you have an option to choose to pay with after-tax contributions.

When you elect to participate both in a Benefit Plan Option and this Cafeteria Plan, an amount equal to your share of the annual cost of those Benefit Plan Options that you choose divided by the applicable number of pay periods you have during that Plan Year is deducted from each paycheck after your election date. If you have chosen to use Pre-tax Contributions (or it is a plan requirement), the deduction is made before any applicable federal and/or state taxes are withheld.

An Employer may choose to pay for a share of the cost of the Benefit Plan Options you choose with Nonelective Employer Contributions. The amount of Nonelective Employer Contributions that is applied by the Employer towards the cost of the Benefit Plan Option(s) for each Participant is subject to the sole discretion of the Employer and it may be adjusted upward or downward in the Employer's sole discretion. The Nonelective Employer Contribution amount will be calculated for each Plan Year in a uniform and nondiscriminatory manner and may be based upon your dependent status, commencement or

termination date of your employment during the Plan Year, and such other factors that the Employer deems relevant. In no event will any Nonelective Contribution be disbursed to you in the form of additional, taxable compensation except as otherwise provided in the enrollment material or in the Plan Information Summary.

Q-8. Under what circumstances can I change my election during the Plan Year?

Generally, you cannot change your election under this Cafeteria Plan during the Plan Year. There are, however, a few exceptions. First, your election will automatically terminate if you terminate employment or lose eligibility under this Cafeteria Plan or under all of the Benefit Plan Options that you have chosen.

Second, you may voluntarily change your election during the Plan Year if you satisfy the following conditions (prescribed by federal law):

- (a) You experience a “Change in Status Event” that affects your eligibility under this Cafeteria Plan and/or a Benefit Plan Option; or
- (b) You experience a significant cost or coverage change; and
- (c) You complete and submit a written Election Change Form within the Election Change period described in the Plan Information Summary.

Change in Status Events and Cost or Coverage Changes recognized by this Cafeteria Plan, and the rules surrounding election changes in the event you experience a Change in Status Event or Cost or Coverage Change are described below.

Third, an election under this Cafeteria Plan may be modified downward during the Plan Year if you are a Highly Compensated Individual (as defined by the Internal Revenue Code), if necessary to prevent the Cafeteria Plan from becoming discriminatory within the meaning of the applicable federal income tax law.

The following is a summary of the election changes that are permitted under this Plan. Also, election changes that are permitted under this Plan may not be permitted under the Benefit Plan Option (e.g., the insurance carrier may not allow a change). If a change is not permitted under a Benefit Plan Option, no election change is permitted under the Plan. Likewise, a Benefit Plan Option may allow an election change that is not permitted by this Plan. In that case, your pre-tax reduction may not be changed even though a coverage change is permitted.

1. **Change in Status.** Election changes may be allowed if a Participant or a Participant's Spouse or Dependent experiences one of the Change in Status Events set forth in the Election Change Chart (see Appendix I). The election change must be on account of and correspond with the Change in Status Event as determined by the CIS Flexible Spending Account Plan Administrator (or its designated Third Party Administrator). With the exception of enrollment resulting from birth, placement for adoption or adoption, all election changes are prospective (generally the first of the month following the date you make a new election with the Third Party Administrator but it may be earlier depending on the Employer's internal policies or procedures). As a general rule, a desired election change will be found to be consistent with a Change in Status Event if the event the Change in Status affects eligibility for coverage. A Change in Status affects eligibility for coverage if it results in an increase or decrease in the number of Dependents who may benefit under the Plan. 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.* For accident and health benefits (e.g., health, dental and vision coverage), a special rule governs which types of election changes are consistent with the Change in Status. For a Change in Status involving a divorce, annulment or legal separation, the death of a Spouse or Dependent, or a Dependent ceasing to satisfy the eligibility requirements for coverage, an election to cancel accident or health benefits for any individual other than the Spouse involved in the divorce, annulment, or legal separation, the deceased Spouse or Dependent, or the Dependent that ceased to satisfy the eligibility requirements, would fail to correspond with that Change in Status. Hence, you may only cancel accident or health coverage for the affected Spouse or Dependent. However, there are instances in which you may be able to increase your Pre-tax Contributions to pay for COBRA coverage of a Dependent. Contact the Third Party Administrator for more information.

