

# SOUTHERN CALIFORNIA PIPE TRADES HEALTH AND WELFARE FUND ACTIVE PLAN

## SUPPLEMENT #28

To: All Participants  
From: Board of Trustees  
Date: September 2011  
Re: Health Reimbursement Arrangement

### PLEASE KEEP THIS NOTICE WITH YOUR SUMMARY PLAN DESCRIPTION BOOK

If required under the terms of a Collective Bargaining Agreement (CBA) or certain other agreements, an employer may make pre-tax contributions on behalf of an Employee to the Southern California Pipe Trades Health & Welfare Fund (the "Fund" or the "Plan") for the purpose of funding a Health Reimbursement Arrangement (HRA). Amounts contributed to an HRA Allowance (defined below), if any, may be used to reimburse a Participant tax-free for certain medical expenses which are not covered by the Southern California Pipe Trades Health & Welfare Fund or any other health plan. If a Participant's Spouse and/or children are eligible under the terms of the Plan, certain of their medical expenses will also be reimbursable tax-free from the HRA Allowance. All HRA contributions are Fund assets. Participants are not vested in any contributions made on their behalf, and an HRA Allowance may only be used in accordance with the terms of the Plan.

#### Active Participant Eligibility

If an employer makes an HRA contribution to the Fund on behalf of a Participant, the Participant is entitled to these contributions, subject to the terms of the Plan, once he becomes eligible to participate in the Plan. The Participant's HRA benefit is called an "HRA Allowance." An HRA Allowance may be used to reimburse eligible expenses incurred by the Participant, his eligible Spouse and his eligible Dependents as defined under the Plan.

#### Loss of Eligibility

If a Participant with a balance remaining in his HRA Allowance ceases to be eligible for benefits under the Plan, due to such circumstances as termination of employment, reduction of hours of employment, or retirement, he may continue to submit claims for reimbursement from his HRA Allowance up to the amount of this balance. Any Dependent who would have been covered before the Participant ceased to be eligible for benefits continues to be covered. However, once an otherwise eligible Dependent child turns age 26, or an eligible Spouse divorces the Participant, he or she is no longer eligible under the terms of the Plan, and his or her medical expenses incurred after the loss of eligibility are no longer reimbursable from the HRA, unless he or she pays for COBRA coverage (discussed further below).

**Example:** The Participant loses eligibility, at a time when his 25-year-old Dependent child was eligible under the terms of the Plan. The Participant may claim reimbursement for the child's eligible expenses, whether incurred before or after the loss of eligibility, but not for expenses incurred after that child turns age 26.

**Example:** The Participant loses eligibility, at a time when his Spouse was eligible under the terms of the Plan. The Participant may claim reimbursement for his Spouse's eligible expenses, whether incurred before or after the loss of eligibility, but not for expenses incurred after he and his Spouse later divorce.

#### Benefit Amount

The amount of the HRA benefit in any calendar year is determined by the number of hours the Participant works in covered employment, multiplied by the rate set forth in the CBA or other agreement. If the HRA Allowance is not used in any one calendar year it may be carried over year-to-year until depleted. It is expected that this benefit will be provided as long as the CBA or other agreement provides for a contribution for such a benefit and, once an HRA Allowance is established, as long as a Participant has a balance remaining in his HRA Allowance (subject to the forfeiture rules listed below). The Trustees, however, retain the right to change the rules pertaining to this benefit or terminate this benefit at the end of any calendar year as they deem appropriate.

- No benefit will be paid from a Participant's HRA Allowance in an amount less than \$25.00.
- No benefits will be paid from the HRA before January 1, 2012.

#### Forfeitures

If an HRA Allowance is less than \$25.00 and no contributions have been received on behalf of the Participant for 24 consecutive months, the HRA Allowance will be forfeited to the Fund. If an HRA Allowance is \$25 or more, and if no contributions have been received, and no claims have been filed, for 24 months, and if the participant does not respond to a letter sent to his last known address by the Fund office, then his HRA Allowance will be forfeited to the Fund.

#### Payment of Large Claims

If a Participant files a claim for the HRA Allowance but there is not enough money in the HRA Allowance to pay the entire claim, the Fund will pay only the amount in the HRA Allowance. Once at least \$25.00 in additional contributions has been credited to the HRA allowance, the Participant may re-file the claim for additional reimbursement.

