

**ADOPTION AGREEMENT
FLEXIBLE BENEFITS PLAN
FOR EMPLOYEES OF**

City of Rapid City

Group #25000

The undersigned Employer, by executing this Adoption Agreement, elects to become a participating Employer in the accompanying Flexible Benefits Plan by adopting said plan document in full. The Employer makes the following elections granted under the provisions of the Plan.

1. The **name of the Plan** as adopted by the Employer is the City of Rapid City Flexible Benefits Plan.

2. Name of Employer Acting as **Plan Sponsor:** City of Rapid City
Employer I.D. No.: 46-6000380

3. **Affiliates of the Plan Sponsor** electing to be adopting and participating Employers are:

Name
Employer I.D.

Name
Employer I.D.

Name
Employer I.D.

4. All Employees shall be eligible to participate in the Plan except the following **Employees shall NOT be eligible to participate** (With respect to Pre-tax Premium Only benefit options chosen in 9 below, eligibility shall be governed by each applicable underlying benefit plan.):

- (a) No exclusions
- (b) Employees who are not benefited employees.
- (c) Employees who have not completed _____ days of service.
- (d) Employees who do not work at least 30 hours per week on a regular basis.
- (e) Employees of the Employer who are included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more employers unless the collective bargaining agreement requires the Employee to be included within the Plan. The term "employee representatives" does not include any organization more than half of the members of which are owners, officers, or executives of the Employer. *(Note: If the Employer excludes union employees from the Plan by checking this box, the Employer must be able to produce evidence that welfare benefits were the subject of good faith bargaining.)*
- (f) Commission salespersons
- (g) Employees compensated on an hourly basis
- (h) Employees compensated on a salaried basis
- (i) Employees who are temporary or seasonal, or who are employed with the understanding that their employment is for a specific period of time or will be terminated upon completion of a specific project.
- (j) Other employees (specify): _____

Notwithstanding the foregoing, the following Employees cannot participate in the Plan, based on the Internal Revenue Code and the Plan terms: self-employed individuals described in Code section 401(c), "2-percent shareholders" of an S corporation (and their family members), sole proprietors, partners in a partnership, and individuals classified by the Employer as independent contractors.

5. **Effective Date.** The original "Effective Date" of the Plan is April 1, 1993. The Effective Date of this Adoption Agreement is January 1, ~~2011~~2013.
6. The following applies to the **date an eligible employee begins participation** in the benefit options selected in 9 below other than Pre-tax Premium Only selections. Eligibility and timing of participation for Pre-Tax Premium Only benefit options chosen in 9 below shall be governed by each applicable underlying benefit plan. Employees who have met the eligibility requirements on the Effective Date of this Adoption Agreement may become Participants in the Plan as of such Effective Date (or may continue as Participants if this is a restated plan).

An Employee who meets the eligibility requirements after the Effective Date may become a Participant

- On the first day of the first month following the date on which the employee meets the eligibility requirements of the Plan.
- On the first day of the first payroll period following the date on which the Employee meets the eligibility requirements of the Plan.
- On the first day of the first month following the date on which the Employee meets the eligibility requirements of the Plan.
- _____ following the date on which the Employee meets the eligibility requirements of the Plan.
- Immediately on the date on which the Employee meets the eligibility requirements of the Plan.
- Other: _____

7. **"Plan Year"** shall mean the period of 12 consecutive months ending every December 31, provided that the first Plan Year shall not commence before the Effective Date, which could result in a short initial Plan Year.

8. Employees who **terminate employment** are considered terminated on:

- Date of termination
- First of the month following date of termination

9. **Benefit Options Available to Participants.**

- Pre-tax Premium Only** for (check all that apply):
 - medical benefit plans
 - dental benefit plans
 - prescription benefit plans
 - group term life insurance plans
 - disability benefit plans
 - cancer benefit plans
 - vision benefit plans
 - accident benefit plans
 - other benefit plan: intensive care plans
- Pre-tax salary reduction contributions to **health savings accounts ("HSAs")**

- Medical Expense Reimbursement Account**
- General Purpose Account
 - General Purpose Employee Only Account
 - General Purpose Employee plus Children Account
 - Limited Purpose Account, if employee, spouse or dependent make or receive contributions in a Health Savings Account (HSA) subject to a maximum annual limit.

Medical Expense Reimbursement Account contribution allowed for the plan year, per employee: Maximum annual limit of ~~\$5,000~~ \$2,500 and a minimum annual limit of \$0.00.

Prepayment of Orthodontia Claims Option Yes No
(Note: Formal IRA position is ‘no’; Employer understands tax risks associated with “yes”.)

- Dependent Care Expense Reimbursement** subject to a maximum annual \$5,000 limit allowed by law for married participants filing jointly and a minimum annual limit of \$0.00 (the maximum amount which can be contributed to this option each Plan year is \$5,000 (\$2,500 if married and filing a separate income tax return)).

- Flexible Credits/Cash Option** -- Each Plan Year a Participant may elect to receive in cash up to \$_____ of the Flexible Dollars, if any, allocated by the Employer to the Plan for the benefit of the Participant.