Example: Employee Mike is married to Sharon, and they have one child. The employer offers a calendar year cafeteria 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 a Participant or his or her Spouse or Dependent gain eligibility for coverage under another employer's cafeteria plan or benefit plan as a result of a change in marital status or a change in the Participant's, the Participant's Spouse's, or the Participant's Dependent's employment status, an 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.
- *Group Term Life Insurance, Disability Income, or Dismemberment Benefits (if offered under the Plan. See the list of Benefit Plan Options offered under the Plan).* For group term life insurance, disability income and accidental death and dismemberment benefits only if a Participant experiences any Change in Status (as described above), an election to either increase or decrease coverage is permitted.

Example: Employee Mike is married to Sharon and they have one child. The employer's plan offers a cafeteria plan which funds group-term life insurance coverage (and other benefits) through salary reduction. Before the plan year Mike elects \$10,000 of group-term life insurance. Mike and Sharon subsequently divorce during the plan year. The divorce constitutes a Change in Status. An election by Mike either to increase or to decrease his group-term life insurance coverage would each be consistent with this Change in Status.

2. Special Enrollment Rights. If a Participant, Participant's Spouse and/or Dependent are entitled to special enrollment rights under a Benefit Plan Option that is a group health plan, an election change to correspond with the special enrollment right is permitted. Thus, for example, if an otherwise eligible employee declined enrollment in medical coverage for the employee or the employee's eligible Dependents because of outside 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 of COBRA period), the employee may be able to elect medical coverage under the Plan for the employee and his or her eligible Dependents who lost such coverage. Furthermore, if an otherwise eligible employee gains a new Dependent as a result of marriage, birth, adoption, or placement for adoption, the employee may also be able to enroll the employee, the employee's Spouse, and the employee's newly acquired Dependent, provided that a request for enrollment is made within the Election Change Period. An election change that corresponds with a special enrollment must be prospective, unless the special enrollment is attributable to the birth, adoption, or placement for adoption of a child, which may be retroactive up to 30 days. Please refer to the group health plan summary description for an explanation of special enrollment rights.

3. Certain Judgments, Decrees and Orders. If a judgment, decree or order from a divorce, separation, annulment or custody change requires a Dependent child (including a foster child who is your tax Dependent) to be covered under this Plan, an election change to provide coverage for the Dependent child identified in the order is permissible. If the order requires that another individual (such as your former Spouse) cover the Dependent child, and such coverage is actually provided, you may change your election to revoke coverage for the Dependent child.

4. Entitlement to Medicare or Medicaid. If a Participant or the Participant's Dependents become entitled to Medicare or Medicaid, an election to cancel that person's accident or health coverage is permitted. Similarly, if a Participant or Participant's Dependents who have been entitled to Medicare or Medicaid loses eligibility for such, you may elect to begin or increase that person's accident or health coverage.

5. Change in Cost. If the cost of a Benefit Plan Option significantly increases, a Participant may choose to make an increase in contributions, revoke the election and receive coverage under another Benefit Plan Option that provides similar coverage, or drop coverage altogether *if no similar coverage exists*. If the cost of a Benefit Plan Option significantly decreases, a Participant who elected to participate in another Benefit Plan Option may revoke the election and elect to receive coverage provided under the Benefit Plan Option that decreased in cost. In addition, otherwise eligible employees who elected not to participate in the Plan may elect to participate in the Benefit Plan Option that decreased in cost. For *insignificant* increases or decreases in the cost of Benefit Plan Option options, however, Pre-tax Contributions will automatically be adjusted to reflect the minor change in cost. The CIS Flexible Spending Account Plan Administrator will have final authority to determine whether the requirements of this section are met.

Example: Employee Mike is covered under an indemnity option of his employer's accident and health insurance coverage. If the cost of this option significantly increases during a period of coverage, the Employee may make a corresponding increase in his payments or may instead revoke his election and elect coverage under an HMO option.

6. **Change in Coverage.** If coverage under a Benefit Plan Option is significantly curtailed, a Participant elect to revoke his or her election and elect coverage under another Benefit Plan Option that provides similar coverage. If the significant curtailment amounts to a complete loss of coverage, a Participant may also drop coverage if no other similar coverage is available. Further, if the Plan adds or significantly improves a benefit option during the Plan Year, a Participant may revoke his or her election and elect to receive, on a prospective basis, coverage provided by the newly added or significantly improved option, so long as the newly added or significantly improved option provides similar coverage. Also, a Participant may make an election change that is on account of and corresponds with a change made under another employer plan (including a plan of the Employer or another employer), so long as: (a) the other employer plan permits its participants to make an election change permitted under the IRS regulations; or (b) the Plan Year for this Plan is different from the Plan Year of the other employer plan. Finally, a Participant may change his or her election to add coverage under this Plan for the Participant, the Participant's Spouse or Dependents if such individual(s) loses coverage under any group health coverage sponsored by a governmental or educational institution. The CIS Flexible Spending Account Plan Administrator will have final discretion to determine whether the requirements of this section are met.