#### Reimbursable Expenses

An HRA Allowance may be used to reimburse eligible health care expenses incurred by the Participant or his Spouse or his eligible Dependents which would otherwise be only partially covered or excluded from coverage by the Plan and any other health plan. Reimbursable expenses are those that constitute "medical care" under Section 213 of the Internal Revenue Code. An HRA Allowance may be used to reimburse the Participant for Plan deductibles, co-payments, and other non-covered expenses for medical, prescription drug, dental, vision, and psychiatric services. An HRA Allowance may also be used to pay for self-pay premiums, COBRA premiums, other medical plan coverage, Medicare supplemental coverage, Medicare Part B or D monthly payments, and long-term care insurance premiums (but not life insurance premiums).

To be eligible for reimbursement, the expenses must be:

- incurred on or after July 1, 2011; and
- submitted within 12 months after the date the claim was incurred. Claims submitted after 12 months will be denied. Large claims that were initially filed by the 12 month deadline but which still had a remaining balance after the HRA Allowance was exhausted may be re-filed indefinitely as new contributions to the HRA Allowance are received.

**Note:** Generally reimbursement from an HRA Allowance for eligible expenses will not be taxable. However, it is the obligation of the Participant, eligible Spouse or other eligible Dependent to determine his or her own individual tax obligation.

Examples of eligible expenses are as follows:

- Co-payments, co-insurance and deductibles
- Acupuncture
- Chiropractic visits
- Crutches
- Dental Expenses
- Expenses that exceed medical, hospital, dental or vision plan limits
- Eye exams, glasses and contact lenses
- Hearing aids
- Laser eye surgery
- Orthodontia
- Orthopedic shoes
- Pregnancy services for an eligible Dependent child
- Physical exams
- Physical therapy
- Prescription Drugs
- Psychotherapy
- Transportation expenses related to medical care
- Well baby and well childcare
- Wheelchairs

Examples of ineligible expenses are as follows:

- Over-the-counter medications or products
- Cosmetic services
- Expenses claimed on an income tax return
- Expenses that are reimbursed by other sources, such as insurance plans
- Fees for exercise or health clubs, unless medically necessary
- Hair transplants
- Illegal treatments, operations or drugs
- Postage and handling fees
- Weight loss programs that are not medically necessary

## Claims Procedures

No benefits will be paid from the HRA before January 1, 2012. No benefit will be paid from a Participant's HRA Allowance in an amount less than \$25.00. An HRA Claim Form must be submitted. The Claim Form, which will be available from the Fund Office after January 1, 2012, will require the Participant's certification that the expenses were not reimbursed, and are not reimbursable, by this or any other plan. Along with the Claim Form, supporting documentation must be provided describing the expenses and proving that the Participant (or eligible Spouse or other eligible Dependent) paid the expenses. Supporting documentation may include, but is not limited to, the following, as applicable:

- An itemized bill describing the services provided, the person to whom the services were provided, the name of the provider, the date of service, and the charged amount
- An Explanation of Benefits (EOB)
- A receipt showing proof of payment

## COBRA Continuation Coverage

If a Participant, eligible Spouse or other eligible Dependent has a qualifying event and is eligible for COBRA Continuation Coverage, he or she will have the option to pay for COBRA coverage.

### COBRA Coverage for Participants and their Eligible Dependents

A Participant is not required to elect COBRA Continuation Coverage, or to pay COBRA premiums, to retain access to his HRA Allowance.

**Example:** The Participant loses eligibility because his employment is terminated and his Eligibility Bank runs out. He does not elect COBRA Continuation Coverage because he can obtain coverage through his wife's employer. He may nonetheless continue to claim reimbursement from his HRA Allowance for eligible expenses, including the premiums his wife pays for their medical coverage, as well as the eligible expenses of his eligible Spouse or other eligible Dependent.

If the Participant does elect COBRA Continuation Coverage, he has the option to elect HRA COBRA by paying an additional HRA COBRA premium which will add additional contributions to his HRA Allowance. These additions to the HRA allowance will, however, be after-tax amounts.

### COBRA Coverage for Eligible Spouses and other Eligible Dependents

Spouses and other Dependents who qualify as COBRA Beneficiaries fall into two categories:

- If the Dependent's loss of eligibility is due to the Participant's termination of employment, reduction in hours or death  
As noted above, an eligible Spouse or other eligible Dependent shall continue to be eligible to have qualified expenses reimbursed from the Participant's HRA Allowance upon the Dependent's loss of eligibility in the Plan due to the Participant's termination of employment, reduction in hours or death. The Dependent's expenses will continue to be reimbursed in the same manner as they were reimbursed prior to the loss of eligibility. An eligible Spouse or other eligible Dependent is not required to elect COBRA to have qualified expenses reimbursed from the Participant's HRA Allowance in these cases. However, if he or she elects COBRA Continuation Coverage, he or she has the option to also elect HRA COBRA by paying an additional HRA COBRA premium. By paying the additional premium, additional contributions will be added to the HRA Allowance.
- If the Dependent's loss of eligibility is due to divorce or because a Dependent no longer meets the definition of "Eligible Dependent" under the Plan

An eligible Spouse or other eligible Dependent who loses eligibility under the Plan because he or she no longer meets the definition of an "Eligible Dependent" under the Plan—for example because of divorce in the case of a Spouse or turning age 26 in the case of a child—shall no longer have access to the Participant's HRA Allowance upon the loss of eligibility unless he or she elects both COBRA Continuation Coverage and HRA COBRA. The additional HRA premium will give the eligible Spouse or other eligible Dependent access to the HRA Allowance and will also add additional contributions to the HRA Allowance, on an after-tax basis.