10. The **maximum compensation reduction** amount allowed to any Participant for any Plan Year shall be an amount equal to the total of the maximum annual Medical Expense Reimbursement limit (in 9 above), the applicable statutory limit on excludable dependent care expenses, the highest premium costs payable by Employees with respect to the Employer's benefit plans selected in 9 above, and the applicable statutory limits on HSA contributions, if HSA contributions are elected in 9 above.

11. If the Plan provides the Medical Expense Reimbursement Option:

- (a) The **minimum amount** for which claims for accrued and unpaid expenses will be paid \$25.00 \$50.00 \$0.00
- (b) Each Participant electing such benefits shall pay an annual **Participation Fee** of \$_____.

- (c) A **General Purpose Medical Expense Reimbursement Account** Expense shall reimburse a Participant for qualified medical expenses described in Code section 213(d), provided the expenses are properly documented and are not paid from any other source.
- (d) A **Limited Purpose Medical Expense Reimbursement Account** shall reimburse a Participant for qualified medical expenses described under Code section 213(d) that relate to vision care (including examinations, glasses, contact lenses) and dental care, provided the expenses are properly documented and are not paid or from any other source.
- (e) A Participant may change from a General Purpose Account to a Limited Purpose Account during a Plan Year, but a Limited Purpose Account may not be converted to a General Purpose Account during a Plan Year.
- (f) A Participant's election with respect to a Medical Expense Reimbursement Account (other than the type of Account -- Limited or General Purpose) shall be **irrevocable during a Plan Year** except in the event of a Change in Status pursuant to which an election change would be permitted under the terms of the Plan.
- (g) The **Qualified Reservist Distribution (HEART)** is is not available from Reservist's Medical Expense Reimbursement Account as provided in Section 4.9 of the Plan.
- (h) A **Flex Debit Card** will will not be issued to Participants for Medical Expense Reimbursement Account. If a Flex Debit Card will be issued to Participants, the Participant Employer will pay the annual card fee.
12. Claims for medical or dependent care expense reimbursement, if such accounts are elected in Section 9 above, must be filed by 90 days after the end of the plan year (**"the runout period"**).
13. A **Grace Period** will will not apply to unused benefits at the end of the Plan Year with respect to claims incurred during the Grace Period in the following Plan Year. If a Grace Period does apply, the length of the Grace Period will be the 2 ½ month period following the end of each Plan Year (not to exceed 2 months and 15 days after the end of the Plan Year).

The **Grace Period will apply** to:

- Medical Reimbursement Accounts Only
 Both Medical and Dependent Care Expense Reimbursement Accounts

14. **Forfeitures of Medical Expense Reimbursement Accounts** shall be used first, to offset any losses experienced by the Employer as a result of making reimbursements in excess of contributions paid by Participants, and then as follows:

- to reduce the cost of administering the Medical Expense Reimbursement Account during the Plan Year and the subsequent Plan Year;
- to reduce salary reduction amounts (commonly referred to as a “premium holiday”) for the immediately following plan year on a reasonable and uniform basis;
- to increase the annual benefits or coverage amount for the immediately following plan year on a reasonable and uniform level;
- allocate to participants in cash.
- the Plan Administrator, at its discretion, will determine each year how to apply the forfeitures based upon the permissible uses under the IRS regulations and ERISA.

15. **Forfeitures of Dependent Care Expense Reimbursement Accounts** shall be used first, to offset any losses experienced by the Employer as a result of making reimbursements in excess of contributions paid by Participants, and then as follows:

- to reduce the cost of administering the Dependent Care Expense Reimbursement Account during the Plan Year and the subsequent Plan Year;
- to reduce salary reduction amounts (commonly referred to as a “premium holiday”) for the immediately following plan year on a reasonable and uniform basis;
- to increase the annual benefits or coverage amount for the immediately following plan year on a reasonable and uniform level;
- allocate to participants in cash.
- the Plan Administrator, at its discretion, will determine each year how to apply the forfeitures based upon the permissible uses under the IRS regulations and ERISA.

16. Following is the generally accepted **definition of Compensation**:

Compensation means the total amount of all payments made by, or on behalf of, an Employer to an Employee for services rendered to the Employer, including bonuses, commissions, overtime pay and salary reduction contributions made under the Flexible Benefits Plan or any other plan of the Employer, but does not include expense reimbursements, fringe benefits provided by the Employer, director's fees, severance pay, contributions made by the Employer for group insurance, self-insured benefits, or to any employee benefit plan.

The above definition (check one):

is satisfactory is not satisfactory

If not satisfactory, specify an acceptable definition:

17. **Plan Number.** If this Plan has chosen to have Medical Expense Reimbursement Accounts, the ERISA plan number assigned to the portion of the Plan representing health care reimbursement is 501 N/A

The undersigned Employer, acting as Plan Sponsor, hereby adopts and agrees to the provisions of the accompanying plan document and this Adoption Agreement (the "Plan"), and in witness of its agreement, the Sponsor, or the Sponsor by its duly authorized officer, has executed this Adoption Agreement, on this ____ day of _____, 20____.

By _____
"PLAN SPONSOR"