If coverage under a Benefit Plan Option ends, the corresponding Pre-tax contributions will automatically end. No election is needed to stop that contribution.

Q-9. What happens to my participation under the Cafeteria Plan if I take a leave of absence?

The following is a general summary of the rules regarding participation in the Cafeteria Plan (and the Benefit Plan Options) during a leave of absence. The specific election changes that you can make under this Cafeteria Plan following a leave of absence are described in the Election Change Chart and the rules regarding coverage under the Benefit Plan Options during a leave of absence will be described in the Benefit Plan Option summaries. If there is a conflict between the Election Change Chart/Benefit Plan Option Summaries and this Q-9, the Election Change Chart or Benefit Plan Option summary, whichever is applicable, controls.

- (a) If you go on a qualifying unpaid leave under the Family and Medical Leave Act of 1993 (FMLA), the Employer will continue to maintain your Benefit Plan Options that provide health coverage on the same terms and conditions as though you were still active to the extent required by FMLA (e.g., the Employer will continue to pay its share of the contribution to the extent you opt to continue coverage).
- (b) Your Employer may elect to continue all health coverage for Participants while they are on paid leave (provided Participants on non-FMLA paid leave are required to continue coverage). If so, you will pay your share of the contributions by the method normally used during any paid leave (for example, with Pre-tax Contributions if that is what was used before the FMLA leave began).
- (c) In the event of unpaid FMLA leave (or paid leave where coverage is not required to be continued), if you opt to continue your group health coverage, you may pay your share of the contribution in one of the following ways:
 - (i) With after-tax dollars while you are on leave,
 - (ii) You may pre-pay all or a portion of your share of the contribution for the expected duration of the leave with Pre-tax Contributions from your pre-leave compensation by making a special election to that effect before the date such compensation would normally be made available to you. However, pre-payments of Pre-tax Contributions may not be utilized to fund coverage during the next Plan Year.
 - (iii) By other arrangements agreed upon between you and the Plan Administrator (for example, the Plan Administrator may fund coverage during the leave and withhold amounts from your compensation upon your return from leave).

The payment options provided by the Employer will be established in accordance with Code Section 125, FMLA and the Employer's internal policies and procedures regarding leaves of absence and will be applied uniformly to all Participants. Alternatively, the Employer may require all Participants to continue coverage during the leave. If so, you may elect to discontinue your share of the required contributions until you return from leave. Upon return from leave, you will be required to repay the contribution not paid during the leave in a manner agreed upon with the Administrator. The Election Change Chart will let you know whether you are able to drop your coverage or whether you are required to continue coverage during the leave.

- (d) If your coverage ceases while on FMLA leave (e.g., for non-payment of required contributions), you will be permitted to re-enter the Cafeteria Plan and the Benefit Plan Option upon return from such leave on the same basis as you were participating in the plans prior to the leave, or as otherwise required by the FMLA. Your coverage under the Benefit Plan Options providing health coverage may be automatically reinstated provided that coverage for Employees on non-FMLA leave is automatically reinstated upon return from leave.
- (e) The Employer may, on a uniform and consistent basis, continue your group health coverage for the duration of the leave following your failure to pay the required contribution. Upon return from leave, you will be required to repay the contribution in a manner agreed upon by you and the Employer.
- (f) If you are commencing or returning from unpaid FMLA leave, your election under this Cafeteria Plan for Benefit Plan Options providing non-health benefits shall be treated in the same manner that elections for non-health Benefit Plan Options are treated with respect to Participants commencing and returning from unpaid non-FMLA leave.

- (g) If you go on an unpaid non-FMLA leave of absence (e.g., personal leave, sick leave, etc.) that does not affect eligibility in this Cafeteria Plan or a Benefit Plan Option offered under this Cafeteria Plan, then you will continue to participate and the contribution due will be paid by pre-payment before going on leave, by after-tax contributions while on leave, or with catch-up contributions after the leave ends, as may be determined by the Administrator. If you go on an unpaid leave that affects eligibility under this Cafeteria Plan or a Benefit Plan Option, the election change rules described above will apply. The Plan Administrator will have discretion to determine whether taking an unpaid non-FMLA leave of absence affects eligibility.

Q-10. How long will the Cafeteria Plan remain in effect?