An eligible Spouse or other eligible Dependent who pays a COBRA premium may obtain reimbursement only for his or her own eligible expenses incurred after the start of COBRA coverage, and only to the extent that there is a balance in the HRA Allowance. Eligible expenses incurred before the start of COBRA coverage may still be reimbursable to the Participant.

**Example:** An eligible Dependent child turns age 26 and therefore loses coverage under the Plan. The child chooses not to pay for COBRA Continuation Coverage. She then suffers an injury, the treatment for which is not entirely covered by the Plan or any other source. The child may not claim reimbursement from the HRA Allowance, because she did not pay for COBRA coverage.

**Example:** A Participant and his eligible Spouse divorce, so that the ex-spouse loses coverage under the Plan. She elects to pay for COBRA Continuation Coverage. She then suffers an injury, the treatment for which is not entirely covered by the Plan or any other source. The ex-spouse may claim reimbursement from the HRA Allowance, because she paid for COBRA coverage.

**Example:** A Participant and his eligible Spouse divorce, so that the ex-spouse loses coverage from the Plan. She elects to pay for COBRA Continuation Coverage. The couple's eligible Dependent child, who lives with the ex-spouse, suffers an injury the treatment for which is not completely covered by the Plan or by any other source. The ex-spouse may not claim reimbursement from the HRA Allowance, because COBRA only covers her own expenses. (However, the Participant may claim reimbursement for the child's eligible expenses related to the injury.)

### HRA COBRA Premiums

The amount of the HRA COBRA Premium will be determined by the Fund and its Trustees who may, from time to time, change the amount as they determine appropriate. The paid premium will be added to the existing HRA Allowance as an additional contribution, with the exception of a small portion that will go to defray administrative expenses. As previously noted, HRA COBRA cannot be elected unless regular COBRA Continuation Coverage (Core or Full) is elected.

**Note:** if the Participant or an eligible Spouse or other eligible Dependent adds to the HRA Allowance through the payment of a COBRA premium, these amounts are subject to all regular HRA rules and restrictions and may be forfeited per those rules. The amounts added through the payment of a COBRA premium become part of the HRA Allowance and may be used by any individual who is eligible to seek reimbursement from the HRA Allowance, not just the party paying the COBRA premium.

### Death of the Participant

If a Participant has an HRA Allowance and he dies prior to submitting a claim to the Fund Office for eligible health care expenses, the expenses may nonetheless constitute eligible expenses and payment may be made to the Participant's estate. (Payment can generally not be made to the Beneficiary of other Fund benefits, but only to the participant's estate.) In such cases, the claim for reimbursement must be completed and submitted to the Fund Office either by the surviving eligible Spouse or by another eligible Dependent, or by a representative of the estate.

The Participant's eligible Spouse and/or other eligible Dependents will retain access to any balance in the HRA Allowance to pay for their qualified medical expenses so long as they would have been eligible had the participant survived and continued to participate in the Plan as an active participant. Upon the Participant's death and the death of any surviving eligible Spouse and all other eligible Dependent(s), any remaining balance in the HRA Allowance will be forfeited to the Fund.

### Family and Medical Leave Act (FMLA)

During a Participant's FMLA leave, his HRA Allowance will be maintained. If the Participant properly notifies his employer of his leave his employer may be required to continue to make an HRA contribution to the Fund on the Participant's behalf. Any questions about whether or not a Participant is entitled to continued contributions to his HRA Allowance must be resolved with his employer.

### Military Leave

Participants serving in qualified military service for less than 31 days may be entitled under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) to have contributions made to their HRA Allowance by their employer during this period of service. Any questions about whether or not a Participant is entitled to continued contributions to his HRA Allowance must be resolved with his employer. No additional contributions are required to be made to an HRA Allowance for Participants serving longer periods of time in qualified military service. However, if a Participant notifies the Fund Office that he is serving in qualified military service, time spent in military service will not be counted in determining whether there has been sufficient inactivity in the account to cause forfeiture.

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