Although the Employer expects to maintain the Cafeteria Plan indefinitely, it has the right to modify or terminate the Cafeteria Plan at any time and for any reason. Plan amendments and terminations will be conducted in accordance with the terms of the Plan Document.

Q-11. What happens if my request for a benefit under this Cafeteria Plan (e.g. an election change or other issue germane to Pre-tax Contributions) is denied?

If your request to participate in the Plan is denied and/or your request to make an election change is denied, you will receive a written (or electronic) notice of the denial. The denial letter will inform you of your right (if any) to appeal and the applicable instructions for appealing.

Note: The Benefit Plan Options have separate procedures for reviewing claims filed under those Benefit Plan Options. For more information on the claims procedures of the Benefit Plan Options, refer to the applicable summary plan descriptions for the Benefit Plan Options or contact the Plan Administrator for the applicable Benefit Plan Option.

Q-12 What expenses are eligible for payment or reimbursement from a health or dependent care flexible spending account?

Eligible medical care expenses include expenses incurred for medical care that are not eligible for reimbursement through insurance or otherwise. For this purpose, "medical care" is defined by the Internal Revenue Service (IRS), and may include over-the-counter drugs to treat personal injury or illness that are not otherwise eligible for reimbursement. However, eligible expenses do not include premiums for any insurance coverage. For more information about what may be eligible expenses, please see IRS Publication 502, "Medical and Dental Expenses," which is available on the internet at <http://www.irs.gov/pub/irs-pdf/p502.pdf>.

Eligible dependent care expenses are expenses incurred in caring for a qualifying individual in order for you and, if you are married, your spouse to work or actively look for work. For more information about what may be eligible expenses, please see IRS Publication 503, "Child and Dependent Care Expenses," which is available on the internet at <http://www.irs.gov/pub/irs-pdf/p503.pdf>.

Q-13. Can I continue to participate if I terminate or go on a leave of absence?

If you have, or a member of your family has, a COBRA qualifying event, you or your family member may elect to continue to participate in the health FSA for the remainder of the plan year. The rules governing continuation of health FSAs are complex, so if you are interested in continuation of the health FSA, please contact the administrator.

PLAN INFORMATION SUMMARY

This Appendix provides information specific to the City of Warrenton. The Effective Date of this Plan Information Summary is 12-1-05. This Plan Information Summary replaces and supersedes any other Plan Information Summary with an earlier effective date.

I. EMPLOYER/PLAN SPONSOR/THIRD PARTY ADMINISTRATOR INFORMATION

1. Name, address, and telephone number of the Employer/Plan Sponsor that has adopted this Master Cafeteria Plan:	City of Warrenton 225 S Main Street Warrenton, OR 97146 503-861-2233
2. Name, address, and telephone number of the Plan Administrator of this Plan (as adopted by the Employer/Plan sponsor identified above): The CIS Flexible Spending Account Plan Sponsor shall have the exclusive right to interpret the Plan and to decide all matters arising under the Plan, including the right to make determinations of fact, and construe and interpret possible ambiguities, inconsistencies, or omissions in the Plan and the SPD issued in connection with the Plan.	City of Warrenton 225 S Main Street Warrenton, OR 97146 503-861-2233
3. Employer's federal tax identification number:	93-6002276
4. Plan Number:	N/A
5. Effective Date of the Plan: This is the date that the Plan was first established.	8-1-06
6. Effective Date of this SPD Note: This is the most recent date of the SPD other than the Plan Information Summary and the Appendices.	8-1-06
7. Plan Year:	8-1-06 through 7-31-06
8. Adopting Employers participating in the	1. City of Warrenton

Plan:	
9. Third Party Administrator:	Conexis

II. CAFETERIA PLAN INFORMATION

(a) **Eligibility Requirements and Eligibility Date.** Each Employee who meet the Employer's and the CIS Flexible Spending Account Plan Sponsor's eligibility and who is eligible for coverage or participation under any of the Benefit Plan Options ("Cafeteria Plan Eligibility Requirements) will be eligible to participate in this Plan on 12-1-05 ("Cafeteria Plan Eligibility Date").

The Employee's commencement of participation in the Plan is conditioned on the Employee properly completing and submitting a Salary Reduction Agreement as summarized in this SPD. Eligibility for coverage under any given Benefit Plan Option shall be determined not by this Plan but by the terms of that Benefit Plan Option.

(b) **Annual Election Rules.** With respect to Benefit Plan Option elections, failure to make an election during the Annual Election Period will result in the one of following deemed election(s):

The employee will be deemed to have elected not to participate during the subsequent plan year. Coverage under the Benefit Plan Options offered under the Plan will end the last day of the Plan Year made.

The employee will be deemed to have elected to continue his or her Benefit Plan Option elections in effect as of the end of the Plan Year in which the Annual Election Period took place. This is called an "Evergreen election".

(c) **Change of Election Period:** If you experience a Change in Status Event or Cost or Coverage Change as described in the Cafeteria Plan Summary and in the Election Change Chart, you may make the permitted election changes described in the Election Change Chart if you complete and submit an election change form within 31 days after the date of the event. If you are participating in an insured arrangement that provides a longer election change period, the election change period described in the insurance policy will apply.

(d) **Benefit Plan Options:** The Employer elects to offer to eligible Employees the following Benefit Plan Option(s) subject to the terms and conditions of the Plan and the terms and conditions of the Benefit Plan Options. These Benefit Plan Option(s) are specifically incorporated herein by reference. The maximum Pre-tax Contribution a Participant can contribute via the Salary Reduction Agreement is the aggregate cost of the applicable Benefit Plan Options selected reduced any Nonelective Contributions made by the Employer. It is intended that such Pre-tax Contribution amounts will, for tax purposes, constitute an Employer contribution, but may constitute Employee contributions for state insurance law purposes.

The following Benefit Plan Options are made available under the Plan to all those eligible Employees who make an appropriate election.

1. Premium Only Plan
2. Healthcare FSA
3. Dependent Care Assistance Plan

APPENDIX I

ELECTION CHANGE CHART

The following is a chart reflecting the election changes that may be made under the Plan with respect to each Benefit Plan Option. In addition, election changes that are permitted under this Plan are subject to any limitations imposed by the Benefit Plan Options. If an election change is permitted by this Plan but not by the Benefit Plan Option, no election change under this Plan is permitted.

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
<u>I. Change in Status</u>					
A. Change in Employee's Legal Marital Status	Employee may enroll or increase election for newly-eligible spouse and dependent children (Note: Under IRS "tag-along" interpretation, new and preexisting dependents may be enrolled): coverage option (e.g., HMO to PPO) change may be made; employee may revoke or decrease employee's or dependent's coverage only when such coverage becomes effective or is increased under the spouse's plan. Also, see HIPAA special enrollment	Same as previous column (Note: HIPAA special enrollment rights likely do not apply).	Employee may enroll or increase election for newly eligible spouse or dependents, or likely decrease election if employee or dependents become an eligible dependent under new spouse's health plan (Note: HIPAA special enrollment rights likely do not apply).	Employee may enroll or increase to accommodate newly-eligible dependents or decrease or cease coverage if new spouse is not employed or makes a Dependent Care FSA coverage election under spouse's plan.	Employee may enroll, increase, decrease, or cease coverage even when eligibility is not impacted.

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
	rule below.				
<p>2. Lose spouse (divorce, legal separation, annulment, death of spouse) (See loss of dependent eligibility below for discussion of dependent eligibility loss following divorce, separation, etc.)</p>	<p>Employee may revoke election only for spouse; coverage option (e.g., HMO to PPO) change may be made; employee may elect coverage for self or dependents who lose eligibility under spouse's plan if such individual loses eligibility as a result of the divorce, legal separation, annulment, or death. (Note: Under IRS "tag-along" interpretation, any dependents may be enrolled so long as at least one dependent has lost coverage under the spouse's plan.)</p>	<p>Same as previous column (Note: HIPAA special enrollment rights likely do not apply).</p>	<p>Employee may decrease election for former spouse who loses eligibility (Note: HIPAA special enrollment rights likely do not apply). Employee may enroll or increase election where coverage lost under spouse's health plan.</p>	<p>Employee may enroll or increase to accommodate newly eligible dependents (e.g., due to death of spouse) or decrease or cease coverage if eligibility is lost (e.g., because dependent now resides with ex-spouse).</p>	<p>Employee may enroll, increase, decrease, or cease coverage even when eligibility is not impacted.</p>
<p>B. Change in the Number of Employee's Dependents</p>					

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
1. Gain Dependent (birth, adoption)	Employee may enroll or increase coverage for newly-eligible dependent (and any other dependents who were not previously covered under IRS "tag-along" rule); coverage option (e.g., HMO to PPO) change may be made; employee may revoke or decrease employee's or dependent's coverage if employee becomes eligible under spouse's plan. Also, see HIPAA special enrollment rule below.	Same as previous column (Note: HIPAA special enrollment rights likely do not apply).	Same as previous column (Note: HIPAA special enrollment rights likely do not apply).	Employee may enroll or increase to accommodate newly eligible dependents (and any other dependents who were not previously covered under IRS "tag-along" rule).	Employee may enroll, increase, decrease, or cease coverage even when eligibility is not impacted.
2. Lose Dependent (death)	Employee may drop coverage only for the dependent who loses eligibility; coverage option (e.g., HMO to PPO) change may be made.	Same as previous column.	Employee may decrease or cease election for dependent who loses eligibility.	Employee may decrease election for dependent who loses eligibility.	Employee may enroll, increase, decrease, or cease coverage even when eligibility is not impacted.
C. Change in Employment Status of Employee, Spouse, or Dependent That Affects Eligibility					
1. Commencement of Employment by Employee, Spouse, or Dependent (or Other Change in Employment Status) That Triggers Eligibility					

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
a. Commencement of Employment by Employee or Other Change in Employment Status (e.g., PT to FT, hourly to salaried, etc.) Triggering Eligibility Under Component Plan	Provided eligibility was gained for this coverage, employee may add coverage for employee, spouse, or dependents and coverage option (e.g., HMO to PPO) change may be made.	Same as previous column.	Same as previous column.	Same as previous column.	Employee may enroll, increase, decrease, or cease coverage even when eligibility is not impacted.
b. Commencement of Employment by Spouse or Dependent or Other Employment Event Triggering Eligibility Under Their Employer's Plan	Employee may revoke or decrease election as to employee's, spouse's, or dependent's coverage if employee, spouse or dependent is added to spouse's or dependent's coverage; coverage option (e.g., HMO to PPO) change may be made.	Same as previous column.	Employee may apparently decrease or cease FSA election if gains eligibility for health coverage under spouse's or dependent's plan.	Employee may make or increase election to reflect new eligibility (e.g., if spouse previously did not work). Employee may revoke election as to dependent's coverage if dependent is added to spouse's plan.	Employee may enroll, increase, decrease or cease coverage even when spouse's or dependent's eligibility is not impacted.
2. Termination of Employment by Employee, Spouse, or Dependent (or Other Change in Employment-Status) That Causes Loss of Eligibility					
a. Termination of Employee's Employment or Other Change in Employment Status (e.g., unpaid leave, FT to PT, strike, salaried to hourly, etc.) Resulting in a Loss of Eligibility	Employee may revoke or decrease election for employee, spouse or dependents who lose eligibility under the plan. In addition, other previously eligible dependents may also be enrolled under "tag-along" rule. Coverage option (HMO to PPO) change may be made.	Same as previous column.	Same as previous column.	Employee may revoke or decrease election to reflect loss of eligibility.	Employee may enroll, increase, decrease or cease coverage even when eligibility is not affected.

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
i. Termination and Rehire Within 30 Days	Prior elections at termination are reinstated unless another event has occurred that allows a change (as an alternative, employer may prohibit participation until next plan year).	Same as previous column.	Same as previous column.	Same as previous column.	Same as previous column.
ii. Termination and Rehire After 30 Days	Employee may make new elections.	Same as previous column.	Same as previous column.	Same as previous column.	Same as previous column.
b. Termination of Spouse's or Dependent's Employment (or other change in employment status resulting in a loss of eligibility under their employer's plan)	Employee may enroll or increase election for employee, spouse or dependents who lose eligibility under spouse's or dependent's employer's plan. In addition, other previously eligible dependents may also be enrolled under "tag-along" rule. Coverage option (e.g., HMO to PPO) change may be made; See HIPAA special enrollment rule below.	Same as previous column (Note: HIPAA special enrollment rights likely do not apply).	Employee may enroll or increase FSA election if spouse or dependent loses eligibility for health coverage (Note: HIPAA special enrollment rights likely do not apply).	Employee may enroll or increase if spouse or dependent loses eligibility for Dependent Care FSA. Employee may decrease or cease Dependent Care FSA election if spouse's loss of employment renders dependents ineligible.	Employee may enroll, increase, decrease or cease even when eligibility is not affected.
D. Event Causing Employee's Dependent to Satisfy or Cease to Satisfy Eligibility Requirements (Also see discussion of gain/loss of eligibility under dependent or spouse's employer's plan)					
1. Event by Which Dependent Satisfies Eligibility Requirements Under Employer's Plan (attaining a specified age, becoming single, becoming a student, etc.)	Employee may enroll or increase election for affected dependent. In addition, employee may apparently add previously eligible (but not enrolled) dependents under "tag-along" rule; coverage option (e.g., HMO to	Same as previous column.	Employee may increase election or enroll only if dependent gains eligibility under Healthcare FSA.	Employee may increase election or enroll to take into account expenses of affected dependent.	Employee may enroll, increase, decrease or cease even when eligibility is not affected.

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
	PPO) change may be made.				
2. Event by Which Dependent Ceases to Satisfy Eligibility Requirements Under Employer's Plan (attaining a specified age, getting married, ceasing to be a student, etc.)	Employee may decrease or revoke election only for affected dependent. Coverage option (e.g., HMO to PPO) change may be made.	Same as previous column.	Employee may decrease election to take into account ineligibility of expenses of affected dependent, but only if eligibility is lost.	Employee may decrease or drop election to take into account expenses of affected dependent.	Employee may enroll, increase, decrease or cease coverage even when eligibility is not affected.
E. Change in Place of Residence of Employee, Spouse, or Dependent					
1. Move Triggers Eligibility	Employee may enroll or increase election for newly eligible employee, spouse, or dependent. Also, other previously eligible dependents may be re-enrolled under "tag-along" rule; coverage option (e.g., HMO to PPO) change may be made.	Same as previous column.	No change allowed, even if underlying health coverage change occurs.	N/A. Dependent care eligibility is not generally affected by place of residence (but see change in coverage below).	Employee may increase or decrease even if spouse's or dependent's eligibility is not affected.
2. Move Causes Loss of Eligibility (e.g., employee or dependent moves outside HMO service area)	Employee may revoke election or make new election if the change in residence affects the employee's, spouse's or dependent's eligibility for coverage option.	Same as previous column.	No change allowed, even if underlying health coverage change occurs.	N/A. Dependent care eligibility is not generally affected by place of residence (but see change in coverage below).	Employee may enroll, increase, decrease or cease even when eligibility is not affected.

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
II. Cost Changes With Automatic Increase/Decrease in Elective Contributions (including employer motivated changes and changes in employee contribution rates)	Plan may automatically increase or decrease (on a reasonable and consistent basis) affected employees' elective contributions under the plan, so long as the terms of the plan require employees to make such corresponding changes.	Same as previous column.	No change permitted.	Application is unclear. Presumably, plan may automatically increase or decrease (on a reasonable and consistent basis) affected employees' elective contributions under the plan, so long as the terms of the plan require employees to make such corresponding changes.	Same as Major Medical column.
III. Significant Cost Changes	<p>Significant Cost Increase: Affected employee may increase election correspondingly OR revoke election and elect coverage under another benefit package option providing similar coverage. If no option providing similar coverage is available, employee may revoke election.</p> <p>Significant Cost Decrease: Employees may elect coverage (even if had not participated before) with decreased cost, and may drop election for similar coverage</p>	Same as previous column.	No change permitted.	Same as Major Medical column for significant cost increase, except no change can be made when the cost change is imposed by a dependent care provider who is a relative of the employee.	Same as Major Medical column.

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
	<p>option.</p> <p>Though unclear, it appears that tag-along concepts may apply.</p>				
<p>IV. Significant Coverage Curtailment (With or Without Loss of Coverage)</p>	<p>Without Loss of Coverage: Affected participant may revoke election for curtailed coverage and make new prospective election for coverage under another benefit package option which provides similar coverage.</p> <p>With Loss of Coverage: Affected participant may revoke election for curtailed coverage and make new prospective election for coverage under another benefit package option which provides similar coverage OR drop coverage if no similar benefit package option is available.</p>	<p>Same as previous column.</p>	<p>No change permitted.</p>	<p>Election change may apparently be made whenever there is a change in provider or a change in hours of dependent care.</p>	<p>Same as Major Medical column.</p>
<p>V. Addition or Significant Improvement of Benefit Package Option</p>	<p>Eligible employees (whether currently participating or not) may revoke</p>	<p>Same as previous column.</p>	<p>No change permitted.</p>	<p>Eligible employees (whether currently participating or not) may revoke</p>	<p>Same as previous column.</p>

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
<p>A. Employee's Commencement of FMLA Leave</p>	<p>Employee can make same elections as employee on non-FMLA leave. In addition, an employer must allow an employee on unpaid FMLA leave either to revoke coverage or to continue coverage but allow employee to discontinue payment of his or her share of the contribution during the leave (the employer may recover the employee's share of contributions when the employee returns to work). FMLA also allows an employer to require that employees on paid FMLA leave continue coverage if employees on non-FMLA paid leave are required to continue coverage.</p>	<p>Same as previous column.</p>	<p>Same as previous column.</p>	<p>Employee may revoke election and make another election as provided under FMLA.</p>	<p>Same as previous column.</p>
<p>B. Employee's Return from FMLA Leave</p>	<p>Employee may make a new election if coverage terminated while on FMLA leave. In addition, an employer may require an employee to be reinstated in his</p>	<p>Same as previous column.</p>	<p>Same as previous column. Note that, upon return, an employee whose coverage has lapsed has the right to resume coverage at prior coverage</p>	<p>Employee may make a new election if coverage terminated while on FMLA leave. In addition, an employer may require an employee to be reinstated in his</p>	<p>Same as previous column.</p>

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
	<p>or her election upon return from leave if employees who return from a non-FMLA paid leave are required to be reinstated in their elections.</p>		<p>level (and make up unpaid premiums) or at a level reduced prorate for the missed contributions.</p>	<p>or her election upon return from leave if employees who return from a non-FMLA leave are required to be reinstated in their elections.</p>	

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
IX. HIPAA Special Enrollment Rights (See related exception for addition of new dependents)					
A. Special Enrollment for Loss of Other Health Coverage	Employee may elect coverage for employee, spouse, or dependent who has lost other coverage (COBRA coverage exhausted or terminated, no longer eligible for non-COBRA coverage or employer contributions for non-COBRA coverage terminated, etc.) Though unclear, it appears that tag-along concepts may apply.	No change permitted, unless plan is subject to HIPAA.	No change permitted, unless healthcare FSA is subject to HIPAA.	No change permitted.	No change permitted.
B. Special Enrollment for Acquisition of New Dependent by Birth, Marriage, Adoption, or Placement for Adoption (If newborn or newly adopted child is enrolled under HIPAA's special rules, child's coverage may be retroactive to date of birth, adoption, or placement for adoption; employee may change salary reduction election to pay for extra cost of child's coverage)	Employee may elect coverage for employee, spouse, or dependent. Example provides that election of coverage may also extend to previously eligible (but not yet enrolled) dependents.	No change permitted, unless plan is subject to HIPAA.	No change permitted, unless healthcare FSA is subject to HIPAA.	No change permitted.	No change permitted.

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
retroactive to date of birth, adoption, or placement for adoption. For marriage, coverage is effective prospectively.					
X. COBRA Events	Employee may increase pre-tax contributions under employer's plan for coverage if COBRA event (or similar state law continuation coverage event) occurs with respect to the employee, spouse, or dependents with respect to which the COBRA qualifying event occurred (such as a loss of eligibility for regular coverage due to loss of dependent status or a reduction in hours, etc.) and if applicable, the individual still qualifies as a tax dependent of employee.	Same as previous column.	No change permitted.	No change permitted.	No change permitted.
XI. Judgment, Decree, or Order					

Event	Major Medical	Dental and Vision	Healthcare FSA	Dependent Care FSA	Employee Group Life, AD&D and Disability Coverage
A. Order That Requires Coverage for the Child Under Employee's Plan	Employee may change election to provide coverage for the child. Though unclear, it appears that tag-along concepts may apply.	Same as previous column.	Same as previous column.	No change permitted.	No change permitted.
B. Order That Requires Spouse, Former Spouse, or Other Individual to Provide Coverage for the Child	Employee may change election to cancel coverage for the child.	Same as previous column.	Same as previous column.	No change permitted.	No change permitted.
XII. Medicare or Medicaid					
A. Employee, Spouse, or Dependent Enrolled in Employer's Accident or Health Plan Becomes Entitled to Medicare or Medicaid (other than coverage solely for pediatric vaccines)	Employee may elect to cancel or reduce coverage for employee, spouse, or dependent, as applicable.	Unlikely that employee can elect to drop dental or vision coverage; presumably, employee must retain coverage.	Employee may apparently decrease or revoke election or increase election if Healthcare FSA is dropped due to Medicare/Medicaid and prior employer coverage was more comprehensive.	No change permitted.	No change permitted.
B. Employee, Spouse, or Dependent Loses Eligibility for Medicare or Medicaid (other than coverage solely for pediatric vaccines)	Employee may elect to commence or increase coverage for employee, spouse, or dependent, as applicable. Though unclear, it appears that tag-along concepts may apply.	Unlikely that employee can elect to add dental or vision coverage; presumably, employee cannot.	Employee may apparently increase or decrease or revoke election where employer plan elected due to loss of eligibility for Medicare/Medicaid is more comprehensive than Medicare/Medicaid.	No change permitted.	No change permitted.